



COMMUNITY

2 0 1 4 A N N U A L R E P O R T

COMMITMENT





"This we know: The Earth does not belong to Man, Man belongs to the Earth. All things are connected like the blood that unites us all: Man did not weave the web of life, he is but a strand in it. Whatever he does to the web he does to himself."

– attributed to Chief Seattle, 1852

The wisdom to know that the decisions we make directly impact the health and safety of our community drives our commitment to be on the cutting edge of the waste management and recycling industry. This year's annual report touches on what we are doing to ensure that the community's best interest always comes first.

Orange County Board of Supervisors	2
Orange County Waste Management Commission	3
Letter from the Director	4
System	7
Service	9
Stewardship	11
10 Year Financial Forecast	12
Financial Statements	24



COMMUNITY

2 0 1 4 A N N U A L R E P O R T

COMMITMENT





ORANGE COUNTY

BOARD OF SUPERVISORS



WASTE MANAGEMENT COMMISSION

ORANGE COUNTY



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Supervisor
Third District



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3RD DISTRICT

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4TH DISTRICT

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Brett Murdock

5TH DISTRICT

Cynthia Conners
Joe Soto

CITY MANAGERS' REPRESENTATIVE

Doug Chotkevys

DIRECTOR, OC WASTE & RECYCLING

Dylan Wright
Ex Officio



Vision

To be the best waste management system in America.

Mission

To provide waste management services, protect the environment and promote recycling in order to ensure a safe and healthy community for current and future generations.

OC Waste & Recycling's commitment to provide our community with a premier waste management system and sound environmental programs was acknowledged in 2014 with four industry awards.

Landfill Management Excellence Bronze Award
Solid Waste Association of North America

Energy Project of the Year Award
American Society of Civil Engineers
Orange County Branch

Environmental Protection and Energy Achievement Award
National Association of Counties (NACo)

Project Achievement Award
Orange County Engineering Council

OUR COMMUNITY. OUR COMMITMENT.

At OC Waste & Recycling, our success can be measured by how well we fulfilled our commitment to the community through our system, service, and stewardship. This year's annual report explores our accomplishments in these three areas and provides a detailed account of our financial performance and planning. The total picture is one of financial prudence, innovation, forward-thinking, and most importantly, serves as testimony of our ongoing commitment to our community.

At the heart of our operations continues to be Orange County's system of three active landfills that accepted over 4 million tons of solid waste over the past fiscal year. This is a system that serves over 3 million residents, 34 cities, and thousands of businesses, all while keeping disposal rates competitive. Our partnerships with Orange County cities allow us to continue to provide economic and efficient waste management services. Key system highlights included progress on our landfill-gas-to-energy program at the Frank R. Bowerman Landfill, improvements to viewsheds on the haul road at Olinda Alpha Landfill, and expanded capacity and increased acreage of the permanent habitat conservation area at Prima Deshecha Landfill.

Service is vital to our commitment to the communities we serve. Educational outreach programs revolved around helping residents make better decisions geared toward reducing the amount of waste entering our landfills. Programs were engaging and included those developed by the Orange County Department of Education to bring enjoyable, hands-on, environmental education experiences to 148,000 children throughout Orange County. We also continued our partnership with Discovery Cube of the Eco Challenge program, a series of fun, family-oriented events designed to educate children and encourage residents to Reduce, Reuse, and Recycle.

Additional outreach efforts extended to educating residents on the safe and effective disposal of household hazardous waste at one of our four conveniently located centers in Orange County. While these centers provide a safe option for the disposal of unwanted hazardous items, they also offer a unique Material Reuse Program that facilitates the recycling of select household cleaners and chemicals for reuse by the community.

As stewards of the environment, we place a high priority on innovative and creative approaches to ensure that our operations do not impact the quality of life of residents near active and former disposal sites. This year, we maintained our exemplary record of regulatory compliance by implementing sound engineering measures and protocols that make sure what happens at our landfill doesn't leave the property. We also focused on our viewsheds surrounding the landfills to enhance the appearance of our operations from the local community.

In 2014, OC Waste & Recycling continued our commitment to the community, backed by proactive programs and solutions all designed to continue providing current and future Orange County residents with the system, service, and stewardship that is reliable and community focused.



Dylan Wright
Director

STABLE RATES



A commitment to be the best waste management system



EFFICIENT OPERATIONS

SYSTEM *Our commitment takes us far from the here and now, and well into the future.*

Operating Orange County's landfill system has always been about long-term preparation. Our most important goal is to provide the county—our community—a well-managed and forward-looking system that can efficiently handle the region's waste stream. As such, we've developed innovative ways to handle the continued demand. This year we continued our focus on the future through predictable and stable rates, strategic planning and thoughtful engineering.

Our network of three active landfills are among the largest in the state and comprise one of the nation's premier solid waste disposal systems. Its success depends on a dedicated management team committed to the health and safety of the community today and for generations to come. To fulfill this responsibility, OC Waste & Recycling engineered ways to add capacity to the system, worked diligently to ensure stable rates and financial stability, plus continued to find ways to ensure our landfills co-exist with the community.

our landfill master development plans to efficiently guide daily operations at each site and researched emerging technologies that provide alternatives to landfill disposal.

Strategic planning

The past year saw the completion of the Phase C3 Groundwater Protection Composite Liner Project located in Zone 1 of the Prima Deshecha Landfill in South Orange County. This 13 acre expansion gives the landfill an added 6 years of capacity and will accommodate approximately

Case study: Landfill-gas-to-energy program

Recycled landfill gas that is being converted to renewable energy is a direct benefit to our community and the environment. For OC Waste & Recycling it also makes good business sense because it assists in reaching our renewable energy goals while adding much-needed electricity to the grid. This year we obtained the necessary approvals to continue progress on construction of a landfill-gas-to-energy facility at the Frank R. Bowerman Landfill. This state-of-the-art project will generate up to 155,000 annual megawatt hours of renewable energy for local homes.

14,000 HOMES

The landfill-gas-to-energy facility to be constructed at the Frank R. Bowerman Landfill in Irvine will eventually generate enough renewable energy to serve 14,000 local homes.



Financial stability

At the very core of our landfill system are the Waste Disposal Agreements (WDA). These long-term partnerships with Orange County cities are designed to provide for a predictable waste stream and stable disposal rates. This partnership translates to the financial stability needed for the department to manage disposal operations and create additional landfill capacity. Through these successful partnerships, we are proud to provide this essential public service to Orange County residents.

Efficient operations coupled with developing ways to extend the life of our landfills is key to our financial stability. Efforts included use of alternative daily cover materials such as tarps to accommodate more waste and eliminate the need to purchase and transport cover soil. We also utilized

2 million tons of waste. Together, Orange County's landfill system has over 50 years of disposal capacity to serve our community.

Careful engineering

Interacting positively with the community continued at the Olinda Alpha Landfill with the addition of an acoustical barrier wall surrounding the renewable energy plant to reduce sound and help protect the lifestyle of the local community. We also launched a front-slope beautification project at the Olinda Alpha Landfill designed to screen the view of the renewable energy power plant and waste-hauling vehicles from the local neighborhoods.

Caring for our landfill system, and its ability to serve generations to come, is our commitment.

PROMOTING REUSE



A commitment to encourage Orange County residents to recycle and reuse



TAKING ACTION

SERVICE *Being part of the community means serving, educating and engaging residents of all ages.*

Thanks to education and outreach, the community is making more informed decisions. Orange County residents are recycling more than ever before. The community is taking the Eco Challenge, learning of proper disposal of household hazardous waste and utilizing the Materials Reuse Program at the County's four Household Hazardous Waste Collection Centers. From our seniors to our young school children engaged in Project Zero Waste Lunch, our 2014 programs challenged the community to make a difference. And it worked.

Community outreach is an important part of our commitment to serve Orange County residents. OC Waste & Recycling is actively involved in a series of educational programs and collection events designed to bolster our interaction with the community and allow residents to better understand how they can do their part to keep waste, which can otherwise be recycled and reused, out of our landfills. This year 15,000 residents "Took the Eco Challenge" by participating in the County's collection events.

Reaching out to seniors

Kids aren't the only ones who learned more about what to keep out of our landfills. This past year OC Waste & Recycling held educational events throughout the County including a local senior center where residents learned how to correctly discard of household hazardous waste including sharps and chemicals. Participants were also introduced to our Materials Reuse Program where they can acquire reused paints and household cleaners at no charge.

Case study: Inside the Outdoors Educational Programs

Sometimes the youngest of minds can make the most lasting impact. In 2014, OC Waste & Recycling continued its collaboration with Orange County Department of Education's Inside the Outdoors Foundation and the many programs offered to local students. This year 148,000 children experienced fun, unforgettable hands-on education through programs and fieldtrips including Project Zero Waste, Rewind, and Rethink Resources Traveling Scientist all which encourage children to conserve our natural resources by producing less waste and implementing long-term sustainable and measurable school waste programs.

96%

This is the percentage of children surveyed who recycled more after attending the Project Zero Waste fieldtrip organized through the Orange County Department of Education's Inside the Outdoors program.



Taking the Eco Challenge

Learning has the potential to last a lifetime when you make it fun and engaging. In 2014, OC Waste & Recycling continued our sponsorship of the Eco Challenge program with the permanent exhibits at the Discovery Cube, the Eco Challenge Poster Contest and three regional collection events, including the first ever Eco Challenge Days held in partnership with Angels Baseball, Discovery Cube and Goodwill of Orange County. The goal of these festive, family-oriented events was to encourage Orange County residents to "Take the Eco Challenge" by rewarding the behavior of recycling and properly disposing of e-waste, used clothing and household hazardous waste. With over 30 tons of materials collected, participants learned they can make a difference and enjoyed plenty of rewards in return, the greatest of which included feeling that what we do matters for today and for generations to come.

Programs that help residents to recycle and reuse

At OC Waste & Recycling, we continue to work hard to ensure that household hazardous waste doesn't make it into County landfills. In 2014, over 118,000 residents utilized the County's four free permanent Household Hazardous Waste Collection Centers which are open five days a week. Through our well-received free Material Reuse Program, more than 355 tons of the chemicals and paints collected at these centers lived to see another day by providing residents with the opportunity to take previously dropped off items such as household cleaning solvents, yard and car-care products, paints, and other coatings and reuse them at home.

Through service OC Waste & Recycling places a high importance on educating residents on how to make a difference.

SAFE ENVIRONMENTS



A promise to continue preserving and protecting local environments



CONTROLS IN PLACE

STEWARDSHIP *It is a commitment to the community we take seriously. Every day.*

As stewards for the land and surrounding environment for three Orange County landfills, we are focused on developing innovative, efficient, and forward-looking approaches to maintain and improve the quality of life for residents near our active and former disposal sites. This year we identified and implemented additional measures to ensure environmental stewardship and resource conservation.

Our commitment to the surrounding community begins with continuing our work as a positive role model for environmental stewardship. This means taking the steps necessary to further improve upon an already exemplary record of compliance that exceeds the standards set by regulatory agencies. We look beyond just "best practices" to engineer proven measures and protocols to ensure the neighboring communities surrounding our landfills are not impacted by our operations. Protecting views and quality of life are at the center of our operations.

supply. This liner system, along with a system of pipes placed in a layer of gravel above the liner, helped us collect leachate through underground piping and reuse for dust control. Most importantly, it helps us do our part to care for community groundwater.

Preserving views for our neighbors

Stewardship also extends to views and sightlines for those who look at the foothills where our landfills are located. It is our way to keep the landfill and community interconnected in a cohesive natural setting. This year,

Case study: The reuse of former disposal sites

The beneficial reuse of one of our former disposal sites is equally important to environmental stewardship. As part of our commitment to the communities we serve and our policy of reusing County land in ways that benefit the public interest, OC Waste & Recycling teamed with the City of Huntington Beach to help provide a much needed central office and service center for Beach Cities Interfaith Services, a nonprofit organization that serves the homeless and at-risk families in the local community at the former Gothard Street disposal site.

50 RESIDENTS SERVED PER DAY

The Carol Sneary Center serves approximately 50 residents per day by providing food, bus passes, daily life items, utility assistance and much more to at-risk members of the community.



Protecting surrounding communities

This year our engineering team put innovative measures in place designed to protect surrounding communities. At our three landfills, you will find our crew moving new nylon-mesh litter screens in place to catch loose debris around the open working face, then end the day collecting each piece of trash by hand until the area is trash free. Our new misting system at the Prima Deshecha Landfill provided a state-of-the-art solution for controlling potential odors.

We take great care to ensure our landfill emissions are thoroughly monitored at our properties and reuse the gas by converting it into renewable energy. OC Waste & Recycling continued work on protecting local groundwater. Liners were installed to prevent liquids that leach through buried waste at our landfills from entering the groundwater

we enhanced existing view sheds by landscaping on cut slopes, installing fencing, and placing trees to block views of waste hauling trucks. At the Prima Deshecha Landfill we protected views visible from La Pata Avenue and planted forty mature trees along the ridgeline.

Protecting natural habitats

OC Waste & Recycling continued support of our Habitat Conservation Plan by adding another 12.2 acres to the existing 474.7 acre habitat protection zone at the Prima Deshecha Landfill. These lands will be protected in perpetuity as undisturbed natural habitat.

Looking out for our neighbors and our community is indeed our responsibility as stewards for Orange County's landfill system.

Highlights of Ten Year Financial Forecast

OC Waste & Recycling is responsible for the administration and management of Orange County's solid waste disposal system. The Department is organized as an enterprise fund and is primarily supported by revenues from disposal fees that are charged to customers. OC Waste & Recycling receives no tax revenues or County General Fund contributions to support its operations.

System tonnage (includes in-County and importation tonnage) has declined by approximately 22% from a FY 04/05 peak of 5.19 million tons to FY 13/14's 4.07 million tons. System tonnage is forecasted at approximately 4.39 million tons in FY 14/15 due to an increase in importation tonnage. In-County tonnage continues to slightly decline for the remainder of the forecast period (Table A, System Tonnage) due to the possible impact of state regulations regarding higher diversion and restrictions on types of tonnage disposed at the landfills.

Importation is currently scheduled to terminate on June 30, 2016 (CHART 1). Revenues from imported waste, net of OC Waste & Recycling operating and capital expenses, are transferred to the County General Fund for payment of bankruptcy related obligations. The importation tonnage projection for the FY 14/15 and FY 15/16 years is based on current trends, which is higher than the contractual minimum tonnage requirements.

System revenues (includes in-County revenue, operating transfers, and use of reserves) are projected to slightly decline through FY 18/19 (Table B, System Revenue). A higher disposal fee and the Waste Disposal Agreements with all Orange County cities, various sanitary districts and certain private material recovery facility operators, were negotiated and became effective July 1, 2010. The rate structure through June 30, 2020 includes an annual adjustment based on the Consumer Price Index. FY 14/15 is the midpoint of the current agreement with the contract disposal fee at \$32.36 per ton.

System expenses include significant capital project costs related to the future development of the landfill system throughout the forecast period (Table C, System Expenses). Expenses are projected as higher than revenues during the forecast period (CHART 2). OC Waste & Recycling will strategically utilize reserves as well as maximize operational efficiencies and monitor expenditures to decrease the shortfall.

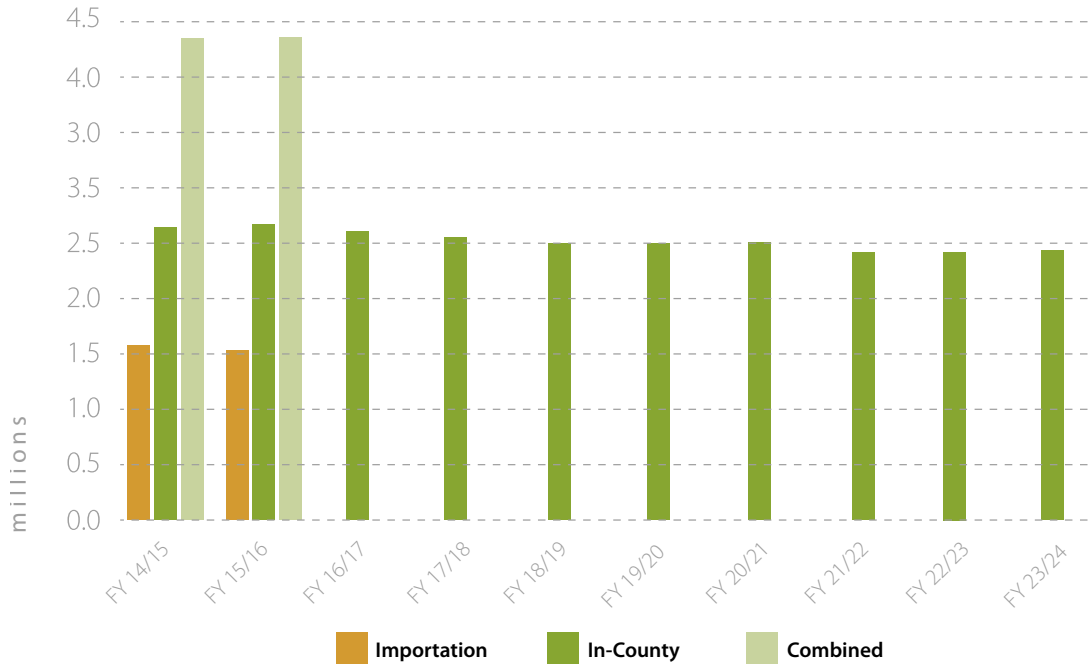
In recognition of declining tonnage, lower revenues, and significant expenditures, OC Waste & Recycling's long term strategy is to explore solutions to ensure a strong financial position and maintain rate stability. Strategies include the continuation of importation and the development of waste management alternatives such as renewable and conversion technologies.

The schedule following CHART 1 and CHART 2 provides a two-year summary of audited financial data for Fiscal Years Ended June 30, 2014, and 2013, respectively. In addition, detailed schedules for tonnage, revenues, expenses, cash reserves and accrued closure and postclosure liabilities for the ten-year forecast period are presented (Tables A through K).

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

System Tonnage

Chart 1



System Financial Projections
Funds 273, 285 and 299

Chart 2



OC WASTE & RECYCLING
TONNAGE & FINANCIAL DATA
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Acceptable Waste Tonnage^[1]

	6/30/14	6/30/13
In-County	2,697,581	2,641,993
Importation	1,372,556	786,567
Total System Tonnage	4,070,137	3,428,560

Statements of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2014 & 2013^[2]

	6/30/14	6/30/13
Total Revenues	\$ 130,024,664	\$ 108,840,585
Total Expenses	\$ 111,379,219	\$ 104,701,921
Change in Net Position	\$ 18,645,445	\$ 4,138,664

Cash Balances^[3]

	6/30/14	6/30/13
Enterprise/Operating Fund	\$ 122,706,352	\$ 93,070,937
Capital Project Fund	\$ 44,553,586	\$ 25,352,456
Corrective Action Escrow Fund	\$ 7,129,033	\$ 6,097,308
Environmental Reserve Fund	\$ 69,672,931	\$ 69,110,410
Deferred Payment Security Deposits Fund	\$ 555,802	\$ 702,311
Rate Stabilization Fund ^[4]	\$ –	\$ 28,081,730
Habitat Mitigation Escrow Funds	\$ 983,289	\$ 983,289

Accrued Closure and Post Closure^[3]

	6/30/14	6/30/13
Landfill Closure Liabilities	\$ 53,312,631	\$ 49,973,835
Landfill Postclosure Liabilities	\$ 126,798,882	\$ 123,719,125
Escrow Funds (Closure) Cash Balance	\$ 87,857,178	\$ 87,483,662
Landfill Postclosure Cash Balance	\$ 140,033,068	\$ 146,214,931

[1] Source: OC Waste & Recycling Fiscal Year Tonnage Report, June 2014 and June 2013.

[2] Source: OC Waste & Recycling 2014 Audited Financial Statements.
 (Macias Gini & O'Connell LLP - MGO Certified Public Accountants)

[3] Source: 2nd Close Figures obtained from OC Waste & Recycling Accounting.
 2nd Close Figures include adjustments and reclassifications to the General Ledger subsequent to the official June 30 year-end close.

[4] Fund closed December, 2013. Cash balance was transferred to Capital Project Fund.

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

A. SYSTEM TONNAGE

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Frank R. Bowerman Landfill	1,504,662	1,504,662	1,480,587	1,456,898	1,433,588
Olinda Alpha Landfill	871,706	871,706	857,759	844,035	830,530
Prima Deshecha Landfill	347,882	347,882	342,807	337,813	332,899
Total In-County Tonnage	2,724,250	2,724,250	2,681,153	2,638,746	2,597,017
Frank R. Bowerman Landfill	479,197	454,245	0	0	0
Olinda Alpha Landfill	1,164,620	1,149,418	0	0	0
Prima Deshecha Landfill	17,087	21,000	0	0	0
Total Imported Tonnage	1,660,904	1,624,663	0*	0	0
Total System Tonnage	4,385,154	4,348,913	2,681,153	2,638,746	2,597,017

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Frank R. Bowerman Landfill	1,412,084	1,390,903	1,766,896	2,163,753	2,163,753
Olinda Alpha Landfill	818,072	805,801	396,857**	0	0
Prima Deshecha Landfill	328,366	323,901	319,503	319,503	319,503
Total In-County Tonnage	2,558,522	2,520,605	2,483,256	2,483,256	2,483,256
Frank R. Bowerman Landfill	0	0	0	0	0
Olinda Alpha Landfill	0	0	0	0	0
Prima Deshecha Landfill	0	0	0	0	0
Total Imported Tonnage	0	0	0	0	0
Total System Tonnage	2,558,522	2,520,605	2,483,256	2,483,256	2,483,256

* Importation is currently scheduled to end June 30, 2016

** Olinda Alpha Landfill is currently scheduled to close in FY 2020/21. Olinda's tonnage is projected to be diverted to Frank R. Bowerman Landfill after its closure.

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

B. SYSTEM REVENUES

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Fund 299 Enterprise /					
Operating - Total Revenues	\$ 97,743,516	\$ 99,435,248	\$ 110,815,738	\$ 97,439,814	\$ 98,743,540
Fund 273 Capital Project /					
Operating - Total Revenues**	\$ 200,418	\$ 100,000	\$ 52,000	\$ 140,000	\$ 73,000
Fund 285 Import / Bankruptcy					
Recovery - Total Revenues	\$ 40,004,100	\$ 40,810,000	\$ - *	\$ -	\$ -
Total Projected Revenues	\$ 137,948,034	\$ 140,345,248	\$ 110,867,738	\$ 97,579,814	\$ 98,816,540

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Fund 299 Enterprise /					
Operating - Total Revenues	\$ 99,797,821	\$ 100,685,728	\$ 101,449,904	\$ 103,799,946	\$ 107,486,331
Fund 273 Capital Project /					
Operating - Total Revenues**	\$ 182,000	\$ 151,000	\$ 227,000	\$ 119,000	\$ 113,000
Fund 285 Import / Bankruptcy					
Recovery - Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total Projected Revenues	\$ 99,979,821	\$ 100,836,728	\$ 101,676,904	\$ 103,918,946	\$ 107,599,331

* Importation is currently scheduled to end June 30, 2016

** Interest Earnings is the only revenue generated by Fund 273

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

C. SYSTEM EXPENSES

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Fund 299 Enterprise / Operating - Total Expenses	\$ 99,657,871	\$ 107,888,528	\$ 99,579,290	\$ 96,992,151	\$ 97,079,683
Fund 273 Capital Project / Operating - Total Expenses	\$ 36,925,843	\$ 28,884,678	\$ 18,950,000	\$ 16,876,000	\$ 3,001,000
Fund 285 Import / Bankruptcy Recovery - Total Expenses	\$ 20,689,700	\$ 22,263,606	\$ - *	\$ -	\$ -
Total System Expenses	\$ 157,273,414	\$ 159,036,812	\$ 118,529,290	\$ 113,868,151	\$ 100,080,683

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Fund 299 Enterprise / Operating - Total Expenses	\$ 101,030,156	\$ 102,750,130	\$ 103,190,954	\$ 113,391,671	\$ 99,811,438
Fund 273 Capital Project / Operating - Total Expenses	\$ 21,502,000	\$ 9,801,000	\$ 12,501,000	\$ 11,251,000	\$ 10,501,000
Fund 285 Import / Bankruptcy Recovery - Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total System Expenses	\$ 122,532,156	\$ 112,551,130	\$ 115,691,954	\$ 124,642,671	\$ 110,312,438

* Importation is currently scheduled to end June 30, 2016

D. SYSTEM ENTERPRISE FUNDS

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Cash Balance					
Fund 299 - Enterprise / Operating	\$ 113,469,818	\$ 111,339,187	\$ 111,733,246	\$ 96,549,510	\$ 94,620,483
Fund 273 - Capital Project / Operating	\$ 19,121,161	\$ 5,790,630	\$ 68,520	\$ 7,420	\$ 1,555,804
Total Balance	\$ 132,590,979	\$ 117,129,818	\$ 111,801,767	\$ 96,556,930	\$ 96,176,287

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Cash Balance					
Fund 299 - Enterprise / Operating	\$ 74,441,244	\$ 65,601,814	\$ 54,476,448	\$ 65,707,095	\$ 65,220,833
Fund 273 - Capital Project / Operating	\$ 16,209	\$ 51,006	\$ 48,322	\$ 99,657	\$ 9,812
Total Balance	\$ 74,457,453	\$ 65,652,820	\$ 54,524,770	\$ 65,806,752	\$ 65,230,645

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

E. CORRECTIVE ACTION ESCROW FUND

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Fund 274 - Corrective Action Escrow					
Cash Balance	\$ 8,158,033	\$ 8,202,033	\$ 8,276,033	\$ 8,382,033	\$ 8,521,033

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Fund 274 - Corrective Action Escrow					
Cash Balance	\$ 8,685,033	\$ 8,873,033	\$ 9,066,033	\$ 9,263,033	\$ 9,669,033

F. ENVIRONMENTAL RESERVE FUND

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Fund 275 - Environmental Reserve					
Cash Balance	\$ 70,973,034	\$ 36,182,211*	\$ 40,528,578	\$ 49,065,813	\$ 73,173,770

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Fund 275 - Environmental Reserve					
Cash Balance	\$ 80,022,770**	\$ 80,000,000	\$ 80,000,000	\$ 80,000,000	\$ 80,000,000

* In FY 2015/16 cash is transferred to Fund 279 to support County General Fund, OC Sheriff, and OC Public Works' projects.

** Borrowed cash is repaid in full by FY 2019/20

G. DEFERRED PAYMENT SECURITY DEPOSITS FUND

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Fund 276 - Deferred Payment Security Deposits					
Cash Balance	\$ 555,802	\$ 555,802	\$ 555,802	\$ 555,802	\$ 555,802

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Fund 276 - Deferred Payment Security Deposits					
Cash Balance	\$ 555,802	\$ 555,802	\$ 555,802	\$ 555,802	\$ 555,802

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

H. HABITAT MITIGATION ESCROW FUNDS

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Fund 272 - Prima Deshecha Landfill and the La Pata Avenue Gap Closure - Cash Balance	\$ 104,279	\$ 104,279	\$ 104,279	\$ 104,279	\$ - *
Fund 288 - FRB Landfill Wetland Creation & Agua Chinon Wash Riparian - Cash Balance	\$ 879,010	\$ 879,010	\$ 879,010	\$ 879,010	\$ 879,010
Total Balance	\$ 983,289	\$ 983,289	\$ 983,289	\$ 983,289	\$ 879,010

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Fund 272 - Prima Deshecha Landfill and the La Pata Avenue Gap Closure - Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Fund 288 - FRB Landfill Wetland Creation & Agua Chinon Wash Riparian - Cash Balance	\$ 879,010	\$ 879,010	\$ 879,010	\$ 879,010	\$ - **
Total Balance	\$ 879,010	\$ 879,010	\$ 879,010	\$ 879,010	\$ -

* Per the agreement with the California Department of Fish and Game for habitat mitigation. Requirement ends in FY 2018/19.

** Per the agreement with the California Department of Fish and Game for habitat mitigation. Requirement ends in FY 2023/24.

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

I. CLOSURE ESCROW FUNDS

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
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Frank R. Bowerman Landfill

Annual Tonnage of Refuse	1,983,859	1,958,907	1,480,587	1,456,898	1,433,588
Cash Balance at 6/30/XX	\$ 29,016,801	\$ 29,151,801	\$ 29,389,801	\$ 29,747,801	\$ 30,214,801

Olinda Alpha Landfill

Annual Tonnage of Refuse*	2,036,326	2,021,124	857,759	844,035	830,530
Cash Balance at 6/30/XX**	\$ 38,671,848	\$ 38,851,848	\$ 24,794,062	\$ 25,095,062	\$ 25,496,062

Prima Deshecha Landfill

Annual Tonnage of Refuse	364,969	368,882	342,807	337,813	332,899
Cash Balance at 6/30/XX	\$ 20,442,527	\$ 20,535,527	\$ 20,704,527	\$ 20,953,527	\$ 21,285,527

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
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Frank R. Bowerman Landfill

Annual Tonnage of Refuse	1,412,084	1,390,903	1,766,896	2,163,753	2,163,753
Cash Balance at 6/30/XX	\$ 30,771,801	\$ 31,418,801	\$ 32,074,801	\$ 32,750,801	\$ 33,435,801

Olinda Alpha Landfill

Annual Tonnage of Refuse*	818,072	805,801	396,857	0*	0
Cash Balance at 6/30/XX**	\$ 25,967,062	\$ 26,507,062	\$ 29,510,707	\$ -	\$ -

Prima Deshecha Landfill

Annual Tonnage of Refuse	328,366	323,901	319,503	319,503	319,503
Cash Balance at 6/30/XX	\$ 21,678,527	\$ 22,132,527	\$ 22,595,527	\$ 23,068,527	\$ 23,551,527

* Olinda Alpha Landfill is scheduled to close in FY 2021/22 and enter into the closure period in FY 2022/23

** Olinda Alpha Landfill closure costs are recorded in Fund 299

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

J. LANDFILL POSTCLOSURE MAINTENANCE FUND

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Cash Balance					
Fund 279 - Landfill Postclosure Maintenance					
Beginning Balance at 7/01/XX	\$ 140,033,068	\$ 144,290,520	\$ 142,404,394	\$ 137,043,144	\$ 138,420,674
Expenditures	\$ (2,573,007)	\$ (3,217,890)	\$ (2,167,060)	\$ (2,218,652)	\$ (2,271,477)
Deposits (to) from					
Funds 299, 275, and 100	\$ 6,397,043	\$ 783,516	\$ (4,366,190)	\$ 1,950,183	\$ 1,166,667
Interest Earnings	\$ 433,416	\$ 548,247	\$ 1,172,000	\$ 1,646,000	\$ 2,185,000
Ending Balance at 6/30/XX	\$ 144,290,520	\$ 142,404,394	\$ 137,043,144	\$ 138,420,674	\$ 139,500,864

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Cash Balance					
Fund 279 - Landfill Postclosure Maintenance					
Beginning Balance at 7/01/XX	\$ 139,500,864	\$ 140,555,673	\$ 141,117,729	\$ 141,633,081	\$ 142,099,373
Expenditures	\$ (2,325,564)	\$ (2,380,944)	\$ (2,437,648)	\$ (2,495,708)	\$ (2,555,155)
Deposits (to) from					
Funds 299, 275, and 100	\$ 816,373	\$ -	\$ -	\$ -	\$ -
Interest Earnings	\$ 2,564,000	\$ 2,943,000	\$ 2,953,000	\$ 2,962,000	\$ 2,972,000
Ending Balance at 6/30/XX	\$ 140,555,673	\$ 141,117,729	\$ 141,633,081	\$ 142,099,373	\$ 142,516,218

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

K. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Frank R. Bowerman Landfill					
Annual Tonnage of Refuse Buried	1,983,859	1,958,907	1,480,587	1,456,898	1,433,588
% of Max Capacity Filled	29.44%	30.33%	31.00%	31.67%	32.32%
Estimated Closure Cost	\$ 41,691,299	\$ 40,362,920	\$ 41,271,086	\$ 42,302,863	\$ 43,360,435
Accrued Closure Liability	\$ 12,273,918	\$ 12,242,074	\$ 12,794,037	\$ 13,397,317	\$ 14,014,092
Estimated Postclosure Cost	\$ 56,735,152	\$ 57,983,325	\$ 59,287,950	\$ 60,770,149	\$ 62,289,403
Accrued Postclosure Liability	\$ 16,702,829	\$ 17,586,342	\$ 18,379,265	\$ 19,245,906	\$ 20,131,935
Olinda Alpha Landfill					
Annual Tonnage of Refuse Buried	2,036,326	2,021,124	857,759	844,035	830,530
% of Max Capacity Filled	79.16%	83.62%	85.52%	87.38%	89.21%
Estimated Closure Cost*	\$ 37,889,586	\$ 38,723,157	\$ 25,594,428	\$ 26,234,289	\$ 26,890,146
Accrued Closure Liability*	\$ 29,993,396	\$ 32,380,304	\$ 21,885,796	\$ 22,920,898	\$ 23,986,010
Estimated Postclosure Cost	\$ 62,150,191	\$ 63,517,495	\$ 64,946,639	\$ 66,570,305	\$ 68,234,563
Accrued Postclosure Liability	\$ 49,198,091	\$ 53,113,329	\$ 55,542,366	\$ 58,169,133	\$ 60,872,054
Prima Deshecha Landfill - Zone 1					
Annual Tonnage of Refuse Buried	364,969	368,882	342,807	337,813	332,899
% of Max Capacity Filled	62.72%	64.06%	65.30%	66.53%	67.73%
Estimated Closure Cost	\$ 22,776,902	\$ 23,277,994	\$ 23,801,749	\$ 24,396,793	\$ 25,006,713
Accrued Closure Liability	\$ 14,285,673	\$ 14,911,883	\$ 15,542,542	\$ 16,231,186	\$ 16,937,047
Estimated Postclosure Cost	\$ 37,821,233	\$ 38,653,300	\$ 39,522,999	\$ 40,511,074	\$ 41,523,851
Accrued Postclosure Liability	\$ 23,717,695	\$ 24,757,439	\$ 25,804,566	\$ 26,947,966	\$ 28,119,952
Prima Deshecha Landfill - Zone 4					
Annual Tonnage of Refuse Buried	0	0	0	0	0
% of Max Capacity Filled	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated Closure Cost	\$ 35,063,496	\$ 35,834,893	\$ 36,641,178	\$ 37,557,207	\$ 38,496,137
Accrued Closure Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated Postclosure Cost	\$ 42,908,356	\$ 43,852,341	\$ 44,839,020	\$ 45,959,997	\$ 47,108,998
Accrued Postclosure Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Santiago Canyon Landfill					
Estimated Postclosure Cost	\$ 24,236,614	\$ 23,493,028	\$ 22,193,891	\$ 21,410,576	\$ 20,574,225
Less Postclosure Expenditures	\$ 1,249,310	\$ 1,276,795	\$ 1,305,523	\$ 1,338,161	\$ 1,371,615
Accrued Postclosure Liability	\$ 25,485,924	\$ 24,769,823	\$ 23,499,414	\$ 22,748,737	\$ 21,945,840
Accrued Postclosure Reserves - 15 Years **	\$ -	\$ -	\$ -	\$ -	\$ -
Coyote Canyon Landfill					
Estimated Postclosure Cost	\$ 8,834,086	\$ 8,185,443	\$ 7,503,987	\$ 6,788,586	\$ 6,038,074
Less Postclosure Expenditures	\$ 824,845	\$ 842,991	\$ 861,537	\$ 880,491	\$ 899,862
Accrued Postclosure Liability	\$ 8,009,242	\$ 7,342,452	\$ 6,642,450	\$ 5,908,095	\$ 5,138,212
Accrued Postclosure Reserves - 15 Years **	\$ 4,363,428	\$ 5,302,413	\$ 6,280,605	\$ 7,299,270	\$ 8,359,718
Unallocated Accrued Liability					
Total Accrued Closure Liability	\$ 56,552,988	\$ 59,534,261	\$ 50,222,374	\$ 52,549,401	\$ 54,937,149
Total Accrued Postclosure Liability	\$ 123,113,781	\$ 127,569,386	\$ 129,868,060	\$ 133,019,836	\$ 136,207,992
Total Accrued Postclosure Reserves - 15 Years **	\$ 4,363,428	\$ 5,302,413	\$ 6,280,605	\$ 7,299,270	\$ 8,359,718
Total Accrued Closure & Postclosure Liability	\$184,030,197	\$192,406,060	\$186,371,040	\$192,868,508	\$199,504,860

* Olinda Alpha Landfill to complete partial closure by FY 2016/17. Final closure is scheduled to begin in FY 2022/23.

** Effective FY 15/16 OCWR will maintain reserves of 15 years Postclosure Maintenance costs for each closed site that has been in its Postclosure phase longer than 15 years.

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

K. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES (CONTINUED)

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Frank R. Bowerman Landfill					
Annual Tonnage of Refuse Buried	1,412,084	1,390,903	1,766,896	2,163,753	2,163,753
% of Max Capacity Filled	32.97%	33.60%	34.40%	35.39%	36.38%
Estimated Closure Cost	\$ 44,444,445	\$ 45,555,557	\$ 46,694,446	\$ 47,861,807	\$ 49,058,352
Accrued Closure Liability	\$ 14,653,334	\$ 15,306,667	\$ 16,062,889	\$ 16,938,293	\$ 17,847,428
Estimated Postclosure Cost	\$ 63,846,638	\$ 65,442,804	\$ 67,078,874	\$ 68,755,846	\$ 70,474,742
Accrued Postclosure Liability	\$ 21,050,237	\$ 21,988,782	\$ 23,075,133	\$ 24,332,694	\$ 25,638,711
Olinda Alpha Landfill					
Annual Tonnage of Refuse Buried	818,072	805,801	396,857	0	0
% of Max Capacity Filled	91.01%	92.79%	93.66%	-	-
Estimated Closure Cost*	\$ 27,562,400	\$ 28,251,460	\$ 29,070,752	\$ -	\$ -
Accrued Closure Liability*	\$ 25,084,540	\$ 26,214,529	\$ 29,070,752	\$ -	\$ -
Estimated Postclosure Cost	\$ 69,940,427	\$ 71,688,938	\$ 73,481,161	\$ 75,318,190	\$ 77,201,145
Accrued Postclosure Liability	\$ 63,659,777	\$ 66,527,334	\$ 73,481,161	\$ 75,318,190	\$ 77,201,145
Prima Deshecha Landfill - Zone 1					
Annual Tonnage of Refuse Buried	328,366	323,901	319,503	319,503	319,503
% of Max Capacity Filled	68.93%	70.10%	71.26%	72.42%	73.58%
Estimated Closure Cost	\$ 25,631,881	\$ 26,272,678	\$ 26,929,495	\$ 27,602,732	\$ 28,292,800
Accrued Closure Liability	\$ 17,668,055	\$ 18,417,147	\$ 19,189,958	\$ 19,989,898	\$ 20,817,842
Estimated Postclosure Cost	\$ 42,561,947	\$ 43,625,996	\$ 44,716,646	\$ 45,834,562	\$ 46,980,426
Accrued Postclosure Liability	\$ 29,329,438	\$ 30,573,098	\$ 31,856,139	\$ 33,188,806	\$ 34,568,197
Prima Deshecha Landfill - Zone 4					
Annual Tonnage of Refuse Buried	0	0	0	0	0
% of Max Capacity Filled	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated Closure Cost	\$ 39,458,540	\$ 40,445,004	\$ 41,456,129	\$ 42,492,532	\$ 43,554,845
Accrued Closure Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated Postclosure Cost	\$ 48,286,724	\$ 49,493,893	\$ 50,731,241	\$ 51,999,523	\$ 53,299,512
Accrued Postclosure Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Santiago Canyon Landfill					
Estimated Postclosure Cost	\$ 19,682,670	\$ 18,733,689	\$ 17,724,948	\$ 16,654,066	\$ 15,518,560
Less Postclosure Expenditures	\$ 1,405,905	\$ 1,441,053	\$ 1,477,079	\$ 1,514,006	\$ 1,551,856
Accrued Postclosure Liability	\$ 21,088,575	\$ 20,174,742	\$ 19,202,027	\$ 18,168,072	\$ 17,070,416
Accrued Postclosure Reserves - 15 Years **	\$ -	\$ 1,441,053	\$ 2,954,158	\$ 4,542,018	\$ 6,207,424
Coyote Canyon Landfill					
Estimated Postclosure Cost	\$ 5,251,253	\$ 4,426,887	\$ 3,563,711	\$ 2,660,412	\$ 1,715,641
Less Postclosure Expenditures	\$ 919,659	\$ 939,891	\$ 960,569	\$ 981,702	\$ 1,003,299
Accrued Postclosure Liability	\$ 4,331,594	\$ 3,486,996	\$ 2,603,142	\$ 1,678,710	\$ 712,342
Accrued Postclosure Reserves - 15 Years **	\$ 9,463,291	\$ 10,611,369	\$ 11,805,393	\$ 13,046,820	\$ 14,337,143
Unallocated Accrued Liability					
Total Accrued Closure Liability	\$ 57,405,929	\$ 59,938,343	\$ 64,323,599	\$ 36,928,192	\$ 38,665,271
Total Accrued Postclosure Liability	\$ 139,459,620	\$ 142,750,952	\$ 150,217,601	\$ 152,686,472	\$ 155,190,811
Total Accrued Postclosure Reserves - 15 Years **	\$ 9,463,291	\$ 12,052,422	\$ 14,759,551	\$ 17,588,838	\$ 20,544,567
Total Accrued Closure & Postclosure Liability	\$206,328,840	\$214,741,718	\$229,300,752	\$207,203,502	\$214,400,649

* Olinda Alpha Landfill to complete partial closure by FY 2016/17. Final closure is scheduled to begin in FY 2022/23.

** Effective FY 15/16 OCWR will maintain reserves of 15 years Postclosure Maintenance costs for each closed site that has been in its Postclosure phase longer than 15 years.



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TABLE OF CONTENTS

FINANCIAL SECTION:	Page
Independent Auditor's Report	25
Management's Discussion and Analysis (Unaudited)	27
Financial Statements:	
Statements of Net Position.....	37
Statements of Revenues, Expenses and Changes in Fund Net Position.....	39
Statements of Cash Flows.....	40
Notes to the Financial Statements.....	43
OTHER REPORT:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	65

Independent Auditor's Report

Board of Supervisors
 County of Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Orange County Waste and Recycling Enterprise Fund of the County of Orange, California (OC Waste & Recycling), as of and for the years ended June 30, 2014 and 2013, 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OC Waste & Recycling, as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the financial statements present only the OC Waste & Recycling, an enterprise fund of the County, and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2014 and 2013, and the changes in financial position, or, where applicable, cash flows 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 Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of the OC Waste & Recycling'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 for the year ended June 30, 2014. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OC Waste & Recycling's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Newport Beach, California
 December 22, 2014

Our management's discussion and analysis of the financial performance provides a narrative overview and analysis of the OC Waste & Recycling's financial activities for the years ended June 30, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the information furnished in OC Waste & Recycling's financial statements.

FINANCIAL HIGHLIGHTS

- OC Waste & Recycling's net position increased by \$18,645 (or 3.8%) for the year ended June 30, 2014. This increase consisted of operating income of \$30,957, nonoperating revenues of \$4,895, and net operating transfer out of (\$17,207).
- Disposal revenue increased by \$17,428 from June 30, 2013. The increase was primarily from the increase of \$13,907 in importation disposal revenue and \$3,521 in in-county disposal revenue.
- OC Waste & Recycling contributed \$17,223 of net importation revenue to the County General Fund for repayment of bankruptcy related obligations.
- OC Waste & Recycling paid in full the 1997 Revenue Refunding Bonds in December 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

OC Waste & Recycling is responsible for the administration and management of the County of Orange's (County) solid waste disposal system. OC Waste & Recycling is organized as an enterprise fund and is primarily supported by revenue from disposal fees that are charged to customers. No tax revenues are utilized by OC Waste & Recycling.

The financial statements are divided into two components:

1. Financial statements: Statements of Net Position; Statements of Revenues, Expenses and Changes in Fund Net Position; and Statements of Cash Flows; and
2. Notes to Financial Statements

Statements of Net Position

This section provides the statement of position for all OC Waste & Recycling's current and noncurrent assets and liabilities in both financial and capital positions with the difference between the two reported as net position. Current assets and liabilities are reasonably expected to be realized or liquidated within one year.

Statements of Revenues, Expenses and Changes in Fund Net Position

This section provides the statement of activities for all OC Waste & Recycling's revenues and expenses during the year, regardless of when cash is received or paid. This section also shows how net position changed during the fiscal year.

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Statements of Cash Flows

This section provides the financial statement classifying OC Waste & Recycling's cash and cash equivalents receipts (inflows) and payments (outflows) resulting from operating, noncapital financing, capital and related financing, or investing activities.

Notes to Financial Statements

This section provides additional information that is necessary to acquire a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

Statements of Net Position Summary

Increases or decreases in net position over time may serve as a useful indicator of OC Waste & Recycling's financial position.

At June 30, 2014 and 2013, assets exceeded liabilities by \$512,943 and \$494,298, respectively.

A summary of the key elements that contributed to the changes in OC Waste & Recycling's assets and liabilities is presented in **Table 1**.

TABLE 1
STATEMENTS OF NET POSITION

	2014	2013	2012	2014 vs 2013 % change	2013 vs 2012 % change
ASSETS					
Current and other assets	\$515,376	\$505,781	\$505,785	1.9%	0.0%
Capital assets	224,204	214,782	208,315	4.4%	3.1%
TOTAL ASSETS	739,580	720,563	714,100	2.6%	0.9%
LIABILITIES					
Long-term liabilities	192,145	186,062	186,518	3.3%	-0.2%
Other liabilities	34,492	40,203	37,421	-14.2%	7.4%
TOTAL LIABILITIES	226,637	226,265	223,939	0.2%	1.0%
NET POSITION					
Net investment in capital assets	224,204	207,766	194,652	7.9%	6.7%
Restricted	45,536	80,312	82,206	-43.3%	-2.3%
Unrestricted	243,203	206,220	213,303	17.9%	-3.3%
TOTAL NET POSITION	\$512,943	\$494,298	\$490,161	3.8%	0.8%

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

For the year ended June 30, 2014:

OC Waste & Recycling's total assets increased by \$19,017 (or 2.6%) during the current fiscal year due primarily to the increase in pooled cash and investments and capital assets.

Total liabilities increased by \$372 (or 0.2%). The increase in long-term liabilities was due primarily to increases in accrued closure and postclosure care costs. The increase was partially offset by the decrease in other liabilities, mainly due to the retirement of the 1997 Refunding Revenue Bonds in December 2013.

For the year ended June 30, 2013:

OC Waste & Recycling's total assets increased by \$6,463 (or 0.9%) during the fiscal year due primarily to the increase in capital assets from construction and capital project activity.

Total liabilities increased by \$2,326 (or 1.0%) due primarily to increases in accrued closure and postclosure care costs, and accounts payable for capital projects. The increase was partially offset by the decrease in long-term obligation for the 1997 Refunding Revenue Bonds.

Statements of Revenues, Expenses and Changes in Fund Net Position Summary

For the years ended June 30, 2014 and 2013, net position increased by \$18,645 (or 3.8%) and \$4,137 (or 0.8%), as restated, respectively.

A summary of the key elements that contributed to the changes in OC Waste & Recycling's net position is presented in **Table 2**.

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

TABLE 2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	2014	2013	2012	2014 vs 2013 % change	2013 vs 2012 % change
OPERATING REVENUES					
Disposal fees	\$120,748	\$103,320	\$96,912	16.9%	6.6%
Other charges for services	956	759	595	26.0%	27.6%
Use of property, licenses, permits & franchise fees	3,387	2,774	1,688	22.1%	64.3%
TOTAL OPERATING REVENUES	125,091	106,853	99,195	17.1%	7.7%
OPERATING EXPENSES					
Salaries and employee benefits	25,081	25,222	24,988	-0.6%	0.9%
Services and supplies	22,476	21,828	20,403	3.0%	7.0%
Professional and specialized services	12,423	15,452	11,907	-19.6%	29.8%
Depreciation and amortization	15,175	16,406	17,613	-7.5%	-6.9%
Other operating expenses	18,979	15,824	18,255	19.9%	-13.3%
TOTAL OPERATING EXPENSES	94,134	94,732	93,166	-0.6%	1.7%
OPERATING INCOME	30,957	12,121	6,029	155.4%	101.0%
NONOPERATING REVENUES (EXPENSES), NET	4,895	1,943	2,515	151.9%	-22.7%
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	35,852	14,064	8,544	154.9%	64.6%
Capital contributions and Transfers in/out to County General Fund	(17,207)	(9,926)	(10,463)	73.4%	-5.1%
CHANGES IN NET POSITION	18,645	4,138	(1,919)	350.6%	-315.6%
NET POSITION - BEGINNING OF YEAR	494,298	490,161	492,080	0.8%	-0.4%
Adjustment due to change in accounting principle*		(1)			
NET POSITION - END OF YEAR (as restated)	\$512,943	\$494,298	\$490,161	3.8%	0.8%

*Refer to Note 2, Description of Reporting Entity and Summary of Significant Accounting Principles, for additional information regarding the adjustment due to change in accounting principle.

Operating Revenues

Disposal fees that are charged to users of the waste disposal sites comprise the largest revenue source of OC Waste & Recycling at approximately 96.5%. Other operating revenues include royalties received from the landfill gas rights, rents, and other fees.

For the year ended June 30, 2014:

Total operating revenues increased by \$18,238 (or 17.1%) due primarily to the increase in importation disposal tonnage and fees (\$13,907); increase in in-county disposal tonnage and fees (\$3,521); increase in royalties and rents (\$621); and increase in other charges for services (\$197).

For the year ended June 30, 2013:

Total operating revenues increased by \$7,658 (or 7.7%) due primarily to the increase in importation disposal tonnage and fees (\$3,069); increase in in-county disposal tonnage and fees (\$3,502); and increase in royalties and rents (\$1,083).

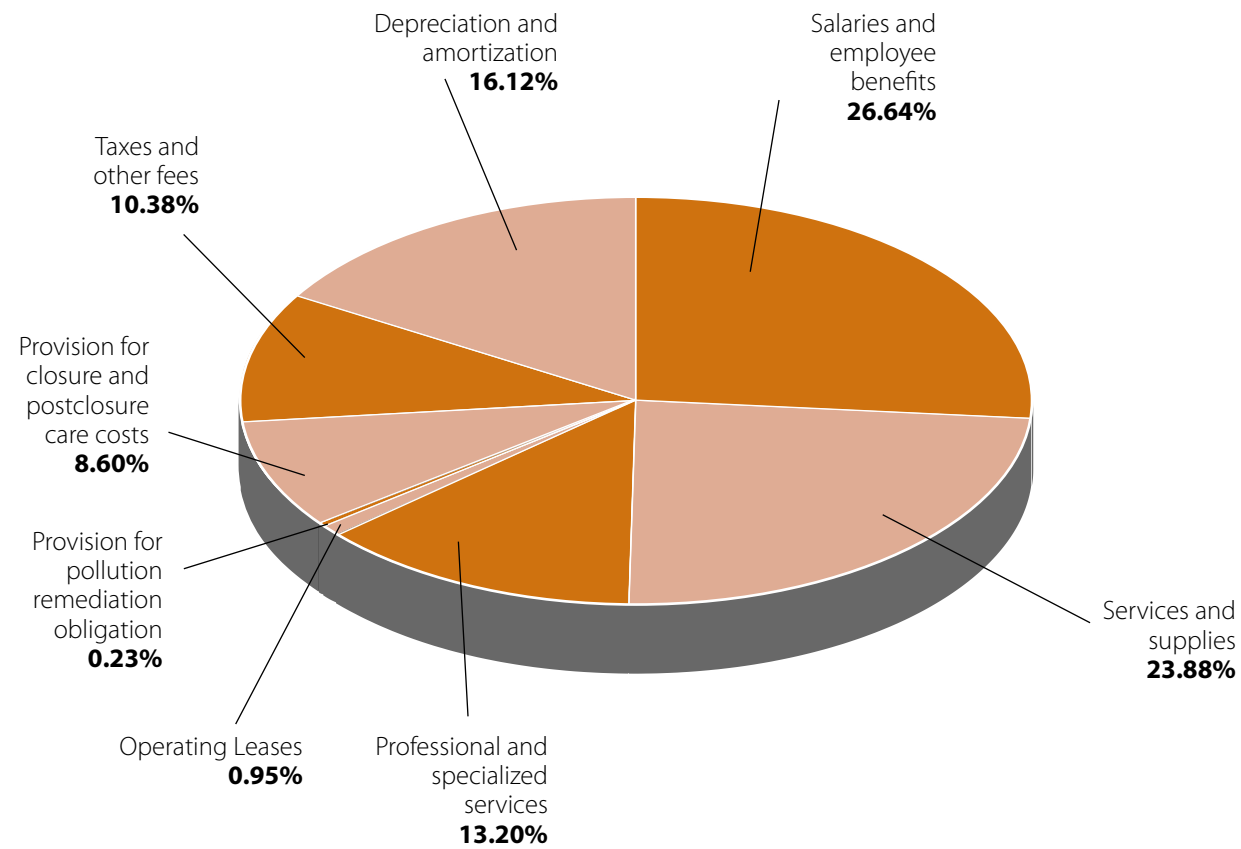
Operating Expenses

Operating expenses include salaries and employee benefits, cost of services and supplies, professional and specialized services, closure and postclosure care costs, pollution remediation expenses, taxes and fees, operating leases, and depreciation and amortization on capital assets.

For the year ended June 30, 2014:

Total operating expenses remained unchanged. The increase in the contributions to other agencies, and taxes and other fees (\$3,076) is offset by the decrease in the professional and specialized services costs (\$3,029).

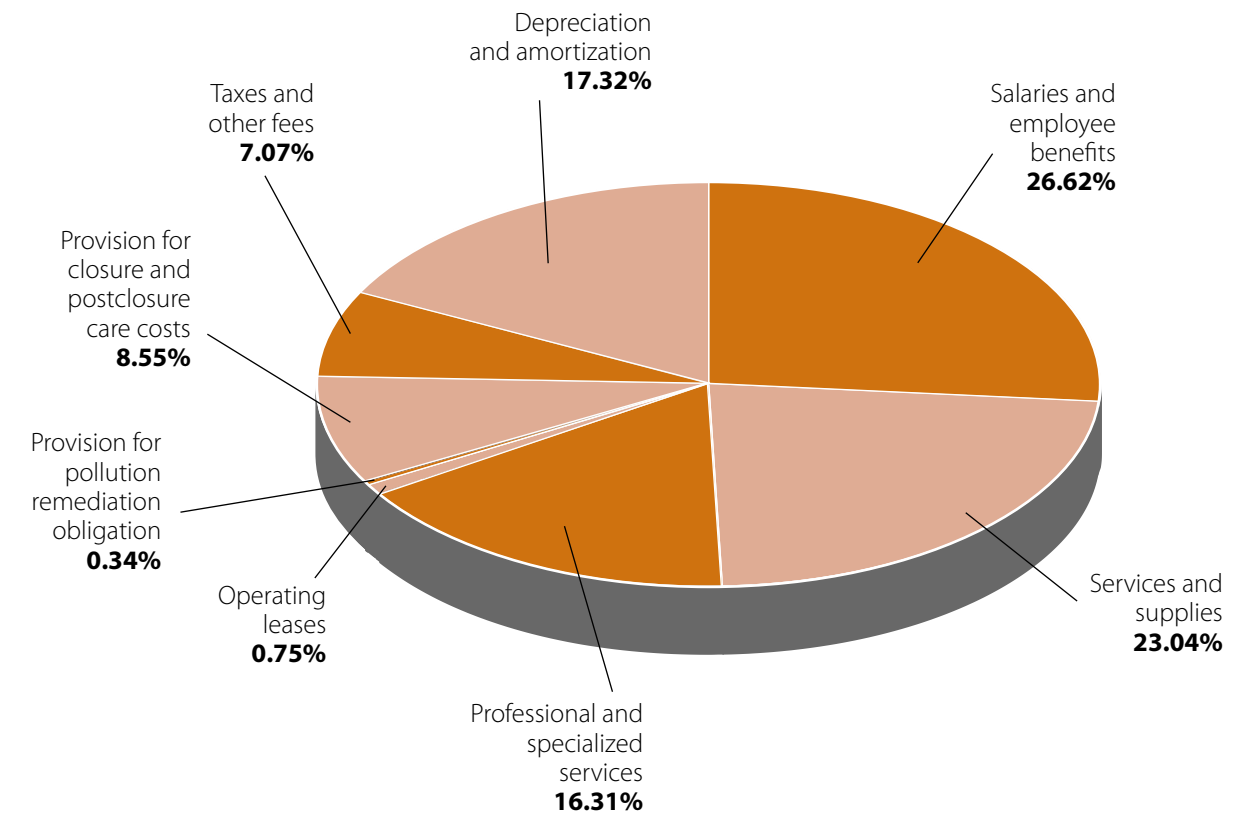
Operating Expenses FYE 2014



For the year ended June 30, 2013:

Total operating expenses increased \$1,566 (or 1.7%) due primarily to the increases in the closure and postclosure care costs, and professional and specialized services costs. Partially offsetting the increase was the decrease in pollution remediation expenses, contributions to other agencies, and taxes and other fees.

Operating Expenses FYE 2013



Nonoperating Revenues and Expenses

For the year ended June 30, 2014, nonoperating revenue and expenses increased by \$2,952 (or 151.9%) due primarily to the increase in interest income from the increase in OC Waste & Recycling pooled cash and investments. Net transfers to the County General Fund increased by \$7,281 (or 73.4%) due primarily to the increase in net importation revenue.

For the year ended June 30, 2013, nonoperating revenue and expenses decreased by \$572 (or 22.7%) due primarily to a lower rate of return from the County Treasurer's investment pool. Net transfers to the County General Fund and capital contribution decreased by \$537 (or 5.1%) due primarily to the decreases in transfers to the General Fund for net imported waste revenue.

CAPITAL ASSETS

OC Waste & Recycling's capital assets includes land, structures and improvements, equipment, infrastructure, intangible assets, and construction in progress.

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013
 (Dollar Amounts in Thousands)

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

A summary of the key elements that contributed to the changes in OC Waste & Recycling's capital assets is presented in **Table 3**.

TABLE 3 CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)					
	2014	2013	2012	2014 vs 2013 % change	2013 vs 2012 % change
CAPITAL ASSETS					
Land (Nondepreciable)	\$22,405	\$22,405	\$22,405	N/A	N/A
Construction in progress (Nondepreciable)	18,019	20,877	10,344	-13.7%	101.8%
Intangible assets in progress (Nondepreciable)	0	424	0	-100.0%	N/A
Equipment (Depreciable)	18,267	21,374	23,977	-14.5%	-10.9%
Buildings (Depreciable)	14,767	9,883	10,728	49.4%	-7.9%
Infrastructure (Depreciable)	150,327	139,819	140,861	7.5%	-0.7%
Software (Amortizable)	419	0	0	N/A	N/A
TOTAL CAPITAL ASSETS	\$224,204	\$214,782	\$208,315	4.4%	3.1%

As of June 30, 2014 and 2013, investment in capital assets (net of accumulated depreciation) amounted to \$224,204 and \$214,782, respectively, and capital assets increased 4.4% and 3.1%, respectively.

The major capital asset event during fiscal year 2014 was the \$11,894 for the East Flank Excavation & Drainage Improvements & Design Project at Frank R. Bowerman Landfill.

Major capital asset events during fiscal year 2013 included the following:

- \$7,327 for the Groundwater Protection Composite Liner Project at Prima Deshecha Landfill;
- \$9,765 for the Phase 8 C Excavation & Liner Construction Project and the Wetlands Basin and West Channel Realignment Project at Frank R. Bowerman Landfill; and
- \$1,264 for the Drainage Channel Improvements (Middle East Channel) at Olinda Alpha Landfill.

Additional information on capital assets can be found in Note 9, Capital Assets.

Commitments for Capital Expenditures as of June 30, 2014:

- \$1,144 for the Phase 8 East Flank Slide\Buttress Excavation at Frank R. Bowerman Landfill; and
- \$17,602 for the East Flank Excavation & Drainage Improvements & Design Project at Frank R. Bowerman Landfill.

LONG-TERM DEBT

As of June 30, 2014, OC Waste & Recycling has no long-term debt. The last series of the 1997 Refunding Revenue Bonds were paid in full in December 2013.

Additional information on other long-term obligations can be found in Note 12, Long-Term Obligations.

REVIEW OF OPERATIONS

Disposal Facilities

OC Waste & Recycling is responsible for the waste management of the County's solid waste disposal system. The system consists of three active regional landfill operations, 20 closed waste disposal sites, and four household hazardous waste collection centers. The active landfill sites are located in Brea (North Region), Irvine (Central Region), and San Juan Capistrano (South Region). The four hazardous waste collection centers are in the cities of Anaheim, Huntington Beach, Irvine, and San Juan Capistrano.

In-county tonnage received by the system continues to be significantly below the trend projected in the Waste Disposal Agreement. In response to the corresponding decline in disposal revenue, OC Waste & Recycling has looked for opportunities to mitigate the loss of in-county tonnage. Starting in May 2013, OC Waste & Recycling was able to secure a new importation agreement with the County Sanitation District of Los Angeles. The revenue from additional tonnage has helped OC Waste & Recycling to maintain rates charged to Orange County cities in accordance with the current waste disposal agreement, and to ensure the same level of service despite the decline in in-county tonnage trend.

Renewable Energy Facilities

For the year ended June 30, 2014, over 267,000 megawatts (MW) of renewable energy was generated, with an approximate equivalent of providing electricity for 40,000 homes in the County. As a result, approximately \$3 million in royalty revenue was generated from OC Waste & Recycling's renewable energy facilities.

OC Waste & Recycling is currently developing a Renewable Technology Master Plan. The plan is to evaluate existing agreements, explore opportunities for new arrangements, and assist with diversifying OC Waste & Recycling's waste management and landfill gas management portfolios by producing renewable energy, fuel, and products from waste disposal.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of OC Waste & Recycling's finances. For questions or comments concerning any of the information provided in this report or requests for additional financial information should be addressed to OC Waste & Recycling Headquarters, 300 N. Flower Street, Suite 400, Santa Ana, CA 92703, or you can access our website at <http://oclandfills.com>.

COUNTY OF ORANGE
OC WASTE & RECYCLING
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013
(Dollar Amounts in Thousands)

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current assets:		
Pooled cash and investments (Note 3)	\$ 376,173	\$ 332,059
Imprest cash funds (Note 3)	35	35
Accounts receivable, net of allowances of \$1 in 2014 & 2013 (Note 4)	9,050	9,996
Interest receivable	411	267
Prepaid costs (Note 5)	4,325	4,464
Due from other governmental agencies	2,085	194
Due from other funds of the County (Note 8)	4,030	63
Total current assets	<u>396,109</u>	<u>347,078</u>
Current restricted assets:		
Pooled cash and investments-customer deposits (Note 3)	556	702
Investments with trustees (Note 3)	-	11,749
Deposits in-lieu of cash (Note 6)	16,633	16,753
Deposits with others	100	100
Total current restricted assets	<u>17,289</u>	<u>29,304</u>
Total current assets	<u>413,398</u>	<u>376,382</u>
Noncurrent assets:		
Restricted assets:		
Pooled cash and investments-customer deposits (Note 3)	21	21
Pooled cash and investments-contractor deposits (Note 3)	128	128
Pooled cash and investments-rate stabilization (Note 3)	-	28,082
Pooled cash and investments- corrective action (Note 3)	7,129	6,097
Pooled cash and investments - Prima Deshecha/La Pata closure (Note 3)	104	104
Pooled cash and investments - Frank R. Bowerman landfill and agua (Note 3)	879	879
Pooled cash and investments-closure and postclosure care costs (Notes 3 and 13)	90,583	90,170
Total noncurrent restricted assets	<u>98,844</u>	<u>125,481</u>
Capital assets (Note 9)		
Nondepreciable/Nonamortizable	40,424	43,706
Depreciable/Amortizable, net	183,780	171,076
Net capital assets	<u>224,204</u>	<u>214,782</u>
Advances to other funds (Notes 7 and 8)	3,134	3,918
Total noncurrent assets	<u>326,182</u>	<u>344,181</u>
Total assets	<u>\$ 739,580</u>	<u>\$ 720,563</u>

See accompanying notes to financial statements.

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COUNTY OF ORANGE
OC WASTE & RECYCLING
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2014 AND 2013
(Dollar Amounts in Thousands)

	2014	2013
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 5,373	\$ 7,798
Retainage payable	617	601
Salaries and accrued employee benefits payable	828	1,009
Accrued closure and postclosure care costs (Notes 12 and 13)	1,674	1,459
Pollution remediation obligation (Notes 12 and 14)	503	485
Interest payable	-	31
Unearned revenue	80	99
Compensated employee absences payable (Note 12)	1,293	1,297
Due to other funds of the County (Note 8)	3,760	1,350
Due to other governmental agencies	3,026	1,417
Arbitrage rebate payable	-	35
Total current liabilities (payable from current assets)	<u>17,154</u>	<u>15,581</u>
Current liabilities (payable from restricted assets):		
Revenue bonds payable, net (Note 12)	-	7,018
Deposits from others	17,338	17,604
Total current liabilities (payable from restricted assets)	<u>17,338</u>	<u>24,622</u>
Total current liabilities	<u>34,492</u>	<u>40,203</u>
Noncurrent liabilities:		
Compensated employee absences payable (Note 12)	1,531	1,480
Accrued closure and postclosure care costs (Notes 12 and 13)	178,437	172,234
Pollution remediation obligation (Notes 12 and 14)	12,177	12,348
Total noncurrent liabilities	<u>192,145</u>	<u>186,062</u>
Total liabilities	<u>226,637</u>	<u>226,265</u>
NET POSITION		
Net investment in capital assets	224,204	207,766
Restricted:		
Prima Deshecha/La Pata closure	104	104
Debt service	-	32,865
Landfill closure and postclosure	37,412	40,355
Landfill corrective action	7,141	6,109
Frank R. Bowerman landfill and agua	879	879
Unrestricted	243,203	206,220
Total net position	<u>\$ 512,943</u>	<u>\$ 494,298</u>

See accompanying notes to financial statements.

COUNTY OF ORANGE
OC WASTE & RECYCLING
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Dollar Amounts in Thousands)

	2014	2013
OPERATING REVENUES		
Disposal fees (Notes 1 and 2)	\$ 120,748	\$ 103,320
Other charges for services	956	759
Use of property	3,324	2,703
Licenses, permits, and franchise fees	63	71
Total operating revenues	<u>125,091</u>	<u>106,853</u>
OPERATING EXPENSES		
Salaries and employee benefits	25,081	25,222
Services and supplies	22,476	21,828
Professional and specialized services	12,423	15,452
Operating leases	900	712
Provision for pollution remediation obligation (Note 14)	214	321
Provision for closure and postclosure care costs (Note 13)	8,093	8,095
Taxes and other fees	9,772	6,696
Depreciation and amortization (Note 9)	15,175	16,406
Total operating expenses	<u>94,134</u>	<u>94,732</u>
Operating income	30,957	12,121
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	31	19
Fines, forfeitures and penalties	15	23
Interest income	2,248	1,300
Interest expense	(23)	(11)
Gain on disposal of capital assets	68	49
Other revenues	2,556	563
Total nonoperating revenues	<u>4,895</u>	<u>1,943</u>
Income before transfers	35,852	14,064
Transfers in	16	34
Transfers out to County General Fund (Note 1)	(17,223)	(9,960)
Change in net position	18,645	4,138
Net position - beginning of year, as previously reported	494,298	490,161
Adjustment due to change in accounting principle	-	(1)
Net position - end of year (as restated, Note 2)	<u>\$ 512,943</u>	<u>\$ 494,298</u>

See accompanying notes to financial statements.

COUNTY OF ORANGE
OC WASTE & RECYCLING
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Dollar Amounts in Thousands)

	2014	2013
Cash flows from operating activities		
Receipts from customers	\$ 123,999	\$ 105,027
Payments to suppliers for goods and services	(34,426)	(35,679)
Payments to employees for services	(25,215)	(25,321)
Receipts from (payments to) other funds	2,410	(804)
Cash paid for interfund charges	(3,967)	(50)
Landfill site closure and postclosure care costs	(1,674)	(1,459)
Pollution remediation obligation payments	(367)	(590)
Taxes and other fees	(9,772)	(6,696)
Other receipts	1,756	112
Net cash provided by operating activities	<u>52,744</u>	<u>34,540</u>
Cash flows from noncapital and related financing activities		
Transfers out	(17,223)	(9,960)
Transfers in	16	36
Intergovernmental revenues	31	19
Advances (to)/from other funds	784	(3,918)
Net cash used in noncapital and related financing activities	<u>(16,392)</u>	<u>(13,823)</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(25,870)	(21,000)
Principal paid on bonds (Note 12)	(7,020)	(6,655)
Interest paid on bonds (Note 12)	(52)	(30)
Proceeds from sale of capital assets	68	49
Net cash used in capital and related financing activities	<u>(32,874)</u>	<u>(27,636)</u>
Cash flows from investing activities		
Interest on investments	2,104	1,607
Sales (purchases) of investments, net	11,749	(186)
Net cash provided by investing activities	<u>13,853</u>	<u>1,421</u>
Net increase (decrease) in cash and cash equivalents	17,331	(5,498)
Cash and cash equivalents - beginning of year	458,277	463,775
Cash and cash equivalents - end of year	<u>\$ 475,608</u>	<u>\$ 458,277</u>
Reconciliation of cash and cash equivalents to statements of net position:		
Pooled cash and investments-current assets	\$ 376,173	\$ 332,059
Imprest cash funds	35	35
Pooled cash and investments-rate stabilization	-	28,082
Pooled cash and investments-closure and postclosure care costs	90,583	90,170
Pooled cash and investments- corrective action	7,129	6,097
Pooled cash and investments-Prima Deshecha/La Pata closure	104	104
Pooled cash and investments-Frank R. Bowerman landfill and agua	879	879
Pooled cash and investments-customer deposits	577	723
Pooled cash and investments-contractor deposits	128	128
Total cash and cash equivalents	<u>\$ 475,608</u>	<u>\$ 458,277</u>

See accompanying notes to financial statements.

COUNTY OF ORANGE
OC WASTE & RECYCLING
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014 AND 2013
(Dollar Amounts in Thousands)

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 30,957	\$ 12,121
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	15,175	16,406
Fines, forfeitures and penalties	15	23
Other revenues	2,556	563
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	946	(1,673)
Deposits in-lieu of cash	120	(243)
Prepaid costs	139	458
Due from other funds	(3,967)	(51)
Due from other governmental agencies	(1,891)	(91)
Deposits with others	-	(100)
Increase (decrease) in:		
Accounts payable	(1,152)	1,315
Retainage payable	16	345
Salaries and accrued employee benefits payable	(181)	(12)
Unearned revenue	(19)	26
Pollution remediation obligation	(153)	(269)
Landfill site closure/postclosure payable	6,418	6,636
Deposits from others	(266)	181
Due to other funds	2,410	(803)
Due to other governmental agencies	1,609	41
Compensated employee absences payable	47	(87)
Arbitrage rebate payable	(35)	(246)
Net cash provided by operating activities	<u>\$ 52,744</u>	<u>\$ 34,540</u>

See accompanying notes to financial statements.

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OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 1 – Importation Revenue Transfer for County Bankruptcy Recovery

On December 6, 1994, the County of Orange, California (County), filed for protection under Chapter 9 of the United States Bankruptcy Code as a result of substantial losses in the Orange County Investment Pool (the Pool). The liquidation of the portfolio resulted in the realization of an investment loss of approximately \$1.6 billion. Approximately \$36,652 of the County's loss was allocated to the Integrated Waste Management Department (which was renamed OC Waste & Recycling in March 2008) operations and finances and was reported in the year ended June 30, 1995.

In response to the bankruptcy, the County prepared a comprehensive recovery plan (Plan). The Plan was confirmed by the United States Bankruptcy Court for the Central District of California in its Order Confirming Modified Second Amended Plan of Adjustment entered on May 16, 1996. On June 12, 1996, the Plan became effective and the County emerged from bankruptcy.

Impact of County Bankruptcy on OC Waste & Recycling

OC Waste & Recycling is a department of the County. Due to statutory and regulatory restrictions, revenues generated by OC Waste & Recycling from in-county waste are not available for County General Fund purposes. After analyzing its assets and operations, the County determined that OC Waste & Recycling could provide an important source of revenue for the repayment of County claims. As such, the County proposed to restructure the operations of OC Waste & Recycling to maximize its value. Specifically, the County proposed to import out-of-county waste as a new source of revenue. Pursuant to the proposal, the County obtained legislation exempting OC Waste & Recycling from certain provisions of the California Environmental Quality Act, thereby expediting the County's process to pursue and contract for the importation of out-of-county waste.

The County requested proposals for waste-importation contracts and, in January 1996, entered into contracts of various durations, which will terminate on June 30, 2016. These contracts are estimated to generate revenue sufficient to support the Plan's estimated \$15 million of net importation revenue per year for 20 years to be contributed to the County General Fund to pay bankruptcy related obligations. During the years ended June 30, 2014 and 2013, OC Waste & Recycling collected imported waste disposal fees of \$31,939 and \$18,032, respectively. Net import revenues totaling \$17,223 and \$9,960 were distributed to the County during the years ended June 30, 2014 and 2013, respectively, and are included as Transfers to County General Fund in the financial statements.

Note 2 – Description of Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

OC Waste & Recycling is operated as a department of the County of Orange, California (County), and is accounted for as an enterprise fund in the basic financial statements of the County. The financial statements presented herein represent the financial position and changes in financial position and cash flows of OC Waste & Recycling only and are not intended to present the financial position, changes in financial position or the cash flows of the County in conformity with accounting principles generally accepted in the United States of America.

Note 2 – Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

The County assumed responsibility for establishing and maintaining waste disposal sites in 1946 and the OC Waste & Recycling enterprise fund was formally established in 1982. OC Waste & Recycling finances its operations through disposal fees charged to users of the waste disposal sites. Such disposal fees are OC Waste & Recycling's primary source of revenue. Refer to Note 17, Major Customers, for additional discussion.

The County has entered into waste disposal agreements with 34 cities, four (4) Sanitary Districts, one (1) Joint Powers Authority and five (5) Facility Operators effective July 1, 2010 through June 30, 2020. In addition, one Sanitary District entered into a waste disposal agreement in January 2013 that also terminates June 30, 2020. The waste disposal agreements cover approximately 96 percent of all solid waste generated in the County and obligate the cities and haulers to deliver all controllable waste to landfills operated by OC Waste & Recycling. The 4 percent balance of in-county waste is delivered by self-haulers.

Basis of Presentation – Fund Accounting

The operations of OC Waste & Recycling are accounted for as an enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

OC Waste & Recycling prepares its financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles, which provides that revenues are recorded when earned and expenses are recorded when incurred. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

New Accounting Pronouncement- Change in Accounting Principle and Restatement

On July 1, 2013, OC Waste & Recycling adopted the following new accounting pronouncement issued by the Governmental Accounting Standards Board (GASB):

- GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that classify certain items that were previously reported as assets as deferred outflows of resources or deferred inflows of resources, and recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources.

The requirement of GASB Statement No. 65 caused OC Waste & Recycling to restate the prior year net position by the amount of the unamortized debt issuance costs, as these costs should now be recognized as an expense in the period incurred.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 2 – Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

Operating/Nonoperating Revenues and Expenses

OC Waste & Recycling distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services from the OC Waste & Recycling's landfill operations. The principal operating revenue of OC Waste & Recycling is disposal fees charged to users of the waste disposal sites. Operating expenses include salaries and benefits, cost of services, administrative expenses, taxes and fees, closure/postclosure care costs, pollution remediation obligations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash or mature within three months of their original purchase. Pooled cash and investments are considered cash and cash equivalents.

Pooled Cash and Investments and Investments with Trustees

Pooled cash and investments and investments with trustees are stated at fair value. Pooled cash and investments are funds OC Waste & Recycling has on deposit with the Treasurer's County Investment Pool (the Pool). Interest earned on pooled cash and investments is allocated monthly by the Treasurer to OC Waste & Recycling based on average daily balances on deposit with the Treasurer. Interest earned on investments with trustees is credited directly to OC Waste & Recycling.

Capital Assets

Property, plant and equipment purchased or constructed by OC Waste & Recycling are capitalized at cost, while contributed assets are recorded at fair value when received. Assets are capitalized when the original unit cost is equal to or greater than the County's capitalization threshold of \$5 for equipment, \$150 for buildings and improvements, \$150 for intangible assets, \$0 for infrastructure, and \$0 for land. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives of buildings and improvements, equipment, intangible assets, and infrastructure are as follows:

Buildings and Improvements	10 to 50 years (or the remaining estimated useful life of the landfill)
Equipment	2 to 20 years
Intangible assets (software)	3 to 15 years
Infrastructure:	
Cell development	15 to 61 years
Drainage channels	9 to 32 years
Facility improvements	12 to 61 year
Habitat	20 to 55 years
Landfill gas/environmental	3 to 71 years
Roads	7 to 49 years
Closure/other earthwork	16 to 56 years

Note 2 – Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

No depreciation is provided on construction in progress until construction is completed and the asset is placed in service.

Maintenance and repair costs are expensed in the period incurred. Expenses that materially increase the capacity or efficiency or extend the useful life of an asset are capitalized and depreciated. Upon the sale or retirement of the capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the Statement of Revenues, Expenses and Changes in Fund Net Position.

Interest is capitalized on construction in progress. Capitalized interest is calculated by multiplying the construction in progress cost of new projects started during the fiscal year by the bond borrowing rate.

The total interest included as part of the cost of capital assets for the years ended June 30, 2014 and 2013 were \$133 and \$510, respectively.

Landfill Closure and Postclosure Care Costs

OC Waste & Recycling accrues a liability for anticipated costs of closing landfill sites plus the costs of monitoring and maintaining the sites during the postclosure periods. Because the closure expenses are accrued over the life of the operating landfills as the permitted air space of the landfills is consumed, the entire closure and postclosure care cost is recognized as an expense by the time the landfills stop accepting waste. OC Waste & Recycling accrues for the estimated costs of closing landfill sites over the estimated useful lives of the sites based on engineering studies and cost projections, and for the estimated costs of monitoring and maintaining the sites during the postclosure period.

Self-Insurance

OC Waste & Recycling participates in the County's self-insurance programs for general and automobile liability claims, workers' compensation claims, group health indemnified plans, group salary continuance plan, group dental plan, and unemployment benefits. Unpaid claim liabilities have been discounted and are accrued in these self-insurance programs based upon case reserves, development of known and incurred but not reported claims, including allocated and unallocated loss adjustment expenses. Also, OC Waste & Recycling participates in commercial insurance purchased for excess liability coverage, property coverage, and other risk exposures. OC Waste & Recycling records its portion of related self-insurance and commercial insurance premiums charged by the County as an expense. Insurance expense for the years ended June 30, 2014 and 2013 was \$297 and \$294, respectively.

Compensated Absences

Compensated employee absences (vacation, compensatory time off, performance incentive plan (PIP) time off, annual leave and sick leave) are accrued as an expense and liability when incurred.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 2 – Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Position

Net Position is displayed in three distinct categories:

Net Investment in capital assets indicates the value of land, buildings, infrastructure, and equipment, net of depreciation, less debt related to the acquisition of those assets that is representative of the OC Waste & Recycling's equity in capital assets.

Restricted indicates the value of the restricted assets on hand and pooled cash and investments of closure and postclosure care costs and other restrictions required in excess of the related and recognized liabilities. It is expected that future liabilities will be recognized to match the restricted assets on hand. These monies are restricted by Federal and State legislation, and third parties for specific use within their categories. As of June 30, 2014 and 2013, OC Waste & Recycling reported a restricted net position of \$45,536 and \$80,312, respectively, for debt service, landfill closure and postclosure, landfill corrective action, Prima Deshecha/La Pata Closure, and FRB Landfill & Agua of which \$45,536 and \$47,447, respectively, were restricted by enabling legislation.

Unrestricted is the remaining amount of assets over liabilities available for operations and management discretion.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Use of Restricted Funds

When both restricted and unrestricted assets are available for use, it is OC Waste & Recycling's policy to use restricted assets first, then unrestricted assets as they are needed.

Note 3 - Cash and Investments

OC Waste & Recycling follows the County's policy guidelines for pooling its cash and investments with the County Treasurer. The County Treasurer abides by the Investment Policy Statement (IPS) in investing the Pool's monies.

Pooled Cash and Investments

As discussed in Note 2, the Treasurer maintains the Pool for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. Interest is apportioned to individual funds based on the average daily balances on deposit with the Treasurer.

Additional information regarding the Pool, including the investment portfolio and related interest rate, custodial credit, credit and concentration of credit risks, is presented in Note 4 of the County's Comprehensive Annual Financial Report (CAFR). The CAFR is available by accessing the Auditor-Controller's website at <http://www.ac.ocgov.com>.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 3 - Cash and Investments (Continued)

Investments with Trustees

On behalf of OC Waste & Recycling, fiscal agents hold and invest proceeds from long-term debt issuances as required by the indentures. The fair value of these investments is provided to the County by fiscal agents. Fiscal agents are mandated by the indentures as to the types of investments in which the debt issuance proceeds can be invested.

Except for OC Waste & Recycling’s investments with trustees, all of OC Waste & Recycling’s cash and investments are combined with the County’s pooled investments, and therefore, do not represent specific identifiable investments.

Total OC Waste & Recycling cash and investments at fair value as of June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Restricted Investments with Trustees:		
U.S. Government Securities	\$ -	\$ 7,413
Money market mutual funds	-	4,336
Cash and investments pooled by the County Treasurer	475,573	458,242
Total investments	<u>\$ 475,573</u>	<u>\$ 469,991</u>
	<u>2014</u>	<u>2013</u>
Imprest cash funds	\$ 35	\$ 35
Total investments	475,573	469,991
Total cash and investments	<u>\$ 475,608</u>	<u>\$ 470,026</u>

As of June 30, 2014, the major classes of OC Waste & Recycling’s deposits and investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
County Investment Pool	\$ 475,573	1.27

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 3 - Cash and Investments (Continued)

The following is a summary of credit quality distribution by investment type at June 30, 2014 (NR denotes Not Rated):

	S&P	Moody's	Fitch	% of Portfolio
County Investment Pool	AAAm	N/R	N/R	100.00%

OC Waste & Recycling bonds were paid off in December 2013; therefore, as of June 30, 2014 there are no investments with trustees. Refer to Note 12, Long-Term Obligations, for additional discussion.

As of June 30, 2013, the major classes of OC Waste & Recycling's deposits and investments consisted of the following:

	Principal	Fair Value	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)
County Investment Pool	\$ -	\$ 458,242			1.04
Restricted Investments with Trustee:					
U.S. Government Securities	\$ 7,205	\$ 7,413	Discount	11/29/13	0.26
Money market mutual funds	4,336	4,336	Variable	On Demand	-
Total Restricted Investments with Trustee	\$ 11,541	\$ 11,749			0.16

The following is a summary of credit quality distribution by investment type at June 30, 2013 (NR denotes Not Rated):

	S&P	Moody's	Fitch	% of Portfolio
County Investment Pool	AAAm	N/R	N/R	97.50%
U.S. Government Securities	A-1+	P-1	AAA	1.58%
Money market mutual funds	AAAm	Aaa-mf	N/R	0.92%
				<u>100.00%</u>

Interest Rate Risk

The Investment Policy Statement (IPS) serves as the formal policy for the Treasurer's office and provides specific guidelines and limitations to mitigate interest rate risk. The IPS is reviewed and approved by the Board annually, and any amendments to the IPS must first be reviewed and approved by the Treasury Oversight Committee and then by the Board. The IPS is therefore considered formally adopted. The IPS was last adopted on February 4, 2014.

Note 3 - Cash and Investments (Continued)

Interest rate risk refers to the risk that changes in interest rates will adversely affect the fair value of an investment. The County Treasurer manages exposure to declines in fair value by limiting the weighted average maturity (WAM) in accordance with the IPS. At June 30, 2014 and 2013, the WAM for the Pool approximated 1.27 and 1.04 years (464 and 380 days), respectively.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At year-end, OC Waste & Recycling's external investment pools and specific investments did not have any securities exposed to custodial credit risk and the Treasurer did not have any securities lending during the year (or at year-end).

Credit Risk

The IPS sets forth the minimum acceptable credit ratings for investments from any two of the following nationally recognized statistical rating organizations. For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's) or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A". As of June 30, 2014 and 2013, the County's investments were in compliance with the IPS limits.

Note 4 – Accounts Receivable

Accounts receivable accounts at June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Imported waste disposal fees	\$ 1,436	\$ 1,996
County of Orange (In-county) waste disposal fees	6,730	7,291
Miscellaneous	884	709
Total accounts receivable	<u>\$ 9,050</u>	<u>\$ 9,996</u>

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Dollar Amounts in Thousands)

Note 4 – Accounts Receivable (Continued)

Underbilled Accounts: During an internal review, OC Waste & Recycling determined that as of March 31, 2012, ten out of over 400 total deferred hauler accounts had been underbilled since the new Waste Disposal Agreements were implemented on July 1, 2010. This occurred when some system entries were not updated at the time the Waste Disposal Agreements were implemented, and as a result, OC Waste & Recycling has added additional controls and procedures to prevent recurrence of this problem. OC Waste & Recycling contacted the ten haulers and seven were able to satisfy their respective underbilled amount. The remaining three were underbilled a combined total of \$1,385, which represents less than 1 percent of the total disposal revenue during this period. On July 24, 2012, in Closed Session, the Board of Supervisors authorized OC Waste & Recycling to negotiate repayment agreements with the three outstanding haulers and to retain an outside counsel firm, which specializes in collection work to assist OC Waste & Recycling. In October 2012, OC Waste & Recycling on the advice of County Counsel, contracted with an outside law firm who specializes in this type of law, to negotiate settlements for the underbilled amounts for the three haulers. In June 2013, final settlement amounts were negotiated for all three haulers and signed by all parties. Each included a down payment (cash or using a portion of their existing security deposit) and monthly payments ranging from 24 to 48 months and guaranteed non-contract rate tonnage of 20 or 50 tons per month for the same periods. The Board of Supervisors approved the repayment agreements in Closed Session on June 18, 2013.

Note 5 – Prepaid Costs

In accordance with the Cooperative Agreement, OC Waste & Recycling prepaid \$5,500 for community amenities and transportation improvement costs associated with operating the Frank R. Bowerman Landfill to the City of Irvine for the period of 2007 through 2014.

OC Waste & Recycling also prepaid \$4,325 and \$3,677 for fiscal years 2014-15 and 2013-14, respectively, for pension obligations to the Orange County Employees Retirement System (OCERS) in January 2014 and January 2013. As part of the County-wide plan, the prepayment allowed OC Waste & Recycling a savings of \$314, based on the discount rate of 6.76 percent. These prepaid costs are recognized in the fiscal year during which services are provided. Prepaid costs, net of amortization reported in the Statement of Net Position, are \$4,325 and \$4,464 for 2014 and 2013, respectively.

Note 6 - Deposits In-Lieu of Cash

OC Waste & Recycling requires security deposits from landfill deferred payment program users. These security deposits are comprised primarily of certificates of deposit and security bonds, which are held by OC Waste & Recycling. The balance for deposits in-lieu of cash as of June 30, 2014 and 2013 were \$16,633 and \$16,753, respectively.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 7 – Advance to General Fund for the County’s Information Technology Projects

On June 23, 2009, the County Board of Supervisors adopted Resolution 09-090 authorizing the temporary transfer of monies between the County General Fund and OC Waste & Recycling in order to meet County cash flow shortages or deficits.

Since October 2009, the Board has issued resolutions authorizing the County to borrow monies from OC Waste & Recycling for part of the costs associated with the upgrades of various County Information Technology projects. Repayment of the amount to be borrowed, plus interest, is from the County’s General Fund. The actual amounts repaid from the General Fund in FY 2013-14 and 2012-13 were \$784 and \$0, respectively. The outstanding balances as of June 30, 2014 and 2013 were \$3,134 and \$3,918, respectively.

On June 24, 2013, by Resolution 13-057, the Board authorized the borrowing up to \$197,000 for FY 2013-14.

Note 8 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2014 and 2013 are as follows:

Due From/To Other Funds:

Receivable Fund	Payable Fund	2014	2013
General Fund	Waste Management	\$ 3,704	\$ 1,271
Other Governmental Funds	Waste Management	1	1
Workers’ Compensation Internal Service Fund	Waste Management	29	25
Other Internal Service Funds	Waste Management	26	53
Total Due to Other Funds		<u>\$ 3,760</u>	<u>\$ 1,350</u>
Waste Management	General Fund	\$ 799	\$ 46
Waste Management	Roads	3,074	4
Waste Management	Flood Control District	156	12
Waste Management	OC Parks	1	1
Total Due From Other Funds		<u>\$ 4,030</u>	<u>\$ 63</u>
Waste Management	General Fund	\$ 3,134	\$ 3,918
Total Advances to Other Funds		<u>\$ 3,134</u>	<u>\$ 3,918</u>

Amounts payable to the General Fund include net importation revenue to pay bankruptcy related obligations in accordance with the County’s comprehensive recovery plan. Amounts receivable from the Roads Fund include OC Waste & Recycling’s reimbursable costs related to the La Pata Avenue Gap Closure Project in accordance with the Memorandum of Understanding between OC Waste & Recycling and OC Public Works. The interfund loans represent an advance made to the General Fund from OC Waste & Recycling for various information technology capital projects. Refer to Note 7, Advance to General Fund, for additional information.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 9 – Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets, Not Depreciated/Amortized					
Land	\$ 22,405	-	-	-	22,405
Construction in progress	20,877	21,091	(23,949)	-	18,019
Intangible assets in progress	424	-	(424)	-	-
Total capital assets, Not Depreciated/Amortized	<u>43,706</u>	<u>21,091</u>	<u>(24,373)</u>	<u>-</u>	<u>40,424</u>
Capital Assets, Depreciable/Amortizable					
Buildings and improvements	18,514	5,895	-	-	24,409
Equipment	69,780	1,448	(1,216)	(24)	69,988
Infrastructure	291,516	20,102	-	-	311,618
Software	-	438	-	-	438
Total Capital Assets, Depreciable/Amortizable	<u>379,810</u>	<u>27,883</u>	<u>(1,216)</u>	<u>(24)</u>	<u>406,453</u>
Less Accumulated Depreciation/Amortization For					
Buildings and improvements	(8,631)	(1,011)	-	-	(9,642)
Equipment	(48,406)	(4,551)	1,212	24	(51,721)
Infrastructure	(151,697)	(9,594)	-	-	(161,291)
Software	-	(19)	-	-	(19)
Total Accumulated Depreciation/Amortization	<u>(208,734)</u>	<u>(15,175)</u>	<u>1,212</u>	<u>24</u>	<u>(222,673)</u>
Total Capital Assets, Depreciable/Amortizable (Net)	<u>171,076</u>	<u>12,708</u>	<u>(4)</u>	<u>-</u>	<u>183,780</u>
Total Capital Assets, Net	<u>\$ 214,782</u>	<u>\$ 33,799</u>	<u>\$ (24,377)</u>	<u>\$ -</u>	<u>\$ 224,204</u>

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 9 – Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets, Not Depreciated/Amortized					
Land	\$ 22,405	-	-	-	\$ 22,405
Construction in progress	10,344	20,276	(9,743)	-	20,877
Intangible assets in progress	-	424	-	-	424
Total capital assets, Not Depreciated/Amortized	<u>32,749</u>	<u>20,700</u>	<u>(9,743)</u>	<u>-</u>	<u>43,706</u>
Capital Assets, Depreciable/Amortizable					
Buildings and improvements	18,514	-	-	-	18,514
Equipment	68,329	2,207	(755)	(1)	69,780
Infrastructure	281,773	9,743	-	-	291,516
Total Capital Assets, Depreciable/Amortizable	<u>368,616</u>	<u>11,950</u>	<u>(755)</u>	<u>(1)</u>	<u>379,810</u>
Less Accumulated Depreciation/Amortization For					
Buildings and improvements	(7,786)	(845)	-	-	(8,631)
Equipment	(44,352)	(4,776)	722	-	(48,406)
Infrastructure	(140,912)	(10,785)	-	-	(151,697)
Total Accumulated Depreciation/Amortization	<u>(193,050)</u>	<u>(16,406)</u>	<u>722</u>	<u>-</u>	<u>(208,734)</u>
Total Capital Assets, Depreciable/Amortizable (Net)	<u>175,566</u>	<u>(4,456)</u>	<u>(33)</u>	<u>(1)</u>	<u>171,076</u>
Total Capital Assets, Net	<u>\$ 208,315</u>	<u>\$ 16,244</u>	<u>\$ (9,776)</u>	<u>\$ (1)</u>	<u>\$ 214,782</u>

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 9 – Capital Assets (Continued)

Construction in progress

Construction in progress consists of projects for drainage systems, water irrigation and collection systems, gas collection systems, monitoring systems, truck scales automatic systems, landfill grading and re-vegetation. The projects at June 30, 2014 and 2013 are as follows:

Landfill	2014	2013
Frank R. Bowerman (FRB)		
FRB - Phase 8 East Flank/Buttress - Design Services	\$ 5,809	\$ 2,761
FRB - Phase 8 East Flank/Buttress Excavation	1,056	1,053
FRB - Construction of Wetlands Basin & West Channel Realignment	-	2,764
FRB - Phase 8 C Excavation and Liner Construction	-	7,001
FRB East Flank Excavation & Drainage Improvement & Design	9,867	-
Prima		
Prima Construction Admin/Crew Quarters	-	3,938
Prima Zone 1 Construction Management/CQA/A/P Svcs	-	2,631
Other	1,287	729
Total construction in progress	<u>\$ 18,019</u>	<u>\$ 20,877</u>

Construction Contracts

OC Waste & Recycling entered into various major construction contracts to facilitate its landfill operations. At June 30, 2014, OC Waste & Recycling is committed to open construction contracts for the following projects:

Description	Remaining Commitments
FRB - Phase 8 East Flank/Buttress Excavation	\$ 1,144
FRB East Flank Excavation & Drainage	17,602
Total	<u>\$ 18,746</u>

Note 10 - Defined Benefit Pension Plan

All full-time employees of OC Waste & Recycling participate in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer public employee retirement system. OCERS issues a stand-alone annual financial report each year ending December 31, which can be obtained online at www.ocers.org, in writing to the Orange County Employees Retirement System, 2223 Willington Avenue, Santa Ana, California 92701, or by calling (714) 558-6200.

OCERS provides for retirement, death, disability, and cost-of-living benefits. Under OCERS, each OC Waste & Recycling employee receives a defined-benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement. The OCERS Board does not set the benefit amounts. OCERS administers benefits that are set by the County Board of Supervisors through the collective bargaining process with County employees in accordance with the Retirement Law.

Funding Policy: In accordance with various Board of Supervisors' resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. Employer contributions are based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For the years ended June 30, 2014 and 2013, employer's contributions as a percentage of covered payrolls were 33.01% and 28.37%, respectively, for General members.

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General Members who work for the County (approximately 14,000) became eligible for the benefit formula of 2.7% of the member's "final compensation" for each year of service rendered at age 55. "Final compensation" for the purpose of calculating pension benefits can mean not only base salary, but also other components according to the California Supreme Court 1997 Ventura decision. In collective bargaining agreements with General Members, the employee associations agreed that current employees pay the costs of the difference between retirement benefits at the prior formulas and the 2.7% @ 55 formula. New employees hired after May 7, 2010, have the option of selecting either 2.7% @ 55 or 1.62% @ 65. OC Waste & Recycling employee contributions under current contracts are calculated on base salary, eligible premium pay and some categories of overtime as defined in the 1997 Ventura decision.

On September 12, 2012, the Governor signed the Public Employees' Pension Reform Act (PEPRA) of 2013. PEPRA created a new pension retirement formula, commonly referred to as 2% @ 62 retirement formula, for all new non-safety public employees hired on or after January 1, 2013. PEPRA also allowed a public employer to continue to offer another retirement formula, if offered before December 31, 2012, to new public employees if the retirement formula has a lower benefit factor at normal retirement age and results in a lower normal cost than the 2% @ 62 PEPRA retirement formula. On December 18, 2012, the Board approved and adopted the 1.62% @ 65 retirement formula for certain general (non-safety) public employees hired on or after January 1, 2013.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 10 - Defined Benefit Pension Plan (Continued)

OC Waste & Recycling's total payroll expense was \$16,526, \$16,966, and \$17,206 and the payroll expense for employees covered by OCERS was \$16,488, \$16,816, and \$17,068 for the years ended June 30, 2014, 2013, and 2012, respectively. Total pension expense (which equals the actuarially required contributions) for OC Waste & Recycling was \$4,196, \$3,975, and \$3,877 for the years ended June 30, 2014, 2013, and 2012, respectively. OC Waste & Recycling also prepaid \$4,325, \$3,677, and \$3,349 for fiscal years 2014-15, 2013-14 and 2012-13, respectively, for pension obligations in January 2014, January 2013, and January 2012. Refer to Note 5, Prepaid Costs, for additional discussion.

For additional details on the defined benefits pension plan, actuarial assumptions, funded status of the plan and required supplemental information, refer to the County's Comprehensive Annual Financial Report (CAFR). The CAFR is available by accessing the Auditor-Controller's website at <http://www.ac.ocgov.com>.

Note 11 - Postemployment Health Care Benefits

Plan: OC Waste & Recycling is a participant in the County of Orange's Third Amended Retiree Medical Plan (the Retiree Medical Plan). The Retiree Medical Plan is a single employer defined benefit Other Postemployment Benefit (OPEB) plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan was established by the County Board of Supervisors. The Board is also the authority for amending the Retiree Medical Plan. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and be able to receive a monthly benefit payment from the Orange County Employees Retirement System (OCERS). To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

In addition to the Grant, the Retiree Medical Plan provides a frozen lump sum payment to terminated employees not eligible for the Grant. The frozen lump sum payment is equal to 1 percent of the employee's final average hourly pay (as defined in the plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Funding Policy: As an enterprise fund of the County of Orange, OC Waste & Recycling is currently setting aside an actuarially determined contribution of 3.5 percent of its payroll for the Retiree Medical Plan. OC Waste & Recycling's contribution was \$577 and \$622 for the years ended June 30, 2014 and 2013, respectively, which is 100 percent of the annual required contribution.

For additional details on the Retiree Medical Plan, actuarial assumptions, funded status of the plan and required supplemental information, refer to the County's Comprehensive Annual Financial Report (CAFR) at the Auditor-Controller's website at <http://www.ac.ocgov.com>.

Note 12 - Long-Term Obligations

1997 Refunding Revenue Bonds

In November 1997, the Orange County Public Financing Authority (OCPFA) issued \$77,300 in revenue bonds to advance refund the 1988 Certificates of Participation, which were originally issued in December 1988 maturing in installments through December 1, 2013. On December 1, 2013, OC Waste & Recycling paid in full the outstanding balance of the 1997 Refunding Revenue Bonds. For the years ended June 30, 2014 and 2013, the principal and interest paid were \$7,072 and \$6,685. There is no outstanding principal amount and interest on these bonds as of June 30, 2014.

Long-term liability activities for the year ended June 30, 2014 were as follows:

Long - Term Liabilities	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Revenue bonds	\$ 7,020	\$ -	\$ (7,020)	\$ -	\$ -
Less premium/deferred amount on refunding, net	(2)	-	2	-	-
Total bonds payable, net	<u>7,018</u>	<u>-</u>	<u>(7,018)</u>	<u>-</u>	<u>-</u>
Compensated absences	2,777	2,201	(2,154)	2,824	1,293
Closure and postclosure care costs	173,693	8,093	(1,675)	180,111	1,674
Pollution Remediation Obligation	12,833	214	(367)	12,680	503
Total other long-term liabilities	<u>189,303</u>	<u>10,508</u>	<u>(4,196)</u>	<u>195,615</u>	<u>3,470</u>
Total long-term liabilities	<u>\$ 196,321</u>	<u>\$ 10,508</u>	<u>\$ (11,214)</u>	<u>\$ 195,615</u>	<u>\$ 3,470</u>

Long-term liability activities for the year ended June 30, 2013 were as follows:

Long - Term Liabilities	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Revenue bonds	\$ 13,675	\$ -	\$ (6,655)	\$ 7,020	\$ 7,020
Less premium/deferred amount on refunding, net	(9)	-	7	(2)	(2)
Total bonds payable, net	<u>13,666</u>	<u>-</u>	<u>(6,648)</u>	<u>7,018</u>	<u>7,018</u>
Compensated absences	2,864	2,210	(2,297)	2,777	1,297
Closure and postclosure care costs	167,057	8,342	(1,706)	173,693	1,459
Pollution Remediation Obligation	13,102	376	(645)	12,833	485
Total other long-term liabilities	<u>183,023</u>	<u>10,928</u>	<u>(4,648)</u>	<u>189,303</u>	<u>3,241</u>
Total long-term liabilities	<u>\$ 196,689</u>	<u>\$ 10,928</u>	<u>\$ (11,296)</u>	<u>\$ 196,321</u>	<u>\$ 10,259</u>

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 13 - Accrued Closure and Postclosure Care Costs

State laws and regulations require OC Waste & Recycling to place final covers on its landfill sites when the landfills stop accepting waste, and to perform certain postclosure maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date each respective landfill stops accepting waste, OC Waste & Recycling reports a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date.

OC Waste & Recycling owns or operates the following waste disposal sites:

- Frank R. Bowerman (FRB) (Irvine – Active)
- Olinda Alpha (Brea – Active)
- Prima Deshecha (San Juan Capistrano – Active)
- Santiago Canyon (Orange – Ceased accepting waste in 1996, final closure certification in 2005)
- Coyote Canyon (Newport Beach – Ceased accepting waste in 1990, final closure certification in 1995)

The total landfill closure and postclosure care liability at June 30, 2014 and 2013 was \$180,111 and \$173,693, respectively. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (28.53% for FRB, 74.66% for Olinda Alpha and 19.00% for Prima Deshecha), less actual costs paid related to both closure and postclosure of the Santiago and Coyote Canyon landfills. OC Waste & Recycling will recognize the remaining estimated cost of closure and postclosure care of \$193,961 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013 dollars (using the 2013 inflation factor of 1.015). OC Waste & Recycling has enough landfill capacity to operate the system for a minimum of twenty-five years. However, OC Waste & Recycling intends to operate the landfills well beyond this period as a result of approved and planned expansions.

In compliance with Title 27 – Environmental Protection of California Code of Regulations, OC Waste & Recycling makes annual cash contributions to its escrow funds to provide financial assurance for estimated future landfill closure costs based on the GASB 18 formula which is adjusted annually by the Cal Recycle provided CPI factor. Also in compliance with regulations, OC Waste & Recycling has executed pledge of revenue agreements to provide financial assurance for estimated future landfill postclosure maintenance costs. The agreements state that OC Waste & Recycling pledges revenue from future gate fees deposited to pay for estimated postclosure maintenance or shall obtain alternative coverage within sixty (60) days if OC Waste & Recycling ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. OC Waste & Recycling has proactively pre-funded this cost based on the state mandated formula that computes landfill capacity as a percentage of the total landfill capacity times the total estimated cost for postclosure maintenance. The estimated costs for future closure and postclosure maintenance are annually adjusted based on state provided inflation factors. The state mandated formula under which contributions to both closure and postclosure funds are calculated would provide for the accumulation of sufficient cash to cover all estimated costs when each landfill site reaches maximum capacity. If additional costs for closure or postclosure maintenance are determined due to changes in technology or higher regulatory requirements these costs may need to be covered by increasing the amount charged to landfill customers.

Note 13 - Accrued Closure and Postclosure Care Costs (Continued)

As of June 30, 2014 and 2013, a total of \$90,583 and \$90,170, respectively, has been set aside for estimated closure and postclosure costs and is included in the accompanying Statement of Net Position as Restricted Pooled Cash/ Investments – Closure and Postclosure Care Costs. This amount includes what OC Waste & Recycling has proactively prefunded for closure and postclosure care.

Regulations governing solid waste management are promulgated by government agencies on the federal, state and local levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities, acceptable and prohibited waste types, and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Thus, the County has potential liability with respect to every landfill ever operated by the County. Compliance with these regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs could increase. Refer to Note 14, Pollution Remediation Obligations and Note 15, Commitments, Litigation, Contingencies, and Subsequent Events for additional discussion.

Note 14 – Pollution Remediation Obligations

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," requires government agencies to identify and disclose current and potential pollution remediation obligations. Five closed sites were identified and the remediation costs and time periods were calculated for each of these sites based upon the type of remediation needed and historical trend data for closed landfill sites. The combined pollution remediation obligation ending balance for the years ended June 30, 2014 and 2013, after deducting actual pollution remediation expenses incurred during fiscal year 2014 and 2013 is \$12,680 and \$12,833, respectively.

Cannery Former Refuse Disposal Station

A park owned by the City of Huntington Beach (City) and an elementary school playground are located on a site that was formerly used as a refuse disposal station operated by the County of Orange (County) from 1957 to 1969. Levels of methane gas that exceed regulatory limits were detected on the property. The Local Enforcement Agency (LEA) issued a Notice and Order to the City, requiring the City to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, the City and the Huntington Beach City School District (School District) issued the Notices of Intent to Sue under RCRA and CERCLA to the County in 2004. Under an agreement with the County, City and School District claims were tolled until June 2006.

The City, County and School District entered into a Settlement Agreement in 2007 whereby the City would be responsible for maintaining the cover of the former disposal site and the County would assume responsibility for the collection and control of landfill gas.

Based on engineering estimates and existing contracts for the operation and maintenance of other disposal sites of a similar size, the age of the site, the length the wastes have been buried and other factors, the County anticipates that the landfill gas collection system will operate fully for 15 years. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$70.

Note 14 – Pollution Remediation Obligations (Continued)

Lane Road Former Refuse Disposal Station

The site located in the City of Irvine and owned by NGP Realty Sub, L.P. and others, was leased and operated by the County of Orange as a refuse disposal facility from 1961 until its closure in 1964. An investigation revealed that landfill gas is present above regulatory limits in close proximity to residential housing units. The LEA issued a Notice and Order to the property owner requiring them to remedy the landfill gas exceedances, and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, a claim was filed with the CEO Risk Management. The County entered into a Settlement Agreement with the property owner in 2005. Per terms of that Settlement Agreement, the County funded the construction of a landfill gas collection and control system, including a carbon treatment element, for the eastern portion of the site. After verification that the system was operating as planned, the County assumed ownership of the system and responsibility for its operation, maintenance and monitoring in 2008. Also in 2008, it was discovered that landfill gas was elevated in the northern portion of the site. Pursuant to the Settlement Agreement, the County designed and constructed an upgrade and enhancement to the existing landfill gas system to control landfill gas migration on the northern portion of the site.

Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 25 years, then will most likely either no longer be required or will be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the carbon canisters needed more regular replacement. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is \$353. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$3,785.

San Joaquin Former Refuse Disposal Station

The site, owned by the University of California at Irvine, was leased and operated by the County of Orange as a refuse disposal facility from 1954 to 1961. In 1996, a portion of the site was sold to the Food and Drug Administration. Levels of methane gas that exceed regulatory limits were detected on the property. As both parties expressed an interest in avoiding costly litigation, the County entered into negotiations to cooperatively address site concerns, resulting in a Cooperative Agreement with the University that was approved by the Board of Supervisors in May 2005. Pursuant to the Cooperative Agreement, the County constructed a landfill gas collection and control system, including a carbon treatment element.

The County retains responsibility for the operation, maintenance, and monitoring of that system. Based on engineering estimates and existing contracts for the operation and maintenance of similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 15 years. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is \$144. The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is \$1,325.

Note 14 – Pollution Remediation Obligations (Continued)

La Veta Former Refuse Disposal Station

Located in the City of Orange, La Veta is a former burn, dump and refuse disposal station leased to and operated by the County from 1946 to 1956. The site has multiple owners and was developed into a YMCA facility, apartments, a mobile home park and a small amount of open space. Recently, the County learned that the California Department of Toxic Substances Control (DTSC) and the United States Environmental Protection Agency had previously performed limited soil and groundwater testing at the site. According to DTSC, the results of these tests indicate that further site assessment is warranted.

DTSC requested that the County enter into a Voluntary Cleanup Agreement with DTSC. In lieu of entering into a Voluntary Cleanup Agreement, the County conducted a series of additional site investigations and assessments. Based on the findings of the site investigations, YMCA is performing required methane monitoring. The County reimburses the YMCA for the costs associated with the monitoring efforts.

Forster Former Refuse Disposal Station

The site, located in the City of San Juan Capistrano, was formerly leased and operated as a refuse disposal station by the County of Orange from 1958 to 1976. The current owner, Advanced Group 99-SJ, is proposing a change in land use for the property and has notified the County of its position that the County is responsible for re-closure of the site to meet current commercial and redevelopment requirements. The County disputes responsibility for site development related costs. In early 2010, the City of San Juan Capistrano approved the proposed project and certified the Environmental Impact Report (EIR). The EIR was a subject of a citizen's referendum that ultimately resulted in affirmation of the proposed project. Subsequent to the City approval of the proposed development plan, Advanced Group 99-SJ and the County entered into negotiations to resolve issues related to environmental responsibility at the site. These negotiations resulted in a settlement agreement and release of claims, brought about by a threat of litigation over the CEQA approvals. The settlement and release will permit the development of the site, with monies paid by the County for environmental controls to be installed at the site, an operation and maintenance fund and for environmental insurance, subject to conditions such as obtaining grading permits for the site for its actual development. In exchange, indemnification and environmental releases were provided by the developer to the County.

The obligation by the County for environmental infrastructure and controls at the site as agreed upon in the Settlement Agreement is \$7,500. The entire sum is expected to be released within a five year period, but is dependent upon actions by the owner and regulatory approvals for the project. The County will continue to incur additional costs for work related to the County's current obligation to monitor the groundwater underlying the site. This responsibility will be transferred to the site owner upon completion of one of the settlement agreement milestones, but due to the uncertainty of specific timing, the County is unable to fully estimate the remaining ground water obligations.

The remaining balance for landfill gas remediation at the Forster site is \$7,500. Distribution of these funds will occur over time, based on specific milestones in the development of the site.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
 (Dollar Amounts in Thousands)

Note 15 – Commitments and Contingencies

Commitments Under Operating Leases

OC Waste & Recycling leases various equipment used at the waste disposal sites on a short-term basis and office space under operating leases, which are primarily on a month-to-month basis. Total future minimum lease payments under non-cancelable lease agreements with terms greater than one year as of June 30, 2014 and 2013 are not significant.

Contingencies

As the owner and/or operator of a number of active and former solid waste disposal sites, OC Waste & Recycling has potential exposure to environmental liability even though these sites have not incurred obligating events like those sites identified in Note 14. Many of the former disposal sites were operated under lease agreements with the property owners. OC Waste & Recycling may be required to perform corrective action at any of its current or former refuse disposal stations and landfills, irrespective of past or current County ownership of the site. OC Waste & Recycling completed preliminary environmental site assessments for the former solid waste disposal sites with their Closed Landfills Environmental Assessment and Response (CLEAR) Project. On the basis of information currently available, management believes it has sufficient reserves for known and potential remediation costs. At June 30, 2014, amounts classified in unrestricted net position totaled approximately \$243,203.

Note 16 – New Accounting Pronouncements Applicable To OC Waste & Recycling

The following are the GASB pronouncements implemented in FY 2013 and FY 2014.

In March 2012, GASB issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities.”* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. OC Waste & Recycling implemented this statement in FY 2013-14, (see Note 2).

In June 2012, GASB issued Statement No. 67, *“Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25”* which results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statements No. 25, *“Financial Reporting for Defined Benefit Pension Plans,”* and No. 50, *“Pension Disclosures,”* as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement enhances note disclosures and required supplemental information (RSI) for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2013. This statement does not have an impact on OC Waste & Recycling’s financial statements.

Note 16 – New Accounting Pronouncements Applicable To OC Waste & Recycling (Continued)

The following summarizes recent GASB pronouncements and their impact, if any, on future financial statements:

In June 2012, GASB issued Statement No. 68, *“Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27”* which results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *“Accounting for Pensions by State and Local Governmental Employers,”* as well as the requirements of Statement No. 50, *“Pension Disclosures,”* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure annual costs of pension benefits. It also enhances accountability and transparency through revise and new note disclosures and required supplementary information. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires OC Waste & Recycling to implement this statement in FY 2014-15.

In January 2013, GASB issued Statement No. 69, *“Government Combinations and Disposals of Government Operations.”* This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013, and applied on a prospective basis, which requires OC Waste & Recycling to implement this statement in FY 2014-15.

In November 2013, GASB issued Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68.”* This statement requires that, at transition to the new accounting standards in accordance with Statement No. 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. Both Statements No. 68 and 71 are effective simultaneously for periods beginning after June 15, 2014, which requires the OC Waste & Recycling to implement this statement in FY 2014-15.

Note 17 – Major Customers

Disposal fees from three major customers accounted for revenues of approximately \$21,926, \$15,052, and \$11,369 during the year ended June 30, 2014, and \$31,482, \$19,788 and \$17,832 during the year ended June 30, 2013.



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Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Supervisors
County of Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Orange County Waste and Recycling Enterprise Fund of the County of Orange, California (OC Waste & Recycling), as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Macias Gini & O'Connell LLP

Newport Beach, California
December 22, 2014

COUNTY OF ORANGE
OC Waste & Recycling
Our Community. Our Commitment.

