

ANNUAL FINANCIAL REPORT

of the

NORTHEAST NEBRASKA SOLID WASTE COALITION

for the fiscal years ended
September 30, 2016
and 2015

NORTHEAST
NEBRASKA
SOLID WASTE
COALITION

ANNUAL FINANCIAL REPORT

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September 30, 2016
and 2015*

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SOLID WASTE COALITION
ANNUAL FINANCIAL REPORT**
For the Fiscal Years Ended September 30, 2016 and 2015

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NORTHEAST NEBRASKA SOLID WASTE COALITION

List of Principal Officials
September 30, 2016

| <u>Title</u> | <u>Name</u> | <u>Representing</u> | <u>Population</u> |
|------------------|-------------------|-------------------------|-------------------|
| Chairperson | John Anderson | City of Fremont | 26,397 |
| Board member | Corey Granquist | City of Norfolk | 24,210 |
| Vice-Chairperson | Jim Bulkley | City of Columbus | 22,111 |
| Board member | Ron Pfeifer | Platte County | 9,850 |
| Board member | Bob Missel | Dodge County | 8,437 |
| Board member | Christian Ohl | Madison County | 6,720 |
| Board member | Jerry Weatherholt | Stanton County | 4,200 |
| Board member | David Schold | Burt County | 5,415 |
| Board member | Rob Fite | City of Madison | 2,438 |
| Board member | Melissa Vogel | City of Stanton | 1,577 |
| Board member | Greg Mockenhaupt | City of Oakland | 1,244 |
| Board member | Michael Fleer | City of Battle Creek | 1,207 |
| Board member | Nancy Mostek | Village of Hooper | 830 |
| Board member | Randy Paczosa | Village of Silver Creek | 362 |
| Board member | Eric Gahner | Village of Nickerson | 369 |
| Board member | Jerry Abrahamson | Village of Inglewood | 325 |
| Board member | Dennis Wolverton | Village of Pilger | 352 |
| Board member | Eugene Drozd | Village of Duncan | 351 |
| Board member | DeWayne Rohlf | Village of Meadow Grove | 301 |
| Board member | Joshua Koepke | Village of Hoskins | 285 |
| Board member | Dan Dallman | Village of Uehling | 230 |
| Board member | Vacant | Village of Craig | 199 |
| Board member | Todd Groteluschen | Village of Creston | 203 |
| Board member | Vacant | Village of Winslow | 103 |
| Board member | Gary Svitak | Maple Creek Precinct | |
| Treasurer | Randy Gates | | |
| Secretary | Beth Deck | | |
| | | Total | <u>117,716</u> |



INDEPENDENT AUDITOR'S REPORT

Honorable Members
of the Board of Directors
Northeast Nebraska Solid Waste Coalition

Report on the Financial Statements

We have audited the accompanying financial statements of the Northeast Nebraska Solid Waste Coalition (the Coalition), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which comprise the Coalition's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Coalition, as of September 30, 2016, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 - 8 and 13 - 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coalition's basic financial statements. The list of principal officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The list of principal officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2017, on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Coalition's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived



Hayes & Associates, L.L.C.
Omaha, Nebraska
February 3, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of the Northeast Nebraska Solid Waste Coalition's financial performance provides an overview of the Coalition's financial activities for the fiscal year ending September 30, 2016. We encourage readers to consider this information in conjunction with the Coalition's financial statements which follow.

FINANCIAL OPERATIONS SUMMARY

With revenues of \$3,532,954 and expenses of \$2,234,483, the Coalition's net position increased \$1,298,471 in fiscal year 2016 going from \$7,552,511 to \$8,850,982. Unrestricted net position decreased \$1,151,492. Net investment in capital assets increased \$2,045,303 and restricted net position increased \$404,660.

USING THIS ANNUAL REPORT

The Northeast Nebraska Solid Waste Coalition is a special purpose government presented as a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Coalition's basic financial statements. The annual report consists of a series of financial statements and other information as follows:

Management Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Coalition's financial activities.

The Statement of Net Position presents information on the Coalition's assets and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Coalition is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Coalition's operating revenues and expenses, non-operating revenues and expenses and whether the Coalition's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Coalition's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Coalition financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Coalition's financial position. The Coalition's net position for fiscal year 2016 totaled \$8,850,982. This compares to \$7,552,511 for fiscal year 2015. A summary of the Coalition's net position is presented below.

| | September 30 | | Increase (Decrease) | % change |
|--|---------------------|---------------------|------------------------|----------|
| | <u>2016</u> | <u>2015</u> | | |
| Current assets | \$ 2,721,450 | \$ 4,014,535 | \$ (1,293,085) | (32.2%) |
| Restricted assets | 8,783,657 | 7,496,674 | 1,286,983 | 17.2% |
| Net property, buildings, and equipment | <u>6,084,812</u> | <u>4,039,509</u> | <u>2,045,303</u> | 50.6% |
| Total assets | <u>17,589,919</u> | <u>15,550,718</u> | <u>2,039,201</u> | 13.1% |
| Current liabilities | 359,940 | 168,675 | 191,265 | 113.4% |
| Noncurrent liabilities | <u>8,378,997</u> | <u>7,829,532</u> | <u>549,465</u> | 7.0% |
| Total liabilities | <u>8,738,937</u> | <u>7,998,207</u> | <u>740,730</u> | 9.3% |
| Net investment in capital assets | 6,084,812 | 4,039,509 | 2,045,303 | 50.6% |
| Restricted net position | 404,660 | - | 404,660 | 100.0% |
| Unrestricted net position | <u>2,361,510</u> | <u>3,513,002</u> | <u>(1,151,492)</u> | (32.8%) |
| Total net position | <u>\$ 8,850,982</u> | <u>\$ 7,552,511</u> | <u>\$ 1,298,471</u> | 17.2% |

The Coalition is in the process of constructing cell 5 of the landfill. The total cost of the project is \$2.5 million. The majority of construction was done this year. As a result, a number of Statement of Net Position accounts had a significant change from the prior year. Current assets decreased \$1,293,085 as cash on hand is being used to pay for construction. Net property, buildings, and equipment increased \$2,045,303. Net investment in capital assets increased by the same amount since no debt was issued to finance the project. Unrestricted net position decreased \$1,151,492 due to cash on hand being used to pay for construction.

Restricted assets increased \$1,286,983 or 17.2% due to an increase in cash and investments held for closure/postclosure care costs. Of this increase \$256,419 was the Coalition's current year funding of closure/postclosure care cost. The remaining increase was interest on investments held for closure/postclosure care cost and increases in fair market value of these investments due to declining interest rates. Noncurrent liabilities consists of accrued closure/postclosure costs, which increased \$549,465 or 7.0% in the current year. The increase in restricted assets resulted in an increase in restricted net position of \$404,660.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues consist of tipping fees for disposal of waste at the Coalition's landfill in Stanton County. Coalition waste is primarily received from transfer stations of member communities. The Coalition's tipping fee remained at \$24 per ton in the current year. Tonnage decreased 6,815 tons in the current year going from 110,520 tons to 103,705 tons which decreased user charges \$162,972 or 6.1% in the current year. Use fees in the prior year were

higher than normal due to cleaning up after a tornado hit the Village of Pilger, a member of the Coalition, which caused an increase in tonnage last year.

The Coalition hired Waste Connections to perform day-to-day landfill operations. Payments to Waste Connections are included in disposal fees. The scale operators at the landfill are Coalition employees. Payroll and related taxes and benefits on the operating statement are for wages and fringe benefits paid to these three employees. The utilization of capital assets is reflected in the financial statements as depreciation which allocates the cost of an asset over its expected useful life. Nonoperating revenue consists of interest income and any increase in the fair value of investments. Nonoperating expense is loss on disposal of capital assets and any decrease in fair value of investments. A summary of revenue, expenses and changes in net position for the fiscal years ended 2016 and 2015 follows:

| | <u>September 30</u> | | <u>Increase</u> | |
|--|----------------------------|----------------------------|----------------------------|-----------------|
| | <u>2016</u> | <u>2015</u> | <u>(Decrease)</u> | <u>% change</u> |
| Operating revenues: | | | | |
| User charges | \$ 2,492,603 | \$ 2,655,575 | \$ (162,972) | (6.1%) |
| Intergovernmental revenue | - | 1,009 | (1,009) | (100.0%) |
| Total operating revenues | <u>2,492,603</u> | <u>2,656,584</u> | <u>(163,981)</u> | (6.2%) |
| Operating expenses: | | | | |
| Payroll and related taxes and benefits | 77,944 | 72,400 | 5,544 | 7.7% |
| Disposal fees | 1,025,853 | 1,061,895 | (36,042) | (3.4%) |
| Repairs and maintenance | 8,138 | 5,701 | 2,437 | 42.7% |
| General and administration | 239,559 | 218,147 | 21,412 | 9.8% |
| Closure/postclosure costs | 549,465 | 486,298 | 63,167 | 13.0% |
| Depreciation and amortization | <u>323,548</u> | <u>384,276</u> | <u>(60,728)</u> | <u>(15.8%)</u> |
| Total operating expenses | <u>2,224,507</u> | <u>2,228,717</u> | <u>(4,210)</u> | (0.2%) |
| Operating income (loss) | <u>268,096</u> | <u>427,867</u> | <u>(159,771)</u> | (37.3%) |
| Nonoperating revenue (expense): | | | | |
| Net increase (decrease) in the fair value of investments | 768,026 | 181,781 | 586,245 | 322.5% |
| Interest income | 272,325 | 245,790 | 26,535 | 10.8% |
| Loss on disposal of capital assets | (9,976) | - | (9,976) | (100.0%) |
| Interest expense | - | (26,396) | 26,396 | 100.0% |
| Total nonoperating revenue (expense) | <u>1,030,375</u> | <u>401,175</u> | <u>629,200</u> | 156.8% |
| Change in net position | 1,298,471 | 829,042 | 469,429 | 56.6% |
| Net position, beginning of year | <u>7,552,511</u> | <u>6,723,469</u> | <u>829,042</u> | 12.3% |
| Net position, end of year | <u>\$ 8,850,982</u> | <u>\$ 7,552,511</u> | <u>\$ 1,298,471</u> | 17.2% |

Disposal fees decreased \$36,042 going from \$1,061,895 last year to \$1,025,853 this year due to the decrease in tonnage. Although tonnage decreased, closure/post-closure costs increased \$63,167. Engineers revised the closure/postclosure cost estimates last year. The revised estimates were lower than expected, resulting in a one-time drop in closure/postclosure costs last year. Depreciation and amortization decreased \$60,728 due to amortizing the remaining deferred loss on refunding in the prior year after paying off the bonds in July 2015.

Net increase in fair value of investments was \$768,026 this year compared to \$181,781 last year. These increases were driven by decreases in interest rates on long-term treasuries which declined both years, but more in the current year.

CAPITAL ASSETS

On October 1, 2015, the Coalition changed its capitalization threshold from \$500 to \$5,000. The Coalition recorded a loss on disposal of capital assets of \$9,976 as a result of this change. See Note 10 in the financial statements for more information on this change in accounting estimate. On September 30, 2016, the Coalition had approximately \$6.1 million invested in capital assets, net of accumulated depreciation of approximately \$5.9 million. Most of the Coalition's assets consist of landfill cells. The Coalition owns 160 acres of land on which the landfill is sited with land and related costs totaling approximately \$1.2 million. The Coalition also has a maintenance building and scale house totaling approximately \$465,000. Depreciation charges for the year were \$323,548. See Note 6 in the financial statements for more information on the Coalition's capital assets.

CONTACTING THE COALITION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, creditors, and members with a general overview of the Coalition's finances and to demonstrate the Coalition's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Coalition's Finance Department at (402) 844-2000.

NORTHEAST NEBRASKA SOLID WASTE COALITION
STATEMENT OF NET POSITION
September 30, 2016 and 2015

| ASSETS | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 2,477,083 | \$ 3,781,914 |
| Receivables: | | |
| Accounts | 226,923 | 215,361 |
| Interest | 16,944 | 16,760 |
| Prepaid insurance | <u>500</u> | <u>500</u> |
| Total current assets | <u>2,721,450</u> | <u>4,014,535</u> |
| Restricted Assets: | | |
| Cash and investments held for closure/postclosure costs | <u>8,783,657</u> | <u>7,496,674</u> |
| Total restricted assets | <u>8,783,657</u> | <u>7,496,674</u> |
| Property, Buildings, and Equipment: | | |
| Land | 1,218,051 | 1,218,051 |
| Buildings and improvements | 8,288,363 | 8,299,726 |
| Equipment | 26,154 | 46,509 |
| Construction in progress | <u>2,442,466</u> | <u>63,639</u> |
| Total property, buildings, and equipment | 11,975,034 | 9,627,925 |
| Less accumulated depreciation | <u>5,890,222</u> | <u>5,588,416</u> |
| Total property, buildings, and equipment net of accumulated depreciation | <u>6,084,812</u> | <u>4,039,509</u> |
| Total assets | <u>\$ 17,589,919</u> | <u>\$ 15,550,718</u> |

The accompanying notes are an integral part of the financial statements.

NORTHEAST NEBRASKA SOLID WASTE COALITION

STATEMENT OF NET POSITION-CONTINUED

September 30, 2016 and 2015

| LIABILITIES AND NET POSITION | 2016 | 2015 |
|--|----------------------|----------------------|
| Current liabilities: | | |
| Accounts and contracts payable | \$ 353,317 | \$ 159,778 |
| Payroll liabilities | 6,623 | 8,897 |
| Total current liabilities | <u>359,940</u> | <u>168,675</u> |
| Noncurrent liabilities (Net of current portion): | | |
| Accrued closure/postclosure costs (payable from restricted assets) | <u>8,378,997</u> | <u>7,829,532</u> |
| Total noncurrent liabilities | <u>8,378,997</u> | <u>7,829,532</u> |
| Total liabilities | <u>8,738,937</u> | <u>7,998,207</u> |
| Net position: | | |
| Net investment in capital assets | 6,084,812 | 4,039,509 |
| Restricted for closure/postclosure costs | 404,660 | - |
| Unrestricted | <u>2,361,510</u> | <u>3,513,002</u> |
| Total net position | <u>8,850,982</u> | <u>7,552,511</u> |
| Total liabilities and net position | <u>\$ 17,589,919</u> | <u>\$ 15,550,718</u> |

The accompanying notes are an integral part of the financial statements.

NORTHEAST NEBRASKA SOLID WASTE COALITIONSTATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION*for fiscal years ended September 30, 2016 and 2015*

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Operating revenues: | | |
| User charges | \$ 2,492,603 | \$ 2,655,575 |
| Intergovernmental revenue | - | 1,009 |
| Total operating revenues | <u>2,492,603</u> | <u>2,656,584</u> |
| Operating expenses: | | |
| Payroll and related taxes and benefits | 77,944 | 72,400 |
| Disposal fees | 1,025,853 | 1,061,895 |
| Repairs and maintenance | 8,138 | 5,701 |
| General and administration | 239,559 | 218,147 |
| Closure/postclosure costs | 549,465 | 486,298 |
| Depreciation and amortization | 323,548 | 384,276 |
| Total operating expenses | <u>2,224,507</u> | <u>2,228,717</u> |
| Operating Income | <u>268,096</u> | <u>427,867</u> |
| Nonoperating revenue (expense): | | |
| Net Increase in the fair value of investments | 768,026 | 181,781 |
| Interest income | 272,325 | 245,790 |
| Loss on disposal of capital assets | (9,976) | - |
| Interest expense | - | (26,396) |
| Total nonoperating revenue (expense) | <u>1,030,375</u> | <u>401,175</u> |
| Change in net position | 1,298,471 | 829,042 |
| Net position, beginning of year | <u>7,552,511</u> | <u>6,723,469</u> |
| Net position, end of year | <u>\$ 8,850,982</u> | <u>\$ 7,552,511</u> |

The accompanying notes are an integral part of the financial statements.

NORTHEAST NEBRASKA SOLID WASTE COALITION
STATEMENTS OF CASH FLOWS
for the fiscal years ended September 30, 2016 and 2015

| | 2016 | 2015 |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 2,481,041 | \$ 2,728,510 |
| Cash paid to suppliers for goods and services | (1,080,011) | (1,289,454) |
| Cash paid to employees for services | (80,218) | (75,723) |
| Net cash provided by operating activities | 1,320,812 | 1,363,333 |
| Cash flows for capital and related financing activities: | | |
| Acquisition and construction of capital assets | (2,378,827) | (69,983) |
| Capital grants and contributions | - | 1,009 |
| Principal paid on bonds | - | (1,205,000) |
| Interest paid on bonds | - | (39,439) |
| Net cash (used for) capital and related financing activities | (2,378,827) | (1,313,413) |
| Cash flows from investing activities | | |
| Restricted investment purchased | (671,753) | (838,903) |
| Investments (held by trustee) purchased | 392,000 | 512,000 |
| Proceeds from sale of restricted investments | 55,281 | 52,903 |
| Interest received | 55,281 | 52,903 |
| Net cash (used for) investing activities | (224,472) | (274,000) |
| Net increase in cash and cash equivalents | (1,282,487) | (224,080) |
| Cash and cash equivalents - beginning of year | 3,782,728 | 4,006,808 |
| Cash and cash equivalents - end of year | 2,500,241 | 3,782,728 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | 268,096 | 427,867 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 323,548 | 384,276 |
| Closure/postclosure costs | 549,465 | 486,298 |
| Intergovernmental revenue | - | (1,009) |
| Changes in assets and liabilities | | |
| (Increase) decrease accounts receivable | (11,562) | 72,935 |
| (Increase) decrease prepaid insurance | - | 762 |
| Increase (decrease) accounts payable | 193,539 | (4,473) |
| Increase (decrease) payroll liabilities | (2,274) | (3,323) |
| Total Adjustments | 1,052,716 | 935,466 |
| Net cash provided by operating activities | 1,320,812 | 1,363,333 |
| Supplemental Schedule of Noncash Investing, Capital and Financing Activities | | |
| Loss on disposal of capital assets | (9,976) | - |
| Net increase in the fair value of investments | 768,026 | 181,781 |
| Total noncash investing, capital and financing activities | 758,050 | 181,781 |
| Reconciliation of cash and cash equivalents to the statement of net position: | | |
| Cash & cash equivalents | 2,477,083 | 3,781,914 |
| Restricted cash | - | - |
| Cash held for closure/post closure costs | 23,158 | 814 |
| | \$ 2,500,241 | \$ 3,782,728 |

The accompanying notes are an integral part of the financial statements.

NORTHEAST NEBRASKA SOLID WASTE COALITION

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN GENERAL FUND BALANCE -
 BUDGET AND ACTUAL - BUDGETARY BASIS
for the Fiscal Year Ended September 30, 2016

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|---------------------|---------------------|------------------------------------|
| Revenues: | | | |
| Interest income | \$ 4,600 | \$ 9,602 | \$ 5,002 |
| Intergovernmental Revenues | - | - | - |
| User charges | <u>2,467,418</u> | <u>2,481,042</u> | <u>13,624</u> |
| Total revenues | 2,472,018 | 2,490,643 | 18,625 |
| Expenditures: | | | |
| Payroll and related taxes and benefits | 66,061 | 80,216 | (14,155) |
| Disposal fees | 1,030,131 | 1,021,478 | 8,653 |
| Repairs and maintenance | 16,850 | 7,124 | 9,726 |
| Operating supplies | 2,110 | 893 | 1,217 |
| General and administration | 260,021 | 243,421 | 16,600 |
| Capital outlay | <u>3,372,100</u> | <u>2,185,923</u> | <u>1,186,177</u> |
| Total expenditures | <u>4,747,273</u> | <u>3,539,055</u> | <u>1,208,218</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,275,255)</u> | <u>(1,048,412)</u> | <u>1,226,843</u> |
| Other financial sources (uses): | | | |
| Intrafund operating transfer out | <u>(268,400)</u> | <u>(256,419)</u> | <u>11,981</u> |
| Total other financial sources (uses) | <u>(268,400)</u> | <u>(256,419)</u> | <u>11,981</u> |
| Excess (deficiency) of revenues over expenditures and other financial uses | (2,543,655) | (1,304,831) | 1,238,824 |
| Fund balance - budgetary basis: | | | |
| Beginning of year | <u>3,564,173</u> | <u>3,781,914</u> | <u>217,741</u> |
| End of year | <u>\$ 1,020,518</u> | <u>\$ 2,477,083</u> | <u>\$ 1,456,565</u> |

The accompanying notes are an integral part of the financial statements.

NORTHEAST NEBRASKA SOLID WASTE COALITION
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN CLOSURE/POST CLOSURE FUND BALANCE -
 BUDGET AND ACTUAL - BUDGETARY BASIS
for the Fiscal Year Ended September 30, 2016

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|----------------------------|----------------------------|------------------------------------|
| Revenues: | | | |
| Interest income | \$ 243,600 | \$ 268,541 | \$ 24,941 |
| Other financial sources: | | | |
| Intrafund operating transfer in | <u>268,400</u> | <u>256,419</u> | <u>(11,981)</u> |
| Excess of revenues and other sources over expenditures | 512,000 | 524,960 | 12,960 |
| Fund balance - budgetary basis: | | | |
| Beginning of year | <u>6,063,400</u> | <u>6,074,594</u> | <u>11,194</u> |
| End of year | <u><u>\$ 6,575,400</u></u> | <u><u>\$ 6,599,554</u></u> | <u><u>\$ 24,154</u></u> |

The accompanying notes are an integral part of the financial statements.

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2016 and 2015

1. Summary of Significant Accounting Policies:

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

A. Reporting Entity and Nature of Operations:

The Northeast Nebraska Solid Waste Coalition (the Coalition) is a joint venture composed of twenty-four cities and counties in Northeast Nebraska formed pursuant to the Nebraska Interlocal Cooperation Act for the purpose of providing solid waste management to their respective entities by the means of creating, building, and operating a solid waste disposal facility, more commonly referred to as a landfill. The Coalition's Board is composed of a member from each of the participating cities and counties. None of the participating entities have an equity interest in the Coalition. The Coalition commenced operations October 30, 1995.

B. Basis of Accounting:

The Coalition's financial statements are prepared using a flow of economic resources measurement focus. With this measurement focus all assets and all liabilities associated with the operation of the Coalition are included on the statement of net position. The statements of revenues, expenses and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net position. Operating revenues are revenues derived during the normal course of providing solid waste management. The primary example of operating revenues is user charges. Non operating revenues are all revenues that do not meet the definition of operating revenues. Nonoperating revenues include investment income and gain on disposal of capital assets.

The Coalition uses the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. Capital assets are depreciated on a straight-line basis over estimated useful lives ranging from 2 - 30 years on buildings and improvements and 5 - 25 years on equipment. The Coalition's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

C. Budgets/Budgetary Accounting:

With the passage of LB 1207 in the 1994 Legislative session, joint entities such as the Northeast Nebraska Solid Waste Coalition created to fulfill the purpose of Integrated Solid Waste Management Act pursuant to the Interlocal Cooperation

**NORTHEAST NEBRASKA
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For the fiscal years ended September 30, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued):

Act, were required to comply with the Municipal Proprietary Function Act for purposes of budgetary accounting. At the December 22, 2015 Coalition meeting following a public hearing, the Coalition Board adopted the budget for the fiscal year ending September 30, 2016. Prior to this, public hearings on the budget were also held in Columbus, Norfolk, and Fremont. This budget was prepared by Coalition staff and submitted to the Coalition Board for their approval. The Municipal Proprietary Function Act requires that if estimated expenditures exceed budgeted expenditures the Board must adopt a proprietary function reconciliation statement within 90 days after year end which reflects any difference between the adopted budget statement and the actual expenditures for the fiscal year.

The Coalition's budget is adopted and stated on a cash basis. For budget purposes both cash and cash equivalents along with restricted cash and investments (net of unamortized discount) are considered cash. The Budgetary Comparison Statement is prepared on this budgetary basis, which is not in accordance with U.S. generally accepted accounting principles.

D. Statements of Cash Flows:

The Coalition's cash and cash equivalents (which includes restricted cash) consists of demand deposit accounts and any certificates of deposit with original maturities of three months or less which are considered cash equivalents for purposes of the Statement of Cash Flows.

E. Investments:

The Coalition uses the following methods in determining the reported amounts:

| <u>Type</u> | <u>Method</u> |
|-------------------------|---------------|
| Certificates of Deposit | Cost |
| Treasury Notes | Fair Value |

F. Recent Accounting Pronouncements:

Adoption of New Accounting Pronouncements

During the year, the Coalition adopted GASB Statement No. 72 *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The Coalition adopted GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the Generally Accepted

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For the fiscal years ended September 30, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued):

Accounting Principles (GAAP) hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Coalition also adopted GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*. The primary objective of this Statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The adoption of these standards did not have a significant impact on the financial statements.

New Accounting Pronouncements Not Adopted

In June 2015, GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement improves the usefulness of information about postemployment benefits other than pensions. In August 2015, GASB issued Statement No. 77 *Tax Abatement Disclosures*. This Statement requires disclosures describing any tax abatements, the dollar amount of taxes abated, and commitments made by the government as part of the tax abatement agreement. In December 2015, GASB issued Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The primary objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68 *Accounting and Financial Reporting for Pensions*. In January 2016, GASB issued Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. This Statement clarifies the financial statement presentation requirements for certain component units. In March 2016, GASB issued Statement No. 82 *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No. 73*. This Statement addresses the presentation of payroll-related measures, the selection of assumptions, and the classification of payments made by employers to satisfy employee contribution requirements. These Statements are effective for the Coalition's year ending September 30, 2017.

2. Budget and Budgetary Control:

The annual appropriated budget adopted by the Coalition is prepared on a cash basis and, therefore, the budgetary basis differs from that used to present the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Such differences and their effect on operations are summarized as follows:

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
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For the fiscal years ended September 30, 2016 and 2015

2. Budget and Budgetary Control (Continued):

| | |
|---|---------------|
| Excess (deficiency) of revenues and other financial sources over expenditures, and other financial uses on a budgetary basis: | |
| General Fund | (\$1,304,831) |
| Closure/Post Closure Fund | 524,960 |
| | (779,871) |
| Basis differences: | |
| To adjust revenues from recognition on a cash basis | 773,770 |
| To adjust total expenditures from recognition on a cash basis | 1,304,572 |
| | \$1,298,471 |
| Net Income, on a GAAP basis | |

3. Cash and Cash Equivalents:

On September 30, 2016 and 2015, the Coalition's cash consisted entirely of fully insured and collateralized checking accounts and certificates of deposit. The Coalition's policy is to maintain all cash and equivalents either in fully insured and/or collateralized checking accounts, certificates of deposit and short-term U.S. Treasury obligations maturing in approximately one year or less. On September 30, 2016 and 2015, and throughout such years, the Coalition's bank deposits were entirely covered by Federal Deposit Insurance or by collateral held in joint custody in the Coalition's name at a third party bank (a Federal Reserve Bank) acting as the Coalition's agent. The Coalition's agent, in the Coalition's name, held U.S. Treasury obligations.

4. Deposit and Investments:

The Coalition's deposits at September 30, 2016 were fully insured and collateralized checking accounts. The Coalition's primary account had a balance at September 30, 2016 of \$2,481,555. The Coalition also has an account held by the Coalition to finance closure/post closure care. At September 30, 2016 the balance in this bank account was \$23,158.

Investments are shown at fair value. Investments held for closure/post closure care consisted of zero coupon U.S. Treasury obligations (Strips), maturing August 15, 2019, February 15, 2020, November 15, 2026, August 15, 2028, November 15, 2034, November 15, 2036, May 15, 2040, May 15, 2041, November 15, 2042, November 15, 2043, August 15, 2044, May 15, 2044, and November 15, 2044. Inflation Indexed Treasury Notes maturing April 15, 2028 and a U.S. Treasury Note maturing August 15, 2028. At September 30, 2016 the Coalition had the following investments:

**NORTHEAST NEBRASKA
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For the fiscal years ended September 30, 2016 and 2015

4. Deposit and Investments (Continued):

| <u>US Treasury Obligations:</u> | <u>Maturity</u> | <u>Fair Value</u> |
|---------------------------------|-----------------|-------------------|
| Inflation Indexed Notes | 4/15/2028 | \$786,869 |
| Inflation Indexed Notes | 4/15/2028 | \$511,568 |
| Strips | 2/15/2020 | \$556,659 |
| Strips | 8/15/2019 | \$627,878 |
| Strips | 11/15/2026 | \$389,421 |
| Strips | 8/15/2028 | \$567,976 |
| Strips | 11/15/2034 | \$359,509 |
| Strips | 11/15/2036 | \$421,329 |
| Strips | 5/15/2040 | \$1,649,706 |
| Strips | 5/15/2041 | \$287,117 |
| Strips | 11/15/2042 | \$264,021 |
| Strips | 11/15/2043 | \$301,331 |
| Strips | 8/15/2044 | \$327,754 |
| Strips | 5/15/2044 | \$907,430 |
| Strips | 11/15/2044 | \$496,868 |
| Notes | 8/15/2028 | \$305,063 |

Interest Rate Risk: The Coalition's investment policy for operating funds is limited to Direct U.S. Treasury obligations or certificates of deposit with a maturity of 1 year or less. The investment policy for Debt Service funds is direct U.S. Treasury obligations with a maturity of 5 years or less. The investment policy for Closure/Post Closure Funds is direct U.S. Treasury obligations with investments maturing on or before needed for closure and post closure care.

Credit Risk: Coalition's investments at September 30, 2016 consisted entirely of U.S. Treasury obligations rated AAA.

Concentration of Credit Risk: The Coalition's investment policy places no limits on the amounts that may be invested in any one issuer.

| <i>Reconciliation to the financial statements:</i> | <u>Carrying Amount</u> <u>Sept 30, 2016</u> | <u>Carrying Amount</u> <u>Sept 30, 2015</u> |
|--|--|--|
| Investments | \$ 8,760,499 | \$7,495,860 |
| Demand deposits | <u>2,500,241</u> | <u>3,782,728</u> |
| | <u>11,260,740</u> | <u>11,278,588</u> |
| Cash and cash equivalents | 2,477,083 | 3,781,914 |
| Cash and investments held for closure/post closure costs | <u>8,783,657</u> | <u>7,496,674</u> |
| | <u>\$11,260,740</u> | <u>\$11,278,588</u> |

**NORTHEAST NEBRASKA
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5. Closure and Postclosure Care Cost:

State and federal laws and regulations require the Coalition to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after final closure. Although closure and postclosure care costs will be paid only near or after the date of closure, the Coalition reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$8,378,997 and \$7,829,532 reported as landfill closure and postclosure care liability at September 30, 2016 and 2015, respectively, represents the cumulative amount reported to date based on the use of 42.5% and 40.1% respectively, of the estimated capacity of the landfill.

These amounts are based on what it would cost to perform all closure and postclosure care in 2016 and 2015. The Coalition expects to close the landfill in a single phase. The estimated remaining landfill life is 26 years. Actual cost could change significantly due to inflation, changes in technology, or changes in regulations. The Coalition will recognize the remaining amount of the total estimated cost of closure and post closure care of \$19.7 million as the remaining estimated capacity is filled.

The Coalition is required by state and federal laws and regulations to make annual contributions to an account held by the Coalition to finance closure and postclosure care. The Coalition is in compliance with these requirements and, at September 30, 2016 and 2015, cash and investments of \$6,599,554 and \$6,074,594, respectively, (\$8,783,657 and \$7,496,674 fair value, respectively) are held for these purposes. These are reported as restricted assets on the balance sheet. The Coalition expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**NORTHEAST NEBRASKA
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NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2016 and 2015

6. Capital Assets

Capital asset activity for the years ended September 30, 2016 and 2015 was as follows:

| | Balance October 1, 2015 | Additions | Deletions | Balance September 30, 2016 |
|--|-------------------------------|---------------------|-------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,218,051 | \$ - | \$ - | \$ 1,218,051 |
| Construction in Progress | 63,639 | 2,378,827 | - | 2,442,466 |
| Total capital assets, not being depreciated | <u>1,281,690</u> | <u>2,378,827</u> | <u>-</u> | <u>3,660,517</u> |
| Capital assets, being depreciated: | | | | |
| Buildings & land improvements | 8,299,726 | - | (11,363) | 8,288,363 |
| Equipment | 46,509 | - | (20,355) | 26,154 |
| Total capital assets, being depreciated | <u>8,346,235</u> | <u>-</u> | <u>(31,718)</u> | <u>8,314,517</u> |
| Less accumulated depreciation for: | | | | |
| Buildings & land improvements | 5,562,295 | 322,668 | (10,722) | 5,874,241 |
| Equipment | 26,121 | 880 | (11,020) | 15,981 |
| Total accumulated depreciation | <u>5,588,416</u> | <u>323,548</u> | <u>(21,742)</u> | <u>5,890,222</u> |
| Total capital assets, being depreciated, net | <u>2,757,819</u> | <u>(323,548)</u> | <u>(9,976)</u> | <u>2,424,295</u> |
| Capital assets, net | <u>\$ 4,039,509</u> | <u>\$ 2,055,279</u> | <u>\$ (9,976)</u> | <u>\$ 6,084,812</u> |
| | | | | |
| | Balance October 1, 2014 | Additions | Deletions | Balance September 30, 2015 |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,218,051 | \$ - | \$ - | \$ 1,218,051 |
| Construction in Progress | - | 63,639 | - | 63,639 |
| Total capital assets, not being depreciated | <u>1,218,051</u> | <u>63,639</u> | <u>-</u> | <u>1,281,690</u> |
| Capital assets, being depreciated: | | | | |
| Buildings & land improvements | 8,299,726 | - | - | 8,299,726 |
| Equipment | 40,165 | 6,344 | - | 46,509 |
| Total capital assets, being depreciated | <u>8,339,891</u> | <u>6,344</u> | <u>-</u> | <u>8,346,235</u> |
| Less accumulated depreciation for: | | | | |
| Buildings & land improvements | 5,259,334 | 302,961 | - | 5,562,295 |
| Equipment | 23,220 | 2,901 | - | 26,121 |
| Total accumulated depreciation | <u>5,282,554</u> | <u>305,862</u> | <u>-</u> | <u>5,588,416</u> |
| Total capital assets, being depreciated, net | <u>3,057,337</u> | <u>(299,518)</u> | <u>-</u> | <u>2,757,819</u> |
| Capital assets, net | <u>\$ 4,275,388</u> | <u>\$ (235,879)</u> | <u>\$ -</u> | <u>\$ 4,039,509</u> |

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2016 and 2015

7. Risk Management:

The Coalition is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Coalition's general liability policy is a three million dollar aggregate, two million dollar per occurrence policy. The policy period is October 1, 2015 to September 30, 2016. Settled claims have not exceeded coverage in any of the past three years.

8. Pension Plan:

The Coalition provides a defined contribution Simplified Employee Pension plan. The plan established under Section 408(k) of the Internal Revenue Code, is for all employees age 18 or older. The amount contributed by the Coalition for the benefit of its employees is 7% of their salaries. Participants are always fully vested. Pension expense for the years ended September 30, 2016 and 2015 totaled \$4,632 and \$4,067, respectively.

9. Related Party Transactions:

The Coalition receives substantially all of its waste from member cities and counties, providing the majority of the Coalition's user fee revenue. As of September 30, 2016, \$192,013 of accounts receivable were from member cities and counties. The City of Norfolk, a member of the Coalition, provides administrative services for the Coalition. During the year \$38,984 was paid to the City of Norfolk for these services. Also, the Coalition reimbursed the City of Norfolk \$3,764 for Coalition expenses paid by the city and \$3,494 was due to the City of Norfolk at September 30, 2016.

10. Change in Accounting Estimate:

On October 1, 2015, the Coalition changed its capitalization threshold from \$500 to \$5,000. Original cost of \$11,363 for buildings and improvements and \$20,355 for equipment was removed from capital assets. Related accumulated depreciation of \$10,722 and \$11,020, respectively, was also removed. This resulted in a \$9,976 loss on disposal of capital assets in the current year.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Members
of the Board of Directors
Northeast Nebraska Solid Waste Coalition

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northeast Nebraska Solid Waste Coalition (the Coalition), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which comprise the Coalition's basic financial statements, and have issued our report thereon dated February 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the Coalition's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Hayes & Associates, L.L.C.
Omaha, Nebraska
February 3, 2017

City of Norfolk
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended September 30, 2016

I. FINDINGS—FINANCIAL STATEMENTS

None reported.

City of Norfolk
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the year ended September 30, 2016

I. FINDINGS—FINANCIAL STATEMENTS

None reported.