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

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 75.2	$ 213.3
Accounts receivable, less allowance for doubtful accounts and other of $38.9 and $38.3, respectively	930.4	890.7
Prepaid expenses and other current assets	263.4	200.3
Deferred tax assets	122.0	117.6
Total current assets	1,391.0	1,421.9
Restricted cash and marketable securities	115.6	169.7
Property and equipment, net	7,165.3	7,036.8
Goodwill	10,830.9	10,724.1
Other intangible assets, net	298.9	315.8
Other assets	292.3	280.9
Total assets	$ 20,094.0	$ 19,949.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 527.3	$ 511.4
Notes payable and current maturities of long-term debt	10.4	15.7
Deferred revenue	306.3	301.8
Accrued landfill and environmental costs, current portion	164.3	178.7
Accrued interest	67.0	68.2
Other accrued liabilities	750.7	641.3
Total current liabilities	1,826.0	1,717.1
Long-term debt, net of current maturities	7,050.8	7,002.4
Accrued landfill and environmental costs, net of current portion	1,677.5	1,464.3
Deferred income taxes and other long-term tax liabilities	1,149.0	1,185.4
Insurance reserves, net of current portion	298.0	294.9
Other long-term liabilities	344.9	379.0
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; 414.4 and 411.0 issued including shares held in treasury, respectively	4.1	4.1
Additional paid-in capital	6,876.9	6,764.9
Retained earnings	2,795.0	2,632.7
Treasury stock, at cost (61.7 and 50.6 shares, respectively)	(1,901.8)	(1,501.2)
Accumulated other comprehensive (loss) income, net of tax	(28.9)	3.0
Total Republic Services, Inc. stockholders' equity	7,745.3	7,903.5
Noncontrolling interests	2.5	2.6
Total stockholders' equity	7,747.8	7,906.1
Total liabilities and stockholders' equity	$ 20,094.0	$ 19,949.2

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

remediation liability recorded as of December 31, 2014 is $83.4 million, of which $5.0 million is expected to be paid during 2015. We believe the remaining reasonably possible high end of our range would be approximately $70 million higher than the amount recorded as of December 31, 2014.

It is reasonably possible that we will need to adjust the liabilities noted above 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.

9. DEBT

The carrying value of our notes payable, capital leases and long-term debt as of December 31, 2014 and 2013 is listed in the following table in millions, 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.

		2014			2013		
Maturity	Interest Rate	Principal	Adjustments	Carry Value	Principal	Adjustments	Carry Value
Credit facilities:							
Uncommitted facility	Variable	$ -	$ -	$ -	$ -	$ -	$ -
June 2019	Variable	-	-	-	-	-	-
May 2017	Variable	-	-	-	-	-	-
Senior notes:							
May 2018	3.800	700.0	(0.1)	699.9	700.0	(0.1)	699.9
September 2019	5.500	650.0	(2.5)	647.5	650.0	(2.9)	647.1
March 2020	5.000	850.0	(0.1)	849.9	850.0	(0.1)	849.9
November 2021	5.250	600.0	-	600.0	600.0	-	600.0
June 2022	3.550	850.0	(1.8)	848.2	850.0	(2.0)	848.0
May 2023	4.750	550.0	11.5	561.5	550.0	(5.7)	544.3
March 2035	6.086	275.7	(23.9)	251.8	275.7	(24.5)	251.2
March 2040	6.200	650.0	(0.5)	649.5	650.0	(0.5)	649.5
May 2041	5.700	600.0	(3.2)	596.8	600.0	(3.3)	596.7
Debentures:							
May 2021	9.250	35.3	(1.6)	33.7	35.3	(1.7)	33.6
September 2035	7.400	165.3	(40.5)	124.8	165.2	(41.0)	124.2
Tax-exempt:							
2015-2044	0.300 - 5.625	1,083.8	-	1,083.8	1,087.7	-	1,087.7
Other:							
2015-2046	5.000 - 12.203	113.8	-	113.8	86.0	-	86.0
Total Debt		$ 7,123.9	$ (62.7)	7,061.2	$ 7,099.9	$ (81.8)	7,018.1
Less: current portion				(10.4)			(15.7)
Long-term portion				$ 7,050.8			$ 7,002.4

Loss on Extinguishment of Debt

During 2014, 2013 and 2012, we completed financing transactions that resulted in cash paid for premiums and professional fees to repurchase debt, as well as non-cash charges for unamortized debt discounts and deferred issuance costs.

Interest Expense and Interest Paid

Interest paid was $320.2 million, $324.0 million and $341.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. The components of interest expense follows:

	2014	2013	2012
Interest expense on debt and capital lease obligations	$ 310.3	$ 319.8	$ 338.5
Accretion of debt discounts	6.6	6.9	12.2
Accretion of remediation reserves and other	38.2	40.6	46.2
Less: capitalized interest	(6.4)	(7.3)	(8.4)
Total interest expense	$ 348.7	$ 360.0	$ 388.5

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 have also 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, 2014, 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. The majority of these interest rate swaps do not contain credit-risk-related contingent features and we believe our exposure to such features, where applicable, is minimal.

As of December 31, 2014, the interest rate swap agreements are reflected at their fair value of $14.1 million and are included in other assets. As of December 31, 2013, the interest rate swap agreements are reflected at their fair value of $4.4 million and are included in other long-term liabilities. 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 $7.7 million and $2.0 million during the years ended December 31, 2014 and 2013, respectively, 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, 2014 and 2013, we recognized a loss of $12.6 million and a gain of $4.5 million on the change in fair value of the hedged senior notes attributable to changes in the benchmark interest rate, with an offsetting gain of $14.1 million and loss of $4.4 million on the related interest rate swaps, respectively. The difference of these fair value changes represents hedge ineffectiveness, which is recorded directly in earnings as other income, net.

Cash Flow Hedges

As of December 31, 2014 and 2013, no interest rate lock cash flow hedges were outstanding. The effective portion of our historical interest rate locks, recorded as a component of accumulated other comprehensive income, was $21.6 million and $23.0 million as of December 31, 2014 and 2013, 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 $2.7 million 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, 2014, 2013 and 2012 was $2.7 million, $2.7 million and $2.2 million, respectively.

10. INCOME TAXES

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

	2014	2013	2012
Current:			
Federal	$ 328.1	$ 289.6	$ 228.7
State	39.7	35.3	29.2
Deferred:			
Federal	(13.3)	16.3	83.0
State	7.5	(12.5)	0.9
State deferred benefit-change in valuation allowance	(3.2)	(42.3)	-
Uncertain tax positions and interest, and other	(21.4)	(24.3)	(90.0)
Provision for income taxes	$ 337.4	$ 262.1	$ 251.8

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

	2014	2013	2012
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.0	3.1	2.5
Change in valuation allowance	(0.4)	(5.0)	-
Non-deductible expenses	0.9	1.0	1.1
Uncertain tax position taxes and interest	(0.4)	(1.8)	(4.7)
Other, net	-	(1.5)	(3.3)
Effective income tax rate	38.1%	30.8%	30.6%

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

Our 2013 effective tax rate was favorably impacted by approximately $42 million for adjustments to our valuation allowance, primarily due to the determination 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 (IRS) 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 approximately $9.6 million.

Our 2012 effective tax rate was favorably impacted by the settlement with the IRS appeals division for tax years 2004 to 2008. This settlement benefited our 2012 tax provision by approximately $35 million. The 2012 effective tax rate was also favorably impacted by the realization of tax credits and lower state rates due to changes in estimates of approximately $16 million.