

**FORWARD
LOOKING**

**FORWARD
THINKING**
2015 ANNUAL REPORT



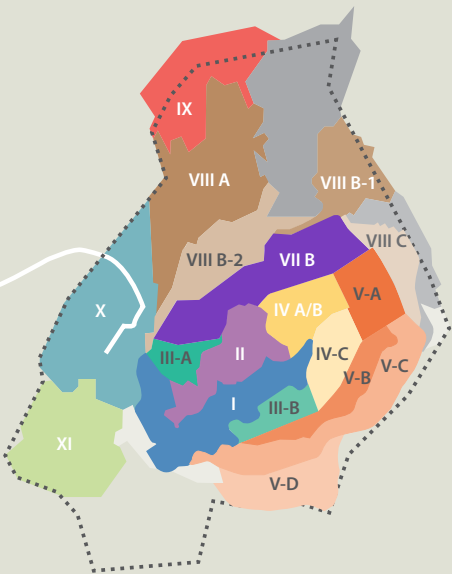
FORWARD
LOOKING



Innovative. Proactive. Enterprising. Visionary. Aspirational.

These are all words that define not only who we are, but are a reflection of our efforts to look toward the future on two distinct fronts. Engineering and science provide focus and best practices on protecting the environment and harnessing the energy hidden in our landfills. Education and community involvement are how we think about the future and create awareness for decisions we can all make that are best for our environment. This annual report examines how we’ve been looking toward the future and how we’ve encouraged others to think the same.

FORWARD
THINKING



Frank R. Bowerman Landfill
Phasing Plan

COMPLETED PHASES	FUTURE PHASES	EXCAVATION	AVAILABLE
I	VII B	TBD	TBD
II	VIII A	2024-26	2026
III A	VIII B-1	2016	2017
III B	VIII B-2	2017-18	2018
IV A/B	VIII C	2012-13	2015-17
IV C	IX	2037-38	2038
V A	X	2040-41	2044
V B	XI	2051-52	2052
V C	East Flank Grading	2013-15	
V D			



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ORANGE COUNTY BOARD OF SUPERVISORS



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BARTLETT**

Board Chairwoman
Supervisor
5th District



**MICHELLE
STEEL**

Vice Chair
Supervisor
2nd District



**ANDREW
DO**

Supervisor
1st District



**TODD
SPITZER**

Supervisor
3rd District



**SHAWN
NELSON**

Supervisor
4th District



ORANGE COUNTY WASTE MANAGEMENT COMMISSION

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At Large

VICE-CHAIR

Joe J. Carchio
2nd District

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Deepak J. Krishan
Michele Martinez

2ND DISTRICT

Rob Johnson
Tina Nieto

3RD DISTRICT

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Donald R. Froelich
Steve Chavez Lodge

4TH DISTRICT

Charles Kim
Christine Marick
Chad P. Wanke

5TH DISTRICT

Cynthia Conners
Joe Soto
Mark Tettemer

CITY MANAGERS REPRESENTATIVE

Doug Chotkevys

DIRECTOR, OC WASTE & RECYCLING

Dylan Wright
Ex Officio

FORWARD LOOKING FORWARD THINKING

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 2015 with four industry awards.



Golden Bell Award
Project Zero Waste service learning program

Educational Partnership between Inside the Outdoors (Orange County Department of Education) and OC Waste & Recycling. California School Boards Association



Golden Hub of Innovation Award
Community Outreach Ambassador Program Association of California Cities-Orange County (ACCOC)



Golden Hub of Innovation Award
Landfill Good Neighbor Policy Association of California Cities-Orange County (ACCOC)



Achievement Award
(Civic Education and Public Information) Landfill Good Neighbor Policy National Association of Counties (NACo)



Energy Project of the Year
Waste to Energy Project, Montauk Bowerman Power Plant Frank R. Bowerman Landfill American Society of Civil Engineers Orange County Branch (ASCE/OC)

The success of OC Waste & Recycling is measured by how well we deliver on our promises to the community, fulfilled through our system, service, and stewardship.

This year’s annual report explores our achievements in these three areas and provides a detailed account of our financial performance and planning. Increasingly stringent landfill regulations continue to raise costs and create factors that reduce revenues. I am proud to say that thanks to the leadership and vision of the Board of Supervisors and the support of the Waste Management Commission, fueled by the talent, drive and creativity of OCW&R staff, we are successfully meeting these challenges, and we continue to provide high-quality, cost-effective and environmentally sound waste disposal services to our community.

We also are developing and implementing new projects, such as landfill-gas-to-energy facilities which harness landfill gas to produce renewable energy. These facilities also help reduce greenhouse gases and augment our revenue stream. Our operations are financially prudent, innovative, and forward thinking, and they reflect our ongoing commitment to the community we serve.

Our system includes three active landfills serving Orange County. In 2015, our landfills accepted more than four million tons of solid waste. We provided disposal services for Orange County’s 3.1 million residents, 34 cities, and thousands of businesses. Ongoing partnerships with Orange County cities allow us to continue to provide economical and efficient waste management services, leading to competitive disposal rates for our customers and increased operating revenue.

OCW&R’s long-range development plan, which combines expansion with improvements at existing landfills, exemplifies our forward thinking. Innovative, state-of-the-art facilities developed in partnership with public and private sector entities, and designed to convert landfill waste byproducts into manufactured goods or renewable energy, are hallmarks of the plan. For example, consider our new landfill-gas-to-energy facility at the Frank R. Bowerman landfill, which became operational on-schedule in 2016. The Bowerman Power Project provides renewable energy to Orange County households while keeping greenhouse gas emissions from entering the atmosphere. At the Prima Deshecha landfill, we are developing waste disposal capacity to serve the community for an additional 50 years, and offsetting it by increasing the acreage of the landfill’s permanent habitat conservation area.

As stewards of our environment, we utilize innovative and creative approaches to ensure that our operations preserve the quality of life for residences near active and former disposal sites. In addition to implementing sound engineering measures and protocols for landfill operations, we enhance the appearance of the landfills using natural vegetation to create an attractive view for our neighbors.

Service is one of the cornerstones of our commitment to the community. We deliver award-winning, forward-looking, outreach programs that educate children and adults on how to reuse and recycle materials with the goal of reducing the amount of waste entering our landfills. We also sponsor educational outreach programs, teaching residents to identify and safely dispose of household hazardous waste at one of our four conveniently-located household hazardous waste disposal centers.

We value the good relationships we have developed with our neighbors and look forward to continuing to contribute to the high quality of life in Orange County for many years to come.



Dylan Wright
Director



FUTURE CAPACITY

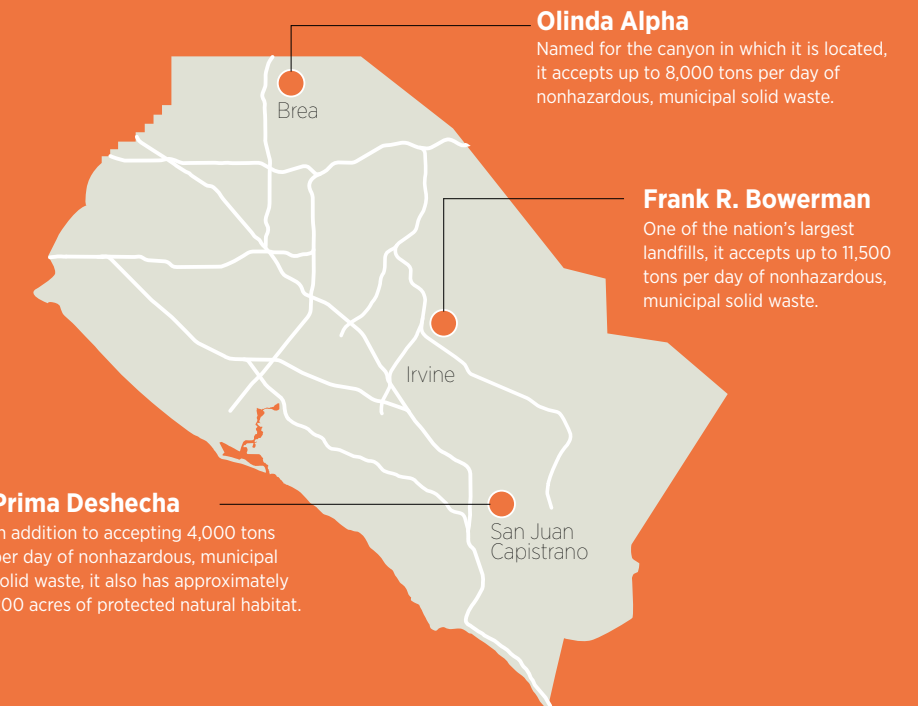
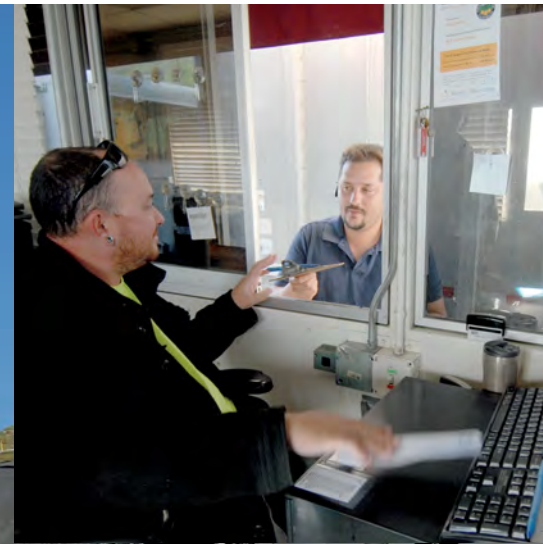


The D7E WH (Waste Handler) is the first “HYBRID” electric bull dozer in our fleet to push trash. It has much lower fuel consumption and overall lower cost of maintenance than other waste handling equipment in our fleet.

Designed for Orange County’s growing population

OC Waste & Recycling operates three active landfills: Olinda Alpha, in Brea; Frank R. Bowerman, in Irvine; and Prima Deshecha, in San Juan Capistrano. These regional landfills are some of the largest in the nation and are permitted to receive a total of 23,000 tons per day of nonhazardous municipal solid waste, significantly more than the amount of solid waste that they actually receive. Based on projections, our disposal system has sufficient capacity to serve Orange County for at least 50 additional years.

The amount of solid waste generated in our service area is decreasing in response to government requirements and the effectiveness of our efforts to encourage neighbors to recycle, reduce, and reuse. While this practice is in the best interest of both current and future generations, revenue generated by the disposal of waste in our landfills helps to pay for the waste disposal services upon which our customers depend.



LONG-TERM RATE STABILITY

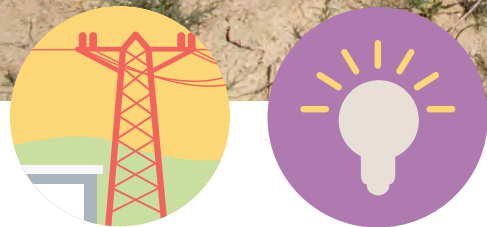
Optimizing revenue streams through strategic planning

As part of our long-range strategic planning, we set aside space in our landfills to accommodate projected waste disposal streams. Due to the diversion of solid waste from landfilling to environmentally responsible uses, we are working to find other sources of solid waste in order to optimize the use of available capacity in our facilities and generate additional operating income.

We have contractual agreements with every Orange County city to provide waste disposal services. Maintaining these agreements is a “win-win” proposition, ensuring a stable revenue source for waste disposal system operations while providing our customers with a predictable, competitive waste disposal rate.

We are also exploring other potential strategies. Among them, projects discussed in our Renewable Technology Implementation Plan, including converting waste products such as landfill gas to useful products and using it to generate renewable energy, while at the same time reducing emissions of greenhouse gases.

RENEWABLE TECHNOLOGY



Landfill gas, which contains the greenhouse gas, methane, is a normal byproduct of the breakdown of solid waste over time.

Implementing plans for a renewable future

OC Waste and Recycling's Renewable Technology Implementation Plan (RTIP) will focus on cost-effective, renewable technology solutions designed to meet changing environmental regulatory requirements. The report, which is based on studies begun in 2015, is scheduled for completion in 2016, when it will be presented for approval to the Orange County Board of Supervisors.

Projects that produce renewable electricity and other products from the conversion of landfill gas and waste to organic material benefit the people of Orange County by increasing local energy supplies, reducing air pollution, increasing the life of the landfills, and stabilizing solid waste disposal rates.



Frank R. Bowerman landfill gas to energy plant

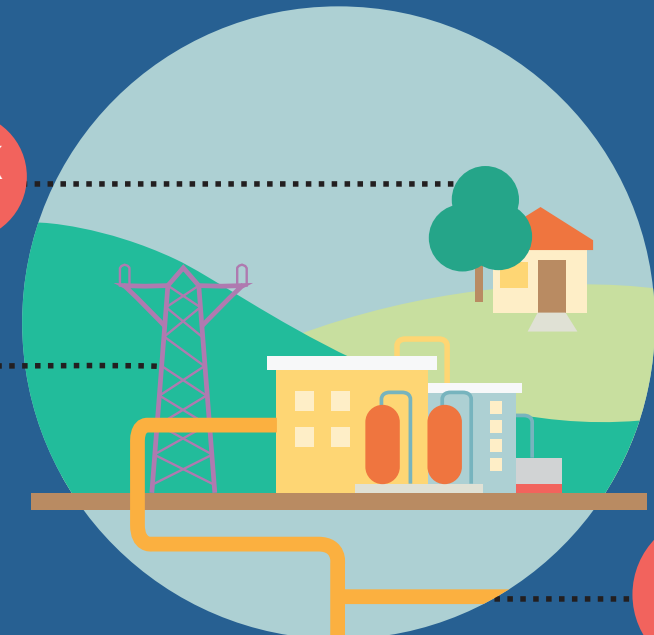
This state-of-the-art landfill gas to energy plant is expected to begin full commercial operation in early 2016.

Landfill gas, a waste product, will be put to beneficial use, providing enough renewable energy to serve 23,000 Orange County homes.

23K
Homes

154K
Megawatt-hours

This facility will deliver 154,000 megawatt-hours per year of renewable electricity to the City of Anaheim.



By using landfill gas to produce renewable energy, this facility will prevent 86,000 tons per year of greenhouse gas emissions from entering the atmosphere, a claim that few power generation facilities can make!

86K
Tons

WORKING TOWARD THE FUTURE

Powering OC homes through forward thinking

In FY 2014-15, three OC Waste and Recycling landfill-gas-to-energy facilities (Olinda Alpha, Prima Deshecha, and Coyote Canyon) generated a combined total of 266,000 megawatt-hours of renewable electricity, enough to serve 41,000 Orange County homes. In addition, we are partnering with private and public sector organizations to develop landfill gas-to-energy facilities using new and innovative technologies.

We are working with the University of California, Irvine and the California Energy Commission to design and develop an ultra-low emissions power generating unit at the Santiago Canyon landfill, which will operate on low quality landfill gas. Slated to begin construction in 2016, it will produce power to serve this landfill and other OC Waste & Recycling facilities.

REACHING OUR CHILDREN



Eco Challenge poster winners are honored before an Angels Game. Posing with the students are (L to R): Dylan Wright, Director, OC Waste & Recycling; Supervisor Andrew Do, 1st District; Supervisor Michelle Steel, 2nd District; Supervisor Todd Spitzer, 3rd District; Mark Lopez, Deputy Chief of Staff for Supervisor Shawn Nelson, 4th District; Paul Walters, Chief of Staff for Supervisor Lisa Bartlett, Chairwoman, 5th District.

Building lasting results through education

The Eco Challenge is an interactive exhibit that combines key elements of OC Waste & Recycling's mission to protect the environment and promote recycling with the Discovery Cube's ability to merge learning with fun. The exhibit seeks to both build awareness and change behavior. The partners also collaborated on a proactive education outreach program that includes in-class assemblies, field trips, and teacher professional development. Targeting 6th grade students throughout Orange County, the education program highlights key OC Waste & Recycling messages. The OC Waste & Recycling/Discovery Cube Orange County partnership also developed a balanced portfolio of marketing, advertising, education, collection events, and branding activities in conjunction with Angels Baseball LP and Goodwill of Orange County. Now in its fourth year, Eco Challenge is successfully increasing awareness of efficient reuse, reduce, recycling, and household hazardous waste practices and sustaining meaningful change among target audience in Orange County.



Preserving the environment for current and future generations.

**Reduce.
Reuse.
Recycle.**

75K Students Reached

The logo for the Eco Challenge Ambassador program. It features a circular design with the words "Eco Challenge" in a stylized font, "AMBASSADOR" below it, and "REDUCE * REUSE * RECYCLE" around the bottom edge.



**EFFECTING
CHANGE**

Turning the great outdoors into a classroom

OC Waste & Recycling also sponsors the Zero Waste OC program in partnership with the Orange County Board of Education's Inside the Outdoors program. In 2015, this service learning program was the recipient of two coveted awards: the Governor's Environmental and Economic Leadership Award (GEELA), which is California's highest environmental honor, and the California Schools Boards Association's 2015 Golden Bell Award. The program teaches K-12 students about the science of solid waste through a combination of outdoor field trips led by Inside the Outdoors, combined with classroom programs presented by Traveling Scientists. Participants then engage in hands-on learning experiences which enable them to apply what they have learned by designing and implementing student-led solid waste reduction campaigns such as campus-wide recycling programs, school gardens, and community clean-up activities.

ENVIRONMENTAL STEWARDSHIP



Environmental stewardship is a cornerstone of OC Waste & Recycling’s organizational philosophy. We pledge to be a good neighbor to the human and natural communities that surround our facilities and to protect the natural habitats within our facilities with which our landfill operations interact on a daily basis.

Stewardship: the cornerstone of our philosophy

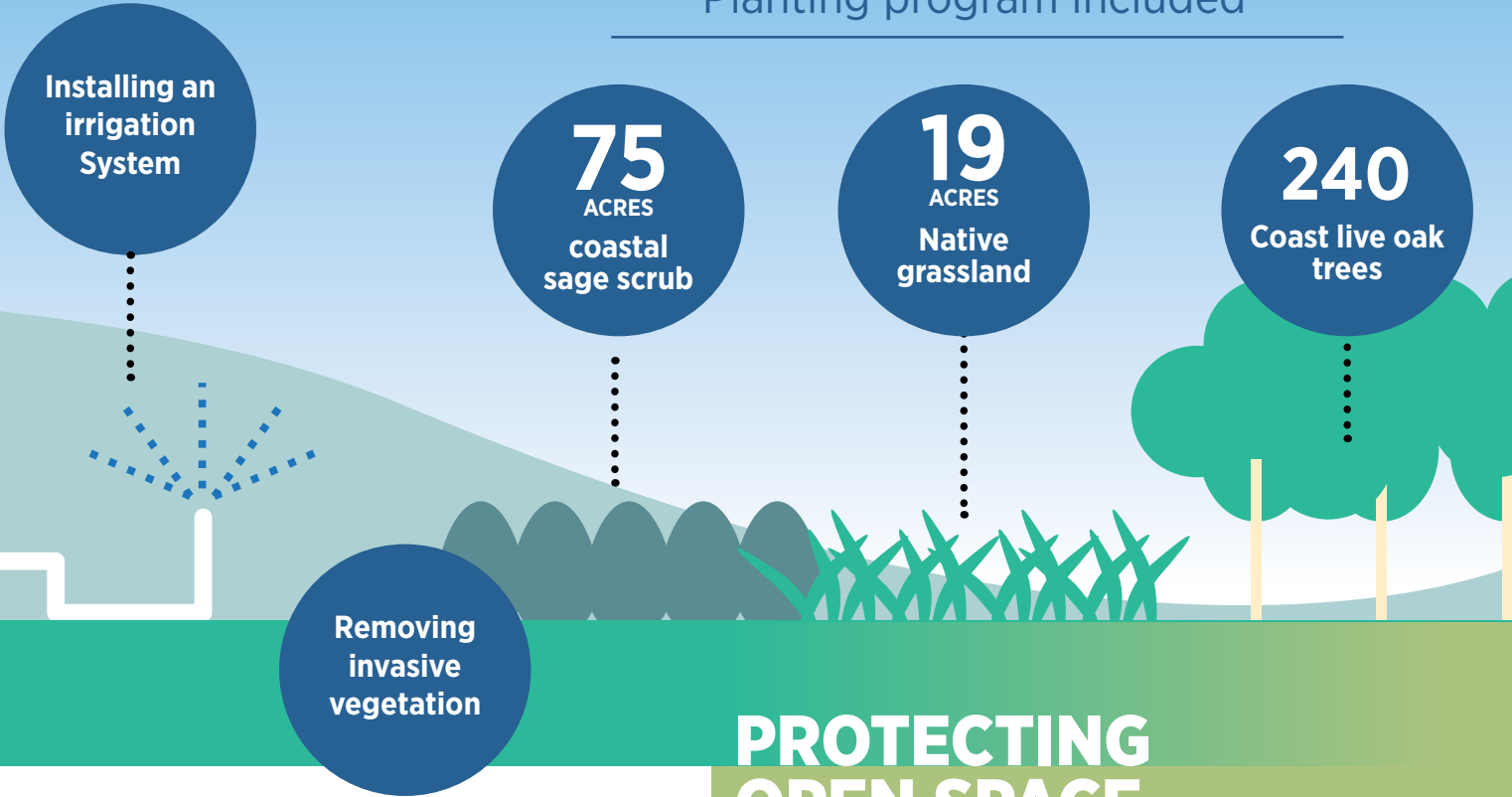
Our landfills are designed, constructed, and maintained to provide environmentally sound methods of disposing of solid waste while protecting the environment for current and future generations. Our landfill gas-to-energy facilities protect the environment by employing innovative, state-of-the-art technologies which turn landfill gas into renewable energy for use by our neighbors. Compliance with government regulations which protect air quality and water quality, and preserve natural habitats, is one of our top priorities.

Current and upcoming legislation requiring that we divert waste from our landfills, reduce the organic content of the waste entering our landfills, and reduce emissions of greenhouse gases has provided an opportunity to stimulate our strategic thinking and planning. We are actively seeking and evaluating cost-effective solutions, such as those found in our Renewable Technologies Implementation Plan (RTIP), some of which have already been implemented.

Creating a permanent habitat conservation area

In order to allow for the expansion of landfill operations at the Prima Deshecha landfill, we have set aside the 100-acre Segunda Deshecha Canada parcel as supplemental open space, which will be restored and maintained as a permanent habitat conservation area.

Planting program included



PROTECTING OPEN SPACE

Being a good neighbor to local and natural communities

OC Waste & Recycling continues to ensure that natural habitats surrounding our landfill facilities are preserved. We have restored 387 acres of habitat at off-site conservation areas and at the landfill sites, providing wetlands, uplands, and other native habitat for sensitive wildlife species.

Many of our projects are also designed to provide the local community with aesthetically pleasing views of visible parts of the landfills. For instance, as part of the East Flank Landslide Remediation project at the Frank R. Bowerman landfill, we proactively planted native vegetation to visually screen a new landfill perimeter road, providing our neighbors with an attractive view, rather than seeing trucks traveling in and out of the landfill.

OC WASTE & RECYCLING

10 YEAR FINANCIAL FORECAST

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) received in FY 14/15 was 4.58 million tons, consisting of 2.87 million tons in-County and 1.71 million tons from importation sources. In-County tonnage is forecasted at approximately 3.0 million tons in FY 15/16. A slight decline is projected for the forecasted 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.

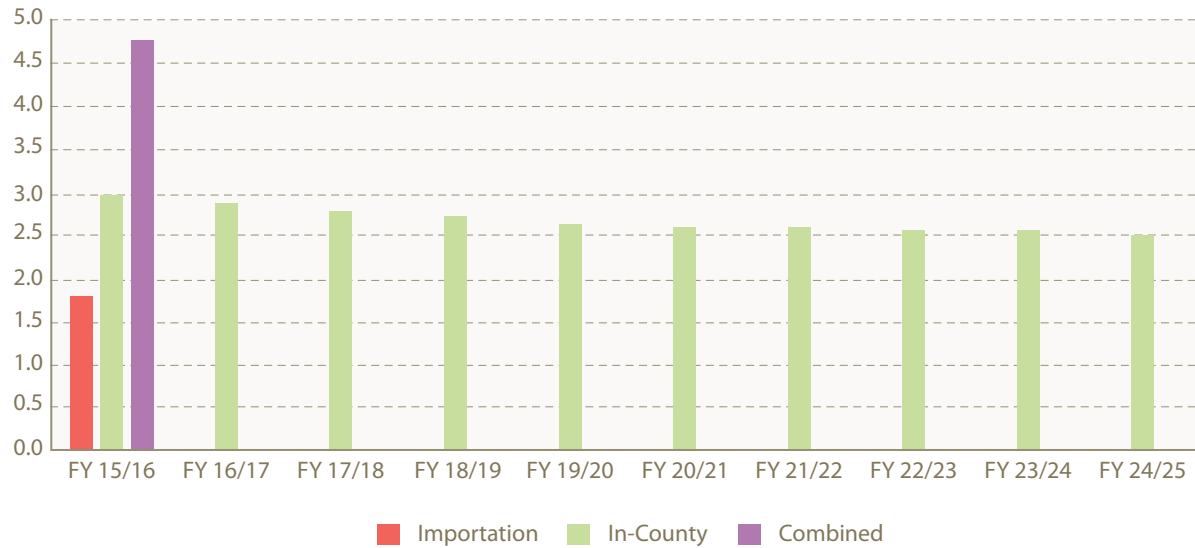
The 10 year financial forecast is based on the assumption that importation terminates on June 30, 2016, and with that OC Waste & Recycling's financial assistance to the County in support of its bankruptcy debt obligations (CHART 1). As of this report publication date, OC Waste & Recycling continues the work to finalize the amendment to the current Waste Disposal Agreement with all Orange County cities, and certain sanitary districts. The amendment will allow importation to continue from out of County sources in FY 16/17 through FY 24/25. Once the agreements are finalized it is OC Waste & Recycling's intent to issue an update of its financial projections inclusive of the positive financial impacts of continued importation on the system.

System expenses include significant capital project costs related to the future development of the landfill system throughout the forecasted period (Table C. System Expenses). Expenses are projected as higher than revenues in years with large capital projects (CHART 2). OC Waste & Recycling will strategically utilize reserves as well as maximize operational efficiencies and monitor expenditures to decrease the shortfall. In addition, OC Waste & Recycling's long term financial strategy includes the possible aforementioned continuation of importation and the pursuit of waste management alternatives such as renewable and conversion technologies.

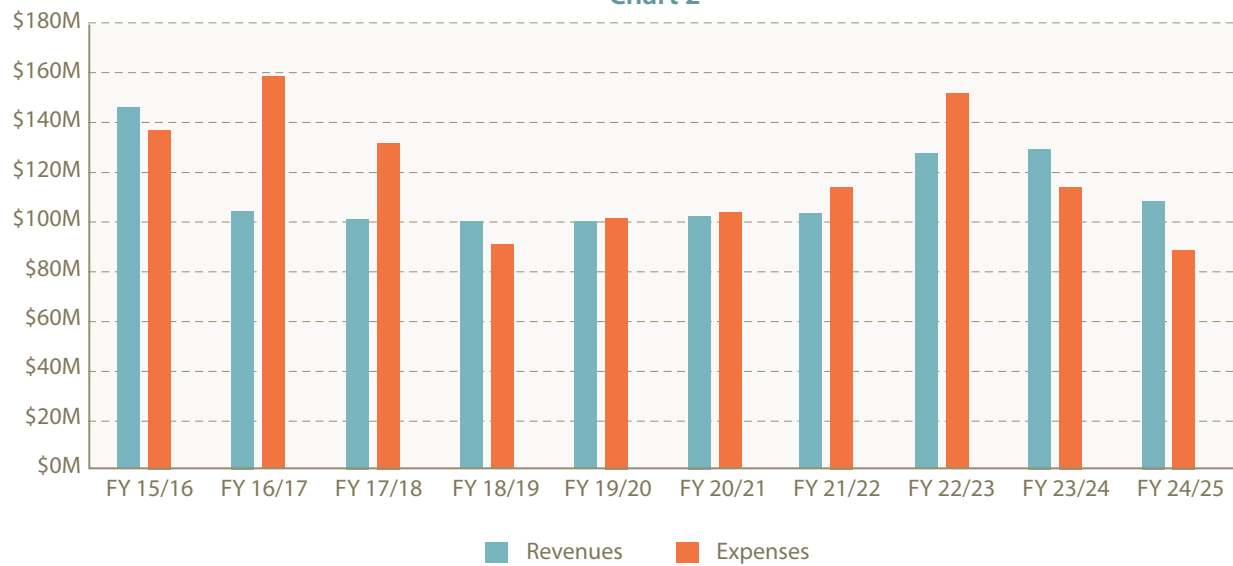
The schedule following CHART 1 and CHART 2 provides a two-year summary of audited financial data for Fiscal Years Ended June 30, 2015 and 2014, respectively. In addition, detailed schedules for tonnage, revenues, expenses, cash reserves and accrued closure and postclosure liabilities for the ten-year forecast period are presented (Tables A through K).

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST

System Tonnage (in millions)
Chart 1



System Financial Projections (in millions)
Funds 273, 285 and 299
Chart 2



OC WASTE & RECYCLING

10 YEAR FINANCIAL FORECAST

Tonnage & Financial Data for Fiscal Years Ending June 30, 2015 & 2014

Acceptable Waste Tonnage [1]		
	6/30/15	6/30/14
In-County	2,873,677	2,697,581
Importation	1,707,583	1,372,556
Total System Tonnage	4,581,260	4,070,137
Statements of Revenues, Expenses and Changes in Fund Net Position For the Years Ended June 30, 2015 & 2014 [2]		
	6/30/15	6/30/14
Total Revenues	\$142,250,340	\$130,024,664
Total Expenses	\$89,118,421	\$111,379,219
Change in Net Position	\$53,131,919	\$18,645,445
Cash Balances [3]		
	6/30/15	6/30/14
Enterprise/Operating Fund	\$145,962,907	\$122,706,352
Capital Project Fund	\$24,592,643	\$44,553,586
Corrective Action Escrow Fund	\$8,152,633	\$7,129,033
Environmental Reserve Fund	\$70,952,904	\$69,672,931
Deferred Payment Security Deposits Fund	\$544,561	\$555,802
Habitat Mitigation Escrow Funds	\$983,289	\$983,289
Accrued Closure and Postclosure [3]		
	6/30/15	6/30/14
Landfill Closure Liabilities	\$55,609,891	\$53,312,631
Landfill Postclosure Liabilities	\$103,436,031	\$126,798,882
Escrow Funds (Closure) Cash Balance	\$88,088,957	\$87,857,178
Landfill Postclosure Cash Balance	\$148,568,366	\$140,033,068

[1] Source: OC Waste & Recycling Fiscal Year Tonnage Report, June 2015 and June 2014.

[2] Source: 3rd Close Figures obtained from County financial system reports.

3rd Close Figures include adjustments and reclassifications to the General Ledger subsequent to the June 30 year-end close.

[3] Source: 2nd Close Figures obtained from County financial system reports.

2nd Close Figures include adjustments and reclassifications to the General Ledger subsequent to the official June 30 year-end close.

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST

A. SYSTEM TONNAGE					
Description	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Frank R. Bowerman Landfill	1,642,357	1,593,550	1,549,598	1,505,667	1,461,758
Olinda Alpha Landfill	966,207	937,494	911,637	885,792	859,960
Prima Deshecha Landfill	351,300	341,773	333,193	324,617	316,046
Total In-County Tonnage	2,959,864	2,872,817	2,794,428	2,716,076	2,637,764
Frank R. Bowerman Landfill	575,144	0	0	0	0
Olinda Alpha Landfill	1,130,742	0	0	0	0
Prima Deshecha Landfill	93,708	0	0	0	0
Total Imported Tonnage	1,799,594	0 *	0	0	0
Total System Tonnage	4,759,458	2,872,817	2,794,428	2,716,076	2,637,764
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Frank R. Bowerman Landfill	1,449,268	1,859,434	2,262,292	2,242,541	2,222,819
Olinda Alpha Landfill	852,612	422,638 **	0	0	0
Prima Deshecha Landfill	313,608	311,173	308,742	306,315	303,891
Total In-County Tonnage	2,615,488	2,593,245	2,571,034	2,548,856	2,526,710
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	2,615,488	2,593,245	2,571,034	2,548,856	2,526,710

* Importation is assumed to terminate 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 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Fund 299 Enterprise / Operating - Total Revenues	\$102,709,376	\$104,196,600	\$100,311,674	\$100,097,662	\$99,707,102
Fund 273 Capital Project / Operating - Total Revenues*	\$100,589	\$100,000	\$115,000	\$24,000	\$12,000
Fund 285 Import / Bankruptcy Recovery - Total Revenues	\$43,105,177	\$ - **	\$ -	\$ -	\$ -
Total Projected Revenues	\$145,915,141	\$104,296,600	\$100,426,674	\$100,121,662	\$99,719,102
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Fund 299 Enterprise / Operating - Total Revenues	\$101,328,380	\$102,972,223	\$126,866,685 ***	\$129,463,592 ***	\$108,005,558
Fund 273 Capital Project / Operating - Total Revenues*	\$16,000	\$24,000	\$99,000	\$13,000	\$13,000
Fund 285 Import / Bankruptcy Recovery - Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total Projected Revenues	\$101,344,380	\$102,996,223	\$126,965,685	\$129,476,592	\$108,018,558

* Interest Earnings is the only Revenue generated by Fund 273

** Importation is assumed to terminate June 30, 2016

*** Includes projected transfer-in from Olinda Alpha Landfill's Closure Escrow Fund 286 to reimburse Fund 299 for the final closure costs in FY 2022/23 and FY 2023/24

C. SYSTEM EXPENSES

Description	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Fund 299 Enterprise / Operating - Total Expenses	\$92,486,111	\$106,275,847	\$93,014,269	\$91,060,154	\$96,991,603
Fund 273 Capital Project / Operating - Total Expenses	\$14,661,011	\$51,976,000	\$38,357,000	\$1,000 **	\$4,704,000
Fund 285 Import / Bankruptcy Recovery - Total Expenses	\$29,917,942	\$ - *	\$ -	\$ -	\$ -
Total System Expenses	\$137,065,064	\$158,251,847	\$131,371,269	\$91,061,154	\$101,695,603
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Fund 299 Enterprise / Operating - Total Expenses	\$99,698,717	\$97,119,374	\$114,576,707 ***	\$113,013,478 ***	\$87,413,799
Fund 273 Capital Project / Operating - Total Expenses	\$4,454,000	\$15,870,000	\$37,001,000	\$501,000	\$1,004,000
Fund 285 Import / Bankruptcy Recovery - Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total System Expenses	\$104,152,717	\$112,989,374	\$151,577,707	\$113,514,478	\$88,417,799

* Importation is assumed to terminate June 30, 2016

** Only interest (investment) expense is scheduled in FY 2018/19

*** Includes final closure costs from Olinda Alpha Landfill

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

D. SYSTEM ENTERPRISE FUNDS

Description	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Cash Balance					
Fund 299 - Enterprise / Operating*	\$146,267,831	\$101,799,073	\$79,987,904	\$85,353,241	\$84,240,819
Fund 273 - Capital Project / Operating	\$16,988,221	\$8,142,221	\$52,295	\$4,630,967	\$4,600,387
Total Balance	\$163,256,051	\$109,941,294	\$80,040,199	\$89,984,207	\$88,841,206
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Cash Balance					
Fund 299 - Enterprise / Operating*	\$82,312,642	\$80,196,493	\$56,513,509	\$68,313,820	\$84,162,848
Fund 273 - Capital Project / Operating	\$6,329,224	\$43,222	\$15,183	\$5,017,986	\$9,610,717
Total Balance	\$88,641,866	\$80,239,714	\$56,528,692	\$73,331,806	\$93,773,565

* Cash balance decreases in years with large capital projects

E. CORRECTIVE ACTION ESCROW FUND

Description	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Fund 274 - Corrective Action Escrow					
Cash Balance	\$8,196,633	\$8,765,633	\$9,313,633	\$9,364,633	\$9,416,633
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Fund 274 - Corrective Action Escrow					
Cash Balance	\$9,968,633	\$10,023,633	\$10,078,633	\$10,633,633	\$10,691,633

F. ENVIRONMENTAL RESERVE FUND

Description	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Fund 275 - Environmental Reserve					
Cash Balance	\$72,739,678	\$70,303,399	\$71,426,018	\$76,208,507 *	\$81,012,997 *
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Fund 275 - Environmental Reserve					
Cash Balance	\$80,000,000	\$80,000,000	\$80,000,000	\$80,000,000	\$80,000,000

* Increases in FY 2018/19 and FY 2019/20 are due to transfers-in from Fund 279

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

G. DEFERRED PAYMENT SECURITY DEPOSITS FUND					
Description	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Fund 276 - Deferred Payment Security Deposits - Cash Balance	\$567,861	\$567,861	\$567,861	\$567,861	\$567,861
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Fund 276 - Deferred Payment Security Deposits - Cash Balance	\$567,861	\$567,861	\$567,861	\$567,861	\$567,861

H. HABITAT MITIGATION ESCROW FUNDS					
Description	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Fund 272 - Prima Deshecha Landfill and the La Pata Avenue Gap Closure - Cash Balance	\$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	\$879,010	\$879,010
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
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	\$ - **	\$ -
Total Balance	\$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 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Frank R. Bowerman Landfill					
Annual Tonnage of Refuse	2,217,501	1,593,550	1,549,598	1,505,667	1,461,758
Cash Balance at 6/30/XX	\$29,142,467	\$29,342,467	\$29,480,467	\$29,618,467	\$29,755,467
Olinda Alpha Landfill					
Annual Tonnage of Refuse	2,096,949	937,494	911,637	885,792	859,960
Cash Balance at 6/30/XX	\$38,831,671	\$39,104,671	\$39,294,671	\$39,484,671	\$39,674,671
Prima Deshecha Landfill - Zone 1					
Annual Tonnage of Refuse	445,008	341,773	333,193	324,617	316,046
Cash Balance at 6/30/XX	\$20,522,819	\$20,666,819	\$20,764,819	\$20,862,819	\$20,961,819
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Frank R. Bowerman Landfill					
Annual Tonnage of Refuse	1,449,268	1,859,434	2,262,292	2,242,541	2,222,819
Cash Balance at 6/30/XX	\$29,892,467	\$30,029,467	\$30,176,467	\$30,323,467	\$30,470,467
Olinda Alpha Landfill					
Annual Tonnage of Refuse	852,612	422,638	0 *	0	0
Cash Balance at 6/30/XX	\$39,864,671	\$44,785,553	\$22,590,777 **	\$ - **	\$ -
Prima Deshecha Landfill					
Annual Tonnage of Refuse	313,608	311,173	308,742	306,315	303,891
Cash Balance at 6/30/XX	\$21,060,819	\$21,160,819	\$21,260,819	\$21,361,819	\$21,592,447

* Olinda Alpha Landfill is scheduled to close in FY 2021/22 and enter into the closure period in FY 2022/23 - FY 2023/24

** Olinda Alpha Landfill closure costs are recorded in Fund 299 in FY 2022/23 and FY 2023/24

J. LANDFILL POSTCLOSURE MAINTENANCE FUND					
Description	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Cash Balance					
Fund 279 - Landfill Postclosure Maintenance					
Beginning Balance at 7/01/XX	\$148,568,366	\$146,952,711	\$145,483,063	\$143,938,272	\$137,888,883
Expenditures	\$(2,294,194)	\$(2,181,920)	\$(2,233,791)	\$(2,286,900)	\$(2,341,276)
Transfers to Fund 275*	\$ -	\$ -	\$ -	\$(4,443,489)	\$(4,443,489)
Interest Earnings	\$678,539	\$712,272	\$689,000	\$681,000	\$645,000
Ending Balance at 6/30/XX	\$146,952,711	\$145,483,063	\$143,938,272	\$137,888,883	\$131,749,117
Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Cash Balance					
Fund 279 - Landfill Postclosure Maintenance					
Beginning Balance at 7/01/XX	\$131,749,117	\$129,972,167	\$128,129,214	\$126,219,897	\$128,229,266
Expenditures	\$(2,396,950)	\$(2,453,953)	\$(2,512,317)	\$(2,572,075)	\$(4,274,840)
Transfers from Fund 299**	\$ -	\$ -	\$ -	\$3,987,444	\$2,769,497
Interest Earnings	\$620,000	\$611,000	\$603,000	\$594,000	\$603,000
Ending Balance at 6/30/XX	\$129,972,167	\$128,129,214	\$126,219,897	\$128,229,266	\$127,326,923

* Transfers to Fund 275 are to restore the cash balance in Fund 275 from prior year temporary transfers out to Fund 279

** Transfers from Fund 299 are needed to satisfy the required postclosure balances

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

K. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

Description	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Frank R. Bowerman Landfill					
Annual Tonnage of Refuse Buried	2,217,501	1,593,550	1,549,598	1,505,667	1,461,758
% of Max Capacity Filled	31.71%	32.65%	33.56%	34.44%	35.29%
Estimated Closure Cost	\$39,849,731	\$40,766,275	\$41,785,431	\$42,830,067	\$43,900,819
Accrued Closure Liability	\$12,636,350	\$13,310,189	\$14,023,191	\$14,750,675	\$15,492,599
Estimated Postclosure Cost	\$50,969,218	\$52,141,510	\$53,445,048	\$54,781,174	\$56,150,703
Accrued Postclosure Liability	\$16,162,339	\$17,024,203	\$17,936,158	\$18,866,636	\$19,815,583
Olinda Alpha Landfill					
Annual Tonnage of Refuse Buried	2,096,949	937,494	911,637	885,792	859,960
% of Max Capacity Filled	78.78%	79.75%	80.69%	81.60%	82.49%
Estimated Closure Cost*	\$38,230,816	\$39,110,125	\$40,087,878	\$41,090,075	\$42,117,327
Accrued Closure Liability*	\$30,118,237	\$31,190,325	\$32,346,909	\$33,529,501	\$34,742,583
Estimated Postclosure Cost	\$39,510,909	\$40,419,660	\$41,430,152	\$42,465,906	\$43,527,554
Accrued Postclosure Liability	\$31,126,694	\$32,230,637	\$33,429,990	\$34,652,179	\$35,905,879
Prima Deshecha Landfill - Zone 1					
Annual Tonnage of Refuse Buried	445,008	341,773	333,193	324,617	316,046
% of Max Capacity Filled	65.60%	66.67%	67.70%	68.71%	69.70%
Estimated Closure Cost	\$22,982,029	\$23,510,616	\$24,098,381	\$24,700,841	\$25,318,362
Accrued Closure Liability	\$15,076,211	\$15,674,528	\$16,314,604	\$16,971,948	\$17,646,898
Estimated Postclosure Cost	\$38,161,848	\$39,039,571	\$40,015,560	\$41,015,949	\$42,041,348
Accrued Postclosure Liability	\$25,037,988	\$26,027,682	\$27,090,534	\$28,186,160	\$29,302,820
Prima Deshecha Landfill - Zone 4					
Annual Tonnage of Refuse Buried		0	0	0	0
% of Max Capacity Filled	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated Closure Cost	\$35,379,275	\$36,192,998	\$37,097,823	\$38,025,269	\$38,975,901
Accrued Closure Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated Postclosure Cost	\$43,294,784	\$44,290,565	\$45,397,830	\$46,532,777	\$47,696,097
Accrued Postclosure Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Santiago Canyon Landfill					
Estimated Postclosure Cost	\$25,715,465	\$25,017,367	\$24,321,010	\$23,574,199	\$22,774,844
Less Postclosure Expenditures	\$1,260,562	\$1,289,555	\$1,321,794	\$1,354,839	\$1,388,710
Accrued Postclosure Liability	\$24,454,903	\$23,727,812	\$22,999,216	\$22,219,360	\$21,386,134
Accrued Postclosure Reserves - 15 Years **	\$ -	\$ -	\$ -	\$ -	\$ -
Coyote Canyon Landfill					
Estimated Postclosure Cost	\$8,478,345	\$7,772,499	\$7,031,497	\$6,254,129	\$5,439,152
Less Postclosure Expenditures	\$873,156	\$892,365	\$911,997	\$932,061	\$952,566
Accrued Postclosure Liability	\$7,605,189	\$6,880,134	\$6,119,500	\$5,322,068	\$4,486,586 ***
Accrued Postclosure Reserves - 15 Years **	\$5,238,936	\$6,246,555	\$7,295,976	\$8,388,549	\$9,525,660
Unallocated Accrued Liability					
Total Accrued Closure Liability	\$57,830,798	\$60,175,042	\$62,684,704	\$65,252,124	\$67,882,080
Total Accrued Postclosure Liability	\$104,387,113	\$105,890,468	\$107,575,398	\$109,246,403	\$110,897,002
Total Accrued Postclosure Reserves - 15 Years **	\$5,238,936	\$6,246,555	\$7,295,976	\$8,388,549	\$9,525,660
Total Accrued Closure & Postclosure Liability	\$167,456,847	\$172,312,065	\$177,556,078	\$182,887,076	\$188,304,742

* Olinda Alpha Landfill final closure is scheduled to begin in FY 2022/23.

** Effective FY 2015/16 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.

*** In FY 2024/25 Coyote Canyon Landfill completes its 30 year postclosure period. GASB 18 liability balance is no longer required.

OC WASTE & RECYCLING
10 YEAR FINANCIAL FORECAST (CONTINUED)

K. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/24
Frank R. Bowerman Landfill					
Annual Tonnage of Refuse Buried	1,449,268	1,859,434	2,262,292	2,242,541	2,222,819
% of Max Capacity Filled	36.14%	37.23%	38.56%	39.58%	40.59%
Estimated Closure Cost	\$44,998,339	\$46,123,298	\$47,276,380	\$48,458,290	\$49,669,747
Accrued Closure Liability	\$16,262,400	\$17,171,704	\$18,229,772	\$19,179,791	\$20,160,950
Estimated Postclosure Cost	\$57,554,471	\$58,993,333	\$60,468,166	\$61,979,870	\$63,529,367
Accrued Postclosure Liability	\$20,800,186	\$21,963,218	\$23,316,525	\$24,531,633	\$25,786,570
Olinda Alpha Landfill					
Annual Tonnage of Refuse Buried	852,612	422,638	0	0	0
% of Max Capacity Filled	83.37%	83.86%	0.00%	0.00%	0.00%
Estimated Closure Cost*	\$43,338,729	\$44,595,553	\$ -	\$ -	\$ -
Accrued Closure Liability*	\$36,131,499	\$44,595,553	\$ -	\$ -	\$ -
Estimated Postclosure Cost	\$44,615,743	\$45,731,137	\$46,874,415	\$48,046,275	\$47,605,864
Accrued Postclosure Liability	\$37,196,145	\$45,731,137	\$46,874,415	\$48,046,275	\$47,605,864
Prima Deshecha Landfill - Zone 1					
Annual Tonnage of Refuse Buried	313,608	311,173	308,742	306,315	303,891
% of Max Capacity Filled	70.67%	71.64%	72.60%	73.55%	74.50%
Estimated Closure Cost	\$25,951,321	\$26,600,104	\$27,265,106	\$27,946,734	\$28,645,402
Accrued Closure Liability	\$18,339,798	\$19,056,314	\$19,794,467	\$20,554,823	\$21,340,825
Estimated Postclosure Cost	\$43,092,382	\$44,169,692	\$45,273,934	\$46,405,782	\$47,565,927
Accrued Postclosure Liability	\$30,457,696	\$31,643,167	\$32,868,876	\$34,136,093	\$35,436,616
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	\$39,950,299	\$40,949,056	\$41,972,782	\$43,022,102	\$44,097,655
Accrued Closure Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated Postclosure Cost	\$48,888,500	\$50,110,714	\$51,363,483	\$52,647,571	\$53,963,761
Accrued Postclosure Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Santiago Canyon Landfill					
Estimated Postclosure Cost	\$22,774,848	\$21,885,210	\$20,936,851	\$19,927,396	\$18,854,382
Less Postclosure Expenditures	\$1,423,428	\$1,459,014	\$1,495,489	\$1,532,877	\$1,571,198
Accrued Postclosure Liability	\$21,351,420	\$20,426,196	\$19,441,362	\$18,394,519	\$17,283,183
Accrued Postclosure Reserves - 15 Years **	\$1,423,428	\$2,918,028	\$4,486,468	\$6,131,506	\$7,855,992
Coyote Canyon Landfill					
Estimated Postclosure Cost	\$4,585,289	\$3,691,224	\$2,755,604	\$1,777,029	\$1,062,060
Less Postclosure Expenditures	\$973,522	\$994,939	\$1,016,828	\$1,039,198	\$1,062,060
Accrued Postclosure Liability	\$3,611,767	\$2,696,285	\$1,738,776	\$737,831	\$ - ***
Accrued Postclosure Reserves - 15 Years **	\$10,708,742	\$11,939,268	\$13,218,764	\$14,548,772	\$15,930,900
Unallocated Accrued Liability					
Total Accrued Closure Liability	\$70,733,697	\$80,823,571	\$38,024,239	\$39,734,614	\$41,501,775
Total Accrued Postclosure Liability	\$113,417,214	\$122,460,003	\$124,239,954	\$125,846,351	\$126,112,234
Total Accrued Postclosure Reserves - 15 Years **	\$12,132,170	\$14,857,296	\$17,705,232	\$20,680,278	\$23,786,892
Total Accrued Closure & Postclosure Liability	\$196,283,081	\$218,140,870	\$179,969,425	\$186,261,243	\$191,400,902

* Olinda Alpha Landfill final closure is scheduled to begin in FY 2022/23.

** Effective FY 2015/16 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.

*** In FY 2024/25 Coyote Canyon Landfill completes its 30 year postclosure period. GASB 18 liability balance is no longer required.

OC WASTE & RECYCLING

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Certified
Public
Accountants

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Walnut Creek

Oakland

Los Angeles

Century City

Newport Beach

San Diego

Independent Auditor's Report

Honorable Board of Supervisors
County of Orange, California

We have audited the accompanying financial statements of Orange County Waste and Recycling (OC Waste & Recycling), an enterprise fund of the County of Orange, California (County) as of and for the year ended June 30, 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Orange County Waste and Recycling as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the financial statements, the financial statements present only 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, 2015, and the changes in financial position, or, where applicable, cash flows for the year 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.

As discussed in Note 16 to the financial statements, effective July 1, 2014, OC Waste & Recycling implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An amendment of GASB Statement No. 68*, which resulted in a restatement to beginning net position as discussed in Note 2 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 27 through 32 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB 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 audit 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 1 through 23 in this annual report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Newport Beach, California
December 17, 2015

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2015
(Dollar Amounts in Thousands)

Our management's discussion and analysis of the financial performance provides a narrative overview and analysis of the Orange County Waste and Recycling's (OC Waste & Recycling) financial activities for the year ended June 30, 2015. 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 change in net position is \$53,133, or 185.0%, for the year ended June 30, 2015. The factors attributable to the change in net position includes operating income of \$70,169, nonoperating revenues of \$2,774, and transfers out to County General Fund of \$19,810, as discussed below.
- Operating expenses decreased by \$24,826, or 26.4%, for the year ended June 30, 2015. The decrease is primarily due to the decrease in the provision for closure and postclosure care costs by \$27,839.
- Disposal revenue increased by \$14,732, or 12.2%, for the year ended June 30, 2015. The increase is primarily due to the increases in importation disposal revenue by \$8,232 and in-county disposal revenue by \$6,499.
- OC Waste & Recycling contributed \$19,810 of net importation revenue to the County General Fund for repayment of bankruptcy related obligations for the year ended June 30, 2015.

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

Statement of Net Position

This section provides the statement of net position for all OC Waste & Recycling's current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, and deferred inflows of resources 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.

Statement 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.

Statement 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, and 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

Statement 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, 2015, total assets plus deferred outflows of resources exceeded total liabilities plus deferred inflows of resources by \$521,294.

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

OC Waste & Recycling's condensed Statements of Net Position is presented in **Table 1**.

Table 1 STATEMENTS OF NET POSITION JUNE 30,			
	2015	2014	2015 vs 2014 % change
ASSETS			
Current and other assets	\$529,208	\$515,376	2.7%
Noncurrent - capital assets, net	247,784	224,204	10.5%
TOTAL ASSETS	776,992	739,580	5.1%
DEFERRED OUTFLOWS OF RESOURCES			
Pension amounts	7,974	n/a	n/a
LIABILITIES			
Current and other liabilities	42,110	34,492	22.1%
Noncurrent liabilities	216,876	192,145	12.9%
TOTAL LIABILITIES	258,986	226,637	14.3%
DEFERRED INFLOWS OF RESOURCES			
Pension amounts	4,686	n/a	n/a
NET POSITION			
Net investment in capital assets	247,784	224,204	10.5%
Restricted	42,494	45,536	-6.7%
Unrestricted	231,016	243,203	-5.0%
TOTAL NET POSITION	\$521,294	\$512,943	1.6%

OC Waste & Recycling's total assets increased by \$37,412, or 5.1%, from June 30, 2014, primarily due to the increases in pooled cash and investments and capital assets. Increases in capital assets were due to increases in the construction in progress for the East Flank Excavation & Drainage Improvements & Design Project at Frank R. Bowerman Landfill and the Front Face Project Phase I at Olinda Alpha Landfill.

OC Waste & Recycling's total liabilities increased by \$32,349, or 14.3%, from June 30, 2014 primarily due to the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27", recognizing the long-term obligation for pension benefits as a liability.

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

For the year ended June 30, 2015, change in net position is \$53,133, or 185.0%.

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

OC Waste & Recycling's condensed Statements of Revenues, Expenses and Changes in Fund Net Position is presented in **Table 2**.

Table 2 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30,			
	2015 (As restated)	2014	2015 vs 2014 % change
Operating Revenues			
Disposal fees	\$135,480	\$120,748	12.2%
Other Charges for services	196	956	-79.5%
Use of property, licenses, permits & franchise fees	3,801	3,387	12.2%
Total Operating Revenues	139,477	125,091	11.5%
Operating Expenses			
Salaries and employee benefits	25,111	25,081	0.1%
Services and supplies	21,064	22,476	-6.3%
Professional and specialized services	16,014	12,423	28.9%
Depreciation and amortization	14,770	15,175	-2.7%
Other operating expenses	(7,651)	18,979	-140.3%
Total Operating Expenses	69,308	94,134	-26.4%
Operating Income	70,169	30,957	126.7%
Nonoperating Revenues (Expenses), Net	2,774	4,895	-43.3%
Income Before Transfers	72,943	35,852	103.5%
Transfers out to County General Fund	(19,810)	(17,207)	15.1%
Changes In Net Position	53,133	18,645	185.0%
Net Position - Beginning Of Year	468,161*	494,298	-5.3%
Net Position - End Of Year	\$521,294	\$512,943	1.6%

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

Operating Revenues

For the year ended June 30, 2015, total operating revenues increased by \$14,386, or 11.5%, due primarily to the increases in importation disposal tonnage and fees of \$8,232, and in-county disposal tonnage and fees of \$6,499.

Disposal fees that are charged to users of the waste disposal sites comprise the largest revenue source of OC Waste & Recycling at approximately 97.1%. Other operating revenues include royalties received from the landfill gas rights, rents, and other fees.

OC WASTE & RECYCLING

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

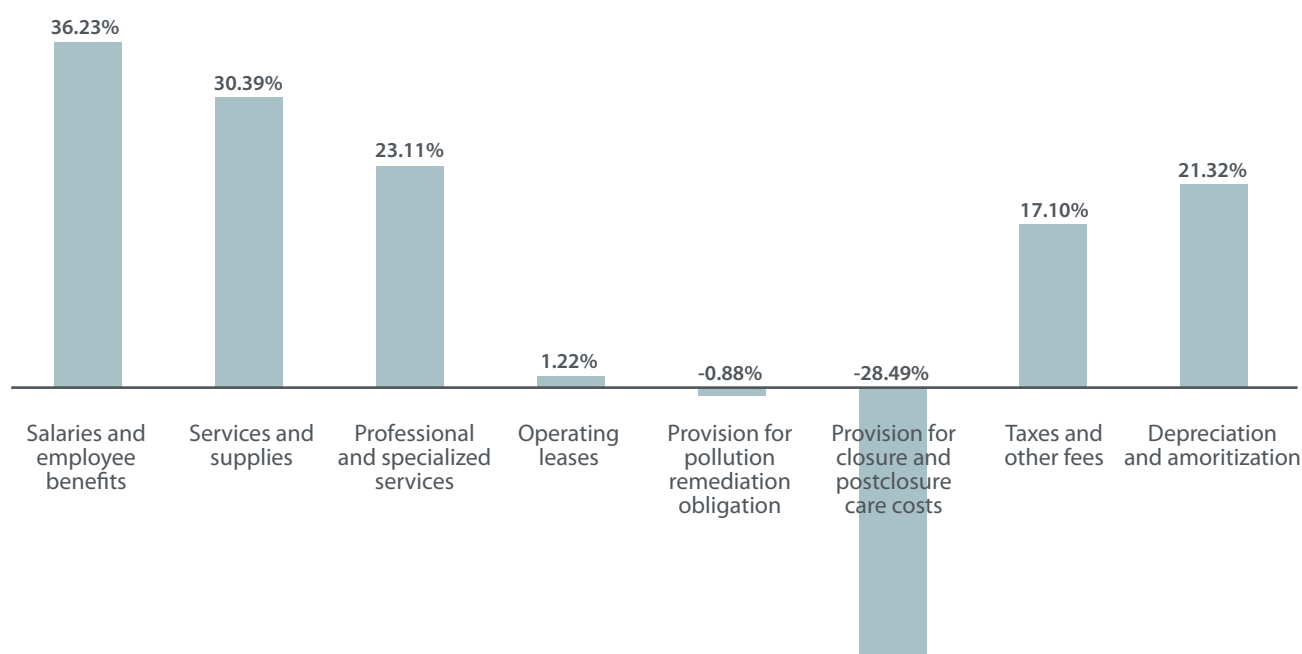
FOR THE YEAR ENDED JUNE 30, 2015

(Dollar Amounts in Thousands)

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, 2015, total operating expenses decreased by \$24,826, or 26.4%, due primarily to the decreases in the closure and postclosure care costs and pollution remediation expenses. The decrease in the closure and postclosure care costs was due to the decrease in the approved cost estimates.

Operating Expenses FY 2015**Nonoperating Revenues and Expenses**

For the year ended June 30, 2015, nonoperating revenues and expenses decreased by \$2,121, or 43.3%, due primarily to decreases in interest expense, gain on disposal of capital assets, and miscellaneous revenue. The decrease in miscellaneous revenue is primarily due to the decrease in the revenue reimbursement for the La Pata Gap Closure Project.

CAPITAL ASSETS

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

For the year ended June 30, 2015, investment in capital assets (net of accumulated depreciation) increased by \$23,580, or 10.5%.

OC WASTE & RECYCLING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2015
(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) JUNE 30,			
	2015	2014	2015 vs 2014 % change
CAPITAL ASSETS			
Land (Nondepreciable)	\$22,164	\$22,405	-1.1%
Construction in progress (Nondepreciable)	49,868	18,019	176.8%
Intangible assets in progress (Nondepreciable)	67	0	n/a
Equipment (Depreciable)	19,064	18,267	4.4%
Buildings (Depreciable)	13,859	14,767	-6.1%
Infrastructure (Depreciable)	142,233	150,327	-5.4%
Software (Amortizable)	529	419	26.3%
TOTAL CAPITAL ASSETS, NET	\$247,784	\$224,204	10.5%

Major capital asset events during fiscal year 2015 included the following:

- \$22,030 for the East Flank Excavation & Drainage Improvements & Design Project at Frank R. Bowerman Landfill; and
- \$8,555 for the Front Face Project Phase I 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, 2015:

- \$1,147 for the Phase 8 East Flank Slide/Buttress Design Services at Frank R. Bowerman Landfill; and
- \$7,002 for the Front Face Project Phase I at Olinda Alpha Landfill.

REVIEW OF OPERATIONS

Disposal Facilities

OC Waste & Recycling is responsible for the administration and 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 fiscal year (FY) 2014-15 in-county tonnage received by the system continued to be lower than amounts projected in the Waste Disposal Agreement (WDA). In response, OC Waste & Recycling continues to review and plan for opportunities to mitigate that loss. Additional importation received in FY 2013-14 and FY 2014-15 has helped OC Waste & Recycling maintain rates charged to Orange County cities and to maintain service levels. With the current scheduled June 30, 2016 end date of importation, OC Waste & Recycling continues working with the Orange County cities to extend the WDA beyond 2020 to 2025. The extension would allow for the continuation of importation and provide required financial resources necessary for operations.

Several key projects began or continued during FY 2014-15, including:

- The Front Face Project Phase I at the Olinda Alpha Landfill, a project to place regulatory mandated final cover on the landfill in order to best manage and utilize available onsite native materials and enhance visual aesthetics. Consuming approved cover material also facilitates operational needs by providing access to much needed airspace otherwise occupied by the cover material.

OC WASTE & RECYCLING

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2015

(Dollar Amounts in Thousands)

-
- The East Flank Excavation & Drainage Improvements Project at the Frank R. Bowerman Landfill, the second phase of remedial work for a massive landslide that occurred in the early 2000's. This phase removed the landslide debris from within the landslide area and stockpiled the excavated material at locations for Frank R. Bowerman's future operational use. The project also includes engineering features to improve the long term stability of the excavated slopes, such as drainage channels, horizontal drains, and erosion control measures.
 - The La Pata Gap Closure Project within the boundaries of the Prima Deshecha Landfill. OC Waste & Recycling continues to provide support to the County for this project to connect the La Pata Road between San Juan Capistrano and San Clemente, through this landfill while closing a portion of the landfill known as WMU-2. In addition, the construction of Phase C3 cell was completed which provides additional disposal capacity for the Prima Deshecha Landfill.

Renewable Energy Facilities

In FY 2014-15 over 266,000 MWh of renewable energy was generated, with an approximate equivalent of providing electricity for 41,000 homes in the County. As a result, \$3.4 million in royalty revenue was generated from OC Waste & Recycling's renewable energy facilities.

OC Waste & Recycling is currently developing a Renewable Technologies Strategic Plan (Strategic Plan). The Strategic Plan is to provide strategic guidance for managing OC Waste & Recycling's existing portfolio of landfill gas-to-energy projects, implement new projects to produce renewable energy, fuel and products, and identify other activities that will help meet waste management mandates and initiatives. Mandates and initiatives include reducing greenhouse gas emissions, increased diversion of organic waste from the landfills, diversifying sources of revenue and lowering waste disposal cost of service to Orange County residents. The Strategic Plan study is scheduled for completion in August 2016.

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>.

OC WASTE & RECYCLING
STATEMENT OF NET POSITION
 JUNE 30, 2015
 (Dollar Amounts in Thousands)

ASSETS

Current assets:

Pooled cash and investments (Note 3)	\$ 394,033
Imprest cash funds (Note 3)	35
Accounts receivable, net of allowances of \$1 (Note 4)	9,525
Interest receivable	692
Prepaid costs (Note 5)	2,223
Due from other governmental agencies	2,542
Due from other funds of the County (Note 8)	1,061
Total current assets	<u>410,111</u>

Current restricted assets:

Pooled cash and investments - customer deposits (Note 3)	544
Deposits in-lieu of cash (Note 6)	16,616
Deposits with others	100
Total current restricted assets	<u>17,260</u>

Total current assets	<u>427,371</u>
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Noncurrent assets:

Restricted assets:

Pooled cash and investments - customer deposits (Note 3)	21
Pooled cash and investments - contractor deposits (Note 3)	128
Pooled cash and investments - corrective action (Note 3)	8,153
Pooled cash and investments - Prima Deshecha/La Pata closure (Note 3)	104
Pooled cash and investments - Frank R. Bowerman landfill and agua (Note 3)	879
Pooled cash and investments - closure and postclosure care costs (Notes 3 and 13)	90,201
Total noncurrent restricted assets	<u>99,486</u>

Capital assets (Note 9)

Nondepreciable/Nonamortizable	72,099
Depreciable/Amortizable, net	<u>175,685</u>
Net capital assets	<u>247,784</u>

Advances to other funds (Notes 7 and 8)	2,351
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Total noncurrent assets	<u>349,621</u>
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Total assets	<u>776,992</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension amounts (Note 10)	<u>\$ 7,974</u>
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See accompanying notes to financial statements.

OC WASTE & RECYCLING
STATEMENT OF NET POSITION (Continued)
JUNE 30, 2015
(Dollar Amounts in Thousands)

LIABILITIES

Current liabilities:	
Accounts payable	\$ 10,107
Retainage payable	1,896
Salaries and accrued employee benefits payable	1,173
Accrued closure and postclosure care costs (Notes 12 and 13)	1,319
Pollution remediation obligation (Notes 12 and 14)	459
Unearned revenue	93
Compensated employee absences payable (Note 12)	1,237
Due to other funds of the County (Note 8)	5,554
Due to other governmental agencies	2,982
Total current liabilities (payable from current assets)	<u>24,820</u>
Current liabilities (payable from restricted assets):	
Deposits from others	<u>17,290</u>
Total current liabilities (payable from restricted assets)	<u>17,290</u>
Total current liabilities	<u>42,110</u>
Noncurrent liabilities:	
Compensated employee absences payable	1,499
Accrued closure and postclosure care costs (Notes 13)	157,726
Pollution remediation obligation (Notes 14)	11,279
Net Pension Liability (Note 10)	46,372
Total noncurrent liabilities	<u>216,876</u>
Total liabilities	<u>258,986</u>
DEFERRED INFLOW OF RESOURCES	
Pension amounts (Note 10)	<u>4,686</u>
NET POSITION	
Net investment in capital assets	247,784
Restricted:	
Prima Deshecha/La Pata closure	104
Landfill closure and postclosure	33,337
Landfill corrective action	8,174
Frank R. Bowerman landfill and agua	879
Unrestricted (Note 15)	<u>231,016</u>
Total net position	<u>\$ 521,294</u>

See accompanying notes to financial statements.

OC WASTE & RECYCLING
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

OPERATING REVENUES

Disposal fees (Notes 1 and 2)	\$ 135,480
Other charges for services	196
Use of property	3,737
Licenses, permits, and franchise fees	64
Total operating revenues	<u>139,477</u>

OPERATING EXPENSES

Salaries and employee benefits	25,111
Services and supplies	21,064
Professional and specialized services	16,014
Operating leases	849
Provision for closure and postclosure care costs (Note 13)	(19,746)
Provision for pollution remediation obligation (Note 14)	(609)
Taxes and other fees	11,855
Depreciation and amortization	14,770
Total operating expenses	<u>69,308</u>

Operating income	<u>70,169</u>
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NONOPERATING REVENUES (EXPENSES)

Intergovernmental revenue	66
Fines, forfeitures and penalties	17
Interest income	2,127
Gain on disposal of capital assets	6
Other revenues	558
Total nonoperating revenues	<u>2,774</u>

Income before transfers	72,943
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Transfers out to County General Fund (Note 1)	<u>(19,810)</u>
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Change in net position	53,133
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Net position - beginning of year (as restated, Note 2)	468,161
Net position - end of year	<u>\$ 521,294</u>

See accompanying notes to financial statements.

OC WASTE & RECYCLING
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

Cash flows from operating activities

Receipts from customers	\$ 138,514
Payments to suppliers for goods and services	(35,213)
Payments to employees for services	(24,854)
Receipts from other funds	1,794
Cash received for interfund charges	2,969
Landfill site closure and postclosure care costs	(1,320)
Pollution remediation obligation payments	(333)
Taxes and other fees	(11,855)
Other receipts	143
Net cash provided by operating activities	<u>69,845</u>

Cash flows from noncapital and related financing activities

Transfers out	(19,810)
Intergovernmental revenues	66
Advances from other funds	783
Net cash used in noncapital and related financing activities	<u>(18,961)</u>

Cash flows from capital and related financing activities

Acquisition of capital assets	(34,246)
Loss from sale of capital assets	6
Net cash used in capital and related financing activities	<u>(34,240)</u>

Cash flows from investing activities

Interest on investments	1,846
Net cash provided by investing activities	<u>1,846</u>

Net increase in cash and cash equivalents 18,490

Cash and cash equivalents - beginning of year 475,608

Cash and cash equivalents - end of year 494,098

Reconciliation of cash and cash equivalents to statement of net position:

Pooled cash and investments - current assets	394,033
Imprest cash funds	35
Pooled cash and investments - closure and postclosure care costs	90,201
Pooled cash and investments - corrective action	8,153
Pooled cash and investments - Prima Deshecha/La Pata closure	104
Pooled cash and investments - Frank R. Bowerman landfill and agua	879
Pooled cash and investments - customer deposits	565
Pooled cash and investments - contractor deposits	128
Total cash and cash equivalents	<u>\$ 494,098</u>

See accompanying notes to financial statements.

OC WASTE & RECYCLING
STATEMENT OF CASH FLOWS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 70,169
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	14,770
Fines, forfeitures and penalties	17
Other revenues	558

Changes in operating assets and liabilities:

Decrease (increase) in:	
Deposits in-lieu of cash	17
Accounts receivable	(475)
Due from other funds	2,969
Due from other governmental agencies	(457)
Prepaid costs	2,102
Deferred outflows and deferred inflows of resources from pension	(4,453)
Increase (decrease) in:	
Accounts payable	630
Retainage payable	1,279
Salaries and accrued employee benefits payable	345
Unearned revenue	13
Due to other funds	1,794
Due to other governmental agencies	(44)
Compensated employee absences payable	(88)
Pollution remediation obligation	(942)
Deposits from others	(48)
Net pension liability from pension contribution and expenses	2,755
Landfill site closure/postclosure payable	(21,066)
Net cash provided by operating activities	<u>\$ 69,845</u>

See accompanying notes to financial statements.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015
 (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 (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 year ended June 30, 2015, OC Waste & Recycling collected imported waste disposal fees of \$40,171. Net import revenues totaling \$19,810 was distributed to the County during the year ended June 30, 2015 and is included as Transfers Out to County General Fund in the accompanying 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 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 (U.S. GAAP).

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.

The County has entered into waste disposal agreements with 32 cities, three (3) 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 97% 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 three (3) 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.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

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

Basis of Accounting

OC Waste & Recycling prepares its financial statements on the accrual basis of accounting in conformity with U.S. GAAP, 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

At July 1, 2014, OC Waste & Recycling implemented the following new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27" requires government 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 the annual costs of pension benefits.
- GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68" requires that, at transition to the new accounting standards in accordance with GASB 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.

The requirement of GASB Statement No. 68 and No. 71 caused OC Waste & Recycling to restate the current year beginning net position by \$44,782 to recognize a net pension liability. The adjustment is reflected in the net position beginning of year in the Statement of Revenues, Expenses and Changes in Fund Net Position:

Net Position at July 1, 2014, as Previously Reported	\$ 512,943
GASB Statement No. 68 and No. 71 Adjustment	(44,782)
Net Position at July 1, 2014, as Restated (Notes 10 and 16)	<u>\$ 468,161</u>

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 and supplies, taxes and fees, closure/postclosure care costs, pollution remediation obligations, and depreciation and amortization 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 statement 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

Pooled cash and investments are stated at fair value. Pooled cash and investments are funds OC Waste & Recycling has on deposit with the Treasurer's Orange County Investment Pool (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.

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, \$150 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:

OC WASTE & RECYCLING

NOTES TO FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED JUNE 30, 2015

(Dollar Amounts in Thousands)

Note 2 – Description Of Reporting Entity and Summary Of Significant Accounting Policies *(Continued)***Capital Assets**

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

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.

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 year ended June 30, 2015 was \$251.

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.

Net Position

Net position is displayed in three distinct categories:

Net investment in capital assets represents 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 represents 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.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

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

These monies are restricted by Federal and State legislation, and third parties for specific use within their categories. As of June 30, 2015, OC Waste & Recycling reported a restricted net position of \$42,494 for debt service, landfill closure and postclosure, landfill corrective action, Prima Deshecha/La Pata closure, and Frank R. Bowerman (FRB) landfill & agua.

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 U.S. GAAP 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.

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.

Note 3 – Cash and Investments

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. At June 30, 2015, the Pool contains investments with an average maturity of 391 days. Interest is apportioned to individual funds based on the average daily balances on deposit with the Treasurer.

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, 2015 were as follows:

Cash and investments pooled by the County Treasurer	\$ 494,063
Imprest cash funds	35
Total cash and investments	<u>\$ 494,098</u>

Interest Rate Risk

The 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 of Supervisors (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 December 16, 2014.

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.

As of June 30, 2015, the major classes of OC Waste & Recycling's deposits and investments consisted of the following:

	Fair Value	Weighted Average Maturity (Years)
County Investment Pool	<u>\$ 494,063</u>	<u>1.07</u>

OC WASTE & RECYCLING

NOTES TO FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED JUNE 30, 2015

(Dollar Amounts in Thousands)

Note 3 – Cash and Investments *(Continued)***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, 2015 the County's investments were in compliance with the IPS limits.

The following is a summary of credit quality distribution by investment type at June 30, 2015 (N/R denotes Not Rated):

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

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 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 4 – Accounts Receivable

Accounts receivable accounts at June 30, 2015 are summarized as follows:

Imported waste disposal fees	\$ 2,058
County of Orange (In-county) waste disposal fees	6,690
Miscellaneous	777
Total accounts receivable	<u>\$ 9,525</u>

Note 5 – Prepaid Costs

OC Waste & Recycling prepaid \$4,446 for FY 2015-16, for pension obligations to the Orange County Employees Retirement System (OCERS) in January 2015. As part of the County-wide plan, the prepayment allowed OC Waste & Recycling a savings of \$258, based on the discount rate of 5.48%. The prepaid cost is recognized in the fiscal year during which services are provided. Due to the difference in the County's fiscal year end date and the net pension liability measurement date, half of the prepaid pension contribution is recognized as deferred outflows of resources, and the other half will remain as a prepaid costs. Prepaid costs, net of amortization reported in the accompanying Statement of Net Position, is \$2,223 for 2015.

For additional details on prepaid costs, refer to the County's CAFR at the Auditor-Controller's website at <http://www.ac.ocgov.com>.

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, 2015 was \$16,616.

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

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

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

Note 7 – Advance to General Fund for the County’s Information Technology Projects *(Continued)*

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 General Fund. The actual amount repaid from the County General Fund in FY 2014-15 was \$783. The outstanding balance as of June 30, 2015 was \$2,351.

On June 24, 2014, by Resolution 14-060, the Board authorized the borrowing up to \$192,000 for FY 2014-15.

Note 8 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2015 is as follows:

Due From/To Other Funds of the County:

Receivable Fund	Payable Fund	
Waste Management	General Fund	\$ 24
Waste Management	Roads	16
Waste Management	Flood Control District	1,020
Waste Management	Other Governmental Funds	1
Total Due from Other Funds:		<u>\$ 1,061</u>
Waste Management	General Fund	\$ 2,351
Total Advances to Other Funds:		<u>\$ 2,351</u>
General Fund	Waste Management	\$ 5,532
Other Governmental Funds	Waste Management	1
Internal Service Funds	Waste Management	21
Total Due to Other Funds:		<u>\$ 5,554</u>

Amounts payable to the County General Fund include net importation revenue to pay bankruptcy related obligations in accordance with the County’s Plan. Amounts receivable from the Flood Control District Fund is for disposal charges. The interfund loans represent an advance made to the County General Fund from OC Waste & Recycling for various information technology capital projects. Refer to Note 7, Advance to General Fund for the County’s Information Technology Projects, for additional information.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

Note 9 – Capital Assets

Capital asset activities for the year ended June 30, 2015 were as follows:

	Balance July 1, 2014	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2015
Capital Assets, Not Depreciated/Amortized					
Land	\$ 22,405	\$ -	\$ (241)	\$ -	\$ 22,164
Construction in progress	18,019	33,011	(1,162)	-	49,868
Intangible assets in progress	-	67	-	-	67
Total Capital Assets, Not Depreciated/Amortized	<u>40,424</u>	<u>33,078</u>	<u>(1,403)</u>	<u>-</u>	<u>72,099</u>
Capital Assets, Depreciable/Amortizable					
Buildings and improvements	24,409	-	-	-	24,409
Equipment	69,988	5,580	(9,229)	(31)	66,308
Infrastructure	311,618	1,281	-	-	312,899
Software	438	154	-	-	592
Total Capital Assets, Depreciable/Amortizable	<u>406,453</u>	<u>7,015</u>	<u>(9,229)</u>	<u>(31)</u>	<u>404,208</u>
Less Accumulated Depreciation/Amortization For					
Buildings and improvements	(9,642)	(908)	-	-	(10,550)
Equipment	(51,721)	(4,443)	8,889	31	(47,244)
Infrastructure	(161,291)	(9,375)	-	-	(170,666)
Software	(19)	(44)	-	-	(63)
Total Accumulated Depreciation/Amortization	<u>(222,673)</u>	<u>(14,770)</u>	<u>8,889</u>	<u>31</u>	<u>(228,523)</u>
Total Capital Assets, Depreciable/Amortizable (Net)	<u>183,780</u>	<u>(7,755)</u>	<u>(340)</u>	<u>-</u>	<u>175,685</u>
Total Capital Assets, Net	<u>\$ 224,204</u>	<u>\$ 25,323</u>	<u>\$ (1,743)</u>	<u>\$ -</u>	<u>\$ 247,784</u>

Total depreciation and amortization expense for the year ended June 30, 2015 was \$14,770.

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 revegetation. The projects at June 30, 2015 are as follows:

Landfills

Frank R. Bowerman (FRB)

FRB East Flank Excavation & Drainage Improvements & Design	\$ 34,051
FRB P8 East Flank/Buttress	3,146
FRB Phase 8 East Flank Slide/Buttress Excavation	1,053
FRB East Canyon Excavation & Buttress Design	1,559

Olinda Alpha

OAL Front Face Project Phase 1	9,390
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Other

669

Total construction in progress

\$ 49,868

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

Note 9 – Capital Assets *(Continued)*

Construction Contracts

OC Waste & Recycling entered into various major construction contracts to facilitate its landfill operations. At June 30, 2015, OC Waste & Recycling is committed to open construction contracts for the following projects:

Description	Remaining Commitments
FRB - Phase 8 East Flank Slide/Buttress Excavation	\$ 1,147
OAL Front Face Project Phase 1	7,002
Total	<u>\$ 8,149</u>

Note 10 – Defined Benefit Pension Plan

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 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 of Retirement (OCERS Board) does not set the benefit amounts. OCERS administers benefits that are set by the Board through the collective bargaining process with County employees in accordance with the Retirement Law.

Contributions: In accordance with various Board 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 retirement 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 year ended June 30, 2015, employer's contributions as a percentage of covered payrolls was 39.54% 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. 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's total payroll expense was \$16,050, \$16,526, and \$16,966 and the covered employees payroll participating in OCERS was \$16,016, \$16,488, and \$16,816 for the years ended June 30, 2015, 2014, and 2013, respectively.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

Note 10 – Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension:

The County reported a liability of \$3,899,047 for its proportionate share of the net pension liability (NPL) at June 30, 2015. OC Waste & Recycling's allocated share of the County's NPL is \$46,372, which is based on its percentage of covered payroll. The County's NPL was measured as of December 31, 2014, and the total pension liability used to calculate the NPL was determined by an actuarial valuation from OCERS as of that date.

OC Waste & Recycling recognized pension expense of \$4,876 for the year ended June 30, 2015, which represents the change in the NPL during the measurement period, adjusted for actual contributions and deferred recognition of changes in investment gain/loss, actuarial assumptions, and plan benefits. The total deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2015 was \$7,974 and \$4,686, respectively. Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to NPL to be recognized in future periods in a systematic and rational manner.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 2,086	\$ -
Differences Between Expected and Actual Experience		2,442
Changes of Assumptions	1,384	2,244
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	48	-
OC Waste & Recycling contributions subsequent to the measurement date	2,233	-
OC Waste & Recycling Prepaid Pension Contribution to be recognized in the December 31, 2015 measurement period	2,223	-
Total	<u>\$ 7,974</u>	<u>\$ 4,686</u>

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 CAFR at 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 (Retiree Medical Plan). The Retiree Medical Plan is a single employer defined benefit Other Post-Employment 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 Board. The Board is also the authority for amending the Retiree Medical Plan. Eligible retired County employees receive a monthly grant (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 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% of the employee's final average hourly pay (as defined in the Retirement Medical Plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

Note 11 – Postemployment Health Care Benefits *(Continued)*

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% of its payroll for the Retiree Medical Plan. OC Waste & Recycling's contribution was \$561 for the year ended June 30, 2015, which is 100% 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 CAFR at the Auditor-Controller's website at <http://www.ac.ocgov.com>.

Note 12 - Long-Term Obligations

Long-term liability activities for the year ended June 30, 2015 were as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Long-Term Liabilities					
Compensated absences	\$ 2,824	\$ 2,247	\$ (2,335)	\$ 2,736	\$ 1,237
Closure and postclosure care costs	180,111	-	(21,066)	159,045	1,319
Pollution remediation obligation	12,680	-	(942)	11,738	459
Net Pension Liability	46,659	4,935	(5,222)	46,372	-
Total long-term liabilities	<u>\$ 242,274</u>	<u>\$ 7,182</u>	<u>\$ (29,565)</u>	<u>\$ 219,891</u>	<u>\$ 3,015</u>

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 Statement of Net Position 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, 2015 was \$159,045. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (30.41% for FRB, 76.61% for Olinda Alpha and 19.87% 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 \$169,917 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014 dollars (using the 2014 inflation factor of 1.015). OC Waste & Recycling has enough landfill capacity to operate the system for a minimum of 25 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 Statement No. 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 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

OC WASTE & RECYCLING

NOTES TO FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED JUNE 30, 2015

(Dollar Amounts in Thousands)

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

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.

As of June 30, 2015, a total of \$90,201 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.

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 and Contingencies 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 (5) 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 year ended June 30, 2015, after deducting actual pollution remediation expenses incurred during fiscal year 2015 is \$11,738.

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 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 \$58.

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 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 County Executive Office (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

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

Note 14 – Pollution Remediation Obligations *(Continued)*

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 \$306. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$2,958.

San Joaquin Former Refuse Disposal Station

The site, owned by the University of California at Irvine (University), was leased and operated by the County as a refuse disposal facility from 1954 to 1961. In 1996, a portion of the site was sold to the U.S. 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 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 \$149. The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is \$1,222.

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, and are accrued as estimable at June 30, 2015.

In addition, the findings of site investigations identified the existence of subsurface refuse extending laterally onto a single-family residence located within the lease boundaries of the former La Veta solid waste disposal site, and immediately adjacent to land owned by the YMCA (also covering a portion of the former disposal site). Buried waste was discovered under part of the back yard of the residence, which includes a swimming pool. Since then, CalRecycle and the LEA have required continuous methane monitoring at the property. The current owners have previously filed suit against the County, and although their claims were dismissed, the owners have not cooperated with County or regulator attempts to monitor or remediate potential pollution of the property.

OC WASTE & RECYCLING

NOTES TO FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED JUNE 30, 2015

(Dollar Amounts in Thousands)

Note 14 – Pollution Remediation Obligations *(Continued)*

The County will attempt to negotiate the purchase of the property. The amount paid for such purchase would include the value of the property, relocation costs (which would be required by law in an eminent domain proceeding), and a mutual release and waiver of all potential legal claims arising from the property. Acquisition of the property by the County would also ensure that the property is maintained and monitored in a manner that is consistent with the former use of the property as a municipal solid waste disposal facility.

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 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 reclosure 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 (5) 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.

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, 2015, 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, 2015, amounts classified in unrestricted net position totaled \$231,016.

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

The following are the GASB pronouncements implemented in FY 2015.

OC WASTE & RECYCLING
NOTES TO FINANCIAL STATEMENTS *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2015
 (Dollar Amounts in Thousands)

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

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. OC Waste & Recycling implemented this statement in FY 2014-15. Refer to Note 2, Description of Reporting Entity and Summary of Significant Accounting Policies, for additional information.

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. This statement does not have an impact on OC Waste & Recycling's financial statements.

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. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014. OC Waste & Recycling implemented this statement in FY 2014-15.

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

In February 2015, GASB issued Statement No. 72, *"Fair Value Measurement and Application."* This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which requires OC Waste & Recycling to implement this statement in FY 2015-16.

In June 2015, GASB issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,"* which results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *"Financial Reporting for Pension Plans,"* and Statement No. 68 for pension plans and pensions that are within their respective scopes. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which requires OC Waste & Recycling to implement this statement in FY 2015-16.

OC WASTE & RECYCLING

NOTES TO FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED JUNE 30, 2015

(Dollar Amounts in Thousands)

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

In June 2015, GASB issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* which results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces Statements No. 43, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* as amended, and No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans."* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,"* as amended, Statement No. 43, and Statement No. 50, *"Pension Disclosures."* The provisions of this statement are effective for financial statements for periods beginning after June 15, 2016, which requires OC Waste & Recycling to implement this statement in FY 2016-17.

In June 2015, GASB issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pension."* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirement of Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,"* as amended, and Statement No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,"* for OPEB. Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* establishes new accounting and financial reporting requirements for OPEB plans. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2017, which requires OC Waste & Recycling to implement this statement in FY 2017-18.

In June 2015, GASB issued Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which requires OC Waste & Recycling to implement this statement in FY 2015-16.

In August 2015, the GASB issued Statement No. 77, *"Tax Abatement Disclosures,"* which requires governments that enter into tax abatement agreements to disclose information about (1) the government's own tax abatement agreements and (2) those that are entered into by other governments and reduce the reporting government's tax revenues. In addition, Statement No. 77 requires the disclosure of the nature and magnitude of tax abatements agreements to make these transactions more transparent to financial statement users. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2015, which requires OC Waste & Recycling to implement this statement in FY 2015-16.

Note 17 – Major Customers

Disposal fees from three major customers accounted for revenues of approximately \$23,586, \$17,648, and \$15,068 during the year ended June 30, 2015.

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