



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year ended December 31, 2006



Mary Taylor, CPA
Auditor of State

Board of Trustees
Solid Waste Authority of Central Ohio
6220 Young Road
Grove City, OH 43123-9518

We have reviewed the *Independent Auditors' Report* of the Solid Waste Authority of Central Ohio, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2006 to December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Solid Waste Authority of Central Ohio is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 23, 2007

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Comprehensive Annual Financial Report

of the

Solid Waste Authority of Central Ohio

for the

Fiscal Year ended December 31, 2006

Issued by the Solid Waste Authority of Central Ohio

Michael D. Long, P.E.

Executive Director

Ronald J. Mills

Assistant Executive Director

Prepared by the Department of Finance

G. Paul Koehler, CPA

Chief Financial Officer

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————— *SWACO* —————

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2006**

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INTRODUCTORY SECTION

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Board of Trustees

April 27, 2007

Jacqueline E. LaMuth
Chairman

Bradley N. Frick
Vice Chairman

Colleen H. Briscoe
David J. Bush

Robert J. Clemons
Mary Jo Kilroy

William Lotz, Sr.

Steven P. Shepard
Joel S. Taylor

Executive Director
Michael D. Long, P.E.

Administrative Office

6220 Young Road
Grove City, OH
43123-9518

(614) 871-5100
Fax (614) 871-5103

E-mail:
info@swaco.org

www.swaco.org

To the Board of Trustees, residents and businesses of the Solid Waste Authority of Central Ohio (“SWACO”):

We are pleased to present SWACO’s Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended December 31, 2006 to the SWACO Board of Trustees and those living and doing business within the jurisdiction of SWACO.

By statute, SWACO is required to publish and file with the Auditor of State a complete set of audited financial statements within six months of the close of each fiscal year. This report is published to fulfill that requirement for fiscal year 2006.

The management of SWACO assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls it has established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatements.

Wilson, Shannon & Snow, Inc., Certified Public Accountants, have issued an unqualified opinion on SWACO’s financial statements for the year ended December 31, 2006. The independent auditor’s report is located at the beginning of the Financial Section of the report, Section 2.

Management’s discussion and analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of SWACO

A political subdivision of the State of Ohio, SWACO is one of 52 single and multi-county solid waste management districts established under Ohio’s solid waste management program. The primary goal of the State’s solid waste management program is reducing reliance on landfills for solid waste disposal in Ohio. As a solid waste district, SWACO is responsible for preparing, updating and implementing a comprehensive solid waste management plan for the Franklin County Solid Waste Management District (the “District”).

In addition to providing solid waste planning for the District, SWACO operates a sanitary landfill with a maximum daily capacity of 4,000 tons, three waste transfer stations with a combined capacity of approximately 3,000 tons per day, and various recycling and waste reduction programs.

SWACO is governed by a nine-member Board of Trustees. The Board of Trustees appoints SWACO's Executive Director, who serves as SWACO's Chief Executive Officer, and the Assistant Executive Director, who serves as Chief Operating Officer. The Executive Director is the appointing authority for SWACO's other employees, including the Chief Financial Officer who also serves as secretary-treasurer to the Board.

SWACO's mission is to provide a comprehensive, environmentally sound, cost-effective, and technically reliable solid waste management program for all people living and working within the jurisdiction of the Solid Waste Authority of Central Ohio.

History of SWACO

SWACO was established in 1989 and its first two years were devoted to developing the initial solid waste management plan for the District. In 1991, SWACO purchased the 3,333 ton-per-day Franklin County Sanitary Landfill from the County Commissioners and, in 1993, added a 90-megawatt, 2,000-ton per day resource recovery facility (the "Waste-To-Energy Facility" or "WTEF") through a long-term lease with the City of Columbus (the "City"). SWACO also acquired the County's closed landfill (the "Model Landfill") as part of the acquisition of the operating landfill.

SWACO closed the WTEF at the end of 1994 because of its inability to generate revenues sufficient to operate the facility and pay the lease and negotiated revised lease terms with the City. Pursuant to the modified lease, SWACO implemented new fees in 1999 applied to all solid waste generated within SWACO's jurisdiction and dedicated to the payment of the lease (see Note 11). In 2005 SWACO demolished the waste incineration portions of the facility, retaining certain buildings and structures that SWACO is using for recycling activities.

With closure of the WTEF in 1994 and the resulting loss of disposal capacity, SWACO began the process of obtaining a permit from the Ohio Environmental Protection Agency (OEPA) to expand the landfill to meet the additional disposal requirement of the District. In 1997, the permit was approved, adding capacity sufficient to meet SWACO's disposal requirements through at least 2021 and increasing the daily capacity to 6,000 tons.

The Solid Waste Plan

SWACO's Solid Waste Plan was originally adopted in 1993. The plan is subject to periodic updates and in 2005 the Ohio Environmental Protection Agency (the OEPA) approved the most recent update. The updated plan, which runs through 2019, had previously been approved by SWACO's member political subdivisions.

Budgetary Control

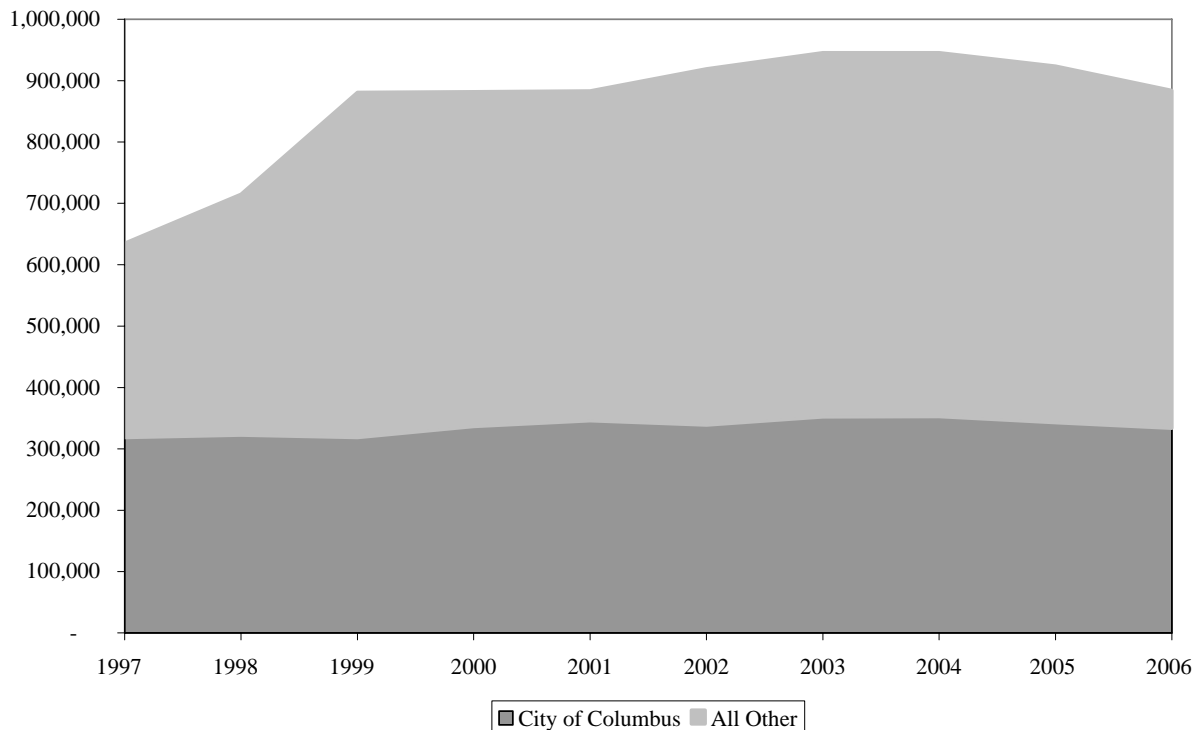
The Board of Trustees adopts a two-year non-appropriated operating and capital improvements budget resolution. Budgetary control is maintained by the Board at the major account level (Salaries, Wages and Benefits; Contracts, Services and Supplies; Capital Outlays; etc.). Although there is no legal requirement for external reporting of budgetary basis financial data, the Statistical Section provides a budget to actual comparison for the fiscal year ending December 31, 2006.

Local Economy and Economic Outlook

The Solid Waste Authority is located principally within Franklin County, with the City of Columbus as the largest city within the District. Prior to 2001, both the County and the City enjoyed healthy economies characterized by low unemployment, an increasing tax base, and strong economic development. In recent years the state and local economies have shown slower growth including higher unemployment and lower income and sales tax collections. None the less, both the City and the County maintain triple-A ratings on their long-term debt from the major rating agencies. SWACO's general obligation bonds maintain a double-A rating.

SWACO's finances have not been severely impacted by the slowing economy. Unlike the state and many local governments, SWACO's revenues are not tied to sales or income tax collections. Although 2006 solid waste receipts were down somewhat compared to 2005, they were within the range SWACO has experienced since 1999.

SWACO Waste Receipts 1997 - 2006



SWACO's January 1, 2005 and 2006 rate increases were the first rate increases since 1999. Stable rates have contributed to SWACO's level waste receipts

The introduction in 1999 of fees assessed on all solid waste generated from within the District and dedicated to the payment of the WTEF lease (the Waiver Fee and Retired Facility Fee, Note 11) has contributed greatly to a more stable outlook for the future of SWACO. As a result of a modification to the lease and implementation of the new fees, the City reduced the lease obligation by 35 percent. This, combined with the payments made by SWACO from the revenues generated from the new fees, has allowed SWACO to make significant reductions in the lease obligation and related debt. This is discussed in more detail in MD&A on page 2-5.

Long-Term Financial Planning and Major Initiatives

SWACO adopts two-year operating and capital budgets with an additional three-year pro forma projection to extend the planning horizon to five years. Over the next twenty years, SWACO will be embarking on an extensive capital improvements program as it completes construction of the remaining five phases of the landfill (the first was completed in 2005) and plans for its eventual closure. To meet the long-term need for disposal capacity, SWACO is studying upgrading or replacing its existing transfer stations and constructing additional stations to expand transfer capacity. SWACO is also investigating the construction of facilities designed to reduce the volume of waste being disposed in the landfill. The challenge for SWACO will be financing these capital improvements while maintaining rates that remain acceptable to SWACO's customers and competitive in the central Ohio market.

SWACO adopted a new rate structure in 2004 to finance the current capital improvements plans. The rate increase is being phased-in over a three year period. The first increase went into effect at the beginning of 2005 and the final increase took effect in January 2007. The rate increase has not caused a significant drop in waste receipts. SWACO anticipates continuation of this policy of phased-in rate increase to minimize "rate shock" and provides a stable planning horizon for SWACO and its customers.

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SWACO for its comprehensive annual financial report for the fiscal year ended December 31, 2005. This was the ninth consecutive year SWACO has received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The Executive Director wishes to thank the employees of SWACO for their dedication and hard work. On behalf of the citizens and staff of SWACO, the Executive Director also acknowledges the support and efforts of the Board of Trustees. These Board members, who serve without compensation, have provided valuable expertise and guidance to SWACO and staff, as well as a significant time commitment, helping SWACO to achieve its goals.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael D. Long". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail.

Michael D. Long, P.E.
Executive Director

A handwritten signature in black ink, appearing to read "G. Paul Koehler". The signature is cursive and somewhat stylized, with a prominent "G" and "K".

G. Paul Koehler, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Solid Waste Authority of Central Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Principal Officials

Board of Trustees

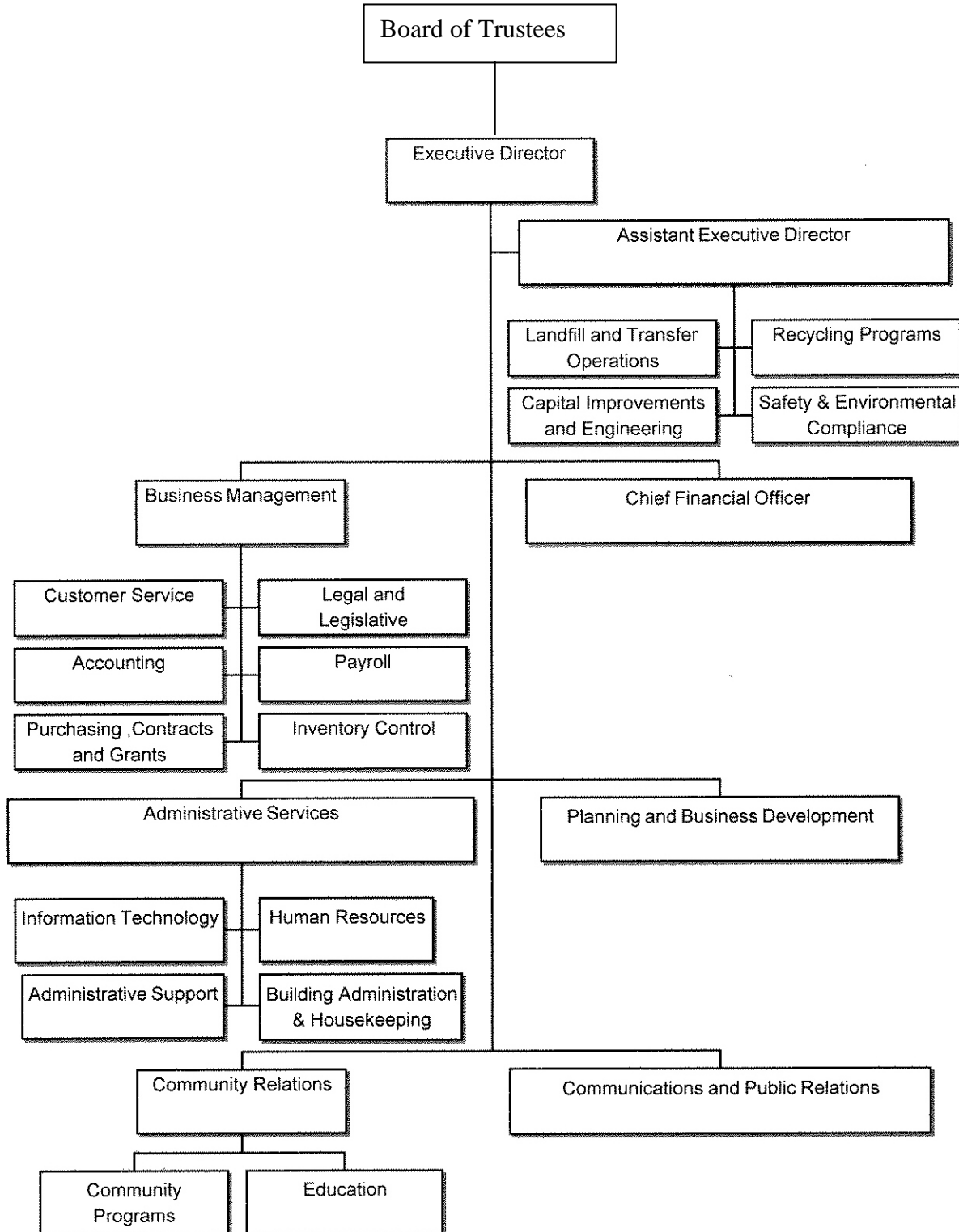
Jacqueline E. LaMuth, Chairman	Bradley N. Frick, Vice Chairman
Colleen H. Briscoe	David J. Bush
Robert J. Clemons	Mary Jo Kilroy
William Lotz, Sr.	Steven P. Shepard
Joel S. Taylor	

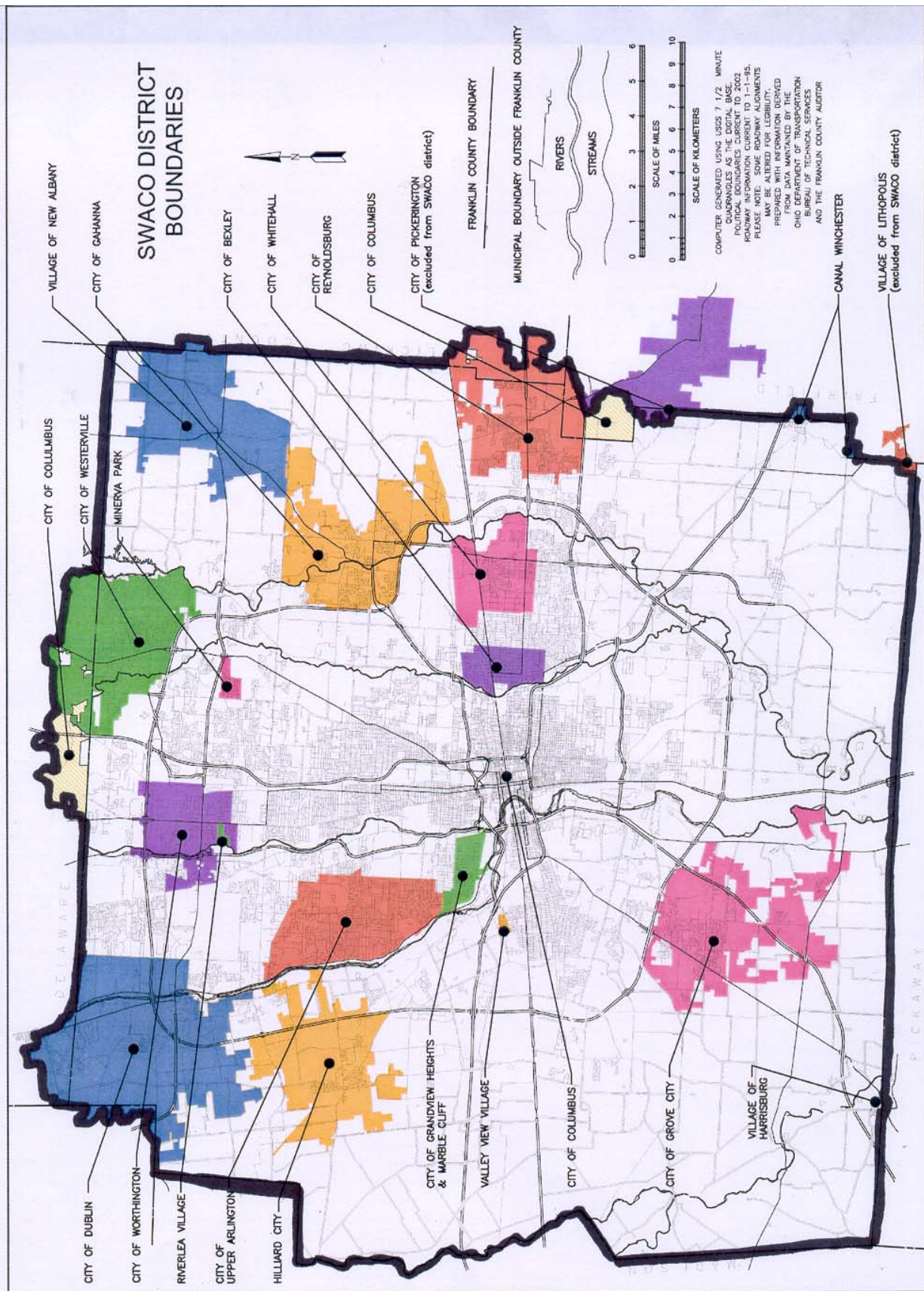
Staff

Michael D. Long, Executive Director
Ronald J. Mills, Assistant Executive Director
G. Paul Koehler, Chief Financial Officer
Harold J. Anderson III, Chief Legal Counsel

Timothy B. Berlekamp, Director of Planning and Business Development
Rickey A. Dodge, Director of Safety and Compliance
Teresa L. Merriman, Director of Business Management
Kathleen S. McCalla, Director of Administrative Services
John F. Remy, Director of Communications
Elizabeth Hosler, Assistant Chief Financial Officer

SWACO Table of Organization





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FINANCIAL SECTION



Board of Trustees
Solid Waste Authority of Central Ohio
6220 Young Road
Grove City, Ohio 43123

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities and each major fund of the Solid Waste Authority of Central Ohio, Franklin County, Ohio (the "Authority") as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Solid Waste Authority of Central Ohio, Franklin County, as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2007 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Solid Waste Authority of Central Ohio
Independent Auditors' Report

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, schedules and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
April 27, 2007

SWACO

Management Discussion & Analysis as of December 31, 2006

(unaudited)

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) provides an overview of the financial performance of the Solid Waste Authority of Central Ohio (SWACO) and provides an introduction to SWACO's financial statements for year ended December 31, 2006. The information contained in this MD&A should be considered in conjunction with information presented in the letter of transmittal, beginning on page 1-1, and SWACO's financial statements and corresponding notes to the financial statements, which follow this section.

Overview Of The Financial Statements

SWACO's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America and promulgated by the Governmental Accounting Standard Board (GASB). The financial information of SWACO is accounted for in two enterprise funds in order to reflect limitations and restrictions placed on the use of available resources. The *Operating Fund* is used primarily to account for revenues and expenses related to the operation of SWACO's sanitary landfill and solid waste transfer facilities. Except for certain fees restricted to the payment of a capital lease obligation and related bonds, the fund may be used for any other lawful solid waste management purpose deemed appropriate by the Board of Trustees. Moneys in the *Program Fund* are restricted by state statute to certain solid waste reduction, recycling and reuse purposes.

Following this MD&A are the basic financial statements of SWACO together with notes, which are essential to a full understanding of the data contained in the financial statements. Included in the financial statements for SWACO are the following:

- Statement of Net Assets – This statement presents information on all of SWACO's assets and liabilities, with the difference between the two reported as net assets.
- Statement of Revenues, Expenses and Changes in Net Assets - This statement includes all operating and nonoperating revenues and expenses for SWACO and shows the change in SWACO's net assets during the most recent year.
- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the fiscal year resulting from operating, capital and related financial activities. A reconciliation of operating income with net cash is provided.

Financial Highlights

Significant financial developments in 2006 include commencement of a new landfill operations contract resulting in a significant annual reduction of costs, implementation of the second year of a planned three-year rate increase, a \$4.4 million note issue to continue SWACO's capital improvements program, and the first full-year use of the newly constructed landfill expansion cell. Additionally, SWACO continued to make progress in reducing the deficit related to its acquisition of the former City of Columbus solid waste incinerator (the "WTEF").

SWACO issued \$6.7 million in general obligation bonds in 2005 and used the proceeds to purchase the heavy equipment (compactors, dozers, excavators, graders, etc.) required to operate the landfill. SWACO purchased the equipment pursuant to a new competitively-bid landfill site operations contract that was awarded in 2005. Prior to the new contract, the site operator was required to provide this equipment. Under the new contract SWACO's cost of operating the landfill was reduced by \$2.3 million. After debt service on the equipment, the net savings to SWACO amounted to \$1.2 million (see Note 13).

SWACO
Management Discussion & Analysis as of December 31, 2006
(unaudited)

In 2004 the SWACO Board of Trustees adopted a \$5.00 per ton increase in the tipping fee to be phased-in over three years beginning in 2005. The increase is necessary to pay debt service on bonds issued to finance the landfill expansion and other capital improvements projects. The 2006 portion of the rate increase of \$1.50 per ton generated additional revenues of approximately \$1.3 million in 2006.

In August 2006 SWACO issued \$4,440,000 in General Obligation Bond Anticipation Notes to fund capital improvements. The notes, which were sold on a competitive basis, are described in more detail in Note 10.

In 2005, SWACO began using the first phase of the landfill expansion (Cell H1A). Prior to the new construction, SWACO had been filling *vertically* over existing landfill space. The new cell is the first of several phases of *horizontal* expansion of the landfill that includes excavation of new fill areas and construction of liner and leachate collection systems. The increased capital cost of constructing the horizontal expansion increased depletion expense by \$2.1 million in 2006. This higher level of depletion is expected to continue over the remaining life of the landfill.

SWACO's financial position improved by \$4.5 million in 2006 (all funds combined) and SWACO's net asset deficit fell to \$46.8 million at the end of 2006 compared to a beginning deficit of \$51.2 million. This reflects the continued progress SWACO is making in reducing the deficit related to the closed WTEF (see *Financial Position of SWACO*, below). SWACO's total revenues, expenses and changes in net assets are summarized in the following table:

Revenues, Expenses, and Changes in Fund Net Assets			
Operating and Program Funds Combined			
	2005	2006	Increase (decrease)
Revenues			
Operating revenues	\$ 35,511,705	\$ 36,737,000	\$ 1,225,295
Other nonoperating income	1,748,426	2,221,093	472,667
Total Revenues	<u>37,260,131</u>	<u>38,958,093</u>	<u>1,697,962</u>
Expenses			
Operating Expenses	29,247,032	28,867,811	(379,221)
Nonoperating expenses	5,872,117	5,614,655	(257,462)
Total Expenses	<u>35,119,149</u>	<u>34,482,466</u>	<u>(636,683)</u>
Special item - Sale of Pollution Allowances	<u>10,050,678</u>	-	<u>(10,050,678)</u>
Change in net assets	12,191,660	4,475,627	(7,716,033)
Total net assets - beginning	<u>(63,439,346)</u>	<u>(51,247,686)</u>	<u>12,191,660</u>
Total net assets - ending	<u>\$ (51,247,686)</u>	<u>\$ (46,772,059)</u>	<u>\$ 4,475,627</u>

Financial Position of SWACO

As shown in the above table, SWACO ended 2006 with a combined deficit of \$46.8 million. On the surface, this large deficit may raise questions regarding SWACO's financial stability. All of the deficit can be attributed to the acquisition in 1993 of the former City of Columbus, Ohio (the "City") waste-to-energy facility ("WTEF") and the closure of the facility in 1994 and subsequent write down and

SWACO
Management Discussion & Analysis as of December 31, 2006
(unaudited)

demolition of the facility. In 1998, the deficit on the facility reached a peak of \$167.8 million and there was a danger SWACO would default on its lease obligation to the City. However, modifications to the lease in 1998 and 2004 allowed SWACO to put in place a means to fully retire the outstanding debt on the facility and have eliminated the risk of default under the lease.

The modified lease included a thirty-five percent reduction in the lease and the deferral, with interest, of amounts due but not paid by SWACO in accordance with the modified lease payment schedule. Pursuant to the 1998 modification, SWACO enacted new fees in 1999 dedicated to the payment of the lease obligation and began steadily paying down the lease. In accordance with a further modification to the lease in 2004, and using the dedicated lease payment revenues as a source of debt service, SWACO issued \$57.2 million in bonds in 2004 to pay off the deferred lease balance that had accumulated since closure of the plant. By the end of 2006 SWACO had reduced the deficit to \$59.9 million as shown in the following table. Note 11 provides additional information on the WTEF and WTEF lease.

Discontinued Operations Total Net Assets (in thousands)					
	Carrying value of Waste-to-Energy Facility	WTEF lease obligation	Bonds Payable	Other Assets and (Liabilities)	Total Net Assets
1993	\$162,105	\$173,253	\$ -	\$ -	(\$11,148)
1994	36,594	165,372	-	(2,565)	(131,343)
1995	36,594	165,372	-	(3,565)	(132,343)
1996	36,594	165,372	-	(4,097)	(132,875)
1997	6,500	165,372	-	(8,361)	(167,233)
1998	6,433	158,135	-	(16,068)	(167,770)
1999	6,381	140,275	-	(4,150)	(138,044)
2000	6,338	136,553	-	(113)	(130,328)
2001	4,605	126,879	-	(1,734)	(124,008)
2002	1,976	119,480	-	(981)	(118,485)
2003	1,976	108,711	-	(964)	(107,699)
2004	1,121	28,751	56,379	4,837	(79,172)
2005	-	27,356	53,230	15,405	(65,181)
2006	-	15,817	50,029	5,986	(59,860)

Operating Fund Net Assets

A comparison of Operating Fund net assets as of the end of 2005 and 2006 are shown in the table on the following page. At December 31, 2005 SWACO recorded a receivable for the \$10 million sale of air pollution allowances. This sale was reported as a Special Item (see *Special and Extraordinary Items* in Note 2) and the proceeds were received during 2006 and paid to the City of Columbus as a lease payment on the WTEF. This accounts for most of the \$14.3 million decrease in current and other assets and the \$11.5 million decrease in the capital lease obligation. Other liabilities decreased approximately \$5.1 million from 2005 to 2006. Most of this is explained by a net reduction in accounts payable related to SWACO's capital improvements program that caused a surge in payables at the end of 2005. The cash used to liquidate the payables also contributed to the \$14.3 million reduction in current assets.

SWACO
Management Discussion & Analysis as of December 31, 2006
(unaudited)

Excluding the bonds payable and lease related to the WTEF, SWACO's capital assets net of related debt at the end of 2006 were \$1.4 million, a reduction of approximately \$1.7 million from 2005. The decrease in net capital assets is related to the landfill operating equipment SWACO purchased in 2005 and which SWACO began depreciating in 2006 (see Note 13).

Restricted net assets in the Operating Fund include funds held by a trustee for closure of the Sanitary Landfill net of the accrued liability for closure and postclosure care of the landfill. SWACO established the trust fund to meet Ohio EPA requirements that landfill owners provide assurance that the owner has the necessary financial resources to provide for the ultimate closure and ongoing care of the landfill (see Note 5). At the end of 2006, the trust fund balance of \$19.2 million exceeded the accrued Sanitary Landfill closure/postclosure liability by approximately \$1.7 million.

Operating Fund Net Assets			
	2005	2006	Increase (decrease)
Assets			
Current and other assets	\$ 25,928,021	\$ 11,612,337	\$ (14,315,684)
Restricted cash and investments	9,782,080	8,780,710	(1,001,370)
Closure/postclosure funds held by trustee:	17,799,466	19,218,055	1,418,589
Capital assets	<u>52,649,590</u>	<u>51,672,674</u>	<u>(976,916)</u>
Total assets	<u>106,159,157</u>	<u>91,283,776</u>	<u>(14,875,381)</u>
Liabilities			
Bonds payable, net	104,938,770	101,848,003	(3,090,767)
Capital lease obligation, net	27,355,799	15,816,933	(11,538,866)
Landfill Closure/postclosure liabilities	18,123,709	18,711,121	587,412
Other liabilities	<u>9,044,826</u>	<u>3,981,407</u>	<u>(5,063,419)</u>
Total liabilities	<u>159,463,104</u>	<u>140,357,464</u>	<u>(19,105,640)</u>
Net Assets			
Invested in capital assets, net of related debt:			
Lease obligation and bonds payable related to closed waste-to-energy facility	(80,586,157)	(65,845,547)	14,740,610
Other capital assets, net	3,081,952	1,361,768	(1,720,184)
Restricted:			
Landfill closure/postclosure trust fund, net of accrued liability	1,661,466	1,715,055	53,589
Other restricted, net	17,786,187	6,814,363	(10,971,824)
Unrestricted	<u>4,752,605</u>	<u>6,880,673</u>	<u>2,128,068</u>
Total net assets	<u>\$ (53,303,947)</u>	<u>\$ (49,073,688)</u>	<u>\$ 4,230,259</u>

Other restricted assets at the end of 2006 of \$6.8 million included \$5.3 million in a debt service reserve account, and cash restricted for the payment of debt service or capital improvements projects. The

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reduction in other restricted net assets of over \$10 million in 2006 is due to pollution allowances sold in 2005 and received and paid to the City in 2006 on the WTEF lease (see *Special and Extraordinary Items* in Note 2). Unrestricted net assets in the Operating Fund increased by \$2.1 million during 2006 ending at \$6.9 million as of December 31, 2006.

Operating Fund Revenues, Expenses and Changes in Fund Net Assets

The following table compares 2005 and 2006 revenues, expenses and changes in fund net assets in the Operating Fund.

	<u>2005</u>	<u>2006</u>	<u>Increase (decrease)</u>
Operating Fund Revenues, Expenses, and Changes in Fund Net Assets			
Operating Revenues:			
Tipping and disposal fees	\$ 16,754,045	\$ 18,031,713	\$ 1,277,668
Waste transfer fees	4,281,843	4,377,173	95,330
Retired Facility and Waiver Fees	8,015,582	7,948,540	(67,042)
Other	489,440	201,051	(288,389)
Operating revenues	<u>29,540,910</u>	<u>30,558,477</u>	<u>1,017,567</u>
Operating Expenses:			
Salaries, wages and benefits	5,422,797	5,940,751	517,954
Contract, services and supplies	12,906,222	9,844,695	(3,061,527)
Depreciation and depletion	3,382,531	6,677,828	3,295,297
Landfill closing costs	1,239,000	1,365,000	126,000
Other	1,469	-	(1,469)
Interfund transfers	(710,000)	(587,744)	122,256
Operating expenses	<u>22,242,019</u>	<u>23,240,530</u>	<u>998,511</u>
Operating income	<u>7,298,891</u>	<u>7,317,947</u>	<u>19,056</u>
Nonoperating income (expenses) :			
Interest expense	(5,232,075)	(5,040,414)	191,661
Interest income	1,344,264	1,962,496	618,232
Grants awarded	-	(28,850)	(28,850)
Gain (loss) on sale of assets	(1,433)	19,080	20,513
Total nonoperating income (expenses)	<u>(3,889,244)</u>	<u>(3,087,688)</u>	<u>801,556</u>
Special item:			
Sale of pollution allowances	<u>10,050,678</u>	<u>-</u>	<u>(10,050,678)</u>
Change in net assets	13,460,325	4,230,259	(9,230,066)
Total net assets - beginning	<u>(66,764,272)</u>	<u>(53,303,947)</u>	<u>13,460,325</u>
Total net assets - ending	<u>\$ (53,303,947)</u>	<u>\$ (49,073,688)</u>	<u>\$ 4,230,259</u>

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Solid waste deliveries to SWACO's facilities during 2006 were approximately 884,000 tons. This is below deliveries of approximately 923,000 tons and 946,000 tons in 2005 and 2004, respectively. Although waste receipts were below previous years, a January 1, 2006 rate increase resulted in tipping and disposal fees that were \$1.3 million greater in 2006 than they were in 2005. Similarly, total operating revenue in 2006 exceeded 2005 revenues by \$1.0 million in the Operating Fund

Expenses for salaries, wages and benefits in 2006 were approximately \$518,000 more than the 2005 expense, partly due to a 3% rate adjustment for all employees and partly due to a market compensation adjustment for selected positions. Contracts, services and supplies decreased by approximately \$3,061,000 in 2006, primarily as a result of the new landfill operations contract. In addition, one-time costs in 2005 associated with retrofitting the structures remaining after demolition of the WTEF were not repeated in 2006, further explaining the 2006 reduction. Depreciation and depletion expenses increased by \$3.3 million in 2006 compared to 2005. There were two primary reasons for the increase: a \$2.1 million increase in depletion expense related to the use of Cell H1A of the landfill expansion, and depreciation of the \$6.7 million in equipment purchased in 2005.

Operating income in 2006 was \$7.3 million, little changed from 2005. SWACO's financial position in the Operating Fund improved by \$4.2 million in 2006, reducing SWACO's net asset deficit from \$53.3 million at the beginning of the year to \$49.0 million at the end of the year.

Program Fund Net Assets

In the Program Fund, total net assets at the end of 2006 were approximately \$2.3 million consisting of restricted net assets (cash and receivables less payables) of approximately \$1,147,000 and net capital assets of approximately \$1,155,000. This is \$245,368 more than total net assets at the end of 2005.

Generation Fees are restricted for solid waste reduction and recycling programs in accordance with authorized purposes under the Ohio Revised Code, and may not be used for other purposes. Although the generation fee has not been increased since it was first implemented in 1994, a significant cash balance accumulated in the past when a portion of the Generation Fees collected was placed in an escrow account pending resolution of a law suit challenging the fee. In addition, the Board held back on spending other Generation Fee proceeds due to the then uncertain future of this funding source. With successful resolution of the law suit, the balance in the escrow account was released to SWACO. The 2005 budget adopted by the Board specifically contemplated "deficit" spending to reduce the fund balance. The approach was to expend the balances on one-time, nonrecurring expenses to avoid developing a permanent deficit spending pattern. Activity during 2006 reflects this approach as revenues and expenses were more aligned. Future deficit spending is likely because cash balances remain above targeted levels.

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Program Fund Net Assets			
	<u>2005</u>	<u>2006</u>	Increase (decrease)
Assets			
Current and other assets	\$ 932,159	\$ 1,271,693	\$ 339,534
Capital assets	<u>2,910,689</u>	<u>2,714,033</u>	<u>(196,656)</u>
Total assets	<u>3,842,848</u>	<u>3,985,726</u>	<u>142,878</u>
Liabilities			
Current Liabilities	227,337	124,847	(102,490)
Bonds payable	<u>1,559,250</u>	<u>1,559,250</u>	<u>-</u>
Total liabilities	<u>1,786,587</u>	<u>1,684,097</u>	<u>(102,490)</u>
Net Assets			
Invested in capital assets, net of related debt	1,351,439	1,154,783	(196,656)
Restricted	<u>704,822</u>	<u>1,146,846</u>	<u>442,024</u>
Total net assets	<u>\$ 2,056,261</u>	<u>\$ 2,301,629</u>	<u>\$ 245,368</u>

Program Fund Revenues, Expenses and Changes in Net Assets

A comparison of 2005 and 2006 revenues and expenses in the Program Fund is shown in the following table. In 2005 SWACO implemented a disposal fee for commercial generators of yard waste delivering the waste to compost facilities operated under SWACO service agreements (see Note 13). The fee was implemented mid-year in 2005 and the increase in tipping and disposal fees from 2005 to 2006 reflects a partial year of collection of the fee in 2005 and a full year of collection in 2006. Consistent with the pattern in recent years, Generation Fees were little changed from 2005 to 2006. This reflects flat growth in waste generation, and the fact that the fee remained unchanged at \$5.00 per ton.

Operating expenses decreased from 2005 to 2006, reflecting the planned reduction in cash balances in the fund during 2005 and the need to bring expenses back in line with revenues once the targeted balances are achieved. During 2006 net assets increased approximately \$245,000 compared to a reduction of over \$1.2 million in 2005. Additional reductions in net assets are expected, but not at the level seen in 2005.

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Program Fund Revenues, Expenses, and Changes in Fund Net Assets

	<u>2005</u>	<u>2006</u>	<u>Increase (decrease)</u>
Operating Revenues:			
Tipping and disposal fees	\$ 166,386	\$ 344,646	\$ 178,260
Generation fees	5,720,166	5,715,976	(4,190)
Other	<u>84,243</u>	<u>117,901</u>	<u>33,658</u>
Operating revenues	<u>5,970,795</u>	<u>6,178,523</u>	<u>207,728</u>
Operating Expenses:			
Salaries, wages and benefits	1,367,696	1,163,604	(204,092)
Contract, services and supplies	4,698,140	3,679,278	(1,018,862)
Depreciation and depletion	229,177	196,655	(32,522)
Interfund transfers	<u>710,000</u>	<u>587,744</u>	<u>(122,256)</u>
Operating expenses	<u>7,005,013</u>	<u>5,627,281</u>	<u>(1,377,732)</u>
Operating income (loss)	<u>(1,034,218)</u>	<u>551,242</u>	<u>1,585,460</u>
Nonoperating income (expenses) :			
Grants received	404,162	239,517	(164,645)
Grants awarded	(635,921)	(545,391)	90,530
Loss on sale of assets	<u>(2,688)</u>	<u>-</u>	<u>2,688</u>
Total nonoperating income (expenses)	<u>(234,447)</u>	<u>(305,874)</u>	<u>(71,427)</u>
Change in net assets	(1,268,665)	245,368	1,514,033
Total net assets - beginning	<u>3,324,926</u>	<u>2,056,261</u>	<u>(1,268,665)</u>
Total net assets - ending	<u>\$ 2,056,261</u>	<u>\$ 2,301,629</u>	<u>\$ 245,368</u>

Capital Assets

SWACO's investments in depreciable capital assets include the sanitary landfill, three transfer stations, a fleet maintenance facility, a landfill operations facility, the administrative office building and furnishings, and solid waste transfer vehicles and related equipment. SWACO also owns land for its facilities and buffer area land in the vicinity of the landfill. The table on the next page compares SWACO's investments in capital assets as of the end of 2005 and 2006.

Since 2004, SWACO has been in the midst of a major capital improvements program totaling over \$30 million. In 2005 SWACO completed construction of the first cell of the landfill expansion (H1A) and in 2006 completed the second cell (H1B) and began construction of H1C. The net change in construction in progress is due to Phase H1B being placed in service and the ongoing construction of Phase H1C during 2006. This also explains the 2005-2006 increase in the carrying value of the Sanitary Landfill.

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Equipment and furnishings decreased by approximately \$1.3 million from 2005 to 2006 in the Operating Fund. During 2006 SWACO began using and depreciating the heavy landfill operating equipment acquired in 2005 (discussed above and in Note 13). The resulting increase in depreciation expense on the equipment accounts for the reduction in the carrying value of the equipment.

	Capital Assets		
Operating Fund	2005	2006	Increase (decrease)
Capital assets, not being depreciated:			
Land and land improvements	\$ 9,931,277	\$ 9,931,277	\$ -
Construction in progress	6,577,066	4,401,251	(2,175,815)
Total capital assets, not being depreciated	<u>16,508,343</u>	<u>14,332,528</u>	<u>(2,175,815)</u>
Depreciable capital assets, net of accumulated depreciation and depletion:			
Equipment and furnishings	\$ 10,496,822	\$ 9,238,020	\$ (1,258,802)
Building and improvements	2,668,540	2,558,600	(109,940)
Transfer stations	2,527,989	2,102,557	(425,432)
Sanitary landfill	20,447,896	23,440,969	2,993,073
Total capital assets, being depreciated, net	<u>36,141,247</u>	<u>37,340,146</u>	<u>1,198,899</u>
Total capital assets, net	<u>\$ 52,649,590</u>	<u>\$ 51,672,674</u>	<u>\$ (976,916)</u>
 Program Fund			
Depreciable capital assets, net of accumulated depreciation:			
Equipment and furnishings	\$ 412,625	\$ 275,513	\$ (137,112)
Building and improvements	938,814	879,270	(59,544)
Total capital assets, net	<u>\$ 1,351,439</u>	<u>\$ 1,154,783</u>	<u>\$ (196,656)</u>

Debt Administration

SWACO issued \$4.4 million General Obligation Bond Anticipation Notes in 2006 to finance capital improvements. Even with the new issue, SWACO's total debt, which includes notes and bonds payable and the lease obligation to the City on the closed WTEF, was reduced by \$14.6 million in 2006. Most of the reduction was the result of the \$10 million lease payment to the City from the sale of air pollution allowances (see *Special and Extraordinary Items* in Note 2). SWACO also commenced principal payments in 2006 on bonds issued in 2004 to finance SWACO's capital improvements program, including expansion of the landfill. This contributed to the overall reduction in SWACO's general obligation debt

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Ousting Long-Term Debt

	<u>2005</u>	<u>2006</u>	<u>Increase (decrease)</u>
General Obligation Notes and Bonds, net	\$104,938,770	\$101,848,003	\$ (3,090,767)
Taxable note	1,559,250	1,559,250	-
Capital lease obligation	<u>27,355,799</u>	<u>15,816,933</u>	<u>(11,538,866)</u>
Total	<u>\$133,853,819</u>	<u>\$119,224,186</u>	<u>\$ (14,629,633)</u>

SWACO's general obligation notes and bonds are unvoted issues backed by the authority to levy property taxes if necessary to pay debt service. It is SWACO's intention, however, not to levy the tax and to pay all debt service from other sources, primarily tipping fees charged at the landfill and transfer stations. Certain general obligation bonds were issued to retire a portion of the WTEF lease and are being paid from the \$7.00 per ton Retired Facility Fee and Waiver Fee enacted in 1999. The taxable notes are secured by a pledge of Generation Fee revenues, but SWACO expects to use lease payments to retire the debt.

SWACO's ability to issue unvoted general obligation debt is subject to overlapping debt restrictions with other political subdivisions, but there is not a statutory direct debt limit on SWACO's ability to issue general obligation or revenue bonds. SWACO's debt capacity is more limited by market forces and its ability to raise tipping fees to levels required to pay debt service. As discussed in the next section, Economic Factors, SWACO has implemented the rate increases necessary to meet its debt service requirements for existing debt.

SWACO's general obligation bonds maintain a AA+ rating by Standard and Poor's and a Aa2 rating by Moody's Investors Service. The 2006 bond anticipation notes and the taxable notes are not rated.

SWACO's debt management program is discussed in more detail in Note 10, Debt Management.

Economic Factors

SWACO's financial position has not been severely impacted by the economic downturn that the State of Ohio and Ohio's local political subdivisions have experienced in the recent past. SWACO's waste receipts in 2006 were the third-highest level in the history of SWACO. Until 2005, SWACO had not had a rate increase since implementation of the Retired Facility Fee and Waiver Fee in 1999. To pay the cost of debt service on the expansion of the landfill, the SWACO Board approved a \$5.00 per ton rate increase in 2004 phased-in as follows: \$2.25 on January 1, 2005; \$1.50 on January 1, 2006; and \$1.25 on January 1, 2007. SWACO expects that, even with these rate increases, SWACO rates will remain at a level competitive with the local market and landfill rates throughout Ohio.

Request For Information

This financial report is designed to provide a general overview of SWACO's finances and to show accountability for money received by SWACO. For questions or for additional information regarding this report, write to SWACO, 6220 Young Road, Grove City, Ohio 43123 or contact G. Paul Koehler, at 614.871.5100 or by e-mail at Paul.Koehler@SWACO.org.

SWACO
Statement of Net Assets – Proprietary Funds
As of December 31, 2006

Assets	Business-type Activities - Enterprise Funds		
	Operating Fund	Program Fund	Total
Current assets:			
Cash and cash equivalents	\$ 3,557,982	\$ -	\$ 3,557,982
Restricted cash	3,480,810	1,186,847	4,667,657
Investments	4,609,408	-	4,609,408
Restricted investments	5,299,900	-	5,299,900
Accounts receivable, net of allowance for bad debts	3,275,620	84,846	3,360,466
Other assets	169,327	-	169,327
Total current assets	<u>20,393,047</u>	<u>1,271,693</u>	<u>21,664,740</u>
Noncurrent assets:			
Investments held by trustee for landfill closure/post closure care	19,218,055	-	19,218,055
Capital assets:			
Sanitary Landfill, net of accumulated depletion and depreciation	23,440,969	-	23,440,969
Buildings and equipment, net of accumulated depreciation	13,899,177	1,154,783	15,053,960
Construction in progress	4,401,251	-	4,401,251
Land and land improvements	9,931,277	-	9,931,277
Lease receivable	-	1,559,250	1,559,250
Total noncurrent assets	<u>70,890,729</u>	<u>2,714,033</u>	<u>73,604,762</u>
Total assets	<u>\$ 91,283,776</u>	<u>\$ 3,985,726</u>	<u>\$ 95,269,502</u>

Continued

The notes to the financial statements are an integral part of this statement.

SWACO
Statement of Net Assets – Proprietary Funds
As of December 31, 2006

	Business-type Activities - Enterprise Funds		
	Operating Fund	Program Fund	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 2,312,065	\$ -	\$ 2,312,065
Accrued wages and benefits	813,562	-	813,562
Accrued interest	850,480	-	850,480
Current maturities of bonds payable	11,705,000	-	11,705,000
Capital lease obligation	2,653,000	-	2,653,000
Landfill postclosure liability-current portion	208,802	-	208,802
Other payables	5,300	124,847	130,147
	<u>18,548,209</u>	<u>124,847</u>	<u>18,673,056</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds payable, less current portion, net	90,143,003	1,559,250	91,702,253
Capital lease obligation, less current portion	13,163,933	-	13,163,933
Landfill closure/postclosure liability	18,502,319	-	18,502,319
	<u>121,809,255</u>	<u>1,559,250</u>	<u>123,368,505</u>
Total noncurrent liabilities			
	<u>\$ 140,357,464</u>	<u>\$ 1,684,097</u>	<u>\$ 142,041,561</u>
Total liabilities			
Net Assets			
Invested in capital assets, net of related debt:			
Lease obligation and bonds payable related to closed waste-to-energy facility	\$ (65,845,547)	\$ -	\$ (65,845,547)
Other capital assets, net	1,361,768	1,154,783	2,516,551
Restricted:			
Closure/postclosure trust fund net of accrued liability - Sanitary Landfill	1,715,055	-	1,715,055
Other restricted, net	6,814,363	1,146,846	7,961,209
Unrestricted	6,880,673	-	6,880,673
	<u>\$ (49,073,688)</u>	<u>\$ 2,301,629</u>	<u>\$ (46,772,059)</u>
Total net assets			

The notes to the financial statements are an integral part of this statement.

SWACO**Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds****For the Fiscal Year Ended December 31, 2006**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Operating Fund</u>	<u>Program Fund</u>	<u>Total</u>
Operating Revenues:			
Tipping and disposal fees	\$ 18,031,713	\$ 344,646	\$ 18,376,359
Waste transfer fees	4,377,173	-	4,377,173
Retired Facility and Waiver Fees	7,948,540	-	7,948,540
Generation Fees	-	5,715,976	5,715,976
Other	201,051	117,901	318,952
	<u>30,558,477</u>	<u>6,178,523</u>	<u>36,737,000</u>
Operating revenues			
	<u>30,558,477</u>	<u>6,178,523</u>	<u>36,737,000</u>
Operating Expenses:			
Salaries, wages and benefits	5,940,751	1,163,604	7,104,355
Contract, services and supplies	9,844,695	3,679,278	13,523,973
Depreciation and depletion	6,677,828	196,655	6,874,483
Landfill closing costs	1,365,000	-	1,365,000
Interfund charges	(587,744)	587,744	-
	<u>23,240,530</u>	<u>5,627,281</u>	<u>28,867,811</u>
Operating expenses			
	<u>23,240,530</u>	<u>5,627,281</u>	<u>28,867,811</u>
Operating income	<u>7,317,947</u>	<u>551,242</u>	<u>7,869,189</u>
Nonoperating income (expenses):			
Interest expense	(5,040,414)	-	(5,040,414)
Interest income	1,962,496	-	1,962,496
Grants received	-	239,517	239,517
Grants awarded	(28,850)	(545,391)	(574,241)
Loss on sale of assets	19,080	-	19,080
	<u>(3,087,688)</u>	<u>(305,874)</u>	<u>(3,393,562)</u>
Total nonoperating income (expenses)			
	<u>(3,087,688)</u>	<u>(305,874)</u>	<u>(3,393,562)</u>
Change in net assets	4,230,259	245,368	4,475,627
Total net assets - beginning	<u>(53,303,947)</u>	<u>2,056,261</u>	<u>(51,247,686)</u>
Total net assets - ending	<u>\$ (49,073,688)</u>	<u>\$ 2,301,629</u>	<u>\$ (46,772,059)</u>

The notes to the financial statements are an integral part of this statement.

SWACO
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds		
	Operating Fund	Program Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 22,043,728	\$ 359,847	\$ 22,403,575
Air pollution allowances collected ¹	10,014,675	-	10,014,675
Retired Facility Fee and Waiver Fees collected	5,576,669	-	5,576,669
Generation Fees collected	-	5,715,976	5,715,976
Other receipts	201,049	117,900	318,949
Payments to employees	(4,495,404)	(1,163,604)	(5,659,008)
Payments for retirement and payroll taxes	(1,393,421)	-	(1,393,421)
Payments to vendors	(11,501,044)	(3,650,978)	(15,152,022)
Landfill post closure costs paid	(777,588)	-	(777,588)
Interfund charges	587,744	(587,744)	-
Other payments	300	(100,000)	(99,700)
Net cash provided by operating activities:	<u>20,256,708</u>	<u>691,397</u>	<u>20,948,105</u>
Cash flows from noncapital financing activities:			
Grants received	-	237,028	237,028
Grants awarded	(28,850)	(545,391)	(574,241)
Net cash used by noncapital financing activities	<u>(28,850)</u>	<u>(308,363)</u>	<u>(337,213)</u>
Cash flows from investing activities:			
Proceeds from maturities of investments	32,794,067	-	32,794,067
Purchase of investments	(29,054,773)	-	(29,054,773)
Interest received	1,649,598	-	1,649,598
Net cash provided by investing activities	<u>5,388,892</u>	<u>-</u>	<u>5,388,892</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	4,464,287	-	4,464,287
Landfill, plant improvements and equipment additions	(9,011,607)	-	(9,011,607)
Principal paid on bonds and notes payable	(6,965,000)	-	(6,965,000)
Principal paid on capital lease	(9,649,553)	-	(9,649,553)
Interest paid	(5,021,384)	-	(5,021,384)
Debt issuance costs paid	(4,450)	-	(4,450)
Net cash used in capital and related financing activities	<u>(26,187,707)</u>	<u>-</u>	<u>(26,187,707)</u>
Net increase (decrease) in cash	(570,957)	383,034	(187,923)
Cash and cash equivalents, beginning of year	<u>7,609,749</u>	<u>803,813</u>	<u>8,413,562</u>
Cash and cash equivalents, end of year	<u>\$ 7,038,792</u>	<u>\$ 1,186,847</u>	<u>\$ 8,225,639</u>

Continued

The notes to the financial statements are an integral part of this statement.

SWACO
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds		
	Operating Fund	Program Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income	\$ 7,317,947	\$ 551,242	\$ 7,869,189
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and depletion	6,677,828	196,655	6,874,483
Landfill closing costs	1,365,000	-	1,365,000
Lease credits received in lieu of cash	(2,371,101)	-	(2,371,101)
Increase (decrease) in cash resulting from changes in:			
Accounts and notes receivable (net)	(365,928)	15,200	(350,728)
Air pollution allowances sales receivable ¹	10,014,675	-	10,014,675
Accounts payable	(1,656,349)	28,300	(1,628,049)
Accrued wages and benefits	51,925	-	51,925
Landfill postclosure liability	(777,588)	-	(777,588)
Other assets and liabilities	299	(100,000)	(99,701)
Net cash provided by operating activities	<u>\$ 20,256,708</u>	<u>\$ 691,397</u>	<u>\$ 20,948,105</u>

¹SWACO recorded the sale of air pollution allowances as a special item on the Statement of Revenues, Expenses and Changes in Fund Net Assets for 2005 and as a receivable on the Statement of Net Assets as of December 31, 2005. The allowances were collected in 2006.

Noncash capital and related financing activities (Operating Fund)

- Amortization of premiums on lease obligation and bonds payable of \$900,062.
- Amortization of debt issuance costs of \$144,083.
- Amortization of reacquisition costs on refunding bonds of \$76,944.
- Bond refund savings of \$252,365 applied to bond interest payment.
- Change in carrying value of investments resulting in gain of \$145,529.

The notes to the financial statements are an integral part of this statement.

SWACO

Notes to Financial Statements

As of December 31, 2006

1. Organization

SWACO (the Solid Waste Authority of Central Ohio) is a political subdivision of the State of Ohio established in 1989 to develop and implement a comprehensive solid waste management plan for the Franklin County Solid Waste Management District (the “District,” principally Franklin County, but also including parts of five adjacent counties). SWACO is governed by a nine-member Board of Trustees appointed pursuant to statute. The Board consists of two members appointed by the Franklin County Board of County Commissioners (the “County”), two members appointed by the City of Columbus (the “City”), and additional members representing the County Board of Health, townships within SWACO, waste generators and the general public. As a governmental authority, SWACO is exempt from federal, state and local taxes. SWACO operates autonomously from the County and City, and the County and City have no financial responsibility for the operations of SWACO.

SWACO operates a sanitary landfill (the “Sanitary Landfill”) and three solid waste transfer facilities supported by tipping fees charged for solid waste disposal and transfer services at these facilities. SWACO also provides recycling programs, yard waste composting services, public education programs, and other activities to reduce the generation and disposal of solid waste within SWACO's jurisdiction. SWACO's waste-reduction activities are supported by a \$5.00 per-ton waste generation fee levied on all solid waste generated within the District.

The Sanitary Landfill was purchased from Franklin County in 1991. SWACO received a permit from the Ohio Environmental Protection Agency to expand the landfill in 1997 providing disposal capacity that is expected to last at least through 2021.

In 1993, SWACO leased a 90-megawatt solid waste resource recovery facility (the Waste-to-Energy Facility or “WTEF”) and three related waste transfer facilities from the City (see Note 11). The WTEF was closed in November 1994 due to SWACO's inability to generate revenues sufficient to operate the facility. SWACO continues to operate two of the three waste transfer facilities and has converted a portion of the closed WTEF into an additional transfer facility.

As part of the purchase of the currently operating landfill, SWACO also acquired the Model Landfill, the County's closed former landfill. The Model Landfill has been closed since 1985, and SWACO assumed ongoing monitoring and closure requirements for the landfill when it was transferred from the County. In 1999 SWACO leased the landfill to a private entity to develop a public golf course on the site as part of a project to remediate the landfill cap.

SWACO derives its revenue principally from fees levied on the disposal of solid waste. SWACO collects these fees in two ways: (1) tipping fees charged for solid waste disposal and waste transfer services provided at SWACO facilities, and (2) fees assessed on solid waste generated within the District and disposed at the SWACO landfill or other public or privately-owned landfills located outside of the District. These fees are established pursuant to authorization within the Ohio Revised Code and agreements established with private landfill owners (see Note 11).

SWACO

Notes to Financial Statements

As of December 31, 2006

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the statements include all organizations, activities, and functions for which SWACO (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either SWACO's ability to impose its will over the organization's governing body or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, SWACO. There are no potential component units that meet the criteria imposed by GASB Statement No. 14 or GASB Statement No. 39 included in SWACO's reporting entity.

2. Summary of Significant Accounting Policies

The significant accounting policies followed in preparation of these financial statements are summarized below. The accounting policies and financial reporting practices of SWACO conform to accounting principles generally accepted in the United States of America for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

Measurement focus and basis of accounting: SWACO's funds are accounted for on a flow of economic resources measurement focus, and the financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned, and expenses are recorded when incurred.

Proprietary Fund: SWACO operates as an enterprise fund. Enterprise funds are used to account for the costs of providing goods or services to the general public on a continuing basis which are financed or recovered primarily through user charges or to report any activity for which a fee is charged to external users for goods or services, regardless of whether the government intends to fully recover the cost of the goods or services provided.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of SWACO are charges to customers for disposal fees.

Basis of presentation: SWACO reports the following major proprietary funds:

The *Operating Fund* receives all income derived from the operations of SWACO's landfill and waste transfer facilities including tipping fees, waste transfer fees, investment income, and certain other revenues. Revenues are used to support the operations of SWACO's solid waste facilities and to pay certain costs of discontinued operations of SWACO. Operating Fund revenues are derived primarily from rates and charges established pursuant to Ohio Revised Code Section 343.08.

Within the Operating Fund, SWACO segregates revenues and expenses for Continuing Operations (primarily the Sanitary Landfill and transfer stations) from Discontinued Operations (the WTEF) to allow management to more easily focus on operating results from ongoing operations. Additionally, certain revenues within the Operating Fund are dedicated to the payment of the WTEF lease obligation (Note 11) and may not be used for other purposes. The

SWACO
Notes to Financial Statements
As of December 31, 2006

separation of the Operating Fund into continuing and discontinued operations is shown in the supplemental schedules beginning on pages 2-42.

The *Program Fund* receives Generation Fees authorized by ORC Section 3734.57 paid on waste generated in the Solid Waste District and disposed of at SWACO's landfill or out-of-district landfills. Revenues are used only to support solid waste recycling, reuse, and reduction programs operated by SWACO in implementation of SWACO's solid waste plan. The Program Fund also includes grant revenues and expenses for grants received from the Ohio Department of Natural Resources. Interfund charges shown in the Program Fund under operating expenses are comprised of charges to the Program Fund for administrative and operational support.

Cash and cash equivalents: SWACO considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. SWACO follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, and discloses custodial, credit, and interest rate risks associated with cash and investments.

Investments: In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value, including accrued interest receivable. SWACO's policy is to hold investments to maturity. Unrealized gains and losses resulting from changes in fair value are reported as adjustments to investment income. SWACO does not invest in any form of derivatives or reverse repurchase agreements. SWACO's cash and investments are discussed in more detail in Note 3.

Accounts receivable: SWACO extends credit to public and private customers of the landfill, transfer stations, and other SWACO facilities and reports amounts owed to SWACO net of any allowance for bad debts. Accounts receivable also includes amounts owed by private transfer stations and landfills for solid waste received at the facilities, generated within the boundaries of SWACO and subject to the Generation Fee and Waiver Fee.

Restricted Assets: As discussed further in Note 4, certain SWACO assets are restricted for debt service, capital projects, by State law, or for other purposes. When both restricted and unrestricted resources are available for a particular purpose, it is SWACO's policy to use restricted resources.

Landfill and Property, Plant, and Equipment: SWACO records asset acquisitions at cost and provides for depreciation in amounts adequate to amortize cost over the estimated useful lives of the assets using a straight-line method for financial reporting purposes, except for its landfill, which is depleted using a units-of-production method.

Maintenance, repairs and minor renewals are charged to expense as incurred, while major renewals and betterments are capitalized. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts, and resulting gains or losses are reflected in income.

Vacation and sick leave: A liability for vacation and sick leave is included in accrued wages and benefits. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, this liability includes accumulated vacation time and vested sick leave computed using employee wage rates in effect at December 31.

SWACO
Notes to Financial Statements
As of December 31, 2006

Bond premiums: Bond premiums are included in bonds payable and are amortized over the life of the bonds using the effective interest rate method.

Bond Issuance Costs: Costs relating to issuing bonds are netted against the outstanding bonds, as a liability valuation account, and are amortized over the life of the bond issue using the effective interest rate method.

Net Assets: Net assets represent the difference between assets and liabilities. *Net assets Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are external restrictions imposed on their use, either contractually, by debt covenant, or by statute.

Application of Financial Accounting Standards Board ("FASB") Statements and Interpretations: In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, SWACO is required to apply FASB statements and interpretations issued on or before November 30, 1989, and has elected not to apply those issued after that date.

New accounting pronouncements: In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1* and in December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)*. The requirements of these Statements, which became effective in fiscal year 2006, were early implemented by SWACO in fiscal year 2005. In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The requirements of this Statement, not effective until fiscal year 2008, were early implemented by SWACO in fiscal year 2005. In July 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. The requirements of this Statement, which were implemented by SWACO in fiscal year 2005, had no significant impact. Lastly, in September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and in November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The requirements of these Statements become effective in fiscal years 2007 and 2008, respectively.

Special and Extraordinary Items: Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are significant items, subject to management's control, that meet one, but not both, of the criteria used for identifying extraordinary items.

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As of December 31, 2006

In 2005, SWACO sold air pollution allowances of \$10.0 million and recorded the sale as a special item. SWACO was assigned the allowances under the Federal Clean Air Markets Program for the WTEF for the years 2000-2035. The allowances may be publicly traded and SWACO had begun selling the allowances in two-year increments in 2000. In 2005 SWACO sold all its remaining allowances for a sum of approximately \$10 million. Under the terms of the WTEF lease, net proceeds from the sale of the allowances were required to be paid to the City on the lease (see Note 11). SWACO recorded the sale as a special item for purposes of financial statement presentation at December 31, 2005. The proceeds of the sale were not received until 2006 and the sale was recorded as a restricted receivable at the end of 2005.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Investments

SWACO pools its cash and investments except for funds held by a trustee for landfill closure/postclosure care and funds held in escrow.

Deposits: Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which SWACO places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority.

At December 31, 2006, the carrying amounts of SWACO's deposits were \$5,805,044 while the bank balances were \$6,194,775. Of the bank deposits, \$302,798 was insured by the Federal Deposit Insurance Corporation, and \$5,891,977 was uninsured and collateralized by collateral pools held by the financial institution and not in the name of SWACO.

Investments. SWACO has adopted a formal investment policy in accordance with Section 135 of the Ohio Revised Code, the "Uniform Depository Act." Safety of principal is the foremost objective of the investment policy. Maintaining sufficient liquidity to meet SWACO's cash flow needs and return on investment are secondary goals of the policy. SWACO does not purchase any form of derivative.

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Notes to Financial Statements

As of December 31, 2006

In accordance with the Ohio Revised Code and SWACO's investment policy, SWACO is authorized to invest in (1) bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest; (2) bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality; (3) certificates of deposit purchased from qualified banks and savings and loans; (4) bond and other obligations of the State of Ohio; (5) no-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; (6) the State Treasury Asset Reserve of Ohio managed by the Treasurer of the State of Ohio (STAR Ohio), and (7) subject to certain restrictions and limitations, short-term commercial paper and bankers acceptances.

STAR Ohio: SWACO invests in STAR Ohio, a highly liquid investment pool managed by the State Treasurer's Office with participation restricted to subdivisions of the State of Ohio. STAR Ohio is restricted to investing in securities authorized under Ohio Revised Code Section 135.143. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner generally consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is equal to SWACO's pro rata share of the fair value per share.

Money Market Mutual Funds: The Money Market Mutual Funds consist of overnight investments with a financial institution in an open-end, institutional money market fund complying with SEC Rule 2a&7 and investing only in U.S. government or agency securities pursuant to SWACO's investment policy. In accordance with the provisions of GASB 31 these amounts are classified as investments but are not categorized.

Interest Rate Risk: SWACO's investment policy limits investments to five years, but does not specifically limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. SWACO holds its investments to maturity to avoid realizing losses from rising interest rates.

Credit Risk: It is SWACO's policy to invest only in securities rated in the highest rating category (AAA/Aaa or A-1+/P-1/F1+) by at least one of the nationally recognized rating agencies (Standard & Poor's, Moody's Investors Service, and Fitch). SWACO's investment in federal agency coupon or discount securities meet this criteria. SWACO's investments with STAR Ohio and money market investments are rated AAAM by Standard & Poor's or Aaa by Moody's Investors Service. Investments in U.S. government treasury securities are not considered to have credit risk.

SWACO intends to hold its investments until maturity but reports the investments at fair value in accordance with GASB 31. SWACO recorded an unrealized loss of \$103,873 as of December 31, 2006, which represents the difference between fair value and the carrying value as of that date. Fair value was determined using quoted market prices. The following chart summarizes SWACO's cash and investments at fair market value as of December 31, 2006:

SWACO
Notes to Financial Statements
As of December 31, 2006

Cash and Investments at December 31, 2006

Operating and Program Funds	Fair Value	Maturity in Years	
		Less than 1	1 to 3
Carrying amount of deposits	\$ 5,805,044	\$ 5,805,044	-
STAR Ohio	531,911	531,911	-
Money Market Mutual Funds	1,711,161	1,711,161	-
Federal agency coupon	9,909,308	9,909,308	-
Cash held in escrow	174,823	174,823	-
Cash on hand	2,700	2,700	-
	<u>18,134,947</u>	<u>18,134,947</u>	<u>-</u>
Closure/Postclosure Trust Fund			
Money Market Mutual Funds	1,042,971	1,042,971	-
U.S. Treasury note	1,234,372	1,234,372	-
Federal agency securities	<u>16,940,712</u>	<u>8,273,378</u>	<u>8,667,334</u>
	<u>19,218,055</u>	<u>10,550,721</u>	<u>8,667,334</u>
Totals	<u>\$ 37,353,002</u>	<u>\$ 28,685,668</u>	<u>\$ 8,667,334</u>

Reconciliation of Cash and Investments to Statement of Net Assets

Per Statement of Net Assets	Operating Fund	Program Fund	Total
Cash and cash equivalents	\$ 3,557,982	\$ -	\$ 3,557,982
Restricted cash	3,480,810	1,186,847	4,667,657
Investments	4,609,408	-	4,609,408
Restricted investments	5,299,900	-	5,299,900
Closure/postclosure funds held by trustee: Investments	<u>19,218,055</u>	<u>-</u>	<u>19,218,055</u>
Totals	<u>\$ 36,166,155</u>	<u>\$ 1,186,847</u>	<u>\$ 37,353,002</u>

Concentration of Credit Risk: SWACO's investment policy limits the amount that may be invested with any one issuer to fifty percent of the total portfolio. As of December 31, 2006, investments in the following issuers exceeded five percent of the portfolio: FNMA Notes (23%), FHLB Notes (21%), FFCB Notes (16%), and FHLMC Notes (12%).

As further discussed in Note 4, cash in the amount of \$3,480,810 and investments of \$5,299,900 in the Operating fund and cash of \$1,186,847 in the Program Fund were restricted at December 31, 2006 for debt service, capital projects, by State law, or for other purposes.

SWACO
Notes to Financial Statements
As of December 31, 2006

4. Restricted Assets

Restricted Cash: In the Operating Fund these funds include debt service accounts, the capital improvements account (bond proceeds), the underground storage tank account, and cash held in escrow pursuant to an agreement with the lessee of the Model Landfill site to remediate the landfill gas collection system on the site. Pursuant to the agreement, funds allocated by SWACO for the project are held in escrow.

In the Program Fund restricted cash is unexpended Generation Fees collected by SWACO that are restricted by State statute for the purpose of solid waste recycling, reuse, and reduction programs and implementation of SWACO's solid waste plan.

Other restricted assets include Generation Fees receivable, Waiver Fees receivable, and grants receivable. Restricted assets are reduced by bonds payable related to the capital improvements account.

Restricted Net Assets

	<u>Operating Fund</u>	<u>Program Fund</u>	<u>Total</u>
Cash			
Capital improvements accounts	\$ 1,600,459	\$ 100,000	\$ 1,700,459
Debt service reserve account	-	25,000	25,000
Bond retirement account	1,694,528	-	1,694,528
Model Landfill escrow account	174,823	-	174,823
Underground storage tank account	11,000	-	11,000
Unexpended Generation Fees	<u>-</u>	<u>1,061,847</u>	<u>1,061,847</u>
Total restricted cash	<u>3,480,810</u>	<u>1,186,847</u>	<u>4,667,657</u>
Investments			
Debt service reserve account	5,299,900	-	5,299,900
Waiver and Generation Fees receivable	130,975	84,846	215,821
Restricted interest receivable	8,381	-	8,381
Less bonds payable related to capital improvements account	(1,508,483)	-	(1,508,483)
Less amounts payable from restricted assets	<u>(597,220)</u>	<u>(124,847)</u>	<u>(722,067)</u>
Restricted assets, net	<u>\$ 6,814,363</u>	<u>\$ 1,146,846</u>	<u>\$ 7,961,209</u>

SWACO
Notes to Financial Statements
As of December 31, 2006

5. Closure/Postclosure Funds Held by Trustee

In 1995, SWACO established a trust fund (the "Fund") with U.S. Bank (formerly Star Bank) for the benefit of the Ohio Environmental Protection Agency (the "OEPA") under OEPA rules applicable to SWACO requiring the owner or operator of a solid waste facility to provide assurance that funds will be available when needed for final closure, postclosure care, and/or corrective measures of the facility. The amount to be funded is paid in annual installments over a twenty-year pay-in period, the maximum period allowed by the OEPA. Annual payments of approximately \$575,000 are determined by dividing the closure and postclosure costs remaining to be funded (the total required to be funded less cash and investments in the Fund) by the number of years remaining in the pay-in period (10 years as of December 31, 2006). SWACO is scheduled to have 100% of the estimated closure costs funded when the Sanitary Landfill stops accepting waste.

The Fund is restricted by the Director of the OEPA, and SWACO invests in those securities authorized by the Ohio Revised Code and SWACO's investment policy (see Note 3). All amounts earned by the investments are reinvested in the Fund.

6. Capital Assets

The Sanitary Landfill, Buildings and Equipment are stated at cost and updated for the cost of additions and retirements during the year. It is SWACO's policy to capitalize items costing in excess of \$10,000 with a useful life greater than one year.

The cost of Buildings, Equipment and certain Landfill Improvements (improvements that have a useful life independent of the landfill itself) is depreciated using a straight-line method over the following estimated useful lives:

Description	Estimated Life (Years)
Machinery, equipment, furniture and Fixtures	5-10
Buildings and improvements	10-20
Landfill Improvements	10-20

Land acquisition, engineering, construction and other direct costs associated with the permitting, development, and construction of landfill capacity are capitalized and depleted based on the percentage of permitted or constructed capacity used during the year. Depletion is calculated based on cubic yards of solid waste disposed and placed in the landfill as measured through an annual aerial survey. Costs associated with development of the entire landfill site are depleted based on the percentage of total permitted capacity used. Costs associated with the development and construction of individual landfill cells are depleted based on the percentage of cell capacity used.

A summary of property, plant and equipment at December 31, 2006 is shown on the following page.

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Notes to Financial Statements
As of December 31, 2006

Operating Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 9,931,277	\$ -	\$ -	\$ 9,931,277
Construction in progress	6,577,066	4,357,118	(6,532,933)	4,401,251
Total capital assets, not being depreciated	16,508,343	4,357,118	(6,532,933)	14,332,528
Capital assets, being depreciated/depleted:				
Equipment and furnishings	15,130,851	815,610	(49,480)	15,896,981
Building and improvements	3,185,671	71,735	-	3,257,406
Transfer stations	7,072,002	-	-	7,072,002
Sanitary landfill	34,808,794	6,989,382	-	41,798,176
Total capital assets, being depreciated/depl.	60,197,318	7,876,727	(49,480)	68,024,565
Less accumulated depreciation/depletion for:				
Equipment and furnishings	(4,634,029)	(2,074,412)	49,480	(6,658,961)
Building and improvements	(517,131)	(181,675)	-	(698,806)
Transfer stations	(4,544,013)	(425,432)	-	(4,969,445)
Sanitary landfill	(14,360,898)	(3,996,309)	-	(18,357,207)
Total accumulated depreciation/depletion	(24,056,071)	(6,677,828)	49,480	(30,684,419)
Total capital assets, being depreciated, net	36,141,247	1,198,899	-	37,340,146
Total capital assets, net	\$ 52,649,590	\$ 5,556,017	\$ (6,532,933)	\$ 51,672,674
Program Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Equipment and furnishings	\$ 842,749	\$ -	\$ (7,173)	\$ 835,576
Building and improvements	1,210,214	-	-	1,210,214
Total capital assets, being depreciated	2,052,963	-	(7,173)	2,045,790
Less accumulated depreciation for:				
Equipment and furnishings	(430,124)	(137,111)	7,172	(560,063)
Building and improvements	(271,400)	(59,544)	-	(330,944)
Total accumulated depreciation	(701,524)	(196,655)	7,172	(891,007)
Total capital assets, being depreciated, net	1,351,439	(196,655)	(1)	1,154,783
Total capital assets, net	\$ 1,351,439	\$ (196,655)	\$ (1)	\$ 1,154,783

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Notes to Financial Statements
As of December 31, 2006

7. Capital Lease Receivable

In 2005 SWACO purchased a building housing a non-hazardous oily waste water processing facility located on land leased to the owner of the facility by SWACO. SWACO then entered into an agreement with the former owner to lease the building from SWACO. Lease payments (the base rent) are equal to SWACO's debts service requirements on the building plus 50 basis points (1/2 of one percent, see Note 11). In addition, the lessee is required to provide certain waste processing services to SWACO at no additional cost to SWACO (the supplemental rent). The lease is for a term of fifteen years, subject to earlier termination if the lessee prepays the lease. At the end of the lease, title to the building passes to the lessee. Excluding the supplemental rent, the present value of the minimum lease payments is \$1,559,000, equal to the appraised value of the building plus financing costs.

8. Retirement Commitments

Plan description. SWACO contributes to the Ohio Public Employees Retirement System ("OPERS"). Authority to establish and amend benefits is provided by state statute (Chapter 145 of the Ohio Revised Code). The OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making written requests to OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

OPERS administers three separate pension plans:

1. The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. In addition, OPERS provides a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is also available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (“OPEB”) as described in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions*.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Funding policy. The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, member contribution rates were consistent across all three plans. The 2006 employee contribution rate for members in local government was 9.0%. It is SWACO’s policy to pay the employee contribution for full time employees. The 2006 employer contribution rate for local government employer units was 13.70% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for local government employer units. Active members do not make contributions to the OPEB Plan.

SWACO’s contribution to OPERS, representing 100% of employer contributions, and amounts paid by employees or by SWACO on behalf of employees have been as follows for the past four years:

	<u>Employee share paid by employees</u>	<u>Employee share paid by SWACO</u>	<u>Employer share paid by SWACO</u>	<u>Total paid by SWACO</u>
2006	\$ 37,191	\$ 368,003	\$ 615,574	\$ 983,577
2005	9,804	359,650	593,873	953,524
2004	9,530	318,406	515,599	834,005
2003	7,861	307,423	502,948	810,371

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care benefits.

OPERS’ Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2006, the employer contribution allocated to the health care plan was 4.5% of the covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The rates stated above are the actuarially determined contribution requirements to OPERS. SWACO’s contribution to OPERS to fund post-employment benefits is \$202,216 for 2006.

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The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, members and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

There are no post-employment benefits provided by SWACO other than those provided through OPERS. The liability for past service costs at the time OPERS was established was assumed by the State of Ohio; therefore, it is not a liability of SWACO.

9. Construction Commitments

SWACO has two active construction projects as of December 31, 2006, the ongoing construction of the first phase of the landfill expansion and construction of a facility to convert landfill gas into compressed natural gas and bio-diesel fuel as a source of energy for SWACO. At year end SWACO's commitments on these contracts stood as follows:

<u>Project</u>	<u>Cost to-Date</u>	<u>Remaining Commitment</u>
Landfill Expansion Phase H1-C	\$ 1,223,557	\$ 263,582
Green Energy Center construction	<u>1,985,000</u>	<u>2,817,000</u>
Total	<u>\$ 3,208,557</u>	<u>\$ 3,080,582</u>

10. Debt Management

SWACO's outstanding long-term debt is summarized in the following table (excludes related premiums and costs of issuance):

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Outstanding Notes and Bonds as of December 31, 2006

Issue	Amount Issued	Maturities	Interest Rates	Principal Balance as of December 31, 2006
Series 1997*	\$ 20,000,000	1998-2017	4.30%-5.50%	\$ 930,000
Series 2004A	57,205,000	2004-2019	3.00%-5.00%	48,025,000
Series 2004B	29,670,000	2006-2025	3.50%-5.00%	27,240,000
Series 2005	6,750,000	2006-2012	3.00%-3.50%	5,860,000
Series 2005 refunding	12,320,000	2008-2017	5.00%	12,320,000
Subtotal, G.O. Bonds				\$ 94,375,000
Series 2005 taxable notes	1,559,250	2008-2020	variable	1,559,250
Series 2006 G.O. notes	4,440,000	2007	4.75%	4,440,000

* The principal balance as of December 31, 2006 excludes \$12,610,000 outstanding as of that date (the 2008-2017 maturities) which were defeased with the Series 2005 refunding bonds.

Series 1997 and Series 2005 Refunding Bonds. In March 1997, the Franklin County Board of Commissioners issued \$20 million in general obligation bonds on behalf of SWACO (the Series 1997 Bonds). The proceeds of the bonds were used to fund SWACO's capital improvements program, including land acquisition and engineering for development of the expanded landfill, and other improvements to the landfill and transfer stations. SWACO entered into a repayment agreement with the County and collateralized the repayment by granting to the County a mortgage in the landfill real property, a security interest in the personal property associated with the landfill, and an assignment of rents, permits and licenses.

On October 26, 2005, the County issued \$12.3 million in general obligation bonds (the Series 2005 Refunding Bonds) as part of a \$41 million various purpose issue to advance refund \$12.6 million of the outstanding Series 1997 Bonds (the 2008-2017 callable maturities; the 2006 and 2007 maturities are not callable). The Series 2005 Refunding Bonds are secured in the same manner as the Series 1997 Bonds.

The refunding bonds were issued with a net interest cost of 4.066 percent compared to 4.864 percent for the Series 1997 Bonds. The net proceeds to SWACO, after payment of \$95,000 in underwriting fees and other issuance costs and receipt of a bond premium of \$987,000, was \$13.2 million which was used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the callable portion of the Series 1997 Bonds. As a result, the Series 1997 Bonds maturing after 2007 are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

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The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$619,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2017 using the effective-interest method. As a result of the refunding, SWACO reduced its total debt service payments over the next 12 years by \$516,000 and achieved an economic gain (the difference between the present values of the old and new debt service payments) of \$444,000.

Series 2004A Bonds. SWACO issued \$57.2 million general obligation bonds in 2004 to refinance a portion of the WTEF lease as discussed in Note 11. Although the bonds are general obligations of SWACO secured by a pledge to levy ad valorem property taxes, SWACO expects to pay debt service on the bonds from Retired Facility Fees and Waiver Fees collected by SWACO (see Note 11).

Series 2004B Bonds. In 2004 SWACO also issued \$29.7 million fixed-rate general obligation bonds to finance SWACO's 2004-2005 capital improvements plan, including landfill construction, property acquisition, and certain other solid waste facility improvements.

Series 2005 Bonds. In 2005 SWACO issued \$6,750,000 fixed-rate general obligation bonds to fund the purchase of landfill operating equipment. Prior to 2006, contractors responsible for the daily operation of the landfill were required to provide the heavy equipment necessary to operate the landfill. Under a new operating agreement beginning January 1, 2006, SWACO is responsible for providing the equipment to the site operator (see Note 13).

Series 2006 Bond Anticipation Notes: In 2006, SWACO issued \$4,440,000 in general obligation bond anticipation notes to fund capital improvements, including on going construction of landfill expansion phases and construction of a electricity generation and fueling station located at the landfill and to be supplied by landfill gas. The notes matured in February, 2007 and were refunded with the \$9.3 million *Series 2007 Bond Anticipation Notes* that provided an additional \$4.9 million for capital improvements projects. SWACO expects to refund the Series 2007 notes with notes or bonds upon their maturity (see Note 16, Subsequent Events).

It is anticipated that that debt service on the Series 2004B, Series 2005 Bonds, and the notes issued to refund the Series 2006 Notes (and any subsequent refunding note or bond issues) will be paid from SWACO's tipping fees or other sources of revenues. However, as is the case with the series 2004A bonds, the Series 2004B and Series 2005 Bonds and Series 2006 Notes are general obligation bonds secured by a pledge to levy ad valorem property taxes.

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The following table summarizes SWACO's annual debt service requirements to maturity for its general obligation bonds (including general obligation bonds issued by Franklin County on behalf of SWACO) and outstanding as of December 31, 2006 categorized by source of debt service payment. The schedule does not include the \$4.4 million Series 2006 Bond Anticipation Notes principal and interest. The notes were refunded with a subsequent note issue (see Note 16, Subsequent Events) and interest on the 2006 notes was capitalized and included in the refunding issue.

Year ended December 31,	<u>Paid from Tipping Fees</u>		<u>Paid from Retired Facility/Waiver Fees</u>		<u>Total</u>	
	Series 1997, 2004B, 2005, and 2005 Refunding		Series 2004A		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,360,000	\$ 2,090,550	\$ 2,905,000	\$ 2,392,400	\$ 7,265,000	\$ 4,482,950
2008	4,530,000	1,885,625	3,050,000	2,247,150	7,580,000	4,132,775
2009	4,750,000	1,677,275	3,205,000	2,094,650	7,955,000	3,771,925
2010	4,950,000	1,499,138	3,365,000	1,934,400	8,315,000	3,433,538
2011	5,200,000	1,268,475	3,530,000	1,766,150	8,730,000	3,034,625
2012-2016	11,520,000	4,233,050	20,495,000	5,998,250	32,015,000	10,231,300
2017-2021	6,325,000	1,945,275	11,475,000	972,700	17,800,000	2,917,975
2022-2025	<u>4,715,000</u>	<u>603,500</u>	<u>-</u>	<u>-</u>	<u>4,715,000</u>	<u>603,500</u>
Total	<u>\$46,350,000</u>	<u>\$15,202,888</u>	<u>\$48,025,000</u>	<u>\$17,405,700</u>	<u>\$94,375,000</u>	<u>\$32,608,588</u>

Series 2005 Variable Rate Taxable Notes. In 2005 SWACO issued \$1,559,000 Variable Rate Taxable Notes to acquire a building used as a waste processing facility (see Note 7). The notes, which are not general obligations of SWACO, are secured by a pledge of lease payments from the operator of the facility and SWACO's Generation Fees. The notes mature in 2020 with principal payments beginning in 2008. Interest on the notes is set at the one month LIBOR rate (London Interbank Offered Rate) plus 100 basis points (1%).

At the same time the Series 2005 Variable Rate Taxable Notes were issued, SWACO entered into a five-year interest rate swap in connection with the note. The purpose of the swap is to mitigate against the risk of rising interest rates by effectively changing SWACO's variable interest rate on the notes to a synthetic fixed rate of 5.95 percent for a period of five years.

The notes mature on April 30, 2020, and the swap agreement on October 1, 2010. The swap's notional amount of \$1,559,250 matches the principal amount of the notes. Starting in 2008, the notional value of the swap and the principal amount of the associated notes decline by \$11,000 per month. Under the swap, the authority pays the counterparty, the Huntington National Bank, a

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fixed payment of 5.95 percent and receives a variable payment computed at the same rate as the related notes (LIBOR plus one hundred basis points).

Because interest rates have risen since execution of the swap, the swap had a fair value of \$1,407 including accrued interest as of December 31, 2006. Because the interest rate on the Series 2005 Variable-Rate Taxable Notes adjust to changing interest rates, the notes do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The risks associated with the swap are as follows:

- (a) Credit risk: As of December 31, 2006, SWACO was not exposed to a credit risk in the amount of the swap's value, \$1,407. The swap counterparty was rated A by Fitch Ratings, A- by Standard & Poor's and A2 by Moody's Investors Service as of December 31, 2006.
- (b) Basis risk. The swap does not expose SWACO to basis risk since both the underlying notes and the swap compute interest using LIBOR plus 100 basis points.
- (c) Termination risk. SWACO or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the Variable-Rate Taxable Notes would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, SWACO would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of December 31, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year ended December 31,	Variable Rate Notes		Interest Rate Swaps, Net	Total Interest
	Principal	Interest		
2007	-	\$ 99,003	\$ (6,227)	\$ 92,776
2008	22,000	98,945	(6,224)	92,721
2009	132,000	93,764	(5,898)	87,866
2010	132,000	85,383	(4,512)	80,871
2011	132,000	77,002	-	77,002
2012-2016	660,000	259,293	-	259,293
2017-2020	481,250	56,675	-	56,675
Total	\$1,559,250	\$770,065	(\$22,861)	\$747,204

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Legal Debt Margins. SWACO's debt is not subject to direct debt limitations, but its unvoted general obligation debt (debt authorized by SWACO's Board of Trustees but not by a vote of the electors) is subject to overlapping debt restrictions with other political subdivisions. These limitations apply to each overlapping county, municipal corporation, school district or other issuing authority. Limitations apply to each county total and are not considered cumulatively. Total debt service charges for any one year of all overlapping debt may not exceed ten mills (1%) of the assessed property value within the overlapping jurisdictions. This determination is made by the respective county auditors each time a subdivision proposes to issue unvoted debt. At the time of SWACO's most recent unvoted debt issue in 2006, the maximum millage required in any overlapping jurisdictions was 7.9 mills, leaving a margin of 2.1 mills.

Summary of Debt and Long-Term Liabilities

Including the bonds and notes payable, long-term liability activity for the year ended December 31, 2006 was as follow:

Operating and Program Funds	Beginning Balance, restated	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Notes/Bonds Payable					
Series 1997	\$ 1,810,000	\$ -	\$ (880,000)	\$ 930,000	\$ 930,000
Series 2004A	50,790,000	-	(2,765,000)	48,025,000	2,905,000
Series 2004B	29,670,000	-	(2,430,000)	27,240,000	2,525,000
Series 2005	6,750,000	-	(890,000)	5,860,000	905,000
Series 2005 Refunding	12,320,000	-	-	12,320,000	-
Series 2006 Notes	-	4,440,000	-	4,440,000	4,440,000
Unamortized bond premiums	5,142,902	24,287	(811,081)	4,356,108	-
Unamortized cost of issuance	(932,228)	(4,450)	148,533	(788,145)	-
Unamortized reacquisition price	(611,904)	-	76,944	(534,960)	-
Total General Obligation notes and bonds payable, net	<u>104,938,770</u>	<u>4,459,837</u>	<u>(7,550,604)</u>	<u>101,848,003</u>	<u>11,705,000</u>
Revenue Notes Payable					
Series 2005 Variable Rate Taxable	1,559,250	-	-	1,559,250	-
Capital lease obligation	27,355,799	-	(11,538,866)	15,816,933	2,653,000 *
Landfill closure & postclosure liability	<u>18,123,709</u>	<u>1,365,000</u>	<u>(777,588)</u>	<u>18,711,121</u>	<u>208,802</u>
Total long term liabilities	<u>\$ 151,977,528</u>	<u>\$ 5,824,837</u>	<u>\$ (19,867,058)</u>	<u>\$ 137,935,307</u>	<u>\$ 14,566,802</u>

* Current portion based on amount expected to be paid as permitted under the modified lease (see note 11).

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11. Capital Lease Obligation

On April 1, 1993, the City of Columbus leased its solid waste resource recovery plant, the Waste-to-Energy Facility or WTEF, and related waste transfer stations to SWACO. Under the initial terms of the lease, SWACO agreed to make lease payments to the City in amounts equal to the debt service requirements on bonds the City issued to construct the facility and the City agreed to deliver all waste collected by the City to facilities operated or designated by SWACO. SWACO recorded an asset and capital lease obligation liability for the WTEF. The assets acquired were recorded at an estimated market value equal to the liabilities assumed.

SWACO operated the landfill and WTEF as an integrated system for approximately 18 months and attempted to implement a fee structure that would have resulted in all district waste being delivered to SWACO's facilities. This was challenged in Federal District Court and SWACO's fee structure was repealed effective September 1, 1994. The repeal of its fees resulted in the closing of the WTEF at the end of 1994 because of SWACO's inability to generate revenues sufficient to operate the facility and pay the lease obligation to the City.

Management determined that SWACO would be unable to recover the carrying value of the WTEF at the date of closure and the WTEF was written down to \$36,594,000, and a loss of \$126,248,000 was recognized. Subsequent write downs of \$30,034,000 in 1997 and \$2,627,000 in 2001, plus sale of the turbine-generator sets and other equipment located in the facility reduced the carrying value of the WTEF to \$1,121,000 as of December 31, 2005, reflecting the appraised value of usable space at the facility as of that date. In 2005, SWACO completed demolition of all but the usable portion of the facility and entered into an agreement to lease the remaining portion to a recycling business.

With the repeal of its fees in 1994, SWACO was not able to meet its lease obligation to the City. In 1998, SWACO and the City reached agreement on new lease terms that included (1) a 4.5 percent reduction in the lease payment obligations for the years 1995-2010, (2) deferral, with interest, of any amounts due but not paid by SWACO, (3) payment to the City of any income received by SWACO from the sublease of the facility, the sale of plant assets, pollution allowances, or other income (4) the implementation of new fees dedicated to the payment of the lease and applied to all solid waste generated within SWACO's jurisdiction, and (5) a further 30.5 percent reduction in the lease obligation for each year the dedicated fee is levied and collected.

To implement the new fees, the SWACO Board adopted in 1998 a rule effective April 1, 1999, requiring that all waste generated within SWACO's jurisdiction be delivered only to a SWACO facility, unless a waiver has been granted to another facility or the waste is disposed at a facility outside the State of Ohio. The Board of Trustees authorized waivers for any landfill in Ohio provided the landfill executes a waiver agreement with SWACO and agrees to pay a waiver fee as prescribed in the agreement (the "Waiver Fee"). Also in 1998, the Board of Trustees established a new fee (the "Retired Facility Fee"), to be assessed at SWACO facilities effective April 1, 1999. Under the waiver agreements, the Waiver Fee is set equal to the Retired Facility Fee (initially and currently \$7.00 per ton).

Since 1999, SWACO has paid 100 percent of the income derived from the Waiver Fee and Retired Facility Fees to the City. In lieu of cash payments to SWACO, Retired Facility Fees owed by the City for use of SWACO's facilities are applied directly to the lease obligation as a

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credit. The Waiver Fee and Retired Facility Fee revenues have not been sufficient to satisfy all of the modified lease obligation and SWACO accumulated a deferred lease obligation of \$46.3 million at the end of 2003.

As the result of a subsequent modification to the lease agreed to in 2004, SWACO issued \$57,205,000 in bonds in 2004 and paid the net proceeds, \$55.1 million, to the City as a payment on the lease. Debt service on the bonds will be paid from the Retired Facility and Waiver Fees collected by SWACO, excluding amounts owed by the City. Amounts due from the City will continue to be applied as a credit to the lease obligation remaining after the payment from bond proceeds. Additional cash payments to the City will be made only to the extent collections from the Retired Facility Fee and Waiver Fee exceed debt service requirements on the bonds.

As the result of the 1998 modification to the lease, SWACO recognized gains of \$50,203,271 for the years 1995-2003 representing 4.5 percent of the lease for the years 1995-2010 and 30.5 percent for the years 1995-2003. In 2004 SWACO recognized a gain of \$19,652,043 representing the remaining 30.5% reduction in the lease obligation for the years 2004-2010. The 2004 modification removed the provision of the 1998 modification which make the additional 30.5 percent lease reduction contingent on the continued collection of the Waiver Fee and Retired Facility Fee and accelerated the recognition of the gain into 2004. No future gains will be recognized by SWACO under the terms of the modified lease.

The following table is a schedule of the remaining minimum lease payments owed to the City if paid when due and an estimate of the actual payments expected to be made. As permitted under the modified lease, and as shown in note 10, SWACO expects to only pay \$2,653,000 on the lease in 2007. The unpaid balance will be deferred until later years pursuant to the modified lease. This will increase the total amount of interest paid on the lease as shown in the table below.

<u>Year Ending December 31,</u>	Estimated	
	<u>As Scheduled</u>	<u>Actual</u>
2007	\$ 7,437,647	\$ 2,653,000
2008	5,193,430	2,800,000
2009	2,373,237	2,800,000
2010	2,114,390	2,800,000
2011	-	2,800,000
2012-2016	-	4,824,700
Total minimum lease payments	17,118,704	18,677,700
Less: Amount representing interest	<u>1,301,771</u>	<u>2,860,767</u>
Present value of minimum lease payments	\$ <u>15,816,933</u>	\$ <u>15,816,933</u>

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12. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require SWACO to place a final cover on its Sanitary Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only when portions of the landfill reach final waste elevation (not expected to occur before 2027). SWACO reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. In August 1995, SWACO submitted an application to the OEPA for a permit for expansion of its currently operating Sanitary Landfill. The OEPA awarded the permit to SWACO in May 1997.

The expansion increased the Sanitary Landfill waste disposal capacity by approximately 50.3 million cubic yards and increased the costs of closure and postclosure care to an estimated \$46,893,000. These amounts are estimated based on the costs to perform all closure and postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Currently, SWACO expects to operate the landfill for a minimum of 20 years. The amount reported as Landfill Closure/postclosure liability as of December 31, 2006 includes \$17,503,000 representing the cumulative amount reported based on the use of 100% of the estimated capacity of the landfill before expansion and 23% of the estimated capacity of the expanded landfill, respectively. SWACO will recognize the remaining estimated cost of closure and postclosure care costs of approximately \$29 million as the remaining estimated capacity is filled.

SWACO also maintains and monitors the Model Landfill, which has been closed since 1985. The Model Landfill is not subject to the same state and federal laws and regulations as the current operating landfill. In an effort to manage postclosure costs, SWACO leased the closed landfill to a private entity in 1999 to develop a public golf course on the site, and leased the landfill gas collection system and sold the gas rights for the purpose of generating electricity. The amounts reported as Landfill Closure/postclosure care liability as of December 31, 2006 includes \$208,802 as a current liability related to a contract for improvements to the gas collection system and \$999,319 as a noncurrent liability representing the estimated cost of the future remediation, maintenance and monitoring costs at the site.

13. Service Agreements

SWACO entered into a five-year yard waste compost facility service agreement in 2002. Under the agreements, SWACO pays a service fee for each ton of yard waste delivered to the facility, with a guaranteed minimum annual payment to the facility operator based on the delivery of 30,000 tons per year. Operating expenses under the service agreement were \$374,400 in 2006. The future minimum service payments are \$280,800 for 2007, the last year of the agreement.

SWACO manages and oversees the day-to-day operations of the Sanitary Landfill, conducts environmental monitoring and reporting, operates the scale house, and collects all tipping fees paid by users of the landfill. Since acquiring the landfill in 1991, SWACO has contracted with private solid waste companies to provide, operate, and maintain the heavy equipment needed to place and compact the solid waste into the landfill, construct site access roads, provide daily and interim cover, and maintain the landfill according to all local, state and federal laws and regulations. Under the agreements, the contractors furnished all labor, materials, tools and equipment for the landfill operations and SWACO paid the contractor for each ton of waste

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received at the landfill.

A new competitively-bid operations contract began in 2006. The new contract is similar to the previous contract with the exception that SWACO now provides the heavy equipment required for waste placement, compaction and day-to-day operation of the landfill. The contractor is responsible for the operations and maintenance of the equipment. SWACO issued approximately \$6.7 million in general obligation bonds in 2005 to purchase the equipment. The contract is for a two year period and guarantees the operator a minimum delivery of 1.0 million tons and a minimum payment of \$3.5 million during the term of the agreement. The rate per ton is subject to quarterly incentive increases or decreases related to the compaction rate of solid waste placed in the landfill during the preceding quarter. During 2006 SWACO paid the contractor an average rate of \$4.06 per ton and a total of approximately \$3,570,000. SWACO expects to pay the contractor a similar amount for 2007, the last year of the agreement. The remaining guaranteed payment at the end of 2006 was approximately \$420,000.

Operating costs under the new contract combined with debt service on the equipment bonds generated an annual net savings of approximately \$1.2 million in 2006 as a result of the new contracting approach.

14. Commitments and Contingencies

As the operator of solid waste disposal and transfer facilities, SWACO is subject to environmental regulation by federal, state and local governmental authorities. These authorities have the power to enforce compliance with environmental laws and regulations and to obtain injunctions or impose fines in the case of violations. In addition, SWACO's operation of landfills subjects it to certain operational, monitoring, site maintenance, closure and postclosure obligations. As the result of this extensive regulation, SWACO may become subject to various judicial and administrative proceedings involving federal, state or local regulatory agencies. If these agencies find that SWACO's operations or facilities are not in compliance with applicable environmental regulations or operating permits, they could seek to impose fines on SWACO or to revoke or deny renewal of an operating permit held by SWACO. Failure to correct the problems to the satisfaction of the authorities could lead to curtailed operations or closure of the landfill or transfer stations.

Certain federal and state environmental laws impose strict liability on SWACO for such matters as contamination of water supplies or other environmental damage associated with its operation of solid waste facilities. If such contamination or environmental damage were to occur, the resulting cost to SWACO of corrective measures and cleanup could adversely affect SWACO's financial condition.

15. Risks and Uncertainties

SWACO is exposed to various risks of loss related to torts and general liability; theft of, damage to and destruction of assets; natural disasters; errors and omissions; employee health care claims and injuries to employees. Insurance policies are procured for buildings and contents and certain equipment. In addition, a crime policy is in effect which covers SWACO for employee theft and dishonesty. Settled claims have not exceeded commercial coverage in any of the past three years. SWACO purchases workers' compensation insurance through the State of Ohio to cover all

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employees. SWACO also provides life insurance to its employees equal to each employees' base annual salary and a short-term disability benefit. These benefits are fully insured by SWACO through third parties.

SWACO purchases property insurance for all buildings and equipment, excluding over-the-road motor vehicles. SWACO maintain \$5.0 million in general liability, public officials liability, and motor vehicle liability insurance for claims in excess of \$1.0 million. SWACO retains the risk for claims less than \$1.0 million.

SWACO provides health care benefits to its employees under agreement with Franklin County. The County provides multiple health care benefit plans that cover approximately 6,000 employees of Franklin, Pickaway and Fairfield Counties, SWACO and other Central Ohio political subdivisions. There are approximately 14,800 plan subscribers when spouses and dependents are counted. During 2006, these benefits included a self-insured participating provider organization medical plan, a prescription drug program, a mental health and chemical dependency program, and dental and vision benefits. The program is administered by third parties which provide claims review and processing. Participating County agencies and other political subdivisions pay their proportionate shares of the premiums and actual claims processed through these programs.

The County develops annual actuarial estimates of the amounts to be paid for claims but unreported as of year-end based on its historical experience. In 2005 and 2006, the County assessed participants in the program a premium for their proportionate share of the estimated liability and SWACO did not recognize any additional liability as of December 31, 2005 and 2006.

	<u>2005</u>	<u>2006</u>
Unpaid Claims at January 1	\$ 125,000	\$ -
Incurred Claims	662,251	882,077
Paid claims	<u>(787,251)</u>	<u>(882,077)</u>
Unpaid Claims at December 31	<u>\$ -</u>	<u>\$ -</u>

The Comprehensive Omnibus Reconciliation Act of 1986 requires SWACO to offer terminated or retired employees continued participation in SWACO's employee health care benefits program, provided that the employees pay the rate established by the plan administrator.

SWACO analyzes all outstanding and potential claims that have arisen or could arise due to the occurrence of a loss contingency on or before December 31, 2006. Those claims that are judged to have a high probability of requiring a settlement and for which the amount required to settle the claim is reasonably estimable are included.

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As of December 31, 2006

	<u>2005</u>	<u>2006</u>
Unpaid Claims at January 1	\$ -	\$ -
Incurred Claims	113,160	762
Paid claims	<u>(113,160)</u>	<u>(762)</u>
Unpaid Claims at December 31	<u>\$ -</u>	<u>\$ -</u>

16. Subsequent Events

On February 21, 2007 SWACO issued \$9,325,000 General Obligation Bond Anticipation Notes with a maturity date of November 20, 2007. The notes refunded the Series 2006 Bond Anticipation Notes and provided an additional \$4.9 million to finance SWACO's capital improvements program. SWACO expects to refund the 2007 notes with notes or bonds prior to December 31, 2007.

SWACO**Supplemental Schedule—Operating Fund Statement of Net Assets – Proprietary Fund****As of December 31, 2006**

	Operating Fund		Total
	Continuing Operations	Discontinued Operations	
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,557,982	\$ -	\$ 3,557,982
Restricted cash	2,336,858	1,143,952	3,480,810
Investments	4,609,408	-	4,609,408
Restricted investments	-	5,299,900	5,299,900
Accounts receivable, net	3,144,645	130,975	3,275,620
Other assets	160,946	8,381	169,327
Total current assets	<u>13,809,839</u>	<u>6,583,208</u>	<u>20,393,047</u>
Noncurrent assets			
Investments held by trustee for landfill closure/post closure care	19,218,055	-	19,218,055
Capital assets			
Sanitary landfill, net of accumulated depletion and depreciation	23,440,969	-	23,440,969
Buildings and equipment, net of accumulated depreciation			
Transfer stations	2,102,557	-	2,102,557
Equipment and furnishings	9,238,020	-	9,238,020
Buildings and improvements	2,558,600	-	2,558,600
Construction in progress	4,401,251	-	4,401,251
Land and land improvements	9,931,277	-	9,931,277
Total noncurrent assets	<u>70,890,729</u>	<u>-</u>	<u>70,890,729</u>
Total assets	<u>\$ 84,700,568</u>	<u>\$ 6,583,208</u>	<u>\$ 91,283,776</u>

Continued

SWACO**Supplemental Schedule—Operating Fund Statement of Net Assets – Proprietary Fund****As of December 31, 2006**

	Operating Fund		Total
	Continuing Operations	Discontinued Operations	
Liabilities			
Current liabilities:			
Accounts payable	\$ 2,312,065	\$ -	\$ 2,312,065
Accrued wages and benefits	813,562	-	813,562
Accrued interest	253,260	597,220	850,480
Current maturities of bonds payable, net	8,800,000	2,905,000	11,705,000
Capital lease obligation, net	-	2,653,000	2,653,000
Landfill postclosure liability-current portion	208,802	-	208,802
Other payables	5,300	-	5,300
	<u>12,392,989</u>	<u>6,155,220</u>	<u>18,548,209</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds payable, less current portion, net	43,019,389	47,123,614	90,143,003
Capital lease obligation, less current portion	-	13,163,933	13,163,933
Landfill closure/postclosure liability	18,502,319	-	18,502,319
	<u>61,521,708</u>	<u>60,287,547</u>	<u>121,809,255</u>
Total noncurrent liabilities			
	<u>\$ 73,914,697</u>	<u>\$ 66,442,767</u>	<u>\$ 140,357,464</u>
Total liabilities			
Net Assets			
Invested in capital assets, net of related debt:			
Lease obligation and bonds payable related to closed waste-to-energy facility	\$ -	\$ (65,845,547)	\$ (65,845,547)
Other capital assets, net	1,361,768	-	1,361,768
Restricted			
Closure/postclosure trust fund net of accrued liability - Sanitary Landfill	1,715,055	-	1,715,055
Other restricted, net	828,375	5,985,988	6,814,363
Unrestricted	6,880,673	-	6,880,673
	<u>\$ 10,785,871</u>	<u>\$ (59,859,559)</u>	<u>\$ (49,073,688)</u>
Total net assets			

SWACO**Supplemental Schedule—Operating Fund Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund
For the Year Ended December 31, 2006**

	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Operating Revenues:			
Tipping and disposal fees	\$ 18,031,713	\$ -	\$ 18,031,713
Waste transfer fees	4,377,173	-	4,377,173
Retired Facility and Waiver Fees	-	7,948,540	7,948,540
Other	137,751	63,300	201,051
	<u>22,546,637</u>	<u>8,011,840</u>	<u>30,558,477</u>
Operating revenues			
	<u>22,546,637</u>	<u>8,011,840</u>	<u>30,558,477</u>
Operating Expenses:			
Salaries, wages and benefits	5,940,751	-	5,940,751
Contract, services and supplies	9,844,695	-	9,844,695
Depreciation and depletion	6,677,828	-	6,677,828
Landfill closing costs	1,365,000	-	1,365,000
Interfund transfers	(515,529)	(72,215)	(587,744)
	<u>23,312,745</u>	<u>(72,215)</u>	<u>23,240,530</u>
Operating expenses			
	<u>23,312,745</u>	<u>(72,215)</u>	<u>23,240,530</u>
Operating income (loss)	<u>(766,108)</u>	<u>8,084,055</u>	<u>7,317,947</u>
Nonoperating income (expenses):			
Interest expense	(2,177,773)	(2,862,641)	(5,040,414)
Interest income	1,862,576	99,920	1,962,496
Grants awarded	(28,850)	-	(28,850)
Loss on sale of assets	19,080	-	19,080
	<u>(324,967)</u>	<u>(2,762,721)</u>	<u>(3,087,688)</u>
Total nonoperating income (expenses)			
	<u>(324,967)</u>	<u>(2,762,721)</u>	<u>(3,087,688)</u>
Change in net assets	(1,091,075)	5,321,334	4,230,259
Total net assets - beginning	<u>11,876,946</u>	<u>(65,180,893)</u>	<u>(53,303,947)</u>
Total net assets - ending	<u>\$ 10,785,871</u>	<u>\$ (59,859,559)</u>	<u>\$(49,073,688)</u>

SWACO**Supplemental Schedule—Operating Fund Statement of Cash Flows – Proprietary Fund****For the Year Ended December 31, 2006**

	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Cash flows from operating activities:			
Receipts from customers	\$ 22,043,728	\$ -	\$ 22,043,728
Air pollution allowances collected ¹	-	10,014,675	10,014,675
Retired Facility Fees and Waiver Fees collected	-	5,576,669	5,576,669
Other receipts	137,748	63,301	201,049
Payments to employees	(4,495,404)	-	(4,495,404)
Payments for retirement and payroll taxes	(1,393,421)	-	(1,393,421)
Payments to vendors	(11,501,044)	-	(11,501,044)
Landfill post closure costs paid	(777,588)	-	(777,588)
Interfund charges	515,529	72,215	587,744
Other payments	300	-	300
Net cash provided by operating activities:	<u>4,529,848</u>	<u>15,726,860</u>	<u>20,256,708</u>
Cash flows from noncapital financing activities:			
Grants awarded	<u>(28,850)</u>	<u>-</u>	<u>(28,850)</u>
Cash flows from investing activities:			
Proceeds from investment maturities	32,794,067	-	32,794,067
Purchase of investments	(29,054,773)	-	(29,054,773)
Interest received	<u>1,558,059</u>	<u>91,539</u>	<u>1,649,598</u>
Net cash provided by investing activities	<u>5,297,353</u>	<u>91,539</u>	<u>5,388,892</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	4,464,287	-	4,464,287
Landfill, plant improvements and equipment additions	(9,011,607)	-	(9,011,607)
Principal paid on bonds and notes payable	(4,200,000)	(2,765,000)	(6,965,000)
Principal paid on capital lease	-	(9,649,553)	(9,649,553)
Interest paid	(2,010,710)	(3,010,674)	(5,021,384)
Debt issuance costs paid	<u>(4,450)</u>	<u>-</u>	<u>(4,450)</u>
Net cash used in capital and related financing activities	<u>(10,762,480)</u>	<u>(15,425,227)</u>	<u>(26,187,707)</u>
Net increase (decrease) in cash	(964,129)	393,172	(570,957)
Cash and cash equivalents, beginning of year	<u>6,858,969</u>	<u>750,780</u>	<u>7,609,749</u>
Cash and cash equivalents, end of year	<u>\$ 5,894,840</u>	<u>\$ 1,143,952</u>	<u>\$ 7,038,792</u>

continued

SWACO**Supplemental Schedule—Operating Fund Statement of Cash Flows – Proprietary Fund****For the Year Ended December 31, 2006**

	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (766,108)	\$ 8,084,055	\$ 7,317,947
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and depletion	6,677,828	-	6,677,828
Landfill closing costs	1,365,000	-	1,365,000
Lease credits received in lieu of cash	-	(2,371,101)	(2,371,101)
Increase (decrease) in cash resulting from changes in:			
Accounts and notes receivable (net)	(365,159)	(769)	(365,928)
Air pollution allowances sales receivable ¹	-	10,014,675	10,014,675
Accounts payable	(1,656,349)	-	(1,656,349)
Accrued wages and benefits	51,925	-	51,925
Landfill postclosure liability	(777,588)	-	(777,588)
Other assets and liabilities	<u>299</u>	<u>-</u>	<u>299</u>
Net cash provided by operating activities:	<u>\$ 4,529,848</u>	<u>\$ 15,726,860</u>	<u>\$ 20,256,708</u>

¹SWACO recorded the sale of air pollution allowances as a special item on the Statement of Revenues, Expenses and Changes in Fund Net Assets for 2005 and as a receivable on the Statement of Net Assets as of December 31, 2005. The allowances were collected in 2006.

Noncash capital and related financing activities

Amortization of premiums on lease obligation and bonds payable of \$260,458 for Continuing Operations and \$639,604 for Discontinued Operations

Amortization of debt issuance costs of \$54,491 for Continuing Operations and \$89,592 for Discontinued Operations.

Amortization of reacquisition costs on refunding bonds payable of \$76,944 (Continuing Operations) and bond refund savings of \$252,365 applied to bond interest payment (Continuing Operations).

Change in carrying value of investments resulting in gain of \$145,529 (Continuing Operations).

STATISTICAL SECTION

————— *Solid Waste Authority of Central Ohio* —————

STATISTICAL SECTION

The following statistical tables provide selected information on SWACO’s financial trends, revenue capacity, operating information, debt capacity, and economic and demographic information.

Tables 1 and 2 provide ten years of financial information for SWACO. Table 3 is a budget to actual comparison for fiscal year 2006.

Revenue capacity information on solid waste deliveries and tipping fees at SWACO facilities is presented in Tables 4 through 8. Table 7 provides generation fees reported by solid waste facilities receiving waste generated from within the Franklin County Solid Waste Management District (the “District”) and disposed in an Ohio landfill.

Indicators of the level of demand for service are included in tables throughout the statistical section and include tons received (Tables 4 and 5), Top Ten customer data (Table 5), tons generated (Table 8), and tons recycled (Tables 9 and 10). Table 11 shows current and historical SWACO employees by function.

Tables 12 through 17 provide debt service schedules for SWACO’s outstanding bonds. Table 18 provides detail on the WTEF lease. Table 19 shows various debt ratios for SWACO. It includes total debt (notes, bonds and WTEF lease) per capita, total general obligation debt as a percent of SWACO assessed property valuation (although backed by a pledge to levy ad valorem property taxes, SWACO’s general obligation bonds are paid from other sources, see Note 10 to the financial statements), and annual debt service per ton for bonds paid from the landfill tipping fee. Table 20 shows the statutory debt limit on SWACO’s ability to issue debt supported by property taxes. SWACO is not subject to direct debt limits.

Demographic information is presented for SWACO’s solid waste district and Franklin County in Tables 21 through 23.

SWACO
Statements of Net Assets - All Funds
For Years Ended December 31, 1997 through 2006
(in thousands)¹

ASSETS	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Cash and cash equivalents	\$ 5,036	\$ 7,804	\$ 10,077	\$ 11,591	\$ 11,371	\$ 6,257	\$ 5,772	\$ 7,210	\$ 3,128	\$ 3,558
Restricted cash	11,958	10,800	10,327	7,650	6,072	5,239	3,554	20,277	5,286	4,668
Unrestricted and restricted investments	-	-	-	-	-	4,493	2,496	2,001	14,757	9,909
Accounts receivable, net	2,285	1,872	2,040	2,143	2,328	2,293	2,562	3,976	3,010	3,360
Pollution allowances sales receivable	-	-	-	-	-	-	-	-	10,015	-
Closure/postclosure funds held by trustee	8,943	10,338	11,750	13,378	14,409	15,296	16,142	16,873	17,799	19,218
Sanitary Landfill, net of accum. deprec./depletion	6,010	7,737	7,559	10,401	11,083	11,475	11,801	10,262	20,448	23,441
Buildings & equipment, net of accum. depreciation	5,965	5,260	5,636	6,096	8,187	8,887	9,349	9,905	17,045	15,054
Construction in progress	-	-	-	-	-	-	-	9,093	6,577	4,401
Land and land improvements	1,052	1,724	1,724	1,724	1,724	1,724	1,724	9,931	9,931	9,931
Lease receivable	-	-	-	-	-	-	-	-	1,559	1,559
Idle plant facilities - WTEF (Note 11)	6,500	6,433	6,381	6,338	4,605	1,976	1,976	1,121	-	-
Funds on deposit with public employees deferred compensation programs	883	-	-	-	-	-	-	-	-	-
Other assets	146	128	231	224	135	159	170	357	447	169
Total Assets	\$ 48,778	\$ 52,096	\$ 55,725	\$ 59,545	\$ 59,915	\$ 57,799	\$ 55,546	\$ 91,006	\$ 110,002	\$ 95,269

¹ Certain items for the years prior to 2005 have been reclassified for presentation purposes. Totals may not add due to rounding.

Continued

Table 1 (continued)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
LIABILITIES										
Accounts payable	\$ 1,375	\$ 1,755	\$ 2,020	\$ 3,368	\$ 2,729	\$ 1,875	\$ 2,584	\$ 4,491	\$ 7,298	\$ 2,312
Accrued wages and benefits	483	644	686	736	868	926	1,005	856	762	814
Accrued interest	7,438	15,445	6,285	2,151	648	824	788	1,140	980	850
Bonds payable (Note 10)	20,460	19,770	19,050	18,295	17,505	16,795	16,045	102,274	106,498	103,407
Capital lease obligation (Note 11)	165,372	158,135	140,275	136,553	127,443	118,456	108,052	28,751	27,356	15,817
Landfill closure/postclosure care liability (Note 12)	27,977	14,169	13,425	13,966	14,788	15,430	16,113	16,927	18,124	18,711
Other	1,038	768	514	394	748	1,167	665	7	232	130
Due to others	883	-	-	-	-	-	-	-	-	-
Total liabilities	225,026	210,686	182,255	175,463	164,728	155,473	145,252	154,445	161,250	142,041
NET ASSETS										
Invested in capital assets, net of related debt:										
WTEF, net of lease obligation and bonds payable	(158,872)	(151,702)	(133,894)	(130,215)	(122,838)	(116,480)	(106,076)	(84,010)	(80,586)	(65,846)
Other capital assets, net	712	344	(905)	1,684	3,490	5,291	6,829	5,195	4,433	2,517
Restricted:										
Closure/postclosure trust fund, net of accrued liability - Sanitary Landfill	94	732	1,436	1,987	2,075	2,240	2,087	1,974	1,661	1,715
Other restricted, net	12,275	11,154	10,461	7,734	6,173	5,333	3,658	8,621	18,491	7,961
Unrestricted	(30,457)	(19,118)	(3,628)	2,892	6,286	5,942	3,795	4,780	4,753	6,881
Total net assets	\$ (176,248)	\$ (158,590)	\$ (126,530)	\$ (115,918)	\$ (104,813)	\$ (97,674)	\$ (89,706)	\$ (63,439)	\$ (51,248)	\$ (46,772)

Source: SWACO. All references to notes are to the Notes to Financial Statements beginning on page 2-18.

SWACO
Statements of Revenues, Expenses, and Changes in Fund Net Assets - All Funds
For Years Ended December 31, 1997 through 2006
(in thousands)¹

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Tipping and disposal fees	\$ 14,944	\$ 11,105	\$ 11,238	\$ 13,576	\$ 13,705	\$ 13,600	\$ 14,079	\$ 14,423	\$ 16,754	\$ 18,376
Waste transfer fees	2,855	3,686	3,471	3,806	3,884	3,860	4,132	4,010	4,448	4,377
Retired Facility and Waiver Fees	-	-	5,149	7,488	7,596	7,722	7,916	8,113	8,016	7,949
Generation Fees	5,479	5,679	5,735	5,780	5,571	5,559	5,655	5,801	5,720	5,716
Other	206	312	245	686	868	704	755	128	574	319
Operating revenues	23,484	20,782	25,839	31,337	31,624	31,445	32,536	32,475	35,512	36,737
Expenses:										
Salaries, wages and benefits	3,588	3,763	3,679	3,801	4,304	4,873	5,582	6,127	6,790	7,104
Contracts, services and supplies	8,715	9,238	9,369	13,817	13,164	13,625	14,815	16,598	17,604	13,524
Depreciation and depletion	2,262	1,068	1,121	1,132	1,424	1,815	2,151	2,141	3,612	6,874
Landfill closing expenses	753	757	707	1,078	942	722	999	844	1,239	1,365
Other	-	-	4	52	1	22	113	20	2	-
Operating expenses	15,318	14,826	14,880	19,880	19,836	21,057	23,660	25,730	29,247	28,868
Operating income (loss)	8,166	5,956	10,959	11,456	11,788	10,388	8,876	6,745	6,265	7,869

continued

Table 2 (continued)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Nonoperating income (expenses):										
Interest expense	(9,861)	(11,052)	(8,418)	(6,745)	(6,113)	(4,919)	(4,773)	(4,246)	(5,232)	(5,040)
Interest income	972	1,408	1,528	2,002	1,296	705	466	617	1,344	1,962
Grants received	86	96	256	132	138	134	138	145	404	240
Grants awarded ²	-	-	-	-	-	(155)	(542)	(462)	(636)	(574)
Gain (loss) on sale of assets	-	144	10	45	68	(50)	(125)	(19)	(4)	19
Total nonoperating expenses	(8,803)	(9,404)	(6,624)	(4,566)	(4,612)	(4,285)	(4,835)	(3,965)	(4,124)	(3,393)
Special and Extraordinary Items										
Gain on forgiveness of debt (Note 11)	-	7,236	27,725	3,722	3,929	3,663	3,927	19,652	-	-
Sale of pollution allowances	-	-	-	-	-	-	-	3,835	10,051	-
Reduction of Model LF liability	-	13,870	-	-	-	-	-	-	-	-
Impairment loss-WTEF (Note 11)	(30,034)	-	-	-	-	(2,627)	-	-	-	-
Change in net assets	(30,671)	17,658	32,060	10,612	11,105	7,139	7,968	26,267	12,192	4,476
Total net assets - beginning	(145,577)	(176,248)	(158,590)	(126,530)	(115,918)	(104,813)	(97,674)	(89,706)	(63,439)	(51,248)
Total net assets - ending	\$ (176,248)	\$ (158,590)	\$ (126,530)	\$ (115,918)	\$ (104,813)	\$ (97,674)	\$ (89,706)	\$ (63,439)	\$ (51,248)	\$ (46,772)

¹ Certain items for the years prior to 2005 have been reclassified for presentation purposes. Totals may not add due to rounding.

² Included in Contracts, Services and Supplies prior to 2002.

Source: SWACO. All references to notes are to the Notes to Financial Statements beginning on page 2-18.

SWACO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
2006 Budget to Actual (in thousands)

	Operating Fund			Program Fund			All Funds Total			
	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	Actual Over (under) Am. Budget
Operating Revenues:										
Tipping and disposal fees	\$ 18,225	\$ 18,225	\$ 18,032	\$ -	\$ -	\$ 345	\$ 18,225	\$ 18,225	\$ 18,377	\$ 152
Waste transfer fees	4,640	4,640	4,377	-	-	-	4,640	4,640	4,377	(263)
Retired Facility and Waiver Fees	8,120	8,120	7,948	-	-	-	8,120	8,120	7,948	(172)
Generation Fees	-	-	-	5,800	5,800	5,716	5,800	5,800	5,716	(84)
Other	200	200	201	200	200	118	400	400	319	(81)
Total operating revenues	31,185	31,185	30,558	6,000	6,000	6,179	37,185	37,185	36,737	(448)
Operating Expenses:										
Salaries, wages and benefits	6,032	6,117	5,941	1,414	1,414	1,163	7,446	7,531	7,104	(427)
Contracts, services and supplies	4,181	4,096	3,232	4,081	4,081	3,679	8,262	8,177	6,911	(1,266)
Landfill volume-based Contracts, services and supplies	6,407	6,407	6,613	-	-	-	6,407	6,407	6,613	206
Depreciation and depletion	6,641	6,641	6,678	227	227	197	6,868	6,868	6,874	6
Landfill closing costs	1,010	1,010	1,365	-	-	-	1,010	1,010	1,365	355
Other expenses	-	-	-	-	-	-	-	-	-	-
Interfund transfers	(580)	(580)	(588)	580	580	588	-	-	-	-
Total operating expenses	23,691	23,691	23,240	6,302	6,302	5,627	29,993	29,993	28,868	(1,125)
Operating income	7,494	7,494	7,318	(302)	(302)	551	7,192	7,192	7,869	677

(continued)

Table 3 (continued)

	Operating Fund			Program Fund			All Funds Total			
	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	Actual Over (under) Am. Budget
<u>Nonoperating income (expenses)</u>										
Interest expense	\$ (5,366)	\$ (5,366)	\$ (5,040)	\$ -	\$ -	\$ -	\$ (5,366)	\$ (5,366)	\$ (5,040)	\$ 326
Interest income	1,100	1,100	1,962	-	-	-	1,100	1,100	1,962	862
Grants received	-	-	-	-	-	239	-	-	239	239
Grants awarded	-	-	(29)	(217)	(217)	(545)	(217)	(217)	(574)	(357)
Gain on disposal of assets	-	-	19	-	-	-	-	-	19	19
Total nonoperating income (expenses)	(4,266)	(4,266)	(3,088)	(217)	(217)	(306)	(4,483)	(4,483)	(3,393)	1,090
Change in net assets	3,228	3,228	4,230	(519)	(519)	245	2,709	2,709	4,476	1,767
Total net assets - beginning	(62,066)	(53,304)	(53,304)	2,023	2,056	2,056	(60,043)	(51,248)	(51,248)	-
Total net assets - ending	<u>\$ (58,838)</u>	<u>\$ (50,076)</u>	<u>\$ (49,074)</u>	<u>\$ 1,504</u>	<u>\$ 1,537</u>	<u>\$ 2,301</u>	<u>\$ (57,334)</u>	<u>\$ (48,539)</u>	<u>\$ (46,772)</u>	<u>\$ 1,767</u>

Totals may not add due to rounding.

Source: SWACO

SWACO
Solid Waste Received and Landfilled 1997 - 2006 (in tons)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Solid Waste Received by SWACO										
Jackson Pike Transfer Station	271,999	205,177	144,768	140,152	139,576	167,211	173,213	197,862	179,016	166,372
Morse Road Transfer Station	119,008	119,008	111,205	128,337	131,837	129,495	149,120	122,836	123,684	121,774
Georgesville Rd Transfer Station	66,248	66,248	72,627	83,471	87,027	62,788	63,860	55,643	69,026	63,611
Subtotal Transfer Stations	457,255	390,433	328,600	351,960	358,440	359,494	386,193	376,341	371,727	351,757
Sanitary Landfill	206,188	244,398	386,191	528,907	523,545	523,899	533,122	569,295	551,659	532,247
Total solid waste Received by SWACO	663,443	634,831	714,791	880,867	881,985	883,393	919,315	945,636	923,386	884,004
Removed from Waste Stream ¹	(1,487)	(714)	(865)	(453)	(1,335)	(641)	(245)	(234)	(121)	(140)
Carryover/(shrinkage) ²	(9,337)	(6,280)	66	(1,930)	(3,044)	2,712	(698)	921	(4,046)	(3,986)
Total Adjustments	(10,824)	(6,994)	(799)	(2,383)	(4,379)	2,071	(943)	687	(4,167)	(4,126)
Transferred out-of-District ³	0	0	0	(24,811)	0	0	0	0	(14,057)	0
Solid waste landfilled - Franklin County Sanitary Landfill	652,619	627,837	713,992	853,673	877,607	885,463	918,372	946,323	905,161	879,878

¹ Scrap metal, tires, white goods & other.

² Carryover related to end of year inventory at transfer stations and shrinkage due to loss of water.

³ Waste disposed at an out-of-district landfill pursuant to a contract with the landfill owner.

SWACO
Top Ten Customers 1997 - 2006
(tons received)

Customer	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City of Columbus Division of Sanitation	318,273	322,142	318,236	336,395	345,774	338,731	352,337	352,366	342,662	333,710
Republic Waste Systems ¹	98,695	92,846	122,841	229,357	210,383	183,507	195,283	204,763	205,368	185,991
Rumpke Waste/Rumpke Container	52,917	49,365	105,509	157,769	162,573	155,091	158,657	145,675	155,802	145,153
Local Waste Services LLC	*	*	*	9,241	17,757	47,922	56,959	69,810	78,862	89,854
Waste Management of Ohio ²	117,550	70,196	72,354	76,667	71,170	77,684	81,201	91,002	74,931	58,652
BFI of Ohio, Inc.	*	*	*	*	*	*	6,737	17,656	12,354	8,706
City of Columbus Street Engineer	4,885	6,391	8,673	7,380	7,797	7,029	6,177	5,839	5,621	7,497
City of Upper Arlington	7,887	8,372	8,780	8,523	7,873	7,643	7,814	7,741	7,386	7,207
City of Grandview Heights	3,619	3,597	3,485	#	#	3,605	3,591	3,585	3,149	3,025
Adept, Inc.	4,706	7,780	8,262	6,384	4,188	#	#	#	2,654	2,415
Flower Garbage	#	#	#	#	4,628	5,521	6,211	5,590	#	#
Central Ohio Contractors	2,532	5,447	3,946	3,861	#	#	#	#	#	#
Container Services	*	*	#	#	4,531	5,796	#	*	*	*
B & D Hauling	18,668	16,240	16,282	5,166	*	*	*	*	*	*
Total Top Ten Customers	629,731	582,375	668,368	840,741	836,674	832,529	874,967	904,026	888,789	842,210
Total tons received by SWACO	663,443	634,831	714,791	880,867	881,985	883,393	919,315	945,636	923,386	884,004
Top Ten customer % of total received	95%	92%	94%	96%	96%	96%	97%	97%	97%	97%
Total tons disposed³	1,095,851	1,135,818	1,146,993	1,156,019	1,114,223	1,111,953	1,130,721	1,160,226	1,144,048	1,148,471
Top Ten customer % of total waste disposal	58%	52%	58%	76%	76%	75%	76%	79%	78%	73%

¹ Republic Waste Services entered the market in 1999 and acquired Superior Services and Southwest Waste in 2000. Supreior Services had previously acquired B.F.I. Waste Systems and Ohio Disposal Systems. The above data include waste received from these companies prior to 2001.

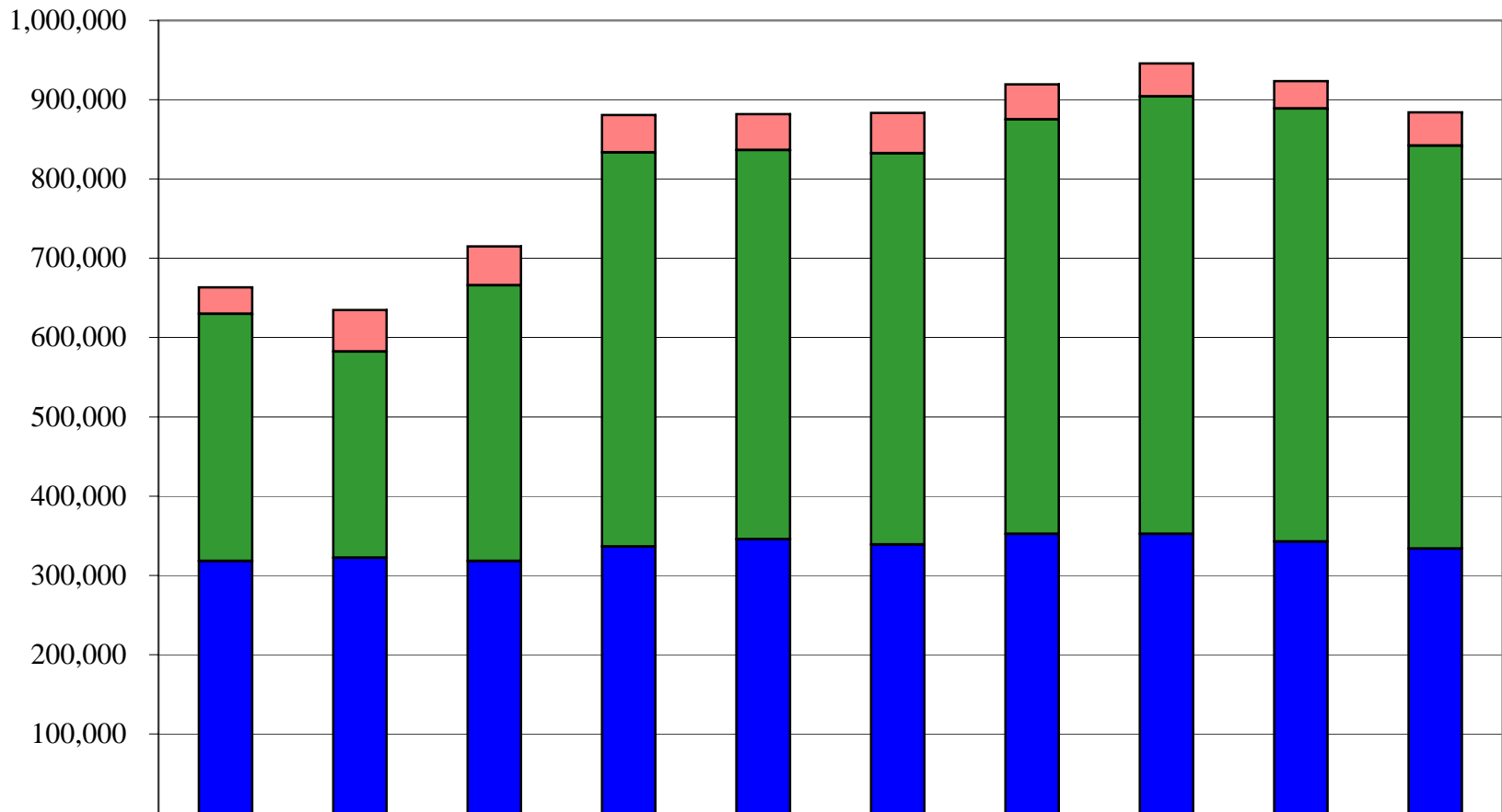
² U.S.A. Waste acquired Johnson Disposal and Laidlaw Waste Systems in 1997, and Waste Management in 1998. The above data include waste received from these companies prior to 1999.

³ Total solid waste subject to Generation Fee and disposed at SWACO facilities and out of county facilities.

Waste received from these customers is not reported when they are not ranked in the top ten.

* Indicates the waste hauler was not a SWACO customer in the year indicated.

SWACO Waste Receipts 1997 - 2006



	1997	1998	1999	2000	2001	2002	2002	2004	2005	2006
All others	33,712	52,456	48,876	47,506	45,311	50,864	44,348	41,610	34,597	41,794
Rest of Top Ten*	311,459	260,233	347,679	496,966	490,901	493,798	522,629	551,660	546,127	508,500
City of Columbus*	318,273	322,142	318,236	336,395	345,774	338,731	352,337	352,366	342,662	333,710

Source: Solid Waste Authority of Central Ohio

*See notes to Table 5.

SWACO
Disposal Rates 1991-2007

Table 6

Effective Date	Franklin County Landfill	Jackson Pike Transfer ²	Morse Road Transfer	Georgesville Rd. Transfer	Alum Creek Transfer	Compost Facilities	Charge Unit
02/01/1991 ¹	\$4.90	-	-	-	-	-	Cu. Yard
04/01/1991	7.50	-	-	-	-	-	Cu. Yard
04/01/1993	7.50	\$7.50	\$7.50	\$7.50	\$7.50	-	Cu. Yard
07/01/1993	13.25	13.00	13.50	13.00	13.00	-	Cu. Yard
06/01/1994 ³	49.00	49.00	49.00	49.00	49.00	-	Ton
09/01/1994	32.00	32.00	32.00	32.00	32.00	-	Ton
11/01/1994 ⁴	37.00	37.00	37.00	37.00	Closed	-	Ton
02/07/1996	33.00	37.00	44.00	40.00	-	-	Ton
03/11/1996	30.00	34.00	41.00	37.00	-	-	Ton
05/08/1996	27.00	31.00	38.00	34.00	-	-	Ton
04/08/1998 ⁵	20.00	30.00	31.00	31.00	-	-	Ton
04/01/1999 ⁶	27.00	37.00	38.00	38.00	-	-	Ton
10/04/1999	27.00	37.00	38.00	38.00	-	\$6.00 ⁷	Ton
01/01/2005	29.25	40.25	41.25	41.25	-	\$6.00	Ton
07/01/2005 ⁸	30.75	41.75	42.75	42.75	-	\$6.00	Ton
01/01/2006	32.25	44.25	45.25	45.25	-	\$6.00	Ton
01/01/2007	33.50	45.50	46.50	46.50	-	\$6.00	Ton

¹ Prior to 2/1/91 SWACO operated no facilities and was funded by a \$.40/cubic yard district fee levied at all landfills located in the district (the County landfill and one private landfill).

² Prior to November 1, 1994, this was the Waste-to-Energy Facility.

³ This fee was repealed effective September 1, 1994 and replaced with a fee of \$32 per ton.

⁴ Beginning November 1, 1994, all rates include a \$5.00/ton generation fee.

⁵ This rate is the rate for customers under contract with SWACO. Beginning 4/8/1998 and ending 12/31/2004 there was a non-contract rate of \$2.25 per ton more than the rate shown.

⁶ Rates include Retired Facility fee of \$7 per ton.

⁷ Transfer fee for commercial loads delivered to Bill R. Holbrook Compost Facility beginning 10/4/1999. Effective March 1, 2005, a fee of \$6.00 was implemented for commercial loads at all compost facilities.

⁸ Rate reflects \$1.50 per ton EPA rate increase.

SWACO
Franklin County Sanitary Landfill Airspace Capacity (1997 Expansion Permit)
(Cubic Yards)

Year	Constructed	Permitted but not Constructed	Total Permitted and Constructed	Annual Airspace Used ¹
1997	9,532,500	39,275,800	48,808,300	531,900
1998	8,614,300	39,275,800	47,890,100	918,200
1999	6,941,200	39,275,800	46,217,000	1,673,100
2000	5,841,800	39,275,800	45,117,600	1,099,400
2001	5,056,900	39,275,800	44,332,700	784,900
2002	3,739,700	39,275,800	43,015,500	1,317,200
2003	2,420,000	39,275,800	41,695,800	1,319,700
2004	1,463,800	39,275,800	40,739,600	956,200
2005	1,265,400	37,936,600	39,300,400	1,439,200
2006	2,027,800	35,836,900	37,864,700	1,435,700

At Maximum
Permitted Receipts² At 2006 Receipts³

Remaining landfill life (permitted and constructed):	14.6 years	27.8 years
Remaining landfill life (constructed only):	.8 years	1.5 years

¹ Annual airspace used fluctuates due to (1) annual waste receipts, (2) landfill settling (subsidence), (3) soil stockpiling and movement, (4) compaction density, and (5) waste composition.

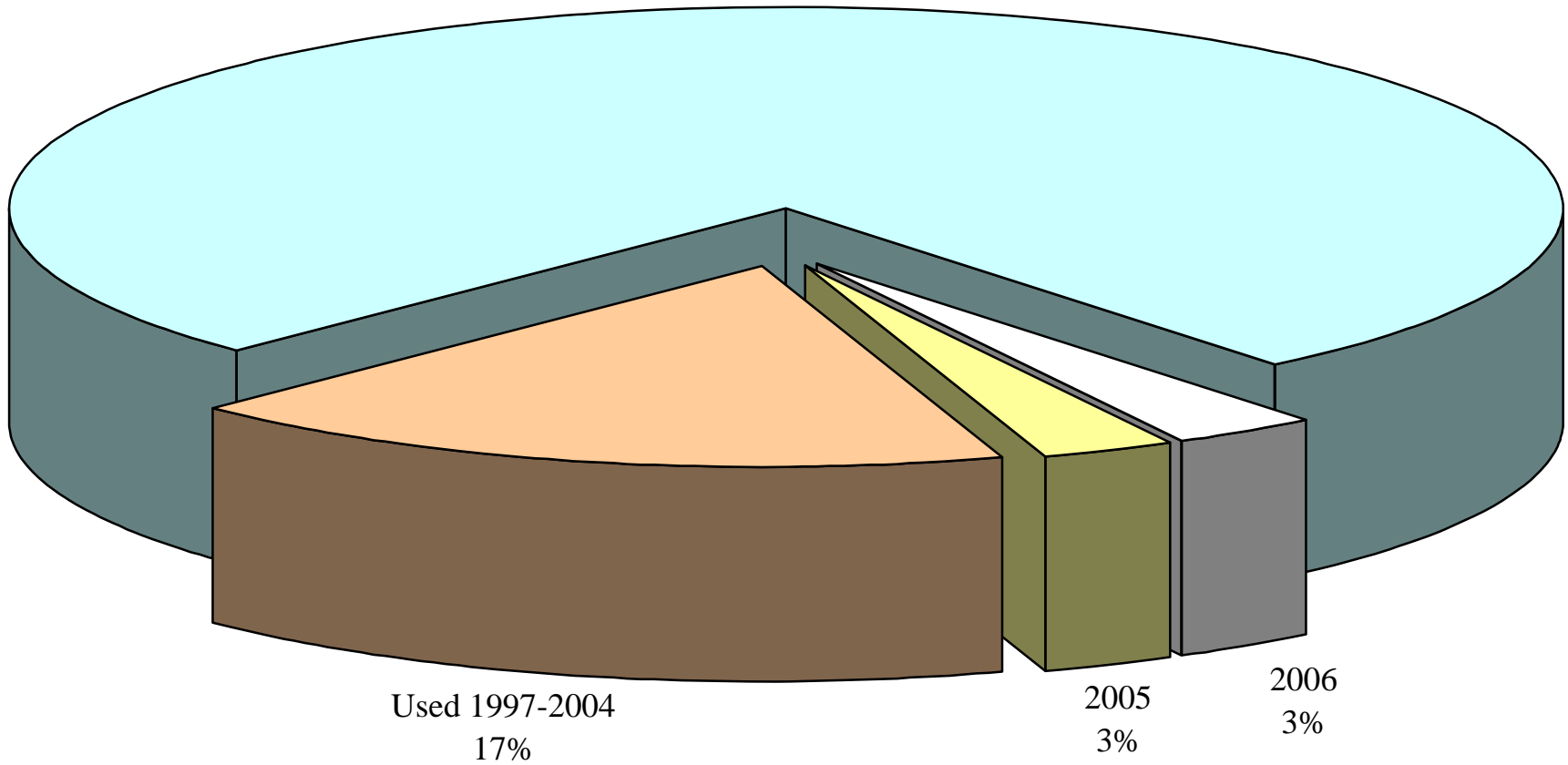
² Maximum 6,000 tons per day or 1,680,000 annual tons per OEPA permit. Assumes a compaction rate of 1,300 pounds per cubic yard.

³ Approximately 884,000 tons landfilled. Assumes a compaction rate of 1,300 pounds per cubic yard.

Source: SWACO

Landfill Capacity Used and Remaining 1997 Expansion Permit

Remaining air space at
December 31, 2006
77%



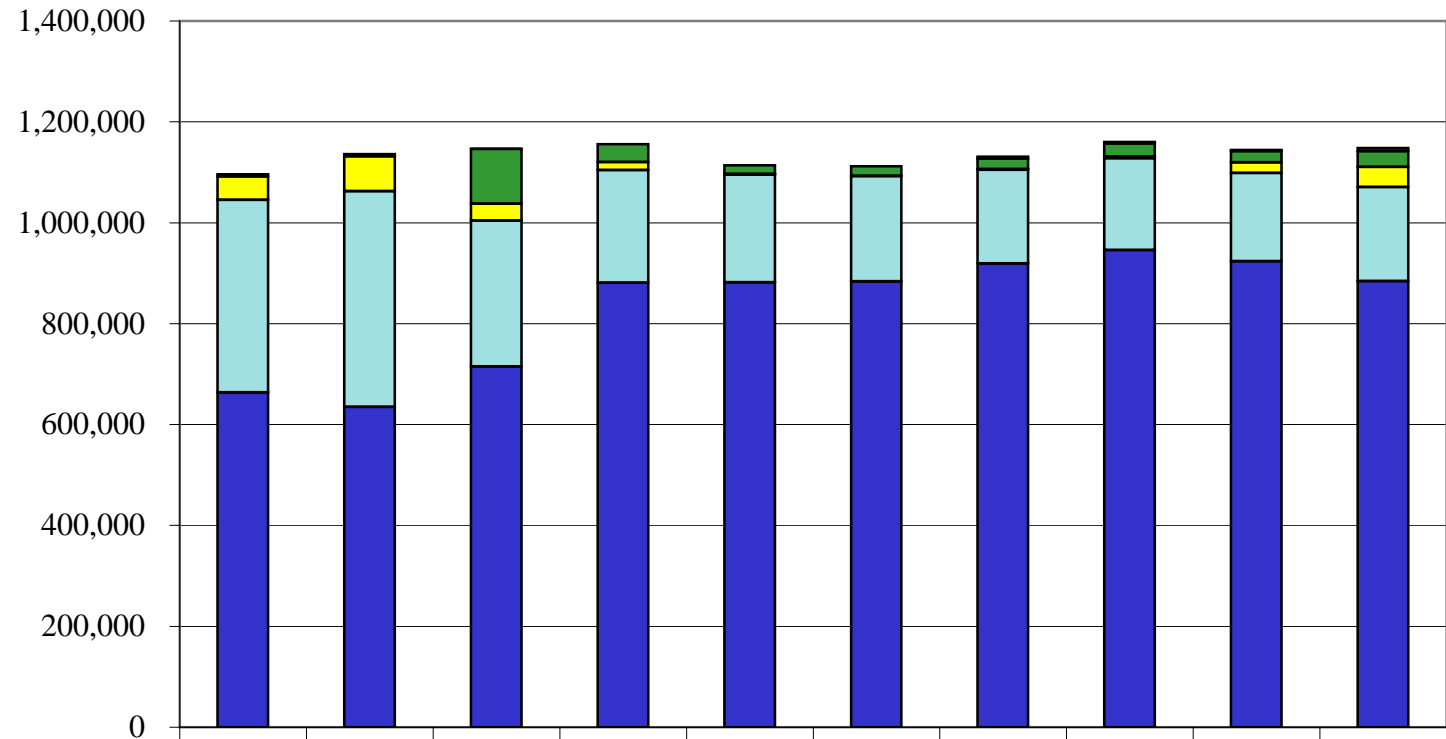
SWACO
Generation Fee Tonnage Reported 1997 - 2006¹

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Solid Waste Authority (4 facilities)	663,443	634,831	714,791	880,867	881,985	883,393	919,315	945,636	923,386	884,004
Waste Management (2 facilities) ²	382,188	427,728	289,587	223,356	213,387	208,885	185,927	182,430	175,423	186,472
Rumpke Waste (4 facilities)	46,095	68,960	33,665	16,098	1,127	395	878	3,184	21,060	40,481
Republic Waste Services	-	-	108,120	35,594	17,228	19,256	21,102	25,930	21,977	30,665
Other (14 facilities)	4,125	4,299	830	105	496	24	3,498	3,046	2,201	6,848
Total	1,095,851	1,135,818	1,146,993	1,156,019	1,114,223	1,111,953	1,130,721	1,160,226	1,144,048	1,148,471

¹ The generation fee is charged on all solid waste generated within SWACO's jurisdiction and disposed in a sanitary landfill located in Ohio. Certain solid waste is exempt from the fee. The current \$5 per ton generation fee was enacted effective November 1, 1994.

² U.S.A. Waste acquired Johnson Disposal and Laidlaw Waste Systems in 1997, and Waste Management in 1998. The above data include waste received from these companies prior to 1999.

Generation Fee Tonnage Reported 1997 - 2006



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Other (14 facilities)	4,125	4,299	830	105	496	24	3,498	3,046	2,201	6,848
Republic	-	-	108,120	35,594	17,228	19,256	21,102	25,930	21,977	30,665
Rumpke (4 facilities)	46,095	68,960	33,665	16,098	1,127	395	878	3,184	21,060	40,481
Waste Management (post-merger)	382,188	427,728	289,587	223,356	213,387	208,885	185,927	182,430	175,423	186,472
SWACO (4 facilities)	663,443	634,831	714,791	880,867	881,985	883,393	919,315	945,636	923,386	884,004

Source: Solid Waste Authority of Central Ohio
See notes to Table 8.

Table 9

SWACO
SWACO Program Activity - Tons Collected

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total tons of waste recycled										
Yard Waste Composting	92,207	83,020	74,224	89,589	105,315	113,293	142,860	150,949	145,540	136,768
Drop-off Recycling	n/a	n/a	n/a	n/a	n/a	n/a	8,449	7,947	8,700	9,593
Just-in-Time Recycling	n/a	n/a	n/a	n/a	248	356	429	602	626	742
Household Hazardous Waste	n/a	251	142	260	283	321	344	424	443	419
E-waste Collection	n/a	n/a	n/a	n/a	n/a	n/a	70	196	155	n/a
Tire Collection	457	312	222	112	149	177	176	115	132	89
Scrap Metal Recycling	981	385	634	335	369	262	245	119	71	32
Other Recycling	49	17	6	6	817	0	0	0	57	0
Total	93,694	83,985	75,228	90,302	107,181	114,408	152,573	160,352	155,724	147,643

Tires and White Goods Received 1997 - 2006¹

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Tires (each)	45,774	36,738	27,186	22,881	18,715	17,650	17,608	11,497	12,478	13,043
White goods (each)	5,403	4,548	4,957	6,596	6,972	7,249	5,404	4,527	3,622	2,181

¹ Tires and white goods received by SWACO are removed from the waste stream and recycled. White goods are large appliances such as refrigerators, washing machines and clothes dryers.

Source: SWACO

Table 10

SWACO
Household Hazardous Waste collection 1998 - 2006¹
(in pounds)

Material Classification	1998	1999	2000	2001	2002	2003	2004	2005	2006
Alkaline Batteries	8,171	1,614	5,135	4,066	5,017	n/a	1,322	1,045	244
Loosepack Fuels	138,975	94,287	171,388	173,899	183,289	148,189	168,226	128,524	64,011
Aerosol-Flammable	12,626	5,307	9,997	12,160	11,222	15,636	27,202	27,684	17,615
Aerosol-Pesticides	4,734	2,573	6,268	5,197	7,455	8,078	47,542	45,332	38,815
Bulked Flammables	126,297	73,021	124,557	129,246	153,965	263,418	349,952	206,132	212,803
Latex Paint	113,253	65,206	98,629	124,979	147,297	89,184	74,860	369,645	406,077
Lab Pack A	3,281	1,616	10,715	10,616	11,850	15,211	6,107	6,472	13,881
Lab Pack B	37,787	21,014	46,397	39,979	37,932	47,757	51,200	776	1,084
Propane Cylinders	5,731	3,448	8,839	11,226	27,299	35,051	35,070	25,015	14,577
Lead/Acid Batteries	16,423	1,805	9,845	18,215	23,073	24,272	29,389	20,414	19,316
Acids/Bases	6,396	4,103	-	-	-	-	18,394	18,975	9,821
Freon	539	60	-	-	-	446	638	608	53
Used Oil /Antifreeze	27,437	9,935	28,606	36,253	33,680	38,596	35,346	33,285	36,994
Cylinders	-	-	-	-	-	605	1,084	1,242	479
Fire Extinguishers	-	-	-	-	-	1,348	1,872	876	1,039
Flourescent Light Bulbs	-	-	-	-	-	460	489	664	1,057
Total	501,650	283,990	520,376	565,836	642,079	688,251	848,693	886,689	837,866

¹ There was no collection in 1997.

Source: SWACO

Table 11

SWACO
Number of Employees by Function¹

Function	2000	2001	2002	2003	2004	2005	2006
Administration	14	16	19	20	21	20	19
Operations	53	50	46	58	69	79	77
Programs	7	9	9	7	6	6	6
Total	74	75	74	85	96	105	102

¹Information not available prior to 2000.

Source: SWACO

SWACO
Series 1997 Solid Waste Facility Improvements Bonds

Year	Original Debt Service				Debt Service After Refunding		
	Principal	Coupon	Interest	Total Debt Service	Principal	Interest	Total Debt Service
1997	-	-	\$ 329,938	\$ 329,938	-	\$ 329,938	\$ 329,938
1998	\$ 575,000	5.000%	981,635	1,556,635	\$ 575,000	981,635	1,556,635
1999	605,000	5.000%	952,885	1,557,885	605,000	952,885	1,557,885
2000	640,000	5.000%	922,635	1,562,635	640,000	922,635	1,562,635
2001	675,000	5.000%	890,635	1,565,635	675,000	890,635	1,565,635
2002	710,000	5.000%	856,885	1,566,885	710,000	856,885	1,566,885
2003	750,000	4.500%	821,385	1,571,385	750,000	821,385	1,571,385
2004	790,000	4.300%	787,635	1,577,635	790,000	787,635	1,577,635
2005	835,000	5.500%	753,665	1,588,665	835,000	449,570	1,284,570
2006	880,000	5.500%	707,740	1,587,740	880,000	99,550	979,550
2007	930,000	5.500%	659,340	1,589,340	930,000	51,150	981,150
2008	980,000	4.500%	608,190	1,588,190	-	-	-
2009	1,035,000	4.600%	564,090	1,599,090	-	-	-
2010	1,090,000	4.700%	516,480	1,606,480	-	-	-
2011	1,150,000	4.750%	465,250	1,615,250	-	-	-
2012	1,215,000	4.800%	410,625	1,625,625	-	-	-
2013	1,280,000	4.850%	352,305	1,632,305	-	-	-
2014	1,350,000	4.900%	290,225	1,640,225	-	-	-
2015	1,425,000	4.900%	224,075	1,649,075	-	-	-
2016	1,500,000	5.000%	154,250	1,654,250	-	-	-
2017	1,585,000	5.000%	79,250	1,664,250	-	-	-
Total	\$ 20,000,000		\$ 12,329,118	\$ 32,329,118	\$ 7,390,000	\$ 7,143,903	\$ 14,533,903
Net interest cost (%)		4.864%					

Source: SWACO; The series 1997 bonds were refunded in 2005. See Table 15 (page 3-22) and Note 10 to the financial statements.

SWACO
Series 2004A Facility Acquisition Bonds Debt Service Schedule

Table 13

Year	Principal	Coupon	Interest	Total Debt Service
2004	\$ 3,730,000	3.000%	\$ 2,723,100	\$ 6,453,100
2005	2,685,000	3.000%	2,611,200	5,296,200
2006	2,765,000	5.000%	2,530,650	5,295,650
2007	2,905,000	5.000%	2,392,400	5,297,400
2008	3,050,000	5.000%	2,247,150	5,297,150
2009	3,205,000	5.000%	2,094,650	5,299,650
2010	3,365,000	5.000%	1,934,400	5,299,400
2011	3,530,000	5.000%	1,766,150	5,296,150
2012	3,710,000	5.000%	1,589,650	5,299,650
2013	3,895,000	5.000%	1,404,150	5,299,150
2014	4,090,000	5.000%	1,209,400	5,299,400
2015	4,295,000	5.000%	1,004,900	5,299,900
2016	4,505,000	5.000%	790,150	5,295,150
2017	4,735,000	5.000%	564,900	5,299,900
2018	4,970,000	5.000%	328,150	5,298,150
2019	1,770,000	4.500%	79,650	1,849,650
Total	\$ 57,205,000		\$ 25,270,650	\$ 82,475,650

Net interest cost (%) 4.200%

Source: SWACO; see Note 10 to the financial statements.

SWACO
Series 2004B Solid Waste Facility Improvements Bonds Debt Service Schedule

Table 14

Year	Principal			Coupon	Interest	Total Debt Service
	SW Facility Improvements	Landfill Phase H1	Total			
2004	\$ -	\$ -	\$ -	-	\$ 149,786	\$ 149,786
2005	-	-	-	-	1,348,075	1,348,075
2006	75,000	2,355,000	2,430,000	4.000%	1,348,075	3,778,075
2007	80,000	2,445,000	2,525,000	5.000%	1,250,875	3,775,875
2008	85,000	2,570,000	2,655,000	5.000%	1,124,625	3,779,625
2009	95,000	2,695,000	2,790,000	3.500%	991,875	3,781,875
2010	110,000	2,790,000	2,900,000	5.000%	894,225	3,794,225
2011	125,000	2,930,000	3,055,000	4.250%	749,225	3,804,225
2012	710,000	-	710,000	4.000%	619,388	1,329,388
2013	735,000	-	735,000	4.000%	590,988	1,325,988
2014	760,000	-	760,000	4.000%	561,588	1,321,588
2015	790,000	-	790,000	5.000%	531,188	1,321,188
2016	835,000	-	835,000	5.000%	491,688	1,326,688
2017	875,000	-	875,000	4.000%	449,938	1,324,938
2018	910,000	-	910,000	4.125%	414,938	1,324,938
2019	950,000	-	950,000	4.200%	377,400	1,327,400
2020	995,000	-	995,000	5.000%	337,500	1,332,500
2021	1,040,000	-	1,040,000	5.000%	287,750	1,327,750
2022	1,095,000	-	1,095,000	5.000%	235,750	1,330,750
2023	1,150,000	-	1,150,000	5.000%	181,000	1,331,000
2024	1,205,000	-	1,205,000	5.000%	123,500	1,328,500
2025	1,265,000	-	1,265,000	5.000%	63,250	1,328,250
Total	\$ 13,885,000	\$ 15,785,000	\$ 29,670,000		\$ 13,122,624	\$ 42,792,624

Net interest cost (%)

4.170%

Source: SWACO; see Note 10 to the financial statements.

SWACO
Series 2005 Refunding Bonds

Year	Original Debt Service (Series 1997)				Refunded Debt Service							Savings
	Principal	Coupon	Interest	Total Debt Service	Non-callable 1997 Bonds		Series 2005 Refunding Bonds			Total Debt Service		
					Principal	Interest	Principal	Coupon	Interest			
2005	\$ 835,000	5.500%	\$ 753,665	\$ 1,588,665	\$ 835,000	\$ 449,570	\$ -	-	\$ 59,889	\$ 1,344,459	244,206	
2006	880,000	5.500%	707,740	1,587,740	880,000	99,550	-	-	616,000	1,595,550	(7,810)	
2007	930,000	5.500%	659,340	1,589,340	930,000	51,150	-	-	616,000	1,597,150	(7,810)	
2008	980,000	4.500%	608,190	1,588,190	-	-	945,000	5.000%	616,000	1,561,000	27,190	
2009	1,035,000	4.600%	564,090	1,599,090	-	-	1,000,000	5.000%	568,750	1,568,750	30,340	
2010	1,090,000	4.700%	516,480	1,606,480	-	-	1,060,000	5.000%	518,750	1,578,750	27,730	
2011	1,150,000	4.750%	465,250	1,615,250	-	-	1,125,000	5.000%	465,750	1,590,750	24,500	
2012	1,215,000	4.800%	410,625	1,625,625	-	-	1,190,000	5.000%	409,500	1,599,500	26,125	
2013	1,280,000	4.850%	352,305	1,632,305	-	-	1,250,000	5.000%	350,000	1,600,000	32,305	
2014	1,350,000	4.900%	290,225	1,640,225	-	-	1,325,000	5.000%	287,500	1,612,500	27,725	
2015	1,425,000	4.900%	224,075	1,649,075	-	-	1,395,000	5.000%	221,250	1,616,250	32,825	
2016	1,500,000	5.000%	154,250	1,654,250	-	-	1,475,000	5.000%	151,500	1,626,500	27,750	
2017	1,585,000	5.000%	79,250	1,664,250	-	-	1,555,000	5.000%	77,750	1,632,750	31,500	
Total	\$ 15,255,000		\$ 5,785,485	\$ 21,040,485	\$ 2,645,000	\$ 600,270	\$ 12,320,000		\$ 4,958,639	\$ 20,523,909	\$ 516,576	

Source: SWACO; see Note 10 to the financial statements.

SWACO

Table 16

Series 2005 Landfill Equipment Bonds

Year	Principal	Coupon	Interest	Total Debt Service
2005	\$ -	-	\$ 93,987	\$ 93,987
2006	890,000	3.000%	199,450	1,089,450
2007	905,000	3.000%	172,525	1,077,525
2008	930,000	3.000%	145,000	1,075,000
2009	960,000	3.000%	116,650	1,076,650
2010	990,000	3.250%	86,163	1,076,163
2011	1,020,000	3.250%	53,500	1,073,500
2012	1,055,000	3.500%	18,463	1,073,463
Total	\$ 6,750,000		\$ 885,737	\$ 7,635,737
Net interest cost (%)		3.234%		

Source: SWACO; See Note 10 to the financial statements.

Table 17

Series 2005 Variable Rate Taxable Notes

Year	Principal	Interest	Total Debt Service
2005	\$ -	\$ 15,426	\$ 15,426
2006	-	92,775	92,775
2007	-	92,775	92,775
2008	22,000	92,721	114,721
2009	132,000	87,867	219,867
2010	132,000	78,595	210,595
2011	132,000	64,162	196,162
2012	132,000	57,178	189,178
2013	132,000	50,195	182,195
2014	132,000	43,211	175,211
2015	132,000	36,228	168,228
2016	132,000	29,244	161,244
2017	132,000	22,260	154,260
2018	132,000	15,277	147,277
2019	132,000	8,293	140,293
2020	85,250	1,394	86,644
Total	\$ 1,559,250	\$ 787,602	\$ 2,346,852

Interest for 2005-2010 reflects an interest rate swap (cap) entered into at the time the notes were issued. The swap expires in 2010 and interest for 2011-2020 is estimated.

SWACO

Table 18

Waste-to-Energy Facility Lease Payment Schedule (in thousands)¹

Year	Principal	Interest ²	Total Lease Obligation	Amount Paid or Credited	Interest on Deferred Balance ³	Deferred Balance ⁴
1993	\$ 4,991	\$ 8,099	\$ 13,090	\$ 13,090	\$ -	\$ -
1994	7,881	9,042	16,923	16,923	-	-
1995	5,579	5,853	11,432	6,000	153	5,585
1996	6,229	5,341	11,570	8,000	402	9,557
1997	6,299	4,991	11,290	4,055	746	17,538
1998	7,258	4,664	11,922	2,002	1,178	28,636
1999	7,904	4,220	12,124	6,764	1,670	35,666
2000	7,932	3,969	11,901	9,938	1,841	39,470
2001	8,373	3,374	11,747	13,083	1,968	40,101
2002	7,807	3,034	10,841	8,637	1,991	44,296
2003	8,370	2,323	10,693	10,826	2,151	46,313
2004	8,158	1,954	10,112	61,881 ⁵	125	(5,331)
2005	8,097	1,551	9,647	2,776	14	1,555
2006	8,203	1,147	9,350	12,458	(114)	(1,668)
Subtotal 1993-2006	103,081	59,561	162,642	176,433	12,125	(1,668)
2007	8,316	738	9,054			
2008	4,830	354	5,184			
2009	2,215	159	2,373			
2010	2,063	52	2,114			
Subtotal 2007-10	17,423	1,302	18,725			
Total 1993-2010	\$ 120,504	\$ 60,863	181,367			

1. WTEF lease obligation as modified. Excludes unamortized bond premiums. Includes a 35 percent reduction in the lease. See Note 11 to financial statements.

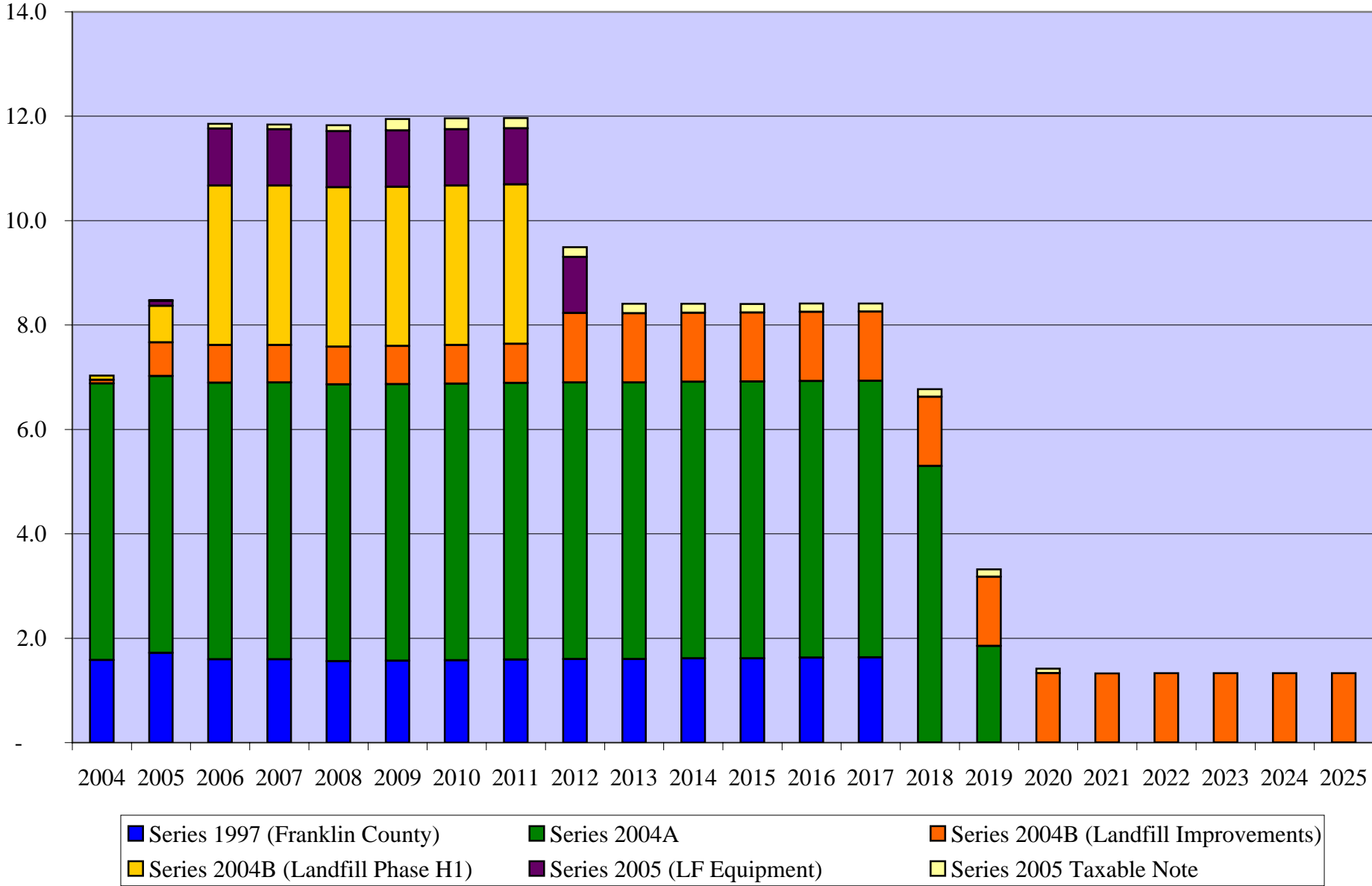
2. Includes letter of credit, remarketing and trustee fees on variable rate bonds issued by the City. The variable rate bonds were refinanced with fixed rate bonds in 2001.

3. Interest accrued at an annual rate of 4.5% on the deferred balance for the years 1995-2003 and at the STAR Ohio rate beginning in 2004 pursuant to modified lease.

4. Deferred balance plus interest payable to the City; excludes accrued interest on bonds maturing after December 31.

5. 2004 payments include \$55 million from the proceeds of the Series 2004A bonds.

SWACO Debt Service 2004-2025



SWACO
Total and General Obligation Debt Ratios 1997 - 2006

Tax Year		Total SWACO Debt¹ (thousands)	SWACO District Population²	Total SWACO Debt PerCapita	SWACO General Obligation Debt³ (thousands)	District Assessed Property Valuation (AV)² (thousands)	SWACO G.O. Debt as a Percent of AV	Annual Debt Service Paid from Tipping Fees⁴ (thousands)	Solid Waste Received by SWACO (tons)	Annual Debt Service Paid from Tipping Fees Per Ton Received
1997	1998	\$ 185,487	1,051,900	\$ 176	\$ 20,115	n/a	n/a	\$ -	663,443	\$ -
1998	1999	177,675	1,062,400	167	19,540	\$18,996,420	0.10%	1,557	634,831	2.45
1999	2000	159,210	1,073,000	148	18,935	21,471,779	0.09%	1,558	714,791	2.18
2000	2001	154,848	1,093,500	142	18,295	22,001,903	0.08%	1,563	880,867	1.77
2001	2002	144,948	1,109,800	131	17,505	22,637,484	0.08%	1,566	881,985	1.78
2002	2003	135,251	1,119,000	121	16,795	25,346,374	0.07%	1,567	883,393	1.77
2003	2004	124,097	1,132,000	110	16,045	25,403,524	0.06%	1,571	919,315	1.71
2004	2005	125,725	1,140,000	110	96,974	26,603,727	0.36%	1,578	945,636	1.67
2005	2006	128,553	1,159,000	111	99,639	29,435,185	0.34%	3,069	923,386	3.32
2006	2007	113,924	1,179,657	97	96,548	29,645,143	0.33%	5,466	884,004	6.18

¹ Includes the WTEF lease, General Obligation Bonds, and 2005 taxable notes; net of reserve accounts and unamortized premiums and unamortized cost of issuance. (See Notes 10 and 11 to the financial statements).

² See Table 22.

³ Total General obligation bonds. Excludes WTEF lease, 2005 taxable notes and reserve accounts.

⁴ General obligation bonds excluding Series 2004A bonds (paid from Retired Facility and Waiver Fees). Also excludes the Series 2005 taxable notes (paid from lease income).

Source: SWACO

SWACO
Indirect Debt and Property Tax Limitations, August 17, 2006¹

SWACO's debt is not subject to direct debt limits, but its unvoted general obligation debt (debt authorized by the Board of Trustees but not by a vote of the electors) is subject to overlapping restrictions with each respective county and school district. Limitations apply to each county total and should not be considered cumulatively. Total debt service charges for any one year of all overlapping debt must not exceed ten mills (1%) of the assessed property value. This determination is made by the respective county auditors each time a subdivision proposes to issue unvoted debt. The most recent data prepared by the county auditors for this purpose is as of August 17, 2006.

Overlapping Jurisdictions	Millage required	Unallocated Millage
SWACO, Franklin County, the Village of Obetz, Groveport Madison Local School District, Madison Township	7.86	2.14
SWACO, Fairfield County, the City of Reynoldsburg, Reynoldsburg City School District, Violet Township	6.55	3.45
SWACO, Licking County, the City of Reynoldsburg, Reynoldsburg City School District	7.65	2.35
SWACO, Union County, the City of Dublin, Washington Township & Dublin City School District	7.77	2.23
SWACO, Delaware County, the City of Westerville, Westerville City School District	5.42	4.58
SWACO, Pickaway County, the City of Harrisburg & the South-Western City School District	0.34	9.66

¹ Data is current as of SWACO's last debt issue.

Table 21

SWACO
Ten Largest Employers 2006 and 1997

Employer	2006			Employer	1997	
	Principal Business	Number of Employees	% of Total Employment		Number of Employees	% of Total Employment
State of Ohio	Government	26,613	4.3%	State of Ohio	28,015	4.8%
The Ohio State University	Education	19,919	3.2%	The Ohio State University	15,707	2.7%
JP Morgan Chase & Co.	Finance	14,276	2.3%	Honda of America	12,500	1.9%
Nationwide Companies	Finance/Insurance	11,834	1.9%	Banc One Corporation	10,992	1.7%
United State Government	Government	15,146	2.5%	Limited, Inc.	10,000	1.5%
Ohio Health	Health Care	9,413	1.5%	Nationwide Insurance Co.	8,640	1.4%
City of Columbus	Government	8,106	1.3%	City of Columbus	8,518	1.3%
Columbus Public Schools	Education	7,432	1.2%	Columbus Public Schools	7,557	1.3%
Limited Brands	Trade	7,200	1.2%	Kroger Company	7,500	1.1%
Honda of America	Trade	6,900	1.1%	Franklin County	6,300	1.1%
Subtotal		126,839	20.5%	Subtotal	115,729	19.7%
Total Estimated Franklin County Employment		<u>617,800</u>	<u>100.0%</u>	Total Estimated Franklin County Employment	<u>588,300</u>	<u>100.0%</u>

Source: Business First, December 5, 2006 issue for largest employers and Mid-Ohio Regional Planning Commission for civilian labor force estimates

Table 22

District and Franklin County Demographic Statistics 1997 - 2006¹

Tax Year	District Population ²	Total Assessed Value Taxable District Property ³ (in thousands)	Franklin County Only			Total Assessed Value Taxable County Property (in thousands) ⁵
			Population ²	Per Capita Income ⁴	Median Age ⁴	
1997	1,051,900	n/a	\$1,042,111	\$27,169	33	\$17,916,289
1998	1,062,400	\$18,996,420	1,056,863	28,166	33	18,607,705
1999	1,073,000	21,471,779	1,067,993	29,321	33	21,032,111
2000	1,093,500	22,001,903	1,068,978	31,527	33	21,698,652
2001	1,109,800	22,637,484	1,079,404	32,036	33	22,111,413
2002	1,119,000	25,346,374	1,088,445	33,465	33	24,744,179
2003	1,132,000	25,403,524	1,101,226	34,152	33	24,771,631
2004	1,140,000	26,603,727	1,114,159	35,199	33	25,232,680
2005	1,159,000	29,435,185	1,131,895	37,914	34	28,168,095
2006	1,179,657	29,645,143	1,144,820	n/a	34	28,303,349

¹The SWACO solid waste district is principally within Franklin County but also includes parts of five adjacent counties.

² U.S. Department of Commerce, Bureau of the Census and the Mid-Ohio Regional Planning Commission.

³ Assessed valuation reflects tax year. Source is Delaware, Fairfield, Franklin, Licking, Pickaway and Union County Auditors.

⁴ U.S. Department of Commerce, Bureau of the Census.

⁵ Franklin County Auditor.

Sources: SWACO except as noted above.

Table 23

Average Unemployment Rates 1997 - 2006¹

Year	Franklin County	State of Ohio	United States
1997	2.7%	4.6%	4.9%
1998	2.5%	4.3%	4.5%
1999	2.5%	4.3%	4.2%
2000	2.4%	4.1%	4.0%
2001	2.8%	4.3%	4.8%
2002	4.4%	5.7%	5.8%
2003	4.7%	6.0%	6.0%
2004	4.8%	6.3%	6.5%
2005	4.9%	5.4%	5.0%
2006	4.5% ²	5.6% ³	4.5% ³

¹1997 - 2005 Ohio Bureau of Employment Services, Division of Research and Statistics.

²Estimates by the Mid-Ohio Planning Regional Planning Commission.

³State of Ohio Bureau of Worker's Compensation Labor Force Employment & Unemployment.

Source: Ohio Department of Job and Family Services

COMPLIANCE SECTION



Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Trustees
Solid Waste Authority of Central Ohio
6220 Young Road
Grove City, Ohio 43123

We have audited the business-type activities and each major fund of the Solid Waste Authority of Central Ohio, Franklin County, Ohio (the "Authority") as of and for the year ended December 31, 2006 and have issued our report thereon dated April 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted a certain matter that we reported to the Authority's management in a separate letter dated April 27, 2007.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Board of Trustees
Report on Internal Controls over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
April 27, 2007



Mary Taylor, CPA
Auditor of State

SOLID WASTE AUTHORITY OF CENTRAL OHIO

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 7, 2007**