

ORANGE COUNTY SOLID WASTE SYSTEM
ORANGE COUNTY, FLORIDA
ANNUAL FINANCIAL REPORT
for the years ended September 30, 2017 and 2016

ORANGE COUNTY SOLID WASTE SYSTEM

ANNUAL FINANCIAL REPORT

for the years ended September 30, 2017 and 2016

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	6-25
Supplementary Information:	
Schedule of Budgeted Revenues and Expenses Compared to Actual (Non-GAAP Budgetary Basis)	26

Report of Independent Auditor

To the Honorable County Mayor and
Board of County Commissioners of
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, 2017 and 2016, 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, 2017 and 2016, 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 Matters

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, 2017 and 2016, 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 audit was 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 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 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.

A handwritten signature in black ink, reading "Cheryl Behrman" followed by a stylized "LLP".

Orlando, Florida
February 20, 2018

ORANGE COUNTY SOLID WASTE SYSTEM
STATEMENTS OF NET POSITION
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current assets:		
Cash and cash equivalents	\$ 92,271,122	\$ 89,383,669
Accrued interest receivable	269,490	239,307
Accounts receivable	3,953,696	2,990,041
Less allowance for doubtful accounts	(150)	(299)
Inventories and prepaid costs	358,602	363,293
Restricted cash and cash equivalents	<u>335,038</u>	<u>293,918</u>
Total current assets	<u>97,187,798</u>	<u>93,269,929</u>
Noncurrent assets:		
Nondepreciable capital assets	41,378,633	39,875,337
Depreciable capital assets, net	<u>54,117,212</u>	<u>54,459,441</u>
Total noncurrent assets	<u>95,495,845</u>	<u>94,334,778</u>
Total assets	<u>192,683,643</u>	<u>187,604,707</u>
Deferred outflows of resources:		
Related to pensions	<u>2,194,306</u>	<u>1,910,547</u>
Total assets and deferred outflows of resources	<u>\$ 194,877,949</u>	<u>\$ 189,515,254</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,795,713	\$ 3,468,870
Due to other governmental agencies	2,248	3,389
Accrued closure costs	795,841	1,963,594
Net pension liability	51,966	61,982
Payable from restricted assets:		
Customer deposits	<u>335,038</u>	<u>293,918</u>
Total current liabilities	<u>3,980,806</u>	<u>5,791,753</u>
Noncurrent liabilities:		
Compensated absences payable	255,842	169,163
Accrued closure costs	35,703,543	33,674,529
Net pension liability	<u>5,672,483</u>	<u>5,464,666</u>
Total noncurrent liabilities	<u>41,631,868</u>	<u>39,308,358</u>
Total liabilities	<u>45,612,674</u>	<u>45,100,111</u>
Deferred inflows of resources:		
Related to pensions	<u>324,894</u>	<u>96,216</u>
Total liabilities and deferred inflows of resources	<u>45,937,568</u>	<u>45,196,327</u>
<u>NET POSITION</u>		
Net investment in capital assets	94,854,196	93,075,734
Unrestricted	<u>54,086,185</u>	<u>51,243,193</u>
Total net position	<u>148,940,381</u>	<u>144,318,927</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 194,877,949</u>	<u>\$ 189,515,254</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Tipping fees	\$ 31,650,436	\$ 29,852,148
Gas sales	1,238,626	1,636,310
Miscellaneous	390,524	593,596
Total operating revenues	<u>33,279,586</u>	<u>32,082,054</u>
Operating and maintenance expenses:		
Personal services	8,042,790	7,952,537
Contractual services	5,782,017	4,674,029
Materials and supplies	1,475,673	1,380,544
Utilities	330,468	321,573
Repairs and maintenance	3,383,922	2,985,539
Provision for closure costs	3,247,439	3,551,705
Other expenses	1,019,976	1,937,615
Pension liability adjustment expense	142,720	224,323
Total operating and maintenance expenses	<u>23,425,005</u>	<u>23,027,865</u>
Operating income before depreciation	9,854,581	9,054,189
Depreciation	<u>5,582,627</u>	<u>5,087,388</u>
Operating income	<u>4,271,954</u>	<u>3,966,801</u>
Nonoperating revenues:		
Interest revenue	273,340	905,234
Gain on disposal of assets	76,160	136,996
Total nonoperating revenues	<u>349,500</u>	<u>1,042,230</u>
Change in net position	4,621,454	5,009,031
Total net position, October 1	<u>144,318,927</u>	<u>139,309,896</u>
Total net position, September 30	<u>\$ 148,940,381</u>	<u>\$ 144,318,927</u>

See accompanying notes to financial statements.

**ORANGE COUNTY SOLID WASTE SYSTEM
STATEMENTS OF CASH FLOWS
for the years ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from customers	\$ 32,356,902	\$ 31,932,450
Cash payments to suppliers for goods and services	(14,406,781)	(19,776,802)
Cash payments to employees for services	<u>(7,958,222)</u>	<u>(8,155,391)</u>
Net cash provided by operating activities	<u>9,991,899</u>	<u>4,000,257</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(7,368,103)	(6,088,344)
Proceeds from disposition of assets	<u>61,620</u>	<u>149,805</u>
Net cash used by capital and related financing activities	<u>(7,306,483)</u>	<u>(5,938,539)</u>
Cash flows from investing activities:		
Interest on investments	<u>243,157</u>	<u>848,703</u>
Net cash provided by investing activities	<u>243,157</u>	<u>848,703</u>
Net increase (decrease) in cash and cash equivalents	2,928,573	(1,089,579)
Cash and cash equivalents, October 1	<u>89,677,587</u>	<u>90,767,166</u>
Cash and cash equivalents, September 30	<u><u>\$ 92,606,160</u></u>	<u><u>\$ 89,677,587</u></u>
Classified as:		
Current assets	\$ 92,271,122	\$ 89,383,669
Current assets, restricted	<u>335,038</u>	<u>293,918</u>
Total	<u><u>\$ 92,606,160</u></u>	<u><u>\$ 89,677,587</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 4,271,954</u>	<u>\$ 3,966,801</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,582,627	5,087,388
Pension expense adjustment	142,720	224,323
Decrease (increase) in assets:		
Accounts receivable	(963,655)	(158,078)
Allowance for doubtful accounts	(149)	97
Inventories and prepaid costs	4,691	16,162
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	52,471	(3,971)
Due to other governmental agencies	(1,141)	2,207
Accrued closure costs	861,261	(5,143,049)
Customer deposits	<u>41,120</u>	<u>8,377</u>
Total adjustments	<u>5,719,945</u>	<u>33,456</u>
Net cash provided by operating activities	<u><u>\$ 9,991,899</u></u>	<u><u>\$ 4,000,257</u></u>

See accompanying notes to financial statements.

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS
for the years ended September 30, 2017 and 2016

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 liability adjustment expense, 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, 2017 and 2016

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 2017 and 2016 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 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 bankers' acceptances and commercial paper, which are based on amortized cost. Florida PRIME, a qualifying investment pool as provided by Governmental Accounting Standards Board (GASB) Statement No. 79, and money market mutual funds are stated at amortized cost, which is substantially the same as fair value.

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 50% of the total tipping fee revenues recognized in Fiscal Years 2017 and 2016, 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 \$6,522 and \$10,042 in the Fiscal Years 2017 and 2016, 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, 2017 and 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted Assets:

The use of certain System assets is restricted by legal requirements. 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:

Utility Plant is 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 Utility Plant 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 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:

	<u>2017</u>	<u>2016</u>
Due to vendors	\$ 2,127,200	\$ 2,798,246
Salaries and benefits payable	<u>668,513</u>	<u>670,624</u>
Total	<u>\$ 2,795,713</u>	<u>\$ 3,468,870</u>

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

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 \$714,252 and \$643,513 at September 30, 2017 and 2016, respectively. Of these amounts, \$458,410 and \$474,350, 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. Additionally, in accordance with GASB Statement No. 68, the System expenses its proportionate share of the actuarially determined changes in the net pension liability as pension liability adjustment expense.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

B. DEPOSIT AND INVESTMENT RISK

As of September 30, 2017 and 2016, 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>2017</u>	<u>2016</u>	<u>Credit Rating</u>
Demand and time deposits	\$ 150,709	\$ 369,359	NA
County investment pool:			
Florida PRIME	20,232,505	9,406,755	AAAm
U.S. Treasury Bills	-	646,828	A-1+/P-1
U.S. Treasury Notes	67,025,640	68,803,406	A-1+/P-1
Federal instrumentalities:			
Discount notes	-	3,903,421	A-1+/P-1
Notes and bonds	5,196,600	3,544,972	AA+/Aaa
Money market mutual funds	706	3,002,846	AAAm/Aaa-mf
Total	<u>\$ 92,606,160</u>	<u>\$ 89,677,587</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). 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.

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

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

B. DEPOSIT AND INVESTMENT RISK, Continued

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, 2017, the System's portion of the Board investment pool portfolio was invested in three authorized Instrumentalities, each of which represented 3.1% 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, 2017 and 2016, 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. As of September 30, 2017 and 2016, 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 13.8 months and 18.0 months at September 30, 2017 and 2016, respectively. The portfolio did not contain any callable securities at September 30, 2017 and 2016. The Money Markets have a weighted average maturity of not more than 60 days.

C. RESTRICTED ASSETS

Restricted assets of the System consists of funds available for repayment of customer deposits. These restricted assets were \$335,038 and \$293,918 at September 30, 2017 and 2016, respectively.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

D. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2017 and 2016 was as follows:

	Balance 10/1/16	Additions	Reductions	Balance 9/30/17
Capital assets, not being depreciated:				
Land	\$ 33,889,591	\$ 176,291	\$ -	\$ 34,065,882
Construction in progress	5,985,746	1,327,005	-	7,312,751
Total capital assets, not being depreciated	<u>39,875,337</u>	<u>1,503,296</u>	<u>-</u>	<u>41,378,633</u>
Capital assets, being depreciated:				
Buildings	11,565,942	-	-	11,565,942
Improvements other than buildings	91,686,387	-	-	91,686,387
Machinery and equipment	34,420,773	5,325,428	(1,137,138)	38,609,063
Total capital assets, being depreciated	<u>137,673,102</u>	<u>5,325,428</u>	<u>(1,137,138)</u>	<u>141,861,392</u>
Less accumulated depreciation for:				
Buildings	(7,234,907)	(372,287)	-	(7,607,194)
Improvements other than buildings	(54,682,975)	(2,555,815)	-	(57,238,790)
Machinery and equipment	(21,295,779)	(2,654,525)	1,052,108	(22,898,196)
Total accumulated depreciation	<u>(83,213,661)</u>	<u>(5,582,627)</u>	<u>1,052,108</u>	<u>(87,744,180)</u>
Total capital assets, being depreciated, net	<u>54,459,441</u>	<u>(257,199)</u>	<u>(85,030)</u>	<u>54,117,212</u>
Total System capital assets, net	<u>\$ 94,334,778</u>	<u>\$ 1,246,097</u>	<u>\$ (85,030)</u>	<u>\$ 95,495,845</u>
	Balance 10/1/15	Additions	Reductions	Balance 9/30/16
Capital assets, not being depreciated:				
Land	\$ 33,889,591	\$ -	\$ -	\$ 33,889,591
Construction in progress	5,192,508	1,862,382	(1,069,144)	5,985,746
Total capital assets, not being depreciated	<u>39,082,099</u>	<u>1,862,382</u>	<u>(1,069,144)</u>	<u>39,875,337</u>
Capital assets, being depreciated:				
Buildings	11,565,942	-	-	11,565,942
Improvements other than buildings	90,617,411	1,068,976	-	91,686,387
Machinery and equipment	30,709,429	4,495,695	(784,351)	34,420,773
Total capital assets, being depreciated	<u>132,892,782</u>	<u>5,564,671</u>	<u>(784,351)</u>	<u>137,673,102</u>
Less accumulated depreciation for:				
Buildings	(6,862,108)	(372,799)	-	(7,234,907)
Improvements other than buildings	(52,102,242)	(2,580,733)	-	(54,682,975)
Machinery and equipment	(19,933,633)	(2,133,856)	771,710	(21,295,779)
Total accumulated depreciation	<u>(78,897,983)</u>	<u>(5,087,388)</u>	<u>771,710</u>	<u>(83,213,661)</u>
Total capital assets, being depreciated, net	<u>53,994,799</u>	<u>477,283</u>	<u>(12,641)</u>	<u>54,459,441</u>
Total System capital assets, net	<u>\$ 93,076,898</u>	<u>\$ 2,339,665</u>	<u>\$ (1,081,785)</u>	<u>\$ 94,334,778</u>

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

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, 2017 and 2016 is as follows:

	Balance 10/1/2016	Additions	Reductions	Balance 9/30/17
Compensated absences payable	\$ 643,513	\$ 506,340	\$ (435,601)	\$ 714,252
Accrued closure costs	35,638,123	3,247,439	(2,386,178)	36,499,384
Net pension liability	5,526,648	197,801	-	5,724,449
System long-term liabilities, including current portion	<u>\$ 41,808,284</u>	<u>\$ 3,951,580</u>	<u>\$ (2,821,779)</u>	<u>\$ 42,938,085</u>

	Balance 10/1/2015	Additions	Reductions	Balance 9/30/16
Compensated absences payable	\$ 679,211	\$ 448,838	\$ (484,536)	\$ 643,513
Accrued closure costs	40,781,172	12,115,006	(17,258,055)	35,638,123
Net pension liability	3,522,704	2,003,944	-	5,526,648
System long-term liabilities, including current portion	<u>\$ 44,983,087</u>	<u>\$ 14,567,788</u>	<u>\$ (17,742,591)</u>	<u>\$ 41,808,284</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 \$183 million. These costs will be recognized in future periods as the remaining capacity of approximately 43 million

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

F. PROVISION FOR CLOSURE COSTS, Continued

tons is filled. As of September 30, 2017, the active landfill areas were filled to approximately 5% and 30% 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 post-closure costs, and has done so by fulfilling the requirements of the financial test provision of the regulation. In addition, the System is 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 \$39,217,253 and \$37,768,208 as of September 30, 2017 and 2016, 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 \$36,499,384 and \$35,638,123 at September 30, 2017 and 2016, respectively. Of these amounts, \$795,841 and \$1,963,594, 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, 2017 and 2016

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.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

G. RETIREMENT SYSTEMS, Continued

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 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 by job class for the periods from October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular--7.52% and 7.92%; Special Risk Administrative Support--28.06% and 34.63%; Special Risk--22.57% and 23.27%; Senior Management Service--21.77% and 22.71%; Elected Officers'--42.47% and 45.50%; and DROP participants--12.99% and 13.26%. These employer contribution rates include 1.66% HIS Plan subsidy for the period October 1, 2016 through September 30, 2017.

The System's contributions to the Pension Plan totaled \$337,797 and \$348,828 for the fiscal years ended September 30, 2017 and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The System reported a liability of \$3,792,895 and \$3,376,722 for its proportionate share of the Board's Pension Plan's net pension liability at September 30, 2017 and 2016, 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, 2017, the System's proportionate share was 0.87%, which was a decrease of 0.07% from its proportionate share of 0.94% measured as of September 30, 2016.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

G. RETIREMENT SYSTEMS, Continued

For the fiscal years ended September 30, 2017 and 2016, the System recognized pension expense of \$635,531 and \$488,934, 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>	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/17</u>	<u>9/30/16</u>
Differences between expected and actual experience	\$ 348,096	\$ 258,548	\$ 21,011	\$ 31,440
Change of assumptions	1,274,680	204,282	-	-
Net difference between projected and actual earnings on Pension Plan investments	-	872,842	93,997	-
Changes in proportion and differences between System Pension Plan contributions and proportionate share of contributions	118,013	79,235	38,840	59,879
System Pension Plan contributions subsequent to the measurement date	<u>95,309</u>	<u>98,669</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,836,098</u>	<u>\$ 1,513,576</u>	<u>\$ 153,848</u>	<u>\$ 91,319</u>

The deferred outflows of resources related to the Pension Plan resulting from System contributions to the Plan subsequent to the measurement date, totaling \$95,309, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. 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>
2018	\$ 204,591
2019	530,875
2020	384,645
2021	98,888
2022	268,973
Thereafter	98,969

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

G. RETIREMENT SYSTEMS, Continued

Actuarial Assumptions – The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is 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 is 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 are summarized in the following table:

<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%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate (property)	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
Total	<u>100.0%</u>			
Assumed Inflation - Mean		2.6%		1.9%

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

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

G. RETIREMENT SYSTEMS, Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.10% and 7.60% for the July 1, 2017 and 2016 actuarial valuations, respectively. 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 7.10% and 7.60%, 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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
System's proportionate share of the net pension liability at September 30, 2017	\$ 6,864,910	\$ 3,792,895	\$ 1,242,418
	1% Decrease (6.60%)	Discount Rate (7.60%)	1% Increase (8.60%)
System's proportionate share of the net pension liability at September 30, 2016	\$ 6,216,774	\$ 3,376,722	\$ 1,012,754

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 Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2017 and 2016, the System reported de minimis amounts payable for outstanding contributions to the Pension Plan.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

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 – For the fiscal year ended September 30, 2017, 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.

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, 2017, 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 \$97,667 and \$98,179 for the fiscal years ended September 30, 2017 and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The System reported a liability of \$1,931,554 and \$2,149,926 for its proportionate share of the Board's HIS Plan's net pension liability as of September 30, 2017 and 2016, 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, 2016. 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, 2017, the System's proportionate share was 1.58%, which was a decrease of 0.07% from its proportionate share of 1.65% measured as of September 30, 2016.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

G. RETIREMENT SYSTEMS, Continued

For the fiscal years ended September 30, 2017 and 2016, the System recognized pension expense of \$156,718 and \$181,681, 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>	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/17</u>	<u>9/30/16</u>
Differences between expected and actual experience	\$ -	\$ -	\$ 4,022	\$ 4,897
Change of assumptions	271,510	337,378	167,024	-
Net difference between projected and actual earnings on HIS Plan investments	1,071	1,087	-	-
Changes in proportion and differences between System HIS Plan contributions and proportionate share of contributions	59,275	33,142	-	-
System HIS Plan contributions subsequent to the measurement date	<u>26,352</u>	<u>25,364</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 358,208</u>	<u>\$ 396,971</u>	<u>\$ 171,046</u>	<u>\$ 4,897</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 \$26,352, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>September 30:</u>	<u>Amount</u>
2018	\$ 43,519
2019	43,316
2020	43,219
2021	32,889
2022	16,678
Thereafter	(18,811)

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

G. RETIREMENT SYSTEMS, Continued

Actuarial Assumptions – The total pension liability in the July 1, 2017 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.58%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used to determine the July 1 valuations, were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 3.58% and 2.85% for the July 1, 2017 and 2016 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 3.58% and 2.85%, 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:

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
System's proportionate share of the net pension liability at September 30, 2017	\$ 2,204,159	\$ 1,931,554	\$ 1,704,489
	<u>1% Decrease (1.85%)</u>	<u>Discount Rate (2.85%)</u>	<u>1% Increase (3.85%)</u>
System's proportionate share of the net pension liability at September 30, 2016	\$ 2,466,453	\$ 2,149,926	\$ 1,887,225

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

G. RETIREMENT SYSTEMS, Continued

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 Comprehensive Annual Financial Report.

Payables to the HIS Plan - At September 30, 2017 and 2016, 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 Comprehensive Annual 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, are funded through an employer contribution and by forfeited benefits of plan members. The employer contribution for the period from October 1, 2016 through September 30, 2017 was 0.06% of payroll. Allocations to the investment member's accounts during the 2016-17 fiscal year, 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

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

G. RETIREMENT SYSTEMS, Continued

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, 2017, 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 \$66,672 and \$61,240 for the fiscal years ended September 30, 2017 and 2016, respectively.

H. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

In addition to the pension benefits described in Note G, the System offers an OPEB Plan that subsidizes the cost of health care for its retirees and eligible dependents. The OPEB Plan is reported in accordance with GASB Statement No's. 74 and 45. Employees of the System with at least 10 years of combined service under the System and/or any other Board department or any of five county officers (County Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, 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 \$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, employees of the System 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 Retiree Health Care Benefit Trust (Trust) for the Board and the five county officers noted above and engages an actuarial firm to determine each participant's actuarially determined annual OPEB cost (AOC) and unfunded obligation. Through its ownership of the System, the Board's total AOC payment to the Trust includes an allocated contribution from the System. For Fiscal Year 2017, the System's AOC payment was \$9,620, representing 0.16% of the System's covered payroll amount of \$5,893,200. For Fiscal Year 2016, the System's AOC payment was \$28,333, representing 0.48% of the System's covered payroll amount of \$5,846,840. A full presentation of the Trust and OPEB Plan assets, liabilities, funding status, and actuarial methods and assumptions is included in the Orange County, Florida Comprehensive Annual Financial Report.

Continued

ORANGE COUNTY SOLID WASTE SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2017 and 2016

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 2017 and 2016 at an annual cost of \$510,906 and \$498,704 respectively. There have been no claim settlements in excess of insurance coverage during the three fiscal years ended September 30, 2017.

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. The plan covers claims up to \$1 million per individual per year. The Board has purchased an insurance policy to cover claims in excess of this amount, up to an additional \$2 million per individual per year. 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 total approximately \$13.2 million and \$13.5 million at September 30, 2017 and 2016, 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, 2017

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
Tipping fees	\$ 27,786,197	\$ 31,650,436
Gas sales	2,117,328	1,238,626
Miscellaneous	<u>479,968</u>	<u>390,524</u>
Total operating revenues	<u>30,383,493</u>	<u>33,279,586</u>
Operating and maintenance expenses:		
Personal services	8,606,160	8,042,790
Contractual services	5,782,309	5,782,017
Materials and supplies	1,529,045	1,475,673
Utilities	385,817	330,468
Repairs and maintenance	3,560,936	3,383,922
Provision for closure costs	4,779,391	3,247,439
Other expenses	<u>1,134,364</u>	<u>1,019,976</u>
Total operating and maintenance expenses	<u>25,778,022</u>	<u>23,282,285</u>
Operating income, budgetary basis*	<u>4,605,471</u>	<u>9,997,301</u>
Nonoperating revenues		
Interest revenue	<u>683,831</u>	<u>273,340</u>
Total net nonoperating revenues	<u>683,831</u>	<u>273,340</u>
Change in net position, budgetary basis*	<u>\$ 5,289,302</u>	<u>\$ 10,270,641</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.