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ORANGE COUNTY SOLID WASTE SYSTEM
ORANGE COUNTY, FLORIDA
ANNUAL FINANCIAL REPORT
for the years ended September 30, 2023 and 2022

ORANGE COUNTY SOLID WASTE SYSTEM

ANNUAL FINANCIAL REPORT

for the years ended September 30, 2023 and 2022

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Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

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, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Orange County, Florida, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2023 and 2022, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about System's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Orange County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

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 to the financial statements, 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.

Cherry Bekaert LLP

Orlando, Florida
February 22, 2024

ORANGE COUNTY SOLID WASTE SYSTEM
STATEMENTS OF NET POSITION
September 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| <u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 104,171,897 | \$ 92,619,295 |
| Accrued interest receivable | 385,941 | 175,118 |
| Accounts receivable, net | 6,694,703 | 3,277,824 |
| Due from other governmental agencies | 782,406 | 782,406 |
| Inventories and prepaid costs | 431,604 | 344,977 |
| Cash and cash equivalents, restricted | <u>1,240,971</u> | <u>961,514</u> |
| Total current assets | <u>113,707,522</u> | <u>98,161,134</u> |
| Noncurrent assets: | | |
| Nondepreciable capital assets | 35,010,431 | 34,373,660 |
| Depreciable capital assets, net | <u>107,931,637</u> | <u>112,955,343</u> |
| Total noncurrent assets | <u>142,942,068</u> | <u>147,329,003</u> |
| Total assets | <u>256,649,590</u> | <u>245,490,137</u> |
| Deferred outflows of resources: | | |
| Related to pensions and OPEB | <u>2,076,162</u> | <u>1,874,847</u> |
| Total assets and deferred outflows of resources | <u>\$ 258,725,752</u> | <u>\$ 247,364,984</u> |
| <u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 6,433,202 | \$ 6,383,180 |
| Due to other governmental agencies | 2,345 | 1,635 |
| Accrued closure costs | 353,385 | 476,431 |
| Payable from restricted assets: | | |
| Customer deposits | <u>1,240,971</u> | <u>961,514</u> |
| Total current liabilities | <u>8,029,903</u> | <u>7,822,760</u> |
| Noncurrent liabilities: | | |
| Compensated absences payable | 356,086 | 291,465 |
| Accrued closure costs | 66,018,602 | 62,017,993 |
| Net pension and OPEB liability | <u>8,419,505</u> | <u>6,388,730</u> |
| Total noncurrent liabilities | <u>74,794,193</u> | <u>68,698,188</u> |
| Total liabilities | <u>82,824,096</u> | <u>76,520,948</u> |
| Deferred inflows of resources: | | |
| Related to pensions and OPEB | <u>873,846</u> | <u>858,429</u> |
| Total liabilities and deferred inflows of resources | <u>83,697,942</u> | <u>77,379,377</u> |
| <u>NET POSITION</u> | | |
| Net investment in capital assets | 141,502,269 | 145,314,391 |
| Unrestricted | <u>33,525,541</u> | <u>24,671,216</u> |
| Total net position | <u>175,027,810</u> | <u>169,985,607</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 258,725,752</u> | <u>\$ 247,364,984</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, 2023 and 2022**

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|-----------------------|
| Operating revenues: | | |
| Tipping fees | \$ 46,639,966 | \$ 41,636,781 |
| Gas sales | 384,912 | 631,562 |
| Miscellaneous | <u>1,275,486</u> | <u>544,049</u> |
| Total operating revenues | <u>48,300,364</u> | <u>42,812,392</u> |
| | | |
| Operating and maintenance expenses: | | |
| Personal services | 10,871,310 | 9,255,539 |
| Contractual services | 9,346,438 | 6,742,189 |
| Materials and supplies | 2,426,516 | 2,348,780 |
| Utilities | 456,721 | 393,702 |
| Repairs and maintenance | 6,618,544 | 4,821,884 |
| Provision for closure costs | 4,765,845 | 9,136,315 |
| Other expenses | 1,977,993 | 1,435,027 |
| Pension and OPEB liability adjustment | <u>1,844,877</u> | <u>878,107</u> |
| Total operating and maintenance expenses | <u>38,308,244</u> | <u>35,011,543</u> |
| Operating income before depreciation | 9,992,120 | 7,800,849 |
| Depreciation | <u>9,069,657</u> | <u>8,158,285</u> |
| Operating income (loss) | <u>922,463</u> | <u>(357,436)</u> |
| | | |
| Nonoperating revenues (expenses): | | |
| Investment gain (loss) | 4,300,492 | (1,704,337) |
| Gain (loss) on disposal of assets | <u>(180,752)</u> | <u>102,972</u> |
| Total nonoperating revenues (expenses) | <u>4,119,740</u> | <u>(1,601,365)</u> |
| Change in net position | 5,042,203 | (1,958,801) |
| Total net position, October 1 | <u>169,985,607</u> | <u>171,944,408</u> |
| Total net position, September 30 | <u>\$ 175,027,810</u> | <u>\$ 169,985,607</u> |

See accompanying notes to financial statements.

ORANGE COUNTY SOLID WASTE SYSTEM
STATEMENTS OF CASH FLOWS
for the years ended September 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|----------------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 45,162,942 | \$ 45,161,906 |
| Cash payments to suppliers for goods and services | (21,281,823) | (14,615,389) |
| Cash payments to employees for services | <u>(10,700,443)</u> | <u>(9,198,932)</u> |
| Net cash provided by operating activities | <u>13,180,676</u> | <u>21,347,585</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (5,438,487) | (6,280,779) |
| Proceeds from disposition of assets | <u>201</u> | <u>103,916</u> |
| Net cash used by capital and related financing activities | <u>(5,438,286)</u> | <u>(6,176,863)</u> |
| Cash flows from investing activities: | | |
| Investment gain (loss) | <u>4,089,669</u> | <u>(1,640,214)</u> |
| Net cash provided (used) by investing activities | <u>4,089,669</u> | <u>(1,640,214)</u> |
| Net increase in cash and cash equivalents | 11,832,059 | 13,530,508 |
| Cash and cash equivalents, October 1 | <u>93,580,809</u> | <u>80,050,301</u> |
| Cash and cash equivalents, September 30 | <u>\$ 105,412,868</u> | <u>\$ 93,580,809</u> |
| Classified as: | | |
| Current assets | \$ 104,171,897 | \$ 92,619,295 |
| Current assets, restricted | <u>1,240,971</u> | <u>961,514</u> |
| Total | <u>\$ 105,412,868</u> | <u>\$ 93,580,809</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | <u>\$ 922,463</u> | <u>\$ (357,436)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 9,069,657 | 8,158,285 |
| Pension and OPEB adjustment | 1,844,877 | 878,107 |
| Allowance for doubtful accounts | - | (367) |
| Decrease (increase) in assets: | | |
| Accounts receivable | (3,416,879) | 2,241,440 |
| Inventories and prepaid costs | (86,627) | (47,759) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued liabilities | 689,455 | 1,834,238 |
| Due to other governmental agencies | 710 | (904) |
| Accrued closure costs | 3,877,563 | 8,533,540 |
| Customer deposits | <u>279,457</u> | <u>108,441</u> |
| Total adjustments | <u>12,258,213</u> | <u>21,705,021</u> |
| Net cash provided by operating activities | <u>\$ 13,180,676</u> | <u>\$ 21,347,585</u> |
| Noncash investing, capital and financing activities: | | |
| Capital asset acquired through payables | <u>\$ 1,439,799</u> | <u>\$ 2,014,612</u> |
| | <u>\$ 1,439,799</u> | <u>\$ 2,014,612</u> |

See accompanying notes to financial statements.

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS
for the years ended September 30, 2023 and 2022

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, 2023 and 2022

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 2023 and 2022 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 demand and 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 40% and 41% of the total tipping fee revenues recognized in Fiscal Years 2023 and 2022, 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, included in other expenses, amounted to \$2,702 and \$4,092 in the Fiscal Years 2023 and 2022, 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, 2023 and 2022**

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:

| | 2023 | 2022 |
|-------------------------------|--------------|--------------|
| Due to vendors | \$ 5,413,985 | \$ 5,470,209 |
| Salaries and benefits payable | 1,019,217 | 912,971 |
| Total | \$ 6,433,202 | \$ 6,383,180 |

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

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. The liability for compensated absences was \$919,646 and \$810,465 at September 30, 2023 and 2022, respectively. Of these amounts, \$563,560 and \$519,000, 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, gas sales and certain other miscellaneous charges. Investment gain (loss) and gain (loss) on disposal of assets 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, 2023 and 2022

B. DEPOSIT AND INVESTMENT RISK

As of September 30, 2023 and 2022, 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>2023</u> | <u>2022</u> | <u>Credit Rating</u> |
|----------------------------|-----------------------|----------------------|----------------------|
| Demand and time deposits | \$ (494,525) | \$ 1,990,819 | NA |
| County investment pool: | | | |
| Florida PRIME | 37,112,799 | 20,004,759 | AAAm |
| U.S. Treasury Bills | 20,427,651 | 13,585,920 | A-1+ |
| U.S. Treasury Notes | 37,584,733 | 45,063,947 | AA+/Aaa |
| U.S. Cash Management Bills | - | 2,571,521 | A-1+ |
| Federal instrumentalities: | | | |
| Notes and bonds | 9,826,410 | 10,057,000 | A-1 +/P-1 |
| Money market mutual funds | 955,800 | 306,843 | AAAm/Aaa-mf |
| Total | <u>\$ 105,412,868</u> | <u>\$ 93,580,809</u> | |

The System's fair value measurement for U.S. Treasury Bills, U.S. Treasury Notes, U.S. Cash Management Bills and Federal Instrumentalities uses observable inputs other than quoted prices in active markets (Level 2 inputs). Demand and 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, 2023 and 2022

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, 2023, the System's portion of the Board investment pool portfolio was invested in three authorized Instrumentalities, each of which represented 6.7% or less 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, 2023 and 2022, 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, 2023 and 2022, 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 7.5 months and 10.4 months at September 30, 2023 and 2022, respectively. The portfolio did not contain any callable securities at September 30, 2023 and 2022. 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, 2023 and 2022**

C. RESTRICTED ASSETS

Restricted assets of the System consists of funds available for repayment of customer deposits. These restricted assets were \$1,240,971 and \$961,514 at September 30, 2023 and 2022, respectively.

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Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

D. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2023 and 2022 was as follows:

| | Balance 10/1/2022 | Additions | Reductions | Balance 9/30/2023 |
|--|-----------------------|-----------------------|------------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 34,068,657 | \$ 4,725 | \$ - | \$ 34,073,382 |
| Construction in progress | 305,003 | 781,549 | (149,503) | 937,049 |
| Total capital assets, not being depreciated | <u>34,373,660</u> | <u>786,274</u> | <u>(149,503)</u> | <u>35,010,431</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 11,565,942 | - | - | 11,565,942 |
| Improvements other than buildings | 166,035,859 | 168,435 | (18,933) | 166,185,361 |
| Machinery and equipment | 45,343,452 | 4,142,399 | (1,004,926) | 48,480,925 |
| Total capital assets, being depreciated | <u>222,945,253</u> | <u>4,310,834</u> | <u>(1,023,859)</u> | <u>226,232,228</u> |
| Less accumulated depreciation expense for: | | | | |
| Buildings | (9,436,973) | (365,720) | - | (9,802,693) |
| Improvements other than buildings | (72,763,966) | (4,470,938) | 13,736 | (77,221,168) |
| Machinery and equipment | (27,788,971) | (4,232,999) | 745,240 | (31,276,730) |
| Total accumulated depreciation expense | <u>(109,989,910)</u> | <u>(9,069,657)</u> | <u>758,976</u> | <u>(118,300,591)</u> |
| Total capital assets, being depreciated, net | <u>112,955,343</u> | <u>(4,758,823)</u> | <u>(264,883)</u> | <u>107,931,637</u> |
| Total System capital assets, net | <u>\$ 147,329,003</u> | <u>\$ (3,972,549)</u> | <u>\$ (414,386)</u> | <u>\$ 142,942,068</u> |
| | | | | |
| | Balance 10/1/2021 | Additions | Reductions | Balance 9/30/2022 |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 34,065,882 | \$ 2,775 | \$ - | \$ 34,068,657 |
| Construction in progress | 26,258,112 | 3,528,623 | (29,481,732) | 305,003 |
| Total capital assets, not being depreciated | <u>60,323,994</u> | <u>3,531,398</u> | <u>(29,481,732)</u> | <u>34,373,660</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 11,565,942 | - | - | 11,565,942 |
| Improvements other than buildings | 136,554,127 | 29,481,732 | - | 166,035,859 |
| Machinery and equipment | 44,752,955 | 2,041,208 | (1,450,711) | 45,343,452 |
| Total capital assets, being depreciated | <u>192,873,024</u> | <u>31,522,940</u> | <u>(1,450,711)</u> | <u>222,945,253</u> |
| Less accumulated depreciation expense for: | | | | |
| Buildings | (9,071,253) | (365,720) | - | (9,436,973) |
| Improvements other than buildings | (68,784,047) | (3,979,919) | - | (72,763,966) |
| Machinery and equipment | (25,372,092) | (3,812,646) | 1,395,767 | (27,788,971) |
| Total accumulated depreciation expense | <u>(103,227,392)</u> | <u>(8,158,285)</u> | <u>1,395,767</u> | <u>(109,989,910)</u> |
| Total capital assets, being depreciated, net | <u>89,645,632</u> | <u>23,364,655</u> | <u>(54,944)</u> | <u>112,955,343</u> |
| Total System capital assets, net | <u>\$ 149,969,626</u> | <u>\$ 26,896,053</u> | <u>\$ (29,536,676)</u> | <u>\$ 147,329,003</u> |

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

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, 2023 and 2022 is as follows:

| | Balance 10/1/2022 | Additions | Reductions | Balance 9/30/2023 | Due Within One Year |
|--|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Compensated absences payable | \$ 810,465 | \$ 696,310 | \$ (587,129) | \$ 919,646 | \$ 563,560 |
| Accrued closure costs | 62,494,424 | 4,765,845 | (888,282) | 66,371,987 | 353,385 |
| Net pension liability | 6,792,180 | 2,064,567 | - | 8,856,747 | - |
| Net OPEB (asset) | (403,450) | 292,754 | (326,546) | (437,242) | - |
| System long-term liabilities, including current portion | <u>\$ 69,693,619</u> | <u>\$ 7,819,476</u> | <u>\$ (1,801,957)</u> | <u>\$ 75,711,138</u> | <u>\$ 916,945</u> |

| | Balance 10/1/2021 | Additions | Reductions | Balance 9/30/2022 | Due Within One Year |
|--|----------------------|----------------------|-----------------------|----------------------|------------------------|
| Compensated absences payable | \$ 821,375 | \$ 572,419 | \$ (583,329) | \$ 810,465 | \$ 519,000 |
| Accrued closure costs | 53,960,884 | 9,136,315 | (602,775) | 62,494,424 | 476,431 |
| Net pension liability | 3,276,796 | 3,515,384 | - | 6,792,180 | - |
| Net OPEB (asset) | (1,257,707) | 967,214 | (112,957) | (403,450) | - |
| System long-term liabilities, including current portion | <u>\$ 56,801,348</u> | <u>\$ 14,191,332</u> | <u>\$ (1,299,061)</u> | <u>\$ 69,693,619</u> | <u>\$ 995,431</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 \$173 million. These costs will be recognized in future periods as the remaining capacity of approximately 38 million

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

F. PROVISION FOR CLOSURE COSTS, Continued

tons is filled. As of September 30, 2023, the active landfill areas were filled to approximately 11% and 45% for subbasins 2A cell 2 and 9-12, respectively. The current landfill facilities are expected to provide the needed capacity through the year 2084.

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 balance in this account, reported as a current asset on the System's statements of net position, was \$60,084,270 and \$53,386,827 as of September 30, 2023 and 2022, 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 \$66,371,987 and \$62,494,424 at September 30, 2023 and 2022, respectively. Of these amounts, \$353,385 and \$476,431, 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, 2023 and 2022

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, 2023 and 2022**

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, 2023 - September 30, 2023 | July 1, 2022 - June 30, 2023 | October 1, 2021 - June 30, 2022 |
|-------------------------------------|--------------------------------------|---------------------------------|------------------------------------|
| Regular | 13.57% | 11.91% | 10.82% |
| Special Risk Administrative Support | 39.82% | 38.65% | 37.76% |
| Special Risk | 32.67% | 27.83% | 25.89% |
| Senior Management Services | 34.52% | 31.57% | 29.01% |
| Elected Officers | 58.68% | 57.00% | 51.42% |
| DROP participants | 21.13% | 18.60% | 18.34% |

These employer contribution rates include 1.66% HIS Plan subsidy for the period October 1, 2021 through June 30, 2023 and increased to 2.00% for the period July 1, 2023 through September 30, 2023.

The System's contributions to the Pension Plan totaled \$710,875 and \$578,291 for the fiscal years ended September 30, 2023 and 2022, respectively.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

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 \$5,797,847 and \$4,928,971 for its proportionate share of the Board’s Pension Plan’s net pension liability at September 30, 2023 and 2022, 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, 2023, the System's proportionate share was 0.95%, which was an increase of 0.06% from its proportionate share of 0.89% measured as of September 30, 2022.

For the fiscal years ended September 30, 2023 and 2022, the System recognized pension expense of \$1,216,153 and \$693,014, 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>9/30/2023</u> | <u>9/30/2022</u> | <u>9/30/2023</u> | <u>9/30/2022</u> |
| Differences between expected and actual experience | \$ 544,368 | \$ 234,098 | \$ - | \$ - |
| Change of assumptions | 377,952 | 607,023 | - | - |
| Net difference between projected and actual earnings on Pension Plan investments | 242,134 | 325,459 | - | - |
| Changes in proportion and differences between System Pension Plan contributions and proportionate share of contributions | 176,725 | 103,312 | 129,019 | 155,926 |
| System Pension Plan contributions subsequent to the measurement date | 182,521 | 161,311 | - | - |
| Total | <u>\$ 1,523,700</u> | <u>\$ 1,431,203</u> | <u>\$ 129,019</u> | <u>\$ 155,926</u> |

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

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 \$182,521, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2024. 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:

| Fiscal Year Ending September 30: | Amount |
|-------------------------------------|------------|
| 2024 | \$ 179,844 |
| 2025 | (48,763) |
| 2026 | 951,284 |
| 2027 | 96,541 |
| 2028 | 33,254 |

Actuarial Assumptions – The total pension liability in the July 1, 2023 actuarial 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 |
| Investment rate of return | 6.70%, net of pension plan investment expense, including inflation |

All assumptions were the same in the July 1, 2022 valuation.

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, 2023 and 2022 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, 2023 actuarial valuation are summarized in the following table and were not changed significantly from the July 1, 2022 actuarial valuation:

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ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

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% | 2.9% | 2.9% | 1.1% |
| Fixed income | 19.8% | 4.5% | 4.4% | 3.4% |
| Global equity | 54.0% | 8.7% | 7.1% | 18.1% |
| Real estate (property) | 10.3% | 7.6% | 6.6% | 14.8% |
| Private equity | 11.1% | 11.9% | 8.8% | 26.3% |
| Strategic investments | 3.8% | 6.3% | 6.1% | 7.7% |
| Total | <u>100.0%</u> | | | |
| Assumed Inflation - Mean | | 2.4% | | 1.4% |

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

Discount Rate - The discount rate used to measure the total pension liability was 6.70% for the July 1, 2023 and 2022 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 liability calculated using the discount rate of 6.70% for Fiscal Years 2023 and 2022, 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, 2023 and 2022**

G. RETIREMENT SYSTEMS, Continued

| | 1% Decrease (5.70%) | Current Discount Rate (6.70%) | 1% Increase (7.70%) |
|---|------------------------|-------------------------------------|------------------------|
| System's proportionate share of the net pension liability at September 30, 2023 | \$ 9,903,903 | \$ 5,797,847 | \$ 2,362,639 |
| | 1% Decrease (5.70%) | Current Discount Rate (6.70%) | 1% Increase (7.70%) |
| System's proportionate share of the net pension liability at September 30, 2022 | \$ 8,524,316 | \$ 4,928,971 | \$ 1,922,834 |

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, 2023 and 2022, the System reported de minimis amounts payable for outstanding contributions to the Pension Plan.

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**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022**

G. RETIREMENT SYSTEMS, Continued

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 – Eligible retirees and beneficiaries received a monthly HIS payment with a minimum and maximum payment as follows:

| | <u>July 1, 2023 - September 30, 2023</u> | <u>October 1, 2021 - June 30, 2023</u> |
|---|--|--|
| Monthly HIS payment for each year of creditable service completed at the time of retirement | \$ 7.50 | \$ 5.00 |
| Minimum HIS payment per month | 45.00 | 30.00 |
| Maximum HIS payment per month | 225.00 | 150.00 |

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.

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 period from October 1, 2021 through June 30, 2023 and July 1, 2023 through September 30, 2023 the HIS contribution rate was 1.66% and 2.00%, respectively. The Center 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 \$131,360 and \$107,671 for the fiscal years ended September 30, 2023 and 2022, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The System reported a liability of \$3,058,900 and \$1,863,209 for its proportionate share of the Board’s HIS Plan’s net pension liability as of September 30, 2023 and 2022, 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 2022. The System’s proportionate share of the net pension liability was based on the System’s fiscal year

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

G. RETIREMENT SYSTEMS, Continued

contributions relative to the same fiscal year contributions of all participating members of the Board. At September 30, 2023, the System's proportionate share was 1.56%, which was an increase of 0.09% from its proportionate share of 1.47% measured as of September 30, 2022.

For the fiscal years ended September 30, 2023 and 2022, the System recognized pension expense of \$1,172,240 and \$113,838, 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 | |
|--|-----------------------------------|-------------------|----------------------------------|-------------------|
| | 9/30/2023 | 9/30/2022 | 9/30/2023 | 9/30/2022 |
| Differences between expected and actual experience | \$ 44,780 | \$ 56,553 | \$ 7,180 | \$ 8,198 |
| Change of assumptions | 80,418 | 106,800 | 265,064 | 288,237 |
| Net difference between projected and actual earnings on HIS Plan investments | 1,580 | 2,698 | - | - |
| Changes in proportion and differences between System HIS Plan contributions and proportionate share of contributions | 125,074 | 95,392 | 57,558 | 66,511 |
| System HIS Plan contributions subsequent to the measurement date | 35,463 | 29,005 | - | - |
| Total | <u>\$ 287,315</u> | <u>\$ 290,448</u> | <u>\$ 329,802</u> | <u>\$ 362,946</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 \$35,463, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2024. 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 September 30:</u> | <u>Amount</u> |
|---|---------------|
| 2024 | \$ (1,414) |
| 2025 | 2,743 |
| 2026 | (12,014) |
| 2027 | (46,834) |
| 2028 | (21,478) |
| Thereafter | 1,047 |
| Continued | |

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022**

G. RETIREMENT SYSTEMS, Continued

Actuarial Assumptions – The total pension liability in the July 1, 2023 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 | 3.65% |

All assumptions were the same in the July 1, 2022 valuation with the exception of the municipal bond rate which was 3.54%

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

The actuarial assumptions used to determine the July 1, 2023 and 2022 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 3.65% and 3.54% for the July 1, 2023 and 2022 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 FRS Actuarial Assumption Conference. 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 3.65% and 3.54%, for the Fiscal Year 2023 and 2022, 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, 2023 and 2022**

G. RETIREMENT SYSTEMS, Continued

| | 1% Decrease (2.65%) | Current Discount Rate (3.65%) | 1% Increase (4.65%) |
|---|------------------------|-------------------------------------|------------------------|
| System's proportionate share of the net pension liability at September 30, 2023 | \$ 3,489,728 | \$ 3,058,900 | \$ 2,701,773 |
| | | | |
| | 1% Decrease (2.54%) | Current Discount Rate (3.54%) | 1% Increase (4.54%) |
| System's proportionate share of the net pension liability at September 30, 2022 | \$ 2,131,664 | \$ 1,863,209 | \$ 1,641,068 |

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, 2023 and 2022, 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.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

G. RETIREMENT SYSTEMS, Continued

Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution and by forfeited benefits of plan members. The employer contribution for the period from October 1, 2021 through September 30, 2023 was 0.06% of payroll. Allocations to the investment member's accounts during the period covering October 1, 2021 to June 30, 2023 and July 1, 2023 to September 30, 2023, respectively, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class--9.30% and 11.30%, Special Risk Administrative Support class--10.95% and 12.95%, Special Risk class--17.00% and 19.00%, Senior Management Service class--10.67% and 12.67% and County Elected Officers class--14.34% and 16.34%.

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, 2023, 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 \$205,752 and \$152,794 for the fiscal years ended September 30, 2023 and 2022, respectively.

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022**

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 five dollars per year of service up to a maximum of \$150 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 2023 and 2022, 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, 2023 and 2022, System employee plan participation consisted of:

| | 2023 | 2022 |
|---|------|------|
| Active members | 135 | 85 |
| Inactive employees currently receiving benefits | 57 | 57 |
| Inactive employees with deferred benefits | 2 | 2 |

Net OPEB Liability (Asset) - The System’s net OPEB liability (asset) was measured as of September 30, 2023 and 2022, and the total OPEB liability (asset) 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, 2023 and 2022**

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

Actuarial Assumptions – The total OPEB liability (asset) in the September 30, 2023 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 8.90%; post 65 increase of 8.25% for Fiscal Year 2023, grading to an ultimate rate of 4.50% for Fiscal Year 2033+ |
| Mortality | Pub-2010 Headcount Weighted General and Public Safety tables, projected with Scale MP-2021 |

All assumptions were the same in the September 30, 2022 actuarial valuation with the exception of the healthcare cost trend rate which was Pre-65 increase of 7.20%; post 65 increase of 7.35% for Fiscal Year 2023, grading to an ultimate rate of 4.50% for the Fiscal Year 2032+.

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Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

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 rates 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, 2023 are summarized in the following table, which also approximate the rate of return and asset allocation as of September 30, 2022:

| <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 | 6.80% | 4.40% | 42.90% |
| Small Cap U.S. Equity | 7.30% | 4.89% | 7.10% |
| International Equity | 7.30% | 4.89% | 24.50% |
| Emerging Markets Equity | 7.70% | 5.28% | 8.50% |
| Non-U.S. Developed Bond | 3.60% | 1.27% | 5.00% |
| Intermediate Duration Bonds-Gov't | 3.40% | 1.08% | 7.90% |
| Intermediate Duration Bonds-Credit | 4.30% | 1.96% | 4.10% |
| Total Portfolio | 6.93% | 4.53% | 100.00% |

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Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022**

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

Changes in the Net OPEB Liability (Asset) – for the System for fiscal years ended September 30, 2023 and 2022, 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 9-30-2022 | \$ 1,410,297 | \$ 1,813,747 | \$ (403,450) |
| Changes for the year: | | | |
| Service cost | 39,258 | - | 39,258 |
| Interest | 98,263 | - | 98,263 |
| Differences between expected and actual experience | 1,596 | - | 1,596 |
| Changes of assumptions | 153,637 | - | 153,637 |
| Net investment income | - | 326,546 | (326,546) |
| Benefit payments | (93,173) | (93,173) | - |
| Net changes | 199,581 | 233,373 | (33,792) |
| Balances at 9-30-2023 | \$ 1,609,878 | \$ 2,047,120 | \$ (437,242) |

Plan fiduciary net position as a percentage of
the total OPEB liability: 127.16%

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Continued

**ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022**

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

| | Increase (Decrease) | | |
|---|---------------------|--------------|-------------------|
| | Total OPEB | Plan | Net OPEB |
| | Liability | Fiduciary | Liability (Asset) |
| | (a) | (b) | (a) - (b) |
| Balances at 9-30-2021 | \$ 1,091,497 | \$ 2,349,204 | \$ (1,257,707) |
| Changes for the year: | | | |
| Service cost | 44,480 | - | 44,480 |
| Interest | 77,012 | - | 77,012 |
| Change in Benefit Terms | 383,117 | | 383,117 |
| Differences between expected and actual experience | (99,661) | - | (99,661) |
| Changes of assumptions | (13,296) | - | (13,296) |
| Net investment loss | - | (462,605) | 462,605 |
| Benefit payments | (72,852) | (72,852) | - |
| Net changes | 318,800 | (535,457) | 854,257 |
| Balances at 9-30-2022 | \$ 1,410,297 | \$ 1,813,747 | \$ (403,450) |

Plan fiduciary net position as a percentage of
the total OPEB liability: 128.61%

The discount rate used to measure the total OPEB liability (asset) is 7.00% in Fiscal Years 2023 and 2022. 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, 2023 and 2022

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 2023 and 2022, 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 asset at September 30, 2023 | \$ (288,846) | \$ (437,242) | \$ (568,107) |
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| System's net OPEB asset at September 30, 2022 | \$ (272,195) | \$ (403,450) | \$ (518,665) |

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 8.25% and 7.35% for Fiscal Years 2023 and 2022, 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 (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| System's net OPEB asset at September 30, 2023 | \$ (506,830) | \$ (437,242) | \$ (356,267) |
| | 1% Decrease (6.35%) | Current Discount Rate (7.35%) | 1% Increase (8.35%) |
| System's net OPEB asset at September 30, 2022 | \$ (454,037) | \$ (403,450) | \$ (344,669) |

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued

For fiscal years ended September 30, 2023 and 2022, the System recognized OPEB (benefit) expense of (\$70,275) and \$271,063, 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 | |
|---|-----------------------------------|-------------------|----------------------------------|-------------------|
| | 9/30/2023 | 9/30/2022 | 9/30/2023 | 9/30/2022 |
| Differences between expected and actual experience | \$ 31,784 | \$ 37,734 | \$ 165,230 | \$ 194,334 |
| Change of assumptions | 233,363 | 115,462 | 49,733 | 64,347 |
| Net difference between projected and actual earnings on OPEB Plan investments | - | - | 200,062 | 80,876 |
| Total | <u>\$ 265,147</u> | <u>\$ 153,196</u> | <u>\$ 415,025</u> | <u>\$ 339,557</u> |

The OPEB Plan's deferred outflows of resources and deferred inflows of resources related to the System at September 30, 2023 will be recognized in OPEB expense of the System as follows:

| Fiscal Year Ending September 30: | Amount |
|-------------------------------------|-------------|
| 2024 | \$ (91,002) |
| 2025 | (69,665) |
| 2026 | 7,675 |
| 2027 | (31,480) |
| 2028 | 6,468 |
| Thereafter | 28,126 |

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 2023 and 2022 at an annual cost of \$1,103,007 and \$787,072 respectively. There have been no claim settlements in excess of insurance coverage during the three fiscal years ended September 30, 2023.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2023 and 2022

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 \$9.4 million and \$10.8 million at September 30, 2023 and 2022, 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, 2023**

| | <u>Budget</u> | <u>Actual</u> |
|--|---------------------|----------------------|
| Operating revenues: | | |
| Tipping fees | \$ 46,369,377 | \$ 46,639,966 |
| Gas sales | 1,085,683 | 384,912 |
| Miscellaneous | <u>1,542,730</u> | <u>1,275,486</u> |
| Total operating revenues | <u>48,997,790</u> | <u>48,300,364</u> |
| | | |
| Operating and maintenance expenses: | | |
| Personal services | 10,883,270 | 10,871,310 |
| Contractual services | 10,487,512 | 9,346,438 |
| Materials and supplies | 2,492,596 | 2,426,516 |
| Utilities | 483,255 | 456,721 |
| Repairs and maintenance | 6,744,811 | 6,618,544 |
| Provision for closure costs | 10,736,713 | 4,765,845 |
| Other expenses | <u>2,174,561</u> | <u>1,977,993</u> |
| Total operating and maintenance expenses | <u>44,002,718</u> | <u>36,463,367</u> |
| Operating income, budgetary basis* | <u>4,995,072</u> | <u>11,836,997</u> |
| | | |
| Nonoperating revenues | | |
| Investment income | <u>1,398,105</u> | <u>4,300,492</u> |
| Total net nonoperating revenues | <u>1,398,105</u> | <u>4,300,492</u> |
| Change in net position, budgetary basis* | <u>\$ 6,393,177</u> | <u>\$ 16,137,489</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.