UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): June 3, 2016 (June 3, 2016)

Republic Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**1-14267**	**65-0716904**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

18500 North Allied Way	
Phoenix, Arizona	**85054**
(Address of principal executive offices)	(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 8.01 Other Events.

In January 2016, Republic Services, Inc. (the “Company,” “we,” “us” or “our”) realigned our field support functions by combining our regions into two field groups, consolidating our areas and streamlining select operational support roles at our Phoenix headquarters. Following our restructuring, our senior management now evaluates, oversees and manages the financial performance of our operations through two field groups, referred to as Group 1 and Group 2. As a result of the change in our reportable segments, we revised certain notes to our audited consolidated financial statements as well as the related discussion and presentation in *Management's Discussion and Analysis of Financial Condition and Results of Operations* appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

In the first quarter of 2016, we adopted Accounting Standards Update 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs, on a retrospective basis. The standard simplifies the presentation of debt issuance costs and 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. As a result of the adoption of the standard, we revised our balance sheet presentation and certain notes to our audited consolidated financial statements appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

The Company's revised Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and revised Item 8. *Financial Statements and Supplementary Data* to our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, are incorporated herein by reference as Exhibit 99.1 and Exhibit 99.2, respectively.

For the noted revisions, refer to our "Recent Developments," “Reportable Segments,” "Financial Condition," and "Critical Accounting Judgments and Estimates" sections of the *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Exhibit 99.1, and Note 1, *Basis of Presentation,* Note 2, *Summary of Significant Accounting Policies,* Note 5, *Goodwill and Other Intangible Assets, Net*, Note 6, *Other Assets*, Note 9, *Debt*, Note 14, *Segment Reporting,* and Note 16, *Financial Instruments* in Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP
99.1	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
99.2	Item 8. Financial Statements and Supplementary Data
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Republic Services, Inc.

Date: June 3, 2016

By: /s/ Charles F. Serianni

Charles F. Serianni
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Brian A. Goebel

Brian A. Goebel
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

Form S-8	No. 333-78125	Republic Services, Inc. 1998 Stock Incentive Plan
Form S-8	No. 333-104048	Republic Services, Inc. Amended and Restated 1998 Stock Incentive Plan
Form S-8	No. 333-150943	Republic Services, Inc. 2007 Stock Incentive Plan
Form S-8	No. 333-156070	Republic Services, Inc. 2006 Incentive Stock Plan (f/k/a Allied Waste Industries, Inc. 2006 Incentive Stock Plan) and Republic Services, Inc. 2005 Non-Employee Director Equity Compensation Plan (f/k/a Allied Waste Industries, Inc. 2005 Non-Employee Director Equity Compensation Plan)
Form S-8	No. 333-159779	Republic Services, Inc. 2009 Employee Stock Purchase Plan
Form S-8	No. 333-170174	Republic Services, Inc. Deferred Compensation Plan
Form S-8	No. 333-175879	Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan
Form S-3	No. 333-195485	Registration Statement

of our report dated February 11, 2016 (except Note 1, Note 2, Note 5, Note 6, Note 9, Note 14 and Note 16, as to which the date is June 3, 2016), with respect to the consolidated financial statements of Republic Services, Inc. and our report dated February 11, 2016, with respect to the effectiveness of internal control over financial reporting of Republic Services, Inc., included in this Current Report on Form 8-K.

/s/ Ernst & Young LLP

Phoenix, Arizona
June 3, 2016

Exhibit 99.1

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our audited consolidated financial statements and the notes thereto included elsewhere in this Form 8-K. This discussion may contain forward-looking statements that anticipate results that are subject to uncertainty. We discuss in more detail various factors that could cause actual results to differ from expectations in Item 1A, Risk Factors in our Form 10-K.

Overview

Republic is the second largest provider of services in the domestic non-hazardous solid waste industry, as measured by revenue. As of December 31, 2015, we operated in 41 states and Puerto Rico through 340 collection operations, 201 transfer stations, 193 active landfills, 67 recycling centers, 8 treatment, recovery and disposal facilities, and 12 salt water disposal wells. We also operated 69 landfill gas and renewable energy projects and had post-closure responsibility for 126 closed landfills.

Revenue for the year ended December 31, 2015 increased by 3.5% to $9,115.0 million compared to $8,803.3 million in 2014. This change in revenue is due to increases in average yield of 2.3%, volume of 1.1%, and acquisitions, net of divestitures of 2.2%, partially offset by decreases in fuel recovery fees of 1.4% and recycled commodities of 0.7%.

The following table summarizes our revenue, costs and expenses for the years ended December 31, 2015, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	2015		2014		2013	
Revenue	$ 9,115.0	100.0%	$ 8,803.3	100.0%	$ 8,417.2	100.0%
Expenses:						
Cost of operations	5,518.6	60.5	5,643.1	64.1	5,234.7	62.2
Depreciation, amortization and depletion of property and equipment	898.7	9.9	838.5	9.5	806.7	9.6
Amortization of other intangible assets and other assets	71.9	0.8	68.4	0.8	70.7	0.8
Accretion	79.4	0.9	78.0	0.9	76.6	0.9
Selling, general and administrative	983.1	10.8	918.9	10.4	853.8	10.1
Negotiation and withdrawal costs - Central States Pension and Other Funds	4.5	—	1.5	—	157.7	1.9
Loss (gain) on disposition of assets and impairments, net	—	—	20.0	0.3	(1.9)	—
Restructuring charges	—	—	1.8	—	8.6	0.1
Operating income	$ 1,558.8	17.1%	$ 1,233.1	14.0%	$ 1,210.3	14.4%

Our pre-tax income was $1,195.9 million, $885.3 million and $851.2 million for 2015, 2014 and 2013, respectively. Our net income attributable to Republic Services, Inc. was $749.9 million, or $2.13 per diluted share for 2015, compared to $547.6 million, or $1.53 per diluted share, for 2014, and $588.9 million, or $1.62 per diluted share, for 2013.

During each of 2015, 2014 and 2013, we recorded a number of charges, other expenses and benefits that impacted our pre-tax income, net income attributable to Republic Services, Inc. (net income – Republic) and diluted earnings per share as noted in the following table (in millions, except per share data). Additionally, see our "*Cost of Operations*," "*Selling, General and Administrative Expenses*" and "*Income Taxes*" discussions contained in the Results of Operations section of this Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of other items that impacted our earnings.

	Year Ended December 31, 2015			Year Ended December 31, 2014			Year Ended December 31, 2013		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	$ 1,195.9	$ 749.9	$ 2.13	$ 885.3	$ 547.6	$ 1.53	$ 851.2	$ 588.9	$ 1.62
Bridgeton (insurance recovery) / remediation charge and other	(50.0)	(30.3)	(0.08)	227.1	137.6	0.38	108.7	65.6	0.18
Negotiation and withdrawal costs - Central States Pension and Other Funds(1)	4.5	2.7	0.01	1.5	0.9	0.00	157.7	98.3	0.27
Restructuring charges(1)	—	—	—	1.8	1.0	0.00	8.6	5.6	0.02
Loss on extinguishment of debt(1)	—	—	—	1.4	0.9	0.00	2.1	1.3	—
Loss (gain) on disposition of assets and impairments, net	—	—	—	20.0	12.6	0.04	(1.9)	(0.9)	—
Tax valuation allowance adjustment	—	—	—	—	—	—	—	(43.5)	(0.12)
Total adjustments	(45.5)	(27.6)	(0.07)	251.8	153.0	0.43	275.2	126.4	0.35
As adjusted	$ 1,150.4	$ 722.3	$ 2.06	$ 1,137.1	$ 700.6	$ 1.96	$ 1,126.4	$ 715.3	$ 1.97

(1) The aggregate impact of the noted items to adjusted diluted earnings per share totals to $0.01 for the year ended December 31, 2014.

We believe that presenting adjusted pre-tax income, adjusted net income – Republic, and adjusted diluted earnings per share, which are not measures determined in accordance with accounting principles generally accepted in the United States (U.S. GAAP), provides an understanding of operational activities before the financial impact of certain items. We use these measures, and believe investors will find them helpful, in understanding the ongoing performance of our operations separate from items that have a disproportionate impact on our results for a particular period. We have incurred comparable charges and costs and have recorded similar recoveries in prior periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. In the case of the Bridgeton remediation charges and insurance recovery, we are adjusting such amounts due to their significant effect on our operating results; however, in the ordinary course of our business, we often incur remediation charges and recoveries that we do not adjust from our operating results. Our definition of adjusted pre-tax income, adjusted net income – Republic, and adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies.

Bridgeton (insurance recovery) / remediation charge and other. During 2015, we collected an insurance recovery of $50.0 million related to our closed Bridgeton Landfill in Missouri. As such, we recorded a reduction of remediation expenses included in our cost of operations. During 2014, we updated our cost and timeline estimates to build and operate a leachate management facility and related infrastructure, manage the remediation area and monitor the site. Accordingly, we recorded environmental remediation charges of $210.6 million. Additionally, we recorded certain remediation charges for the superfund site and ongoing litigation costs. During 2013, we recorded environmental remediation charges in the amount of $108.7 million to manage the remediation area and monitor the site.

Negotiation and withdrawal costs - Central States Pension and Other Funds. During 2015, we recorded charges to earnings of $4.1 million for withdrawal events at the multiemployer pension plan to which we contribute related to our operations in Puerto Rico, as well as $0.4 million of legal charges. During 2014, we recorded charges to earnings of $1.5 million, primarily related to costs associated with our 2013 withdrawal from the Central States, Southeast and Southwest Areas Pension Fund (the Fund). During 2013, we recorded charges to earnings of $157.7 million primarily related to our negotiation and withdrawal liability from the Fund.

Restructuring charges. During the fourth quarter of 2012, we announced a restructuring of our field and corporate operations to create a more efficient and competitive company. These changes included consolidating our field regions from four to three and our areas from 28 to 20, relocating office space, and reducing administrative staffing levels. During 2014, we incurred costs of $1.8 million due to a change in estimate of amounts recoverable from sublet income associated with abandoned office space with non-cancellable lease terms. During 2013, we incurred $8.6 million of restructuring charges, which consisted of severance and other employee termination benefits, relocation benefits, and the closure of offices with lease agreements with non-cancelable terms. For a detailed discussion of our 2016 restructuring, see our "*Recent Developments*" discussion contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Loss on extinguishment of debt. We refinanced our credit facilities and certain of our tax-exempt financings in 2014, resulting in non-cash charges for deferred issuance costs of $1.4 million. During 2013, we refinanced certain of our tax-exempt financings that resulted in a $2.1 million non-cash charge for deferred issuance costs. For a more detailed discussion of the components of these costs and the debt series to which they relate, see our "*Loss on Extinguishment of Debt*" discussion contained in the Results of Operations section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Loss (gain) on disposition of assets and impairments, net. During 2014, we recorded a charge to earnings of $20.0 million primarily related to costs associated with one of our divested landfills, of which $14.1 million is related to closure and post-closure costs and $5.9 million is related to remediation expenditures. During 2013, we recorded a net gain on disposition of assets of and impairments related to a divestiture of $1.9 million. For a more detailed discussion of the components of this, see our "*Loss (gain) on Disposition of Assets and Impairments, Net*" discussion contained in the Results of Operations section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Tax valuation allowance adjustment. During the fourth quarter of 2013, we reduced our valuation allowance related to certain deferred tax assets for state net operating loss carryforwards due to our determination that it is more likely than not that a portion of these carryforwards would be utilized in future years.

Recent Developments

2016 Financial Guidance

In 2016, we will continue to focus on managing the controllable aspects of our business by enhancing the quality of our revenue, investing in profitable growth opportunities and reducing costs. Our team remains focused on executing our strategy to deliver consistent earnings and free cash flow growth, and improve return on invested capital. We are committed to an efficient capital structure, maintaining our investment grade credit ratings and increasing cash returns to our shareholders.

Our guidance is based on current economic conditions and does not assume any significant changes in the overall economy in 2016. Specific guidance follows:

Revenue

We expect 2016 revenue to increase by approximately 2.5% to 3.0% comprised of the following:

	Increase (Decrease)
Average yield	2.0%
Volume	0.5 to 1.0
Energy services	—
Fuel recovery fees	(1.0)
Recycled commodities	—
Acquisitions	1.0
Total change	2.5 to 3.0%

Changes in price are restricted on approximately 50% of our annual service revenue. Of these restricted pricing arrangements:

- approximately 60% of the revenue has price changes based on fluctuations in a specific index (primarily the consumer price index) as defined in the contract;
- approximately 20% of the revenue has fixed price increases based on stated contract terms; and
- approximately 20% of the revenue has price changes based on a cost plus a specific profit margin or other measurement.

The consumer price index varies from a single historical stated period of time or an average of trailing historical rates over a stated period of time. In addition, the initial impact of pricing resets typically lags 6 to 12 months from the end of the index measurement period to the date the revised pricing goes into effect. As a result, current changes in a specific index may not manifest themselves in our reported pricing for several quarters into the future.

Adjusted Diluted Earnings per Share

The following is a summary of anticipated adjusted diluted earnings per share for the year ending December 31, 2016 compared to the actual adjusted diluted earnings per share for the year ended December 31, 2015. Adjusted diluted earnings per share is not a measure determined in accordance with U.S. GAAP:

	(Anticipated) Year Ending December 31, 2016	(Actual) Year Ended December 31, 2015
Diluted earnings per share	$ 2.07 - 2.11	$ 2.13
Restructuring charges	0.06	—
Bridgeton insurance recovery	—	(0.08)
Withdrawal costs - Other Funds	—	0.01
Adjusted diluted earnings per share	$ 2.13 - 2.17	$ 2.06

The 2016 anticipated adjusted diluted earnings per share assumes an effective tax rate of approximately 39.5%.

We believe that the presentation of adjusted diluted earnings per share, which excludes restructuring charges, Bridgeton insurance recovery, and withdrawal costs - Other Funds, provides an understanding of operational activities before the financial impact of certain items. We use this measure, and believe investors will find it helpful, in understanding the ongoing performance of our operations separate from items that have a disproportionate impact on our results for a particular period. We have incurred comparable charges and costs and have recorded similar recoveries in prior periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. Our definition of adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies.

Property and Equipment, Net

In 2016, we anticipate receiving approximately $900 million of property and equipment, net of proceeds from sales of property and equipment, as follows:

Trucks and equipment	$ 339
Landfill	327
Containers	135
Facilities and other	114
Property and equipment received during 2016	915
Proceeds from sales of property and equipment	(15)
Property and equipment received, net of proceeds, during 2016	$ 900

Restructuring

In January 2016, we realigned our field support functions by eliminating our three region offices and creating two field groups, consolidating and reducing the number of area offices, and streamlining select operational support roles at our Phoenix headquarters. We expect to reduce administrative staffing levels, relocate office space and close certain office locations. As such, we will incur restructuring charges of approximately $25 million primarily for severance benefits, transition costs and lease termination costs. Substantially all of these charges will be recorded in our corporate segment, and we expect the majority of the charges to be incurred in the first half of 2016. We expect the savings realized from these restructuring efforts will be re-invested in our customer-focused programs and other initiatives we recently launched.

Additionally, as part of these customer initiatives, we also will be consolidating our call center operations. Over the next two years, we will consolidate over 100 customer service locations into three Customer Resource Centers. The new state-of-the-art facilities and the technology deployed will provide our customer service employees with the tools and capabilities they need to provide better service to customers across a myriad of touch points, including voice, email, text, social channels and live chat. We expect severance and other restructuring related charges may approximate $10 million over the consolidation period.

Results of Operations

Revenue

We generate revenue primarily from our solid waste collection operations. Our remaining revenue is from other services, including transfer station, landfill disposal, recycling, and energy services. Our residential and small-container commercial collection operations in some markets are based on long-term contracts with municipalities. Certain of our municipal contracts have annual price escalation clauses that are tied to changes in an underlying base index such as the consumer price index. We generally provide small-container commercial and large-container industrial collection services to customers under contracts with terms up to three years. Our transfer stations, landfills and, to a lesser extent, our recycling facilities generate revenue from disposal or tipping fees charged to third parties. In general, we integrate our recycling operations with our collection operations and obtain revenue from the sale of recycled commodities. Our revenue from energy services consists mainly of fees we charge for the treatment of liquid and solid waste derived from the production of oil and natural gas, as well as waste generated by coal-fired power plants. Other non-core revenue consists primarily of revenue from National Accounts, which represents the portion of revenue generated from nationwide contracts in markets outside our operating areas where the associated waste handling services are subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

The following table reflects our revenue by service line for the years ended December 31, 2015, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	2015		2014		2013	
Collection:						
Residential	$ 2,242.3	24.6%	$ 2,193.6	24.9%	$ 2,175.5	25.8%
Small-container commercial	2,799.9	30.7	2,723.3	30.9	2,616.9	31.1
Large-container industrial	1,890.2	20.7	1,784.0	20.3	1,639.4	19.5
Other	39.8	0.4	37.2	0.4	34.7	0.4
Total collection	6,972.2	76.4	6,738.1	76.5	6,466.5	76.8
Transfer	1,112.7		1,062.6		1,021.8	
Less: intercompany	(682.3)		(654.4)		(615.2)	
Transfer, net	430.4	4.7	408.2	4.6	406.6	4.8
Landfill	2,036.4		1,975.8		1,923.0	
Less: intercompany	(951.9)		(928.1)		(902.2)	
Landfill, net	1,084.5	11.9	1,047.7	11.9	1,020.8	12.1
Energy services	95.8	1.1	38.7	0.5	4.2	0.1
Other:						
Sale of recycled commodities	372.0	4.1	405.8	4.6	374.6	4.5
Other non-core	160.1	1.8	164.8	1.9	144.5	1.7
Total other	532.1	5.9	570.6	6.5	519.1	6.2
Total revenue	$ 9,115.0	100.0%	$ 8,803.3	100.0%	$ 8,417.2	100.0%

The following table reflects changes in components of our revenue, as a percentage of total revenue, for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Average yield	2.3 %	1.4%	1.3%
Fuel recovery fees	(1.4)	0.1	0.3
Total price	0.9	1.5	1.6
Volume	1.1	2.0	1.3
Recycled commodities	(0.7)	0.1	0.3
Total internal growth	1.3	3.6	3.2
Acquisitions / divestitures, net	2.2	0.8	0.5
Total	3.5 %	4.4%	3.7%
Core price	3.6 %	3.1%	3.3%

Average yield is defined as revenue growth from the change in average price per unit of service, expressed as a percentage. Core price is defined as price increases to our customers and fees, excluding fuel recovery, net of price decreases to retain customers. We also measure changes in average yield and core price as a percentage of related-business revenue, defined as total revenue excluding recycled commodities and fuel recovery fees, to determine the effectiveness of our pricing strategies. Average yield as a percentage of related-business revenue was 2.6%, 1.5%, and 1.4% for 2015, 2014 and 2013, respectively. Core price as a percentage of related-business revenue was 4.0%, 3.4%, and 3.6% for 2015, 2014 and 2013, respectively.

Revenue – 2015 compared to 2014

During 2015, we experienced the following changes in our revenue as compared to 2014:

- Average yield increased revenue by 2.3% due to positive pricing in all lines of business.
- The fuel recovery fee program, which mitigates our exposure to increases in fuel prices, decreased revenue by 1.4%. These fees fluctuate with the price of fuel and, consequently, any decrease in fuel prices results in a decrease in our revenue. Lower fuel recovery fees for 2015 resulted primarily from the decrease in fuel prices.
- Volume increased revenue by 1.1% due to volume growth in all lines of business. The volume increase in our landfill line of business is primarily attributable to increased municipal solid waste and construction and demolition volumes, partially offset by a decline in energy services volumes.
- Recycled commodities decreased revenue by 0.7% primarily due to lower commodity prices, partially offset by an increase in production volumes. The average price for old corrugated cardboard for 2015 was $103 per ton compared to $116 per ton for 2014. The average price of old newspaper for 2015 was $80 per ton compared to $89 per ton for 2014. Our processed recycled commodity volume for 2015 of 2.5 million tons sold was approximately 11% higher than the volume in 2014, primarily due to acquisitions of recycling facilities.

  Changing market demand for recycled commodities causes volatility in commodity prices. At current volumes and mix of materials, we believe a $10 per ton change in the price of recycled commodities will change annual revenue and operating income by approximately $27 million and $18 million, respectively.
- Acquisitions increased revenue by 2.2% primarily due to the acquisitions of Rainbow Disposal Co., Inc. in October 2014, Tervita, LLC (Tervita) in February 2015, and our waste management contract with the County of Sonoma, California that was executed in April 2015.

Revenue – 2014 compared to 2013

During 2014, we experienced the following changes in our revenue as compared to 2013:

- Average yield increased revenue by 1.4% due to positive pricing in all lines of business.
- The fuel recovery fee program generated 0.1% of the total revenue growth. Higher fuel recovery fees for 2014 resulted primarily from an increase in the fuel recovery rates charged.
- Volume increased revenue by 2.0% primarily due to volume increases in our large-container industrial and small-container commercial collection and landfill lines of business due to improving business activity and new National

Accounts contracts, partially offset by declines in our residential collection and transfer station lines of business. Volume increases in our landfill line of business were primarily attributable to increased special waste volumes.

- Recycled commodities increased revenue by 0.1% primarily due to the mix of materials and increased production volumes, offset by lower commodity prices. The average price for old corrugated cardboard for 2014 was $116 per ton compared to $128 per ton for 2013. The average price of old newspaper for 2014 was $89 per ton compared to $93 per ton for 2013. Our recycled commodity volume for 2014 of 2.3 million tons sold was approximately 4% higher than the volume in 2013 as a result of our continued investment in recycling centers along with increases in brokering of recycled commodity volumes on behalf of our National Accounts customers.

Cost of Operations

Cost of operations includes labor and related benefits, which consists of salaries and wages, health and welfare benefits, incentive compensation and payroll taxes. It also includes transfer and disposal costs representing tipping fees paid to third party disposal facilities and transfer stations; maintenance and repairs relating to our vehicles, equipment and containers, including related labor and benefit costs; transportation and subcontractor costs, which include costs for independent haulers that transport our waste to disposal facilities and costs for local operators who provide waste handling services associated with our National Accounts in markets outside our standard operating areas; fuel, which includes the direct cost of fuel used by our vehicles, net of fuel tax credits; disposal franchise fees and taxes, consisting of landfill taxes, municipal franchise fees, host community fees and royalties; landfill operating costs, which includes financial assurance, leachate disposal, remediation charges and other landfill maintenance costs; risk management costs, which includes casualty insurance premiums and claims; cost of goods sold, which includes material costs paid to suppliers associated with recycled commodities; and other, which includes expenses such as facility operating costs, equipment rent and gains or losses on sale of assets used in our operations.

The following table summarizes the major components of our cost of operations for the years ended December 31, 2015, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	2015		2014		2013	
Labor and related benefits	$ 1,848.9	20.3 %	$ 1,724.1	19.6%	$ 1,651.6	19.6%
Transfer and disposal costs	724.4	7.9	685.3	7.8	637.0	7.6
Maintenance and repairs	853.3	9.3	786.7	8.9	736.0	8.7
Transportation and subcontract costs	510.7	5.6	500.0	5.7	469.1	5.6
Fuel	362.4	4.0	500.0	5.7	516.7	6.1
Franchise fees and taxes	443.6	4.9	427.7	4.9	412.5	4.9
Landfill operating costs	151.5	1.7	145.1	1.6	116.4	1.4
Risk management	167.7	1.8	179.4	2.0	158.7	1.9
Cost of goods sold	168.0	1.8	170.9	1.9	132.8	1.6
Other	338.1	3.7	306.8	3.5	295.2	3.5
Subtotal	5,568.6	61.0	5,426.0	61.6	5,126.0	60.9
Bridgeton (insurance recovery) / remediation charge	(50.0)	(0.5)	217.1	2.5	108.7	1.3
Total cost of operations	$ 5,518.6	60.5 %	$ 5,643.1	64.1%	$ 5,234.7	62.2%

These cost categories may change from time to time and may not be comparable to similarly titled categories used by other companies. As such, you should take care when comparing our cost of operations by cost component to that of other companies.

Cost of Operations - 2015 compared to 2014

Excluding the impact of the Bridgeton insurance recovery, our cost of operations increased for 2015 compared to 2014, primarily as a result of the following:

- Labor and related benefits increased due to increased hourly and salaried wages as a result of merit increases, increased headcount, higher collection volumes and acquisitions. Additionally, there was an increase in health care costs.
- Transfer and disposal costs increased primarily due to higher collection volumes. During both 2015 and 2014, approximately 68% of the total waste volume we collected was disposed at landfill sites that we own or operate (internalization).

- Maintenance and repairs expense increased due to higher collection volumes, cost of parts, internal labor, third party truck repairs, vehicle complexity and costs associated with our fleet maintenance initiative.
- Our fuel costs decreased due to lower prices of diesel fuel, our continued conversion to lower cost compressed natural gas (CNG), and higher alternative fuel tax credits recognized in 2015. The national average fuel cost per gallon for 2015 was $2.71 compared to $3.83 for 2014, a decrease of $1.12 or approximately 29%.

  At current consumption levels, we believe a twenty-cent per gallon change in the price of diesel fuel would change our fuel costs by approximately $22 million per year. Offsetting these changes in fuel expense would be changes in our fuel recovery fee charged to our customers. At current participation rates, we believe a twenty-cent per gallon change in the price of diesel fuel changes our fuel recovery fee by approximately $22 million per year.
- Franchise fees and taxes increased primarily due to changes in the relative mix of landfill volumes.
- Risk management expenses decreased primarily due to favorable actuarial developments in our workers' compensation program, partially offset by unfavorable developments in our vehicle liability insurance program.
- Other expenses increased primarily due to higher facility operating costs, including outside facility maintenance repairs, a lower net gain on sale of operating assets, and property taxes.
- During 2015, we collected an insurance recovery of $50.0 million related to our closed Bridgeton Landfill in Missouri. As such, we recorded a reduction of remediation expenses. During 2014, we updated our cost and timeline estimates to build and operate a leachate management facility and related infrastructure, manage the remediation area and monitor our Bridgeton Landfill. Accordingly, we recorded environmental remediation charges of $210.6 million. Additionally, we recorded certain remediation charges for the adjacent superfund site.

Cost of Operations – 2014 compared to 2013

Our cost of operations increased for 2014 compared to 2013, primarily as a result of the following:

- Labor and related benefits increased due to increased hourly and salaried wages as a result of merit increases and higher collection volumes. The Central and East Regions experienced unfavorable weather conditions during the first quarter of 2014, which contributed to increases in labor expense, resulting from lower labor productivity.
- Transfer and disposal costs increased primarily due to higher collection volumes. During both 2014 and 2013, approximately 68% of the total waste volume we collected was disposed at landfill sites that we own or operate (internalization).
- Maintenance and repairs expense increased due to higher collection volume, cost of parts, internal labor, third party truck repairs, vehicle complexity and costs associated with our fleet maintenance initiative.
- Transportation and subcontract costs increased primarily due to new National Accounts contracts and subcontracted work resulting from growth in landfill special waste volume.
- Our fuel costs decreased due to our continued conversion to lower cost CNG, lower prices of diesel fuel, and higher alternative fuel tax credits recognized in 2014. The national average fuel cost per gallon for 2014 was $3.83 compared to $3.92 for 2013, a decrease of $0.09 or approximately 2%.
- Franchise fees and taxes increased due primarily to volume increases in our landfill line of business.
- Landfill operating expenses increased due to volume increases in our landfill line of business. Additionally, during 2013, we recorded favorable remediation adjustments of $17.1 million, of which $15.0 million relates to changes in the estimated timing of payments for our remediation obligations, which did not recur in 2014.
- Risk management expenses increased primarily due to unfavorable actuarial developments in our vehicle liability program in 2014, compared to favorable actuarial developments in our workers' compensation, vehicle liability and general liability insurance programs in 2013. During 2014, we continued to see favorable developments in our workers' compensation program.
- Cost of goods sold relates to rebates paid for volumes delivered to our recycling facilities. Cost of goods sold increased primarily due to an increase in brokering and production of recycled commodity volumes.
- Other expenses increased primarily due to higher facility operating costs, including property taxes related to infrastructure investments. Other expenses also increased due to higher utility costs associated with the unfavorable weather conditions experienced in our Central and East Regions during the first quarter of 2014, as well as $4.8 million of 2012 alternative fuel tax credits recognized during the first quarter of 2013, that did not recur in 2014.

- During 2014, we updated our cost and timeline estimates to build and operate a leachate management facility and related infrastructure, manage the remediation area and monitor our Bridgeton Landfill. Accordingly, we recorded environmental remediation charges of $210.6 million. Additionally, we recorded certain remediation charges for the adjacent superfund site. During 2013, we recorded environmental remediation charges in the amount of $108.7 million to manage the remediation area and monitor the site.

Depreciation, Amortization and Depletion of Property and Equipment

The following table summarizes depreciation, amortization and depletion of property and equipment for the years ended December 31, 2015, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	2015		2014		2013	
Depreciation and amortization of property and equipment	$ 613.4	6.8%	$ 575.5	6.5%	$ 544.8	6.5%
Landfill depletion and amortization	285.3	3.1	263.0	3.0	261.9	3.1
Depreciation, amortization and depletion expense	$ 898.7	9.9%	$ 838.5	9.5%	$ 806.7	9.6%

Depreciation, Amortization and Depletion of Property and Equipment - 2015 compared to 2014

Depreciation and amortization of property and equipment increased primarily due to higher acquisition costs of replacement vehicles, increased trucks to support volume growth, additional assets acquired with our acquisitions, and an increased number of CNG vehicles in our fleet, which are more expensive to purchase than diesel vehicles. In addition, we made increased investments in new and upgraded recycling infrastructure projects that became operational over the past several quarters.

Landfill depletion and amortization expense increased primarily due to increased landfill disposal volumes and an overall increase in our average depletion rate. Additionally, during 2015, we recorded favorable amortization adjustments of $0.7 million relative to asset retirement obligations, compared to favorable amortization adjustments of $13.3 million during 2014.

Depreciation, Amortization and Depletion of Property and Equipment - 2014 compared to 2013

Depreciation and amortization of property and equipment increased primarily due to higher acquisition costs of replacement vehicles and an increased number of CNG vehicles in our fleet. In addition, we made increased investments in new and upgraded recycling infrastructure projects.

Landfill depletion and amortization expense increased primarily due to increased landfill disposal volumes and an overall increase in our average depletion rate. Offsetting these increases were favorable amortization adjustments of $13.3 million that were recognized in 2014 relative to asset retirement obligations, compared to favorable adjustments of $0.3 million in 2013. Included in these favorable adjustments are increases in deemed probable expansion airspace at certain of our active solid waste landfills.

Amortization of Other Intangible Assets and Other Assets

Expenses for amortization of other intangible assets and other assets were $71.9 million, $68.4 million and $70.7 million for the years ended December 31, 2015, 2014 and 2013, respectively, or 0.8% of revenue for each of 2015, 2014 and 2013. Our other intangible assets and other assets primarily relate to customer relationships, franchise agreements, other municipal agreements, favorable lease assets and, to a lesser extent, non-compete agreements and trade names. The increase in amortization expense is the result of assets acquired in the acquisitions of various waste businesses throughout the year, partially offset by certain intangible assets now being fully amortized.

Accretion Expense

Accretion expense was $79.4 million, $78.0 million and $76.6 million, or 0.9% of revenue, for each of the years ended December 31, 2015, 2014 and 2013, respectively. Accretion expense has remained relatively unchanged as our asset retirement obligations remained relatively consistent period over period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include salaries, health and welfare benefits, and incentive compensation for corporate and field general management, field support functions, sales force, accounting and finance, legal, management information systems, and clerical and administrative departments. Other expenses include rent and office costs, fees for professional services provided by third parties, legal settlements, marketing, investor and community relations services, directors' and officers' insurance, general employee relocation, travel, entertainment and bank charges. Restructuring charges are excluded from selling, general and administrative expenses and are discussed separately below.

The following table summarizes our selling, general and administrative expenses for the years ended December 31, 2015, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	2015		2014		2013	
Salaries	$ 636.6	7.0%	$ 579.8	6.6%	$ 545.4	6.5%
Provision for doubtful accounts	22.7	0.2	22.6	0.3	16.1	0.2
Other	323.8	3.6	316.5	3.5	292.3	3.4
Total selling, general and administrative expenses	$ 983.1	10.8%	$ 918.9	10.4%	$ 853.8	10.1%

These cost categories may change from time to time and may not be comparable to similarly titled categories used by other companies. As such, you should take care when comparing our selling, general and administrative expenses by cost component to those of other companies.

Selling, General and Administrative Expenses – 2015 compared to 2014

Salaries increased primarily due to higher wages, benefits, and other payroll related items resulting from merit increases and increased headcount, as well as higher management incentive compensation.

Other selling, general and administrative expenses increased primarily due to costs associated with strategic growth initiatives, as well as acquisition-related transaction and integration costs primarily associated with our acquisition of Tervita in February 2015. This increase was partially offset by favorable litigation results during 2015.

Selling, General and Administrative Expenses – 2014 compared to 2013

Salaries increased primarily due to higher wages resulting from merit increases, increased headcount and management incentive pay.

Provision for doubtful accounts increased primarily due to a net favorable adjustment, recorded in our corporate segment in 2013, of $8.3 million resulting from a change in our estimated future bad debts.

Other selling, general and administrative expenses increased primarily due to costs associated with strategic growth initiatives, as well as costs incurred with the acquisition of various solid waste businesses.

Negotiation and Withdrawal Costs - Central States Pension and Other Funds

During 2015, we recorded charges to earnings of $4.1 million for withdrawal events at the multiemployer pension plan to which we contribute related to our operations in Puerto Rico, as well as $0.4 million of legal charges. During 2014, we recorded charges to earnings of $1.5 million, primarily related to costs associated with our 2013 withdrawal from the Fund. During 2013, we recorded charges to earnings of $157.7 million, primarily related to our negotiation and withdrawal liability from the Fund.

For additional discussion and detail regarding our settlement with the Fund, see our *Central States, Southeast and Southwest Areas Pension Fund* discussion in Note 11, *Employee Benefit Plans*, to our consolidated financial statements in Item 8 of this Form 10-K.

Loss (Gain) on Disposition of Assets and Impairments, Net

During 2014, we recorded a charge to earnings of $20.0 million primarily related to costs associated with one of our divested landfills, of which $14.1 million is related to closure and post-closure costs and $5.9 million is related to remediation expenditures. During 2013, we recorded a net gain on disposition of assets of and impairments of $1.9 million, primarily related to the contingent sales price of $1.0 million received in connection with a 2011 business divestiture in our West Region.

We strive to have a number one or number two market position in each of the markets we serve, or have a clear path on how we will achieve a leading market position over time. In situations where we cannot establish a leading market position, or where operations are not generating acceptable returns, we may decide to divest certain assets and reallocate resources to other markets. Asset or business divestitures could result in gains, losses or asset impairment charges that may be material to our results of operations in a given period.

Restructuring Charges

During the fourth quarter of 2012, we announced a restructuring of our field and corporate operations to create a more efficient and competitive company. These changes included consolidating our field regions from four to three and our areas from 28 to 20, relocating office space, and reducing administrative staffing levels. During 2014, we incurred costs of $1.8 million due to a change in estimate of amounts recoverable from sublet income associated with abandoned office space with non-cancellable lease terms. During 2013, we incurred $8.6 million of restructuring charges, which consisted of severance and other employee termination benefits, relocation benefits, and the closure of offices with lease agreements with non-cancelable terms.

Interest Expense

The following table provides the components of interest expense, including accretion of debt discounts and accretion of discounts primarily associated with environmental and risk insurance liabilities assumed in acquisitions (in millions of dollars):

	2015	2014	2013
Interest expense on debt and capital lease obligations	$ 324.6	$ 310.3	$ 319.8
Accretion of debt discounts	7.4	6.6	6.9
Accretion of remediation liabilities and other	39.7	38.2	40.6
Less: capitalized interest	(6.8)	(6.4)	(7.3)
Total interest expense	$ 364.9	$ 348.7	$ 360.0

Total interest expense increased during 2015 due to the issuance of $500.0 million of 3.20% notes in March 2015, as well as borrowings under our Credit Facilities.

During the second half of 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. These swap agreements, which were designated as fair value hedges, have a total notional value of $300.0 million and resulted in a $7.5 million reduction in interest expense during 2015, compared to a $7.7 million reduction in interest expense during 2014 and a $2.0 million reduction in interest expense during 2013. Additionally, there were lower variable rates on our tax-exempt financings, which also contributed to the reduction in interest expense during 2014.

During 2015, 2014 and 2013, cash paid for interest was $327.6 million, $320.2 million and $324.0 million, respectively.

Loss on Extinguishment of Debt

We refinanced our credit facilities and certain of our tax-exempt financings in 2014, resulting in non-cash charges for deferred issuance costs of $1.4 million. During 2013, we refinanced certain of our tax-exempt financings that resulted in a $2.1 million non-cash charge for deferred issuance costs.

Income Taxes

Our provision for income taxes was $445.5 million, $337.4 million and $262.1 million for 2015, 2014 and 2013, respectively. Our effective income tax rate was 37.3%, 38.1% and 30.8% for 2015, 2014 and 2013, respectively. Our 2015 effective tax rate was favorably impacted by $17.4 million due to the resolution of outstanding tax matters in various states and Puerto Rico. Our 2014 effective tax rate was favorably impacted by $5.1 million due to the realization of tax credits and lower state rates due to changes in estimates. Our 2013 effective tax rate was favorably impacted by approximately $42 million for adjustments to our valuation allowance, primarily due to the determination that it was more likely than not the Company would be able to realize certain state loss carryforwards. In addition, our 2013 effective tax rate was favorably impacted by approximately $14 million due to a settlement for tax years 2009 to 2010 with the Internal Revenue Service appeals division and the Joint Committee of Taxation. Lastly, our 2013 effective tax rate was favorably impacted by the realization of tax credits and lower state rates due to changes in estimates of $9.6 million.

We made income tax payments (net of refunds received) of approximately $321 million, $382 million and $288 million for 2015, 2014 and 2013, respectively.

Income taxes paid in 2015 reflect the favorable tax depreciation provisions of the Protecting Americans from Tax Hikes Act signed into law in December 2015. This legislation extends bonus depreciation for property placed in service through 2019. Bonus depreciation for assets placed in service in 2015 to 2017 is 50% and decreases to 40% in 2018 and 30% in 2019.

Income taxes paid in 2014 reflect the favorable tax depreciation provisions of the Tax Increase Protection Act of 2014, signed into law in December 2014. This legislation extended 50% bonus depreciation for property placed in service during 2014.

Income taxes paid in 2013 reflect the favorable tax depreciation provisions of the American Tax Relief Act of 2012 signed into law in January 2013. This legislation extended 50% bonus depreciation for property placed in service during 2013.

For additional discussion and detail regarding our income taxes, see Note 10, *Income Taxes*, to our consolidated financial statements in Item 8 of this Form 10-K.

Reportable Segments

In January 2016, we realigned our field support functions by eliminating our three region offices and creating two field groups, consolidating and reducing the number of area offices, and streamlining select operational support roles at our Phoenix headquarters. Following our restructuring, our senior management now evaluates, oversees and manages the financial performance of our operations through two field groups, referred to as Group 1 and Group 2. Group 1 primarily consists of geographic areas located in the western and midwestern United States, and Group 2 primarily consists of geographic areas located in Texas, the southeastern United States and the eastern seaboard of the United States.

Group 1 and Group 2, which provide integrated waste management services consisting of non-hazardous solid waste collection, transfer, recycling, disposal and energy services, are presented below as our reportable segments.

Summarized financial information concerning our reportable segments for the years ended December 31, 2015, 2014 and 2013 is shown in the following table (in millions of dollars and as a percentage of revenue in the case of operating margin):

	Net Revenue	Depreciation, Amortization, Depletion and Accretion Before Adjustments for Asset Retirement Obligations	Adjustments to Amortization Expense for Asset Retirement Obligations	Depreciation, Amortization, Depletion and Accretion	(Loss) Gain on Disposition of Assets and Impairments, Net	Operating Income (Loss)	Operating Margin
2015:							
Group 1	$ 4,025.9	$ 397.5	$ 1.4	$ 398.9	$ —	$ 857.2	21.3%
Group 2	4,924.5	544.2	(1.6)	542.6	—	953.5	19.4
Corporate entities	164.6	109.0	(0.5)	108.5	—	(251.9)	
Total	$ 9,115.0	$ 1,050.7	$ (0.7)	$ 1,050.0	$ —	$ 1,558.8	17.1%
2014:							
Group 1	$ 3,835.9	$ 375.1	$ (6.2)	$ 368.9	$ —	$ 826.0	21.5%
Group 2	4,789.2	516.1	(8.8)	507.3	—	938.6	19.6
Corporate entities	178.2	107.0	1.7	108.7	(20.0)	(531.5)	
Total	$ 8,803.3	$ 998.2	$ (13.3)	$ 984.9	$ (20.0)	$ 1,233.1	14.0%
2013:							
Group 1	$ 3,653.9	$ 366.2	$ (3.3)	$ 362.9	$ —	$ 750.0	20.5%
Group 2	4,638.0	479.0	2.1	481.1	—	976.6	21.1
Corporate entities	125.3	109.1	0.9	110.0	1.9	(516.3)	
Total	$ 8,417.2	$ 954.3	$ (0.3)	$ 954.0	$ 1.9	$ 1,210.3	14.4%

Corporate entities include legal, tax, treasury, information technology, risk management, human resources, closed landfills and other administrative functions. National Accounts revenue included in corporate entities represents the portion of revenue generated from nationwide contracts in markets outside our operating areas where the associated waste handling services are subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

Significant changes in the revenue and operating margins of our reportable segments for 2015 compared to 2014, and 2014 compared to 2013, are discussed below.

2015 compared to 2014

Group 1

Revenue for 2015 increased 5.0% from 2014 primarily due to acquisitions, including a waste management contract with the County of Sonoma, California that was executed in April 2015. Excluding the impact of acquisitions, revenue increased due to increases in average yield in all lines of business and volume increases in all collection lines of business. Additionally, revenue increased due to volume increases in our landfill municipal solid waste and construction and demolition lines of business. Partially offsetting these revenue increases was lower recycled commodity revenue due to the decline in commodity prices.

Operating income in Group 1 increased from $826.0 million for 2014 to $857.2 million for 2015. Operating margin decreased from 21.5% for 2014 to 21.3% for 2015. The following cost categories impacted operating income:

- Cost of operations favorably impacted operating income margin primarily due to lower fuel costs resulting from lower prices of diesel fuel, partially offset by higher labor and related benefits, repair and maintenance costs, and transfer and disposal costs.
- Depreciation and amortization of property and equipment unfavorably impacted operating income margin primarily due to higher asset acquisition costs. Landfill depletion and amortization also was unfavorably impacted by an unfavorable amortization adjustment of $1.4 million in 2015, compared to a favorable amortization adjustment of $6.2 million that occurred during 2014 primarily due to an increase in deemed airspace at one of our active landfills.
- For 2015, the selling, general and administrative expenses margin impact was flat for Group 1.

Group 2

Revenue for 2015 increased 2.8% from 2014 primarily due to to acquisitions. Excluding the impact of acquisitions, revenue increased due to increases in average yield in all collection lines of business, and volume increases in our large-container industrial and residential collection and transfer station lines of business. These increases were partially offset by declines in volume in our landfill line of business resulting from lower base energy services waste volumes. Additionally, we recognized lower recycled commodity revenue due to the decline in commodity prices.

Operating income in Group 2 increased from $938.6 million for 2014, or a 19.6% operating margin, to $953.5 million for 2015, or a 19.4% operating margin. Overall, our operating margins were unfavorably impacted due to the impact of commodity prices on our recycling business and higher integration, transition and operating costs in our acquired energy services business. The following cost categories impacted operating income:

- Cost of operations favorably impacted operating income margin primarily due to lower fuel costs resulting from lower prices of diesel fuel. These favorable items were partially offset by higher labor and related benefits and repair and maintenance costs.
- Depreciation and amortization of property and equipment unfavorably impacted operating income margin due to higher acquisition costs of replacement vehicles. Landfill depletion and amortization also unfavorably impacted operating income margin due to higher favorable amortization adjustments in 2014. During 2015, we recognized favorable amortization adjustments of $1.6 million, compared to favorable amortization adjustments of $8.8 million during 2014.
- Selling, general and administrative expenses unfavorably impacted operating income margin primarily due to higher wages and payroll related items resulting from merit increases and increased headcount, as well as higher management incentive compensation. This unfavorable impact was partially offset by favorable legal settlements from matters occurring in the ordinary course of business, compared to unfavorable legal settlement charges during 2014.

Corporate Entities

Operating loss in our Corporate Entities decreased from $531.5 million for 2014 to $251.9 million for 2015 primarily due to an insurance recovery of $50.0 million related to our closed Bridgeton Landfill during 2015, compared to unfavorable remediation and litigation adjustments in 2014 of $227.1 million.

2014 compared to 2013

Group 1

Revenue for 2014 increased 5.0% from 2013 due to increases in average yield in all core lines of business and increases in volume in our collection and landfill lines of business. Volume increases in our landfill line of business were primarily attributable to increased special waste volumes.

Operating income for Group 1 increased from $750.0 million for 2013, or a 20.5% operating margin, to $826.0 million for 2014, or a 21.5% operating margin, primarily as a result of increased revenue and the following:

- Cost of operations favorably impacted operating income margin primarily due to decreased fuel costs resulting from lower diesel fuel prices, partially offset by higher cost of goods sold.

- Landfill depletion and amortization was favorably impacted by the favorable amortization adjustment of $6.2 million in 2014, compared to the favorable amortization adjustment of $3.3 million that occurred during 2013 due to an increase in deemed airspace at one of our active landfills. An overall decrease in the average depletion rate also favorably impacted operating income margin.
- Selling, general and administrative expenses favorably impacted operating income margin during 2014 due to $1.6 million of legal settlement charges incurred, compared to $8.4 million of legal settlement charges incurred during 2013, from matters occurring in the ordinary course of business.

Group 2

Revenue for 2014 increased 3.3% from 2013 primarily due to increases in average yield in all core lines of business. Volumes increased in our small-container commercial and large-container industrial collection, transfer station, and landfill special waste and construction and demolition lines of business, but were partially offset by the decline in volume in our residential collection line of business and decreased municipal solid waste volumes. These increases were also partially offset by lower recycled commodity revenue.

Operating income in Group 2 decreased from $976.6 million for 2013, or a 21.1% operating margin, to $938.6 million for 2014, or a 19.6% operating margin. The following cost categories impacted operating income:

- Cost of operations unfavorably impacted operating income margin primarily due to higher repair and maintenance costs, increased labor and benefits, and higher utility costs resulting largely from unfavorable weather conditions during the first quarter of 2014. These unfavorable items were partially offset by decreased fuel costs due to lower diesel fuel prices.
- Depreciation and amortization of property and equipment unfavorably impacted operating income margin due to higher acquisition costs of replacement vehicles. Landfill depletion and amortization unfavorably impacted operating income margin due to an overall increase in the average depletion rate resulting from the acquisition of the San Angelo Landfill in the third quarter of 2014, partially offset by favorable adjustments for asset retirement obligations of $8.8 million, compared to net unfavorable adjustments of $2.1 million in 2013.
- Selling, general and administrative expenses unfavorably impacted operating income primarily due to $16.6 million of legal settlement charges from matters occurring in the ordinary course of business, compared to favorable legal settlements recorded during 2013 of $16.1 million that resulted from legal matters occurring in the ordinary course of business.

Corporate Entities

Operating loss in our Corporate Entities increased from $516.3 million for 2013 to $531.5 million for 2014. The increase in operating loss primarily relates to unfavorable remediation and litigation adjustments in 2014 of $227.1 million recorded at our closed Bridgeton Landfill, compared to $108.7 million recorded in 2013. Additionally, during 2013 we recorded a net favorable adjustment of $8.3 million resulting from a change in our estimated future bad debts, favorable remediation adjustments of $17.1 million relating to changes in the estimated timing of payments for our remediation obligations and a favorable remediation adjustment for a closed landfill site of $12.1 million, which did not recur in 2014. Partially offsetting this increase in operating loss was a charge to earnings of $140.7 million in 2013 for our partial withdrawal liability from the Fund and Puerto Rico multiemployer pension plans, which also did not recur in 2014.

Landfill and Environmental Matters

Our landfill costs include daily operating expenses, costs of capital for cell development, costs for final capping, closure and post-closure, and the legal and administrative costs of ongoing environmental compliance. Daily operating expenses include leachate treatment and disposal, methane gas and groundwater monitoring and system maintenance, interim cap maintenance, and costs associated with applying daily cover materials. We expense all indirect landfill development costs as they are incurred. We use life cycle accounting and the units-of-consumption method to recognize certain direct landfill costs related to landfill development. In life cycle accounting, certain direct costs are capitalized and charged to depletion expense based on the consumption of cubic yards of available airspace. These costs include all costs to acquire and construct a site, including excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection and monitoring systems, installation of groundwater monitoring wells, and other costs associated with acquiring and developing the site. Obligations associated with final capping, closure and post-closure are capitalized and amortized on a units-of-consumption basis as airspace is consumed.

Cost and airspace estimates are developed at least annually by engineers. Our operating and accounting personnel use these estimates to adjust the rates we use to expense capitalized costs. Changes in these estimates primarily relate to changes in costs, available airspace, inflation and applicable regulations. Changes in available airspace include changes in engineering estimates, changes in design and changes due to the addition of airspace lying in expansion areas that we believe have a probable likelihood of being permitted.

Available Airspace

	Balance as of December 31, 2014	New Expansions Undertaken	Landfills Acquired, Net of Divestitures	Permits Granted, Net of Closures	Airspace Consumed	Changes in Engineering Estimates	Balance as of December 31, 2015
Cubic yards (in millions):							
Permitted airspace	4,584.1	—	7.2	61.6	(77.0)	100.6	4,676.5
Probable expansion airspace	261.7	56.4		(23.7)	—	(4.3)	290.1
Total cubic yards (in millions)	4,845.8	56.4	7.2	37.9	(77.0)	96.3	4,966.6
Number of sites:							
Permitted airspace	189		4	—			193
Probable expansion airspace	10	4		(2)			12

	Balance as of December 31, 2013	New Expansions Undertaken	Landfills Acquired, Net of Divestitures	Permits Granted, Net of Closures	Airspace Consumed	Changes in Engineering Estimates	Balance as of December 31, 2014
Cubic yards (in millions):							
Permitted airspace	4,650.6	—	—	79.8	(74.6)	(71.7)	4,584.1
Probable expansion airspace	222.9	66.5	—	(59.4)	—	31.7	261.7
Total cubic yards (in millions)	4,873.5	66.5	—	20.4	(74.6)	(40.0)	4,845.8
Number of sites:							
Permitted airspace	190			(1)			189
Probable expansion airspace	9	4		(3)			10

	Balance as of December 31, 2012	New Expansions Undertaken	Landfills Acquired, Net of Divestitures	Permits Granted, Net of Closures	Airspace Consumed	Changes in Engineering Estimates	Balance as of December 31, 2013
Cubic yards (in millions):							
Permitted airspace	4,562.5	—	—	164.4	(73.3)	(3.0)	4,650.6
Probable expansion airspace	260.4	18.6	—	(51.1)	—	(5.0)	222.9
Total cubic yards (in millions)	4,822.9	18.6	—	113.3	(73.3)	(8.0)	4,873.5
Number of sites:							
Permitted airspace	191			(1)			190
Probable expansion airspace	10	1		(2)			9

Changes in engineering estimates typically include modifications to the available disposal capacity of a landfill based on a refinement of the capacity calculations resulting from updated information.

As of December 31, 2015, we owned or operated 193 active solid waste landfills with total available disposal capacity estimated to be 4,966.6 million in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of probable expansion airspace. Engineers develop these estimates at least annually using information provided by annual aerial surveys. As of December 31, 2015, total available disposal capacity is estimated to be 4,676.5 million in-place cubic yards of permitted airspace plus 290.1 million in-place cubic yards of probable expansion airspace. Before airspace included in an expansion area is determined to be probable expansion airspace and, therefore, included in our calculation of total available disposal capacity, it must meet all of our expansion criteria. See Note 2, *Summary of Significant Accounting Policies,* and Note 8, *Landfill and Environmental Costs*, to our consolidated financial statements in Item 8 of this Form 10-K for further information. Also see our *"Critical Accounting Judgments and Estimates"* section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

As of December 31, 2015, twelve of our landfills met all of our criteria for including their probable expansion airspace in their total available disposal capacity. At projected annual volumes, these twelve landfills have an estimated remaining average site life of 46 years, including probable expansion airspace. The average estimated remaining life of all of our landfills is 65 years. We have other expansion opportunities that are not included in our total available airspace because they do not meet all of our criteria for treatment as probable expansion airspace.

The following table reflects the estimated operating lives of our active landfill sites based on available and probable disposal capacity using current annual volumes as of December 31, 2015:

	Number of Sites without Probable Expansion Airspace	Number of Sites with Probable Expansion Airspace	Total Sites	Percent of Total
0 to 5 years	19	—	19	9.8%
6 to 10 years	14	—	14	7.3
11 to 20 years	34	2	36	18.7
21 to 40 years	41	3	44	22.7
41+ years	73	7	80	41.5
Total	181	12	193	100.0%

Final Capping, Closure and Post-Closure Costs

As of December 31, 2015, accrued final capping, closure and post-closure costs were $1,181.6 million, of which $87.4 million were current and $1,094.2 million were long-term as reflected in our consolidated balance sheets in accrued landfill and environmental costs included in Item 8 of this Form 10-K.

Remediation and Other Charges for Landfill Matters

It is reasonably possible that we will need to adjust our liabilities to reflect the effects of new or additional information, to the extent that such information impacts the costs, timing or duration of the required actions. Future changes in our estimates of the costs, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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

Bridgeton Landfill. During the year ended December 31, 2015, we paid $34.5 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 December 31, 2015, the remediation liability recorded for this site is $217.5 million, of which $21.7 million is expected to be paid during 2016. We believe the remaining reasonably possible high end of our range would be approximately $164 million higher than the amount recorded as of December 31, 2015.

During 2015, we collected 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 during the year ended December 31, 2015.

Congress Landfill. In August 2010, Congress Development Company 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 agreed to continue to implement certain remedial activities at the Congress Landfill. The remediation liability recorded as of December 31, 2015 is $78.5 million, of which $3.4 million is expected to be paid during 2016. We believe the remaining reasonably possible high end of our range would be approximately $16 million higher than the amount recorded as of December 31, 2015. Because favorable developments have occurred with respect to (1) the volume of leachate pumped at the site and (2) our ability to dispose of leachate in the local publicly owned treatment works, we no longer need to expand the onsite treatment facility and our expected costs have decreased from prior years. Further, the majority of the Final Order requirements have been satisfied and the site now is primarily going through routine operation for a closed landfill. Accordingly, we will omit the Congress Landfill from future reports.

Investment in Landfills

The following tables reflect changes in our investment in landfills for the years ended December 31, 2015, 2014 and 2013 and the future expected investment as of December 31, 2015 (in millions):

	Balance as of December 31, 2014	Capital Additions	Retirements	Acquisitions Net of Divestitures	Non-cash Additions for Asset Retirement Obligations	Additions Charged to Expense	Impairments, Transfers and Other Adjustments	Adjustments for Asset Retirement Obligations	Balance as of December 31, 2015
Non-depletable landfill land	$ 162.2	$ 1.9	$ —	$ —	$ —	$ —	$ 1.5	$ —	$ 165.6
Landfill development costs	5,645.3	4.6	—	173.1	39.4	—	235.4	(19.7)	6,078.1
Construction-in-progress - landfill	140.8	287.6	—	—	—	—	(236.8)	—	191.6
Accumulated depletion and amortization	(2,437.4)	—	—	—	—	(286.7)	0.5	0.6	(2,723.0)
Net investment in landfill land and development costs	$ 3,510.9	$ 294.1	$ —	$ 173.1	$ 39.4	$ (286.7)	$ 0.6	$ (19.1)	$ 3,712.3

	Balance as of December 31, 2013	Capital Additions	Retirements	Acquisitions Net of Divestitures	Non-cash Additions for Asset Retirement Obligations	Additions Charged to Expense	Impairments, Transfers and Other Adjustments	Adjustments for Asset Retirement Obligations	Balance as of December 31, 2014
Non-depletable landfill land	$ 164.2	$ —	$ (2.0)	$ —	$ —	$ —	$ —	$ —	$ 162.2
Landfill development costs	5,392.7	4.9	(0.3)	26.6	38.6	—	195.0	(12.2)	5,645.3
Construction-in-progress - landfill	72.5	261.5	—	—	—	—	(193.2)	—	140.8
Accumulated depletion and amortization	(2,160.2)	—	0.1	—	—	(276.5)	—	(0.8)	(2,437.4)
Net investment in landfill land and development costs	$ 3,469.2	$ 266.4	$ (2.2)	$ 26.6	$ 38.6	$ (276.5)	$ 1.8	$ (13.0)	$ 3,510.9

	Balance as of December 31, 2012	Capital Additions	Retirements	Acquisitions Net of Divestitures	Non-cash Additions for Asset Retirement Obligations	Additions Charged to Expense	Impairments, Transfers and Other Adjustments	Adjustments for Asset Retirement Obligations	Balance as of December 31, 2013
Non-depletable landfill land	$ 166.0	$ 2.3	$ (4.3)	$ —	$ —	$ —	$ 0.2	$ —	$ 164.2
Landfill development costs	5,018.0	2.6	—	—	36.5	—	323.6	12.0	5,392.7
Construction-in-progress - landfill	134.5	259.5	—	—	—	—	(321.5)	—	72.5
Accumulated depletion and amortization	(1,896.4)	—	—	—	—	(262.2)	(1.9)	0.3	(2,160.2)
Net investment in landfill land and development costs	$ 3,422.1	$ 264.4	$ (4.3)	$ —	$ 36.5	$ (262.2)	$ 0.4	$ 12.3	$ 3,469.2

	Balance as of December 31, 2015	Expected Future Investment	Total Expected Investment
Non-depletable landfill land	$ 165.6	$ —	$ 165.6
Landfill development costs	6,078.1	8,153.3	14,231.4
Construction-in-progress - landfill	191.6	—	191.6
Accumulated depletion and amortization	(2,723.0)	—	(2,723.0)
Net investment in landfill land and development costs	$ 3,712.3	$ 8,153.3	$ 11,865.6

The following table reflects our net investment in our landfills, excluding non-depletable land, and our depletion, amortization and accretion expense for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Number of landfills owned or operated	193	189	190
Net investment, excluding non-depletable land (in millions)	$ 3,546.7	$ 3,348.7	$ 3,305.0
Total estimated available disposal capacity (in millions of cubic yards)	4,966.6	4,845.8	4,873.5
Net investment per cubic yard	$ 0.71	$ 0.69	$ 0.68
Landfill depletion and amortization expense (in millions)	$ 285.3	$ 263.0	$ 261.9
Accretion expense (in millions)	79.4	78.0	76.6
	364.7	341.0	338.5
Airspace consumed (in millions of cubic yards)	77.0	74.6	73.3
Depletion, amortization and accretion expense per cubic yard of airspace consumed	$ 4.74	$ 4.57	$ 4.62

During 2015 and 2014, our average compaction rate was approximately 2,000 pounds per cubic yard based on a three-year historical moving average.

As of December 31, 2015, we expect to spend an estimated additional $8.2 billion on existing landfills, primarily related to cell construction and environmental structures, over their remaining lives. Our total expected investment, excluding non-depletable land, estimated to be $11.7 billion, or $2.36 per cubic yard, is used in determining our depletion and amortization expense based on airspace consumed using the units-of-consumption method.

Property and Equipment

The following tables reflect the activity in our property and equipment accounts for the years ended December 31, 2015, 2014 and 2013 (in millions of dollars):

	Gross Property and Equipment							
	Balance as of December 31, 2014	Capital Additions	Retirements	Acquisitions, Net of Divestitures	Non-Cash Additions for Asset Retirement Obligations	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2015
Land	$ 401.3	$ 0.3	$ (0.6)	$ 23.6	$ —	$ —	$ 0.8	$ 425.4
Non-depletable landfill land	162.2	1.9	—	—	—	—	1.5	165.6
Landfill development costs	5,645.3	4.6	—	173.1	39.4	(19.7)	235.4	6,078.1
Vehicles and equipment	5,834.1	547.4	(301.1)	78.5	—	—	52.9	6,211.8
Buildings and improvements	1,002.3	47.3	(3.9)	54.9	—	—	(2.0)	1,098.6
Construction-in-progress - landfill	140.8	287.6	—	—	—	—	(236.8)	191.6
Construction-in-progress - other	10.1	66.7	—	1.4	—	—	(52.7)	25.5
Total	$ 13,196.1	$ 955.8	$ (305.6)	$ 331.5	$ 39.4	$ (19.7)	$ (0.9)	$ 14,196.6

	Accumulated Depreciation, Amortization and Depletion						
	Balance as of December 31, 2014	Additions Charged to Expense	Retirements	Acquisitions, Net of Divestitures	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2015
Landfill development costs	$ (2,437.4)	$ (286.7)	$ —	$ —	$ 0.6	$ 0.5	$ (2,723.0)
Vehicles and equipment	(3,273.3)	(566.6)	284.5	—	—	0.4	(3,555.0)
Buildings and improvements	(320.1)	(48.8)	3.0	—	—	0.1	(365.8)
Total	$ (6,030.8)	$ (902.1)	$ 287.5	$ —	$ 0.6	$ 1.0	$ (6,643.8)

	Gross Property and Equipment							
	Balance as of December 31, 2013	Capital Additions	Retirements	Acquisitions, Net of Divestitures	Non-Cash Additions for Asset Retirement Obligations	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2014
Land	$ 377.6	$ 0.7	$ (2.8)	$ 25.7	$ —	$ —	$ 0.1	$ 401.3
Non-depletable landfill land	164.2	—	(2.0)	—	—	—	—	162.2
Landfill development costs	5,392.7	4.9	(0.3)	26.6	38.6	(12.2)	195.0	5,645.3
Vehicles and equipment	5,403.7	530.4	(155.3)	39.1	—	—	16.2	5,834.1
Buildings and improvements	935.6	28.9	(3.3)	11.3	—	—	29.8	1,002.3
Construction-in-progress - landfill	72.5	261.5	—	—	—	—	(193.2)	140.8
Construction-in-progress - other	13.3	48.7	—	—	—	—	(51.9)	10.1
Total	$ 12,359.6	$ 875.1	$ (163.7)	$ 102.7	$ 38.6	$ (12.2)	$ (4.0)	$ 13,196.1

	Accumulated Depreciation, Amortization and Depletion						
	Balance as of December 31, 2013	Additions Charged to Expense	Retirements	Acquisitions, Net of Divestitures	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2014
Landfill development costs	$ (2,160.2)	$ (276.5)	$ 0.1	$ —	$ (0.8)	$ —	$ (2,437.4)
Vehicles and equipment	(2,883.8)	(535.0)	145.4	—	—	0.1	(3,273.3)
Buildings and improvements	(278.8)	(42.6)	1.1	—	—	0.2	(320.1)
Total	$ (5,322.8)	$ (854.1)	$ 146.6	$ —	$ (0.8)	$ 0.3	$ (6,030.8)

	Gross Property and Equipment							
	Balance as of December 31, 2012	Capital Additions	Retirements	Acquisitions, Net of Divestitures	Non-Cash Additions for Asset Retirement Obligations	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2013
Land	$ 376.9	$ 0.1	$ (1.1)	$ —	$ —	$ —	$ 1.7	$ 377.6
Non-depletable landfill land	166.0	2.3	(4.3)	—	—	—	0.2	164.2
Landfill development costs	5,018.0	2.6	—	—	36.5	12.0	323.6	5,392.7
Vehicles and equipment	4,946.4	546.9	(144.6)	18.0	—	—	37.0	5,403.7
Buildings and improvements	864.2	28.9	(2.0)	0.1	—	—	44.4	935.6
Construction-in-progress - landfill	134.5	259.5	—	—	—	—	(321.5)	72.5
Construction-in-progress - other	53.3	42.3	—	—	—	—	(82.3)	13.3
Total	$ 11,559.3	$ 882.6	$ (152.0)	$ 18.1	$ 36.5	$ 12.0	$ 3.1	$ 12,359.6

	Accumulated Depreciation, Amortization and Depletion						
	Balance as of December 31, 2012	Additions Charged to Expense	Retirements	Acquisitions, Net of Divestitures	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2013
Landfill development costs	$ (1,896.4)	$ (262.2)	$ —	$ —	$ 0.3	$ (1.9)	$ (2,160.2)
Vehicles and equipment	(2,512.3)	(507.7)	135.8	—	—	0.4	(2,883.8)
Buildings and improvements	(240.3)	(39.7)	1.5	—	—	(0.3)	(278.8)
Total	$ (4,649.0)	$ (809.6)	$ 137.3	$ —	$ 0.3	$ (1.8)	$ (5,322.8)

Liquidity and Capital Resources

The major components of changes in cash flows for 2015, 2014 and 2013 are discussed in the following paragraphs. The following table summarizes our cash flow from operating activities, investing activities and financing activities for the years ended December 31, 2015, 2014 and 2013 (in millions of dollars):

	2015	2014	2013
Net cash provided by operating activities	$ 1,679.7	$ 1,529.8	$ 1,548.2
Net cash used in investing activities	(1,482.8)	(959.8)	(933.9)
Net cash used in financing activities	(239.7)	(708.1)	(468.6)

Cash Flows Provided by Operating Activities

The most significant items affecting the comparison of our operating cash flows for 2015 and 2014 are summarized below:

Changes in assets and liabilities, net of effects from business acquisitions and divestitures, decreased our cash flow from operations by $316.7 million in 2015, compared to a decrease of $295.6 million in 2014, primarily as a result of the following:

- Our accounts receivable, exclusive of the change in allowance for doubtful accounts and customer credits, increased $15.7 million during 2015 due to the timing of billings net of collections, compared to a $54.3 million increase in 2014. As of December 31, 2015 and 2014, our days sales outstanding were 38 days, or 26 and 25 days net of deferred revenue, respectively.
- Our accounts payable increased $35.6 million and $3.3 million during 2015 and 2014, respectively, due to the timing of payments as of December 31, 2015.
- Cash paid for capping, closure and post-closure obligations was $33.8 million higher during 2015 compared to 2014 primarily due to required capping at one of our landfills that closed during 2015.
- Cash paid for remediation obligations was $19.4 million lower during 2015 compared to 2014 primarily due to remediation activity at our closed Bridgeton Landfill.

- In December 2015 we settled outstanding liabilities with respect to the withdrawal events and paid $153.5 million to the Fund.

In addition, cash paid for income taxes was approximately $321 million and $382 million for 2015 and 2014, respectively. Income taxes paid in 2015 reflect the favorable tax depreciation provisions of the Protecting Americans from Tax Hikes Act signed into law in December 2015. Cash paid for interest was $327.6 million and $320.2 million for 2015 and 2014, respectively.

The most significant items affecting the comparison of our operating cash flows for 2014 and 2013 are summarized below:

Changes in assets and liabilities, net of effects of business acquisitions and divestitures, decreased our cash flow from operations by $295.6 million in 2014, compared to a decrease of $256.6 million in 2013, primarily as a result of the following:

- Our accounts receivable, exclusive of the change in allowance for doubtful accounts and customer credits, increased $54.3 million during 2014 due to the timing of billings, net of collections, compared to a $61.6 million increase in 2013. As of December 31, 2014 and 2013, our days sales outstanding were 38 days, or 25 and 26 days net of deferred revenue, respectively.
- Our prepaid expenses and other assets increased $41.3 million during 2014 which is primarily due to the timing of withdrawals to fund payroll, compared to an $11.4 million increase in 2013.
- Our accounts payable increased $3.3 million and $37.9 million during 2014 and 2013, respectively, due to the timing of payments as of December 31, 2014.
- Cash paid for restructuring expenditures was $14.5 million lower during 2014 compared to 2013 due to the expiration of severance and other employee termination benefits, relocation benefits and the closure of offices with lease agreements with non-cancelable terms associated with our restructuring activities during the fourth quarter of 2012.
- Cash paid for capping, closure and post-closure obligations was $31.0 million lower during 2014 compared to 2013 primarily due to a $17.8 million payment to settle our post-closure liability for one of our divested closed landfill sites in 2013.
- Cash paid for remediation obligations was $23.1 million lower during 2014 compared to 2013 primarily due to remediation activity at our closed Bridgeton Landfill.
- Our other liabilities decreased $32.1 million during 2014 primarily due to the timing of payment for certain tax related accruals and other accrued expenses, as compared to a $2.4 million increase in 2013.

In addition, cash paid for income taxes was approximately $382 million and $288 million for 2014 and 2013, respectively. The increase was primarily due to higher expected taxable income and the related deductible timing differences associated with certain remediation charges.

We use cash flows from operations to fund capital expenditures, acquisitions, dividend payments, share repurchases and debt repayments.

Cash Flows Used in Investing Activities

The most significant items affecting the comparison of our cash flows used in investing activities for 2015, 2014 and 2013 are summarized below:

- Capital expenditures during 2015 were $945.6 million, compared with $862.5 million for 2014 and $880.8 million for 2013. Property and equipment received during 2015, 2014 and 2013 was $953.0 million, $872.9 million and $879.8 million, respectively.
- Proceeds from sales of property and equipment during 2015 were $21.2 million, compared to $35.7 million for 2014 and $23.9 million for 2013.
- During 2015, 2014 and 2013, we paid $572.7 million, $195.7 million and $68.7 million, respectively, for business acquisitions.
- Our restricted cash and marketable securities balance decreased (increased) $15.3 million, $70.8 million and $(5.5) million for 2015, 2014 and 2013, respectively. The decrease of $15.3 million during 2015 is due to a release of funds restricted for certain construction related activities, whereas the decrease of $70.8 million during 2014 was due to a release of restricted investments related to a change in certain of our closure and post-closure obligation requirements and a release of restricted investments related to our insurance programs. The increase of $5.5 million during 2013 was primarily due to investments in restricted cash related to our insurance program. We received $50.0 million and $25.0 million in connection with issuances of tax-exempt bonds during 2014 and 2013, respectively. Funds received

from issuances of tax-exempt bonds are deposited directly into trust accounts by the bonding authority at the time of issuance. Reimbursements from the trust for qualifying expenditures or for repayments of the related tax-exempt bonds are presented as investing activities in our consolidated statements of cash flows. Such reimbursements amounted to $18.7 million, $51.1 million and $27.8 million during 2015, 2014 and 2013, respectively.

We intend to finance capital expenditures and acquisitions through cash on hand, restricted cash held for capital expenditures, cash flows from operations, our revolving credit facilities, and tax-exempt bonds and other financings. We expect to primarily use cash for consideration paid for future business acquisitions.

Cash Flows Used in Financing Activities

The most significant items affecting the comparison of our cash flows used in financing activities for 2015, 2014 and 2013 are summarized below:

- During 2015, we issued $500.0 million of notes for net cash proceeds of $497.9 million. Net proceeds of notes payable and long-term debt were $2.7 million during 2015, compared to net payments of $15.1 million and $58.9 million during 2014 and 2013, respectively. For a more detailed discussion, see the *"Financial Condition"* section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.
- In October 2015, our board of directors added $900.0 million to the existing share repurchase authorization. As of December 31, 2015, there were $855.5 million remaining under our share repurchase authorization. During 2015, we repurchased 9.8 million shares of our stock for $404.7 million. During 2014, we repurchased 11.1 million shares of our stock for $400.4 million.
- In July 2015, our board of directors approved an increase in our quarterly dividend to $0.30 per share. Dividends paid were $399.3 million, $378.6 million and $348.5 million for 2015, 2014 and 2013, respectively.

Financial Condition

Cash and Cash Equivalents

As of December 31, 2015, we had $32.4 million of cash and cash equivalents and $100.3 million of restricted cash deposits and restricted marketable securities, including $2.1 million of restricted cash and marketable securities held for capital expenditures under certain debt facilities, $16.8 million pursuant to a holdback arrangement, $27.3 million of restricted cash and marketable securities pledged to regulatory agencies and governmental entities as financial guarantees of our performance related to our final capping, closure and post-closure obligations at our landfills, and $54.1 million of restricted cash and marketable securities related to our insurance obligations.

We intend to use excess cash on hand and cash from operating activities to fund capital expenditures, acquisitions, dividend payments, share repurchases and debt repayments. Debt repayments may include purchases of our outstanding indebtedness in the secondary market or otherwise. We believe that our excess cash, cash from operating activities and our availability to draw from our credit facilities provide us with sufficient financial resources to meet our anticipated capital requirements and maturing obligations as they come due.

We may choose to voluntarily retire certain portions of our outstanding debt before their maturity dates using cash from operations or additional borrowings. We may also explore opportunities in the capital markets to fund redemptions should market conditions be favorable. Early extinguishment of debt will result in an impairment charge in the period in which the debt is repaid. The loss on early extinguishment of debt relates to premiums paid to effectuate the repurchase and the relative portion of unamortized note discounts and debt issue costs.

Credit Facilities

In June 2014, we entered into a $1.25 billion unsecured revolving credit facility (the Replacement Credit Facility), which replaced our $1.0 billion credit facility maturing in April 2016. The Replacement Credit Facility matures in June 2019 and includes a feature that allows us to increase availability, at our option, by an aggregate amount up to $500.0 million through increased commitments from existing lenders or the addition of new lenders. At our option, borrowings under the Replacement Credit Facility bear interest at a Base Rate, or a Eurodollar Rate, plus an applicable margin based on our Debt Ratings (all as defined in the agreements).

Contemporaneous with the execution of the Replacement Credit Facility, we entered into Amendment No. 3 to our existing $1.25 billion unsecured credit facility (the Existing Credit Facility and, together with the Replacement Credit Facility, the Credit Facilities), to reduce the commitments under the Existing Credit Facility to $1.0 billion and conform certain terms of the Existing Credit Facility with those of the Replacement Credit Facility. Amendment No. 3 does not extend the maturity date of the Existing Credit Facility, which matures in May 2017. The Existing Credit Facility also maintains the feature that allows us to increase availability, at our option, by an aggregate amount of up to $500.0 million through increased commitments from existing lenders or the addition of new lenders.

The credit agreements require us to comply with financial and other covenants. To the extent we are not in compliance with these covenants, we cannot pay dividends and repurchase common stock. Compliance with covenants also is a condition for any incremental borrowings under our Credit Facilities, and failure to meet these covenants would enable the lenders to require repayment of any outstanding loans (which would adversely affect our liquidity). As of December 31, 2015, our EBITDA to interest ratio was 7.17 compared to the 3.00 minimum required by the covenants, and our total debt to EBITDA ratio was 2.89 compared to the 3.75 maximum allowed by the covenants. In connection with entering into the Replacement Credit Facility and Amendment No. 3 to the Existing Credit Facility, our maximum total debt to EBITDA ratio was increased to 3.75 for each fiscal quarter ending before and including December 31, 2015, and 3.50 for each fiscal quarter ending thereafter. As of December 31, 2015, we were in compliance with the covenants under our Credit Facilities, and we expect to be in compliance throughout 2016.

EBITDA, which is a non-U.S. GAAP measure, is calculated as defined in our Credit Facility agreements. In this context, EBITDA is used solely to provide information regarding the extent to which we are in compliance with debt covenants and is not comparable to EBITDA used by other companies or used by us for other purposes.

Failure to comply with the financial and other covenants under our Credit Facilities, as well as the occurrence of certain material adverse events, would constitute defaults and would allow the lenders under our Credit Facilities to accelerate the maturity of all indebtedness under the related agreements. This could also have an adverse impact on the availability of financial assurances. In addition, maturity acceleration on our Credit Facilities constitutes an event of default under our other debt instruments, including our senior notes, and, therefore, our senior notes would also be subject to acceleration of maturity. If such acceleration were to occur, we would not have sufficient liquidity available to repay the indebtedness. We would likely have to seek an amendment under our Credit Facilities for relief from the financial covenants or repay the debt with proceeds from the issuance of new debt or equity, or asset sales, if necessary. We may be unable to amend our Credit Facilities or raise sufficient capital to repay such obligations in the event the maturities are accelerated.

Availability under our Credit Facilities totaled $1,727.7 million and $1,615.4 million as of December 31, 2015 and 2014, respectively, and can be used for working capital, capital expenditures, acquisitions, letters of credit and other general corporate purposes. As of December 31, 2015 and 2014, we had no borrowings under our Credit Facilities. We had $503.3 million and $615.1 million of letters of credit outstanding under our Credit Facilities as of December 31, 2015 and 2014, respectively.

We also have a $125.0 million unsecured credit facility agreement (the Uncommitted Credit Facility) bearing interest at LIBOR plus an applicable margin. Our Uncommitted Credit Facility is subject to facility fees defined in the agreement, regardless of usage. We can use borrowings under the Uncommitted Credit Facility for working capital and other general corporate purposes. The agreements governing our Uncommitted Credit Facility require us to comply with covenants. The Uncommitted Credit Facility may be terminated by either party at any time. As of December 31, 2015, we had $19.0 million of borrowings under our Uncommitted Credit Facility.

Senior Notes and Debentures

During 2015, we issued $500.0 million of 3.20% notes due 2025 (the 3.20% Notes). The 3.20% Notes are unsubordinated and unsecured obligations. We used the net proceeds from the 3.20% Notes to refinance debt incurred in connection with our acquisition of all of the equity interests of Tervita during 2015.

As of December 31, 2015 and 2014, we had $6,330.3 million and $5,829.7 million, respectively, of unsecured senior notes and debentures outstanding with maturities ranging from 2018 to 2041.

Interest Rate Swap Agreements

During the second half of 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. The goal was to reduce overall borrowing costs and rebalance our debt portfolio's ratio of fixed to floating interest rates. As of December 31, 2015, these swap agreements have a total notional value of $300.0 million and require us to pay interest at floating rates based on changes in LIBOR, and receive interest at a fixed rate of 4.750%. For 2015 and 2014, we recognized $7.5 million and $7.7 million, respectively, as offsetting benefits to our interest expense from these swap agreements, which mature in May 2023.

Tax-Exempt Financings

As of December 31, 2015 and 2014, we had $1,072.1 million and $1,076.1 million, respectively, of fixed and variable rate tax-exempt financings outstanding with maturities ranging from 2019 to 2044. Approximately 90% of our tax-exempt financings are remarketed quarterly by remarketing agents to effectively maintain a variable yield. The holders of the bonds can put them back to the remarketing agents at the end of each interest period. To date, the remarketing agents have been able to remarket our variable rate unsecured tax-exempt bonds. These bonds have been classified as long-term because of our ability and intent to refinance them using availability under our Credit Facilities, if necessary.

As of December 31, 2015, we had $100.3 million of restricted cash and marketable securities, of which $2.1 million represented proceeds from the issuance of tax-exempt bonds and other tax-exempt financings and will be used to fund capital expenditures under the terms of the agreements. Restricted cash and marketable securities also include amounts held in trust as a financial guarantee of our performance.

Fuel Hedges

We use derivative instruments designated as cash flow hedges to manage our exposure to changes in diesel fuel prices. We have entered into multiple agreements related to forecasted diesel fuel purchases. The agreements qualified for, and were designated as, effective hedges of changes in the prices of forecasted diesel fuel purchases (fuel hedges). For a summary of our outstanding fuel hedges as of December 31, 2015, see Note 16, *Financial Instruments*, to our consolidated financial statements in Item 8 of this Form 10-K.

The aggregate fair values of our outstanding fuel hedges as of December 31, 2015 and 2014 were current liabilities of $37.8 million and $34.4 million, respectively, and have been recorded in other accrued liabilities in our consolidated balance sheets.

The effective portions of the changes in fair values as of December 31, 2015 and 2014, net of tax, of $22.3 million and $20.3 million, respectively, have been recorded in stockholders’ equity as components of accumulated other comprehensive loss.

During 2015 and 2014, approximately 20% of our fuel volume purchases were hedged with swap agreements. Additionally, we generally recover approximately 80% of our fuel costs with fuel recovery fees from customers.

Recycling Commodity Hedges

Revenue from the sale of recycled commodities is primarily from sales of old corrugated cardboard and old newspaper. From time to time we use derivative instruments such as swaps and costless collars designated as cash flow hedges to manage our exposure to changes in prices of these commodities. We had no outstanding recycling commodity hedges as of December 31, 2015 and December 31, 2014. For further discussion, see Note 16, *Financial Instruments*, to our consolidated financial statements in Item 8 of this Form 10-K.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2015 (in millions):

Year Ending December 31,	Operating Leases	Maturities of Notes Payable, Capital Leases and Other Long-Term Debt	Scheduled Interest Payment Obligations	Final Capping, Closure and Post-Closure	Remediation	Unconditional Purchase Commitments	Total
2016	$ 26.1	$ 4.7	$ 323.7	$ 87.4	$ 62.4	$ 251.9	$ 756.2
2017	26.9	5.0	323.5	106.5	89.3	92.4	643.6
2018	24.3	705.6	310.1	96.7	62.9	52.7	1,252.3
2019	22.3	689.8	296.5	83.3	64.8	38.7	1,195.4
2020	20.8	926.2	239.0	90.5	62.4	32.9	1,371.8
Thereafter	92.8	5,304.5	2,243.4	5,571.5	546.5	557.1	14,315.8
Total	$ 213.2	$ 7,635.8	$ 3,736.2	$ 6,035.9	$ 888.3	$ 1,025.7	$ 19,535.1

Scheduled interest payment obligations in the above table were calculated using stated coupon rates for fixed rate debt and interest rates applicable as of December 31, 2015 for variable rate debt. The impact of our outstanding interest rate swaps on the interest payments of our 4.750% fixed rate senior notes is also included based on the floating rates in effect as of December 31, 2015.

The present value of capital lease obligations is included in our consolidated balance sheets.

The estimated remaining final capping, closure and post-closure and remediation expenditures presented above are not inflated or discounted and reflect the estimated future payments for liabilities incurred and recorded as of December 31, 2015 and for liabilities yet to be incurred over the remaining life of our landfills.

Unconditional purchase commitments consist primarily of (1) disposal related agreements that include fixed or minimum royalty payments, host agreements and take-or-pay and put-or-pay agreements and (2) other obligations including committed capital expenditures and consulting service agreements.

Financial Assurance

We must provide financial assurance to governmental agencies and a variety of other entities under applicable environmental regulations relating to our landfill operations for capping, closure and post-closure costs, and related to our performance under certain collection, landfill and transfer station contracts. We satisfy these financial assurance requirements by providing surety bonds, letters of credit, or insurance policies (Financial Assurance Instruments), or trust deposits, which are included in restricted cash and marketable securities and other assets in our consolidated balance sheets. The amount of the financial assurance requirements for capping, closure and post-closure costs is determined by applicable state environmental regulations. The financial assurance requirements for capping, closure and post-closure costs may be associated with a portion of the landfill or the entire landfill. Generally, states require a third-party engineering specialist to determine the estimated capping, closure and post-closure costs that are used to determine the required amount of financial assurance for a landfill. The amount of financial assurance required can, and generally will, differ from the obligation determined and recorded under U.S. GAAP. The amount of the financial assurance requirements related to contract performance varies by contract. Additionally, we must provide financial assurance for our insurance program and collateral for certain performance obligations. We do not expect a material increase in financial assurance requirements during 2016, although the mix of Financial Assurance Instruments may change.

These Financial Assurance Instruments are issued in the normal course of business and are not considered indebtedness. Because we currently have no liability for the Financial Assurance Instruments, they are not reflected in our consolidated balance sheets; however, we record capping, closure and post-closure liabilities and insurance liabilities as they are incurred.

Off-Balance Sheet Arrangements

We have no off-balance sheet debt or similar obligations, other than operating leases and financial assurances, which are not classified as debt. We have no transactions or obligations with related parties that are not disclosed, consolidated into or reflected in our reported financial position or results of operations. We have not guaranteed any third-party debt.

Free Cash Flow

We define free cash flow, which is not a measure determined in accordance with U.S. GAAP, as cash provided by operating activities less purchases of property and equipment, plus proceeds from sales of property and equipment, as presented in our consolidated statements of cash flows.

The following table calculates our free cash flow for the years ended December 31, 2015, 2014 and 2013 (in millions of dollars):

	2015	2014	2013
Cash provided by operating activities	$ 1,679.7	$ 1,529.8	$ 1,548.2
Purchases of property and equipment	(945.6)	(862.5)	(880.8)
Proceeds from sales of property and equipment	21.2	35.7	23.9
Free cash flow	$ 755.3	$ 703.0	$ 691.3

For a discussion of the changes in the components of free cash flow, see our discussion regarding *Cash Flows Provided By Operating Activities and Cash Flows Used In Investing Activities* contained elsewhere in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Purchases of property and equipment as reflected in our consolidated statements of cash flows and as presented in the free cash flow table above represent amounts paid during the period for such expenditures. The following table reconciles property and equipment reflected in the consolidated statements of cash flows to property and equipment received for the years ended December 31, 2015, 2014 and 2013 (in millions of dollars):

	2015	2014	2013
Purchases of property and equipment per the consolidated statements of cash flows	$ 945.6	$ 862.5	$ 880.8
Adjustments for property and equipment received during the prior period but paid for in the following period, net	7.4	10.4	(1.0)
Property and equipment received during the period	$ 953.0	$ 872.9	$ 879.8

The adjustments noted above do not affect our net change in cash and cash equivalents as reflected in our consolidated statements of cash flows.

We believe that presenting free cash flow provides useful information regarding our recurring cash provided by operating activities after expenditures for property and equipment received, plus proceeds from sales of property and equipment. It also demonstrates our ability to execute our financial strategy, which includes reinvesting in existing capital assets to ensure a high level of customer service, investing in capital assets to facilitate growth in our customer base and services provided, maintaining our investment grade credit ratings and minimizing debt, paying cash dividends and repurchasing common stock, and maintaining and improving our market position through business optimization. In addition, free cash flow is a key metric used to determine executive compensation. The presentation of free cash flow has material limitations. Free cash flow does not represent our cash flow available for discretionary expenditures because it excludes certain expenditures that are required or that we have committed to such as debt service requirements and dividend payments. Our definition of free cash flow may not be comparable to similarly titled measures presented by other companies.

Contingencies

For a description of our commitments and contingencies, see Note 8, *Landfill and Environmental Costs*, Note 10, *Income Taxes,* and Note 17, *Commitments and Contingencies*, to our consolidated financial statements in Item 8 of this Form 10-K.

Critical Accounting Judgments and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP and necessarily include certain estimates and judgments made by management. The following is a list of accounting policies that we believe are the most critical in understanding our consolidated financial position, results of operations and cash flows and that may require management to make subjective or complex judgments about matters that are inherently uncertain. Such critical accounting policies, estimates and judgments are applicable to all of our operating segments.

We have noted examples of the residual accounting and business risks inherent in the accounting for these areas. Residual accounting and business risks are defined as the inherent risks that we face after the application of our policies and processes that are generally outside of our control or ability to forecast.

Landfill Accounting

Landfill operating costs are treated as period expenses and are not discussed further in this section.

Our landfill assets and liabilities fall into the following two categories, each of which requires accounting judgments and estimates:

- Landfill development costs that are capitalized as an asset.
- Landfill retirement obligations relating to our capping, closure and post-closure liabilities that result in a corresponding landfill retirement asset.

Landfill Development Costs

We use life-cycle accounting and the units-of-consumption method to recognize landfill development costs over the life of the site. In life-cycle accounting, all current and future capitalized costs to acquire and construct a site are calculated, and charged to expense based on the consumption of cubic yards of available airspace. Obligations associated with final capping, closure and post-closure are also capitalized, and amortized on a units-of-consumption basis as airspace is consumed. Cost and airspace estimates are developed at least annually by engineers.

Site permits. To develop, construct and operate a landfill, we must obtain permits from various regulatory agencies at the local, state and federal levels. The permitting process requires an initial site study to determine whether the location is feasible for landfill operations. The initial studies are reviewed by our environmental management group and then submitted to the regulatory agencies for approval. During the development stage we capitalize certain costs that we incur after site selection but before the receipt of all required permits if we believe that it is probable that the site will be permitted.

Residual risks:

- Changes in legislative or regulatory requirements may cause changes to the landfill site permitting process. These changes could make it more difficult and costly to obtain and maintain a landfill permit.
- Studies performed could be inaccurate, which could result in the denial or revocation of a permit and changes to accounting assumptions. Conditions could exist that were not identified in the study, which may make the location not feasible for a landfill and could result in the denial of a permit. Denial or revocation of a permit could impair the recorded value of the landfill asset.
- Actions by neighboring parties, private citizen groups or others to oppose our efforts to obtain, maintain or expand permits could result in denial, revocation or suspension of a permit, which could adversely impact the economic viability of the landfill and could impair the recorded value of the landfill. As a result of opposition to our obtaining a permit, improved technical information as a project progresses, or changes in the anticipated economics associated with a project, we may decide to reduce the scope of, or abandon a project, which could result in an asset impairment.

Technical landfill design. Upon receipt of initial regulatory approval, technical landfill designs are prepared. The technical designs, which include the detailed specifications to develop and construct all components of the landfill including the types and quantities of materials that will be required, are reviewed by our environmental management group. The technical designs are submitted to the regulatory agencies for approval. Upon approval of the technical designs, the regulatory agencies issue permits to develop and operate the landfill.

Residual risks:

- Changes in legislative or regulatory requirements may require changes in the landfill technical designs. These changes could make it more difficult and costly to meet new design standards.
- Technical design requirements, as approved, may need modifications at some future point in time.
- Technical designs could be inaccurate and could result in increased construction costs, difficulty in obtaining a permit or the use of rates to recognize the amortization of landfill development costs and asset retirement obligations that are not appropriate.

Permitted and probable landfill disposal capacity. Included in the technical designs are factors that determine the ultimate disposal capacity of the landfill. These factors include the area over which the landfill will be developed, such as the depth of excavation, the height of the landfill elevation and the angle of the side-slope construction. The disposal capacity of the landfill is calculated in cubic yards. This measurement of volume is then converted to a disposal capacity expressed in tons based on a site-specific expected density to be achieved over the remaining operating life of the landfill.

Residual risks:

- Estimates of future disposal capacity may change as a result of changes in legislative or regulatory design requirements.
- The density of waste may vary due to variations in operating conditions, including waste compaction practices, site design, climate and the nature of the waste.
- Capacity is defined in cubic yards but waste received is measured in tons. The number of tons per cubic yard varies by type of waste and our rate of compaction.

Development costs. The types of costs that are detailed in the technical design specifications generally include excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection systems and monitoring probes, installation of groundwater monitoring wells, construction of leachate management facilities and other costs associated with the development of the site. We review the adequacy of our cost estimates on an annual basis by comparing estimated costs with third-party bids or contractual arrangements, reviewing the changes in year over year cost estimates for reasonableness, and comparing our resulting development cost per acre with prior period costs. These development costs, together with any costs incurred to acquire, design and permit the landfill, including capitalized interest, are recorded to the landfill asset on the balance sheet as incurred.

Residual risk:

- Actual future costs of construction materials and third-party labor could differ from the costs we have estimated because of the level of demand and the availability of the required materials and labor. Technical designs could be altered due to unexpected operating conditions, regulatory changes or legislative changes.

Landfill development asset amortization. To match the expense related to the landfill asset with the revenue generated by the landfill operations, we amortize the landfill development asset over its operating life on a per-ton basis as waste is accepted at the landfill. The landfill asset is fully amortized at the end of a landfill's operating life. The per-ton rate is calculated by dividing the sum of the landfill development asset net book value plus estimated future development costs (as described above) for the landfill, by the landfill's estimated remaining disposal capacity. The expected future development costs are not inflated or discounted, but rather expressed in nominal dollars. This rate is applied to each ton accepted at the landfill to arrive at amortization expense for the period.

Amortization rates are influenced by the original cost basis of the landfill, including acquisition costs, which in turn is determined by geographic location and market values. We secure significant landfill assets through business acquisitions and value them at the time of acquisition based on fair value. Amortization rates are also influenced by site-specific engineering and cost factors.

Residual risk:

- Changes in our future development cost estimates or our disposal capacity will normally result in a change in our amortization rates and will impact amortization expense prospectively. An unexpected significant increase in estimated costs or reduction in disposal capacity could affect the ongoing economic viability of the landfill and result in asset impairment.

On at least an annual basis, we update the estimates of future development costs and remaining disposal capacity for each landfill. These costs and disposal capacity estimates are reviewed and approved by senior operations management annually. Changes in cost estimates and disposal capacity are reflected prospectively in the landfill amortization rates that are updated annually.

Landfill Asset Retirement Obligations

We have two types of retirement obligations related to landfills: (1) capping and (2) closure and post-closure.

Obligations associated with final capping activities that occur during the operating life of the landfill are recognized on a units-of-consumption basis as airspace is consumed within each discrete capping event. Obligations related to closure and post-closure activities that occur after the landfill has ceased operations are recognized on a units-of-consumption basis as airspace is consumed throughout the entire life of the landfill. Landfill retirement obligations are capitalized as the related liabilities are recognized and amortized using the units-of-consumption method over the airspace consumed within the capping event or the airspace consumed within the entire landfill, depending on the nature of the obligation. All obligations are initially measured at estimated fair value. Fair value is calculated on a present value basis using an inflation rate and our credit-adjusted, risk-free rate in effect at the time the liabilities were incurred. Future costs for final capping, closure and post-closure are developed at least annually by engineers, and are inflated to future value using estimated future payment dates and inflation rate projections.

Landfill capping. As individual areas within each landfill reach capacity, we must cap and close the areas in accordance with the landfill site permit. These requirements are detailed in the technical design of the landfill site process previously described.

Closure and post-closure. Closure costs are costs incurred after a landfill stops receiving waste, but prior to being certified as closed. After the entire landfill has reached capacity and is certified closed, we must continue to maintain and monitor the site for a post-closure period, which generally extends for 30 years. Costs associated with closure and post-closure requirements generally include maintenance of the site, the monitoring of methane gas collection systems and groundwater systems, and other activities that occur after the site has ceased accepting waste. Costs associated with post-closure monitoring generally include groundwater sampling, analysis and statistical reports, third-party labor associated with gas system operations and maintenance, transportation and disposal of leachate, and erosion control costs related to the final cap.

Landfill retirement obligation liabilities and assets. Estimates of the total future costs required to cap, close and monitor each landfill as specified by the landfill permit are updated annually. The estimates include inflation, the specific timing of future cash outflows, and the anticipated waste flow into the capping events. Our cost estimates are inflated to the period of performance using an estimate of inflation, which is updated annually and is based upon the ten year average consumer price index (2.0% in 2015, 2.3% in 2014, and 2.5% in 2013).

The present value of the remaining capping costs for specific capping events and the remaining closure and post-closure costs for each landfill are recorded as incurred on a per-ton basis. These liabilities are incurred as disposal capacity is consumed at the landfill.

Capping, closure and post-closure liabilities are recorded in layers and discounted using our credit-adjusted risk-free rate in effect at the time the obligation is incurred (4.75% in 2015, 4.5% in 2014, and 5.0% in 2013).

Retirement obligations are increased each year to reflect the passage of time by accreting the balance at the weighted average credit-adjusted risk-free rate that was used to calculate each layer of the recorded liabilities. This accretion is charged to operating expenses. Actual cash expenditures reduce the asset retirement obligation liabilities as they are made.

Corresponding retirement obligation assets are recorded for the same value as the additions to the capping, closure and post-closure liabilities. The retirement obligation assets are amortized to expense on a per-ton basis as disposal capacity is consumed. The per-ton rate is calculated by dividing the sum of each of the recorded retirement obligation asset's net book value and expected future additions to the retirement obligation asset by the remaining disposal capacity. A per-ton rate is determined for each separate capping event based on the disposal capacity relating to that event. Closure and post-closure per-ton rates are based on the total disposal capacity of the landfill.

Residual risks:

- Changes in legislative or regulatory requirements, including changes in capping, closure activities or post-closure monitoring activities, types and quantities of materials used, or term of post-closure care, could cause changes in our cost estimates.
- Changes in the landfill retirement obligation due to changes in the anticipated waste flow, changes in airspace compaction estimates or changes in the timing of expenditures for closed landfills and fully incurred but unpaid capping events are recorded in results of operations prospectively. This could result in unanticipated increases or decreases in expense.
- Actual timing of disposal capacity utilization could differ from projected timing, causing differences in timing of when amortization and accretion expense is recognized for capping, closure and post-closure liabilities.
- Changes in inflation rates could impact our actual future costs and our total liabilities.
- Changes in our capital structure or market conditions could result in changes to the credit-adjusted risk-free rate used to discount the liabilities, which could cause changes in future recorded liabilities, assets and expense.
- Amortization rates could change in the future based on the evaluation of new facts and circumstances relating to landfill capping design, post-closure monitoring requirements, or the inflation or discount rate.

On an annual basis, we update our estimates of future capping, closure and post-closure costs and of future disposal capacity for each landfill. Revisions in estimates of our costs or timing of expenditures are recognized immediately as increases or decreases to the capping, closure and post-closure liabilities and the corresponding retirement obligation assets. Changes in the assets result in changes to the amortization rates which are applied prospectively, except for fully incurred capping events and closed landfills, where the changes are recorded immediately in results of operations since the associated disposal capacity has already been consumed.

Permitted and probable disposal capacity. Disposal capacity is determined by the specifications detailed in the landfill permit. We classify this disposal capacity as permitted. We also include probable expansion disposal capacity in our remaining disposal capacity estimates, thus including additional disposal capacity being sought through means of a permit expansion. Probable expansion disposal capacity has not yet received final approval from the applicable regulatory agencies, but we have determined that certain critical criteria have been met and that the successful completion of the expansion is probable. We have developed six criteria that must be met before an expansion area is designated as probable expansion airspace. We believe that satisfying all of these criteria demonstrates a high likelihood that expansion airspace that is incorporated in our landfill costing will be permitted. However, because some of these criteria are judgmental, they may exclude expansion airspace that will eventually be permitted or include expansion airspace that will not be permitted. In either of these scenarios, our amortization, depletion and accretion expense could change significantly. Our internal criteria to classify disposal capacity as probable expansion airspace are as follows:

- We own the land associated with the expansion airspace or control it pursuant to an option agreement;
- We are committed to supporting the expansion project financially and with appropriate resources;
- There are no identified fatal flaws or impediments associated with the project, including political impediments;
- Progress is being made on the project;
- The expansion is attainable within a reasonable time frame; and

- We believe it is likely we will receive the expansion permit.

After successfully meeting these criteria, the disposal capacity that will result from the planned expansion is included in our remaining disposal capacity estimates. Additionally, for purposes of calculating landfill amortization and capping, closure and post-closure rates, we include the incremental costs to develop, construct, close and monitor the related probable expansion disposal capacity.

Residual risk:

- We may be unsuccessful in obtaining permits for probable expansion disposal capacity because of the failure to obtain the final local, state or federal permits or due to other unknown reasons. If we are unsuccessful in obtaining permits for probable expansion disposal capacity, or the disposal capacity for which we obtain approvals is less than what was estimated, both our estimated total costs and disposal capacity will be reduced, which generally increases the rates we charge for landfill amortization and capping, closure and post-closure accruals. An unexpected decrease in disposal capacity could also cause an asset impairment.

Environmental Liabilities

We are subject to an array of laws and regulations relating to the protection of the environment, and we remediate sites in the ordinary course of our business. Under current laws and regulations, we may be responsible for environmental remediation at sites that we either own or operate, including sites that we have acquired, or sites where we have (or a company that we have acquired has) delivered waste. Our environmental remediation liabilities primarily include costs associated with remediating groundwater, surface water and soil contamination, as well as controlling and containing methane gas migration and the related legal costs. To estimate our ultimate liability at these sites, we evaluate several factors, including the nature and extent of contamination at each identified site, the required remediation methods, timing of expenditures, the apportionment of responsibility among the potentially responsible parties and the financial viability of those parties. We accrue for costs associated with environmental remediation obligations when such costs are probable and reasonably estimable in accordance with accounting for loss contingencies. We periodically review the status of all environmental matters and update our estimates of the likelihood of and future expenditures for remediation as necessary. Changes in the liabilities resulting from these reviews are recognized currently in earnings in the period in which the adjustment is known. Adjustments to estimates are reasonably possible in the near term and may result in changes to recorded amounts. With the exception of those obligations assumed in the acquisition of Allied, environmental obligations are recorded on an undiscounted basis. Environmental obligations assumed in the acquisition of Allied, which were initially estimated on a discounted basis, are accreted to full value over time through charges to interest expense. Adjustments arising from changes in amounts and timing of estimated costs and settlements may result in increases or decreases in these obligations and are calculated on a discounted basis as they were initially estimated on a discounted basis. These adjustments are charged to operating income when they are known. We perform a comprehensive review of our environmental obligations annually and also review changes in facts and circumstances associated with these obligations at least quarterly. We have not reduced the liabilities we have recorded for recoveries from other potentially responsible parties or insurance companies.

Residual risks:

- We cannot determine with precision the ultimate amounts of our environmental remediation liabilities. Our estimates of these liabilities require assumptions about uncertain future events. Thus, our estimates could change substantially as additional information becomes available regarding the nature or extent of contamination, the required remediation methods, timing of expenditures, the final apportionment of responsibility among the potentially responsible parties identified, the financial viability of those parties, and the actions of governmental agencies or private parties with interests in the matter. The actual environmental costs may exceed our current and future accruals for these costs, and any such adjustments could be material.
- Actual amounts could differ from the estimated liabilities as a result of changes in estimated future litigation costs to pursue the matter to ultimate resolution.
- An unanticipated environmental liability that arises could result in a material charge to our consolidated statement of income.

Insurance Reserves and Related Costs

Our insurance programs for workers' compensation, commercial general and auto liability, environmental and remediation liability, and employee-related health care benefits are subject to high deductible insurance policies. Accruals for insurance or deductible reserves are based on claims filed and estimates of claims incurred but not reported. We maintain high deductibles for commercial general liability, automobile liability and workers' compensation coverage, ranging from $3.0 million to $5.0 million.

Residual risks:

- Incident rates, including frequency and severity, and other actuarial assumptions could change causing our current and future actuarially determined obligations to change, which would be reflected in our consolidated statement of income in the period in which such adjustment is known.
- Recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments would be reflected in the consolidated statements of income in the periods in which such adjustments are known.
- The settlement costs to discharge our obligations, including legal and health care costs, could increase or decrease causing current estimates of our insurance reserves to change.

Loss Contingencies

We are subject to various legal proceedings, claims and regulatory matters, the outcomes of which are subject to significant uncertainty. We determine whether to disclose material loss contingencies or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable, and whether it can be reasonably estimated. We analyze our litigation and regulatory matters based on available information to assess the potential liabilities. Management develops its assessment based on an analysis of possible outcomes under various strategies. We record and disclose loss contingencies pursuant to the applicable accounting guidance for such matter.

We record losses related to contingencies in cost of operations or selling, general and administrative expenses, depending on the nature of the underlying transaction leading to the loss contingency.

Residual risks:

- Actual costs may vary from our estimates for a variety of reasons, including differing interpretations of laws, opinions on culpability and assessments of the amount of damages.
- Loss contingency assumptions involve judgments that are inherently subjective and generally involve matters that are by their nature complex and unpredictable. If a loss contingency results in an adverse judgment or is settled for a significant amount, it could have a material adverse impact on our consolidated financial position, results of operations or cash flows in the period in which such judgment or settlement occurs.
- New claims may be asserted that are not included in our loss contingencies.

Asset Impairment

Valuation methodology. We evaluate our long-lived assets (other than goodwill) for impairment whenever events or changes in circumstances indicate the carrying amount of the asset or asset group may not be recoverable based on projected cash flows anticipated to be generated from the ongoing operation of those assets or we intend to sell or otherwise dispose of the assets.

Residual risk:

- If events or changes in circumstances occur, including reductions in anticipated cash flows generated by our operations or determinations to divest assets, certain assets could be impaired, which would result in a non-cash charge to earnings.

Evaluation criteria. We test long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Examples of such events could include a significant adverse change in the extent or manner in which we use a long-lived asset, a change in its physical condition, or new circumstances that could cause an expectation that it is more likely than not that we would sell or otherwise dispose of a long-lived asset significantly before the end of its previously estimated useful life.

Residual risk:

- Our most significant asset impairment exposure, other than goodwill (which is discussed below), relates to our landfills. A significant reduction in our estimated disposal capacity as a result of unanticipated events such as regulatory developments, revocation of an existing permit or denial of an expansion permit, or changes in our assumptions used to calculate disposal capacity, could trigger an impairment charge.

Recognition criteria. If such circumstances arise, we recognize impairment for the difference between the carrying amount and fair value of the asset if the net book value of the asset exceeds the sum of the estimated undiscounted cash flows expected to result from its use and eventual disposition. We generally use the present value of the expected cash flows from that asset to determine fair value.

Goodwill Recoverability

We have historically evaluated goodwill for impairment annually as of December 31, or when an indicator of impairment exists. During 2015 we changed the date of our annual goodwill impairment assessment for our reporting units to October 1st. This voluntary change in the annual goodwill testing date is a change in accounting principle, which we believe is preferable as it better aligns the timing of the assessment with our planning and forecasting process and also provides additional time to complete our annual assessment in advance of our year-end reporting. This change in assessment date was applied prospectively and did not delay, accelerate or avoid a potential impairment charge.

We test goodwill for impairment using a two-step process. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill.

During 2015, we managed and evaluated our operations through three regions: East, Central and West. In determining fair value, we primarily use discounted future cash flows and operating results based on a comparative multiple of earnings or revenues.

Significant estimates used in our fair value calculation using discounted future cash flows include: (1) estimates of future revenue and expense growth by reporting unit, which we estimate to range from 3% to 5%; (2) future estimated effective tax rates, which we estimate to be 40%; (3) future estimated capital expenditures as well as future required investments in working capital; (4) estimated discount rates, which we estimate to range between 6% and 8%; and (5) the future terminal value of the reporting unit, which is based on its ability to exist into perpetuity. Significant estimates used in the fair value calculation using market value multiples include: (a) estimated future growth potential of the reporting unit; (b) estimated multiples of revenue or earnings a willing buyer is likely to pay; and (c) the estimated control premium a willing buyer is likely to pay.

In addition, we evaluate a reporting unit for impairment if events or circumstances change between annual tests, indicating a possible impairment. Examples of such events or circumstances include: (1) a significant adverse change in legal factors or in the business climate; (2) an adverse action or assessment by a regulator; (3) a more likely than not expectation that a reporting unit or a significant portion thereof will be sold; (4) continued or sustained losses at a reporting unit; (5) a significant decline in our market capitalization as compared to our book value; or (6) the testing for recoverability of a significant asset group within the reporting unit.

We assign assets and liabilities from our corporate operating segment to our three reporting units to the extent that such assets or liabilities relate to the cash flows of the reporting unit and would be included in determining the reporting unit's fair value.

In preparing our annual test for impairment as of October 1, 2015, we determined that our indicated fair value of total invested capital exceeded our total market capitalization. We believe one of the primary reconciling differences between the indicated fair value of total invested capital and our total market capitalization is due to a control premium. We believe the control premium represents the value a market participant could extract as savings and/or synergies by obtaining control.

As of October 1, 2015, we determined that the indicated fair value of our reporting units exceeded their carrying value by approximately 50% on average and, therefore, we noted no indicators of impairment at our reporting units.

Our operating segments, which also represent our reporting units, are comprised of several vertically integrated businesses. When an individual business within an integrated operating segment is divested, goodwill is allocated to that business based on its fair value relative to the fair value of its operating segment.

Residual risks:

- Future events could cause us to conclude that impairment indicators exist and that goodwill associated with acquired businesses is impaired.

- The valuation of identifiable goodwill requires significant estimates and judgment about future performance, cash flows and fair value. Our future results could be affected if these current estimates of future performance and fair value change. For example, a reduction in long-term growth assumptions could reduce the estimated fair value of the operating segments to below their carrying values, which could trigger an impairment charge. Similarly, an increase in our discount rate could trigger an impairment charge. Any resulting impairment charge could have a material adverse impact on our financial condition and results of operations.

In January 2016, we realigned our field support functions by eliminating our three region offices and creating two field groups, consolidating and reducing the number of area offices, and streamlining select operational support roles at our Phoenix headquarters. These changes included reducing administrative staffing levels, relocating office space and closing certain office locations. We have considered the implications of our restructuring on our reporting units used to measure for goodwill impairment, and we have noted no indicators of goodwill impairment.

Income Taxes

Our income tax expense, deferred taxes and liabilities for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to U.S. federal income taxes and to the income taxes of numerous states and Puerto Rico. Significant judgments and estimates are required in determining the combined income tax expense.

Deferred income taxes arise from temporary differences between the financial reporting and income tax bases of assets (other than non-deductible goodwill) and liabilities, which will result in taxable or deductible amounts in the future. Deferred tax assets and liabilities are measured using the income tax rate in effect during the year in which the differences are expected to reverse.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making this determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In the event we determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we will make an adjustment to the valuation allowance which would reduce our provision for income taxes.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions. Regarding the accounting for uncertainty in income taxes recognized in the financial statements, we record unrecognized tax benefits as liabilities in accordance with ASC 740 when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. We recognize interest and penalties related to uncertain tax positions within the provision for income taxes in our consolidated statements of income. Accrued interest and penalties are included within other accrued liabilities, deferred income taxes and other long-term tax liabilities in our consolidated balance sheets. We adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

Residual risks:

- Income tax assets and liabilities established in purchase accounting for acquisitions are based on assumptions that could differ from the ultimate outcome of the tax matters. Such adjustments would be charged or credited to earnings, unless they meet certain remeasurement criteria and are allowed to be adjusted to goodwill.
- Changes in the estimated realizability of deferred tax assets could result in adjustments to our provision for income taxes.
- Valuation allowances for deferred tax assets and the realizability of net operating loss carryforwards for tax purposes are based on our judgment. If our judgments and estimates concerning valuation allowances and the realizability of net operating loss carryforwards are incorrect, our provision for income taxes would change.
- We are regularly under examination or administrative review by various taxing authorities. The Internal Revenue Code, state tax laws and income tax regulations are a complex set of rules that we must interpret and apply. Positions taken in tax years under examination or subsequent years are subject to challenge. Accordingly, we may have exposure for additional tax liabilities arising from these audits if any positions taken by us or by companies we have acquired are disallowed by the taxing authorities.

- We adjust our liabilities for uncertain tax positions when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, their ultimate resolution may result in payments that are materially different from our current estimates of the tax liabilities. These differences will be reflected as increases or decreases to our provision for income taxes in the period in which they are determined.

Defined Benefit Pension Plans

We currently have one qualified defined benefit pension plan, the BFI Retirement Plan (the Plan). The Plan covers certain employees in the United States, including some employees subject to collective bargaining agreements. The Plan's benefit formula is based on a percentage of compensation as defined in the Plan document. The benefits of approximately 97% of the current plan participants were frozen upon Allied's acquisition of BFI in 1999.

Our pension contributions are made in accordance with funding standards established by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, as amended by the Pension Protection Act of 2006.

The Plan's assets are invested as determined by our Employee Benefits Committee. As of December 31, 2015, the plan assets were invested in fixed income funds, equity funds and cash. The Employee Benefits Committee annually reviews and adjusts the plan's asset allocation as deemed necessary. As of December 31, 2015 and 2014, the Plan was underfunded by $5.4 million and $4.2 million, respectively.

Residual risk:

- Changes in the plan's investment mix and performance of the equity and bond markets and fund managers could impact the amount of pension income or expense recorded, the funded status of the plan and the need for future cash contributions.

Assumptions. The benefit obligation and associated income or expense related to the Plan are determined based on assumptions concerning items such as discount rates, mortality rates, expected rates of return and average rates of compensation increases. Our assumptions are reviewed annually and adjusted as deemed necessary.

We determine the discount rate based on a model that matches the timing and amount of expected benefit payments to maturities of high quality bonds priced as of the Plan measurement date. Where that timing does not correspond to a published high-quality bond rate, our model uses an expected yield curve to determine an appropriate current discount rate. The yield on the bonds is used to derive a discount rate for the liability. If the discount rate were to increase by 1%, our benefit obligation would decrease by approximately $20 million. If the discount rate were to decrease by 1%, our benefit obligation would increase by approximately $24 million.

In developing our expected rate of return assumption, we evaluate long-term expected and historical returns on the Plan assets, giving consideration to our asset mix and the anticipated duration of the Plan obligations. The average rate of compensation increase reflects our expectations of average pay increases over the periods benefits are earned. There are no participants in the Plan that continue to earn service benefits.

Residual risks:

- Our assumed discount rate is sensitive to changes in market-based interest rates. A decrease in the discount rate will increase our related benefit plan obligation.
- Our annual pension expense would be impacted if the actual return on plan assets were to vary from the expected return.

New Accounting Standards

For a description of new accounting standards that may affect us, see Note 2, *Summary of Significant Accounting Policies*, to our consolidated financial statements in Item 8 of this Form 10-K.

Exhibit 99.2

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Republic Services, Inc.:

We have audited the accompanying consolidated balance sheets of Republic Services, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of Republic Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Republic Services, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, Republic Services, Inc. changed its presentation of debt issuance costs as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs," effective December 15, 2015.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Republic Services, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 11, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Phoenix, Arizona
February 11, 2016
Except for Note 1, Note 2, Note 5, Note 6, Note 9, Note 14 and Note 16, as to which the date is
June 3, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders of Republic Services, Inc.:

We have audited Republic Services, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Republic Services, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Republic Services, Inc.'s Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Report of Management on Republic Services, Inc.'s Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Tervita, LLC, which is included in the 2015 consolidated financial statements of Republic Services, Inc. and constituted approximately $500 million of total assets as of December 31, 2015 and less than 1% of revenues for the year then ended. Our audit of internal control over financial reporting of Republic Services, Inc. also did not include an evaluation of the internal control over financial reporting of Tervita, LLC.

In our opinion, Republic Services, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Republic Services, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2015 of Republic Services, Inc. and our report dated February 11, 2016, except as to Note 1, Note 2, Note 5, Note 6, Note 9, Note 14 and Note 16, as to which the date is June 3, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Phoenix, Arizona
February 11, 2016

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

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32.4	$ 75.2
Accounts receivable, less allowance for doubtful accounts and other of $46.7 and $38.9, respectively	962.9	930.4
Prepaid expenses and other current assets	235.0	263.4
Deferred tax assets	—	122.0
Total current assets	1,230.3	1,391.0
Restricted cash and marketable securities	100.3	115.6
Property and equipment, net	7,552.8	7,165.3
Goodwill	11,145.5	10,830.9
Other intangible assets, net	246.4	298.9
Other assets	260.6	250.7
Total assets	$ 20,535.9	$ 20,052.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 577.4	$ 527.3
Notes payable and current maturities of long-term debt	5.5	10.4
Deferred revenue	313.9	306.3
Accrued landfill and environmental costs, current portion	149.8	164.3
Accrued interest	71.6	67.0
Other accrued liabilities	716.6	750.7
Total current liabilities	1,834.8	1,826.0
Long-term debt, net of current maturities	7,527.4	7,009.2
Accrued landfill and environmental costs, net of current portion	1,677.9	1,677.5
Deferred income taxes and other long-term tax liabilities	1,131.8	1,149.0
Insurance reserves, net of current portion	278.1	298.0
Other long-term liabilities	309.3	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; 346.0 and 414.4 issued including shares held in treasury, respectively	3.5	4.1
Additional paid-in capital	4,677.7	6,876.9
Retained earnings	3,138.3	2,795.0
Treasury stock, at cost (0.4 and 61.7 shares, respectively)	(14.9)	(1,901.8)
Accumulated other comprehensive loss, net of tax	(30.5)	(28.9)
Total Republic Services, Inc. stockholders' equity	7,774.1	7,745.3
Noncontrolling interests	2.5	2.5
Total stockholders' equity	7,776.6	7,747.8
Total liabilities and stockholders' equity	$ 20,535.9	$ 20,052.4

The accompanying notes are an integral part of these financial statements.

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

	Years Ended December 31,		
	2015	2014	2013
Revenue	$ 9,115.0	$ 8,803.3	$ 8,417.2
Expenses:			
Cost of operations	5,518.6	5,643.1	5,234.7
Depreciation, amortization and depletion	970.6	906.9	877.4
Accretion	79.4	78.0	76.6
Selling, general and administrative	983.1	918.9	853.8
Negotiation and withdrawal costs - Central States Pension and Other Funds	4.5	1.5	157.7
Loss (gain) on disposition of assets and impairments, net	—	20.0	(1.9)
Restructuring charges	—	1.8	8.6
Operating income	1,558.8	1,233.1	1,210.3
Interest expense	(364.9)	(348.7)	(360.0)
Loss on extinguishment of debt	—	(1.4)	(2.1)
Interest income	0.8	0.6	0.7
Other income, net	1.2	1.7	2.3
Income before income taxes	1,195.9	885.3	851.2
Provision for income taxes	445.5	337.4	262.1
Net income	750.4	547.9	589.1
Net income attributable to noncontrolling interests	(0.5)	(0.3)	(0.2)
Net income attributable to Republic Services, Inc.	$ 749.9	$ 547.6	$ 588.9
Basic earnings per share attributable to Republic Services, Inc. stockholders:			
Basic earnings per share	$ 2.14	$ 1.54	$ 1.63
Weighted average common shares outstanding	350.0	356.7	362.1
Diluted earnings per share attributable to Republic Services, Inc. stockholders:			
Diluted earnings per share	$ 2.13	$ 1.53	$ 1.62
Weighted average common and common equivalent shares outstanding	351.4	358.1	363.4
Cash dividends per common share	$ 1.16	$ 1.08	$ 0.99

The accompanying notes are an integral part of these financial statements.

REPUBLIC SERVICES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Years Ended December 31,		
	2015	2014	2013
Net income	$ 750.4	$ 547.9	$ 589.1
Other comprehensive (loss) income, net of tax			
Hedging activity:			
Settlements	(16.4)	0.3	1.7
Realized loss (gain) reclassified into earnings	18.7	1.2	(0.2)
Unrealized (loss) gain	(2.0)	(24.1)	2.3
Pension activity:			
Change in funded status of pension plan obligations	(1.9)	(9.3)	7.1
Gain related to pension settlement reclassified to earnings	—	—	(2.1)
Other comprehensive (loss) income, net of tax	(1.6)	(31.9)	8.8
Comprehensive income	748.8	516.0	597.9
Comprehensive income attributable to noncontrolling interests	(0.5)	(0.3)	(0.2)
Comprehensive income attributable to Republic Services, Inc.	$ 748.3	$ 515.7	$ 597.7

The accompanying notes are an integral part of these financial statements.

REPUBLIC SERVICES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in millions)

	Republic Services, Inc. Stockholders' Equity								
	Common Stock				Treasury Stock				
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Shares	Amount	Accumulated Other Comprehensive (Loss) Income, Net of Tax	Noncontrolling Interests	Total
Balance as of December 31, 2012	405.2	$ 4.1	$ 6,588.9	$ 2,403.2	(44.1)	$ (1,287.1)	$ (5.8)	$ 2.4	$ 7,705.7
Net income	—	—	—	588.9	—	—	—	0.2	589.1
Change in the value of derivative instruments, net of tax of $1.0	—	—	—	—	—	—	3.8	—	3.8
Employee benefit plan liability adjustments, net of tax of $12.2	—	—	—	—	—	—	5.0	—	5.0
Cash dividends declared	—	—	—	(357.3)	—	—	—	—	(357.3)
Issuances of common stock	5.8	—	158.8	—	—	—	—	—	158.8
Stock-based compensation	—	—	17.2	(2.1)	—	—	—	—	15.1
Purchase of common stock for treasury	—	—	—	—	(6.5)	(214.1)	—	—	(214.1)
Balance as of December 31, 2013	411.0	4.1	6,764.9	2,632.7	(50.6)	(1,501.2)	3.0	2.6	7,906.1
Net income	—	—	—	547.6	—	—	—	0.3	547.9
Change in the value of derivative instruments, net of tax of $15.1	—	—	—	—	—	—	(22.6)	—	(22.6)
Employee benefit plan liability adjustments, net of tax of $6.3	—	—	—	—	—	—	(9.3)	—	(9.3)
Cash dividends declared	—	—	—	(383.6)	—	—	—	—	(383.6)
Issuances of common stock	3.4	—	92.9	—	—	—	—	—	92.9
Stock-based compensation	—	—	19.1	(1.7)	—	—	—	—	17.4
Purchase of common stock for treasury	—	—	—	—	(11.1)	(400.6)	—	—	(400.6)
Distributions paid to noncontrolling interests	—	—	—	—	—	—	—	(0.4)	(0.4)
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	—	—	—	749.9	—	—	—	0.5	750.4
Change in the value of derivative instruments, net of tax of $0.6	—	—	—	—	—	—	0.3	—	0.3
Employee benefit plan liability adjustments, net of tax of $1.2	—	—	—	—	—	—	(1.9)	—	(1.9)
Cash dividends declared	—	—	—	(404.3)	—	—	—	—	(404.3)
Issuances of common stock	2.8	—	74.3	—	—	—	—	—	74.3
Stock-based compensation	—	—	21.2	(2.3)	—	—	—	—	18.9
Purchase of common stock for treasury	—	—	—	—	(9.9)	(408.4)	—	—	(408.4)
Shares returned to unissued status	(71.2)	(0.6)	(2,294.7)		71.2	2,295.3	—	—	—
Distributions paid to noncontrolling interests	—	—	—	—	—	—	—	(0.5)	(0.5)
Balance as of December 31, 2015	346.0	$ 3.5	$ 4,677.7	$ 3,138.3	(0.4)	$ (14.9)	$ (30.5)	$ 2.5	$ 7,776.6

The accompanying notes are an integral part of these financial statements.

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

	Years Ended December 31,		
	2015	2014	2013
Cash provided by operating activities:			
Net income	$ 750.4	$ 547.9	$ 589.1
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation, amortization, depletion and accretion	1,050.0	984.9	954.0
Non-cash interest expense	47.1	44.8	47.5
Restructuring related charges	—	1.8	8.6
Stock-based compensation	18.9	17.4	19.2
Deferred tax provision (benefit)	116.7	(9.0)	(38.5)
Provision for doubtful accounts, net of adjustments	22.7	22.6	16.1
Loss on extinguishment of debt	—	1.4	2.1
Gain on disposition of assets, net and asset impairments	(1.6)	(14.7)	(11.0)
Withdrawal liability - Central States Pension Fund and Other Funds	4.5	—	140.7
Environmental adjustments	(1.6)	233.2	83.7
Excess income tax benefit from stock-based compensation activity and other non-cash items	(10.7)	(4.9)	(6.7)
Change in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable	(15.7)	(54.3)	(61.6)
Prepaid expenses and other assets	(8.7)	(41.3)	(11.4)
Accounts payable	35.6	3.3	37.9
Restructuring expenditures	—	(1.3)	(15.8)
Capping, closure and post-closure expenditures	(88.4)	(54.6)	(85.6)
Remediation expenditures	(80.0)	(99.4)	(122.5)
Withdrawal expenditures - Central States Pension Fund	(153.5)	(15.9)	—
Other liabilities	(6.0)	(32.1)	2.4
Cash provided by operating activities	1,679.7	1,529.8	1,548.2
Cash used in investing activities:			
Purchases of property and equipment	(945.6)	(862.5)	(880.8)
Proceeds from sales of property and equipment	21.2	35.7	23.9
Cash used in business acquisitions, net of cash acquired	(572.7)	(195.7)	(68.7)
Cash proceeds from divestitures, net of cash divested	—	—	2.7
Change in restricted cash and marketable securities	15.3	70.8	(5.5)
Other	(1.0)	(8.1)	(5.5)
Cash used in investing activities	(1,482.8)	(959.8)	(933.9)
Cash used in financing activities:			
Proceeds from notes payable and long-term debt	918.4	1,383.3	1,219.2
Proceeds from issuance of senior notes, net of discount	497.9	—	—
Payments of notes payable and long-term debt	(915.7)	(1,398.4)	(1,278.1)
Fees paid to issue senior notes and retire certain hedging relationships	(3.2)	(4.0)	(1.6)
Issuances of common stock	65.9	88.6	150.8
Excess income tax benefit from stock-based compensation activity	8.5	4.3	3.8
Purchases of common stock for treasury	(404.7)	(400.6)	(214.1)
Cash dividends paid	(399.3)	(378.6)	(348.5)
Distributions paid to noncontrolling interests	(0.5)	(0.4)	(0.2)
Other	(7.0)	(2.3)	0.1
Cash used in financing activities	(239.7)	(708.1)	(468.6)
(Decrease) increase in cash and cash equivalents	(42.8)	(138.1)	145.7
Cash and cash equivalents at beginning of year	75.2	213.3	67.6
Cash and cash equivalents at end of year	$ 32.4	$ 75.2	$ 213.3

The accompanying notes are an integral part of these financial statements.

REPUBLIC SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Republic Services, Inc., a Delaware corporation, and its consolidated subsidiaries (also 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 energy services in the United States, as measured by revenue. We manage and evaluate our operations through two field groups, Group 1 and Group 2, that we have identified as our reportable segments.

The 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 elsewhere in these Notes to Consolidated Financial Statements. Our actual results may differ significantly from our estimates.

Cash and Cash Equivalents

We consider liquid investments with a maturity at the date of acquisition of three months or less to be cash equivalents.

We may have net book credit balances in our primary disbursement accounts at the end of a reporting period. We classify such credit balances as accounts payable in our consolidated balance sheets as checks presented for payment to these accounts are not payable by our banks under overdraft arrangements, and, therefore, do not represent short-term borrowings. As of December 31, 2015 and 2014, there were net book credit balances of $84.4 million and $36.4 million, respectively, in our primary disbursement accounts that were classified as accounts payable on our consolidated balance sheets.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, trade accounts receivable and derivative instruments. We place our cash and cash equivalents with high quality financial institutions. Such balances may be in excess of FDIC insured limits. To manage the related credit exposure, we continually monitor the credit worthiness of the financial institutions where we have deposits. Concentrations of credit risk with respect to trade accounts receivable are limited due to the wide variety of customers and markets in which we provide services, as well as the dispersion of our operations across many geographic areas. We provide services to small-container commercial, large-container industrial, municipal and residential customers in the United States and Puerto Rico. We perform ongoing credit evaluations of our customers, but generally do not require collateral to support customer receivables. We establish an allowance for doubtful accounts based on various factors including the credit risk of specific customers, age of receivables outstanding, historical trends, economic conditions and other information.

Accounts Receivable, Net

Accounts receivable represent receivables from customers for collection, transfer, recycling, disposal, energy services and other services. Our receivables are recorded when billed or when the related revenue is earned, if earlier, and represent claims against third parties that will be settled in cash. The carrying value of our receivables, net of the allowance for doubtful accounts and customer credits, represents their estimated net realizable value. Provisions for doubtful accounts are evaluated on a monthly basis and are recorded based on our historical collection experience, the age of the receivables, specific customer information and economic conditions. We also review outstanding balances on an account-specific basis. In general, reserves are provided for accounts receivable in excess of 90 days outstanding. Past due receivable balances are written-off when our collection efforts have been unsuccessful in collecting amounts due.

The following table reflects the activity in our allowance for doubtful accounts for the years ended December 31:

	2015	2014	2013
Balance at beginning of year	$ 38.9	$ 38.3	$ 45.3
Additions charged to expense	22.7	22.6	16.1
Accounts written-off	(14.9)	(22.0)	(23.1)
Balance at end of year	$ 46.7	$ 38.9	$ 38.3

Restricted Cash and Marketable Securities

As of December 31, 2015, we had $100.3 million of restricted cash and marketable securities. We obtain funds through the issuance of tax-exempt bonds for the purpose of financing qualifying expenditures at our landfills, transfer stations, collection and recycling centers. The funds are deposited directly into trust accounts by the bonding authorities at the time of issuance. As the use of these funds is contractually restricted, and we do not have the ability to use these funds for general operating purposes, they are classified as restricted cash and marketable securities in our consolidated balance sheets.

In the normal course of business, we may be required to provide financial assurance to governmental agencies and a variety of other entities in connection with municipal residential collection contracts, closure or post-closure of landfills, environmental remediation, environmental permits, and business licenses and permits as a financial guarantee of our performance. At several of our landfills, we satisfy financial assurance requirements by depositing cash into restricted trust funds or escrow accounts.

Property and Equipment

We record property and equipment at cost. Expenditures for major additions and improvements to facilities are capitalized, while maintenance and repairs are charged to expense as incurred. When property is retired or otherwise disposed, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of income.

We revise the estimated useful lives of property and equipment acquired through business acquisitions to conform with our policies. We depreciate assets over their estimated useful lives using the straight-line method. We assume no salvage value for our depreciable property and equipment. The estimated useful lives of our property and equipment are as follows:

Buildings and improvements	7 - 40 years
Vehicles	5 - 12 years
Landfill equipment	5 - 7 years
Other equipment	3 - 20 years
Furniture and fixtures	10 years

Landfill development costs also are included in property and equipment. Landfill development costs include direct costs incurred to obtain landfill permits and direct costs incurred to acquire, construct and develop sites, as well as final capping, closure and post-closure assets. These costs are amortized or depleted based on consumed airspace. All indirect landfill development costs are expensed as incurred. For additional information, see Note 8, *Landfill and Environmental Costs.*

Capitalized Interest

We capitalize interest on landfill cell construction and other construction projects if they meet the following criteria:

- Total construction costs are $50,000 or greater;
- The construction phase is one month or longer; and
- The assets have a useful life of one year or longer.

Interest is capitalized on qualified assets while they undergo activities to ready them for their intended use. Capitalization of interest ceases once an asset is placed into service or if construction activity is suspended for more than a brief period of time. Our interest capitalization rate is based on our weighted average cost of indebtedness. Interest capitalized was $6.8 million, $6.4 million and $7.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, restricted cash and marketable securities, fuel, commodity and interest rate hedges, long-term debt, and assets in our defined benefit pension plan. Accounting standards include disclosure requirements around fair values used for certain financial instruments and establish a fair value hierarchy. The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

See Note 11, *Employee Benefit Plans,* and Note 16, *Financial Instruments*, for fair value disclosures related to our defined benefit pension plan investments and financial instruments, respectively.

Investments Other Than Derivatives

Investments other than derivatives primarily include money market funds, common stock, mutual funds, real estate investment trusts, U.S. government and agency securities, municipal and corporate bonds, and foreign government bonds. In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to our Level 1 investments, such as money market funds, common stock and certain mutual funds. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. These investments are included in Level 2 and consist primarily of corporate bonds, foreign government bonds, real estate investment trusts and certain agency securities.

Derivative Financial Instruments

We use derivative financial instruments to manage our risk associated with changing interest rates and changing prices for commodities we frequently purchase or sell by creating offsetting market exposures. We use interest rate swap agreements to manage risk associated with fluctuations in interest rates. We have entered into multiple agreements designated as cash flow hedges to mitigate some of our exposure to changes in diesel fuel prices and prices of certain recycling commodities.

All derivatives are measured at fair value and recognized in the balance sheet as assets or liabilities, as appropriate. For derivatives designated as cash flow hedges, changes in fair value of the effective portions of derivative instruments are reported in stockholders' equity as components of other comprehensive income until the forecasted transaction occurs or is not probable of occurring. When the forecasted transaction occurs or is not probable of occurring, the realized net gain or loss is then recognized in the consolidated statements of income. Changes in fair value of the ineffective portions of derivative instruments are recognized currently in earnings.

The fair values of our diesel fuel and recycling commodity hedges are determined using standard valuation models with assumptions about prices and other relevant information based on those observed in the underlying markets (Level 2 in the fair value hierarchy). The estimated fair values of derivatives used to hedge risks fluctuate over time and should be viewed in relation to the underlying hedged transactions.

Landfill and Environmental Costs

Life Cycle Accounting

We use life-cycle accounting and the units-of-consumption method to recognize certain landfill costs over the life of the site. In life cycle accounting, all current and future capitalized costs to acquire and construct a site are calculated, and charged to expense based on the consumption of cubic yards of available airspace.

Costs and airspace estimates are developed at least annually by engineers. We use these estimates to adjust the rates we use to deplete capitalized costs. Changes in these estimates primarily relate to changes in available airspace, inflation and applicable regulations. Changes in available airspace include, but are not limited to, changes due to the addition of airspace lying in probable expansion areas, airspace consumed and changes in engineering estimates.

Probable Expansion Airspace

We classify landfill disposal capacity as either permitted (having received the final permit from the applicable regulatory agency) or as probable expansion airspace. Before airspace included in an expansion area is determined to be probable expansion airspace and, therefore, is included in our calculation of total available disposal capacity, all of the following criteria must be met:

- We own the land associated with the expansion airspace or control it pursuant to an option agreement;
- We are committed to supporting the expansion project financially and with appropriate resources;
- There are no identified fatal flaws or impediments associated with the project, including political impediments;
- Progress is being made on the project;
- The expansion is attainable within a reasonable time frame; and
- We believe it is likely the expansion permit will be received.

Upon meeting our expansion criteria, the rates used at each applicable landfill to expense costs to acquire, construct, cap, close and maintain a site during the post-closure period are adjusted to include both the probable expansion airspace and the additional costs to be capitalized or accrued associated with that expansion airspace.

We have identified three steps that landfills generally follow to obtain expansion permits. These steps are as follows:

- Obtaining approval from local authorities;
- Submitting a permit application to state authorities; and
- Obtaining permit approval from state authorities.

We continually monitor our progress toward obtaining permits for each of our sites with probable airspace. If we determine that a landfill expansion area no longer meets our criteria, the probable expansion airspace is removed from the landfill's total available capacity and the rates used at the landfill to deplete costs to acquire, construct, cap, close and maintain a site during the post-closure period are adjusted accordingly. In addition, any amounts capitalized for the probable expansion airspace are charged to expense in the period in which it is determined that the criteria are no longer met.

Capitalized Landfill Costs

Capitalized landfill costs include expenditures for land, permitting, cell construction and environmental structures. Capitalized permitting and cell construction costs are limited to direct costs relating to these activities, including legal, engineering and construction costs associated with excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection and monitoring systems, installation of groundwater monitoring wells and other costs associated with the development of the site. Interest is capitalized on landfill construction projects while the assets are undergoing activities to ready them for their intended use. Capitalized landfill costs also include final capping, closure and post-closure assets and are depleted as airspace is consumed using the units-of-consumption method.

Costs related to acquiring land, excluding the estimated residual value of unpermitted, non-buffer land, and costs related to permitting and cell construction are depleted as airspace is consumed using the units-of-consumption method.

Capitalized landfill costs also may include an allocation of purchase price paid for landfills. For landfills purchased as part of a group of assets, the purchase price assigned to the landfill is determined based on the estimated fair value of the landfill. If the landfill meets our expansion criteria, the purchase price is further allocated between permitted airspace and expansion airspace based on the respective ratios to total available airspace. Landfill purchase price is amortized using the units-of-consumption method over the total available airspace, including probable expansion airspace, where appropriate.

Final Capping, Closure and Post-Closure Costs

Final capping

We have future obligations for final capping, closure and post-closure costs with respect to the landfills we own or operate as set forth in applicable landfill permits. The permit requirements are based on the Subtitle C and Subtitle D regulations of the Resource Conservation and Recovery Act, as implemented and applied on a state-by-state basis. We define final capping as activities required to permanently cover a portion of a landfill that has been completely filled with waste. Final capping typically includes installing flexible membrane and geosynthetic clay liners, drainage and compact soil layers, and topsoil, and is constructed over an area of the landfill where total airspace capacity has been consumed and waste disposal operations have ceased. These final capping activities occur in phases as needed throughout the operating life of a landfill as specific areas are filled to capacity and the final elevation for that specific area is reached in accordance with the provisions of the operating permit. We consider final capping events to be discrete activities that are recognized as asset retirement obligations separately from other closure and post-closure obligations. As a result, we use a separate rate per ton for recognizing the principal amount of the liability and related asset associated with each capping event. We amortize the asset recorded pursuant to this approach as waste volume related to the capacity covered by the capping event is placed into the landfill based on the consumption of cubic yards of available airspace.

Closure and post-closure

Closure and post-closure activities occur after the entire landfill ceases to accept waste and closes. These activities involve methane gas control, leachate management and groundwater monitoring, surface water monitoring and control, and other operational and maintenance activities that occur after the site ceases to accept waste. Obligations associated with monitoring and controlling methane gas migration and emissions are set forth in applicable landfill permits and these requirements are based on the provisions of the Clean Air Act. The post-closure period generally runs for 30 years after final site closure for municipal solid waste landfills and a shorter period for construction and demolition landfills and inert landfills. We recognize asset retirement obligations and the related amortization expense for closure and post-closure (excluding obligations for final capping) using the units-of-consumption method over the total remaining capacity of the landfill, including probable expansion airspace.

Estimated future expenditures

Estimates of future expenditures for final capping, closure and post-closure are developed at least annually by engineers. Management reviews these estimates and our operating and accounting personnel use them to adjust the rates used to capitalize and amortize these costs. These estimates involve projections of costs that will be incurred during the remaining life of the landfill for final capping activities, after the landfill ceases operations and during the legally required post-closure monitoring period. We currently retain post-closure responsibility for 126 closed landfills.

Fair value measurements

In general, we engage third parties to perform most of our final capping, closure and post-closure activities. Accordingly, the fair value of these activities is based on quoted and actual prices paid for similar work. We also perform some of our final capping, closure and post-closure activities using internal resources. Where we expect internal resources to be used to fulfill an asset retirement obligation, we add a profit margin to the estimated cost of such services to better reflect their fair value. If we perform these services internally, the added profit margin is recognized as a component of operating income in the period the obligation is settled.

Our estimates of costs to discharge asset retirement obligations for landfills are developed in today’s dollars. These costs are inflated each year to reflect a normal escalation of prices up to the year they are expected to be paid. We use a 2.0% inflation rate, which is based on the ten-year historical moving average increase of the U.S. Consumer Price Index, and is the rate used by most waste industry participants.

These estimated costs are then discounted to their present values using a credit-adjusted, risk-free interest rate. The credit-adjusted, risk-free interest rate we used for liability recognition was 4.75% and 4.50% for the years ended December 31, 2015 and 2014, respectively, which was based on the estimated all-in yield we would have needed to offer to sell thirty-year debt in the public market. However, as part of the initial application of purchase accounting, our capping, closure and post-closure obligations acquired from Allied Waste Industries, Inc. (Allied) were recorded at their fair values as of the acquisition date, and were discounted using a rate of 9.75% due to market conditions at the time of the acquisition.

Changes in assets retirement obligations

A liability for an asset retirement obligation is recognized in the period in which it is incurred and is initially measured at fair value. The offset to the liability is capitalized as part of the carrying amount of the related long-lived asset. Changes in the liabilities due to revisions to estimated future cash flows are recognized by increasing or decreasing the liabilities with the offsets adjusting the carrying amounts of the related long-lived assets, and may also require immediate adjustments to amortization expense in the consolidated statement of income. Upward revisions in the amount of undiscounted estimated cash flows used to record a liability are discounted using the credit-adjusted, risk-free interest rate in effect at the time of the change. Downward revisions in the amount of undiscounted estimated cash flows used to record a liability are discounted using the credit-adjusted, risk-free rate that existed when the original liability was recognized.

Changes in asset retirement obligations due to the passage of time are measured by recognizing accretion expense in a manner that results in a constant effective interest rate being applied to the average carrying amount of the liability. The effective interest rate used to calculate accretion expense is our credit-adjusted, risk-free interest rate in effect at the time the liabilities were recorded.

We review our calculations with respect to landfill asset retirement obligations at least annually. If there is a significant change in the facts and circumstances related to a landfill during the year, we will review our calculations for the landfill as soon as practical after the change has occurred.

Landfill operating expenses

Costs associated with daily maintenance activities and environmental compliance during the operating life of the landfill are expensed as incurred. These costs include, among other things, leachate treatment and disposal, methane gas and groundwater monitoring and systems maintenance, interim cap maintenance, costs associated with the application of daily cover materials, and the legal and administrative costs of ongoing environmental compliance.

Environmental Liabilities

We are subject to an array of laws and regulations relating to the protection of the environment, and we remediate sites in the ordinary course of our business. Under current laws and regulations, we may be responsible for environmental remediation at sites that we either own or operate, including sites that we have acquired, or sites where we have (or a company that we have acquired has) delivered waste. Our environmental remediation liabilities primarily include costs associated with remediating groundwater, surface water and soil contamination, as well as controlling and containing methane gas migration and the related legal costs. To estimate our ultimate liability at these sites, we evaluate several factors, including the nature and extent of contamination at each identified site, the required remediation methods, timing of expenditures, the apportionment of responsibility among the potentially responsible parties and the financial viability of those parties. We accrue for costs associated with environmental remediation obligations when such costs are probable and reasonably estimable in accordance with accounting for loss contingencies. We periodically review the status of all environmental matters and update our estimates of the likelihood of and future expenditures for remediation as necessary. Changes in the liabilities resulting from these reviews are recognized currently in earnings in the period in which the adjustment is known. Adjustments to estimates are reasonably possible in the near term and may result in changes to recorded amounts. With the exception of those obligations assumed in the acquisition of Allied, environmental obligations are recorded on an undiscounted basis. Environmental obligations assumed in the acquisition of Allied, which were initially estimated on a discounted basis, are accreted to full value over time through charges to interest expense. Adjustments arising from changes in amounts and timing of estimated costs and settlements may result in increases or decreases in these obligations and are calculated on a discounted basis as they were initially estimated on a discounted basis. These adjustments are charged to operating income when they are known. We perform a comprehensive review of our environmental obligations annually and also review changes in facts and circumstances associated with these obligations at least quarterly. We have not reduced the liabilities we have recorded for recoveries from other potentially responsible parties or insurance companies.

Business Combinations

We acquire businesses in the waste industry, including non-hazardous waste collection, transfer, recycling, disposal and energy services operations, as part of our growth strategy. Businesses are included in the consolidated financial statements from the date of acquisition.

We recognize, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition-date fair values. We measure and recognize goodwill as of the acquisition date as the excess of: (1) the aggregate of the fair value of consideration transferred, the fair value of any noncontrolling interest in the acquiree (if any) and the acquisition date fair value of our previously held equity interest in the acquiree (if any), over (2) the fair value of assets acquired and liabilities assumed. If information about facts and circumstances existing as of the acquisition date is incomplete by the end of the reporting period in which a business combination occurs, we report provisional amounts for the items for which the accounting is incomplete. The measurement or allocation period ends once we receive the information we are seeking; however, this period will not exceed one year from the acquisition date. Any material adjustments recognized during the measurement period will be reflected retrospectively in the consolidated financial statements of the subsequent period. We recognize third-party transaction related costs as expense currently in the period in which they are incurred.

Goodwill and Other Intangible Assets

We have historically evaluated goodwill for impairment annually as of December 31, or when an indicator of impairment exists. During 2015 we changed the date of our annual goodwill impairment assessment for our reporting units to October 1st. This voluntary change in the annual goodwill testing date is a change in accounting principle, which we believe is preferable as it better aligns the timing of the assessment with our planning and forecasting process and also provides additional time to complete our annual assessment in advance of our year-end reporting. This change in assessment date was applied prospectively and did not delay, accelerate or avoid a potential impairment charge.

We test goodwill for impairment using a two-step process. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill.

During 2015, we managed and evaluated our operations through three regions: East, Central and West. In determining fair value, we primarily use discounted future cash flows and operating results based on a comparative multiple of earnings or revenues.

Significant estimates used in our fair value calculation using discounted future cash flows include: (1) estimates of future revenue and expense growth by reporting unit, which we estimate to range from 3% to 5% annually; (2) future estimated effective tax rates, which we estimate to be 40%; (3) future estimated capital expenditures and future required investments in working capital; (4) estimated discount rates, which we estimate to range between 6% and 8%; and (5) the future terminal value of the reporting unit, which is based on its ability to exist into perpetuity. Significant estimates used in the fair value calculation utilizing market value multiples include: (a) estimated future growth potential of the reporting unit; (b) estimated multiples of revenue or earnings a willing buyer is likely to pay; and (c) the estimated control premium a willing buyer is likely to pay.

In addition, we evaluate a reporting unit for impairment if events or circumstances change between annual tests, indicating a possible impairment. Examples of such events or circumstances include: (1) a significant adverse change in legal factors or in the business climate; (2) an adverse action or assessment by a regulator; (3) a more likely than not expectation that a reporting unit or a significant portion thereof will be sold; (4) continued or sustained losses at a reporting unit; (5) a significant decline in our market capitalization as compared to our book value; or (6) the testing for recoverability of a significant asset group within the reporting unit.

We assign assets and liabilities from our corporate operating segment to our three reporting units to the extent that such assets or liabilities relate to the cash flows of the reporting unit and would be included in determining the reporting unit's fair value.

In preparing our annual test for impairment as of October 1, 2015, we determined that our indicated fair value of total invested capital exceeded our total market capitalization. We believe one of the primary reconciling differences between the indicated fair value of total invested capital and our total market capitalization is due to a control premium. We believe the control premium represents the value a market participant could extract as savings or synergies by obtaining control.

As of October 1, 2015, we determined that the indicated fair value of our reporting units exceeded their carrying value by approximately 50% on average and, therefore, we noted no indicators of impairment at our reporting units.

Our operating segments, which also represent our reporting units, are comprised of several vertically integrated businesses. When an individual business within an integrated operating segment is divested, goodwill is allocated to that business based on its fair value relative to the fair value of its operating segment.

In January 2016, we realigned our field support functions by eliminating our three region offices and creating two field groups, consolidating and reducing the number of area offices, and streamlining select operational support roles at our Phoenix headquarters. These changes included reducing administrative staffing levels, relocating office space and closing certain office locations. We have considered the implications of our restructuring on our reporting units used to measure for goodwill impairment, and we have noted no indicators of goodwill impairment.

Other intangible assets include values assigned to customer relationships, franchise agreements, other municipal agreements, non-compete agreements and trade names and are amortized generally on a straight-line basis over periods ranging from 1 to 20 years.

Asset Impairments

We continually consider whether events or changes in circumstances have occurred that may warrant revision of the estimated useful lives of our long-lived assets (other than goodwill) or whether the remaining balances of those assets should be evaluated for possible impairment. Long-lived assets include, for example, capitalized landfill costs, other property and equipment, and identifiable intangible assets. Events or changes in circumstances that may indicate that an asset may be impaired include the following:

- A significant decrease in the market price of an asset or asset group;
- A significant adverse change in the extent or manner in which an asset or asset group is being used or in its physical condition;
- A significant adverse change in legal factors or in the business climate that could affect the value of an asset or asset group, including an adverse action or assessment by a regulator;
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group;
- A current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life; or
- An impairment of goodwill at a reporting unit.

There are certain indicators listed above that require significant judgment and understanding of the waste industry when applied to landfill development or expansion. For example, a regulator may initially deny a landfill expansion permit application though the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace. Therefore, certain events could occur in the ordinary course of business and not necessarily be considered indicators of impairment due to the unique nature of the waste industry.

If indicators of impairment exist, the asset or asset group is reviewed to determine whether its recoverability is impaired. We assess the recoverability of the asset or asset group by comparing its carrying value to an estimate (or estimates) of its undiscounted future cash flows over its remaining life. If the estimated undiscounted cash flows are not sufficient to recover the carrying value of the asset or asset group, we measure an impairment loss as the amount by which the carrying amount of the asset exceeds its fair value. The loss is recorded in the consolidated statement of income in the period in which such impairment is identified. Estimating future cash flows requires significant judgment, and our projections of future cash flows and remaining useful lives may vary materially from actual results.

Insurance Reserves

Our insurance programs for workers' compensation, commercial general and auto liability, environmental and remediation liability, and employee-related health care benefits are subject to high deductible insurance policies. Accruals for insurance reserves are based on claims filed and estimates of claims incurred but not reported. We consider our past claims experience, including both frequency and settlement amount of claims, in determining these estimates. It is possible that 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 the consolidated statements of income in the periods in which such adjustments are known.

In general, our insurance reserves are recorded on an undiscounted basis; however, the insurance liabilities we acquired in the Allied acquisition have been recorded at estimated fair value, and therefore have been discounted to present value based on our estimate of the timing of the related cash flows.

Costs Associated with Exit Activities

We record costs associated with exit activities such as employee termination benefits that represent a one-time benefit when management approves and commits to a plan of termination, and communicates the termination arrangement to the employees, or over the future service period, if any. Other costs associated with exit activities may include contract termination costs, including costs related to leased facilities to be abandoned or subleased, and facility and employee relocation costs.

Contingent Liabilities

We are subject to various legal proceedings, claims and regulatory matters, the outcomes of which are subject to significant uncertainty. In general, we determine whether to disclose or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable, and whether it can be reasonably estimated. We assess our potential liability relating to litigation and regulatory matters based on information available to us. Management develops its assessment based on an analysis of possible outcomes under various strategies. We accrue for loss contingencies when such amounts are probable and reasonably estimable. If a contingent liability is only reasonably possible, we disclose the potential range of the loss, if estimable. Contingent liabilities recorded in purchase accounting are recorded at their fair values. These fair values may be different from the values we would have otherwise recorded, had the contingent liability not been assumed as part of an acquisition of a business.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income is a component of stockholders' equity and includes the effective portion of the net changes in fair value of our cash flow hedges that consist of prices for diesel fuel and recycled commodities, net of tax, settlement and amortization of our interest rate locks and certain adjustments to liabilities associated with our employee defined benefit pension plan liabilities, net of tax.

Revenue Recognition

We generally provide services under contracts with municipalities or individual customers. Municipal and small-container commercial contracts are generally long-term and often have renewal options. Advance billings are recorded as deferred revenue, and revenue is recognized over the period services are provided.

We recognize revenue when all four of the following criteria are met:

- Persuasive evidence of an arrangement exists such as a service agreement with a municipality, a hauling customer or a disposal customer;
- Services have been performed such as the collection and hauling of waste or the disposal of waste at a disposal facility we own or operate;
- The price of the services provided to the customer is fixed or determinable; and
- Collectibility is reasonably assured.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we record deferred income taxes to reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases using enacted tax rates that we expect to be in effect when the taxes are actually paid or recovered. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making these determinations, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, tax planning strategies, projected future taxable income and recent financial operating results. The weight given to the positive and negative evidence is commensurate with the extent such evidence can be objectively verified. If we determine that we would be able to realize a deferred income tax asset in the future in excess of its net recorded amount, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with ASC 740. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized.

We recognize interest and penalties related to uncertain tax positions in the provision for income taxes in the accompanying consolidated statements of income. Accrued interest and penalties are included in other accrued liabilities, deferred income taxes and other long-term tax liabilities in the consolidated balance sheets.

Defined Benefit Pension Plan

We currently have one qualified defined benefit pension plan, the BFI Retirement Plan (the Plan). The Plan covers certain current and former employees of Allied in the United States, including some employees subject to collective bargaining agreements. The Plan's benefit formula is based on a percentage of compensation as defined in the Plan document. However, the benefits of approximately 97% of the current plan participants were frozen upon Allied's acquisition of BFI in 1999.

Our pension contributions are made in accordance with funding standards established by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, as amended by the Pension Protection Act of 2006. The Plan's assets have been invested as determined by our Employee Benefits Committee. The Employee Benefits Committee reviews and adjusts the Plan's asset allocation as deemed necessary.

The benefit obligation and associated income or expense related to the Plan are determined using annually established assumptions for discount rates, expected rates of return, mortality rates and average rates for compensation increases. We determine the discount rate based on a model that matches the timing and amount of expected benefit payments to maturities of high quality bonds priced as of the pension plan measurement date. When that timing does not correspond to a published high-quality bond rate, our model uses an expected yield curve to determine an appropriate current discount rate. The yields on the bonds are used to derive a discount rate for the liability. In developing our expected rate of return assumption, we evaluate long-term expected and historical actual returns on the Plan assets, giving consideration to the asset mix and the anticipated duration of our Plan obligations. The average rate of compensation increase reflects our expectations of average pay increases over the period benefits are earned. Our assumptions are reviewed annually and adjusted as deemed necessary.

Equity-Based Compensation Plans

We recognize equity-based compensation expense on the estimated grant-date fair value of stock options and restricted stock units issued as compensation to employees over the requisite service periods for each separately vesting portion of the award, or to the employee's retirement-eligible date, if earlier.

The fair value of each option on the date of grant is estimated using a lattice binomial option-pricing model based on certain valuation assumptions. Expected volatility is based on the weighted average of the most recent one year volatility and a historical rolling average volatility of our stock over the expected life of the option. The risk-free interest rates are based on the published U.S. Treasury yield curve in effect at the time of the grant for instruments with a similar life. The dividend yield reflects our dividend yield at the date of grant. The expected life represents the period that the stock options are expected to be outstanding, taking into consideration the contractual terms of the options and our employees' historical exercise and post-vesting employment termination behavior, weighted to reflect the job level demographic profile of the employees receiving the option grants. The estimated forfeiture rate used to record compensation expense is based on historical forfeitures and is adjusted periodically based on actual results.

Compensation expense associated with our performance shares that vest based on future performance targets is measured using the fair value of our common stock at the grant date for the stock-settled, equity classified awards, and the fair value of our common stock at the end of each reporting period for the cash-settled, liability classified awards. Compensation expense is recognized ratably over the performance period based on our estimated achievement of the established performance criteria. Compensation expense is only recognized for those awards that we expect to vest, which we estimate based on an assessment of the probability that the performance criteria will be achieved.

Cash flows resulting from tax benefits related to tax deductions in excess of those recorded for compensation expense, resulting from the exercise of stock options and the vesting of restricted stock units, are classified as cash flows from financing activities. All other tax benefits related to stock options have been presented as a component of cash flows from operating activities.

Stock Repurchases

Share repurchases under our share repurchase authorization may be made through open market purchases or privately negotiated transactions at the current market prices. From time-to-time, the Company returns treasury shares acquired through share repurchases to the status of authorized but unissued. Our accounting policy is to deduct the par value from common stock and to reflect any excess of cost over par value as a deduction from additional paid-in capital.

Leases

We lease property and equipment in the ordinary course of our business. Our most significant lease obligations are for property and equipment specific to our industry, including real property operated as a landfill or transfer station and operating equipment. Our leases have varying terms. Some may include renewal or purchase options, escalation clauses, restrictions, penalties or other obligations that we consider in determining minimum lease payments. Leases are classified as either operating leases or capital leases, as appropriate.

Operating Leases

Many of our leases are operating leases. This classification generally can be attributed to either (1) relatively low fixed minimum lease payments (including, for example, real property lease payments that are not fixed and vary based on the volume of waste we receive or process), or (2) minimum lease terms that are much shorter than the assets' economic useful lives. We expect that, in the normal course of business, our operating leases will be renewed, replaced by other leases, or replaced with fixed asset expenditures. We record rental expense over the lease term as it becomes payable.

Capital Leases

We capitalize assets acquired under capital leases at the inception of each lease and amortize them to depreciation expense over the lesser of the useful life of the asset or the lease term on either a straight-line or a units-of-consumption basis, depending on the asset leased. We record the present value of the related lease payments as a debt obligation. Our capital lease liability relates primarily to certain long-term landfill operating agreements that require minimum lease payments with offsetting capital lease assets recorded as part of the landfill development costs.

Related Party Transactions

It is our policy that transactions with related parties must be on terms that, on the whole, are no less favorable than those that would be available from unaffiliated parties.

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. 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. We adopted this standard on a retrospective basis in the first quarter of 2016, which resulted in a reduction of our debt liability and other assets in our consolidated balance sheets of $41.3 million and $41.6 million as of December 31, 2015 and 2014, respectively.

In November 2015, the FASB issued Accounting Standards Update (ASU) 2015-17, Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes, which simplifies the presentation of deferred income taxes. This guidance requires that deferred tax assets and liabilities be classified as noncurrent in the balance sheet. The standard is effective for fiscal years beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted for financial statements that have not been previously issued. We have elected early adoption of this standard on a prospective basis in the fourth quarter of 2015. Adoption of this ASU resulted in a reclassification of our net current deferred tax asset to the net noncurrent deferred tax liability in our consolidated balance sheet as of December 31, 2015. No prior periods were retrospectively adjusted. The adoption of this guidance had no impact on our consolidated results of income or comprehensive income.

3. BUSINESS ACQUISITIONS

We acquired various waste businesses during the years ended December 31, 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	$ 572.7	$ 195.7
Contingent consideration	70.6	—
Holdbacks	5.1	25.4
Fair value, future guaranteed payments	—	6.8
Fair value, future minimum lease payments	1.5	25.2
Total	$ 649.9	$ 253.1
Allocated as follows:		
Accounts receivable	39.2	8.5
Restricted cash	—	16.8
Landfill airspace	173.1	26.6
Property and equipment	158.4	76.1
Other assets	1.8	5.6
Accounts payable	(7.1)	—
Future service obligations	—	(11.0)
Environmental remediation liabilities	(5.3)	—
Closure and post-closure liabilities	(27.0)	(3.2)
Other liabilities	(10.3)	(21.8)
Fair value of tangible assets acquired and liabilities assumed	322.8	97.6
Excess purchase price to be allocated	$ 327.1	$ 155.5
Excess purchase price to be allocated as follows:		
Other intangible assets	$ 14.8	$ 46.8
Goodwill	312.3	108.7
Total allocated	$ 327.1	$ 155.5

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 $92 million and $180 million. The fair value of the contingent consideration was recorded as a $70.1 million liability as of the acquisition date and was determined using probability assessments of the expected future consideration payments over the remaining useful life of the landfill, and applying a discount rate of 4.0%. The fair value measure is based on significant inputs that are not observable in the market. Key assumptions include volume of annual tons disposed at the landfill, price paid per annual ton, and the discount rate that represent the best estimates of management, which are subject to remeasurement at each reporting date. The contingent consideration and purchase price allocation are preliminary and are subject to revision.

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 energy 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 provides closed loop solids control systems and transportation services. Tervita's assets complement Republic's existing energy 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 December 31, 2015, we allocated $109.3 million of the purchase price to property and equipment, $85.5 million to landfill airspace, and $7.2 million to intangible assets. We also assumed $6.9 million of closure and post-closure obligations and $5.3 million of environmental remediation liabilities. During the fourth quarter of 2015, we settled working capital and other seller-related items for approximately $3 million, which resulted in a reduction to our purchase price and an allocation of $19.2 million of the purchase price to net working capital. Approximately $268 million of the remaining purchase price was allocated to goodwill and represents the future economic benefits expected to arise from other assets acquired that could not be individually identified and separately recognized. 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. These final valuations and assessments will be completed in early 2016.

In October 2014, we acquired all of the shares of Rainbow Disposal Co., Inc. (Rainbow) for $112.0 million cash, of which $16.8 million of the funds were placed into an escrow account pursuant to a holdback arrangement and classified as restricted cash. We also assumed a capital lease agreement with a fair value of $25.2 million for operational facilities in Southern California, and entered into agreements not to compete, along with other restrictive covenants, with key executives. We allocated $53.5 million of the purchase price to property and equipment and $34.8 million to intangible assets. We also assumed $18.9 million of liabilities. Approximately $66 million of the remaining purchase price was allocated to goodwill and represents the future economic benefits expected to arise from other assets acquired that could not be individually identified and separately recognized. Rainbow's operations in Southern California include hauling routes, a recycling facility, a transfer station, a compressed natural gas (CNG) refueling station, and a CNG-powered vehicle fleet. The acquisition is not material to the Company's results of operations.

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.

4. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment, net as of December 31 follows:

	2015	2014
Land	$ 425.4	$ 401.3
Non-depletable landfill land	165.6	162.2
Landfill development costs	6,078.1	5,645.3
Vehicles and equipment	6,211.8	5,834.1
Buildings and improvements	1,098.6	1,002.3
Construction-in-progress - landfill	191.6	140.8
Construction-in-progress - other	25.5	10.1
	$ 14,196.6	$ 13,196.1
Less: accumulated depreciation, depletion and amortization		
Landfill development costs	$ (2,723.0)	$ (2,437.4)
Vehicles and equipment	(3,555.0)	(3,273.3)
Buildings and improvements	(365.8)	(320.1)
	(6,643.8)	(6,030.8)
Property and equipment, net	$ 7,552.8	$ 7,165.3

Depreciation, amortization and depletion of property and equipment was $898.7 million, $838.5 million and $806.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

5. 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 December 31, 2015
Group 1	$ 5,235.4	$ 9.7	$ 3.0	$ 5,248.1
Group 2	5,595.5	302.6	(0.7)	5,897.4
Total	$ 10,830.9	$ 312.3	$ 2.3	$ 11,145.5

	Balance as of December 31, 2013	Acquisitions	Adjustments to Acquisitions	Balance as of December 31, 2014
Group 1	$ 5,158.9	$ 77.0	$ (0.5)	$ 5,235.4
Group 2	5,565.2	31.7	(1.4)	5,595.5
Total	$ 10,724.1	$ 108.7	$ (1.9)	$ 10,830.9

Adjustments to acquisitions during the year ended December 31, 2015 primarily related to working capital and deferred taxes, which were recorded to goodwill in purchase accounting. During 2014, adjustments to acquisitions related to deferred tax asset adjustments resulting from the exercise of legacy Allied stock options.

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 20 years. A summary of the activity and balances by intangible asset type follows:

	Gross Intangible Assets			Accumulated Amortization			
	Balance as of December 31, 2014	Acquisitions	Balance as of December 31, 2015	Balance as of December 31, 2014	Additions Charged to Expense	Balance as of December 31, 2015	Other Intangible Assets, Net as of December 31, 2015
Customer relationships, franchise and other municipal agreements	$ 641.2	$ 10.4	$ 651.6	$ (369.1)	$ (61.9)	$ (431.0)	$ 220.6
Non-compete agreements	26.8	4.0	30.8	(18.2)	(3.9)	(22.1)	8.7
Other intangible assets	65.2	0.4	65.6	(47.0)	(1.5)	(48.5)	17.1
Total	$ 733.2	$ 14.8	$ 748.0	$ (434.3)	$ (67.3)	$ (501.6)	$ 246.4

	Gross Intangible Assets			Accumulated Amortization			
	Balance as of December 31, 2013	Acquisitions	Balance as of December 31, 2014	Balance as of December 31, 2013	Additions Charged to Expense	Balance as of December 31, 2014	Other Intangible Assets, Net as of December 31, 2014
Customer relationships, franchise and other municipal agreements	$ 598.9	$ 42.3	$ 641.2	$ (309.7)	$ (59.4)	$ (369.1)	$ 272.1
Non-compete agreements	23.6	3.2	26.8	(14.8)	(3.4)	(18.2)	8.6
Other intangible assets	63.9	1.3	65.2	(46.1)	(0.9)	(47.0)	18.2
Total	$ 686.4	$ 46.8	$ 733.2	$ (370.6)	$ (63.7)	$ (434.3)	$ 298.9

Based on the amortizable intangible assets recorded in the consolidated balance sheet as of December 31, 2015, amortization expense for each of the next five years is estimated as follows:

2016	$ 66.3
2017	64.3
2018	51.8
2019	9.2
2020	7.0

6. OTHER ASSETS

Prepaid Expenses and Other Current Assets

A summary of prepaid expenses and other current assets as of December 31 follows:

	2015	2014
Inventories	$ 38.8	$ 35.9
Prepaid expenses	66.1	55.0
Other non-trade receivables	34.6	57.0
Reinsurance receivable	12.5	12.4
Income tax receivable	78.5	101.6
Other current assets	4.5	1.5
Total	$ 235.0	$ 263.4

Other Assets

A summary of other assets as of December 31 follows:

	2015	2014
Deferred compensation plan	90.5	77.1
Amounts recoverable for capping, closure and post-closure obligations	25.9	24.3
Reinsurance receivable	44.0	48.4
Interest rate swaps	16.5	14.1
Other	83.7	86.8
Total	$ 260.6	$ 250.7

7. OTHER LIABILITIES

Other Accrued Liabilities

A summary of other accrued liabilities as of December 31 follows:

	2015	2014
Accrued payroll and benefits	$ 187.8	$ 180.2
Accrued fees and taxes	126.5	125.6
Insurance reserves, current portion	127.7	118.6
Ceded insurance reserves, current portion	12.5	12.4
Accrued dividends	103.7	98.7
Current tax liabilities	0.5	16.3
Fuel hedge liabilities	41.0	35.3
Accrued professional fees and legal settlement reserves	44.2	61.2
Withdrawal liability - Central States Pension and Other Funds	—	15.9
Other	72.7	86.5
Total	$ 716.6	$ 750.7

Other Long-Term Liabilities

A summary of other long-term liabilities as of December 31 follows:

	2015	2014
Deferred compensation plan	$ 83.3	$ 76.3
Pension and other post-retirement liabilities	12.1	11.0
Legal settlement reserves	24.7	10.8
Ceded insurance reserves	44.0	48.4
Withdrawal liability - Central States Pension and Other Funds	6.1	139.6
Contingent consideration and acquisition holdbacks	78.0	—
Other	61.1	58.8
Total	$ 309.3	$ 344.9

Insurance Reserves

Our liabilities for unpaid and incurred but not reported claims as of December 31, 2015 and 2014 (which include claims for workers' compensation, commercial general and auto liability, and employee-related health care benefits) were $405.8 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. The following table summarizes the activity in our insurance reserves for the years ended December 31:

	2015	2014	2013
Balance at beginning of year	$ 416.6	$ 431.5	$ 426.4
Additions charged to expense	360.4	354.8	379.1
Payments	(373.1)	(372.2)	(377.2)
Accretion expense	1.9	2.5	3.2
Balance at end of year	405.8	416.6	431.5
Less: current portion	(127.7)	(118.6)	(136.6)
Long-term portion	$ 278.1	$ 298.0	$ 294.9

8. LANDFILL AND ENVIRONMENTAL COSTS

As of December 31, 2015, we owned or operated 193 active landfills with total available disposal capacity of approximately 5.0 billion in-place cubic yards. Additionally, we had post-closure responsibility for 126 closed landfills.

A summary of our accrued landfill and environmental liabilities as of December 31 follows:

	2015	2014
Landfill final capping, closure and post-closure liabilities	$ 1,181.6	$ 1,144.3
Environmental remediation	646.1	697.5
Total accrued landfill and environmental costs	1,827.7	1,841.8
Less: current portion	(149.8)	(164.3)
Long-term portion	$ 1,677.9	$ 1,677.5

Final Capping, Closure and Post-Closure Costs

The following table summarizes the activity in our asset retirement obligation liabilities, which include liabilities for final capping, closure and post-closure, for the years ended December 31:

	2015	2014	2013
Asset retirement obligation liabilities, beginning of year	$ 1,144.3	$ 1,091.3	$ 1,052.4
Non-cash additions	39.4	38.6	36.5
Acquisitions and other adjustments	27.1	3.8	(0.6)
Asset retirement obligation adjustments	(20.2)	(12.8)	12.0
Payments	(88.4)	(54.6)	(85.6)
Accretion expense	79.4	78.0	76.6
Asset retirement obligation liabilities, end of year	1,181.6	1,144.3	1,091.3
Less: current portion	(87.4)	(87.9)	(93.6)
Long-term portion	$ 1,094.2	$ 1,056.4	$ 997.7

We review our landfill asset retirement obligations at least annually. As a result, we recorded a net decrease in amortization expense of $0.7 million, $13.3 million and $0.3 million for 2015, 2014 and 2013, respectively, primarily related to changes in estimates and assumptions concerning the anticipated waste flow, cost and timing of future final capping, closure and post-closure activities.

The fair value of assets that are legally restricted for purposes of settling final capping, closure and post-closure obligations was approximately $27.3 million as of December 31, 2015 and is included in restricted cash and marketable securities in our consolidated balance sheet.

The expected future payments for final capping, closure and post-closure as of December 31, 2015 follows:

2016	$ 87.4
2017	106.5
2018	96.7
2019	83.3
2020	90.5
Thereafter	5,571.5
	$ 6,035.9

The estimated remaining final capping, closure and post-closure expenditures presented above are not inflated and not discounted and reflect the estimated future payments for liabilities incurred and recorded as of December 31, 2015 and for liabilities yet to be incurred over the remaining life of our landfills.

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 such 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 December 31, 2015 would be approximately $350 million higher than the amounts 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.

The following table summarizes the activity in our environmental remediation liabilities for the years ended December 31:

	2015	2014	2013
Environmental remediation liabilities, beginning of year	$ 697.5	$ 551.7	$ 563.7
Net additions charged to expense	(1.6)	219.1	83.7
Payments	(80.0)	(99.4)	(122.5)
Accretion expense (non-cash interest expense)	24.9	25.3	26.8
Acquisitions and other	5.3	0.8	—
Environmental remediation liabilities, end of year	646.1	697.5	551.7
Less: current portion	(62.4)	(76.4)	(85.1)
Long-term portion	$ 583.7	$ 621.1	$ 466.6

The expected undiscounted future payments for remediation costs as of December 31, 2015 follows:

2016	$ 62.4
2017	89.3
2018	62.9
2019	64.8
2020	62.4
Thereafter	546.5
	$ 888.3

It is reasonably possible that we will need to adjust our liabilities to reflect the effects of new or additional information, to the extent that such information impacts the costs, timing or duration of the required actions. Future changes in our estimates of the costs, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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

Bridgeton Landfill. During the year ended December 31, 2015, we paid $34.5 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 December 31, 2015, the remediation liability recorded for this site is $217.5 million, of which $21.7 million is expected to be paid during 2016. We believe the remaining reasonably possible high end of our range would be approximately $164 million higher than the amount recorded as of December 31, 2015.

During 2015, we collected 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 during the year ended December 31, 2015.

Congress Landfill. In August 2010, Congress Development Company 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 agreed to continue to implement certain remedial activities at the Congress Landfill. The remediation liability recorded as of December 31, 2015 is $78.5 million, of which $3.4 million is expected to be paid during 2016. We believe the remaining reasonably possible high end of our range would be approximately $16 million higher than the amount recorded as of December 31, 2015. Because favorable developments have occurred with respect to (1) the volume of leachate pumped at the site and (2) our ability to dispose of leachate in the local publicly owned treatment works, we no longer need to expand the on-site treatment facility and our expected costs have decreased from prior years. Further, the majority of the Final Order requirements have been satisfied and the site now is primarily going through routine operation for a closed landfill. Accordingly, we will omit the Congress Landfill from future reports.

9. DEBT

The carrying value of our notes payable, capital leases and long-term debt as of December 31, 2015 and 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.

		2015			2014		
Maturity	Interest Rate	Principal	Adjustments	Carrying Value	Principal	Adjustments	Carrying Value
Credit facilities:							
Uncommitted Credit Facility	Variable	$ 19.0	$ —	$ 19.0	$ —	$ —	$ —
Puerto Rico Uncommitted Facility	Variable	—	—	—	—	—	—
May 2017	Variable	—	—	—	—	—	—
June 2019	Variable	—	—	—	—	—	—
Senior notes:							
May 2018	3.800	700.0	(2.0)	698.0	700.0	(2.8)	697.2
September 2019	5.500	650.0	(4.4)	645.6	650.0	(5.5)	644.5
March 2020	5.000	850.0	(3.4)	846.6	850.0	(4.1)	845.9
November 2021	5.250	600.0	(2.3)	597.7	600.0	(2.7)	597.3
June 2022	3.550	850.0	(6.5)	843.5	850.0	(7.3)	842.7
May 2023	4.750	550.0	9.4	559.4	550.0	8.2	558.2
March 2025	3.200	500.0	(6.0)	494.0	—	—	—
March 2035	6.086	275.7	(23.9)	251.8	275.7	(24.6)	251.1
March 2040	6.200	650.0	(6.6)	643.4	650.0	(6.7)	643.3
May 2041	5.700	600.0	(8.9)	591.1	600.0	(9.0)	591.0
Debentures:							
May 2021	9.250	35.3	(1.4)	33.9	35.3	(1.6)	33.7
September 2035	7.400	165.2	(39.9)	125.3	165.3	(40.5)	124.8
Tax-exempt:							
2019 - 2044	0.450 - 5.625	1,079.1	(7.0)	1,072.1	1,083.8	(7.7)	1,076.1
Capital leases:							
2018 - 2046	4.000 - 12.203	111.5	—	111.5	113.8	—	113.8
Total Debt		$ 7,635.8	$ (102.9)	7,532.9	$ 7,123.9	$ (104.3)	7,019.6
Less: current portion				(5.5)			(10.4)
Long-term portion				$ 7,527.4			$ 7,009.2

Loss on Extinguishment of Debt

During 2014, we refinanced our credit facilities and certain of our tax-exempt financings, resulting in non-cash charges for deferred issuance costs of $1.4 million. During 2013, we refinanced certain of our tax-exempt financings that resulted in a $2.1 million non-cash charge for deferred issuance costs.

Credit Facilities

In June 2014, we entered into a $1.25 billion unsecured revolving credit facility (the Replacement Credit Facility), which replaced our $1.0 billion credit facility maturing in April 2016. The Replacement Credit Facility matures in June 2019 and includes a feature that allows us to increase availability, at our option, by an aggregate amount up to $500.0 million through increased commitments from existing lenders or the addition of new lenders. At our option, borrowings under the Replacement Credit Facility bear interest at a Base Rate, or a Eurodollar Rate, plus an applicable margin based on our Debt Ratings (all as defined in the agreements).

Contemporaneous with the execution of the Replacement Credit Facility, we entered into Amendment No. 3 to our existing $1.25 billion unsecured credit facility (the Existing Credit Facility and, together with the Replacement Credit Facility, the Credit Facilities), to reduce the commitments under the Existing Credit Facility to $1.0 billion and conform certain terms of the Existing Credit Facility with those of the Replacement Credit Facility. Amendment No. 3 does not extend the maturity date of the Existing Credit Facility, which matures in May 2017. The Existing Credit Facility also maintains the feature that allows us to increase availability, at our option, by an aggregate amount of up to $500.0 million through increased commitments from existing lenders or the addition of new lenders.

Our Credit Facilities are subject to facility fees based on applicable rates defined in the agreements and the aggregate commitments, regardless of usage. Availability under our Credit Facilities totaled $1,727.7 million and $1,615.4 million as of December 31, 2015 and 2014, respectively, and can be used for working capital, capital expenditures, acquisitions, letters of credit and other general corporate purposes. The credit agreements require us to comply with financial and other covenants. We may pay dividends and repurchase common stock if we are in compliance with these covenants. As of December 31, 2015 and 2014, we had no borrowings under our Credit Facilities. We had $503.3 million and $615.1 million of letters of credit outstanding under our Credit Facilities, as of December 31, 2015 and 2014, respectively.

We also have a $125.0 million unsecured credit facility agreement (the Uncommitted Credit Facility) bearing interest at LIBOR plus an applicable margin. Our Uncommitted Credit Facility is subject to facility fees defined in the agreement, regardless of usage. We can use borrowings under the Uncommitted Credit Facility for working capital and other general corporate purposes. The agreements governing our Uncommitted Credit Facility require us to comply with covenants. The Uncommitted Credit Facility may be terminated by either party at any time. As of December 31, 2015, we had $19.0 million of borrowings under our Uncommitted Credit Facility. We had no borrowings under our Uncommitted Credit Facility as of December 31, 2014.

In January 2015, we entered into a $20.0 million uncommitted credit facility agreement (the Puerto Rico Facility) that matured in January 2016.

Senior Notes and Debentures

During 2015, we issued $500.0 million of 3.20% notes due 2025 (the 3.20% Notes). The 3.20% Notes are unsubordinated and unsecured obligations. We used the net proceeds from the 3.20% Notes to refinance debt incurred in connection with our acquisition of all of the equity interests of Tervita during 2015.

Our senior notes are general senior unsecured obligations. Interest is payable semi-annually. These senior notes have a make-whole provision that is exercisable at any time prior to the respective maturity dates per the debt table above at a stated redemption price.

Tax-Exempt Financings

As of December 31, 2015 and 2014, we had $1,072.1 million and $1,076.1 million, respectively, of fixed and variable rate tax-exempt financings outstanding with maturities ranging from 2019 to 2044. Approximately 90% of our tax-exempt financings are remarketed quarterly by remarketing agents to effectively maintain a variable yield. The holders of the bonds can put them back to the remarketing agents at the end of each interest period. To date, the remarketing agents have been able to remarket our variable rate unsecured tax-exempt bonds. These bonds have been classified as long-term because of our ability and intent to refinance them using availability under our Credit Facilities, if necessary.

As of December 31, 2015, we had $100.3 million of restricted cash and marketable securities, of which $2.1 million represented proceeds from the issuance of tax-exempt bonds and other tax-exempt financings and will be used to fund capital expenditures under the terms of the agreements. Restricted cash and marketable securities also include amounts held in trust as a financial guarantee of our performance.

Capital Leases

We had capital lease liabilities of $111.5 million and $113.8 million as of December 31, 2015 and 2014, respectively, with maturities ranging from 2018 to 2046.

Future Maturities of Debt

Aggregate principal maturities of notes payable, capital leases and other long-term debt as of December 31, 2015 follow:

2016	$	4.7
2017		5.0
2018		705.6
2019		689.8
2020		926.2
Thereafter		5,304.5
	$	7,635.8

Interest Expense and Interest Paid

Interest paid was $327.6 million, $320.2 million and $324.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. The components of interest expense follow:

		2015		2014		2013
Interest expense on debt and capital lease obligations	$	324.6	$	310.3	$	319.8
Accretion of debt discounts		7.4		6.6		6.9
Accretion of remediation liabilities and other		39.7		38.2		40.6
Less: capitalized interest		(6.8)		(6.4)		(7.3)
Total interest expense	$	364.9	$	348.7	$	360.0

Interest Rate Swap and Lock Agreements

Our ability to obtain financing through the capital markets is a key component of our financial strategy. Historically, we have managed risk associated with executing this strategy, particularly as it relates to fluctuations in interest rates, by using a combination of fixed and floating rate debt. From time to time, we also have entered into interest rate swap and lock agreements to manage risks associated with interest rates, either to effectively convert specific fixed rate debt to a floating rate (fair value hedges), or to lock interest rates in anticipation of future debt issuances (cash flow hedges).

Fair Value Hedges

During the second half of 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. The goal was to reduce overall borrowing costs and rebalance our debt portfolio's ratio of fixed to floating interest rates. As of December 31, 2015, these swap agreements have a total notional value of $300.0 million and mature in May 2023, which is identical to the maturity of the hedged senior notes. We pay interest at floating rates based on changes in LIBOR and receive interest at a fixed rate of 4.750%. These transactions were designated as fair value hedges because the swaps hedge against the changes in fair value of the fixed rate senior notes resulting from changes in interest rates.

As of December 31, 2015 and 2014, the interest rate swap agreements are reflected at their fair value of $16.5 million and $14.1 million, respectively, and are included in other assets in our consolidated balance sheets. To the extent they are effective, these interest rate swap agreements are included as an adjustment to long-term debt in our consolidated balance sheets. We recognized net interest income of $7.5 million, $7.7 million and $2.0 million, respectively, during 2015, 2014 and 2013 related to net swap settlements for these interest rate swap agreements, which is included as an offset to interest expense in our consolidated statements of income.

For the years ended December 31, 2015, 2014 and 2013, we recognized a loss (gain) of $0.8 million, $12.6 million and $(4.5) million, respectively, on the change in fair value of the hedged senior notes attributable to changes in the benchmark interest rate, with an offsetting gain (loss) of $2.3 million, $14.1 million and $(4.4) million, respectively, on the related interest rate swaps. The difference of these fair value changes represents hedge ineffectiveness, which is recorded directly in earnings as other income, net.

Cash Flow Hedges

During 2015, we entered into a number of interest rate lock agreements having an aggregate notional amount of $200.0 million with fixed interest rates ranging from 2.155% to 2.270% to manage exposure to fluctuations in interest rates in anticipation of the planned issuance of the 3.20% Notes. Upon issuance of the 3.20% Notes, we terminated the interest rate locks and received $1.2 million from the counterparties. This transaction was accounted for as a cash flow hedge.

As of December 31, 2015 and 2014, no interest rate lock cash flow hedges were outstanding. The effective portion of the interest rate locks, recorded as a component of accumulated other comprehensive loss, net of tax, was $19.4 million and $21.6 million as of December 31, 2015 and 2014, respectively. The effective portion of the interest rate locks is amortized as an adjustment to interest expense over the life of the issued debt using the effective interest method. We expect to amortize $2.8 million of net expense over the next twelve months as a yield adjustment of our senior notes.

The effective portion of the interest rate locks amortized as a net increase to interest expense during the years ended December 31, 2015, 2014 and 2013 was $2.5 million, $2.7 million and $2.7 million, respectively.

10. INCOME TAXES

The components of the provision for income taxes for the years ended December 31 follows:

	2015	2014	2013
Current:			
Federal	$ 337.6	$ 328.1	$ 289.6
State	38.4	39.7	35.3
Deferred:			
Federal	91.5	(13.3)	16.3
State	25.2	7.5	(12.5)
State deferred benefit - change in valuation allowance	(10.5)	(3.2)	(42.3)
Uncertain tax positions and interest, and other	(36.7)	(21.4)	(24.3)
Provision for income taxes	$ 445.5	$ 337.4	$ 262.1

The reconciliations of the statutory federal income tax rate to our effective tax rate for the years ended December 31 follows:

	2015	2014	2013
Federal statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal benefit	4.3	3.0	3.1
Change in valuation allowance	(0.9)	(0.4)	(5.0)
Non-deductible expenses	0.6	0.9	1.0
Uncertain tax position taxes and interest	(1.5)	(0.4)	(1.8)
Other, net	(0.2)	—	(1.5)
Effective income tax rate	37.3 %	38.1 %	30.8 %

Our 2015 effective tax rate was favorably impacted by $17.4 million due to the resolution of outstanding tax matters in various states and Puerto Rico.

Our 2014 effective tax rate was favorably impacted by $5.1 million due to the realization of tax credits and lower state rates due to changes in estimates.

Our 2013 effective tax rate was favorably impacted by approximately $42 million for adjustments to our valuation allowance, primarily due to the determination that it was more likely than not the Company would be able to realize certain state loss carryforwards. In addition, our 2013 effective tax rate was favorably impacted by approximately $14 million due to a settlement for tax years 2009 to 2010 with the Internal Revenue Service appeals division and the Joint Committee of Taxation. Lastly, our 2013 effective tax rate was favorably impacted by the realization of tax credits and lower state rates due to changes in estimates of $9.6 million.

The components of the net deferred income tax asset and liability as of December 31 follow:

	2015	2014
Deferred tax liabilities relating to:		
Differences between book and tax basis of property	$ (1,050.9)	$ (982.6)
Difference between book and tax basis of intangible assets	(713.4)	(704.8)
Basis difference due to redemption of partnership interests	(128.9)	(129.1)
Total liabilities	$ (1,893.2)	$ (1,816.5)
Deferred tax assets relating to:		
Environmental reserves	$ 461.7	$ 438.6
Accruals not currently deductible	210.8	207.9
Net operating loss carryforwards	103.5	124.9
Difference between book and tax basis of other assets	71.3	113.0
Deferred taxes on uncertain tax positions	9.8	14.7
Other	5.0	0.4
Total assets	862.1	899.5
Valuation allowance	(63.7)	(73.9)
Net deferred tax asset	798.4	825.6
Net deferred tax liabilities	$ (1,094.8)	$ (990.9)

Changes in the deferred tax valuation allowance for the years ended December 31 follow:

	2015	2014	2013
Valuation allowance, beginning of year	$ 73.9	$ 76.9	$ 124.8
Additions charged to income	0.3	0.2	0.1
Deferred tax assets realized or written-off	(10.5)	(3.2)	(42.3)
Other, net	—	—	(5.7)
Valuation allowance, end of year	$ 63.7	$ 73.9	$ 76.9

We have deferred tax assets related to state net operating loss carryforwards. We provide a partial valuation allowance due to uncertainty surrounding the future utilization of these carryforwards in the taxing jurisdictions where the loss carryforwards exist. When determining the need for a valuation allowance, we consider all positive and negative evidence, including recent financial results, scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies. The weight given to the positive and negative evidence is commensurate with the extent such evidence can be objectively verified. We adjust the valuation allowance in the period management determines it is more likely than not that deferred tax assets will or will not be realized.

During 2015, we completed a tax restructuring between two of our subsidiaries that possess the majority of our state loss carryforwards. This resulted in a reduction to the valuation allowance of $10.2 million. This reduction was offset by a corresponding decrease to our deferred tax asset related to those same state loss carryforwards.

During the year ended December 31, 2013, we determined that it is more likely than not that we would realize a portion of our deferred tax asset related to certain state loss carryforwards. Most of these loss carryforwards were attributable to a specific subsidiary for which we had historically provided a valuation allowance due to uncertainty surrounding the future utilization of these carryforwards in the taxing jurisdictions where the loss carryforwards existed. Evaluating both positive and negative evidence, and most notably, the exit by the specific subsidiary from a cumulative loss position, we determined it was more likely than not that a portion of these loss carryforwards would be realized. This resulted in a reduction to our valuation allowance of approximately $44 million for the year ended December 31, 2013.

Substantially all of our valuation allowance is associated with state loss carryforwards. The realization of our deferred tax asset for state loss carryforwards ultimately depends upon the existence of sufficient taxable income in the appropriate state taxing jurisdictions in future periods. We continue to regularly monitor both positive and negative evidence in determining the ongoing need for a valuation allowance.

We have deferred tax assets related to state net operating loss carryforwards with an estimated tax effect of $100.9 million available as of December 31, 2015. These state net operating loss carryforwards expire at various times between 2016 and 2035. We believe that it is more likely than not that the benefit from some of our state net operating loss carryforwards will not be realized due to limitations on these loss carryforwards in certain states. In recognition of this risk, as of December 31, 2015, we have provided a valuation allowance of $61.0 million. Also as of December 31, 2015, we have provided a valuation allowance of $2.7 million for certain other deferred tax assets.

Deferred income taxes have not been provided on the undistributed earnings of our Puerto Rican subsidiaries of approximately $49 million as of December 31, 2015 as such earnings are considered to be permanently reinvested. This amount would become taxable upon a repatriation of assets or a sale or liquidation of the subsidiaries. If such an event were to occur, we would incur approximately $17 million of federal income taxes.

We made income tax payments (net of refunds received) of approximately $321 million, $382 million and $288 million for 2015, 2014 and 2013, respectively.

Income taxes paid in 2015 reflect the favorable tax depreciation provisions of the Protecting Americans from Tax Hikes Act signed into law in December 2015. This legislation extends bonus depreciation for property placed in service through 2019. Bonus depreciation for assets placed in service in 2015 to 2017 is 50% and later decreases to 40% in 2018 and 30% in 2019.

Income taxes paid in 2014 reflect the favorable tax depreciation provisions of the Tax Increase Protection Act of 2014, signed into law in December 2014. This legislation extended 50% bonus depreciation for property placed in service during 2014.

Income taxes paid in 2013 reflect the favorable tax depreciation provisions of the American Tax Relief Act of 2012 signed into law in January 2013. This legislation extended 50% bonus depreciation for property placed in service during 2013.

We are subject to income tax in the United States and Puerto Rico, as well as income tax in multiple state jurisdictions. Our compliance with income tax rules and regulations is periodically audited by tax authorities. These authorities may challenge the positions taken in our tax filings. Thus, to provide for certain potential tax exposures, we maintain liabilities for uncertain tax positions for our estimate of the final outcome of the examinations. Our federal statute of limitations is closed for all years prior to 2012. We are currently under state examination or administrative review in various jurisdictions for tax years 2003 to 2013.

The following table summarizes the activity in our gross unrecognized tax benefits for the years ended December 31:

	2015	2014	2013
Balance at beginning of year	$ 70.1	$ 72.0	$ 84.7
Additions based on tax positions related to current year	0.2	0.8	0.3
Additions for tax positions of prior years	1.4	5.0	11.4
Reductions for tax positions of prior years	(10.2)	(6.0)	(2.4)
Reductions for tax positions resulting from lapse of statute of limitations	(0.6)	(0.2)	(1.3)
Settlements	(13.9)	(1.5)	(20.7)
Balance at end of year	$ 47.0	$ 70.1	$ 72.0

During 2015, we settled tax matters in various states and Puerto Rico which reduced our gross unrecognized tax benefits by $13.9 million.

During 2014, we settled tax matters in various jurisdictions and reduced our gross unrecognized tax benefits by $1.5 million.

During 2013, we settled with the IRS appeals division and the Joint Committee on Taxation our 2009 and 2010 tax years. The resolution of these tax periods in addition to various state tax resolutions during the year reduced our gross unrecognized tax benefits by $20.7 million.

Included in our gross unrecognized tax benefits as of December 31, 2015 and 2014 are $30.5 million and $45.6 million of unrecognized tax benefits (net of the federal benefit on state matters) that, if recognized, would affect our effective income tax rate in future periods.

We recognize interest and penalties as incurred within the provision for income taxes in our consolidated statements of income. Related to the unrecognized tax benefits previously noted, we recorded interest expense of approximately $1.2 million during

2015 and, in total as of December 31, 2015, have recognized a liability for penalties of $0.5 million and interest of $10.3 million.

During 2014, we accrued interest of approximately $1.5 million and, in total as of December 31, 2014, had recognized a liability for penalties of $0.5 million and interest of $18.7 million. During 2013, we accrued interest of approximately $1.2 million and, in total as of December 31, 2013, had recognized a liability for penalties of $0.5 million and interest of $17.0 million.

Gross unrecognized benefits that we expect to settle in the following twelve months are in the range of $0 to $10 million; however, it is reasonably possible that the amount of unrecognized tax benefits may either increase or decrease in the next twelve months.

We are currently under examination or administrative review by state and local taxing authorities for various tax years. These state audits are ongoing.

We believe the recorded liabilities for uncertain tax positions are adequate. However, a significant assessment against us in excess of the liabilities recorded could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

11. EMPLOYEE BENEFIT PLANS

Stock-Based Compensation

In February 2007, our board of directors approved the 2007 Stock Incentive Plan (2007 Plan), and in May 2007 our shareholders ratified the 2007 Plan. In March 2011, our board of directors approved the Amended and Restated 2007 Stock Incentive Plan, and in May 2011 our shareholders ratified the Amended and Restated 2007 Stock Incentive Plan. In March 2013, our board of directors approved the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (the Amended and Restated Plan), and in May 2013 our shareholders ratified the Amended and Restated Plan. We currently have approximately 15.6 million shares of common stock reserved for future grants under the Amended and Restated Plan.

Options granted under the 2007 Plan and the Amended and Restated Plan are non-qualified and are granted at a price equal to the fair market value of our common stock at the date of grant. Generally, options granted have a term of seven to ten years from the date of grant, and vest in increments of 25% per year over a period of four years beginning on the first anniversary date of the grant. Options granted to non-employee directors have a term of ten years and are fully vested at the grant date.

In December 2008, the board of directors amended and restated the Republic Services, Inc. 2006 Incentive Stock Plan (formerly known as the Allied Waste Industries, Inc. 2006 Incentive Stock Plan) (the 2006 Plan). Allied's shareholders approved the 2006 Plan in May 2006. The 2006 Plan was amended and restated in December 2008 to reflect Republic as the new sponsor of the Plan, to reflect that any references to shares of common stock are to shares of common stock of Republic, and to adjust outstanding awards and the number of shares available under the Plan to reflect the Allied acquisition. The 2006 Plan, as amended and restated, provided for the grant of non-qualified stock options, incentive stock options, shares of restricted stock, shares of phantom stock, stock bonuses, restricted stock units, stock appreciation rights, performance awards, dividend equivalents, cash awards, or other stock-based awards. Awards granted under the 2006 Plan prior to December 5, 2008 became fully vested and nonforfeitable upon the closing of the Allied acquisition. No further awards will be made under the 2006 Plan.

Stock Options

We use a lattice binomial option-pricing model to value our stock option grants. We recognize compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award, or to the employee's retirement eligible date, if earlier. Expected volatility is based on the weighted average of the most recent one year volatility and a historical rolling average volatility of our stock over the expected life of the option. The risk-free interest rate is based on Federal Reserve rates in effect for bonds with maturity dates equal to the expected term of the option. We use historical data to estimate future option exercises, forfeitures (at 3.0% for 2014 and 2013) and expected life of the options. When appropriate, separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. We did not grant stock options during the year ended December 31, 2015. The weighted-average estimated fair values of stock options granted during the years ended December 31, 2014 and 2013 were $5.74 and $5.27 per option, respectively, which were calculated using the following weighted-average assumptions:

	2014	2013
Expected volatility	27.5%	28.9%
Risk-free interest rate	1.4%	0.7%
Dividend yield	3.2%	3.2%
Expected life (in years)	4.6	4.5
Contractual life (in years)	7.0	7.0

The following table summarizes stock option activity for the years ended December 31, 2015, 2014 and 2013:

	Number of Shares (in millions)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2012	13.7	$ 27.51		
Granted	3.0	31.21		
Exercised	(5.5)	26.48		$ 36.0
Forfeited or expired	(0.7)	30.02		
Outstanding as of December 31, 2013	10.5	28.91		
Granted	0.5	33.76		
Exercised	(3.0)	27.98		$ 24.5
Forfeited or expired	(0.4)	31.02		
Outstanding as of December 31, 2014	7.6	29.49		
Granted	—	—		
Exercised	(2.4)	28.14		$ 31.2
Forfeited or expired	(0.2)	30.39		
Outstanding as of December 31, 2015	5.0	$ 30.08	3.2	$ 69.7
Exercisable as of December 31, 2015	3.1	$ 29.41	2.6	$ 45.4

Compensation Expense

During the years ended December 31, 2015, 2014 and 2013, compensation expense for stock options was $2.5 million, $6.3 million and $12.9 million, respectively.

As of December 31, 2015, total unrecognized compensation expense related to outstanding stock options was $1.2 million, which will be recognized over a weighted average period of 1.1 years. The total fair value of stock options that vested in 2015, 2014 and 2013 was $9.0 million, $12.5 million and $10.8 million, respectively.

We classified excess tax benefits of $8.5 million, $4.3 million and $3.8 million as cash flows from financing activities for 2015, 2014 and 2013, respectively. All other tax benefits related to stock options have been presented as a component of cash flows from operating activities.

Restricted Stock Units

The following table summarizes restricted stock unit (RSU) activity for the years ended December 31, 2015, 2014 and 2013:

	Number of RSUs (in thousands)	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Unissued as of December 31, 2012	905.3	$ 27.51		
Granted	361.8	30.16		
Vested and issued	(243.0)	28.16		
Forfeited	(27.1)	30.66		
Unissued as of December 31, 2013	997.0	28.48		
Granted	784.9	33.38		
Vested and issued	(258.4)	28.07		
Forfeited	(67.3)	33.14		
Unissued as of December 31, 2014	1,456.2	24.07		
Granted	722.5	39.12		
Vested and issued	(405.1)	30.56		
Forfeited	(46.3)	36.44		
Unissued as of December 31, 2015	1,727.3	$ 34.15	1.0	$ 76.0
Vested and unissued as of December 31, 2015	561.5	$ 29.79		

During 2015, we awarded our non-employee directors 75,000 RSUs, which vested immediately. During 2015, we awarded 599,356 RSUs to executives and employees that vest in four equal annual installments beginning on the anniversary date of the original grant or cliff vest after four years. In addition, 48,163 RSUs were earned as dividend equivalents. The RSUs do not carry any voting or dividend rights, except the right to receive additional RSUs in lieu of dividends.

During 2014, we awarded our non-employee directors 86,425 RSUs, which vested immediately. During 2014, we awarded 657,476 RSUs to executives and employees that vest in four equal annual installments beginning on the anniversary date of the original grant or cliff vest after four years. In addition, 41,032 RSUs were earned as dividend equivalents.

During 2013, we awarded our non-employee directors 72,842 RSUs, which vested immediately. During 2013, we awarded 258,944 RSUs to executives that vest in four equal annual installments beginning on the anniversary date of the original grant. In addition, 30,009 RSUs were earned as dividend equivalents.

Compensation Expense

The fair value of RSUs is based on the closing market price on the date of the grant. The compensation expense related to RSUs is amortized ratably over the vesting period, or to the employee's retirement eligible date, if earlier.

During 2015, 2014 and 2013, compensation expense related to RSUs totaled $15.6 million, $11.1 million and $6.3 million, respectively. As of December 31, 2015, total unrecognized compensation expense related to outstanding RSUs was $28.9 million, which will be recognized over a weighted average period of 2.7 years.

Performance Shares

During the year ended December 31, 2015, we awarded 140,443 performance shares (PSUs) to our named executive officers. These awards are performance-based as the number of shares ultimately earned depends on performance against pre-determined targets for return on invested capital (ROIC) and cash flow value creation (CFVC), as well as total shareholder return relative to the S&P 500 index (RTSR). The PSUs are payable 50% in shares of common stock and 50% in cash after the end of a three-year performance period, when the Company's financial performance for the entire performance period is reported, typically in February of the succeeding year. At the end of the performance period, the number of PSUs awarded can range from 0% to 150% of the targeted amount, depending on the performance against the pre-determined targets.

The following table summarizes PSU activity for the year ended December 31, 2015:

	Number of PSUs (in thousands)	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2014	—	$ —
Granted	143.4	38.69
Vested and issued	—	—
Forfeited	—	—
Outstanding as of December 31, 2015	143.4	$ 38.69

During 2015, 2,946 PSUs accumulated as dividend equivalents. The PSUs do not carry any voting or dividend rights, except the right to accumulate additional PSUs in lieu of dividends.

Compensation Expense

For the stock-settled portion of the award that vests based on future ROIC and CFVC performance, compensation expense is measured using the fair value of our common stock at the grant date. For the cash-settled portion of the award that vests based on future ROIC and CFVC performance, compensation expense is recorded based on the fair value of our common stock at the end of each reporting period. Compensation expense is recognized ratably over the performance period based on our estimated achievement of the established performance criteria. Compensation expense is only recognized for the portion of the award that we expect to vest, which we estimate based on an assessment of the probability that the performance criteria will be achieved.

For the stock-settled portion of the award that vests based on RTSR, the grant date fair value is based on a Monte Carlo valuation and compensation expense is recognized on a straight-line basis over the vesting period. For the cash-settled portion of the award that vests based on RTSR, compensation expense also incorporates the fair value of our PSUs at the end of each reporting period. Compensation expense is recognized for RTSR portion of the award whether or not the market conditions are achieved.

During 2015, compensation expense related to PSUs totaled $1.8 million. As of December 31, 2015, total unrecognized compensation expense related to outstanding PSUs was $3.7 million, which will be recognized over a weighted average period of 2.1 years.

Defined Benefit Pension Plan

We currently have one qualified defined benefit pension plan, the BFI Retirement Plan (the Plan). The Plan covers certain employees in the United States, including some employees subject to collective bargaining agreements.

The Plan benefits are frozen. Interest credits continue to be earned by participants in the Plan, and participants whose collective bargaining agreements provide for additional benefit accruals under the Plan continue to receive those credits in accordance with the terms of their bargaining agreements. The Plan was converted from a traditional defined benefit plan to a cash balance plan in 1993.

Prior to the conversion to the cash balance design, benefits payable as a single life annuity under the Plan were based on the participant's highest five years of earnings out of the last ten years of service. Upon conversion to the cash balance plan, the existing accrued benefits were converted to a lump-sum value using the actuarial assumptions in effect at the time. Participants' cash balance accounts are increased until retirement by certain benefit and interest credits under the terms of their bargaining agreements. Participants may elect early retirement with the attainment of age 55 and completion of ten years of credited service at reduced benefits. Participants with 35 years of service may retire at age 62 without any reduction in benefits.

Our pension contributions are made in accordance with funding standards established by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, as amended by the Pension Protection Act enacted in 2006 (the PPA). No contributions were made in 2015 or 2014.

We must separately recognize the overfunded or underfunded status of the Plan as an asset or liability. The funded status represents the difference between the projected benefit obligation (PBO) and the fair value of the Plan assets. The PBO is the present value of benefits earned to date by Plan participants, including the effect of assumed future salary increases, if any. The

PBO is equal to the accumulated benefit obligation (ABO) as the present value of these liabilities is not affected by assumed future salary increases. We use a measurement date that coincides with our year end of December 31.

The following table presents the ABO and reconciliations of the changes in the PBO, the Plan assets and the accounting funded status of our defined benefit pension plan for the years ended December 31:

	Defined Benefit Pension Plan	
	2015	2014
Accumulated benefit obligation	$ 251.6	$ 276.8
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 276.8	$ 261.7
Interest cost	9.9	11.3
Actuarial (gain) loss	(17.1)	24.7
Benefits paid	(18.0)	(20.9)
Projected benefit obligation at end of year	$ 251.6	$ 276.8
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 272.6	$ 269.8
Actual return on plan assets	(5.5)	26.5
Estimated expenses	(2.9)	(2.8)
Benefits paid	(18.0)	(20.9)
Fair value of plan assets at end of year	$ 246.2	$ 272.6
Underfunded status	$ (5.4)	$ (4.2)
Amounts recognized in the statement of financial position consist of:		
Noncurrent liabilities	$ (5.4)	$ (4.2)
Net amount recognized	$ (5.4)	$ (4.2)
Weighted average assumptions used to determine benefit obligations:		
Discount rate	4.19%	3.70%
Rate of compensation increase	N/A	N/A

The amounts included in accumulated other comprehensive loss on the consolidated balance sheets that have not yet been recognized as components of net periodic benefit cost as of December 31, 2015 and 2014 were $16.9 million and $19.9 million, respectively.

The components of the net periodic benefit cost for the years ended December 31 are summarized below:

	2015	2014	2013
Components of net periodic benefit cost:			
Service cost	$ 2.9	$ 2.8	$ 2.9
Interest cost	9.9	11.3	11.0
Expected return on plan assets	(14.7)	(16.4)	(16.2)
Recognized net actuarial gain	—	(1.0)	(0.2)
Amortization of prior service cost	0.1	0.1	0.1
Settlement income	—	—	(3.5)
Net periodic benefit cost	$ (1.8)	$ (3.2)	$ (5.9)
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate	3.70%	4.50%	3.90%
Expected return on plan assets	5.64%	6.35%	6.00%
Rate of compensation increase	N/A	N/A	N/A

We determine the discount rate used in the measurement of our obligations based on a model that matches the timing and amount of expected benefit payments to maturities of high quality bonds priced as of the Plan measurement date. When that timing does not correspond to a published high-quality bond rate, our model uses an expected yield curve to determine an appropriate current discount rate. The yields on the bonds are used to derive a discount rate for the liability. The term of our obligation, based on the expected retirement dates of our workforce, is approximately eight years.

In developing our expected rate of return assumption, we have evaluated the actual historical performance and long-term return projections of the Plan assets, which give consideration to the asset mix and the anticipated timing of the Plan outflows. We employ a total return investment approach whereby a mix of equity and fixed income investments are used to maximize the long-term return of Plan assets for what we consider a prudent level of risk. The intent of this strategy is to minimize Plan expenses by outperforming Plan liabilities over the long run. Risk tolerance is established through careful consideration of Plan liabilities, Plan funded status and our financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, and small and large capitalizations. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset and liability studies, and quarterly investment portfolio reviews.

The following table summarizes our target asset allocation for 2015 and actual asset allocation as of December 31, 2015 and 2014 for our Plan:

	Target Asset Allocation	2015 Actual Asset Allocation	2014 Actual Asset Allocation
Debt securities	72%	72%	70%
Equity securities	28	28	30
Total	100%	100%	100%

For 2016, the investment strategy for pension plan assets is to maintain a broadly diversified portfolio designed to achieve our target of an average long-term rate of return of 5.64%. While we believe we can achieve a long-term average return of 5.64%, we cannot be certain that the portfolio will perform to our expectations. Assets are strategically allocated among debt and equity portfolios to achieve a diversification level that reduces fluctuations in investment returns. Asset allocation target ranges and strategies are reviewed periodically with the assistance of an independent external consulting firm.

The pension assets are measured at fair value. The following table summarizes, by level, within the fair value hierarchy, the investments of the Plan at fair value as of December 31, 2015 and 2014:

		Fair Value Measurements Using		
	Total as of December 31, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	$ 2.9	$ 2.9	$ —	$ —
Mutual funds	242.7	—	242.7	—
Limited partnerships	0.6	—	—	0.6
Total assets	$ 246.2	$ 2.9	$ 242.7	$ 0.6

		Fair Value Measurements Using		
	Total as of December 31, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	$ 6.2	$ 6.2	$ —	$ —
Mutual funds	266.0	—	266.0	—
Limited partnerships	0.4	—	—	0.4
Total assets	$ 272.6	$ 6.2	$ 266.0	$ 0.4

Estimated future benefit payments for the next ten years under the Plan follows:

2016	$ 20.0
2017	20.1
2018	19.2
2019	19.6
2020	19.2
2021 through 2025	87.5

Collective Bargaining Agreements

As of December 31, 2015, approximately 26% of our workforce was represented by various labor unions, and approximately 6% of our workforce was covered by collective bargaining agreements (CBAs) that are set to expire during 2016.

Multiemployer Pension Plans

We contribute to 27 multiemployer pension plans under CBAs covering union-represented employees. As of December 31, 2015, approximately 21% of our total current employees were participants in such multiemployer plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. We do not administer these plans. In general, these plans are managed by a board of trustees with the unions appointing certain trustees and other contributing employers of the plan appointing certain members. We generally are not represented on the board of trustees.

Based on the information available to us, we believe that some of the multiemployer plans to which we contribute are either “critical” or “endangered” as those terms are defined in the PPA. The PPA requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the level of their underfunding. Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, we cannot determine the amount of assessments we may be subject to, if any. Accordingly, we cannot presently determine the impact that the PPA may have on our consolidated financial position, results of operations or cash flows.

Furthermore, under current law regarding multiemployer benefit plans, a plan’s termination, our voluntary withdrawal (which we consider from time to time), or the mass withdrawal of all contributing employers from any under-funded multiemployer pension plan would require us to make payments to the plan for our proportionate share of the multiemployer plan’s unfunded vested liabilities. It is possible that there may be a mass withdrawal of employers contributing to these plans or plans may terminate in the near future. We could have adjustments to our estimates for these matters in the near term that could have a material effect on our consolidated financial position, results of operations or cash flows.

Republic's participation in individually significant multiemployer pension plans for the year ended December 31, 2015 is outlined in the table below. Only with respect to multiemployer pension plans, we considered contributions in excess of $3.0 million in any period disclosed to be individually significant. The most recent PPA zone status available in 2015 and 2014 is for the plans' year ended September 30 or December 31, 2014 and 2013, respectively. The status is based on information that Republic received from the plans and is certified by the plans' actuary. Among other factors, plans in the "critical" red zone are generally less than 65% funded, plans in the "endangered" yellow zone are less than 80% funded, and plans in the "safe" green zone are at least 80% funded. The last column lists the expiration dates of the CBAs to which the plans are subject. There have been no significant changes that affect the comparability of the 2015, 2014 and 2013 contributions.

		Pension Protection Act Zone Status		Funding Improvement or Rehabilitation Plan Status Pending /	Republic Contributions to Plan			Surcharge	Expiration Dates
Legal Plan Name	EIN	2014	2013	Implemented	2015	2014	2013	Imposed	of CBAs
Local 731 Private Scavengers and Garage Attendants Pension Trust Fund	36-6513567	Critical	Critical	Implemented	10.2	9.2	6.9	No	Various dates through 1/31/19
Western Conference of Teamsters Pension Plan	91-6145047	Safe	Safe	No	33.4	30.8	26.6	No	Various dates through 10/23/19
Individually significant plans					43.6	40.0	33.5		
All other plans	N/A	N/A	N/A	N/A	13.2	11.8	13.2	N/A	
Total					$ 56.8	$ 51.8	$ 46.7		

We are listed in the Form 5500 for Local 731 Private Scavengers and Garage Attendants Pension Trust Fund as providing more than 5% of the total contributions. At the date these financial statements were issued, Forms 5500 were not available for the plan years ended in 2015.

Central States, Southeast and Southwest Areas Pension Fund

Before September 30, 2013, we had CBAs with local bargaining units of the Teamsters under which we contributed to the Central States, Southeast and Southwest Areas Pension Fund (the Fund). These CBAs were under negotiation during 2012 and 2013. As part of our CBA negotiations, we partially withdrew from participation in the Fund in 2012 and completely withdrew from the Fund in 2013. Accordingly, we were required to make payments to the Fund for our allocated share of its unfunded vested liabilities.

In January 2014, we received from the Fund a notice and demand for payment of the Fund's calculated and assessed withdrawal liabilities. In April 2014, we submitted to the Fund a request for review and an information request for supporting documentation surrounding the Fund's calculation and assessment of withdrawal liability. In September 2014, we submitted a formal demand for arbitration.

In December 2015 we settled outstanding liabilities with respect to the withdrawal events and paid $139.0 million to the Fund. The settlement of the withdrawal liability was based on negotiations and discussions between Republic and the Fund. As of December 31, 2015, the settlement has been paid and we have no remaining liability for our withdrawal from the Fund.

Defined Contribution Plan

We maintain the Republic Services 401(k) Plan (401(k) Plan), which is a defined contribution plan covering all eligible employees. Under the 401(k) Plan, participants may direct us to defer a portion of their compensation to the 401(k) Plan, subject to Internal Revenue Code limitations. We provide for an employer matching contribution equal to 100% of the first 3% of eligible compensation and 50% of the next 2% of eligible compensation contributed by each employee, which is funded in cash. All contributions vest immediately.

Total expense recorded for matching 401(k) contributions in 2015, 2014 and 2013 was $37.3 million, $32.1 million and $30.1 million, respectively.

Deferred Compensation Plan

We provide eligible Republic employees, officers and directors with the opportunity to voluntarily defer base salary, bonus payments, long-term incentive awards and other compensation, as applicable, on a pre-tax basis through the Republic Services, Inc. Deferred Compensation Plan (the DCP). The DCP is a nonqualified deferred compensation plan that conforms to Section 409A of the Internal Revenue Code. Eligible participants can defer up to 80% of base salary and up to 100% of bonus, long-term compensation and directors' fees. Under the DCP, some participants also are eligible for matching contributions. The matching contribution under the DCP is equal to the lesser of 2% of the participant's compensation over established 401(k) limits or 50% of the amount the participant has deferred. The DCP participants have no ownership or security interest in any of the amounts deferred or the measurement funds under the DCP. The right of each participant in the DCP is solely that of a general, unsecured creditor of Republic with respect to his or her own interest under the DCP. Deferred amounts may be subject to forfeiture and are deemed invested among investment funds offered under the DCP, as directed by each participant. Payments of deferred amounts are payable following separation from service or at a date or dates elected by the participant when the deferral is elected. Payments of deferred amounts are made in either a lump sum or in annual installments over a period not exceeding 15 years.

Republic invested in corporate-owned life insurance policies to satisfy future obligations under the DCP. These corporate-owned life insurance policies are held in a Rabbi Trust and are recorded at the amount that can be realized under insurance contracts at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The aggregate cash surrender value of these life insurance policies was $90.5 million and $77.1 million as of December 31, 2015 and 2014, respectively, and is classified in other assets in our consolidated balance sheets. The DCP liability was $83.3 million and $76.3 million as of December 31, 2015 and 2014, respectively, and is classified in other long-term liabilities in our consolidated balance sheets.

Employee Stock Purchase Plan

Republic employees are eligible to participate in an employee stock purchase plan. The plan allows participants to purchase our common stock for 95% of its quoted market price on the last day of each calendar quarter. For the years ended December 31, 2015, 2014 and 2013, issuances under this plan totaled 141,055 shares, 139,941 shares and 142,217 shares, respectively. As of December 31, 2015, shares reserved for issuance to employees under this plan totaled 0.6 million and Republic held employee contributions of approximately $1.4 million for the purchase of common stock.

12. STOCK REPURCHASES AND DIVIDENDS

Stock Repurchases

Stock repurchase activity during the years ended December 31, 2015 and 2014 follows (in millions except per share amounts):

	2015	2014
Number of shares repurchased	9.8	11.1
Amount paid	$ 404.7	$ 400.4
Weighted average cost per share	$ 41.39	$ 35.92

As of December 31, 2015, 0.1 million repurchased shares were pending settlement and $3.7 million were unpaid and included within our accrued liabilities.

In October 2015, our board of directors added $900.0 million to the existing share repurchase authorization, which now extends through December 31, 2017. Share repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the board of directors has approved the program, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The share repurchase program may be extended, suspended or discontinued at any time. As of December 31, 2015, the October 2015 repurchase program had remaining authorized purchase capacity of $855.5 million.

In December 2015, our board of directors changed the status of 71,272,964 treasury shares to authorized and unissued. In doing so, the number of our issued shares was reduced by the stated amount. Our accounting policy is to deduct the par value from common stock and to reflect the excess of cost over par value as a deduction from additional paid-in capital. The change in unissued shares resulted in a reduction of $2,295.3 million in treasury stock, $0.6 million in common stock, and $2,294.7 million in additional paid-in capital. There was no effect on our total stockholders' equity position as a result of the change.

Dividends

In October 2015, our board of directors approved a quarterly dividend of $0.30 per share. Cash dividends declared were $404.3 million, $383.6 million and $357.3 million for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, we recorded a quarterly dividend payable of $103.7 million to shareholders of record at the close of business on January 4, 2016.

13. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income attributable to Republic Services, Inc. by the weighted average number of common shares (including vested but unissued RSUs) outstanding during the period. Diluted earnings per share is based on the combined weighted average number of common shares and common share equivalents outstanding, which include, where appropriate, the assumed exercise of employee stock options, unvested RSUs and unvested PSUs at the expected attainment levels. We use the treasury stock method in computing diluted earnings per share.

Earnings per share for the years ended December 31, 2015, 2014, and 2013 are calculated as follows (in thousands, except per share amounts):

	2015	2014	2013
Basic earnings per share:			
Net income attributable to Republic Services, Inc.	$ 749,906	$ 547,600	$ 588,900
Weighted average common shares outstanding	349,984	356,673	362,054
Basic earnings per share	$ 2.14	$ 1.54	$ 1.63
Diluted earnings per share:			
Net income attributable to Republic Services, Inc.	$ 749,906	$ 547,600	$ 588,900
Weighted average common shares outstanding	349,984	356,673	362,054
Effect of dilutive securities:			
Options to purchase common stock	1,255	1,350	1,332
Unvested RSU awards	137	84	36
Unvested PSU awards	12	—	—
Weighted average common and common equivalent shares outstanding	351,388	358,107	363,422
Diluted earnings per share	$ 2.13	$ 1.53	$ 1.62
Antidilutive securities not included in the diluted earnings per share calculations:			
Options to purchase common stock	9	274	1,658

14. SEGMENT REPORTING

In January 2016, we realigned our field support functions by eliminating our three region offices and creating two field groups, consolidating and reducing the number of area offices, and streamlining select operational support roles at our Phoenix headquarters. Following our restructuring, our senior management now evaluates, oversees and manages the financial performance of our operations through two field groups, referred to as Group 1 and Group 2. Group 1 primarily consists of geographic areas located in the western and midwestern United States, and Group 2 primarily consists of geographic areas located in Texas, the southeastern United States and the eastern seaboard of the United States.

We manage and evaluate our operations through the two noted field groups, Group 1 and Group 2. These two groups, which provide integrated waste management services consisting of non-hazardous solid waste collection, transfer, recycling, disposal and energy services, are presented below as our reportable segments.

Summarized financial information concerning our reportable segments for the years ended December 31, 2015, 2014 and 2013 follows:

	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
2015:							
Group 1	$ 5,032.3	$ (1,006.4)	$ 4,025.9	$ 398.9	$ 857.2	$ 430.7	$ 9,183.7
Group 2	5,803.4	(878.9)	4,924.5	542.6	953.5	352.2	9,909.0
Corporate entities	177.8	(13.2)	164.6	108.5	(251.9)	162.7	1,443.2
Total	$ 11,013.5	$ (1,898.5)	$ 9,115.0	$ 1,050.0	$ 1,558.8	$ 945.6	$ 20,535.9
2014:							
Group 1	$ 4,795.0	$ (959.1)	$ 3,835.9	$ 368.9	$ 826.0	$ 475.2	$ 9,237.8
Group 2	5,638.5	(849.3)	4,789.2	507.3	938.6	329.7	9,504.2
Corporate entities	192.8	(14.6)	178.2	108.7	(531.5)	57.6	1,310.4
Total	$ 10,626.3	$ (1,823.0)	$ 8,803.3	$ 984.9	$ 1,233.1	$ 862.5	$ 20,052.4
2013:							
Group 1	$ 4,560.3	$ (906.4)	$ 3,653.9	$ 362.9	$ 750.0	$ 514.4	$ 9,150.3
Group 2	5,444.8	(806.8)	4,638.0	481.1	976.6	348.0	9,906.2
Corporate entities	139.6	(14.3)	125.3	110.0	(516.3)	18.4	846.6
Total	$ 10,144.7	$ (1,727.5)	$ 8,417.2	$ 954.0	$ 1,210.3	$ 880.8	$ 19,903.1

Intercompany revenue reflects transactions within and between segments that generally are made on a basis intended to reflect the market value of such services. Capital expenditures for corporate entities primarily include vehicle inventory acquired but not yet assigned to operating locations and facilities. Corporate functions include legal, tax, treasury, information technology, risk management, human resources, closed landfills and other administrative functions. During the years ended December 31, 2015, 2014 and 2013, environmental remediation charges and recoveries were incurred at our closed Bridgeton Landfill in Missouri. See Note 8, *Landfill and Environmental Costs*. During 2014 and 2013, we recorded charges related to our withdrawal from the Central States, Southeast and Southwest Areas Pension Fund and reached a settlement during 2015. See Note 11, *Employee Benefit Plans*, for a summary of our withdrawal and the related settlement. During 2014 and 2013, we completed various refinancing transactions that resulted in cash paid for premiums and professional fees to repurchase outstanding debt, as well as non-cash charges for unamortized debt discounts and deferred issuance costs. See Note 9, *Debt*.

The following table reflects our revenue by service line for the years ended December 31 (in millions of dollars and as a percentage of revenue):

	2015		2014		2013	
Collection:						
Residential	$ 2,242.3	24.6%	$ 2,193.6	24.9%	$ 2,175.5	25.8%
Small-container commercial	2,799.9	30.7	2,723.3	30.9	2,616.9	31.1
Large-container industrial	1,890.2	20.7	1,784.0	20.3	1,639.4	19.5
Other	39.8	0.4	37.2	0.4	34.7	0.4
Total collection	6,972.2	76.4	6,738.1	76.5	6,466.5	76.8
Transfer	1,112.7		1,062.6		1,021.8	
Less: intercompany	(682.3)		(654.4)		(615.2)	
Transfer, net	430.4	4.7	408.2	4.6	406.6	4.8
Landfill	2,036.4		1,975.8		1,923.0	
Less: intercompany	(951.9)		(928.1)		(902.2)	
Landfill, net	1,084.5	11.9	1,047.7	11.9	1,020.8	12.1
Energy services	95.8	1.1	38.7	0.5	4.2	0.1
Other:						
Sale of recycled commodities	372.0	4.1	405.8	4.6	374.6	4.5
Other non-core	160.1	1.8	164.8	1.9	144.5	1.7
Total other	532.1	5.9	570.6	6.5	519.1	6.2
Total revenue	$ 9,115.0	100.0%	$ 8,803.3	100.0%	$ 8,417.2	100.0%

Other non-core revenue consists primarily of revenue from National Accounts, which represents the portion of revenue generated from nationwide contracts in markets outside our operating areas where the associated waste handling services are subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

15. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS (INCOME) BY COMPONENT

A summary of changes in accumulated other comprehensive loss (income), net of tax, by component, for the years ended December 31, 2015, 2014 and 2013 follows:

	Cash Flow Hedges	Defined Benefit Pension Plan	Total
Balance as of December 31, 2012	$ 23.1	$ (17.3)	$ 5.8
Other comprehensive income before reclassifications	(4.0)	(7.1)	(11.1)
Amounts reclassified from accumulated other comprehensive loss	0.2	2.1	2.3
Net current-period other comprehensive income	(3.8)	(5.0)	(8.8)
Balance as of December 31, 2013	19.3	(22.3)	(3.0)
Other comprehensive loss before reclassifications	23.8	9.3	33.1
Amounts reclassified from accumulated other comprehensive income	(1.2)	—	(1.2)
Net current-period other comprehensive loss	22.6	9.3	31.9
Balance as of December 31, 2014	41.9	(13.0)	28.9
Other comprehensive loss before reclassifications	18.4	1.9	20.3
Amounts reclassified from accumulated other comprehensive loss	(18.7)	—	(18.7)
Net current-period other comprehensive loss (income)	(0.3)	1.9	1.6
Balance as of December 31, 2015	$ 41.6	$ (11.1)	$ 30.5

A summary of reclassifications out of accumulated other comprehensive loss (income) for the years ended December 31, 2015, 2014 and 2013 follows:

Details about Accumulated Other Comprehensive Loss (Income) Components	2015	2014	2013	Affected Line Item in the Statement Where Net Income is Presented
	Amount Reclassified from Accumulated Other Comprehensive Loss (Income)			
Gain (loss) on cash flow hedges:				
Recycling commodity hedges	$ —	$ —	$ 0.2	Revenue
Fuel hedges	(28.5)	0.7	2.9	Cost of operations
Interest rate contracts	(2.5)	(2.7)	(2.7)	Interest expense
	(31.0)	(2.0)	0.4	Total before tax
	12.3	0.8	(0.2)	Tax benefit (expense)
	(18.7)	(1.2)	0.2	Net of tax
Pension gains:				
Pension settlement	$ —	$ —	$ 3.5	Selling, general and administrative
	—	—	(1.4)	Tax expense
	—	—	2.1	Net of tax
Total (loss) gain reclassified into earnings	$ (18.7)	$ (1.2)	$ 2.3	

16. FINANCIAL INSTRUMENTS

Fuel Hedges

We have entered into multiple swap agreements designated as cash flow hedges to mitigate some of our exposure related to changes in diesel fuel prices. These swaps qualified for, and were designated as, effective hedges of changes in the prices of forecasted diesel fuel purchases (fuel hedges).

The following table summarizes our outstanding fuel hedges as of December 31, 2015:

Year	Gallons Hedged	Weighted Average Contract Price per Gallon
2016	27,000,000	$3.57
2017	12,000,000	2.92

If the national U.S. on-highway average price for a gallon of diesel fuel as published by the Department of Energy exceeds the contract price per gallon, we receive the difference between the average price and the contract price (multiplied by the notional gallons) from the counterparty. If the average price is less than the contract price per gallon, we pay the difference to the counterparty.

The fair values of our fuel hedges are determined using standard option valuation models with assumptions about commodity prices based on those observed in underlying markets (Level 2 in the fair value hierarchy). The aggregate fair values of our outstanding fuel hedges as of December 31, 2015 and 2014 were current liabilities of $37.8 million and $34.4 million, respectively, and have been recorded in other accrued liabilities in our consolidated balance sheets. The ineffective portions of the changes in fair values resulted in a loss of $0.4 million and $0.5 million for the years ended December 31, 2015 and 2014 respectively, and a gain of less than $0.1 million for the year ended December 31, 2013, and have been recorded in other income, net in our consolidated statements of income.

Total (loss) gain recognized in other comprehensive (loss) income for fuel hedges (the effective portion) was $(2.0) million, $(24.2) million and $2.4 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

Recycling Commodity Hedges

Revenue from the sale of recycled commodities is primarily from sales of old corrugated cardboard and old newspaper. From time to time we use derivative instruments such as swaps and costless collars designated as cash flow hedges to manage our exposure to changes in prices of these commodities. We had no outstanding recycling commodity hedges as of December 31, 2015 and 2014. No amounts were recognized in other income, net in our consolidated statements of income for the ineffective portion of the changes in fair values during the years ended December 31, 2015, 2014 and 2013. Total gain (loss) recognized in other comprehensive income for recycling commodity hedges (the effective portion) was $0.1 million and $(0.1) million for the years ended December 31, 2014 and 2013, respectively. No amount was recognized in other comprehensive income for 2015.

Fair Value Measurements

In measuring fair values of assets and liabilities, we use valuation techniques that maximize the use of observable inputs (Level 1) and minimize the use of unobservable inputs (Level 3). We also use market data or assumptions that we believe market participants would use in pricing an asset or liability, including assumptions about risk when appropriate.

The carrying value for certain of our financial instruments, including cash, accounts receivable, accounts payable and certain other accrued liabilities, approximates fair value because of their short-term nature.

As of December 31, 2015 and 2014, our assets and liabilities that are measured at fair value on a recurring basis include the following:

	December 31, 2015				
		Fair Value			
	Carrying Amount	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Money market mutual funds	$ 43.0	$ 43.0	$ 43.0	$ —	$ —
Bonds - restricted cash and marketable securities and other assets	56.3	56.3	—	56.3	—
Interest rate swaps - other assets	16.5	16.5	—	16.5	—
Total assets	$ 115.8	$ 115.8	$ 43.0	$ 72.8	$ —
Liabilities:					
Fuel hedges - other accrued liabilities	$ 37.8	$ 37.8	$ —	$ 37.8	$ —
Contingent consideration - other long-term liabilities	$ 69.6	$ 69.6	$ —	$ —	$ 69.6
Total liabilities	$ 107.4	$ 107.4	$ —	$ 37.8	$ 69.6

	December 31, 2014				
		Fair Value			
	Carrying Amount	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Money market mutual funds	$ 59.7	$ 59.7	$ 59.7	$ —	$ —
Bonds - restricted cash and marketable securities and other assets	56.8	56.8	—	56.8	—
Interest rate swaps - other assets	14.1	14.1	—	14.1	—
Total assets	$ 130.6	$ 130.6	$ 59.7	$ 70.9	$ —
Liabilities:					
Fuel hedges - other accrued liabilities	$ 34.4	$ 34.4	$ —	$ 34.4	$ —
Total liabilities	$ 34.4	$ 34.4	$ —	$ 34.4	$ —

Total Debt

As of December 31, 2015, the carrying value of our total debt was $7.5 billion and the fair value of our total debt was $8.2 billion. As of December 31, 2014, the carrying value of our total debt was $7.0 billion and the fair value of our total debt was $8.0 billion. The estimated fair value of our fixed rate senior notes and debentures is based on quoted market prices. The fair value of our remaining notes payable, tax-exempt financings and borrowings under our credit facilities approximates the carrying value because the interest rates are variable. The fair value estimates are based on Level 2 inputs of the fair value hierarchy as of December 31, 2015 and 2014. See Note 9, *Debt,* for further information related to our debt.

Contingent Consideration

In April 2015, we entered into a waste management contract with Sonoma to operate the county's waste management facilities. See Note 3, *Business Acquisitions*, for further information related to our acquisition. As of December 31, 2015, the Sonoma contingent consideration represents the fair value of $69.6 million payable to the County of Sonoma based on the achievement of future annual tonnage targets through the expected remaining capacity of the landfill, which we estimate to be approximately 30 years. The contingent consideration liability is classified within Level 3 of the fair value hierarchy.

The fair value of the contingent consideration was determined using probability assessments of the expected future consideration payments over the remaining useful life of the landfill, and applying a discount rate of 4.0%. The future consideration payments are based on significant inputs that are not observable in the market. Key assumptions include volume of annual tons disposed at the landfill, price paid per annual ton, and the discount rate that represent the best estimates of management, which are subject to remeasurement at each reporting date.

17. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are subject to extensive and evolving laws and regulations and have implemented safeguards to respond to regulatory requirements. In the normal course of our business, we become involved in legal proceedings. Some may result in fines, penalties or judgments against us, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, we do not believe the outcome of any of our pending legal proceedings will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

As used herein, the term *legal proceedings* refers to litigation and similar claims against us and our subsidiaries, excluding: (1) ordinary course accidents, general commercial liability and workers' compensation claims, which are covered by insurance programs, subject to customary deductibles, and which, together with insured employee health care costs, are discussed in Note 7, *Other Liabilities*; and (2) environmental remediation liabilities, which are discussed in Note 8, *Landfill and Environmental Costs.*

We accrue for legal proceedings when losses become probable and reasonably estimable. We have recorded an aggregate accrual of approximately $65 million relating to our outstanding legal proceedings as of December 31, 2015. As of the end of each applicable reporting period, we review each of our legal proceedings and, where it is probable that a liability has been incurred, we accrue for all probable and reasonably estimable losses. Where we can reasonably estimate a range of losses we may incur regarding such a matter, we record an accrual for the amount within the range that constitutes our best estimate. If we can reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we had used the high ends of such ranges, our aggregate potential liability would be approximately $62 million higher than the amount recorded as of December 31, 2015.

Lease Commitments

We and our subsidiaries lease real property, equipment and software under various operating leases with remaining terms from one month to 30 years. Rent expense during the years ended December 31, 2015, 2014 and 2013 was $53.6 million, $49.1 million and $47.8 million, respectively.

Future minimum lease obligations under non-cancelable operating leases with initial terms in excess of one year as of December 31, 2015 are as follows:

2016	$ 26.1
2017	26.9
2018	24.3
2019	22.3
2020	20.8
Thereafter	92.8
	$ 213.2

Unconditional Purchase Commitments

Royalties

We have entered into agreements to pay royalties to prior landowners, lessors or host communities, based on waste tonnage disposed at specified landfills. These royalties are generally payable quarterly and amounts incurred, but not paid, are accrued in our consolidated balance sheets. Royalties are accrued as tonnage is disposed of in the landfills.

Disposal Agreements

We have several agreements expiring at various dates through 2048 that require us to dispose of a minimum number of tons at third-party disposal facilities. Under these put-or-pay agreements, we must pay for agreed-upon minimum volumes regardless of the actual number of tons placed at the facilities.

Future minimum payments under unconditional purchase commitments, consisting primarily of (1) disposal related agreements, which include fixed or minimum royalty payments, host agreements, and take-or-pay and put-or-pay agreements, and (2) other obligations including committed capital expenditures and consulting service agreements as of December 31, 2015 are as follows:

2016	$ 251.9
2017	92.4
2018	52.7
2019	38.7
2020	32.9
Thereafter	557.1
	$ 1,025.7

Restricted Cash and Other Financial Guarantees

We must provide financial assurance to governmental agencies and a variety of other entities under applicable environmental regulations relating to our landfill operations for capping, closure and post-closure costs, and our performance under certain collection, landfill and transfer station contracts. We satisfy our financial assurance requirements by providing surety bonds, letters of credit, insurance policies or trust deposits. The amount of the financial assurance requirements for capping, closure and post-closure costs is determined by applicable state environmental regulations, which vary by state. The financial assurance requirements for capping, closure and post-closure costs can either be for costs associated with a portion of the landfill or the entire landfill. Generally, states will require a third-party engineering specialist to determine the estimated capping, closure and post-closure costs that are used to determine the required amount of financial assurance for a landfill. The amount of financial assurance required can, and generally will, differ from the obligation determined and recorded under U.S. GAAP. The amount of the financial assurance requirements related to contract performance varies by contract. Additionally, we are required to provide financial assurance for our insurance program and collateral for certain performance obligations.

We had the following financial instruments and collateral in place to secure our financial assurances as of December 31:

	2015	2014
Letters of credit	$ 548.1	$ 659.9
Surety bonds	3,055.8	2,952.7

The outstanding letters of credit used $503.3 million and $615.1 million as of December 31, 2015 and 2014, respectively, of availability under our Credit Facilities. Surety bonds subject to expiration will expire on various dates through 2021.

These financial instruments are issued in the normal course of business and are not debt. Because we currently have no liability for this financial assurance, it is not reflected in our consolidated balance sheets. However, we have recorded capping, closure and post-closure obligations and insurance reserves as they are incurred.

Our restricted cash and marketable securities include, among other things, restricted cash and marketable securities held for capital expenditures under certain debt facilities, restricted cash pursuant to a holdback arrangement, restricted cash and marketable securities pledged to regulatory agencies and governmental entities as financial guarantees of our performance related to our final capping, closure and post-closure obligations at our landfills, and restricted cash and marketable securities related to our insurance obligations.

The following table summarizes our restricted cash and marketable securities as of December 31:

	2015	2014
Financing proceeds	$ 2.1	$ 20.9
Holdback escrow	16.8	16.8
Capping, closure and post-closure obligations	27.3	26.7
Insurance	54.1	50.4
Other	—	0.8
Total restricted cash and marketable securities	$ 100.3	$ 115.6

We own a 19.9% interest in a company that, among other activities, issues financial surety bonds to secure capping, closure and post-closure obligations for companies operating in the solid waste industry. We account for this investment under the cost method of accounting. There have been no identified events or changes in circumstances that may have a significant adverse effect on the recoverability of this investment. This investee company and the parent company of the investee had written surety bonds for us relating primarily to our landfill operations for capping, closure and post-closure, of which $1,228.1 million were outstanding as of December 31, 2015. Our reimbursement obligations under these bonds are secured by an indemnity agreement with the investee and letters of credit. There were no letters of credit outstanding as of December 31, 2015 and 2014.

Off-Balance Sheet Arrangements

We have no off-balance sheet debt or similar obligations, other than operating leases and the financial assurances discussed above, which are not classified as debt. We have no transactions or obligations with related parties that are not disclosed, consolidated into or reflected in our reported financial position or results of operations. We have not guaranteed any third-party debt.

Guarantees

We enter into contracts in the normal course of business that include indemnification clauses. Indemnifications relating to known liabilities are recorded in the consolidated financial statements based on our best estimate of required future payments.

Certain of these indemnifications relate to contingent events or occurrences, such as the imposition of additional taxes due to a change in the tax law or adverse interpretation of the tax law, and indemnifications made in divestiture agreements where we indemnify the buyer for liabilities that relate to our activities prior to the divestiture and that may become known in the future. We do not believe that these contingent obligations will have a material effect on our consolidated financial position, results of operations or cash flows.

We have entered into agreements with property owners to guarantee the value of property that is adjacent to certain of our landfills. These agreements have varying terms. We do not believe that these contingent obligations will have a material effect on our consolidated financial position, results of operations or cash flows.

Other Matters

Our business activities are conducted in the context of a developing and changing statutory and regulatory framework. Governmental regulation of the waste management industry requires us to obtain and retain numerous governmental permits to conduct various aspects of our operations. These permits are subject to revocation, modification or denial. The costs and other capital expenditures that may be required to obtain or retain the applicable permits or comply with applicable regulations could be significant. Any revocation, modification or denial of permits could have a material adverse effect on us.

18. SELECTED QUARTERLY FINANCIAL DATA (unaudited)

The following tables summarize our unaudited consolidated quarterly results of operations as reported for 2015 and 2014:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015:				
Revenue	$ 2,169.4	$ 2,311.4	$ 2,344.0	$ 2,290.2
Operating income	372.8	389.2	442.9	353.9
Net income	172.5	190.3	215.2	172.4
Net income attributable to Republic Services, Inc.[1]	172.4	190.3	215.0	172.3
Diluted earnings per common share	0.49	0.54	0.61	0.49
2014:				
Revenue[1]	$ 2,077.2	$ 2,229.2	$ 2,267.9	$ 2,229.1
Operating income[1]	306.1	378.3	382.4	166.4
Net income	132.6	179.0	185.8	50.5
Net income attributable to Republic Services, Inc.	132.5	179.0	185.8	50.3
Diluted earnings per common share	0.37	0.50	0.52	0.14

(1) - Line items in these rows do not total to amounts reported in the consolidated statements of income for the years ended December 31, 2015 and 2014 due to rounding.

During the fourth quarter of 2015, we recorded charges of $4.1 million for withdrawal events at the multiemployer pension plan to which we contribute related to our operations in Puerto Rico, as well as $0.4 million of legal charges. During the third quarter of 2015, we recorded a reduction to remediation expenses of $50.0 million related to an insurance recovery at our closed Bridgeton Landfill. During 2014, environmental remediation charges were incurred at our Bridgeton Landfill, of which $36.1 million was recorded during the first quarter of 2014, and $174.5 million was recorded during the fourth quarter of 2014.