

**ORANGE COUNTY SOLID WASTE SYSTEM**

**ORANGE COUNTY, FLORIDA**

**ANNUAL FINANCIAL REPORT**

**for the years ended September 30, 2010 and 2009**

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## **Independent Auditors' Report**

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

We have audited the accompanying basic financial statements of the Orange County Solid Waste System of Orange County, Florida (the "System") as of and for the years ended September 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the management of Orange County, Florida. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2010 and 2009, 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.

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, 2010 and 2009, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the System's basic financial statements. The supplementary information, listed in the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the System. This information is also the responsibility of the management of Orange County, Florida. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements for the years ended September 30, 2010 and 2009 and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

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 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Cheng, Behaert & Holland, L.L.P.*

Orlando, Florida  
January 26, 2011

**ORANGE COUNTY SOLID WASTE SYSTEM  
BALANCE SHEETS  
September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 48,112,141	\$ 55,989,837
Accrued interest receivable	145,752	230,351
Accounts receivable	1,547,217	1,758,053
Less allowance for doubtful accounts	(6,754)	(105,212)
Inventories and prepaid costs	313,650	360,859
Restricted cash and cash equivalents	<u>298,723</u>	<u>285,754</u>
Total current assets	<u>50,410,729</u>	<u>58,519,642</u>
Capital assets:		
Land	33,286,171	33,312,122
Construction in progress	34,852,799	20,718,395
Utility plant	94,298,253	93,542,908
Less accumulated depreciation	<u>(53,612,662)</u>	<u>(48,635,762)</u>
Total capital assets	<u>108,824,561</u>	<u>98,937,663</u>
Total assets	<u>\$ 159,235,290</u>	<u>\$ 157,457,305</u>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,384,884	\$ 11,702,003
Accrued closure costs	7,392,544	17,592,825
Payable from restricted assets:		
Customer deposits	<u>298,723</u>	<u>285,754</u>
Total current liabilities	<u>13,076,151</u>	<u>29,580,582</u>
Noncurrent liabilities:		
Compensated absences payable	319,244	298,417
Accrued closure costs	<u>41,797,743</u>	<u>35,212,752</u>
Total noncurrent liabilities	<u>42,116,987</u>	<u>35,511,169</u>
Total liabilities	<u>55,193,138</u>	<u>65,091,751</u>
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	108,824,561	98,937,663
Unrestricted	<u>(4,782,409)</u>	<u>(6,572,109)</u>
Total net assets	<u>104,042,152</u>	<u>92,365,554</u>
Total liabilities and net assets	<u>\$ 159,235,290</u>	<u>\$ 157,457,305</u>

See accompanying notes to financial statements.

**ORANGE COUNTY SOLID WASTE SYSTEM  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
for the years ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Tipping fees	\$ 27,743,275	\$ 28,655,384
Miscellaneous	<u>1,415,727</u>	<u>576,272</u>
Total operating revenues	<u>29,159,002</u>	<u>29,231,656</u>
Operating and maintenance expenses:		
Personal services	7,456,113	7,490,631
Contractual services	3,900,841	3,905,007
Materials and supplies	1,547,929	1,296,373
Utilities	357,842	374,591
Repairs and maintenance	2,384,898	1,998,137
Provision for closure costs	(1,494,515)	4,267,533
Other expenses	<u>937,965</u>	<u>969,832</u>
Total operating and maintenance expenses	<u>15,091,073</u>	<u>20,302,104</u>
Operating income before depreciation	14,067,929	8,929,552
Depreciation	<u>5,894,559</u>	<u>8,633,362</u>
Operating income	<u>8,173,370</u>	<u>296,190</u>
Nonoperating revenues (expenses):		
Interest revenue	552,524	974,946
Interest expense and fiscal charges	(300)	(300)
Loss on disposal of assets	(61,505)	(8,606)
Federal and state grants	<u>-</u>	<u>226,994</u>
Total net nonoperating revenues (expenses)	<u>490,719</u>	<u>1,193,034</u>
Income before transfers	8,664,089	1,489,224
Transfer in	<u>3,012,509</u>	<u>-</u>
Change in net assets	11,676,598	1,489,224
Total net assets, October 1	<u>92,365,554</u>	<u>90,876,330</u>
Total net assets, September 30	<u>\$ 104,042,152</u>	<u>\$ 92,365,554</u>

See accompanying notes to financial statements.

**ORANGE COUNTY SOLID WASTE SYSTEM  
STATEMENTS OF CASH FLOWS  
for the years ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 29,284,349	\$ 30,079,545
Cash payments to suppliers for goods and services	(10,321,943)	(9,061,056)
Cash payments to employees for services	<u>(7,411,096)</u>	<u>(7,432,213)</u>
Net cash provided by operating activities	<u>11,551,310</u>	<u>13,586,276</u>
Cash flows from noncapital financing activities:		
Grants from other governmental agencies	-	226,994
Transfer in	<u>3,012,509</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>3,012,509</u>	<u>226,994</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(23,216,631)	(7,752,811)
Proceeds from disposition of assets	<u>151,262</u>	<u>187,877</u>
Net cash used by capital and related financing activities	<u>(23,065,369)</u>	<u>(7,564,934)</u>
Cash flows from investing activities:		
Interest on investments	<u>636,823</u>	<u>1,073,139</u>
Net cash provided by investing activities	<u>636,823</u>	<u>1,073,139</u>
Net increase (decrease) in cash and cash equivalents	(7,864,727)	7,321,475
Cash and cash equivalents, October 1	<u>56,275,591</u>	<u>48,954,116</u>
Cash and cash equivalents, September 30	<u>\$ 48,410,864</u>	<u>\$ 56,275,591</u>
Classified as:		
Current assets	\$ 48,112,141	\$ 55,989,837
Current assets, restricted	<u>298,723</u>	<u>285,754</u>
Total	<u>\$ 48,410,864</u>	<u>\$ 56,275,591</u>

See accompanying notes to financial statements.

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM**  
**STATEMENTS OF CASH FLOWS, Continued**  
**for the years ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,173,370	\$ 296,190
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,894,559	8,633,362
Decrease (increase) in assets:		
Accounts receivable	344,269	877,477
Allowance for doubtful accounts	(231,891)	1,446
Inventories and prepaid costs	47,209	32,243
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	926,115	(185,221)
Accrued closure costs	(3,615,290)	3,961,813
Customer deposits	12,969	(31,034)
Total adjustments	<u>3,377,940</u>	<u>13,290,086</u>
Net cash provided by operating activities	<u>\$ 11,551,310</u>	<u>\$ 13,586,276</u>

See accompanying notes to financial statements.



**ORANGE COUNTY SOLID WASTE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
for the years ended September 30, 2010 and 2009**

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**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, 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. Pursuant to the election option made available by Governmental Accounting Standards Board (GASB) Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements.

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 depreciation, amortization, noncash capital contributions, and gains/losses on the disposal of assets are not budgeted, capitalized net interest costs on funds borrowed to finance the construction of capital assets are budgeted as interest income and interest expense, capital outlays are budgeted as expense, and debt proceeds and principal payments are respectively budgeted as revenue and expense. Beginning net assets and expenditure 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, 2010 and 2009**

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**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 2010 and 2009 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 accreted 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 61% and 58% of the total tipping fee revenues recognized in fiscal years 2010 and 2009, 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; deposits paid for future road tolls; and the portion of operating permit fees which is applicable to future periods. Operating permit expense amounted to \$6,639 and \$4,540 for the fiscal years ended September 30, 2010 and 2009, respectively. Prepaid permit fees are allocated to operating periods over the life of the permit, using the straight-line method.

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**ORANGE COUNTY SOLID WASTE SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2010 and 2009**

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**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 balance sheets. 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 assets are available.

Utility Plant and Depreciation:

Utility Plant is stated at cost when purchased or constructed, or at fair market value when donated to the System. The System capitalizes expenditures 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	4-10 years

Accounts Payable and Accrued Liabilities:

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

	2010	2009
Due to vendors	\$ 4,625,207	\$ 10,966,508
Salaries and benefits payable	759,677	735,495
Total	\$ 5,384,884	\$ 11,702,003

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2010 and 2009**

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**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 \$828,354 and \$807,887 at September 30, 2010 and 2009, respectively. Of these amounts, \$509,110 and \$509,470, 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 charged 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. Other revenues, including interest revenue and non-capital grants, are reported as nonoperating.

Reclassifications:

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation.

**B. DEPOSIT AND INVESTMENT RISK**

As of September 30, 2010 and 2009, the carrying value of the System's deposits and investments, with their respective Standard & Poor's credit ratings, was as follows:

<u>Investment Type</u>	<u>2010</u>	<u>2009</u>	<u>Credit Rating</u>
Demand and time deposits	\$ 40,119	\$ 721,905	NA
County investment pool:			
Money market mutual funds	4,166,446	6,431,554	AAAm
U.S. Treasury Bills	17,857,976	25,353,580	NA
U.S. Treasury Notes	26,346,323	23,768,552	NA
	<u>\$ 48,410,864</u>	<u>\$ 56,275,591</u>	

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2010 and 2009**

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**B. DEPOSIT AND INVESTMENT RISK, Continued**

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: direct obligations of the United States Government or its agencies and instrumentalities, direct obligations of states and municipalities, repurchase agreements, Florida PRIME administered by the Florida State Board of Administration (SBA), commercial paper, bankers' acceptances, and mutual funds. The Policy requires that investments in federal instrumentality debt be guaranteed by the full faith and credit of the U. S. Government sponsored agency, and that investments in money market mutual funds have a Standard & Poor's rating of AAAm or AAAg. Eligible money market mutual funds are limited to those comprised of direct obligations of the U.S. Government or its instrumentalities, repurchase agreements, commercial paper, and bankers' acceptances.

Concentration of Credit Risk:

The Policy establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. The Policy, which pertains to the overall 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 Federal instrumentalities, with a limit of 15% of the portfolio invested in any one issuer; and that a maximum of 15% of the portfolio may be invested in prime Commercial Paper, with a limit of 2.5% of the portfolio invested in any one issuer. As of September 30, 2010 and 2009, there are no concentrations of credit risk beyond the stated policy.

Custodial Credit Risk:

The Policy requires that bank 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, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to access its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2010 and 2009, 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, 2010 and 2009, all of the System's investments were held in a bank's trust department in the Board's name.

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2010 and 2009**

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**B. DEPOSIT AND INVESTMENT RISK, Continued**

Interest Rate Risk:

The Policy limits the investment of current operating funds to 13 months, and the investment of noncurrent operating funds to 60 months. Construction funds and other nonoperating funds may be invested for up to 10 years, subject to liquidity needs.

The System's investments in the County investment pool had weighted average maturities of 10.8 months and 9.7 months at September 30, 2010 and 2009, respectively. The portfolio did not contain any callable securities as of September 30, 2010. The money market mutual funds have a weighted average maturity of not more than 90 days.

**C. RESTRICTED ASSETS**

Restricted assets of the system consists of funds available for repayment of customer deposits. These restricted assets were \$298,723 and \$285,754 at September 30, 2010 and 2009, respectively.

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**ORANGE COUNTY SOLID WASTE SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2010 and 2009**

**D. CAPITAL ASSETS**

Capital asset activity for the years ended September 30, 2010 and 2009 was as follows:

	Balance 10/1/09	Additions	Reductions	Balance 9/30/10
Capital assets, not being depreciated:				
Land	\$ 33,312,122	\$ -	\$ (25,951)	\$ 33,286,171
Construction in progress	20,718,395	14,134,404	-	34,852,799
Total capital assets, not being depreciated	<u>54,030,517</u>	<u>14,134,404</u>	<u>(25,951)</u>	<u>68,138,970</u>
Capital assets, being depreciated:				
Buildings	11,253,982	-	-	11,253,982
Improvements other than buildings	56,560,405	-	-	56,560,405
Machinery and equipment	25,728,521	1,862,059	(1,106,714)	26,483,866
Total capital assets, being depreciated	<u>93,542,908</u>	<u>1,862,059</u>	<u>(1,106,714)</u>	<u>94,298,253</u>
Less accumulated depreciation for:				
Buildings	(4,657,870)	(353,939)	-	(5,011,809)
Improvements other than buildings	(33,358,057)	(2,771,451)	-	(36,129,508)
Machinery and equipment	(10,619,835)	(2,769,169)	917,659	(12,471,345)
Total accumulated depreciation	<u>(48,635,762)</u>	<u>(5,894,559)</u>	<u>917,659</u>	<u>(53,612,662)</u>
Total capital assets, being depreciated, net	<u>44,907,146</u>	<u>(4,032,500)</u>	<u>(189,055)</u>	<u>40,685,591</u>
Total System capital assets, net	<u>\$ 98,937,663</u>	<u>\$ 10,101,904</u>	<u>\$ (215,006)</u>	<u>\$ 108,824,561</u>
	Balance 10/1/08	Additions	Reductions	Balance 9/30/09
Capital assets, not being depreciated:				
Land	\$ 33,312,122	\$ -	\$ -	\$ 33,312,122
Construction in progress	8,574,094	13,522,604	(1,378,303)	20,718,395
Total capital assets, not being depreciated	<u>41,886,216</u>	<u>13,522,604</u>	<u>(1,378,303)</u>	<u>54,030,517</u>
Capital assets, being depreciated:				
Buildings	11,177,338	76,644	-	11,253,982
Improvements other than buildings	55,317,102	1,243,303	-	56,560,405
Machinery and equipment	23,936,329	3,255,156	(1,462,964)	25,728,521
Total capital assets, being depreciated	<u>90,430,769</u>	<u>4,575,103</u>	<u>(1,462,964)</u>	<u>93,542,908</u>
Less accumulated depreciation for:				
Buildings	(4,227,531)	(430,339)	-	(4,657,870)
Improvements other than buildings	(27,573,556)	(5,784,501)	-	(33,358,057)
Machinery and equipment	(9,526,149)	(2,418,522)	1,324,836	(10,619,835)
Total accumulated depreciation	<u>(41,327,236)</u>	<u>(8,633,362)</u>	<u>1,324,836</u>	<u>(48,635,762)</u>
Total capital assets, being depreciated, net	<u>49,103,533</u>	<u>(4,058,259)</u>	<u>(138,128)</u>	<u>44,907,146</u>
Total System capital assets, net	<u>\$ 90,989,749</u>	<u>\$ 9,464,345</u>	<u>\$ (1,516,431)</u>	<u>\$ 98,937,663</u>

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2010 and 2009**

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**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, 2010 and 2009 is as follows:

	Balance 10/1/09	Additions	Reductions	Balance 9/30/10
Compensated absences payable	\$ 807,887	\$ 538,748	\$ (518,281)	\$ 828,354
Accrued closure costs	52,805,577	8,753,409	(12,368,699)	49,190,287
System long-term liabilities, including current portion	<u>\$ 53,613,464</u>	<u>\$ 9,292,157</u>	<u>\$ (12,886,980)</u>	<u>\$ 50,018,641</u>

	Balance 10/1/08	Additions	Reductions	Balance 9/30/09
Compensated absences payable	\$ 775,400	\$ 513,367	\$ (480,880)	\$ 807,887
Accrued closure costs	48,843,763	15,860,260	(11,898,446)	52,805,577
System long-term liabilities, including current portion	<u>\$ 49,619,163</u>	<u>\$ 16,373,627</u>	<u>\$ (12,379,326)</u>	<u>\$ 53,613,464</u>

**F. REVENUE BONDS PAYABLE**

The amount of defeased debt still outstanding and not reported on the balance sheet is as follows as of September 30, 2010 and 2009:

	Original Defeased Amount	September 30	
		<u>2010</u>	<u>2009</u>
Solid Waste Facility Refunding Revenue Bonds, Series 2003	\$ 31,760,000	\$ 22,830,000	\$ 25,870,000

**G. 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.

Continued



**ORANGE COUNTY SOLID WASTE SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2010 and 2009**

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**G. PROVISION FOR CLOSURE COSTS, Continued**

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.

It was anticipated that during fiscal year 2009, cell 1 of subbasin 2A would begin the closure process and a portion of the estimated cost was reported as a current liability at September 30, 2009. Closure was delayed until fiscal year 2010, at which time a new closure contract was negotiated at a significantly lower rate than experienced historically. This cost savings dramatically reduced the amount reported as a current liability at September 30, 2010, and resulted in a credit to the provision for closure costs.

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 \$227 million. These costs will be recognized in future periods as the remaining capacity of approximately 37.4 million tons is filled. As of September 30, 2010, the active landfill areas were filled to approximately 4% and 17% for subbasins 2A cell 2 and 9-12, respectively. The current landfill facilities are expected to provide the needed capacity through the year 2078.

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 balance sheets, was approximately \$38.4 million as of September 30, 2010 and \$31.8 million as of September 30, 2009. The liability for closure and post-closure activities reported on the System's balance sheet, as calculated in accordance with GASB Statement No. 18, was \$49,190,297 and \$52,805,577 at September 30, 2010 and 2009, respectively. Of these amounts, \$7,392,544 and \$17,592,825, respectively, are expected to be paid out within one year and are included in current liabilities.

**H. RETIREMENT SYSTEM**

Plan Description:

The System's employees participate in the Florida Retirement System (FRS), administered by the Florida Department of Management Services. Employees elect participation in either the defined benefit plan ("Pension Plan"), a multiple-employer cost-sharing defined benefit retirement plan, or the defined contribution plan ("Investment Plan") under the FRS. 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

Continued

**ORANGE COUNTY SOLID WASTE SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2010 and 2009**

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**H. RETIREMENT SYSTEM, Continued**

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 Legislature.

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. Regular class employees 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 for each year of credited service. Vested employees with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special risk class employees (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 for each year of credited service. Senior Management Service class employees 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 for each year of credited service. Elected Officers' class employees 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 for each year of credited service. A post-employment health insurance subsidy is also provided to eligible retired employees through the FRS in accordance with Florida Statutes.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees 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.

For those employees who elect participation in the Investment Plan rather than the Pension Plan, vesting occurs at one year of service. These participants receive a contribution for self-direction in an investment product with a third party administrator selected by the State Board of Administration.

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, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website [www.frs.state.fl.us](http://www.frs.state.fl.us).

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**ORANGE COUNTY SOLID WASTE SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2010 and 2009**

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**H. RETIREMENT SYSTEM, Continued**

Funding Policy:

The FRS is noncontributory for members. Governmental employers are required to make contributions to the FRS based on state-wide contribution rates. These rates are updated as of July 1 of each year. The contribution rates by job class at September 30, 2010 were as follows: regular--10.77%; special risk--23.25%; special risk administrative support--13.24%; county elected officers--18.64%; senior management--14.57%; and DROP participants--12.25%. The contribution rates by job class at September 30, 2009 were as follows: regular--9.85%; special risk--20.92%; special risk administrative support--12.55%; county elected officers--16.53%; senior management--13.12%; and DROP participants--10.91%.

The System contributed to the plan an amount equal to 10.25% and 9.98% of covered payroll during the fiscal years ended September 30, 2010 and 2009, respectively. System contributions to the FRS for the fiscal years ending September 30, 2008 through 2010 were \$556,086, \$537,397, and \$548,269, respectively, which were equal to the required contributions for each fiscal year. The System has historically contributed amounts equal to required contributions and, therefore, does not have a pension asset or liability as determined in accordance with GASB Statement No. 27.

**I. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

In addition to the pension benefits described in Note H, 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. 43 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

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**ORANGE COUNTY SOLID WASTE SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2010 and 2009**

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**I. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN, Continued**

allocated contribution from the System. For fiscal year 2010, the System's AOC payment was \$88,820, representing 1.66% of the System's covered payroll amount of \$5,350,865. For fiscal year 2009, the System's AOC payment was \$77,461, representing 1.44% of the System's covered payroll amount of \$5,383,716. 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.

**J. INSURANCE COVERAGE**

The Board maintains a self-insurance program that provides for coverage of substantially all risks. Various excess catastrophe insurance policies with a commercial carrier 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 2010 and 2009 at an annual cost of \$584,214 and \$636,994, respectively. There has been no claim settlements in excess of insurance coverage during the three fiscal years ended September 30, 2010.

**K. COMMITMENTS AND CONTINGENCIES**

Outstanding commitments under construction contracts for various projects total approximately \$11.6 million and \$17.7 million at September 30, 2010 and 2009, 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.

**L. TRANSFER IN**

During fiscal year 2010, a one-time transfer of \$3,012,509 was made from the Board's Recycling Fund to the System. This transfer represented revenues net of expenses generated by contracted recycling services over fiscal years 2003 through 2009. The Board discontinued use of the Recycling Fund in fiscal year 2010, at which time the System accepted responsibility for the operation of the contracted recycling operations.

**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, 2010**

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
Tipping fees	\$ 32,469,771	\$ 27,743,275
Miscellaneous	2,150,996	1,415,727
	<hr/>	<hr/>
Total operating revenues	34,620,767	29,159,002
	<hr/>	<hr/>
Operating and maintenance expenses:		
Personal services	8,299,425	7,456,113
Contractual services	5,196,396	3,900,841
Materials and supplies	1,693,814	1,547,929
Utilities	376,308	357,842
Repairs and maintenance	2,541,377	2,384,898
Provision for closure costs	2,000,000	(1,494,515)
Other expenses	984,711	937,965
	<hr/>	<hr/>
Total operating and maintenance expenses	21,092,031	15,091,073
	<hr/>	<hr/>
Operating income, budgetary basis*	13,528,736	14,067,929
	<hr/>	<hr/>
Nonoperating revenues (expenses):		
Interest revenue	183,707	552,524
Interest expense and fiscal charges	(95,000)	(300)
	<hr/>	<hr/>
Total net nonoperating revenues (expenses)	88,707	552,224
	<hr/>	<hr/>
Income before transfer in, budgetary basis*	13,617,443	14,620,153
	<hr/>	<hr/>
Transfer in	3,012,510	3,012,509
	<hr/>	<hr/>
Change in net assets, budgetary basis*	\$ 16,629,953	\$ 17,632,662
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\*Budgetary basis, for purposes of this schedule, includes all budgeted items except for capital outlay, beginning net assets, and expenditure reserves.