

REPUBLIC SERVICES, INC.
Form 10-Q
October 30, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 1-14267

REPUBLIC SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 65-0716904
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

18500 NORTH ALLIED WAY 85054
PHOENIX, ARIZONA
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (480) 627-2700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 22, 2015, the registrant had outstanding 347,238,344 shares of Common Stock, par value \$0.01 per share (excluding treasury shares of 69,656,896).

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

REPUBLIC SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$102.5	\$75.2
Accounts receivable, less allowance for doubtful accounts and other of \$50.2 and \$38.9, respectively	988.8	930.4
Prepaid expenses and other current assets	236.8	263.4
Deferred tax assets	116.2	122.0
Total current assets	1,444.3	1,391.0
Restricted cash and marketable securities	107.2	115.6
Property and equipment, net	7,553.2	7,165.3
Goodwill	11,128.3	10,830.9
Other intangible assets, net	258.6	298.9
Other assets	300.2	292.3
Total assets	\$20,791.8	\$20,094.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$560.8	\$527.3
Notes payable and current maturities of long-term debt	5.4	10.4
Deferred revenue	316.5	306.3
Accrued landfill and environmental costs, current portion	179.2	164.3
Accrued interest	69.4	67.0
Other accrued liabilities	769.2	750.7
Total current liabilities	1,900.5	1,826.0
Long-term debt, net of current maturities	7,555.6	7,050.8
Accrued landfill and environmental costs, net of current portion	1,676.9	1,677.5
Deferred income taxes	1,133.4	1,149.0
Insurance reserves, net of current portion	281.5	298.0
Other long-term liabilities	441.7	344.9
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; 50 shares authorized; none issued	—	—
Common stock, par value \$0.01 per share; 750 shares authorized; 416.7 and 414.4 issued	4.2	4.1
including shares held in treasury, respectively		
Additional paid-in capital	6,952.3	6,876.9
Retained earnings	3,070.3	2,795.0
Treasury stock, at cost (69.0 and 61.7 shares, respectively)	(2,200.4	) (1,901.8
Accumulated other comprehensive loss, net of tax	(26.6) (28.9
Total Republic Services, Inc. stockholders' equity	7,799.8	7,745.3

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Noncontrolling interests	2.4	2.5
Total stockholders' equity	7,802.2	7,747.8
Total liabilities and stockholders' equity	\$20,791.8	\$20,094.0

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
 (in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue	\$2,344.0	\$2,267.9	\$6,824.8	\$6,574.2
Expenses:				
Cost of operations	1,390.2	1,401.1	4,114.9	4,102.7
Depreciation, amortization and depletion	247.1	235.6	726.3	679.0
Accretion	19.7	19.5	59.2	58.4
Selling, general and administrative	244.1	229.0	719.5	663.8
Negotiation and withdrawal costs - Central States Pension and Other Funds	—	0.3	—	1.8
Restructuring charges	—	—	—	1.8
Operating income	442.9	382.4	1,204.9	1,066.7
Interest expense	(91.8)	(87.0)	(272.0)	(260.8)
Loss on extinguishment of debt	—	—	—	(1.4)
Interest income	0.1	0.1	0.6	0.6
Other (expense) income, net	(0.4)	(0.1)	0.5	1.2
Income before income taxes	350.8	295.4	934.0	806.3
Provision for income taxes	135.6	109.6	356.0	308.9
Net income	215.2	185.8	578.0	497.4
Net income attributable to noncontrolling interests	(0.2)	—	(0.3)	(0.1)
Net income attributable to Republic Services, Inc.	\$215.0	\$185.8	\$577.7	\$497.3
Basic earnings per share attributable to Republic Services, Inc. stockholders:				
Basic earnings per share	\$0.62	\$0.52	\$1.65	\$1.39
Weighted average common shares outstanding	348.9	356.3	351.0	357.4
Diluted earnings per share attributable to Republic Services, Inc. stockholders:				
Diluted earnings per share	\$0.61	\$0.52	\$1.64	\$1.39
Weighted average common and common equivalent shares outstanding	350.3	357.7	352.4	358.8
Cash dividends per common share	\$0.30	\$0.28	\$0.86	\$0.80

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$215.2	\$185.8	\$578.0	\$497.4
Other comprehensive (loss) income, net of tax				
Hedging activity:				
Settlements	(4.6	) 0.2	(11.0	) 1.3
Realized loss (gain) reclassified into earnings	5.0	0.3	12.9	(0.1
Unrealized (loss) gain	(5.3	) (7.2	) 0.5	(6.4
Pension activity:				
Change in funded status of pension plan obligations	—	—	(0.1) —
Other comprehensive (loss) income, net of tax	(4.9	) (6.7	) 2.3	(5.2
Comprehensive income	210.3	179.1	580.3	492.2
Comprehensive income attributable to noncontrolling interests	(0.2	) —	(0.3	) (0.1
Comprehensive income attributable to Republic Services, Inc.	\$210.1	\$179.1	\$580.0	\$492.1

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.

UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in millions)

	Common Stock		Additional Retained		Treasury Stock		Accumulated Other Comprehensive Loss, Net of Tax	Noncontrolling Interests	Total
	Shares	Amount	Paid-In Capital	Earnings	Shares	Amount			
Balance as of December 31, 2014	414.4	\$4.1	\$6,876.9	\$2,795.0	(61.7)	\$(1,901.8)	\$(28.9)	\$ 2.5	\$7,747.8
Net income	—	—	—	577.7	—	—	—	0.3	578.0
Other comprehensive income	—	—	—	—	—	—	2.3	—	2.3
Cash dividends declared	—	—	—	(300.6)	—	—	—	—	(300.6)
Issuances of common stock	2.3	0.1	58.5	—	—	—	—	—	58.6
Stock-based compensation	—	—	16.9	(1.8)	—	—	—	—	15.1
Purchase of common stock for treasury	—	—	—	—	(7.3)	(298.6)	—	—	(298.6)
Distributions paid to noncontrolling interests	—	—	—	—	—	—	—	(0.4)	(0.4)
Balance as of September 30, 2015	416.7	\$4.2	\$6,952.3	\$3,070.3	(69.0)	\$(2,200.4)	\$(26.6)	\$ 2.4	\$7,802.2

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in millions)

	Nine Months Ended September	
	30,	
	2015	2014
Cash provided by operating activities:		
Net income	\$578.0	\$497.4
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, amortization, depletion and accretion	785.5	737.4
Non-cash interest expense	35.2	33.6
Restructuring related charges	—	1.8
Stock-based compensation	15.1	14.2
Deferred tax benefit	(12.3)	(4.7)
Provision for doubtful accounts, net of adjustments	17.3	16.3
Loss on extinguishment of debt	—	1.4
Gain on disposition of assets, net and asset impairments	(1.6)	(4.7)
Environmental adjustments	(1.3)	36.2
Excess income tax benefit from stock-based compensation activity and other non-cash items	(7.0)	(3.3)
Change in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable	(39.8)	(77.8)
Prepaid expenses and other assets	(64.2)	(28.0)
Accounts payable	11.7	(2.3)
Restructuring expenditures	—	(1.0)
Capping, closure and post-closure expenditures	(50.4)	(36.5)
Remediation expenditures	(50.1)	(75.0)
Other liabilities	108.4	(3.4)
Cash provided by operating activities	1,324.5	1,101.6
Cash used in investing activities:		
Purchases of property and equipment	(732.0)	(683.1)
Proceeds from sales of property and equipment	17.1	13.9
Cash used in business acquisitions, net of cash acquired	(535.9)	(73.5)
Change in restricted cash and marketable securities	8.4	36.2
Other	(0.8)	(4.5)
Cash used in investing activities	(1,243.2)	(711.0)
Cash used in financing activities:		
Proceeds from notes payable and long-term debt	895.4	939.8
Proceeds from issuance of senior notes, net of discount	497.9	—
Payments of notes payable and long-term debt	(908.9)	(951.0)
Fees paid to issue senior notes and retire certain hedging relationships	(3.2)	(4.0)
Issuances of common stock	52.3	79.5
Excess income tax benefit from stock-based compensation activity	6.2	3.6
Purchases of common stock for treasury	(293.3)	(277.5)
Cash dividends paid	(295.0)	(279.1)
Distributions paid to noncontrolling interests	(0.4)	(0.4)
Other	(5.0)	(1.8)

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Cash used in financing activities	(54.0) (490.9)
Increase (decrease) in cash and cash equivalents	27.3	(100.3)
Cash and cash equivalents at beginning of year	75.2	213.3	
Cash and cash equivalents at end of period	\$102.5	\$113.0	

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Republic Services, Inc., a Delaware corporation, and its consolidated subsidiaries (referred to collectively as Republic, the Company, we, us, or our), is the second largest provider of non-hazardous solid waste collection, transfer, recycling, disposal and oilfield exploration and production (E&P) waste services in the United States, as measured by revenue. We manage and evaluate our operations through three geographic regions - East, Central and West - which we have identified as our reportable segments.

The unaudited consolidated financial statements include the accounts of Republic and its wholly owned and majority owned subsidiaries in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). We account for investments in entities in which we do not have a controlling financial interest under either the equity method or cost method of accounting, as appropriate. All material intercompany accounts and transactions have been eliminated in consolidation.

We have prepared these unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information related to our organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP has been condensed or omitted. In the opinion of management, these financial statements include all adjustments that, unless otherwise disclosed, are of a normal recurring nature and necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Operating results for interim periods are not necessarily indicative of the results you can expect for a full year. You should read these financial statements in conjunction with our audited consolidated financial statements and notes thereto appearing in our Annual Report on Form 10-K for the year ended December 31, 2014.

For comparative purposes, certain prior year amounts have been reclassified to conform to the current year presentation. All dollar amounts in tabular presentations are in millions, except per share amounts and unless otherwise noted.

Management's Estimates and Assumptions

In preparing our financial statements, we make numerous estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. We must make these estimates and assumptions because certain information we use is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. In preparing our financial statements, the more critical and subjective areas that deal with the greatest amount of uncertainty relate to our accounting for our long-lived assets, including recoverability, landfill development costs, and final capping, closure and post-closure costs; our valuation allowances for accounts receivable and deferred tax assets; our liabilities for potential litigation, claims and assessments; our liabilities for environmental remediation, multiemployer pension plans, employee benefit plans, deferred taxes, uncertain tax positions, and insurance reserves; and our estimates of the fair values of assets acquired and liabilities assumed in any acquisition. Each of these items is discussed in more detail in our description of our significant accounting policies in Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2014. Our actual results may differ significantly from our estimates.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) amended the Accounting Standards Codification and created Topic 606, Revenue from Contracts with Customers, to clarify the principles for recognizing revenue. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB voted to amend the guidance by approving a one-year deferral of the effective date and providing the option to early adopt the standard on the original effective date of 2017. Republic will adopt the standard beginning January 1, 2018. The new standard must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. We are currently assessing the

method of adoption and the potential impact this guidance may have on our consolidated financial statements. In April 2015, the FASB issued Accounting Standards Update 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs, which simplifies the presentation of debt issuance costs. This guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts. The standard is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted for

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financial statements that have not been previously issued. The balance sheet presentation of Republic's debt issuance costs and related debt liabilities will be affected beginning January 1, 2016.

2. BUSINESS ACQUISITIONS

We acquired various waste businesses during the nine months ended September 30, 2015 and 2014. The purchase price paid for these acquisitions and the allocations of the purchase price follow:

	2015	2014
Purchase price:		
Cash used in acquisitions, net of cash acquired	\$535.9	\$73.5
Contingent consideration	75.8	—
Holdbacks	2.6	8.2
Fair value, future minimum lease payments	1.5	—
Fair value, future guaranteed payments	—	6.8
Total	\$615.8	\$88.5
Allocated as follows:		
Accounts receivable	36.1	3.2
Landfill airspace	159.7	26.6
Property and equipment	144.9	21.0
Other assets	1.8	4.7
Accounts payable	(7.1) —
Future service obligations	—	(11.0
Environmental remediation liabilities	(2.8) —
Closure and post-closure liabilities	(11.3	) (3.2
Other liabilities	(9.5	) (2.6
Fair value of tangible assets acquired and liabilities assumed	311.8	38.7
Excess purchase price to be allocated	\$304.0	\$49.8
Excess purchase price allocated as follows:		
Other intangible assets	\$10.1	\$11.2
Goodwill	293.9	38.6
Total allocated	\$304.0	\$49.8

The purchase price allocations are preliminary and are based on information existing at the acquisition dates. Accordingly, the purchase price allocations are subject to change. Substantially all of the goodwill and intangible assets recorded for these acquisitions are deductible for tax purposes. These acquisitions are not material to the Company's results of operations, individually or in the aggregate. As a result, no pro forma financial information is provided.

In April 2015, we entered into a waste management contract with the County of Sonoma, California (Sonoma). Under the agreement, Sonoma grants us the exclusive right to use and operate the county's waste management facilities. We will operate and manage the Sonoma County Landfill for the remaining life of the site, which we estimate to be approximately 30 years. We also have assumed all closure and post-closure obligations for the site. In addition to the landfill, we will operate five transfer stations and a gas-to-energy plant. By entering this agreement, we have effectively obtained control of the business through contract. In exchange, we have agreed to pay a contingent concession fee per ton of waste disposed at the landfill. The potential undiscounted amount of all future contingent payments that we could be required to make under the agreement is estimated to be between approximately \$100 million and \$214 million. The fair value of contingent consideration was estimated by applying the income approach and was recorded as a \$75.3 million liability as of the acquisition date. That measure is based on significant inputs that are not observable in the market. Key assumptions include volume of annual tons disposed at the landfill and discount rates that represent the best estimates of management and are subject to remeasurement at each reporting date. The contingent consideration and purchase price allocation are preliminary and are subject to revision. We expect these final valuations and assessments will be substantially completed in 2015.

In February 2015, we acquired all of the equity interests of Tervita, LLC (Tervita) in exchange for a cash payment of \$479.6 million. Tervita is an environmental solutions provider serving oil and natural gas producers in the United States. Tervita provides E&P waste services to its diverse customer base and operates three types of waste management and disposal facilities: treatment, recovery and disposal facilities, engineered landfills and salt water disposal injection wells. Additionally, Tervita

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

provides closed loop solids control systems and transportation services. Tervita's assets complement Republic's existing E&P waste services business, core competencies and expertise in waste handling, recovery and disposal. We retained an independent third-party appraiser to assist us in our valuations. Based on valuation work performed through September 30, 2015, the carrying value of property and equipment decreased \$12.8 million from the amount recorded as of March 31, 2015. The purchase price allocation is still preliminary and remains subject to revision. Adjustments may be made to the carrying value of the assets acquired and liabilities assumed as additional information is obtained about the facts and circumstances that existed at the valuation date. The preliminary allocation of the purchase price is based on the best estimates of management and is subject to revision based on the final valuations. We expect these final valuations and assessments will be substantially completed in 2015.

In August 2014, we entered into a life-of-site operating agreement for the City of San Angelo Landfill located in Texas, which we have recorded as the acquisition of a business. Previously, we operated the site on behalf of the City of San Angelo under an agreement that expired in July 2014. Consideration transferred included cash of \$10.3 million and future guaranteed payments of \$6.8 million. We assumed future service obligations of \$11.0 million and closure and post-closure obligations of \$3.2 million. We allocated \$26.6 million of purchase price to landfill airspace and no purchase price was allocated to goodwill.

3. GOODWILL AND OTHER INTANGIBLE ASSETS, NET**Goodwill**

A summary of the activity and balances in goodwill accounts by reporting segment follows:

	Balance as of December 31, 2014	Acquisitions	Adjustments to Acquisitions	Balance as of September 30, 2015
East	\$3,046.0	\$8.1	\$(0.4)	\$3,053.7
Central	3,279.0	14.7	(0.4)	3,293.3
West	4,505.9	271.1	4.3	4,781.3
Total	\$10,830.9	\$293.9	\$3.5	\$11,128.3

Adjustments to acquisitions during the nine months ended September 30, 2015 primarily related to working capital and deferred taxes, both of which were recorded to goodwill in purchase accounting.

Other Intangible Assets, Net

Other intangible assets, net, include values assigned to customer relationships, franchise agreements, other municipal agreements, non-compete agreements and trade names, and are amortized over periods ranging from 1 to 21 years. A summary of the activity and balances by intangible asset type follows:

	Gross Intangible Assets		Accumulated Amortization			Other	
	Balance as of December 31, 2014	Acquisitions and Other Additions	Balance as of September 30, 2015	Balance as of December 31, 2014	Additions Charged to Expense	Balance as of September 30, 2015	Intangible Assets, Net as of September 30, 2015
Customer relationships, franchise and other municipal agreements	\$641.2	\$7.4	\$648.6	\$(369.1)	\$(46.4)	\$(415.5)	\$233.1
Non-compete agreements	26.8	2.3	29.1	(18.2)	(2.9)	(21.1)	8.0
Other intangible assets	65.2	0.4	65.6	(47.0)	(1.1)	(48.1)	17.5
Total	\$733.2	\$10.1	\$743.3	\$(434.3)	\$(50.4)	\$(484.7)	\$258.6

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

4. OTHER ASSETS

Prepaid Expenses and Other Current Assets

A summary of prepaid expenses and other current assets as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Inventories	\$37.7	\$35.9
Prepaid expenses	76.6	55.0
Other non-trade receivables	88.9	57.0
Reinsurance receivable	12.9	12.4
Income tax receivable	14.9	101.6
Other current assets	5.8	1.5
Total	\$236.8	\$263.4

Other Assets

A summary of other assets as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Deferred financing costs	\$46.4	\$47.2
Deferred compensation plan	80.0	77.1
Amounts recoverable for capping, closure and post-closure obligations	26.2	24.3
Reinsurance receivable	45.7	48.4
Interest rate swaps	21.5	14.1
Other	80.4	81.2
Total	\$300.2	\$292.3

5. OTHER LIABILITIES

Other Accrued Liabilities

A summary of other accrued liabilities as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Accrued payroll and benefits	\$193.1	\$180.2
Accrued fees and taxes	131.4	125.6
Insurance reserves, current portion	133.1	118.6
Ceded insurance reserves, current portion	12.9	12.4
Accrued dividends	104.3	98.7
Current tax liabilities	30.7	16.3
Fuel hedge liabilities	36.3	35.3
Accrued professional fees and legal settlement reserves	31.0	61.2
Withdrawal liability - Central States Pension and Other Funds	15.9	15.9
Other	80.5	86.5
Total	\$769.2	\$750.7

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Other Long-Term Liabilities

A summary of other long-term liabilities as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Deferred compensation plan	\$81.6	\$76.3
Pension and other post-retirement liabilities	9.8	11.0
Legal settlement reserves	35.9	10.8
Ceded insurance reserves	45.7	48.4
Withdrawal liability - Central States Pension and Other Funds	127.7	139.6
Contingent consideration and acquisition holdbacks	83.3	—
Other	57.7	58.8
Total	\$441.7	\$344.9

Insurance Reserves

Our liabilities for unpaid and incurred but not reported claims as of September 30, 2015 and December 31, 2014 (which include claims for workers' compensation, commercial general and auto liability, and employee-related health care benefits) were \$414.6 million and \$416.6 million, respectively, under our risk management program and are included in other accrued liabilities and insurance reserves, net of current portion, in our consolidated balance sheets. While the ultimate amount of claims incurred depends on future developments, we believe the recorded reserves are adequate to cover the future payment of claims; however, it is possible that these recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in our consolidated statements of income in the periods in which such adjustments are known.

6. LANDFILL AND ENVIRONMENTAL COSTS

As of September 30, 2015, we owned or operated 193 active landfills with total available disposal capacity of approximately 4.8 billion in-place cubic yards. We also have post-closure responsibility for 125 closed landfills.

Accrued Landfill and Environmental Costs

A summary of accrued landfill and environmental liabilities as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Landfill final capping, closure and post-closure liabilities	\$1,188.5	\$1,144.3
Environmental remediation liabilities	667.6	697.5
Total accrued landfill and environmental costs	1,856.1	1,841.8
Less: current portion	(179.2)	(164.3)
Long-term portion	\$1,676.9	\$1,677.5

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Final Capping, Closure and Post-Closure Costs

The following table summarizes the activity in our asset retirement obligation liabilities, which include liabilities for landfill final capping, closure and post-closure, for the nine months ended September 30, 2015 and 2014:

	2015	2014
Asset retirement obligation liabilities, beginning of year	\$1,144.3	\$1,091.3
Non-cash additions	29.9	29.1
Acquisitions and other adjustments	11.4	3.7
Asset retirement obligation adjustments	(5.9	) (17.7
Payments	(50.4	) (36.5
Accretion expense	59.2	58.4
Asset retirement obligation liabilities, end of period	1,188.5	1,128.3
Less: current portion	(103.1	) (90.1
Long-term portion	\$1,085.4	\$1,038.2

We review annually, in the fourth quarter, and update as necessary, our estimates of asset retirement obligation liabilities. However, if there are significant changes in the facts and circumstances related to a site during the year, we will update our assumptions prospectively in the period that we know all the relevant facts and circumstances and make adjustments as appropriate.

The fair value of assets that are legally restricted for purposes of settling final capping, closure and post-closure liabilities was \$27.2 million and \$26.7 million as of September 30, 2015 and December 31, 2014, respectively, and is included in restricted cash and marketable securities in our consolidated balance sheets.

Landfill Operating Expenses

In the normal course of business, we incur various operating costs associated with environmental compliance. These costs include, among other things, leachate treatment and disposal, methane gas and groundwater monitoring, systems maintenance, interim cap maintenance, costs associated with the application of daily cover materials, and the legal and administrative costs of ongoing environmental compliance. These costs are expensed as cost of operations in the periods in which they are incurred.

Environmental Remediation Liabilities

We accrue for remediation costs when they become probable and can be reasonably estimated. There can sometimes be a range of reasonable estimates of the costs associated with remediation of a site. In these cases, we use the amount within the range that constitutes our best estimate. If no amount within the range appears to be a better estimate than any other, we use the amount that is at the low end of the range. It is reasonably possible that we will need to adjust the liabilities recorded for remediation to reflect the effects of new or additional information, to the extent such information impacts the costs, timing or duration of the required actions. If we used the reasonably possible high ends of our ranges, our aggregate potential remediation liability as of September 30, 2015 would be approximately \$360 million higher than the amount recorded. Future changes in our estimates of the cost, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The following table summarizes the activity in our environmental remediation liabilities for the nine months ended September 30, 2015 and 2014:

	2015	2014
Environmental remediation liabilities, beginning of year	\$697.5	\$551.7
Net additions (credited) charged to expense	(1.3	) 36.2
Payments	(50.1	) (75.0
Accretion expense (non-cash interest expense)	18.7	19.0
Acquisitions	2.8	—
Environmental remediation liabilities, end of period	667.6	531.9
Less: current portion	(76.1	) (74.8
Long-term portion	\$591.5	\$457.1

The following is a discussion of certain of our significant remediation matters:

Bridgeton Landfill. During the nine months ended September 30, 2015, we paid \$22.5 million related to management and monitoring of the remediation area for our closed Bridgeton Landfill in Missouri. We continue to work with state and federal regulatory agencies on our remediation efforts. From time to time, this may require us to modify our future operating timeline and procedures, which could result in changes to our expected liability. As of September 30, 2015, the remediation liability recorded for this site is \$217.8 million, of which \$7.5 million is expected to be paid during the remainder of 2015. We believe the remaining reasonably possible high end of our range would be approximately \$160 million higher than the amount recorded as of September 30, 2015.

In September 2015, we entered into an agreement with respect to an insurance recovery of \$50.0 million related to our Bridgeton Landfill. As such, we recorded a reduction of remediation expenses included in our cost of operations for the three and nine months ended September 30, 2015. In October 2015, we collected the proceeds from the insurance recovery.

Congress Landfill. In August 2010, Congress Development Co. agreed with the State of Illinois to have a Final Consent Order (Final Order) entered by the Circuit Court of Illinois, Cook County. Pursuant to the Final Order, we have agreed to continue to implement remedial activities at the Congress Landfill. The remediation liability recorded as of September 30, 2015 is \$86.5 million, of which \$2.4 million is expected to be paid during the remainder of 2015. We believe the remaining reasonably possible high end of our range would be approximately \$70 million higher than the amount recorded as of September 30, 2015.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. DEBT

The carrying value of our notes payable, capital leases and long-term debt as of September 30, 2015 and December 31, 2014 is listed in the following table, and is adjusted for the fair value of interest rate swaps, unamortized discounts and the unamortized portion of adjustments to fair value recorded in purchase accounting. Original issue discounts and adjustments to fair value recorded in purchase accounting are amortized to interest expense over the term of the applicable instrument using the effective interest method.

Maturity	Interest Rate	September 30, 2015			December 31, 2014		
		Principal	Adjustments	Carrying Value	Principal	Adjustments	Carrying Value
Credit facilities:							
Uncommitted Credit Facility	Variable	\$—	\$—	\$—	\$—	\$—	\$—
Puerto Rico Uncommitted Facility	Variable	—	—	—	—	—	—
May 2017	Variable	—	—	—	—	—	—
June 2019	Variable	—	—	—	—	—	—
Senior notes:							
May 2018	3.800	700.0	(0.1)	699.9	700.0	(0.1)	699.9
September 2019	5.500	650.0	(2.1)	647.9	650.0	(2.5)	647.5
March 2020	5.000	850.0	(0.1)	849.9	850.0	(0.1)	849.9
November 2021	5.250	600.0	—	600.0	600.0	—	600.0
June 2022	3.550	850.0	(1.6)	848.4	850.0	(1.8)	848.2
May 2023	4.750	550.0	17.9	567.9	550.0	11.5	561.5
March 2025	3.200	500.0	(2.0)	498.0	—	—	—
March 2035	6.086	275.7	(23.5)	252.2	275.7	(23.9)	251.8
March 2040	6.200	650.0	(0.5)	649.5	650.0	(0.5)	649.5
May 2041	5.700	600.0	(3.2)	596.8	600.0	(3.2)	596.8
Debentures:							
May 2021	9.250	35.3	(1.4)	33.9	35.3	(1.6)	33.7
September 2035	7.400	165.2	(40.0)	125.2	165.3	(40.5)	124.8
Tax-exempt:							
2019 - 2044	0.430 - 5.625	1,079.1	—	1,079.1	1,083.8	—	1,083.8
Other:							
2015 - 2046	4.000 - 12.203	112.3	—	112.3	113.8	—	113.8