

TO NAVIGATE THIS DOCUMENT USE BOOKMARKS OR TABLE OF CONTENTS

ACCEPTED FOR FILING BY
THE BOARD OF COUNTY
COMMISSIONERS AT ITS
MEETING ON

BCC Mtg. Date: April 26, 2022

ORANGE COUNTY SOLID WASTE SYSTEM
ORANGE COUNTY, FLORIDA
ANNUAL FINANCIAL REPORT
for the years ended September 30, 2021 and 2020

ORANGE COUNTY SOLID WASTE SYSTEM

ANNUAL FINANCIAL REPORT

for the years ended September 30, 2021 and 2020

CONTENTS

	<u>Page</u>
Report of Independent Auditor	1-2
Basic Financial Statements:	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6-34
Supplementary Information:	
Schedule of Budgeted Revenues and Expenses Compared to Actual (Non-GAAP Budgetary Basis)	35

Report of Independent Auditor

To the Honorable County Mayor and
Board of County Commissioners
Orange County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Orange County Solid Waste System of Orange County, Florida (the "System"), an enterprise fund of Orange County, Florida, as of and for the years ended September 30, 2021 and 2020, and the related notes to the 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 audits. We conducted our audits 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 of 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 financial position of the Orange County Solid Waste System of Orange County, Florida as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, the financial statements referred to above present only the System and do not purport to, and do not, present fairly the financial position of Orange County, Florida, as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The Schedule of Budgeted Revenues and Expenses Compared to Actual (the "Schedule"), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

As discussed in Note A, the System is administered by the Orange County, Florida Board of County Commissioners, for which, in accordance with *Government Auditing Standards*, a report is issued which includes our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 System's 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 System's internal control over financial reporting and compliance.



Orlando, Florida
March 14, 2022

**ORANGE COUNTY SOLID WASTE SYSTEM
STATEMENTS OF NET POSITION
September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current assets:		
Cash and cash equivalents	\$ 79,197,228	\$ 91,701,687
Accrued interest receivable	239,241	270,223
Accounts receivable	5,519,264	3,313,574
Less allowance for doubtful accounts	(367)	(4,266)
Due from other governmental agencies	782,406	-
Inventories and prepaid costs	297,218	270,475
Cash and cash equivalents, restricted	<u>853,073</u>	<u>693,316</u>
Total current assets	<u>86,888,063</u>	<u>96,245,009</u>
Noncurrent assets:		
Nondepreciable capital assets	60,323,994	69,266,182
Depreciable capital assets, net	<u>89,645,632</u>	<u>61,259,032</u>
Total noncurrent assets	<u>149,969,626</u>	<u>130,525,214</u>
Total assets	<u>236,857,689</u>	<u>226,770,223</u>
Deferred outflows of resources:		
Related to pensions and OPEB	<u>1,776,424</u>	<u>2,247,660</u>
Total assets and deferred outflows of resources	<u>\$ 238,634,113</u>	<u>\$ 229,017,883</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,292,205	\$ 7,060,598
Due to other governmental agencies	2,539	2,395
Accrued closure costs	465,887	460,992
Net pension liability	11,237	21,280
Payable from restricted assets:		
Customer deposits	<u>853,073</u>	<u>693,316</u>
Total current liabilities	<u>6,624,941</u>	<u>8,238,581</u>
Noncurrent liabilities:		
Compensated absences payable	310,375	291,389
Accrued closure costs	53,494,997	49,484,045
Net pension and OPEB liability	<u>2,007,852</u>	<u>6,541,392</u>
Total noncurrent liabilities	<u>55,813,224</u>	<u>56,316,826</u>
Total liabilities	<u>62,438,165</u>	<u>64,555,407</u>
Deferred inflows of resources:		
Related to pensions and OPEB	<u>4,251,540</u>	<u>323,958</u>
Total liabilities and deferred inflows of resources	<u>66,689,705</u>	<u>64,879,365</u>
<u>NET POSITION</u>		
Net investment in capital assets	147,192,842	125,586,389
Unrestricted	<u>24,751,566</u>	<u>38,552,129</u>
Total net position	<u>171,944,408</u>	<u>164,138,518</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 238,634,113</u>	<u>\$ 229,017,883</u>

See accompanying notes to financial statements.

**ORANGE COUNTY SOLID WASTE SYSTEM
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
for the years ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Tipping fees	\$ 38,977,122	\$ 32,399,766
Gas sales	1,382,256	1,561,532
Miscellaneous	309,811	566,942
	<u>40,669,189</u>	<u>34,528,240</u>
Operating and maintenance expenses:		
Personal services	9,345,222	8,426,167
Contractual services	5,867,057	6,306,555
Materials and supplies	1,602,471	1,162,540
Utilities	313,912	288,133
Repairs and maintenance	3,233,864	4,088,031
Provision for closure costs	4,414,188	5,656,206
Other expenses	1,402,968	1,490,051
Pension and OPEB liability adjustment	(144,765)	115,283
	<u>26,034,917</u>	<u>27,532,966</u>
Operating income before depreciation	14,634,272	6,995,274
Depreciation	7,542,501	6,622,065
	<u>7,091,771</u>	<u>373,209</u>
Nonoperating revenues:		
Investment income (loss)	(223,821)	2,276,060
Gain (loss) on disposal of assets	136,269	(35,087)
Federal and state grants	782,406	-
	<u>694,854</u>	<u>2,240,973</u>
Income before capital donations	7,786,625	2,614,182
Capital donations	19,265	-
	<u>7,805,890</u>	<u>2,614,182</u>
Change in net position	7,805,890	2,614,182
Total net position, October 1	<u>164,138,518</u>	<u>161,524,336</u>
Total net position, September 30	<u>\$ 171,944,408</u>	<u>\$ 164,138,518</u>

See accompanying notes to financial statements.

**ORANGE COUNTY SOLID WASTE SYSTEM
STATEMENTS OF CASH FLOWS
for the years ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 37,836,951	\$ 35,261,942
Cash payments to suppliers for goods and services	(12,509,045)	(14,840,296)
Cash payments to employees for services	<u>(9,268,755)</u>	<u>(8,233,278)</u>
Net cash provided by operating activities	<u>16,059,151</u>	<u>12,188,368</u>
Cash flows from noncapital financing activities:		
Federal and state grants	<u>782,406</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>782,406</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(29,132,614)	(30,622,656)
Proceeds from disposition of assets	<u>139,194</u>	<u>3,520</u>
Net cash used by capital and related financing activities	<u>(28,993,420)</u>	<u>(30,619,136)</u>
Cash flows from investing activities:		
Interest on investments	<u>(192,839)</u>	<u>2,344,021</u>
Net cash provided (used) by investing activities	<u>(192,839)</u>	<u>2,344,021</u>
Net decrease in cash and cash equivalents	(12,344,702)	(16,086,747)
Cash and cash equivalents, October 1	<u>92,395,003</u>	<u>108,481,750</u>
Cash and cash equivalents, September 30	<u>\$ 80,050,301</u>	<u>\$ 92,395,003</u>
Classified as:		
Current assets	\$ 79,197,228	\$ 91,701,687
Current assets, restricted	<u>853,073</u>	<u>693,316</u>
Total	<u>\$ 80,050,301</u>	<u>\$ 92,395,003</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 7,091,771</u>	<u>\$ 373,209</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,542,501	6,622,065
Pension and OPEB adjustment	(144,765)	115,283
Allowance for doubtful accounts	(3,899)	(298)
Decrease (increase) in assets:		
Accounts receivable	(2,205,690)	563,702
Inventories and prepaid costs	(26,743)	15,419
Due from other governmental agencies	(782,406)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	412,634	(906,382)
Due to other governmental agencies	144	(33)
Accrued closure costs	4,015,847	5,235,105
Customer deposits	<u>159,757</u>	<u>170,298</u>
Total adjustments	<u>8,967,380</u>	<u>11,815,159</u>
Net cash provided by operating activities	<u>\$ 16,059,151</u>	<u>\$ 12,188,368</u>
Noncash investing, capital and financing activities:		
Capital assets donated	\$ 19,265	\$ -
Capital asset acquired through payables	<u>2,776,784</u>	<u>4,938,825</u>
	<u>\$ 2,796,049</u>	<u>\$ 4,938,825</u>

See accompanying notes to financial statements.

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS
for the years ended September 30, 2021 and 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The Orange County Solid Waste System (the System) is owned and operated by the Orange County Board of County Commissioners, Orange County, Florida, an elected body (the Board). The System, which serves areas primarily within Orange County (County), provides facilities and administration relating to the sanitary disposal of solid waste (refuse). The Orange County Comptroller, an elected official, provides the accounting and financial reporting functions for the System. The System is operated as a self-supporting governmental operation and is accounted for as an enterprise fund of the Board.

Basis of Presentation:

The System uses the enterprise fund concept of accounting. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that expenses of services provided to customers, as well as depreciation, amortization, and interest, be recovered primarily through user charges.

Basis of Accounting:

The financial statements have been prepared on an accrual basis. Revenues are recognized when earned and expenses are recognized when incurred. In addition, the financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates:

The preparation of financial statements requires management to make use of estimates that affect reported amounts. Actual results could differ from estimates.

Budgetary Data:

Florida Statutes require the Board to adopt an annual budget for the System on an accrual basis. Revenues and expenses are budgeted on a basis consistent with generally accepted accounting principles except that pension and other postemployment benefits (OPEB) liability adjustment, depreciation, and gains/losses on the disposal of assets are not budgeted, and capital and closure cost outlays are budgeted as expense. Beginning net position and expense reserves are also included in the adopted budget. Encumbrance accounting, under which purchase orders are recorded as a reservation of available budget, is practiced during the year. At year-end, outstanding encumbrances lapse and are not presented in the financial statements.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The annual budget is subject to amendment during the year. The County Administrator is authorized to approve transfers of appropriations between individual expense accounts. The Board, by motion, may approve transfers of appropriations between a reserve account and an expense account. The Board, by resolution recorded in the minutes, may add to the overall appropriations of the System due to a financing source unanticipated when the original budget was adopted or due to increased revenues above the level contemplated in the original budget. Amendments to overall appropriations for any other reasons also require a public hearing prior to adoption. There were no amendments during the 2021 and 2020 fiscal years that were extraordinary or unusual in cause or effect.

Cash and Cash Equivalents and Investments:

The System's cash and cash equivalents consist of cash on hand, demand and time deposits, and highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased. The System's cash balances are pooled with other funds of the County for investment purposes. The County investment pool allows all participating funds the ability to deposit and withdraw cash daily as needed, and therefore all balances representing participants' equity in the investments pool are classified as cash equivalents for purposes of these statements. Earnings from the pooled investments are allocated to the System based on cash participation in the pool. All investments are stated at fair value. Investment fair values are based on quoted market prices, except for time deposits, Florida PRIME, a qualifying investment pool as provided by Governmental Accounting Standards Board (GASB) Statement No. 79, and money market mutual funds, which are based on amortized cost.

Accounts Receivable and Revenue Recognition:

Tipping fee revenues are recognized when earned, with an allowance for accounts considered to be uncollectible. Revenues from five of the System's customers accounted for approximately 46% and 47% of the total tipping fee revenues recognized in Fiscal Years 2021 and 2020, respectively.

Inventories and Prepaid Costs:

Inventories and prepaid costs consist of the following: inventory of supplies held for consumption valued at the lower of cost or market, using the weighted average method; and the portion of operating permit fees which is applicable to future periods. Operating permit expense amounted to \$4,200 and \$4,250 in the Fiscal Years 2021 and 2020, respectively. Prepaid permit fees are allocated to operating periods over the life of the permit, using the straight-line method.

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted Assets:

The use of certain System assets is restricted by contractual obligations. Assets so designated are identified as restricted assets on the statements of net position. It is the System's policy to first apply restricted assets when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Assets:

Capital assets are stated at cost when purchased or constructed, or at acquisition value when donated to the System. The System capitalizes payments for plant additions and improvements. The thresholds for capitalization of assets range from \$500 to \$25,000, depending on the asset class. Expenses for plant maintenance and repairs are charged to operations. Projects under construction are retained in Construction in Progress and are transferred into Buildings and Improvements other than buildings when placed in service. Provisions for depreciation are made using the straight-line method, based upon the following estimated useful lives of the assets:

Buildings	15-50 years
Improvements other than buildings	4-50 years
Machinery and equipment	3-20 years

Deferred Outflows and Inflows of Resources:

The System presents amounts related to pensions and OPEB as deferred outflows of resources and deferred inflows of resources.

Accounts Payable and Accrued Liabilities:

Current liabilities reported as accounts payable and accrued liabilities were comprised of the following components at September 30:

	2021	2020
Due to vendors	\$ 4,454,751	\$ 6,280,625
Salaries and benefits payable	837,454	779,973
Total	\$ 5,292,205	\$ 7,060,598

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated Absences:

The System accrues a liability, with a corresponding charge to current operations, for employees' rights to receive compensation for future absences to be subsequently taken or paid at point of employment termination in accordance with GASB Statement No. 16. The liability for compensated absences was \$821,375 and \$804,839 at September 30, 2021 and 2020, respectively. Of these amounts, \$511,000 and \$513,450, respectively, is expected to be paid out within one year and thus is included in current liabilities; the remainder is reported as noncurrent. The current portion is based on the average annual amount of leave paid over the preceding three years.

Accrued Closure Costs:

Under the terms of current state and federal regulations, the System is required to place a final cover on closed landfill areas, and to perform certain monitoring and maintenance functions for a period of up to 30 years after closure. In accordance with GASB Statement No. 18, the System is recognizing these costs of closure and post-closure maintenance over the active life of each landfill area, based on landfill capacity used during the period.

Operating and Nonoperating Revenues:

The System reports as operating revenues all charges for services generated through landfill tipping fees and certain other miscellaneous charges. Interest revenue is reported as nonoperating.

Pension Expense:

The System expenses required pension contributions as a component of personal services expense. The remaining portion of pension expense, consisting of the proportionate share of the Florida Retirement System's actuarially determined pension expense in excess of amounts contributed by the System, is presented as pension liability adjustment.

Other Postemployment Benefit Expense:

The System expenses OPEB contributions as a component of personal services expense. The remaining portion of OPEB expense, consisting of the actuarially determined portion of the County's OPEB expense in excess of amounts contributed by the System, is presented as OPEB liability adjustment.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

B. DEPOSIT AND INVESTMENT RISK

As of September 30, 2021 and 2020, the carrying value of the System's deposits and investments, with their respective Standard & Poor's and Moody's Investors Service credit ratings, was as follows:

<u>Investment Type</u>	<u>2021</u>	<u>2020</u>	<u>Credit Rating</u>
Demand and time deposits	\$ (13,936)	\$ (7,044)	NA
County investment pool:			
Florida PRIME	18,332,527	20,819,861	AAAm
U.S. Treasury Bills	9,019,741	17,706,293	A-1+
U.S. Treasury Notes	50,906,933	46,214,257	AA+/Aaa
Federal instrumentalities:			
Notes and bonds	1,804,314	7,082,281	AA+/Aaa
Money market mutual funds	722	579,355	AAAm/Aaa-mf
Total	<u>\$ 80,050,301</u>	<u>\$ 92,395,003</u>	

The System's fair value measurement for U.S. Treasury Bills, U.S. Treasury Notes and Federal Instrumentalities uses observable inputs other than quoted prices in active markets (Level 2 inputs). Time deposits, Florida PRIME and money market mutual funds are valued at amortized cost.

The System deposits all cash and investments in the County's investment pool portfolio. Investment balances by type, included in the County's investment pool, are presented above based on the System's proportionate share of the investment pool portfolio.

Credit Risk:

The Board's Investment Policy (Policy) limits credit risk by restricting authorized investments to the following: obligations issued or explicitly guaranteed by the U.S. Government (Treasuries), obligations of certain U.S. Government-sponsored Federal instrumentalities (Instrumentalities), direct obligations of states and municipalities, repurchase agreements comprised of Treasuries or Instrumentalities, Florida PRIME administered by the Florida State Board of Administration, commercial paper, bankers' acceptances, bank certificates of deposit or savings accounts, and money market mutual funds (Money Markets). The Policy requires that investments in Instrumentality debt be guaranteed by the full faith and credit of the U. S. Government-sponsored agency, and that investments in Money Markets have a Standard & Poor's rating of AAAm or AAAG. Eligible Money Markets are limited to those comprised of Treasuries.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

B. DEPOSIT AND INVESTMENT RISK, Continued

Concentration of Credit Risk:

Except for Treasuries, the Policy establishes limitations on portfolio composition for all permitted investments, both by investment type and by issuer, in order to control concentration of credit risk. The Policy, which pertains to the overall investment pool portfolio of the Board and is not monitored at the individual fund level, provides that a maximum of 45% of the portfolio may be invested in any of four specified Instrumentalities, with a limit of 15% of the portfolio invested in any one issuer; and that a maximum of 25% of the portfolio may be invested in Money Markets, with a limit of 10% of the portfolio invested in any one issuer. At September 30, 2021, the System's portion of the Board investment pool portfolio was invested in one authorized Instrumentality, which represented two percent of the total pool portfolio.

Custodial Credit Risk:

The Policy requires that bank demand and time deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida. At September 30, 2021 and 2020, all of the System's bank deposits were in qualified public depositories.

The Policy requires execution of a third-party custodial safekeeping agreement for all purchased securities, and requires that securities be held in the Board's name. At September 30, 2021 and 2020, all of the System's investments were held in a bank's trust department in the Board's name.

Interest Rate Risk:

For all investment types, the Policy limits the investment of current operating funds to 13 months. To increase returns and provide diversity, the Policy also provides for the investment of noncurrent (beyond 13 months) operating funds in investments with maturities no longer than 60 months. Noncurrent operating funds are invested in the intermediate term portfolio with a maximum maturity of 36 months, and the noncurrent operating portfolio with a maximum maturity of 60 months. Construction funds may be invested for up to 10 years, subject to liquidity needs.

The System's investments had weighted average maturities of 13.1 months and 9.9 months at September 30, 2021 and 2020, respectively. The portfolio did not contain any callable securities at September 30, 2021 and 2020. The Money Markets have a weighted average maturity of not more than 60 days.

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

C. RESTRICTED ASSETS

Restricted assets of the System consists of funds available for repayment of customer deposits. These restricted assets were \$853,073 and \$693,316 at September 30, 2021 and 2020, respectively.

(Remainder of this page intentionally left blank)

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

D. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2021 and 2020 was as follows:

	Balance 10/1/20	Additions	Reductions	Balance 9/30/21
Capital assets, not being depreciated:				
Land	\$ 34,065,882	\$ -	\$ -	\$ 34,065,882
Construction in progress	35,200,300	24,627,360	(33,569,548)	26,258,112
Total capital assets, not being depreciated	<u>69,266,182</u>	<u>24,627,360</u>	<u>(33,569,548)</u>	<u>60,323,994</u>
Capital assets, being depreciated:				
Buildings	11,565,942	-	-	11,565,942
Improvements other than buildings	102,984,579	33,569,548	-	136,554,127
Machinery and equipment	44,292,641	2,429,478	(1,969,164)	44,752,955
Total capital assets, being depreciated	<u>158,843,162</u>	<u>35,999,026</u>	<u>(1,969,164)</u>	<u>192,873,024</u>
Less accumulated depreciation for:				
Buildings	(8,705,785)	(365,468)	-	(9,071,253)
Improvements other than buildings	(65,256,007)	(3,528,040)	-	(68,784,047)
Machinery and equipment	(23,622,338)	(3,648,993)	1,899,239	(25,372,092)
Total accumulated depreciation	<u>(97,584,130)</u>	<u>(7,542,501)</u>	<u>1,899,239</u>	<u>(103,227,392)</u>
Total capital assets, being depreciated, net	<u>61,259,032</u>	<u>28,456,525</u>	<u>(69,925)</u>	<u>89,645,632</u>
Total System capital assets, net	<u>\$ 130,525,214</u>	<u>\$ 53,083,885</u>	<u>\$ (33,639,473)</u>	<u>\$ 149,969,626</u>
	Balance 10/1/19	Additions	Reductions	Balance 9/30/20
Capital assets, not being depreciated:				
Land	\$ 34,065,882	\$ -	\$ -	\$ 34,065,882
Construction in progress	7,947,345	30,755,769	(3,502,814)	35,200,300
Total capital assets, not being depreciated	<u>42,013,227</u>	<u>30,755,769</u>	<u>(3,502,814)</u>	<u>69,266,182</u>
Capital assets, being depreciated:				
Buildings	11,565,942	-	-	11,565,942
Improvements other than buildings	99,450,005	3,534,574	-	102,984,579
Machinery and equipment	42,228,067	2,156,813	(92,239)	44,292,641
Total capital assets, being depreciated	<u>153,244,014</u>	<u>5,691,387</u>	<u>(92,239)</u>	<u>158,843,162</u>
Less accumulated depreciation for:				
Buildings	(8,339,813)	(365,972)	-	(8,705,785)
Improvements other than buildings	(62,495,787)	(2,760,220)	-	(65,256,007)
Machinery and equipment	(20,180,097)	(3,495,873)	53,632	(23,622,338)
Total accumulated depreciation	<u>(91,015,697)</u>	<u>(6,622,065)</u>	<u>53,632</u>	<u>(97,584,130)</u>
Total capital assets, being depreciated, net	<u>62,228,317</u>	<u>(930,678)</u>	<u>(38,607)</u>	<u>61,259,032</u>
Total System capital assets, net	<u>\$ 104,241,544</u>	<u>\$ 29,825,091</u>	<u>\$ (3,541,421)</u>	<u>\$ 130,525,214</u>

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

E. CHANGES IN LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities (current and noncurrent portions) of the System for the years ended September 30, 2021 and 2020 is as follows:

	Balance 10/1/20	Additions	Reductions	Balance 9/30/21
Compensated absences payable	\$ 804,839	\$ 536,745	\$ (520,209)	\$ 821,375
Accrued closure costs	49,945,037	4,414,188	(398,341)	53,960,884
Net pension liability	7,469,116	-	(4,192,320)	3,276,796
Net OPEB (asset)	(906,444)	217,577	(568,840)	(1,257,707)
System long-term liabilities, including current portion	<u>\$ 57,312,548</u>	<u>\$ 5,168,510</u>	<u>\$ (5,679,710)</u>	<u>\$ 56,801,348</u>

	Balance 10/1/19	Additions	Reductions	Balance 9/30/20
Compensated absences payable	\$ 678,480	\$ 579,833	\$ (453,474)	\$ 804,839
Accrued closure costs	44,709,932	5,656,206	(421,101)	49,945,037
Net pension liability	7,023,792	445,324	-	7,469,116
Net OPEB (asset)	(789,536)	170,406	(287,314)	(906,444)
System long-term liabilities, including current portion	<u>\$ 51,622,668</u>	<u>\$ 6,851,769</u>	<u>\$ (1,161,889)</u>	<u>\$ 57,312,548</u>

F. PROVISION FOR CLOSURE COSTS

As explained in Note A, current regulations of the U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP) require the System to place a final cover on closed landfill areas, and to maintain those areas for up to 30 years after closure. The System recognizes the expenses associated with final closure and post-closure maintenance of landfill areas over the active life of those areas. These costs are recognized in each operating period based on the amount of waste received during that period, regardless of when cash disbursements are made for these costs.

The System annually obtains updated and revised estimates of total future closure and post-closure costs from its consulting engineers. The cumulative effect of such updated and revised estimates is recognized in the period of the change to the extent it relates to current and past operations. All amounts recognized are based on what it would cost to perform all closure and post-closure functions in current dollars. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations.

The total unrecognized closure and post-closure costs attributable to the currently active landfill areas (2A cell 2, cells 9-12, and the tire disposal area) are approximately \$168 million. These costs will be recognized in future periods as the remaining capacity of approximately 40 million

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

F. PROVISION FOR CLOSURE COSTS, Continued

tons is filled. As of September 30, 2021, the active landfill areas were filled to approximately 9% and 40% for subbasins 2A cell 2 and 9-12, respectively. The current landfill facilities are expected to provide the needed capacity through the year 2102.

The System is required by FDEP annually to show proof of ability to finance closure and postclosure costs, and has done so by fulfilling the requirements of the financial test provision of the regulation. In addition, the System was making deposits to a closure costs account to provide for the financing of future closure-related expenditures. The System did not make a deposit to the closure and long-term care escrow fund during Fiscal Year 2021. Annual deposits are expected to be reinstated in Fiscal Year 2022. The balance in this account, reported as a current asset on the System's statements of net position, was \$47,218,198 and \$47,200,281 as of September 30, 2021 and 2020, respectively. The liability for closure and post-closure activities reported on the System's statements of net position, as calculated in accordance with GASB Statement No. 18, was \$53,960,884 and \$49,945,037 at September 30, 2021 and 2020, respectively. Of these amounts, \$465,887 and \$460,992, respectively, are expected to be paid out within one year and are included in current liabilities.

G. RETIREMENT SYSTEMS

Florida Retirement System:

General Information - All of the System's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

G. RETIREMENT SYSTEMS, Continued

Pension Plan

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

G. RETIREMENT SYSTEMS, Continued

enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates are as follows:

Job Class	July 1, 2021 - September 30, 2021	July 1, 2020 - June 30, 2021	October 1, 2019 - June 30, 2020
Regular	10.82%	10.00%	8.47%
Special Risk Administrative Support	37.76%	35.84%	38.59%
Special Risk	25.89%	24.45%	25.48%
Senior Management Services	29.01%	27.29%	25.41%
Elected Officers	51.42%	49.18%	48.82%
DROP participants	18.34%	16.98%	14.60%

These employer contribution rates include 1.66% HIS Plan subsidy for the period October 1, 2019 through September 30, 2021.

The System's contributions to the Pension Plan totaled \$540,977 and \$428,522 for the fiscal years ended September 30, 2021 and 2020, respectively.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

G. RETIREMENT SYSTEMS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The System reported a liability of \$1,044,252 and \$5,427,831 for its proportionate share of the Board’s Pension Plan’s net pension liability at September 30, 2021 and 2020, respectively. The net pension liability for each fiscal year was measured as of June 30, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation in each year as of July 1. The System’s proportionate share of the net pension liability was based on the System’s fiscal year contributions relative to the same fiscal year contributions of all participating members of the Board. At September 30, 2021, the System's proportionate share was 0.89%, which was an increase of 0.07% from its proportionate share of 0.82% measured as of September 30, 2020.

For the fiscal years ended September 30, 2021 and 2020, the System recognized pension expense of \$41,536 and \$1,160,492, respectively. In addition, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	Deferred Outflows of Resources		Deferred Inflows of Resources	
	9/30/21	9/30/20	9/30/21	9/30/20
Differences between expected and actual experience	\$ 178,986	\$ 207,734	\$ -	\$ -
Change of assumptions	714,529	982,610	-	-
Net difference between projected and actual earnings on Pension Plan investments	-	323,178	3,643,133	-
Changes in proportion and differences between System Pension Plan contributions and proportionate share of contributions	150,558	111,642	-	199
System Pension Plan contributions subsequent to the measurement date	147,047	122,670	-	-
Total	<u>\$ 1,191,120</u>	<u>\$ 1,747,834</u>	<u>\$ 3,643,133</u>	<u>\$ 199</u>

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

G. RETIREMENT SYSTEMS, Continued

The deferred outflows of resources related to the Pension Plan resulting from System contributions to the Plan subsequent to the measurement date, totaling \$147,047, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u> <u>September 30:</u>	<u>Amount</u>
2022	\$ (436,160)
2023	(528,738)
2024	(716,808)
2025	(933,878)
2026	16,524

Actuarial Assumptions – The total pension liability in the July 1, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB 2010 base table varies by member category and sex, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead was based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class for the July 1, 2021 actuarial valuation are summarized in the following table and were not changed significantly from the July 1, 2020 actuarial valuation:

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

G. RETIREMENT SYSTEMS, Continued

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Total	<u>100.0%</u>			
Assumed Inflation - Mean		2.4%		1.2%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.80% for the July 1, 2021 and 2020 actuarial valuations. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following represents the System's proportionate share of the net pension (asset) liability calculated using the discount rate of 6.80% for Fiscal Years 2021 and 2020, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

G. RETIREMENT SYSTEMS, Continued

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
System's proportionate share of the net pension liability (asset) at September 30, 2021	\$ 4,669,966	\$ 1,044,252	\$ (1,986,438)
	1% Decrease (5.80%)	Discount Rate (6.80%)	1% Increase (7.80%)
System's proportionate share of the net pension liability at September 30, 2020	\$ 8,667,334	\$ 5,427,831	\$ 2,722,184

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

Payables to the Pension Plan - At September 30, 2021 and 2020, the System reported de minimis amounts payable for outstanding contributions to the Pension Plan.

HIS Plan

Plan Description – The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided – For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

G. RETIREMENT SYSTEMS, Continued

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the HIS contribution rate was 1.66%. The System contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The System's contributions to the HIS Plan totaled \$107,116 and \$97,451 for the fiscal years ended September 30, 2021 and 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The System reported a liability of \$2,232,544 and \$2,041,285 for its proportionate share of the Board's HIS Plan's net pension liability as of September 30, 2021 and 2020, respectively. The net pension liability for each fiscal year was measured as of June 30, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation prepared as of July 1. The System's proportionate share of the net pension liability was based on the System's fiscal year contributions relative to the same fiscal year contributions of all participating members of the Board. At September 30, 2021, the System's proportionate share was 1.46%, which was an increase of 0.06% from its proportionate share of 1.40% measured as of September 30, 2020.

(Remainder of this page intentionally left blank)

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

G. RETIREMENT SYSTEMS, Continued

For the fiscal years ended September 30, 2021 and 2020, the System recognized pension expense of \$190,998 and \$186,784, respectively. In addition, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>9/30/21</u>	<u>9/30/20</u>	<u>9/30/21</u>	<u>9/30/20</u>
Differences between expected and actual experience	\$ 74,707	\$ 83,501	\$ 935	\$ 1,575
Change of assumptions	175,428	219,496	91,986	118,693
Net difference between projected and actual earnings on HIS Plan investments	2,327	1,630	-	-
Changes in proportion and differences between System HIS Plan contributions and proportionate share of contributions	125,809	64,503	-	-
System HIS Plan contributions subsequent to the measurement date	27,651	26,473	-	-
Total	<u>\$ 405,922</u>	<u>\$ 395,603</u>	<u>\$ 92,921</u>	<u>\$ 120,268</u>

The deferred outflows of resources related to the HIS Plan resulting from System contributions to the HIS Plan subsequent to the measurement date, totaling \$27,651, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u> <u>September 30:</u>	<u>Amount</u>
2022	\$ 74,794
2023	43,357
2024	53,900
2025	57,874
2026	43,964
Thereafter	11,461

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

G. RETIREMENT SYSTEMS, Continued

Actuarial Assumptions – The total pension liability in the July 1, 2021 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.16%

All assumptions were the same in the July 1, 2020 valuation with the exception of the municipal bond rate which was 2.21%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018.

The actuarial assumptions used to determine the July 1, 2021 and 2020 valuations, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability was 2.16% and 2.21% for the July 1, 2021 and 2020 actuarial valuation, respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following represents the System's proportionate share of the net pension liability calculated using the discount rate of 2.16% and 2.21%, for the Fiscal Year 2021 and 2020, respectively, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

G. RETIREMENT SYSTEMS, Continued

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
System's proportionate share of the net pension liability at September 30, 2021	\$ 2,581,037	\$ 2,232,544	\$ 1,947,032
	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
System's proportionate share of the net pension liability at September 30, 2020	\$ 2,359,635	\$ 2,041,285	\$ 1,780,717

HIS Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

Payables to the HIS Plan - At September 30, 2021 and 2020, the System reported de minimis amounts payable for outstanding contributions to the HIS Plan.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. System employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program,

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

G. RETIREMENT SYSTEMS, Continued

are funded through an employer contribution and by forfeited benefits of plan members. The employer contribution for the period from October 1, 2019 through September 30, 2021 was 0.06% of payroll. Allocations to the investment member's accounts during the 2019-20 and 2020-21 fiscal years, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class--6.30%, Special Risk Administrative Support class--7.95%, Special Risk class--14.00%, Senior Management Service class--7.67% and County Elected Officers class--11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the System.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The System's Investment Plan pension expense totaled \$134,397 and \$94,148 for the fiscal years ended September 30, 2021 and 2020, respectively.

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description – In addition to the pension benefits described in Note G, the System offers a postemployment benefit plan (OPEB Plan) that subsidizes the cost of health care for its retirees and eligible dependents. Employees of the System with at least 10 years of combined service under the System and/or any other Board department or any of the five county officers (County Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, or Tax Collector) who retire and immediately begin receiving benefits from the Florida Retirement System (FRS) are eligible to receive a monthly benefit of three dollars per year of service up to a maximum of

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

\$90 per month. If combined service is at least 20 years and receipt of FRS benefits is deferred to a later date, the monthly benefit may be vested for commencement at such deferral date. Additionally, in accordance with State statute, System employees who retire and immediately begin receiving benefits from the FRS have the option of continuing in the Board's health insurance plan at the same group rate as for active employees.

The Board has established the Orange County Health Care Benefit Trust (Trust), a single-employer defined benefit OPEB plan for, and administered by, the Board and County officers noted above. The Board has the authority to establish and amend the Plan and engages an actuarial firm to determine each participant's estimated obligation and actuarially determined contribution (ADC). For Fiscal Years 2021 and 2020, based on the actuary's recommendation, the System did not make ADC payments to the Trust.

A full presentation of the Trust and OPEB Plan assets, liabilities, and actuarial methods and assumptions is included in the Orange County, Florida Annual Comprehensive Financial Report. Separate stand-alone financial statements for the Trust are not prepared.

At September 30, 2021 and 2020, System employee plan participation consisted of:

	<u>2021</u>	<u>2020</u>
Active members	118	136
Inactive employees currently receiving benefits	58	55
Inactive employees with deferred benefits	2	3

Net OPEB Liability - The System's net OPEB liability was measured as of September 30, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

Actuarial Assumptions – The total OPEB liability in the September 30, 2021 actuarial valuation was determined based on a five-year actuarial experience study for the period ended September 30, 2018, and using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

The actuarial assumptions are:

Investment rate of return	7.0%
Discount rate used to measure total OPEB liability	7.0%
Projected annual salaries increase	4.5%
Inflation rate	2.5%
Healthcare cost trend rate	Pre-65 increase of 6.40%; post 65 increase of 6.70% for Fiscal Year 2022, grading to an ultimate rate of 4.50% for Fiscal Year 2031+
Mortality	Pub-2010 Headcount Weighted General and Public Safety tables, projected with Scale MP-2021

All assumptions were the same in the September 30, 2020 actuarial valuation with the exception of the healthcare cost trend rate which was Pre-65 increase of 6.45%; post 65 increase of 7.25% for Fiscal Year 2021, grading to an ultimate rate of 4.5% for the Fiscal Year 2029 and mortality based on Pub-2010 Headcount Weighted General and Public Safety tables, projected with Scale MP-2020.

(Remainder of this page intentionally left blank)

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021 are summarized in the following table, which also approximate the rate of return and asset allocation as of September 30, 2020:

<u>Asset Class</u>	<u>Expected Nominal Rate of Return</u>	<u>Expected Real Rate of Return</u>	<u>Allocation</u>
Large Cap U.S. Equity	6.72%	4.11%	43.00%
Small Cap U.S. Equity	7.22%	4.60%	7.00%
International Equity	7.42%	4.80%	24.70%
Emerging Markets Equity	7.92%	5.29%	8.30%
Non-U.S. Developed Bond	2.50%	0.00%	5.00%
Intermediate Duration Bonds-Gov't	2.30%	-0.20%	7.70%
Intermediate Duration Bonds-Credit	3.20%	0.69%	4.30%
Total Portfolio	6.74%	4.54%	100.00%

(Remainder of this page intentionally left blank)

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

Changes in the Net OPEB Liability (Asset) – for the System for fiscal years ended September 30, 2021 and 2020, are displayed in the following tables:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at 9-30-20	\$ 1,018,304	\$ 1,924,748	\$ (906,444)
Changes for the year:			
Service cost	43,868	-	43,868
Interest	72,364	-	72,364
Differences between expected and actual experience	(86,592)	-	(86,592)
Changes of assumptions	101,345	-	101,345
Contribution - employer	-	-	-
Net investment income	-	482,248	(482,248)
Benefit payments	(57,792)	(57,792)	-
Net changes	73,193	424,456	(351,263)
Balances at 9-30-21	\$ 1,091,497	\$ 2,349,204	\$ (1,257,707)
Plan fiduciary net position as a percentage of the total OPEB liability:		215.23%	

(Remainder of this page intentionally left blank)

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

	Increase (Decrease)		
	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 9-30-19	<u>\$ 956,773</u>	<u>\$ 1,746,309</u>	<u>\$ (789,536)</u>
Changes for the year:			
Service cost	39,652	-	39,652
Interest	70,910	-	70,910
Differences between expected and actual experience	59,844	-	59,844
Changes of assumptions	(51,033)	-	(51,033)
Contribution - employer	-	-	-
Net investment income	-	236,281	(236,281)
Benefit payments	<u>(57,842)</u>	<u>(57,842)</u>	<u>-</u>
Net changes	61,531	178,439	(116,908)
Balances at 9-30-20	<u>\$ 1,018,304</u>	<u>\$ 1,924,748</u>	<u>\$ (906,444)</u>

Plan fiduciary net position as a percentage of
the total OPEB liability: 189.02%

The discount rate used to measure the total OPEB liability is 7.00% in Fiscal Years 2021 and 2020. The projection of cash flows used to determine the discount rate assumed the System would continue to fund the actuarially determined contribution. Only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on these assumptions, the OPEB fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

Sensitivity of the System's Net OPEB Liability (Asset) to Changes in the Discount Rate - The following represents the System's net OPEB liability (asset) calculated using the discount rate of 7.00% for Fiscal Years 2021 and 2020, as well as what the System's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
System's net OPEB liability (asset) at September 30, 2021	\$ (1,152,302)	\$ (1,257,707)	\$ (1,350,228)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
System's net OPEB liability (asset) at September 30, 2020	\$ (809,061)	\$ (906,444)	\$ (991,856)

Sensitivity of the System's Net OPEB Liability (Asset) to Changes in the healthcare cost trend rates - The following represents the System's OPEB liability (asset) calculated using a health care cost trend rate of 6.70% and 7.25% for Fiscal Years 2021 and 2020, respectively, as well as what the System's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
System's net OPEB liability (asset) at September 30, 2021	\$ (1,315,066)	\$ (1,257,707)	\$ (1,190,012)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
System's net OPEB liability (asset) at September 30, 2020	\$ (954,834)	\$ (906,444)	\$ (849,397)

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

For fiscal years ended September 30, 2021 and 2020, the System recognized OPEB benefit of (\$114,427) and (\$47,378), respectively. In addition, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources		Deferred Inflows of Resources	
	09/30/21	09/30/20	09/30/21	09/30/20
Differences between expected and actual experience	\$ 45,104	\$ 52,474	\$ 123,777	\$ 55,349
Change of assumptions	134,278	51,749	65,665	78,820
Net difference between projected and actual earnings on OPEB Plan investments	-	-	326,044	69,322
Total	<u>\$ 179,382</u>	<u>\$ 104,223</u>	<u>\$ 515,486</u>	<u>\$ 203,491</u>

The OPEB Plan's deferred outflows of resources and deferred inflows of resources related to the System at September 30, 2021 will be recognized in OPEB expense of the System as follows:

Fiscal Year Ending September 30:	Amount
2022	\$ (94,105)
2023	(82,937)
2024	(95,263)
2025	(73,926)
2026	3,414
Thereafter	6,713

I. INSURANCE COVERAGE

The Board maintains a self-insurance program that provides for coverage of substantially all risks. Various excess catastrophe insurance policies with commercial carriers are also in force for claims exceeding the amount chargeable against the loss fund. The System participated in the self-insurance program during Fiscal Years 2021 and 2020 at an annual cost of \$852,492 and \$720,237 respectively. There have been no claim settlements in excess of insurance coverage during the three fiscal years ended September 30, 2021.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

I. INSURANCE COVERAGE, Continued

Additionally, the Board maintains a self-insured plan for employee medical benefits in which the System participates. The self-insurance plan covers all regular employees and certain retirees and former employees of the Board and their eligible dependents. In accordance with the Affordable Care Act, the lifetime maximum for a covered individual is unlimited.

J. COMMITMENTS AND CONTINGENCIES

Outstanding commitments under operating and construction contracts for various projects totaled approximately \$12.9 million and \$35.5 million at September 30, 2021 and 2020, respectively.

The System is a party in various lawsuits and other claims incidental to the ordinary course of its operation, some of which are covered by the Board's self-insurance program. While the results of litigation cannot be predicted with certainty, management believes the final outcome of such litigation will not have a material adverse effect on the System's financial position.

SUPPLEMENTARY INFORMATION

**ORANGE COUNTY SOLID WASTE SYSTEM
SCHEDULE OF BUDGETED REVENUES AND EXPENSES COMPARED TO ACTUAL
(NON-GAAP BUDGETARY BASIS*)
for the year ended September 30, 2021**

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
Tipping fees	\$ 33,533,800	\$ 38,977,122
Gas sales	1,264,220	1,382,256
Miscellaneous	<u>208,872</u>	<u>309,811</u>
Total operating revenues	<u>35,006,892</u>	<u>40,669,189</u>
Operating and maintenance expenses:		
Personal services	10,115,590	9,345,222
Contractual services	7,914,874	5,867,057
Materials and supplies	2,562,883	1,602,471
Utilities	407,478	313,912
Repairs and maintenance	5,496,610	3,233,864
Provision for closure costs	5,676,453	4,414,188
Other expenses	<u>1,804,924</u>	<u>1,402,968</u>
Total operating and maintenance expenses	<u>33,978,812</u>	<u>26,179,682</u>
Operating income, budgetary basis*	<u>1,028,080</u>	<u>14,489,507</u>
Nonoperating revenues		
Investment income (loss)	<u>1,194,123</u>	<u>(223,821)</u>
Total net nonoperating revenues	<u>1,194,123</u>	<u>(223,821)</u>
Change in net position, budgetary basis*	<u>\$ 2,222,203</u>	<u>\$ 14,265,686</u>

*Budgetary basis, for purposes of this schedule, includes all budgeted items except for capital and closure cost outlay, beginning net position, and expense reserves.