



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year ended December 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Trustees
Solid Waste Authority of Central Ohio

We have reviewed the Independent Auditor's Report of the Solid Waste Authority of Central Ohio, Franklin County, prepared by PricewaterhouseCoopers LLP for the audit period January 1, 2001 through December 31, 2001. 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

October 10, 2002

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Comprehensive Annual Financial Report

of the

Solid Waste Authority of Central Ohio

for the

Fiscal Year ended December 31, 2001

Issued by the Solid Waste Authority of Central Ohio
Michael D. Long, P.E.
Executive Director

Prepared by the Department of Finance
G. Paul Koehler, CPA
Chief Financial Officer

————— *SWACO* —————

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2001**

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————— *SWACO* —————

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INTRODUCTORY SECTION



Board of Trustees

June 28, 2002

Jacqueline E. LaMuth,
Chairman

To the Board of Trustees, residents and businesses of the Solid Waste Authority of Central Ohio:

Steven P. Shepard,
Vice Chairman

Colleen H. Briscoe

Robert J. Clemons

Bradley N. Frick

William Lotz, Sr.

Dewey Stokes

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The Comprehensive Annual Financial Report (the “CAFR”) of SWACO (the Solid Waste Authority of Central Ohio) for the fiscal year ended December 31, 2001 is hereby presented to the SWACO Board of Trustees and those living and doing business within the jurisdiction of SWACO. This CAFR has been prepared to conform to generally accepted accounting principles as applicable to state and local government entities.

INTRODUCTION

Organization of the report

The CAFR is presented in three sections. The Introductory Section includes this letter of transmittal and organizational information regarding SWACO. The Financial Section includes the general purpose financial statements of SWACO, notes to the financial statements and the accompanying report of the independent accountants regarding those statements. The Statistical Section includes current and historical data on SWACO operations and solid waste deliveries, generation, and recycling.

The reporting entity

In response to Amended Substitute House Bill 592 of the 117th Ohio General Assembly (“HB 592”), SWACO was 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). A political subdivision of the State of Ohio, SWACO operates a sanitary landfill with a maximum daily capacity of 4,000 tons and three waste transfer stations with a combined capacity of approximately 3,000 tons per day. SWACO also provides programs aimed at reducing the generation and disposal of solid waste within SWACO’s jurisdiction. These programs include public education and awareness, yard waste composting and other waste-reduction activities. SWACO is also responsible for a closed landfill and a closed resource recovery facility. Total solid waste disposal from within SWACO’s jurisdiction is approximately 1.1 million tons, only a portion of which is serviced by SWACO facilities

Management of SWACO

SWACO is governed by a nine-member Board of Trustees. Pursuant to HB 592 and SWACO's bylaws, the Mayor of the City of Columbus and the Franklin County Board of Commissioners each appoint two members to the Board. Other members include one designee of the County Health Commissioner, one designee of the County's township trustees, and three members appointed by the Board representing the general public and industry. The Board of Trustees appoints SWACO's Executive Director, who serves as SWACO's Chief Executive 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. The management of SWACO is responsible for the accuracy of the data contained herein and the completeness and fairness of its presentation, including all disclosures necessary to understand SWACO's financial activities.

SWACO is organized into four departments: Sanitary Landfill Operations, Waste Transfer Operations, Planning and Programs Development, and Administration. SWACO also provides for the operation of a yard-waste composting facility under contract with a private company.

Mission Statement

As adopted by the Board of Trustees, 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 during its first two years consisted of a small staff writing the solid waste management plan in accordance with HB 592. In early 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") through a long term lease with the City of Columbus (the "City"). Under the terms of the lease agreement, the City agreed to deliver all waste collected by the City to facilities operated or designated by SWACO. SWACO also acquired the County's closed landfill (the "Model Landfill") as part of the acquisition of the operating landfill.

On June 1, 1994, SWACO implemented a \$49 per ton fee on all waste generated within the District (the "Generation Fee"). The fee resulted in all District waste being delivered to SWACO facilities, including the Waste-to-Energy Facility. This fee was challenged in Federal District Court, and, pursuant to that Court's order, the Generation Fee was repealed effective September 1, 1994. At the end of 1994 SWACO implemented a new \$5 per ton Generation Fee but closed the Waste-To-Energy Facility because of its inability to generate revenues sufficient to operate the facility and update the facility to meet new federal clean air act requirements. SWACO was also no longer able to meet 100 percent of its lease obligation to the City and began negotiating revised lease payment terms with the City.

SWACO converted a portion of the closed facility and two of its satellite shredder facilities into waste transfer facilities to handle the increase in waste deliveries to the landfill. The closure of the plant, and the subsequent reorganization, resulted in the lay off of approximately 190 employees and write-downs of the facility totaling \$153 million by 1997 (see Note 11, page 2-16).

The year 1995 was one of transition as SWACO moved into the competitive market of solid waste and that continued through 1996 as adjustments in pricing caused wide swings in waste deliveries to SWACO facilities. During 1997, SWACO was successful in obtaining a permit to expand its landfill, adding capacity sufficient to meet SWACO's needs for at least 20 years and increasing the daily capacity to 4,000 tons. Waste deliveries, however, continued to be volatile and SWACO and the City continued to negotiate on a modified lease that SWACO would be able to meet.

During 1998, SWACO and the City reached agreement on a modification to the lease (the "Third Modification"), which is applicable until the lease is paid in full. Basic elements of the Third Modification include implementation of a new revenue by SWACO applied to all solid waste generated within SWACO's jurisdiction and dedicated to the payment of the lease. The modified lease provides for a 35 percent reduction in the original lease obligation, contingent on successful implementation and continued collection of the new revenue source. Significantly, the modified lease provides for the deferral, with interest, of any amounts due but not paid under the modified lease for an indefinite period of time extending, if necessary, beyond the original term of the lease. Management believes that SWACO will be able to comply with the terms of the modified lease until the lease is paid in full (see Note 12, page 2-17).

Also during 1998, SWACO settled a second lawsuit challenging the \$5.00 per ton Generation Fee in a manner which left the fee in place and allowed SWACO to implement the new revenue source to meet its obligation to the City. In 1999 SWACO successfully implemented the new revenue called for in the modified lease and began making lease payments to the City of Columbus from the new revenue source (see New Revenue Source, page 1-10). The Ohio EPA approved an updated solid waste plan for the Franklin County District in February 2000, which extends the plan through the year 2008.

The Solid Waste Plan

HB 592 was designed to develop an organized and planned approach to solid waste management in Ohio and to avoid a solid waste crisis created by a shortage of landfill capacity within the state. As a result of HB 592, Ohio has been divided into 52 single and multi-county Solid Waste Districts. Each district is charged with developing and maintaining a written plan for solid waste management within the district. The primary purpose of HB 592 is to reduce reliance on landfills for solid waste disposal and SWACO's solid waste plan was drafted with this goal in mind when it was adopted in 1993. SWACO's Solid Waste Plan anticipated this reduction to come from two primary sources: waste reduction and recycling activities, and through the operation of the Waste-to-Energy Facility. With the closure of the facility in 1994, the reuse, reduction and recycling programs have taken on greater importance.

The Solid Waste Plan was updated during 1999, receiving approval from the Ohio Environmental Protection Agency in early 2000. The strategy for waste reduction contained in the plan emphasizes public education and awareness with active yard waste composting and household hazardous waste collection and disposal programs. If feasible, the plan calls for development of material recovery facilities for recycling commercial and residential waste.

SWACO has met Ohio's waste reduction goals of a twenty-five percent waste reduction rate by 1994. SWACO is continuing to implement the plan in accordance with the schedule approved by the State of Ohio. Waste generation and reduction data are shown in the Statistical Section, pages 3-16 through 3-27.

ECONOMIC OUTLOOK

The Solid Waste Authority is located principally within Franklin County, with the City of Columbus as the largest city within the District. In recent years both the County and the City have enjoyed healthy economies characterized by low unemployment, an increasing tax base, and strong economic development. During the latter part of 2001 and into the current year, the state and local economies have shown slower growth including higher unemployment and lower income and sales tax collections. Both the City of Columbus and the State of Ohio have struggled to balance their budgets for the upcoming year. None-the-less, both the City and the County maintain triple-A ratings on their long-term debt from the major rating agencies.

SWACO finances have not been severely impacted by the slowing economy. Unlike other state and local governments, SWACO's revenues are not tied to sales or income tax collections and it has been able to avoid a rate increase for a number of years. SWACO last increased the tipping fee at its landfill in 1999, and the 2002-2003 budget adopted by SWACO's Board of Trustees does not show an increase in the tipping fee during the 2002-2003 budget cycle.

The trend in the solid waste industry has been towards consolidations with fewer and larger disposal facilities owned by a limited number of national and regional solid waste companies. These consolidations are also taking place in the collection and hauling side of the business, including the consolidation of hauling and disposal capabilities. During the past four years, five previous mid-market customers of SWACO have been acquired by other larger waste companies. These consolidations have contributed to the volatility of SWACO's waste receipts, and individual waste hauling companies are now able to have a significant impact on the volume of waste received at or diverted from SWACO's landfill (see Table 5, Page 3-8).

The market for recycled materials has been inconsistent. This, combined with increased competition and lower landfill rates, has challenged SWACO Board and staff to develop programs that will allow SWACO to meet its goals and the requirements of HB 592 with respect to recycling and reducing reliance on landfills.

The introduction in 1999 of a new revenue source dedicated to the payment of the WTEF lease (the “Waiver Fee” and “Retired Facility Fee”, see page 1-10) has allowed SWACO to reduce its lease obligation to the City of Columbus by 35 percent. The partial forgiveness of the debt and the new revenue source have allowed SWACO to make significant reductions in the lease and provided a means for retirement of the obligation within a time frame acceptable to the City. Resolution of this matter has contributed greatly to a more stable outlook for the future of SWACO.

MAJOR INITIATIVES

2001 Accomplishments

During calendar year 2001, SWACO’s financial accomplishments were as follows:

- Achieved approximately \$11 million in net income, \$2.8 million more than budget and a \$2.5 million improvement in working capital over budget.
- Met all financial obligations to the City of Columbus and made supplemental payments in the form of credits applied for the remediation to the retention basin (\$1.8 million).
- Current on all interest owed to the City of Columbus pursuant to the WTEF lease. Paid \$7.2 million in principal, the first principal payments on the lease since 1996.
- Reserved \$1 million to pay estimated cost of model landfill gas collection system.
- Established a self-insurance fund and reserved \$3 million for same.
- Met all other obligations including principal and interest on County debt and EPA Trust Fund.
- Paid off original Franklin County landfill bonds.
- Operated all SWACO facilities and programs at a estimated cost of less than \$40 per household per year, approximately \$3 per month per household; SWACO continued to operate at a cost of service that is one of the lowest in the State of Ohio.

SWACO staff and the Board of Trustees identified a number of goals for 2001. These goals, and SWACO progress in 2001 in accomplishing these goals, were as follows:

1. *Complete RFP process to determine the best method for construction and operation of a Materials Recovery Facility (“MRF”).*
 - Developed a comprehensive MRF and solid waste handling facility request for proposal (RFP) and received six proposals.
 - Identified one proposal for a recycling system with the potential for being cost competitive with the landfill.
 - As a result of this process, identified three additional smart solutions for the processing of organic wastes including food, sludge and yard waste.
2. *Develop a “Recycling Mall” at the sanitary landfill.*
 - Agreements are in place establishing the “Recycling Mall”.

- Began the process of facilitating a dialogue between the City of Columbus and the property owners to allow for sanitary sewer and water services to be provided to “Recycling Mall” tenants.
 - Initiated discussions with Franklin County Commissioners to negotiate tax incentives for the property.
 - Identified to the landowner, potential occupants of the “Recycling Mall”.
3. *Develop a landfill beautification project.*
- The design of a landfill beautification plan is underway.
 - An engineering firm has been engaged to perform the preliminary design.
 - A concept drawing has been developed.
 - In a related project, has developed a conceptual plan for an educational exhibit at the Phoenix Golf Links.
4. *Develop landfill property protection plan.*
- Consolidated easements along the landfill right of way to maximize airspace.
 - Accelerated the installation of a landfill gas collection system to mitigate landfill odors.
 - Made effective use landfill buffer zone by construction of the Administrative Office.
 - Identified current and future land uses for parcels of property surrounding the landfill.
 - Successfully conducted the initial landfill Open House for neighbors of the landfill.
 - Made a timely response to events of 9/11 to assure continued facility operations and response to public emergencies, the state of readiness includes coordination with the Franklin County EMA and other local jurisdictional authorities.
5. *Develop Museum of Garbage.*
- Identified site for museum.
 - Made improvements to the building and grounds that will house the project.
 - Initiated discussion with the Ohio Historical Society on being a partner for curating the exhibit.
6. *Conduct feasibility study for construction of northwest transfer station.*
- Identified the Roberts Road facility as the best location based on the cost of the renovations at the Georgesville Road transfer station, the strategic location and the accessibility to the Northwest suburbs.
 - Initiated discussions with potential users of the site.
 - Began negotiations with the host City of Upper Arlington.
7. *Develop plan for collection and beneficial use of landfill gas at the operating landfill.*
- Competitively bid the construction of a LF gas management system at the FCSL.
 - Commenced construction of the system.

- Signed agreement with Alcohol Solutions for the beneficial end use of the gas.
 - Project is expected to generate revenue of \$300,000 per year for SWACO.
 - Project will manage landfill odors.
 - Additional phases will provide opportunities for further beneficial use of the gas at the Recycling Mall
 - The Administrative Office building has been designed to use electricity generated by landfill gas fueled microturbines.
8. *Develop an action plan for implementation of HB 700 if enacted into law.*
- Completed evaluation of impact of proposed interim liner rules.
 - Tracked proposed legislation.
 - Met with public officials, and OEPA.
 - Continuing to monitor the progress of the Bill or rules enacted by Ohio EPA.
9. *Competitively bid the site operation of the sanitary landfill.*
- Results of an independent operational audit indicated that the current operational contract was market competitive and served as the basis for successful negotiation with the site operator.
 - This led to a savings of over \$1.5 million per year in either contract fees or out-of-county disposal costs.
10. *Develop an action plan for the yard waste composting program for the years 2002 – 2007 including the incorporation of other organic materials to the extent feasible.*
- Kurtz Brothers contract was extended for five additional years.
 - Converting the Roberts Road Transfer Station to a grind and haul facility.
 - SWACO is currently negotiating with the City of Columbus to process yard waste at the Southwesterly Compost Facility at a cost that is less than the cost of the Kurtz contract.
 - The northeast location for processing and/or grinding and hauling yard waste was included at the direct request of communities in the northeast quadrant in the year 2000.
 - Exploring food waste and other organics composting.
 - Contract with Genahol has the potential to reduce unit composting costs by 75%, with a savings of over \$750,000 per year.
11. *Sublease the WTEF to one or more tenants and complete disposition of surplus property located at the facility.*
- Negotiating with two potential subtenants for the WTEF (both are recycling projects).
 - Significant progress made on cleanup of facility including BUSTR compliance (underground fuel tanks).
 - Two of three turbine generators sold for \$1.6 million.
 - Sale pending on third turbine generator for \$800,000.
 - SO₂ allowances sold for a total of \$600,000.

- Modified MESI contract for cleanup of sedimentation pond saving \$300,000.
12. *Continue implementation of Capital Improvements Plan including construction of the Central Office Building and relocation of Authority offices to new building, infrastructure improvements at the Sanitary and Transfer Stations including the controlled access system and automated truck system, and construction of permanent Household Hazardous Waste Facility.*
- Administrative Office Building substantially complete.
 - Infrastructure Improvements at landfill complete.
 - Transfer Station improvements designed but on hold for further study of needs for MRF/MSW handling facilities.
 - Controlled access system completed and implemented.
 - HHW facility designed and bid (on hold due to bid prices and investigation of new technology).
 - Evaluated the market for a privately owned fueling station at the landfill.
 - Designed, bid and commenced construction of fueling stations at the transfer stations.
13. *Implement reorganization plan as outlined in 2000 budget.*
- Restructured reporting relationships within SWACO.
 - Elements of Maximus study were implemented.
 - Centralized administrative functions.
 - Established a comprehensive public information program and branding for SWACO.
 - Hired Assistant Executive Director.
 - Updated Employee Handbook.
 - Instituted comprehensive employee training program.
 - Implemented salary-based compensation structure for exempt employees.
14. *Make progress towards the requirements of the Solid Waste Plan to increase waste reduction efforts 70,000 tons by 2001. This includes implementing a number of pilot projects to determine the cost effectiveness of alternative recycling technologies including:*
- Feasibility of used carpet recycling was studied and pilot project completed.
 - Co-collection of solid waste and source-separated recyclable material was conducted in two communities.
 - Small-business office paper recycling program is continuing to grow and collection amount has doubled.
 - Initiated contact with an end-user to direct substantial volume of mixed paper away from landfill.
15. *Continue progress on SWACO's Community Technical Assistance Program and expand to other local political subdivisions and businesses.*
- Continued progress was made in SWACO's Community Technical Assistance Program.

SWACO worked with Bexley and Reynoldsburg to develop a cooperative waste management system for Plain Township, Jefferson Township and the Village of New Albany. Two communities fostered competition among service providers through the restructuring of the bidding process. This is due to the direct involvement of SWACO in providing guidance on best practices in the approach to contracting, cost analysis and enhancing competition among solid waste providers including startup and small businesses. SWACO will continue to work with Franklin Township, Dublin and Grove City and expand to other local political subdivisions and businesses. New Albany and Plain Township will be combining their invitation to bid for waste collection services. SWACO also completed a pilot recycling program to determine the feasibility of including automated collection using a split-compartment truck as a collection option.

- Made significant progress toward completion of projects of mutual interest involving several major community partners, including:

The Columbus Zoo (My House)

COSI (Zero Waste)

Columbus Regional Airport Authority (Recycling System)

Ohio Penal Industries (Development of canvas chair backs)

Most of Franklin County political subdivision and several state agencies as part of an aggressive effort to address societal problem related to litter

Ohio Department of Natural Resources Division of Litter Prevention and Recycling (Recycled Market Development Grant)

Bexley High School (Athletic Fields)

Grove City YMCA (Recycled products)

- Made significant progress toward completion of projects of mutual interest involving several major community partners, including:

The Ohio Exposition Center (Zero waste plan)

Columbus Public School District (Recycling program)

The Martin Luther King Center (Educational displays and activities)

The Franklin County Humane Society (Zero Waste Event)

16. *Continue implementation of project accounting system to include personnel, administrative, and fleet maintenance costs.*

- Completed a review of SWACO's existing system and determined that it would be necessary to update to new database technology.
- Engaged consultant to assist SWACO in selection of a new system.
- As a result of an RFP process, selected a vendor to install Microsoft/Great Plains Solomon.
- The new system will allow full project cost accounting.
- Purchased a new fleet maintenance system including inventory tracking.

Priorities for 2002

During 2002 SWACO will be concentrating on projects to improve recycling of waste streams that traditionally have been difficult to recycle. This includes waste tires and polystyrene plastic. SWACO is exploring cooperative efforts with private businesses to achieve these goals. SWACO will also be investigating projects to increase the removal of paper and other cellulose-based materials from the waste stream. Paper is the single largest component in the waste stream and is a high priority target for SWACO. SWACO will be focusing on programs that explore alternatives for the collection and processing of recyclable materials using new or alternative technology. The hope is to develop programs that improve the economics of recycling to increase its competitiveness with landfill disposal and enhances the long-term viability of recycling programs.

FINANCIAL INFORMATION

Sources and Uses of Funds

SWACO derives its revenue principally from two sources: (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 county. These fees are established pursuant to authorization within the Ohio Revised Code and pursuant to agreements established with private or public landfill owners. In order to ensure statutory and contractual compliance, SWACO maintains two separate subfunds, the Operating Fund and the Program Fund, to segregate revenues and expenses as to the sources and uses of funds. The Operating Fund is further segregated into continuing operations (landfill and transfer stations) and discontinued operations (WTEF and Model Landfill).

Operating Fund-Continuing Operations

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. These revenues are derived primarily from rates and charges established pursuant to Ohio Revised Code Section 343.08. The Operating Fund is used to support the operations of SWACO's solid waste facilities and, to the extent available, pay the cost of SWACO's closed facilities.

New Revenue Source

In 1998 SWACO and the City of Columbus agreed to a modification to the WTEF lease (the "Third Modification") which required the implementation of a new revenue source collected on all waste generated within the District and dedicated to the payment of the lease. Pursuant to the Third Modification, and under authority granted by the Ohio Revised Code, SWACO adopted a rule in 1998, effective April 1, 1999, requiring that all waste generated within SWACO's jurisdiction be delivered only to an Authority facility, unless a waiver has been granted to another facility or the waste is disposed at a facility outside the State of Ohio (Rule 1-98). 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”). During 2000 and 2001, waiver agreements were in place for all landfills which received District waste during these years.

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 Rule 1-98 waiver agreements, the Waiver Fee is set equal to the Retired facility Fee (initially \$7.00 per ton). Taken together, the Retired Facility Fee and the Waiver fee comprise the New Revenue called for in the Third Modification.

Operating Fund-Discontinued Operations

In accordance with the Third Modification, revenues from the New Revenue Source, as well as income derived from the sale or lease of the surplus plant property are used only to pay the lease obligation on the closed Waste-to-Energy Facility. Funds provided by continuing operations and used for closed facilities are shown as internal transfer income within discontinued operations. The segregation of discontinued and continuing operations allows the evaluation of the financial status of SWACO’s ongoing operations excluding the effects of the closed Waste-to-Energy Facility and the Model Landfill.

Program Fund

The Program Fund receives the Generation Fee paid on waste generated in Franklin County and disposed of at SWACO’s landfill or other public or privately-owned landfills. Generation Fees are authorized by ORC Section 3734.57 and may only be used for eligible purposes prescribed in the Revised Code. These include 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.

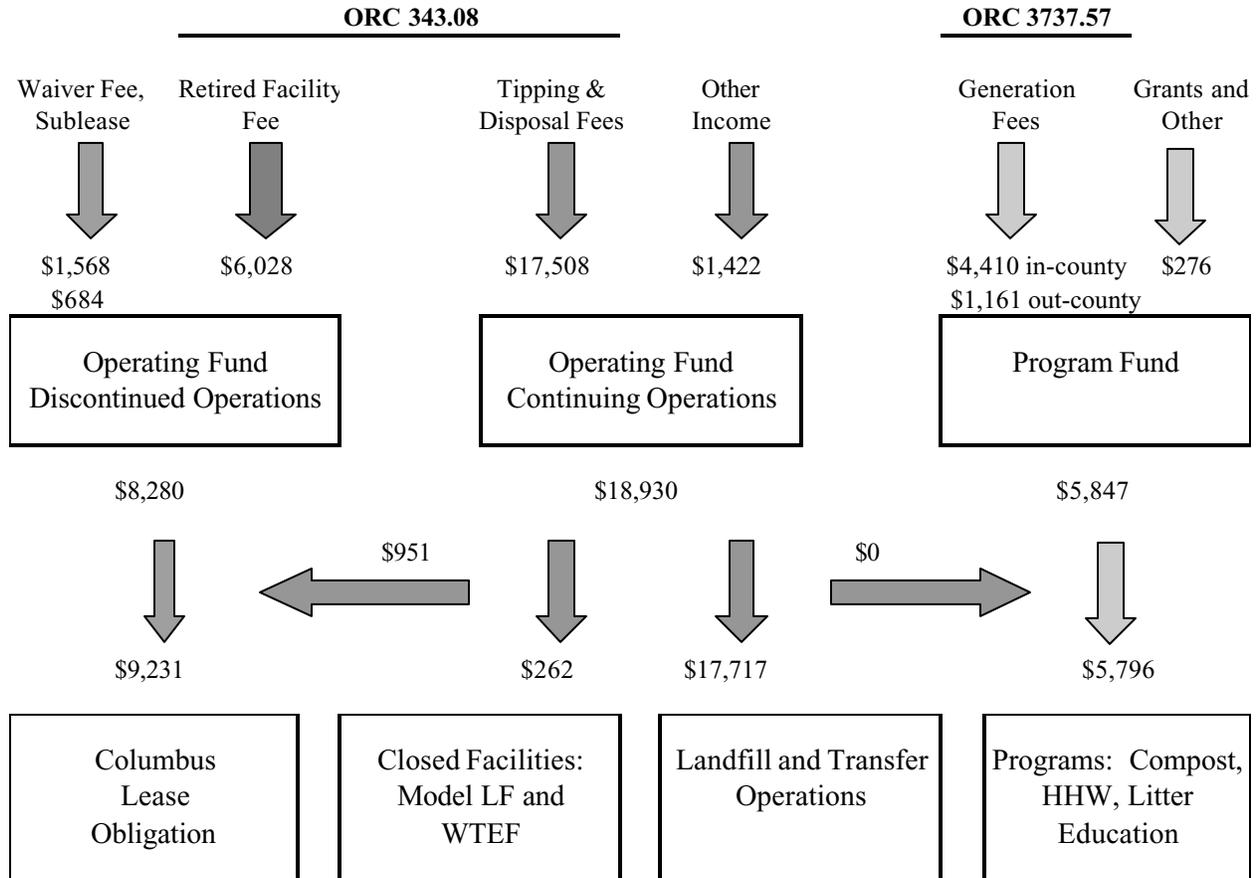
For purposes of the financial statements shown on pages 2-3 through 2-6 SWACO is presented as one enterprise fund and the Operating and Program Funds are combined. The budgetary data shown on pages 1-15 to 1-24 and the supplemental information shown on pages 2-23 through 2-25 provides balance sheet and revenue and expense information at the subfund level.

The exhibit shown on page 1-12 is a flow chart illustrating SWACO’s major sources and uses of funds as well as the statutory authorization for SWACO’s fees.

Waste-to-Energy Facility Lease Obligation

The closure of the Waste-to-Energy Facility (the “WTEF”) has had a significant impact on SWACO’s financial statements. Even though the facility is closed, the obligation to pay the City of Columbus under the lease agreement remains. As a result of the closure, however, the facility has been reduced in value from \$162 million at the end of 1993 to \$6.3 million at the end of 2000. This is the principal reason for the \$105 million accumulated deficit shown on SWACO’s balance sheet at the end of 2001.

Sources and Uses of Funds 2001 (\$000)



With closure of the WTEF, SWACO was unable to pay 100 percent of the original lease obligation to the City and began negotiating with the City to establish a revised lease payment schedule it could meet. From 1994 to 1997, SWACO paid or received credit for a total of \$20.3 million on the lease out of a total amount due of \$52.7 million. Under two modifications to the lease approved in 1996 and 1997, the City agreed to defer the \$32.4 million not paid by SWACO, plus an additional \$2.7 million in accrued interest. Significantly, the City did not declare SWACO in default under the lease for failure to pay the lease obligation when due.

The amounts paid to the City since closure of the plant and prior to 1999 have been paid from surpluses generated from operation of SWACO's landfill, not from income derived from the closed facility. SWACO's ability to generate a profit from the operation of its facilities to pay the lease obligation became increasingly difficult in the highly competitive solid waste market. Additionally, the City's agreement to direct all its waste to SWACO facilities combined with the decrease in SWACO waste receipts indicated that a growing percentage of lease payments to the City was coming from revenue received from the City itself for solid waste disposal.

In 1998, SWACO and the City reached agreement on a revised lease (the “Third Modification”). Under the terms of the Third Modification (which are explained in more detail in Note 12, page 2-17), the City initially forgave 4.5 percent of the lease obligation with an additional 30.5 percent forgiven if SWACO implemented and sustained a new fee levied on all waste generated within the County (the “New Revenue”). Significantly, it is not necessary for SWACO to generate a surplus at its solid waste facilities to pay the City. Instead, the New Revenue will be used to pay the lease. Additionally, any income from the sublease of the facility will be paid to the City. Finally, any amounts not paid when due by SWACO will be deferred by the City at an annual interest rate of 4.5 percent.

The New Revenue was not in force at the end of 1998, and SWACO recorded a gain in 1998 of \$7.2 million reflecting the 4.5 percent reduction in the lease obligation for the period 1995-2010. Since the modified lease contains a provision for reinstatement of the 30.5 percent reduction if the New Revenue is repealed or removed, the gain associated with the 30.5 percent reduction is to be recognized as it is earned over the remaining life of the lease. With enactment of the New Revenue on April 1, 1999 (see New Revenue Source, page 1-10), the lease obligation was reduced by the additional 30.5 percent for a total reduction of 35 percent for the period January 1, 1995 to December 31, 1999. SWACO recorded a gain of \$27.7 million for fiscal 1999, representing the additional reduction to the lease for the period 1995-1999 and gains of \$3.7 million and \$3.9 million for the years 2000 and 2001, respectively. SWACO will recognize gains totaling \$27.2 million for the years 2002 through 2010, representing the additional 30.5 percent reduction in the lease obligation if the new revenues remain in place through the end of the original lease term.

SWACO believes it will be able to meet the terms of the revised lease until the lease is paid in full. The New Revenue is subject to challenge by private haulers or solid waste generators. However, management is not aware of any challenges raised to date.

During 2001, SWACO realized significant income from the sale of surplus property located at the facility. Two of the three turbine generators were sold for total of \$1.6 million. The receipts from the sale were applied to the lease. The carrying value of the facility was reduced to \$4.6 million at the end of 2001 as a result of the sale of equipment.

Model Landfill

During 1998 SWACO awarded a contract to upgrade and maintain the cap and to improve surface water drainage at the closed Model Landfill. These improvements are expected to last a minimum of ten years before significant remediation of the cap would be required again. As part of the process to award the construction contract, SWACO asked for proposals from prospective contractors to incorporate the remediation project into a beneficial end-use for the site. Such proposals were received and SWACO leased the property to the contractor constructing the improvements, who developed a public golf course at the site. Management believes that if the golf course is successful, the cost of future remediation, maintenance and monitoring and the related liability would be significantly reduced.

The amounts reported as Model Landfill closure and postclosure care liability in SWACO's financial statements as of December 31, 2001 represent the estimated cost of upgrading the of future remediation, maintenance and monitoring costs. The estimated cost was revised in 1998. The revised estimate was \$13.9 million less than the amount previously reported and this was reported as an increase in 1998 net income. Among other reasons, the previous estimate was higher than the current estimate because it assumed that the facility would need to be capped with a synthetic liner at a considerably higher cost.

2001 Budget to Actual Comparison

The schedules shown on pages 1-15 to 1-24 compare actual results to the original budget for the fiscal year ending December 31, 2001.

Budget Amendments

Actual expenses in certain accounts exceeded the original budget. These overruns were authorized by budget amendments approved by resolution of the Board of Trustees. Including these budget amendments, SWACO spending was within the authorized limits for all budgetary control accounts. Budget amendments approved by the Board during 2001 were as follows:

2001 Budget Amendments Approved by the Board of Trustees

<u>Resolution</u>	<u>Date</u>	<u>Fund</u>	<u>Purpose</u>	<u>Account</u>	<u>Amount of Increase</u>
07-01	16-Jan-01	Operating Program	Implement DMG Maximus study Implement DMG Maximus study	Salaries, wages and benefits Salaries, wages and benefits	\$ 85,000 15,000
49-01	19-Apr-01	Operating Program Operating Program Operating Program Operating Program	Litter cleanup program Litter cleanup program Litter cleanup program Administrative office building Internal charges	Internal charges Salaries, wages and benefits Contracts, services and supplies Capital outlays Internal charges	50,000 160,000 10,000 1,050,000 50,000
60-01	24-May-01	Program Program	HHW event staffing OSU recycling, com./ind. waste reduction, Model Landfill recycling	Salaries, wages and benefits Contracts, services and supplies	5,500 278,250
76-01	21-Jun-01	Program Program	Increase re:Art staffing by 1 FTE Port Columbus (\$49,500), COSI (\$18,950), Buy recycled (\$6,800)	Salaries, wages and benefits Contracts, services and supplies	25,000 75,250
97-01	4-Sep-01	Operating Operating	Reorganization Landfill contract, legal fees, WTEF electricity	Salaries, wages and benefits Contracts, services and supplies	75,000 235,000

Revenues and other income by Fund and Major Account - Budget and Actual¹
Year ended December 31, 2001
(in thousands)

Operating Fund - Continuing Operations

	Original		Favorable (unfavorable)	
	2001 Budget	2001 Actual	Variance	
			Amount	Percent
Tipping fees	\$13,285	\$13,462	\$ 177	1.3%
Waste transfer fees	3,707	3,803	96	2.6%
Tires & white goods	245	243	(2)	-0.8%
Other income	75	127	52	69.3%
Total operating revenue	17,312	17,635	323	1.9%
Interest income	1,939	1,296	(643)	-33.2%
Gain on sale of assets	-	68	68	n/a
Total Continuing Operations	19,251	18,999	(252)	-1.3%

Operating Fund - Discontinued Operations

Retired Facility Fee	\$6,013	\$6,028	15	0.2%
Waiver Fee	1,937	1,568	(369)	-19.1%
Total New Revenue	7,950	7,596	(354)	-4.5%
Gain on forgiveness of debt	3,731	3,929	198	5.3%
Sublease & misc. income	400	683	283	n/a
Total Discontinued Operations	12,081	12,208	127	1.1%

Program Fund

Generation Fees (in-county)	4,400	4,410	10	0.2%
Generation Fees (out-of-county)	1,425	1,161	(264)	-18.5%
Total Generation Fees	5,825	5,571	(254)	-4.4%
ODNR Grants	100	138	38	38.0%
Waste Transfer Fees	50	81	31	n/a
Other income	45	57	12	26.7%
Total Program Fund	6,020	5,847	(173)	-2.9%
Total Solid Waste Authority	\$ 37,352	\$ 37,054	\$ (298)	-0.8%

¹ Does not include inter-fund transfers.

Expenses by Fund and Major Account- Budget and Actual
Year ended December 31, 2001
(in thousands)

Operating Fund - Continuing Operations

	Original		Favorable (unfavorable)	
	2001 Budget ¹	2001 Actual	<u>Variance</u>	
			Amount	Percent
Salaries, wages and benefits:				
Salaries and wages	\$ 2,055	\$ 2,272	(\$217)	-10.6%
Overtime	228	183	45	19.7%
PERS and medicare	524	553	(29)	-5.5%
Health care and other insurance	365	363	2	0.5%
Accrued vacation and other benefits	183	130	53	29.0%
Total salaries, wages and benefits	3,355	3,501	(146)	-4.4%
Contracts, services & supplies:				
Landfill site operator contract	4,170	4,642	(472)	-11.3%
Site operator-waste limit fee	559	0	559	100.0%
Out-of-County disposal contract	1,014	0	1,014	100.0%
EPA & TWSP fees	1,760	1,755	5	0.3%
Fleet maintenance and fuel	830	738	92	11.1%
Utilities and communication	211	157	54	25.6%
Property, MV and liability insurance	171	82	89	52.0%
Taxes & licenses	148	165	(17)	-11.5%
Outside legal counsel	35	104	(69)	-197.1%
Engineering/environmental monitoring	138	162	(24)	-17.4%
Professional services	162	141	21	13.0%
Building and grounds maintenance	86	78	8	9.3%
Other operating expenses	417	395	22	5.3%
Total contracts, services & supplies	9,701	8,419	1,282	13.2%
Subtotal, Landfill volume related contracts, services and supplies	7,503	6,397	1,106	14.7%

¹ Original 2001 Budget excludes increases approved by the Board of Trustees.

* continued next page *

Expenses by Fund and Major Account- Budget and Actual
Year ended December 31, 2001
(in thousands)

Operating Fund - Continuing Operations

* continued from previous page *

	Original		Favorable (unfavorable)	
	2001 Budget	2001 Actual	<u>Variance</u>	
			Amount	Percent
Depletion, depreciation, closure & other:				
Landfill development cost depletion	\$ 241	\$ 220	21	8.7%
Depreciation	1,378	1,165	213	15.5%
Landfill closing costs	962	942	20	2.1%
Other	-	1	(1)	n/a
Internal charges	(425)	(415)	(10)	2.4%
Total depletion, depreciation, closure and other	2,156	1,913	243	11.3%
Total operating expenses	15,212	13,833	1,379	9.1%
Interfund transfers for discontinued operations:				
WTEF lease payments	2,408	951	1,457	60.5%
WTEF layup cost paid	-	141	(141)	n/a
Model Landfill closure cost paid	250	121	129	51.6%
Total interfund transfers	2,658	1,213	1,445	54.4%
Interest expense	896	895	1	0.1%
Total Continuing Operations	<u>\$ 18,766</u>	<u>\$ 15,941</u>	<u>\$ 2,825</u>	<u>15.1%</u>

¹ Original 2001 Budget excludes increases approved by the Board of Trustees.

Expenses by Fund and Major Account- Budget and Actual
Year ended December 31, 2001
(in thousands)

Operating Fund - Discontinued Operations

	Original		Favorable (unfavorable)	
	2001 Budget ¹	2001 Actual	<u>Variance</u>	
			Amount	Percent
Salaries, wages and benefits:				
Salaries and wages	\$ 88	\$ 86	\$ 2	2.3%
PERS and medicare	25	20	5	20.0%
Health care and other insurance	8	8	-	0.0%
Accrued vacation and other benefits	17	(18)	35	205.9%
	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries, wages and benefits	138	96	42	30.4%
Contracts, services & supplies:				
Utilities	30	89	(59)	-196.7%
Building maintenance expenses	16	23	(7)	-43.8%
Property insurance	12	-	12	100.0%
Asset sale and disposal	267	174	93	34.8%
Less paid from accrued expenses	(242)	(174)	(68)	28.1%
	<hr/>	<hr/>	<hr/>	<hr/>
Total Contracts, services & supplies	83	112	(29)	-34.9%
Interest expense	6,326	5,218	1,108	17.5%
Depreciation	158	-	158	100.0%
	<hr/>	<hr/>	<hr/>	<hr/>
Total Discontinued Operations	<u>\$ 6,705</u>	<u>\$ 5,426</u>	<u>\$ 1,279</u>	<u>19.1%</u>

¹ Original 2001 Budget excludes increases approved by the Board of Trustees.

Expenses by Fund and Major Account- Budget and Actual
Year ended December 31, 2001
(in thousands)

Program Fund

	Original	2001	Favorable (unfavorable)	
	2001	2001	<u>Variance</u>	
	Budget ¹	Actual	Amount	Percent
Salaries, wages and benefits:				
Salaries and wages	480	529	\$ (49)	-10.2%
PERS and medicare	100	111	(11)	-11.0%
Health care benefits	33	47	(14)	-42.4%
Accrued vacation and other benefits	36	21	15	41.7%
Total salaries, wages and benefits	649	708	(59)	-9.1%
Contracts, services & supplies:				
Yard Waste Composting	1,980	2,230	(250)	-12.6%
Household Hazardous Waste Collection	586	502	84	14.3%
Residential Diversion	317	238	79	24.9%
Litter Prevention	926	720	206	22.2%
Residential Education and Assistance	731	249	482	65.9%
Commercial and Industrial Diversion	315	279	36	11.4%
School-Based Education	206	126	80	38.8%
re:ART	113	74	39	34.5%
Administrative and Support & other	121	215	(94)	-77.7%
Total contracts, services & supplies	5,295	4,633	662	12.5%
Internal charges	425	415	10	2.4%
Depreciation/other	64	40	24	37.5%
Total Program Fund	<u>\$ 6,433</u>	<u>\$ 5,796</u>	<u>\$ 637</u>	<u>9.9%</u>

¹ Original 2001 Budget excludes increases approved by the Board of Trustees.

Schedule of Revenues, Expenses, and Changes in Retained Balance - Budget and Actual
Year ended December 31, 2001
(in thousands)

Operating Fund - Continuing Operations

	Original		Favorable (unfavorable)	
	2001 Budget	2001 Actual	<u>Variance</u>	
			Amount	Percent
Revenues:				
Tipping and disposal fees	\$13,530	\$13,705	\$175	1.3%
Transfer fees	3,707	3,803	96	2.6%
Other	75	127	52	69.3%
	<hr/>		<hr/>	
Operating revenues	17,312	17,635	323	1.9%
Expenses:				
Salaries, wages and benefits	3,355	3,501	(146)	-4.4%
Contracts, services and supplies	9,701	8,419	1,282	13.2%
Depreciation, depletion & other	1,619	1,386	233	14.4%
Landfill closing expenses	962	942	20	2.1%
Internal charges	(425)	(415)	(10)	2.4%
	<hr/>		<hr/>	
Operating expenses	15,212	13,833	1,379	9.1%
Operating income	2,100	3,802	1,702	81.0%
<hr/>				
Nonoperating income (expenses):				
Interest expense	(896)	(895)	1	-0.1%
Interest income	1,939	1,296	(643)	-33.2%
Gain on sale of assets	-	68	68	n/a
Interfund transfers	(2,658)	(1,213)	1,445	-54.4%
	<hr/>		<hr/>	
Total nonoperating expenses	(1,615)	(744)	871	-53.9%
Net income	485	3,058	2,573	530.5%
Retained balance, beginning of year	10,976	11,023	47	0.4%
	<hr/>		<hr/>	
Retained balance, end of year	\$11,461	\$14,081	\$2,620	22.9%
	<hr/>		<hr/>	

Schedule of Revenues, Expenses, and Changes in Retained Balance - Budget and Actual
Year ended December 31, 2001
(in thousands)

Operating Fund - Discontinued Operations

	Original		Favorable (unfavorable)	
	2001 Budget	2001 Actual	<u>Variance</u>	
			Amount	Percent
Revenues:				
Retired Facility and Waiver Fees	\$7,950	\$7,596	(\$354)	-4.5%
Sublease income and other	400	683	283	n/a
Operating revenues	8,350	8,279	(71)	-0.9%
Expenses:				
Salaries, wages and benefits	138	96	42	30.4%
Contracts, services and supplies	83	112	(29)	-34.9%
Depreciation	158	-	158	n/a
Operating expenses	379	208	171	45.1%
Operating income	7,971	8,071	100	1.3%
Nonoperating income (expenses):				
Gain on forgiveness of debt	3,731	3,929	198	5.3%
Interest expense	(6,326)	(5,218)	1,108	-17.5%
Interfund transfers	2,658	1,213	(1,445)	-54.4%
Total nonoperating income	63	(76)	(139)	-220.6%
Net income	8,034	7,995	(39)	-0.5%
Retained deficit, beginning of year	(132,805)	(134,458)	(1,653)	1.2%
Retained deficit, end of year	(\$124,771)	(\$126,463)	(\$1,692)	1.4%

Totals may not add due to rounding.

Schedule of Revenues, Expenses, and Changes in Retained Balance - Budget and Actual
Year ended December 31, 2001
(in thousands)

Program Fund

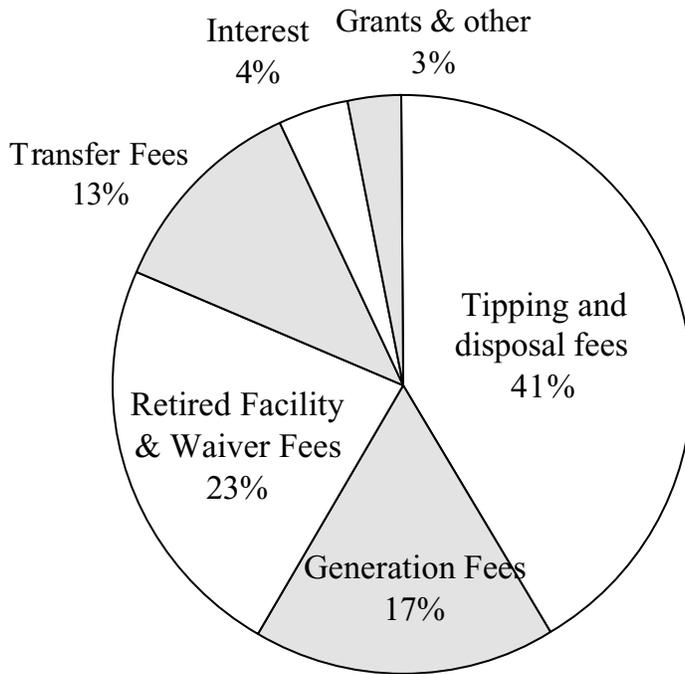
	Original 2001 Budget	2001 Actual	Favorable (unfavorable) Variance	
			Amount	Percent
Revenues:				
Generation fees	\$ 5,825	\$ 5,571	\$ (254)	-4.4%
Waste Transfer Fees	50	81	31	n/a
Other	45	57	12	n/a
	<hr/>	<hr/>	<hr/>	<hr/>
Operating revenues	5,920	5,709	(211)	-3.6%
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Expenses:				
Salaries, wages and benefits	649	708	(59)	-9.1%
Contracts, services and supplies	5,295	4,633	662	12.5%
Depreciation and other	64	40	24	37.5%
Internal charges	425	415	10	2.4%
	<hr/>	<hr/>	<hr/>	<hr/>
Operating expenses	6,433	5,796	637	9.9%
	<hr/>	<hr/>	<hr/>	<hr/>
Operating income	(513)	(87)	426	-83%
	<hr/>	<hr/>	<hr/>	<hr/>
Nonoperating income:				
Grants	100	138	38	38.0%
	<hr/>	<hr/>	<hr/>	<hr/>
Net income	(413)	51	464	-112.3%
	<hr/>	<hr/>	<hr/>	<hr/>
Retained balance, beginning of year	7,081	7,517	436	6.2%
	<hr/>	<hr/>	<hr/>	<hr/>
Retained balance, end of year	\$ 6,668	\$ 7,568	\$ 900	13.5%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Schedule of Revenues, Expenses, and Changes in Retained Balance - Budget and Actual
Year ended December 31, 2001
(in thousands)

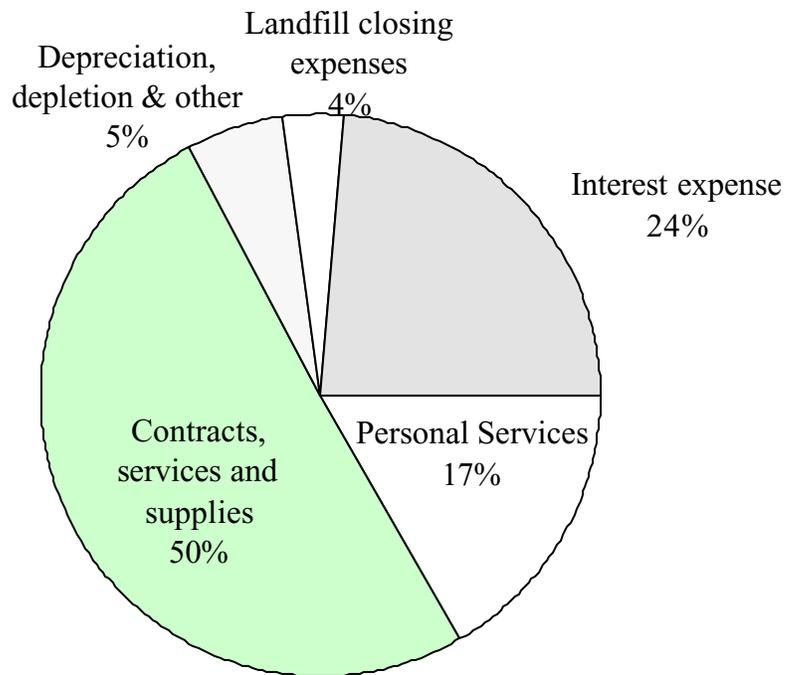
Operating Fund and Program Funds Combined

	Original		Favorable (unfavorable)	
	2001 Budget	2001 Actual	<u>Variance</u>	
			Amount	Percent
Revenues:				
Tipping and disposal fees	\$13,530	\$13,705	\$175	1.3%
Transfer fees	3,757	3,885	128	3.4%
Retired facility and waiver fees	7,950	7,596	(354)	-4.5%
Generation fees	5,825	5,571	(254)	-4.4%
Other	520	867	347	66.7%
	<hr/>	<hr/>	<hr/>	<hr/>
Operating revenues	31,582	31,624	42	0.1%
Expenses:				
Salaries, wages and benefits	4,142	4,305	(163)	-3.9%
Contracts, services and supplies	15,079	13,164	1,915	12.7%
Depreciation, depletion & other	1,841	1,426	415	22.5%
Landfill closing expenses	962	942	20	2.1%
	<hr/>	<hr/>	<hr/>	<hr/>
Operating expenses	22,024	19,837	2,187	9.9%
Operating income	<hr/>	<hr/>	<hr/>	<hr/>
	9,558	11,787	2,229	23.3%
Nonoperating income (expenses):				
Gain on forgiveness of debt	3,731	3,929	198	5.3%
Interest expense	(7,222)	(6,113)	1,109	-15.4%
Interest income	1,939	1,296	(643)	-33.2%
Grants	100	138	38	38.0%
Gain on sale of assets	-	68	68	n/a
	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating expenses	(1,452)	(682)	572	-39.4%
Net income	8,106	11,105	2,801	34.6%
Retained deficit, beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
	(114,748)	(115,918)	(1,170)	1.0%
Retained deficit, end of year	<hr/>	<hr/>	<hr/>	<hr/>
	(\$106,642)	(\$104,813)	\$1,631	-1.5%

2001 Revenues by Source



2001 Expenses by Category



Internal Control Structure

SWACO relies on segregation of duties as its primary means of ensuring an internal control structure that adequately safeguards SWACO's assets and the reliability of SWACO's financial records. The Authorization of transactions begins with the Board of Trustees. The Board adopts an annual operating and capital improvements budget and Board approval is required on all contracts exceeding \$50,000. Certain contracts of less than \$50,000 may also require Board approval under the Board's procurement policy. Additionally, the Board must approve the disposition of property, the setting of rates and charges, and major policies and rules of SWACO. SWACO's Chief Legal Counsel reviews resolutions of the Board and SWACO contracts for compliance with the Board's policies, SWACO's bylaws and the Ohio Revised Code and approves them as to form.

Each department is responsible for authorizing the payment of expenses and determining the account used to record transactions. The Finance Department reviews the transactions for compliance with Board policy, the Ohio Revised Code, and generally accepted accounting principles and disburses funds to pay valid obligations of SWACO. Disbursements in excess of \$10,000 require two signatures. Monthly expense reports are distributed to each department to permit verification of the recorded transactions.

With respect to revenues, each waste-receiving facility records each receipt of waste as a separate transaction, either on a pre-approved credit account or as a cash sale. Credit charges are aggregated and monthly invoices are mailed to SWACO customers. Payments on account are directed to SWACO's bank lock-box. Cash receipts are deposited daily and reconciled to the cash sales journal. The Finance Department reconciles the monthly invoices with the sales transactions reported by the individual weigh stations.

The report of SWACO's independent accountants, included in Part 4 of the CAFR, indicates that the accountants "noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses."

Budgetary Control

The Board of Trustees adopts an operating and capital improvements budget resolution. Budgetary control is maintained by the Board at the major account (Salaries, wages and benefits; Contracts, services and supplies; Interest expense; etc.) and fund level. The Executive Director is authorized to make transfers between departments within the same fund and major accounts. Board approval is required to transfer between major accounts or to increase the budget within a fund. Budget status reports for 2001 are shown on pages 1-15 through 1-24 of this section.

Budget Principles

The Board of Trustees has identified the following principles for staff to follow in budget development:

- Continued compliance with all state, federal and local environmental, health and safety regulations.
- Continued compliance with HB 592 by reducing reliance on landfills and encouraging reduction, reuse, and recycling.
- Use of the generation fee as a tool for solid waste plan implementation and to encourage recycling and waste minimization.
- Maintenance of a safe working environment for employees and safe public access areas for customers and clients of the Solid Waste Authority.
- Convenience and good service to customers at transfer stations and landfill.
- Fulfillment of lease obligation to the City of Columbus to the greatest extent possible.
- Maintenance of adequate working capital levels with a target of \$3.0 million set by the City of Columbus Third Modification.

Basis of Accounting and Accounting Controls

SWACO prepares financial statements and budgets on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when incurred. SWACO's budget differs from a cash-basis budget, such as those used by most government entities, in the following ways:

- Depreciation and depletion are included as an expense. These expenses are used to amortize capital outlays and landfill development costs during the periods in which the assets are used instead of during the periods the actual cash outlays occur.
- Capital outlays for (fixed assets and capital improvements) are not shown as an expense but as a use of funds.
- Debt service payments for principal are shown as a use of working capital but not as an expense.
- Expenses for landfill closure are accrued based on estimated costs as landfill capacity is used and shown as a use of funds when payments are made to outside vendors for actual closure costs.
- In place of "Fund Balance" (unencumbered cash) used in cash-basis budgeting, SWACO focuses on working capital (current assets over current liabilities) and changes in working capital.

SWACO maintains an automated financial accounting system on its local area computer network. The system is an integrated Windows-based system and includes general ledger, cash, accounts receivable, accounts payable, and fixed asset modules. A separate Windows-based point-of-sale system is used to record waste receipts and sales. An electronic interface records sales data in the accounting system. Payroll is processed using an outside service provider. Payroll data is manually recorded on the accounting system.

Closure Trust Fund

Upon closure of the expanded landfill, SWACO will be faced with capping the completed landfill and providing for its long-term post-closure care. The Ohio Environmental Protection Agency requires landfill operators to provide assurance that they will be able to meet this financial obligation. Pursuant to this requirement, the Board of Trustees established a Trust Fund in 1993 to provide for the closure of the landfill prior to its expansion. Upon approval of the permit for the expanded landfill, SWACO placed the existing Trust Fund (which was fully funded for the pre-expanded landfill) into a trust fund for the expanded landfill. The balance in the Trust Fund stood at \$14.4 million at the end of 2001.

Debt Management

SWACO's long-term debt obligations are comprised of the long-term lease obligation with the City (see Waste-to-Energy Facility Lease Obligation, page 1-11) and two separate debt agreements with the County. Upon acquisition of the former County landfill in 1991, SWACO assumed payment of the remaining debt service on the \$1.7 million in general obligation bonds initially issued by the County to construct the landfill. During 2001 the final maturity was paid on these bonds.

In 1992, the County issued, on behalf of SWACO, \$10.0 million in general obligation bond anticipation notes to fund SWACO's capital improvements projects. The notes were renewed on an annual basis beginning in 1993. The County issued \$20.0 million in general obligation bonds in 1997 to permanently finance the notes and to provide an additional \$10.0 million in capital improvements funds for SWACO. The bonds have been secured by granting the County a mortgage on the landfill real property, a security interest in the landfill personal property, and an assignment of rents, permits, and licenses. At the end of 2000, all of the additional borrowing had been spent. SWACO began repaying principal in 1998 and at the end of 2001 the principal balance stood at \$17,505,000.

The Statistical Section, pages 3-31 through 3-33, provides debt service and lease payment schedules for the long-term obligations of SWACO.

Cash Management

With the exception of cash customers of the landfill, all payments of tipping fees and generation fees are directed to SWACO's bank lock-box. In addition to maximizing internal control over these receipts, this also ensures the immediate investment of SWACO's deposits. SWACO staff located outside the Finance Department deposit cash sales and certain miscellaneous receipts (such as grant payments). The Finance Department audits these deposits and reconciles them to sales reports and other external documents. SWACO invests in accordance with an investment policy adopted by its Board of Trustees pursuant to state statute. The investment policy emphasizes safety and liquidity and permits investment in U.S. treasury and agency obligations, the State Treasury Asset Reserve of Ohio ("STAR Ohio"), and other investments meeting the requirements of state law. The investment policy is described in more detail in Note 2 to the financial statements included in Section 2 of the CAFR.

Risk Management

SWACO has engaged a risk management consultant to evaluate SWACO's risk exposure and to obtain insurance coverage when this is deemed advisable. In 2001 SWACO elected to establish a self-insurance program and the Board of Trustees identified funds to be used for self-insurance claims. SWACO is self-insured for general liability, public officials liability and automobile liability and property loss. Separate insurance policies are purchased for buildings and contents, certain equipment and employee theft and dishonesty. Employee health care benefits are provided through Franklin County and workers' compensation claims are covered through a retrospectively rated plan under the Ohio Bureau of Workers' Compensation. See Note 16 to the financial statements for more information on the SWACO's risk management programs. Page 3-34 of the Statistical Section provides a list of insurance coverage carried by SWACO at the end of 2001.

OTHER INFORMATION

Independent Audit

Included in Section 2 of the CAFR, is the report of SWACO's independent accountants, PricewaterhouseCoopers, L.L.P., on SWACO's financial statements for fiscal years 2001 and 2000. PricewaterhouseCoopers has audited SWACO's financial statements since 1993. The Auditor of State audited SWACO's financial statements for the period 1989 to 1992. Section 4 also includes the report of PricewaterhouseCoopers on compliance and internal control.

The Notes to Financial Statements beginning on page 2-7 are an integral part of the statements. The reader is encouraged to read them thoroughly.

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 the Solid Waste Authority of Central Ohio for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial reporting.

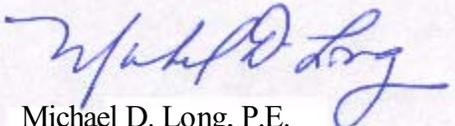
In order to be awarded a certificate of achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. SWACO has received the Certificate of Achievement for each of the fiscal years 1997 through 2000. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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,



Michael D. Long, P.E.
Executive Director



G. Paul Koehler, CPA
Director of Finance

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, 2000

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.



Timothy A. Howe
President

Jeffrey L. Esser
Executive Director

Principal Officials

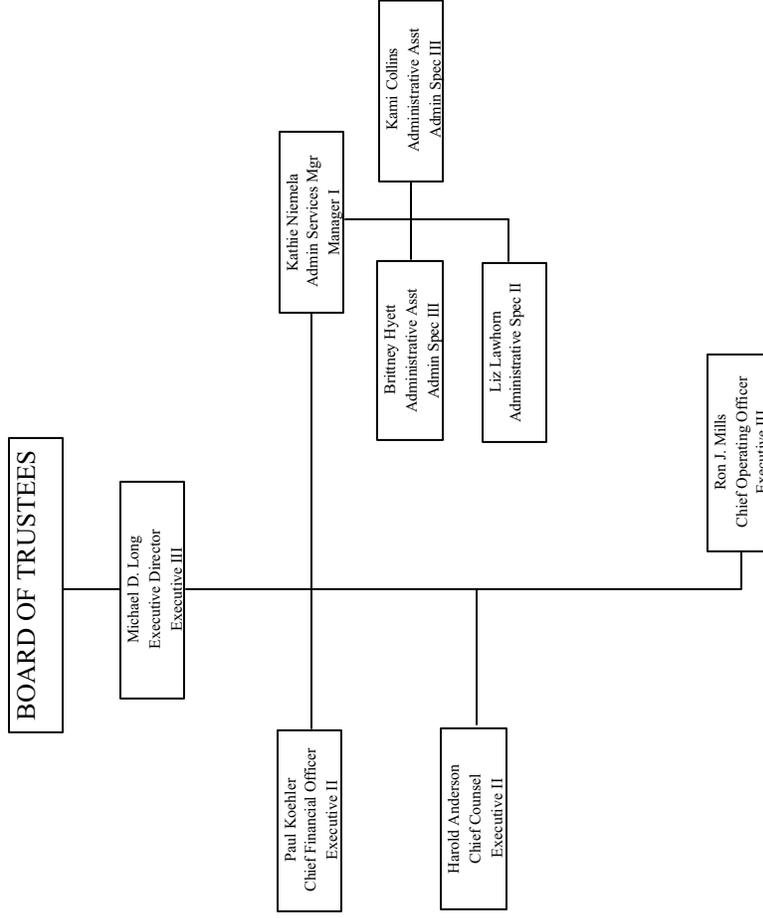
Board of Trustees

Jacqueline E. LaMuth, Chairman	Steven P. Shepard, Vice Chairman
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G. Paul Koehler, Chief Financial Officer
Harold J. Anderson III, Chief Legal Counsel
Christina G. Redman, Director of Planning and Program Development
Rickey A. Dodge, Director of Operations
Allen Rogers, Operations Manager
Elizabeth Hosler, Business Manager

SWACO
TABLE OF ORGANIZATION
Executive Staff



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FINANCIAL SECTION

Report of Independent Accountants

The Board of Trustees
Solid Waste Authority of Central Ohio

In our opinion, the accompanying general-purpose financial statements present fairly, in all material respects, the financial position of the Solid Waste Authority of Central Ohio (SWACO) at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These general-purpose financial statements are the responsibility of SWACO's management; our responsibility is to express an opinion on these general-purpose financial statements based on our audits. We conducted our audits of these statements 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, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental combining information included on pages 2-23 through 2-25 accompanying the financial statements are not necessary for the fair presentation of the financial position, results of operations and cash flows of SWACO in conformity with accounting principles generally accepted in the United States of America. The supplemental schedules are presented only for purposes of additional analysis and are not a required part of the financial statements. Such schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as whole. We did not audit the introductory and statistical information listed in the table of contents and accordingly, we do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2002 on our consideration of SWACO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2001. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

May 17, 2002

SWACO
Balance Sheets
As of December 31, 2001 and 2000

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents (note 4)	\$ 11,371,117	\$ 11,591,359
Restricted cash	6,020,603	7,542,807
Accounts receivable	2,328,475	2,142,565
Other assets	71,845	157,197
	<u>19,792,040</u>	<u>21,433,928</u>
Total current assets		
Noncurrent assets:		
Cash held in escrow	40,538	40,538
Cash held for underground storage tank fund	11,000	66,000
Closure/postclosure funds held by trustee:		
Investments (note 6)	14,408,978	13,378,377
Landfill (net of accumulated depletion and depreciation of \$11,101,924 and \$11,104,831 respectively)	11,083,429	10,400,540
Property, plant and equipment (net of accumulated depreciation of \$5,500,276 and \$4,546,739 respectively)	9,911,427	7,819,673
Idle plant facilities (note 11)	4,604,843	6,338,372
Other assets	62,737	67,440
	<u>40,122,952</u>	<u>38,110,940</u>
Total noncurrent assets		
Total assets	<u>\$ 59,914,992</u>	<u>\$ 59,544,868</u>

Continued

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

SWACO
Balance Sheets
As of December 31, 2001 and 2000

	2001	2000
Liabilities and Retained Deficit		
Current liabilities:		
Accounts payable	\$ 2,728,931	\$ 3,368,499
Accrued wages and benefits	867,695	736,301
Accrued interest	1,665,554	2,151,261
Current maturities of bonds payable (notes 9 and 10)	710,000	790,000
Accrued plant closing expenses (note 11)	92,768	291,679
Capital lease obligation (note 12)	51,570,889	50,631,661
Unamortized bond premium (note 12)	453,588	-
Postclosure liability--Model Landfill (note 13)	1,250,000	250,000
Other	200,775	9,999
	<u>59,540,200</u>	<u>58,229,400</u>
Total current liabilities		
Noncurrent liabilities:		
Bonds payable (note 10)	16,795,000	17,505,000
Capital lease obligation (note 12)	73,830,732	85,921,350
Unamortized bond premium (note 12)	1,024,139	-
Postclosure liability--Model Landfill (note 13)	1,204,008	2,325,211
Closure and postclosure liability--Sanitary Landfill (note 13)	12,333,590	11,391,173
Other payables	-	90,775
	<u>105,187,469</u>	<u>117,233,509</u>
Total noncurrent liabilities		
Total liabilities		
	164,727,669	175,462,909
Retained deficit		
	<u>(104,812,677)</u>	<u>(115,918,041)</u>
Total liabilities and retained deficit		
	<u>\$ 59,914,992</u>	<u>\$ 59,544,868</u>

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

SWACO
Statements of Revenues, Expenses and Changes in Retained Deficit
For the Fiscal Years Ended December 31, 2001 and 2000

	2001	2000
Revenues:		
Tipping and disposal fees	\$ 13,705,138	\$ 13,576,170
Waste transfer fees	3,884,354	3,805,732
Retired facility and waiver fee	7,595,753	7,488,116
Generation fees	5,571,115	5,780,094
Other	867,804	686,864
	<u>31,624,164</u>	<u>31,336,976</u>
Operating revenues		
Expenses:		
Salaries, wages and benefits	4,304,331	3,825,283
Contract, services and supplies	13,164,158	13,793,230
Depreciation and depletion	1,423,687	1,131,796
Landfill closing costs	942,417	1,077,669
Other	1,226	52,510
	<u>19,835,819</u>	<u>19,880,488</u>
Operating expenses		
Operating income	<u>11,788,345</u>	<u>11,456,488</u>
Nonoperating income (expenses):		
Gain on forgiveness of debt (note 12)	3,928,807	3,722,017
Interest expense	(6,113,184)	(6,744,684)
Interest income	1,295,848	2,001,593
Grants	137,598	131,724
Gain on sale of assets	67,950	45,471
	<u>(682,981)</u>	<u>(843,879)</u>
Total nonoperating income (expenses)		
Net income	11,105,364	10,612,609
Retained deficit, beginning of year	<u>(115,918,041)</u>	<u>(126,530,650)</u>
Retained deficit, end of year	<u>\$(104,812,677)</u>	<u>\$(115,918,041)</u>

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

SWACO
Statements of Cash Flows
For the Fiscal Years Ended December 31, 2001 and 2000

	2001	2000
Cash flows from operating activities:		
Operating income	\$ 11,788,345	\$ 11,456,488
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and depletion	1,423,687	1,131,797
Decrease in allowance for bad debts	-	(3,127)
Increase in accounts and notes receivable	(185,910)	(90,831)
Increase (decrease) in accounts payable	(639,568)	1,329,596
Increase in accrued wages and benefits	131,395	49,680
Decrease in accrued plant closing expenses	(198,910)	(45,007)
Increase in closure and postclosure liability - Sanitary Landfill	942,417	1,077,669
Decrease in postclosure liability - Model Landfill	(121,203)	(156,166)
Decrease in other assets	79,449	29,617
Net cash provided by operating activities:	<u>13,219,702</u>	<u>14,779,716</u>
Cash flows from noncapital financing activities:		
Grants	<u>137,598</u>	<u>131,724</u>
Net cash provided by noncapital financing activities	<u>137,598</u>	<u>131,724</u>
Cash flows from investing activities:		
Interest received	1,290,661	2,135,173
Increase in investments	<u>(1,017,196)</u>	<u>(1,760,792)</u>
Net cash provided by investing activities	<u>273,465</u>	<u>374,381</u>
Cash flows from capital and related financing activities:		
Landfill, plant improvements and equipment additions	(4,271,782)	(4,988,087)
Proceeds from landfill, plant improvements and equipment disposals	1,874,929	205,578
Principal paid on landfill purchase contract payable	(115,000)	(115,000)
Principal paid on bond payable	(675,000)	(640,000)
Increase (decrease) in other payables	100,000	(78,282)
Increase in unamortized bond premium	1,477,727	-
Principal paid on capital lease	(7,222,584)	-
Interest paid	<u>(6,596,501)</u>	<u>(10,832,638)</u>
Net cash used in capital and related financing activities	<u>(15,428,211)</u>	<u>(16,448,429)</u>
Net decrease in cash	(1,797,446)	(1,162,608)
Cash and cash equivalents, beginning of year	<u>19,240,704</u>	<u>20,403,312</u>
Cash and cash equivalents, end of year	<u>\$ 17,443,258</u>	<u>\$ 19,240,704</u>

Noncash capital and related financing activities

Reduction in capital lease obligation of \$3,928,807 in 2001 and \$3,722,017 in 2000 related to the modification of the lease described in Note 11.

Reduction in capital lease obligation of \$43,200 in 2000 related to a modification of the lease.

Exchange of property in 2000 for a \$379,688 reduction of postclosure liability - Model Landfill.

Reduction in carrying value of investments and resulting loss of in 2001 of \$1,565.

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

SWACO
Notes to Financial Statements
As of December 31, 2001 and 2000

1. Organization

In response to House Bill 592 of the 117th General Assembly, SWACO (the Solid Waste Authority of Central Ohio) was 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 operates programs to reduce the generation and disposal of solid waste within SWACO's jurisdiction. These programs include public education and awareness, yard waste composting and other waste-reduction activities supported by a five-dollar-per-ton waste generation fee levied on all solid waste generated within the District.

In May 1998, SWACO received a permit from the Ohio Environmental Protection Agency to expand the Sanitary Landfill. The expansion had been included in SWACO's solid waste plan. Management expects to operate the expanded landfill for a minimum of 20 years. The landfill is the former Franklin County Sanitary Landfill, purchased from the County in 1991.

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). Solid waste was incinerated at the WTEF with ash and additional raw solid waste disposed at the Sanitary Landfill. Operations were supported by tipping fees for solid waste disposal and from the sale of electricity generated by the WTEF from solid waste incineration. 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 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.

SWACO
Notes to Financial Statements
As of December 31, 2001 and 2000

2. Summary of Significant Accounting Policies

Basis of presentation. SWACO is presented as one enterprise fund for external reporting purposes, and the accompanying financial statements include all subfunds, activities, and functions of SWACO. The individual subfunds, activities, and functions of SWACO are not deemed to be legally separate organizations requiring discrete presentation in separate columns. In accordance with Governmental Accounting Standards Board (the "GASB") Statement No. 14, *The Financial Reporting Entity*, the individual subfunds do not have separate financial accountability warranting inclusion as separate component units of the reporting entity.

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.

Supplemental schedules. Although SWACO's financial statements are presented as one enterprise fund, SWACO maintains two distinct subfunds to segregate revenues and expenses based on statutory or contractual restrictions as to the uses of the funds. The two subfunds, the Operating Fund and the Program Fund, are shown in the supplemental schedules included on pages 2-23 to 2-25. Within the Operating Fund, continuing operations are shown separate from discontinued operations (Model Landfill and the WTEF).

The Operating Fund receives all income derived from the operations of SWACO's landfill and waste transfer facilities including tipping fees, waste transfer fees, 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. Within the Operating Fund, discontinued operations receive revenue dedicated to the payment of WTEF lease obligation (Note 12). Interfund transfers shown in the supplemental schedule, under nonoperating expenses, are comprised of \$938,927 of capital lease payments for the WTEF, \$153,217 of WTEF closure costs and \$121,203 of closure costs for the Model Landfill.

The Program Fund receives generation fees paid on waste generated in Franklin County and disposed of at SWACO's landfill or out-of-county 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 transfers shown in the supplemental schedule, 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.

Restricted Cash: These funds represent generation fees collected by SWACO and they are restricted for the purpose of solid waste recycling, reuse, and reduction programs and implementation of SWACO's solid waste plan.

SWACO
Notes to Financial Statements
As of December 31, 2001 and 2000

Cash held in escrow. On March 15, 1995, SWACO entered into an escrow agreement with Fifth Third Bank. The escrow account was established to hold on deposit severance benefits for those employees selected to participate in the closure of the WTEF. The escrow account was closed in February 2002 and the cash balance was released to SWACO.

Investments. SWACO follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the accounting for investments at fair value and that all investment income, including changes in the fair value of investments, should be reported as revenue in the operating statement. Investments at December 31, 2001 and 2000 were valued at quoted market prices.

In accordance with the Ohio Revised Code and the investment policy adopted by SWACO, 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 (STAROhio, managed by the Treasurer of the State of Ohio), and (7) subject to certain restrictions and limitations, short-term commercial paper and bankers acceptances.

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.

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.

Reclassifications. Certain prior-year amounts have been reclassified to conform to the current-year financial statement presentation.

SWACO
Notes to Financial Statements
As of December 31, 2001 and 2000

New accounting pronouncements. In December 1998, the GASB issued GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement establishes accounting and reporting standards for nonexchange transactions involving financial or capital resources. This statement was adopted by SWACO in 2001. The impact of GASB Statement No. 33 on SWACO's financial statements was not material. In July 1999, the GASB issued GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*. The effective date of the statement is for periods beginning after June 15, 2002. Management does not expect the impact of this pronouncement on SWACO's financial statements to be material.

Use of estimates. The preparation of financial statements in conformity with Generally Accepted Accounting Principles (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. Prior Period Adjustments

During 2001, management determined that the previously recorded accrued liabilities for interest expense and employee benefits were understated. Accordingly the December 31, 1999 retained deficit was increased by \$1,555,005 to reflect additional interest expense and \$61,400 to reflect additional employee benefits expense attributable to years prior to 2000.

4. Cash, Cash Equivalents and Investments

Deposits. At December 31, 2001 and 2000, the carrying amount of SWACO's deposits was \$8,855,117 and \$2,147,552, respectively, while the bank balance was \$9,638,056 and \$3,319,205, respectively. Up to \$100,000 of each bank deposit was insured by the Federal Depository Insurance Corporation, and remaining amounts were collateralized by collateral pools held by the financial institution and not in the name of SWACO. Based on criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, bank balances are classified in three categories of credit risk: (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name, and (3) uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. SWACO's deposits at December 31, 2001 were categorized as follows:

<u>Risk</u>		
<u>Category</u>		
3	Collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agents in the pool's name	\$ 9,396,361
1	Insured by Federal Deposit Insurance Corporation (FDIC)	<u>241,695</u>
	Total deposits	<u>\$ 9,638,056</u>

SWACO
Notes to Financial Statements
As of December 31, 2001 and 2000

Cash with STAROhio. At December 31, 2001 and 2000, SWACO had \$8,585,342 and \$17,031,855, respectively, invested with STAR Ohio. This includes STAROhio is a highly liquid investment pool managed by the State Treasurer's Office with participation restricted to subdivisions of the State of Ohio. STAROhio is restricted to investing in securities authorized under Ohio Revised Code Section 135.143. STAROhio 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 STAROhio's share price, which is equal to SWACO's pro rata share of the fair value per share.

Closure/Postclosure Funds Held by Trustee. SWACO maintains a trust fund to provide funding for the ultimate closure of the landfill (see Note 6). At December 31, 2001 the cost of investments in the Fund was \$14,397,324, and the fair value was \$14,395,759. SWACO recorded an unrealized loss of \$1,565 as of December 31, 2001, which represents the difference between fair value and cost as of that date. At December 31, 2001 the Fund was invested in government agency securities and STAROhio. The amount reported in the fund as of December 31, 2001 includes \$13,266 in accrued interest on coupon bearing investments in the fund. At December 31, 2000 the cost of investments in the fund was \$13,378,377, the approximate fair value of the investments. As of that date the fund was invested 100% in STAROhio. Investment income, net of expenses, was \$563,208 and \$780,203 in 2001 and 2000, respectively.

Investments. Based on criteria described in GASB Statement No. 3, SWACO's investments are categorized below to give an indication of the level of custodial risk assumed by SWACO at year-end. Investments with STAR Ohio are not required to be categorized due to their nature.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair value/ carrying value</u>	<u>Cost, net of premium, discount and accrued interest</u>
	<u>Insured or registered or securities held by SWACO or its agent in SWACO's name</u>	<u>Uninsured and unregistered with securities held by the counterparty's trust department or agent in SWACO's name</u>	<u>Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in SWACO's name</u>		
U.S. government sponsored enterprises	\$ 3,123,184	\$ -	\$ -	\$ 3,123,184	\$ 3,112,844
STAR Ohio				19,870,932	19,870,932
		Total investments		<u>22,994,116</u>	<u>\$ 22,983,777</u>
Carrying amount of deposits					
High yield savings			\$ 5,015,194		
Other			<u>3,839,923</u>	8,855,117	
Money market funds held by trustee				203	
Cash on hand				<u>2,800</u>	
		Total		<u>\$ 31,852,236</u>	
Reconciliation to Balance Sheets					
Cash and cash equivalents				\$ 11,371,117	
Restricted cash				6,020,603	
Cash held in escrow				40,538	
Cash held for underground storage tank fund				11,000	
Closure/postclosure funds held by trustee				<u>14,408,978</u>	
		Total		<u>\$ 31,852,236</u>	

SWACO
Notes to Financial Statements
As of December 31, 2001 and 2000

5. Note Receivable

At December 31, 2001 and 2000, SWACO recorded a note receivable of \$408,000. The note has been fully reserved and the net amount at December 31, 2001 and 2000 is \$0. SWACO does not anticipate collecting on the note receivable.

6. 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 that the owner or operator of a solid waste facility 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. Annual payments 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 (13 years as of December 31, 2001). 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 4). All amounts earned by the investments are reinvested in the Fund.

7. Landfill and Property, Plant, and Equipment

Landfill and property, plant, and equipment are stated at cost and updated for the cost of additions and retirements during the year. As discussed in Note 13, SWACO received from the OEPA a permit for expansion of its currently operating Sanitary Landfill. Acquisition, engineering, legal and other direct costs associated with the permitting and development of this expansion have been capitalized, and are being depleted based on usage of permitted capacity. The depletion of the landfill is assigned to fiscal years based on cubic yards of solid waste disposed and placed in the landfill during the year as a percentage of estimated capacity.

The cost of property, plant, and equipment 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

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Notes to Financial Statements
As of December 31, 2001 and 2000

A summary of property, plant and equipment at December 31, 2001 and 2000 is as follows:

	2001	2000
Transfer station assets	\$ 6,629,933	\$ 6,409,909
Motor vehicles and other equipment	5,899,453	4,495,757
Buildings and improvements	<u>2,882,318</u>	<u>1,460,746</u>
Total property plant and equipment	15,411,704	12,366,412
Accumulated depreciation	<u>(5,500,276)</u>	<u>(4,546,739)</u>
Property, plant and equipment at net book value	<u>\$ 9,911,428</u>	<u>\$ 7,819,673</u>

8. Retirement Commitments

Plan description. SWACO contributes to the Public Employees Retirement System of Ohio (“PERS”), a cost-sharing multiple-employer defined benefit pension plan administered by the State. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute (Chapter 145 of the Ohio Revised Code). The PERS 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 PERS at 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-7377.

Funding policy. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% for employees other than law enforcement. The 1999 and 2001 employer contribution rate for local government employer units was 13.55% of covered payroll. In 2000 the PERS instituted a temporary rollback of the employer contribution rate to 10.84% of covered payroll.

SWACO’s contribution to PERS, representing 100% of employer contributions, and amounts paid by employees or by SWACO on behalf of employees have been as follows for the years ended December 31, 2001, 2000 and 1999:

	Employee share paid by employees	Employee share paid by Authority	Employer share paid by Authority	Total paid by Authority
2001	\$ 9,515	\$ 245,189	\$ 406,002	\$ 651,191
2000	9,004	223,327	287,219	510,546
1999	8,495	214,982	356,250	571,232

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Other Postemployment benefits. The PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (“OPEB”) as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers*.

- A. A portion of each employer’s contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employers the 2001 rate was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The employer contribution rate was rolled back to 10.84% for the year 2000.
- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.
- C. Summary of Assumptions:

Actuarial Review. The assumptions and calculations below were based on the System’s latest Actuarial Review performed as of December 31, 2000.

Funding Method. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return. The investment return assumption rate for 2000 was 7.75%.

Active Employee Total Payroll. An annual increase of 4.75% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Health Care. Health care costs were assumed to increase 4.75% annually.

- D. OPEB’s are advance-funded on an actuarially determined basis. The following disclosures are required:
 - 1. The number of active contributing participants was 411,076.
 - 2. The portion of SWACO’s 2001 employer contributions that was used to fund OPEB was \$122,203, which is equal to the annual required contribution.

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Notes to Financial Statements
As of December 31, 2001 and 2000

3. \$11.7 billion represents the actuarial value of the retirement system's net assets available for OPEB at December 31, 2000.
 4. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$14.4 billion and \$2.6 billion, respectively.
- E. The Retirement Board initiated no significant policy changes during 2001.

For calendar year 2000 the Retirement Board enacted a temporary employer contribution rate rollback. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

9. Landfill Purchase Contract Payable

As discussed in Note 1, SWACO purchased the former Franklin County Sanitary Landfill from Franklin County in 1991. In acquiring the landfill, SWACO agreed to pay the balance of the County's general obligation bond indebtedness on the landfill. The obligation to pay the County is a contractual obligation of SWACO, but the underlying bonds remain general obligations of the County backed by the County's full faith and credit. The general obligation bonds were retired on September 1, 2001. During 2001 SWACO paid \$115,000 in principal and \$7,475 in interest on the obligation.

10. Bonds Payable

In March 1997, SWACO entered into a repayment agreement with the Franklin County Board of Commissioners, whereby the County issued \$20 million in general obligation bonds on behalf of SWACO. 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. To collateralize repayment, SWACO granted 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.

The general obligation bonds mature on various dates with a final maturity on December 1, 2017. Interest accrues at fixed rates ranging from 4.3% to 5.50% and is payable semiannually on June 1 and December 1. In addition, SWACO has accrued a payable at December 31, 2001 and 2000, of \$90,775, which represents the difference between the interest rate that SWACO is paying on the bonds (as defined under Internal Revenue Service regulations) and the earnings rate that SWACO received from investing the bonds proceeds. During 2002 SWACO will be required to pay these funds to the United States Internal Revenue Service.

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Notes to Financial Statements
As of December 31, 2001 and 2000

Future payments of the general obligation bonds are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2002	\$ 710,000	\$ 856,885	5.0%
2003	750,000	821,385	4.5%
2004	790,000	787,635	4.3%
2005	835,000	753,665	5.5%
2006	880,000	707,740	5.5%
2007-2011	5,185,000	2,813,350	4.5-5.5%
2012-2017	8,355,000	1,510,730	4.8-5.0%
	<u>\$ 17,505,000</u>	<u>\$ 8,251,390</u>	

11. Waste-to-Energy Facility

On April 1, 1993, the City of Columbus leased its solid waste resource recovery plant, named the Waste-to-Energy Facility, and related waste transfer stations to SWACO. Under the initial terms of the lease, SWACO was required to make lease payments to the City in amounts equal to the debt service requirements on general obligation and revenue bonds the City issued for WTEF construction. 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.

On November 1, 1994, SWACO authorized the closure of the WTEF as a solid waste incinerator due to SWACO's inability to control the flow of solid waste within its jurisdiction and consequently raise the necessary revenues to meet the cost of operating, maintaining and leasing the WTEF from 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 \$126,248,335 was recognized.

Since closure, management, in conjunction with the City of Columbus, has solicited proposals for either the sale or lease of WTEF for purposes other than waste disposal. Based upon the estimated fair value determined by discounting the expected cash flows of lease proposals received in 1996, management determined that SWACO would be unable to recover the carrying value of the WTEF as estimated in 1994. Consequently, in 1997 management further reduced the carrying value of the WTEF to an estimated fair value of \$6,500,000 and a loss of \$30,034,000 was recognized. During 2001, SWACO sold two of the three turbine-generator sets and other equipment located in the facility, reducing the carrying value of the WTEF to \$4,604,843 as of December 31, 2001. Management continues to negotiate sale or lease of the facility. Any plan authorized by SWACO is subject to approval by the City as owner of the facility.

During 1994, SWACO expensed \$3,220,042 representing the estimated costs to close the WTEF. For the year ended December 31, 1998, SWACO recognized additional expenses of \$250,000 related to the remediation activities discussed in the next paragraph. Of these estimated costs \$3,377,273 and \$3,178,363 have been paid through 2001 and 2000, leaving a liability of \$92,768 and \$291,679 at December 31, 2001 and 2000, respectively.

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Notes to Financial Statements
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In November 1998, SWACO and the City of Columbus were notified by the OEPA, based upon a one-time sampling event, that remediation activities must be carried out on a retention basin located at the facility. SWACO and City, prior to any communication with OEPA, had begun the process to remediate any contaminates which may exist in the retention basin including the constituent of OEPA's concern. During 2000 SWACO and the City awarded a \$2,339,000 contract for remediation of the basin. SWACO's share of the cost of the project will be approximately \$195,000 with the City responsible for the balance. As of December 31, 2001, \$1,584,000 had been expended on the contract and the balance of the contract was \$755,000.

12. Capital Lease Obligation

As described in Note 10, SWACO is required to make lease payments to the City in amounts equal to the debt service requirements on general obligation and revenue bonds the City issued to construct the WTEF. In March 2001 the City issued fixed-rate general obligation bonds to refund the revenue bonds and in December 2001 a portion of the general obligation bonds was refunded by the City. The City received bond premiums upon sale of both refunding issues and credited the premiums to the capital lease. SWACO recorded the credit as a premium on bonds payable totaling \$1,477,596 as of December 31, 2001. The premium will be amortized using the effective interest rate method.

The following is a schedule of the required minimum lease payments reflecting the refunding issue, and the modification to the lease described below:

<u>Year Ending December 31,</u>	
2002	\$ 56,028,735
2003	15,709,827
2004	14,857,151
2005	14,173,961
2006	13,736,863
Later years	<u>27,511,353</u>
Total minimum lease payments	142,017,890
Less: Amount representing interest	<u>16,616,269</u>
Present value of minimum lease payments	<u>\$ 125,401,621</u>

With the closure of the facility in 1994, SWACO was no longer able to meet 100% of its lease obligation to the City. SWACO began negotiating with the City to modify the lease agreement, including the determination of a revised lease payment schedule agreeable to both parties. Two interim agreements were negotiated with the City, which included revised terms through the end of 1997. During 1998, SWACO and the City reached agreement on a modification to the lease (the "Third Modification"), which is applicable until the lease is paid in full. Basic elements of the Third Modification are:

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Notes to Financial Statements
As of December 31, 2001 and 2000

1. Implementation of a new revenue source by SWACO applied to all solid waste generated within SWACO's jurisdiction (the "New Revenue");
2. An immediate reduction to the original lease obligation of four and one-half percent retroactive to January 1, 1995 (reflected in minimum lease payments above);
3. Future reductions to the lease obligation of an additional thirty and one-half percent retroactive to January 1, 1995 (for a total of thirty-five percent) upon enactment and successful implementation of the New Revenue;
4. Reinstatement of the thirty and one-half percent obligation upon repeal or removal of the New Revenue (prospectively from the date of repeal or removal);
5. Payment to the City of 100% of the net income from any sublease of the facility by SWACO;
6. Payment to the City for 100% of the net proceeds from the sale and disposition of surplus equipment and spare parts from the facility;
7. Payment to the City of 100% of the amount collected from the New Revenue;
8. Annual payment to the City of SWACO's prior-year net income in excess of specified working capital limits; and
9. Deferral of any amounts not paid when due under the amended lease schedule at an annual interest rate of 4.5% until paid.

Pursuant to the Third Modification, and under authority granted by the Ohio Revised Code, SWACO adopted a rule in 1998, 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 (Rule 1-98). 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 proscribed in the agreement (the "Waiver Fee"). During 2000 and 2001 waiver agreements were in place for all private landfills that accepted SWACO waste.

Also in 1998, the Board of Trustees established a new fee, the Retired Facility Fee, which was assessed at SWACO Facilities effective April 1, 1999. Under the Rule 1-98 waiver agreements, the Waiver Fee is set equal to the Retired facility fee (initially \$7.00 per ton). Taken together, the Retired Facility Fee and the Waiver Fee comprise the New Revenue called for in the Third Modification. SWACO recognized total revenue of \$7,595,753 and \$7,488,116 from the New Revenue during 2001 and 2000.

As the result of the Third Modification, SWACO recognized a gain of \$7,236,400 in 1998, representing the 4.5% reduction in the lease obligation under the modified lease. With implementation of the New Revenue in 1999, SWACO recognized a gain of \$27,725,490 relating to the additional 30.5% reduction in the lease liability for the period 1995-1999. In 2001 and 2000 SWACO recognized gains of \$3,928,807 and \$3,722,017, respectively representing the 30.5% reduction in the lease obligation for 2001 and 2000. SWACO will recognize future reductions in the lease obligation of \$27,242,600 if the New Revenue remains in place through the end of the lease term. SWACO has unpaid principal and accrued interest relating to 1995 through 2001 of \$41,695,168 as of December 31, 2001, and unpaid principal and accrued interest relating to 1995 through 2000 of \$41,025,287 as of December 31, 2000.

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Notes to Financial Statements
As of December 31, 2001 and 2000

13. 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 2004), 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 \$40.2 million. These amounts are estimated based on the costs to perform all closure and postclosure care in 2001. 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 amounts reported as Sanitary Landfill closure and postclosure care liability of \$12.3 million and \$11.4 million, respectively, represent the cumulative amount reported at December 31, 2001 and 2000, based on the use of 100% of the estimated capacity of the landfill before expansion and 8.5% and 5.1% of the estimated capacity of the expanded landfill, respectively. SWACO will recognize the remaining estimated cost of closure and postclosure care costs of approximately \$30 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.

During 1998, SWACO contracted to upgrade and maintain the Model Landfill cap and cover and to improve surface water drainage. In related agreements, during 1999 SWACO leased the Model Landfill site to private sector entities 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.

As a result of these events, and the additional information provided to management regarding the cost of maintaining and remediating the site, management revised its estimates of the future remediation, maintenance and monitoring costs for the site. Based on these estimates, management revised its postclosure liability to \$4,562,792 in 1998 and recognized a \$13,870,072 reduction in the liability as an increase in 1998 net income. The amounts reported as Model Landfill postclosure care liability at December 31, 2001 and 2000 represent the total estimated remaining cost of the current remediation project plus estimated future remediation, maintenance and monitoring costs.

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Notes to Financial Statements
As of December 31, 2001 and 2000

14. Service Agreements

On November 1, 1996, SWACO entered into a five-year yard waste compost facility service agreement, expiring on October 30, 2001. Under the agreement, SWACO pays a service fee for each ton of yard waste delivered to the facility. The agreement contains a guaranteed minimum annual payment to the facility operator based on the delivery of up to 50,000 tons per year. In addition, SWACO is required to pay for any yard waste in excess of 50,000 tons per year at a rate determined by the agreement. In March 2001, the Board of Trustees approved a contract modification extending the agreement through March 31, 2007 and reducing the guaranteed minimum tonnage to 40,000 during the extension period. The future minimum service payments under the amended agreement are as follows:

<u>Year Ending December 31,</u>	
2002	\$ 864,875
2003	814,000
2004	814,000
2005	814,000
2006	814,000
2007	203,500

Operating expenses under the service agreement were approximately \$2,143,000 and \$1,824,000 in 2001 and 2000, respectively.

In April 1997, SWACO entered into a landfill service operations agreement with a contractor to oversee the Sanitary Landfill operations through the first two vertical phases of the landfill expansion. Under the agreement, the contractor furnishes all labor, materials, tools and equipment for the landfill operations and SWACO pays the contractor for each ton of waste received at the landfill. During 2001 and 2000 SWACO paid the contractor an average rate per ton of \$5.29 and \$5.15, respectively. 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 and an annual CPI adjustment on May 1 each year of the agreement. Operating expenses under the contract were \$4,641,727 in 2001 and \$4,426,030 in 2000.

15. 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.

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Notes to Financial Statements
As of December 31, 2001 and 2000

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.

On July 21, 1998, SWACO settled a lawsuit filed against SWACO, the State of Ohio and the Coshocton, Licking, Fairfield, Perry Joint Solid Waste District in federal court challenging the constitutionality of generation fees, including SWACO's five-dollar per ton generation fee enacted on November 1, 1994. Under the terms of the dismissal agreement, the generation fee was left intact, SWACO was permitted to implement the New Revenue discussed in Note 12, the plaintiff dismissed its claims against SWACO, and SWACO dismissed its claims against the plaintiff. SWACO also agreed to limit the amount of waste it would accept at its landfill to 650,000 tons annually for a period of five years ending in July, 2003. In 2000, SWACO and plaintiff agreed to a modification to the settlement agreement permitting SWACO to exceed the 650,000-ton waste limit provided SWACO pay a fee of \$6.50 for every ton received in excess of the limit. During 2000 SWACO recognized a liability of \$863,090 for exceeding the landfill waste limit. During 2001 SWACO and plaintiff agreed to a further modification of the settlement agreement eliminating the landfill waste limit and resulting fee.

16. 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 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.

In 2000 and prior years, SWACO also purchased general liability, public officials liability, and motor vehicle liability and property insurance. During 2001 these policies were discontinued by SWACO and SWACO has elected to retain risk for losses relating to torts and general liability and motor vehicle property and liability rather than insuring those risks through a third party.

SWACO provides health care benefits to its employees under agreement with Franklin County. The County provides multiple health care benefit plans that cover approximately 5,000 employees of the County and other political subdivisions. There are approximately 13,000 plan subscribers when spouses and dependents are counted. During 2001, 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.

SWACO
Notes to Financial Statements
As of December 31, 2001 and 2000

An estimate of the amounts to be paid for claims but unreported as of year-end has been developed by the County based on its historical experience. At December 31, 2001, accrued wages and benefits included \$43,200 for reported, unpaid claims and \$61,400 as an estimate for claims that had been incurred but not reported based on SWACO's proportionate share of the County program.

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, 2001. 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.

Unpaid claims at January 1, 2001	\$0
2001 net change in claims estimate	90,000
2001 incurred claims	2,800
2001 paid claims	<u>(2,800)</u>
Unpaid claims at December 31, 2001	<u>\$90,000</u>

SWACO
Supplemental Schedule—Balance Sheet Information
As of December 31, 2001

Assets	Assets			
	Operating Fund		Program Fund	Total
	Continuing Operations	Discontinued Operations		
Current assets:				
Cash and cash equivalents	\$ 11,371,117	\$ -	\$ -	\$ 11,371,117
Restricted cash	-	-	6,020,603	6,020,603
Accounts receivable	2,085,706	141,405	101,364	2,328,475
Interfund receivable (payable)	188,678	(188,678)	-	-
Other assets	35,650	-	36,195	71,845
Total current assets	<u>13,681,151</u>	<u>(47,273)</u>	<u>6,158,162</u>	<u>19,792,040</u>
Noncurrent assets				
Cash held in escrow (note 4)	40,538	-	-	40,538
Cash held-underground storage tank fund	11,000	-	-	11,000
Closure/postclosure funds held by trustee:				
Investments (note 6)	14,408,978	-	-	14,408,978
Landfill (net of accumulated depletion and depreciation of \$11,101,924)	11,083,429	-	-	11,083,429
Property, plant and equipment (net of accumulated depreciation of \$5,500,276):				
Transfer stations	3,775,238	-	-	3,775,238
Motor vehicles and other equipment	3,180,347	-	297,066	3,477,413
Buildings and improvements	1,414,193	-	1,244,583	2,658,776
Idle plant facilities (note 11)	-	4,604,843	-	4,604,843
Other assets	37,162	-	25,575	62,737
Total noncurrent assets	<u>33,950,885</u>	<u>4,604,843</u>	<u>1,567,224</u>	<u>40,122,952</u>
Total assets	<u>\$ 47,632,036</u>	<u>\$ 4,557,570</u>	<u>\$ 7,725,386</u>	<u>\$ 59,914,992</u>

continued

SWACO
Supplemental Schedule—Balance Sheet Information
As of December 31, 2001

	Liabilities			
	Operating Fund		Program Fund	Totals
	Continuing Operations	Discontinued Operations		
Current liabilities:				
Accounts payable	\$ 2,728,931	\$ -	\$ -	\$ 2,728,931
Accrued wages and benefits	809,380	-	58,315	867,695
Accrued interest	71,407	1,594,147	-	1,665,554
Current maturities long-term payables (Notes 8 and 9)	710,000	-	-	710,000
Accrued plant closing expenses (note 11)	-	92,768	-	92,768
Capital lease obligation (note 12)	-	51,570,889	-	51,570,889
Unamortized bond premium (note 12)	-	453,588	-	453,588
Postclosure liability-Model Landfill (note 13)	-	1,250,000	-	1,250,000
Other payables	100,775	-	100,000	200,775
Total current liabilities	<u>4,420,493</u>	<u>54,961,392</u>	<u>158,315</u>	<u>59,540,200</u>
Noncurrent liabilities:				
Bonds payable (Note 10)	16,795,000	-	-	16,795,000
Capital lease obligation (Note 12)	-	73,830,732	-	73,830,732
Unamortized bond premium (note 12)	-	1,024,139	-	1,024,139
Closure and postclosure liability— Sanitary Landfill (Note 13)	12,333,590	-	-	12,333,590
Postclosure liability— Model Landfill (note 13)	-	1,204,008	-	1,204,008
Other payable	-	-	-	-
Total noncurrent liabilities	<u>29,128,590</u>	<u>76,058,879</u>	<u>-</u>	<u>105,187,469</u>
Total liabilities	<u>33,549,083</u>	<u>131,020,271</u>	<u>158,315</u>	<u>164,727,669</u>
Retained balance (deficit)	<u>14,082,952</u>	<u>(126,462,701)</u>	<u>7,567,072</u>	<u>(104,812,677)</u>
Total liabilities and retained earnings (deficit)	<u>\$ 47,632,035</u>	<u>\$ 4,557,570</u>	<u>\$ 7,725,387</u>	<u>\$ 59,914,992</u>

SWACO
Supplemental Schedule—Revenues, Expenses and Changes in
Retained Balance (Deficit)
For the Year Ended December 31, 2001

	<u>Operating Fund</u>			<u>Totals</u>
	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Program Fund</u>	
Revenues:				
Tipping and disposal fees	\$ 13,705,138	\$ -	\$ -	\$ 13,705,138
Waste transfer fees	3,803,260	-	81,094	3,884,354
Retired facility and waiver fees	-	7,595,753	-	7,595,753
Generation fees	-	-	5,571,115	5,571,115
Other	<u>127,122</u>	<u>683,594</u>	<u>57,088</u>	<u>867,804</u>
Operating revenues	<u>17,635,520</u>	<u>8,279,347</u>	<u>5,709,297</u>	<u>31,624,164</u>
Expenses:				
Salaries, wages and benefits	3,500,333	95,508	708,490	4,304,331
Contract, services and supplies	8,417,943	112,041	4,634,174	13,164,158
Depreciation and depletion	1,383,943	-	39,744	1,423,687
Landfill closing costs	942,417	-	-	942,417
Other	1,189	-	37	1,226
Interfund transfers	<u>(415,047)</u>	<u>339</u>	<u>414,708</u>	<u>-</u>
Operating expenses	<u>13,830,778</u>	<u>207,888</u>	<u>5,797,153</u>	<u>19,835,819</u>
Operating income	<u>3,804,742</u>	<u>8,071,459</u>	<u>(87,856)</u>	<u>11,788,345</u>
Nonoperating income (expenses) :				
Gain on forgiveness of debt (note 12)	-	3,928,807	-	3,928,807
Interest expense	(895,195)	(5,217,989)	-	(6,113,184)
Interest income	1,295,848	-	-	1,295,848
Grants	-	-	137,598	137,598
Gain on sale of assets	68,264	(314)	-	67,950
Interfund transfers	<u>(1,213,347)</u>	<u>1,213,347</u>	<u>-</u>	<u>-</u>
Total nonoperating income (expense)	<u>(744,430)</u>	<u>(76,149)</u>	<u>137,598</u>	<u>(682,981)</u>
Net income	3,060,312	7,995,310	49,742	11,105,364
Retained earnings (deficit), beginning of year	<u>11,022,640</u>	<u>(134,458,011)</u>	<u>7,517,330</u>	<u>(115,918,041)</u>
Retained earnings (deficit), end of year	<u>\$ 14,082,952</u>	<u>\$ (126,462,701)</u>	<u>\$ 7,567,072</u>	<u>\$ (104,812,677)</u>

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STATISTICAL SECTION

STATISTICAL SECTION

The following statistical tables provide selected information on SWACO's revenues and expenses, waste receipts, waste reduction activities and long-term obligations. The intention is to provide ten years of data where available. However, certain facilities or programs for which statistics are being reported have not been owned or operated by SWACO for a full ten years and ten years of data is not always known.

Tables 3 through 7 present data on solid waste deliveries and tipping fees at SWACO facilities. The generation fees reported on Table 8 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.

Tables 9 and 10 report recycling data for the Franklin County Solid Waste Management District for the years 1996 – 2001. This information, which updates data included in SWACO's Amended Solid Waste Management Plan, was obtained through voluntary responses to SWACO surveys from municipal, commercial and industrial sources. Accordingly, the information is an estimate and may understate the actual level of recycling achieved. Additionally, because the reporting is voluntary, there may be reporting inconsistencies between years regarding the categorization of the waste. However, it is believed that the information is representative of the actual trends in recycling and waste generation. SWACO is exploring methods for enhancing its ability to collect recycling data for the district in the future.

The amounts reported as "generation" on Table 10 and the related exhibits is total waste *recycled and disposed*. The amount reported on Table 8 as waste generated and subject to the generation fee is waste *disposed only* and excludes material recycled. Additionally, certain waste, such as asbestos, are exempt from the generation fee and are not included in Table 8. Consequently, waste tonnage subject to generation fees is not the same as generation reported in Table 10 for purposes of determining recycling rates within the district.

Demographic information is presented for Franklin County, Ohio to give an indication of the economic environment for the community in which SWACO is located. Approximately 97% of the population of the district lies within Franklin County.

SWACO
Balance Sheets
For Years Ended December 31, 1992 through 2001
(in thousands)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
ASSETS										
Current assets:										
Cash and cash equivalents (Note 4) ¹	\$ 98	\$ 11,422	\$ 11,165	\$ 6,914	\$ 2,772	\$ 5,036	\$ 7,804	\$ 10,077	\$ 11,591	\$ 11,371
Restricted cash	-	-	159	410	473	1,046	5,249	6,963	7,543	6,021
Cash held by fiscal agent/in escrow	18,739	8,686	3,001	1,742	23	-	-	-	-	-
Accounts receivable (net of allowances)	696	5,634	2,572	2,659	2,079	2,173	1,872	2,040	2,143	2,328
Other assets	-	4,154	50	49	126	101	58	134	157	72
Total current assets	19,533	29,896	16,947	11,774	5,473	8,356	14,983	19,214	21,434	19,792
Noncurrent Assets										
Cash held in escrow (Note 4)	-	-	-	-	140	2,752	89	67	41	41
Restricted cash	-	-	-	-	197	8,160	5,407	3,242	-	-
Closure Trust Fund (Note 6)	-	-	-	4,336	8,320	8,943	10,338	11,750	13,378	14,409
Sanitary landfill (net of accumulated deprec.) ²	-	5,475	5,883	7,437	5,844	6,010	7,737	7,559	10,401	11,083
Property, plant & equipment (net of deprec.)	7,631	5,644	7,424	7,271	7,027	7,017	6,984	7,360	7,820	9,911
Waste-to-Energy Facility (Note 11)	-	162,105	36,594	36,594	36,594	6,500	6,433	6,381	6,338	4,605
Accounts receivable - restricted	-	-	-	-	1,576	112	-	-	-	-
Funds on deposit with public employees	-	-	896	701	790	883	-	-	-	-
deferred compensation programs	-	-	43	35	5	45	125	152	133	74
Other assets	-	-	-	-	-	-	-	-	-	-
Total noncurrent assets	7,631	173,224	50,840	56,424	60,493	40,422	37,113	36,511	38,111	40,123
Total Assets	\$ 27,164	\$ 203,120	\$ 67,787	\$ 68,198	\$ 65,966	\$ 48,778	\$ 52,096	\$ 55,725	\$ 59,545	\$ 59,915

continued

Table 1 (continued)

LIABILITIES & RETAINED DEFICIT

Current Liabilities:												
Accounts payable	\$ 940	\$ 2,550	\$ 2,178	\$ 1,051	\$ 1,472	\$ 1,375	\$ 1,755	\$ 2,020	\$ 3,368	\$ 2,729		
Accrued wages and benefits	160	1,544	1,267	621	587	483	644	686	736	868		
Accrued interest	34	45	154	2,338	3,076	7,438	15,445	6,285	2,151	1,666		
Current maturities of bonds payable(Notes 9, 10)	115	115	115	115	115	690	720	755	790	710		
Notes payable	5,002	10,023	10,003	10,011	10,001	-	-	-	-	-		
Accrued plan closing expenses (Note 11)	-	-	2,566	1,227	1,021	1,015	710	336	292	93		
Capital lease obligation (Note 12)	-	7,881	8,583	18,094	27,713	38,950	48,879	42,673	50,632	52,024		
Postclosure liability - Model Landfill (Note 13)	-	-	-	1,958	949	-	-	156	250	1,250		
Other	-	-	-	-	-	-	-	115	10	201		
Total current liabilities	6,251	22,158	24,866	35,415	44,934	49,951	68,153	53,026	58,229	53,540		
Noncurrent liabilities:												
Landfill purchase contract payable (Note 9)	920	805	690	575	460	345	230	115	-	-		
Bonds payable (Note 10)	-	-	-	-	-	19,425	18,820	18,180	17,505	15,795		
Capital lease obligation (Note 12)	-	165,372	156,789	147,278	137,659	126,422	109,256	97,602	85,921	74,855		
Postclosure liability - Model Landfill (Note 13)	18,608	20,408	19,940	19,647	19,508	19,128	4,563	2,955	2,325	1,204		
Closure and postclosure liability - Sanitary landfill (Note 13)	5,234	5,106	5,705	7,034	8,096	8,849	9,606	10,314	11,391	12,334		
Other payables	-	-	-	-	96	23	58	63	91	-		
Due to others	-	-	896	701	790	883	-	-	-	-		
Total noncurrent liabilities	24,762	191,691	184,020	175,235	166,609	175,075	142,533	129,229	117,234	105,187		
Total liabilities	31,013	213,849	208,886	210,650	211,543	225,026	210,686	182,255	175,463	164,728		
Retained deficit	(3,849)	(10,729)	(141,099)	(142,452)	(145,577)	(176,248)	(158,590)	(126,531)	(115,918)	(104,813)		
Total liabilities and retained deficit	\$ 27,164	\$ 203,120	\$ 67,787	\$ 68,198	\$ 65,966	\$ 48,778	\$ 52,096	\$ 55,724	\$ 59,545	\$ 59,915		

¹ All references to Notes are to the Notes to Financial Statements, pages 2-7 to 2-22.

² Included in Property, plant and equipment in 1992.

Source: SWACO audited financial statements.

Table 2

SWACO
Revenues, Expenses, and Changes in Retained Deficit
For Years Ended December 31, 1992 through 2001
(in thousands)¹

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Revenues:²										
Tipping and disposal fees	\$ 9,880	\$ 29,867	\$ 35,588	\$ 19,378	\$ 15,450	\$ 14,544	\$ 11,105	\$ 11,238	\$ 13,576	\$ 13,705
Waste transfer fees ³	-	-	-	-	2,717	2,855	3,686	3,471	3,806	3,884
Retired facility and waiver fees	-	-	-	-	-	-	-	5,149	7,488	7,596
Generation fees ⁴	-	-	720	4,837	5,296	5,479	5,679	5,735	5,780	5,571
Electricity sales	-	6,676	7,339	-	-	-	-	-	-	-
Other	16	89	211	600	160	206	312	245	686	858
Operating revenues	9,896	36,632	43,858	24,815	23,623	23,484	20,782	25,839	31,337	31,624
Expenses:²										
Salaries, wages and benefits	1,000	9,654	11,904	3,525	3,648	3,588	3,763	3,679	3,801	4,304
Contracts, services and supplies	7,744	13,357	16,491	8,977	9,972	8,715	9,238	9,369	13,817	13,154
Depreciation and depletion	479	10,547	9,472	3,090	3,178	2,262	1,068	1,121	1,132	1,424
Landfill closing expenses	614	1,672	929	1,329	1,063	753	757	707	1,078	942
Reduction of liability ⁵	-	-	-	-	-	-	(13,870)	-	-	-
Impairment loss ⁶	-	-	123,028	-	-	30,034	-	-	-	-
Plant closing costs	-	-	3,220	-	-	-	-	-	-	-
Other	119	321	178	14	6	-	-	5	52	1
Operating expenses	9,956	35,551	165,222	16,935	17,867	45,352	956	14,881	19,880	19,836
Operating income (loss)	(60)	1,081	(121,364)	7,880	5,756	(21,868)	19,826	10,958	11,456	11,788

continued

Table 3

SWACO
Solid Waste Received 1992-2001
(in tons)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total solid waste received by SWACO ¹	438,831	672,158	798,328	597,853	640,580	663,443	634,831	714,791	880,867	881,985
Solid waste burned at WTEF ²	0	(376,484)	(478,853)	0	0	0	0	0	0	0
Ash disposed	0	165,395	130,289	0	0	0	0	0	0	0
Net WTEF Reduction ³	0	(211,089)	(348,564)	0	0	0	0	0	0	0
Scrap metal, tires, white goods & other Carryover/shrinkage	0	(30,610)	(43,821)	(546)	(966)	(1,487)	(714)	(913)	(453)	(5,517)
Total reduction	0	(30,610)	(43,821)	4,394	294	(10,824)	(6,994)	(799)	(2,383)	(4,379)
Total solid waste landfilled	438,831	430,459	405,943	602,247	640,874	652,619	627,837	713,992	878,484	877,607
Solid waste transferred out-of-county ⁴	0	0	0	0	0	0	0	0	(24,811)	0
Solid waste landfilled - Franklin County Sanitary Landfill	438,831	430,459	405,943	602,247	640,874	652,619	627,837	713,992	853,673	877,607

¹ Total solid waste received at all SWACO facilities including the landfill, the Waste-to-Energy Facility and waste transfer stations.

² The Waste-to-Energy Facility was leased beginning April 1, 1993 and closed in December 1994. Tonnage burned is an estimate.

³ Carryover related to end of year inventory at satellite shredder/transfer stations or closure of WTEF and shrinkage due to loss of water.

⁴ Waste disposed at an out-of-county landfill pursuant to a contract with a private waste company.

Source: SWACO

Table 4

SWACO
Waste Receipts by Location¹
(in tons)

Location	1995	1996	1997	1998	1999	2000	2001
Jackson Pike Transfer Station	244,558	242,248	271,999	205,177	144,768	140,152	139,576
Morse Road Transfer Station	122,297	140,731	119,008	119,008	111,205	128,337	131,837
Georgesville Road Transfer Station	29,800	65,274	56,248	66,248	72,627	83,471	87,027
Total Transfer Stations	396,655	448,248	457,255	390,433	328,600	351,960	358,440
Sanitary Landfill	201,198	192,332	206,188	244,398	386,191	528,907	523,546
Total Received	597,853	640,580	663,443	634,831	714,791	880,867	881,985

¹ SWACO's waste transfer operation began in late 1994 following the closure of the Waste-to-Energy Facility. 1995 represents the first full year of transfer operations. Prior to that time the transfer facilities served as satellite shredder stations for the Waste-to-Energy Facility.

Source: SWACO

Table 5

SWACO
Largest Customers 1994-2001¹
(in tons)

Customer	1994	1995	1996	1997	1998	1999	2000	2001
City of Columbus ²	305,625	318,573	327,030	326,647	328,671	330,451	346,569	357,745
Republic Waste Systems ³	87,294	65,329	81,239	98,695	92,846	122,841	229,357	210,383
Rumpke Waste/Rumpke Container	52,911	17,350	19,043	52,917	49,365	105,509	157,769	162,573
Waste Management of Ohio (post-merger) ⁴	117,681	100,132	103,447	77,199	19,711	72,354	76,667	71,170
Local Waste Services LLC	n/a	n/a	n/a	n/a	n/a	n/a	9,241	17,757
City of Upper Arlington	8,159	7,744	7,412	7,887	8,372	8,780	8,523	7,873
Adept, Inc.	2,341	2,122	2,592	4,706	7,780	8,262	6,384	4,188
B & D Hauling	9,753	9,604	13,761	18,668	16,240	15,282	5,166	0
Central Ohio Contractors	2,610	2,636	1,688	2,532	5,447	3,946	3,861	3,656
City of Grandview Heights	3,627	3,571	3,677	3,619	3,597	3,485	3,729	3,698
Waste Management of Ohio (pre-merger) ⁵	146,446	41,657	48,852	40,351	50,485	n/a	n/a	n/a
Total Largest Customers	736,447	568,718	608,741	633,221	582,512	671,910	847,264	839,043
Total tons received by SWACO ⁶	798,328	597,853	640,580	663,443	634,831	714,791	880,867	881,985
Largest customer % of total received	92%	95%	95%	95%	92%	94%	96%	95%
Total tons disposed ⁷	n/a	967,308	1,059,142	1,095,838	1,135,812	1,146,993	1,156,019	1,114,223
Largest customer % of total waste disposal	n/a	59%	57%	58%	51%	59%	73%	75%

Notes to Table 5
Largest Customers 1994 - 2001

	1994	1995	1996	1997	1998	1999	2000	2001
¹ 1994 represents the first full year of SWACO operation of the Waste-to-Energy Facility. Data prior to 1994 was maintained on a cubic yard basis.								
² City of Ccolumbus includes the following:								
City of Columbus Division of Sanitation	293,886	308,258	314,803	318,273	322,142	313,236	336,395	345,774
Other City of Columbus Departments	11,738	10,315	12,227	8,374	6,529	12,215	10,174	11,971
³ Republic Waste Systems acquired Superior Services September 1, 2000. Superior Services acquired B.F.I. Waste Systems and Ohio Disposal Systems in 1997. Southwest Waste acquired Larry's Trucking in 1997. Republic Waste Services entered the market as part of the Waste Management divestiture (see note 5). The above data include the following:								
B.F.I. Waste Systems	47,044	43,773	43,661	17,283	n/a	n/a	n/a	n/a
Ohio Disposal Systems	29,903	11,036	25,984	12,205	n/a	n/a	n/a	n/a
Superior Services	n/a	n/a	n/a	57,336	81,096	95,867	81,344	n/a
Republic Waste Systems	n/a	n/a	n/a	n/a	n/a	15,610	140,946	210,383
Southwest Waste	10,347	10,520	11,594	11,871	11,749	11,364	7,067	n/a
⁴ U.S.A. Waste acquired Johnson Disposal and Laidlaw Waste Systems in 1997, and Waste Management in 1998. The new company kept the name Waste Management but was required to divest a portion of the previous Waste Management business effective 11/6/98.								
The above data include the following:								
Johnson Disposal	1,382	n/a	4,042	n/a	n/a	n/a	n/a	n/a
Laidlaw Waste Systems	116,299	100,132	99,405	77,199	1,475	n/a	n/a	n/a
U.S.A. Waste	n/a	n/a	n/a	n/a	13,316	n/a	n/a	n/a
Waste Management of Ohio	n/a	n/a	n/a	n/a	4,920	72,354	76,667	71,170

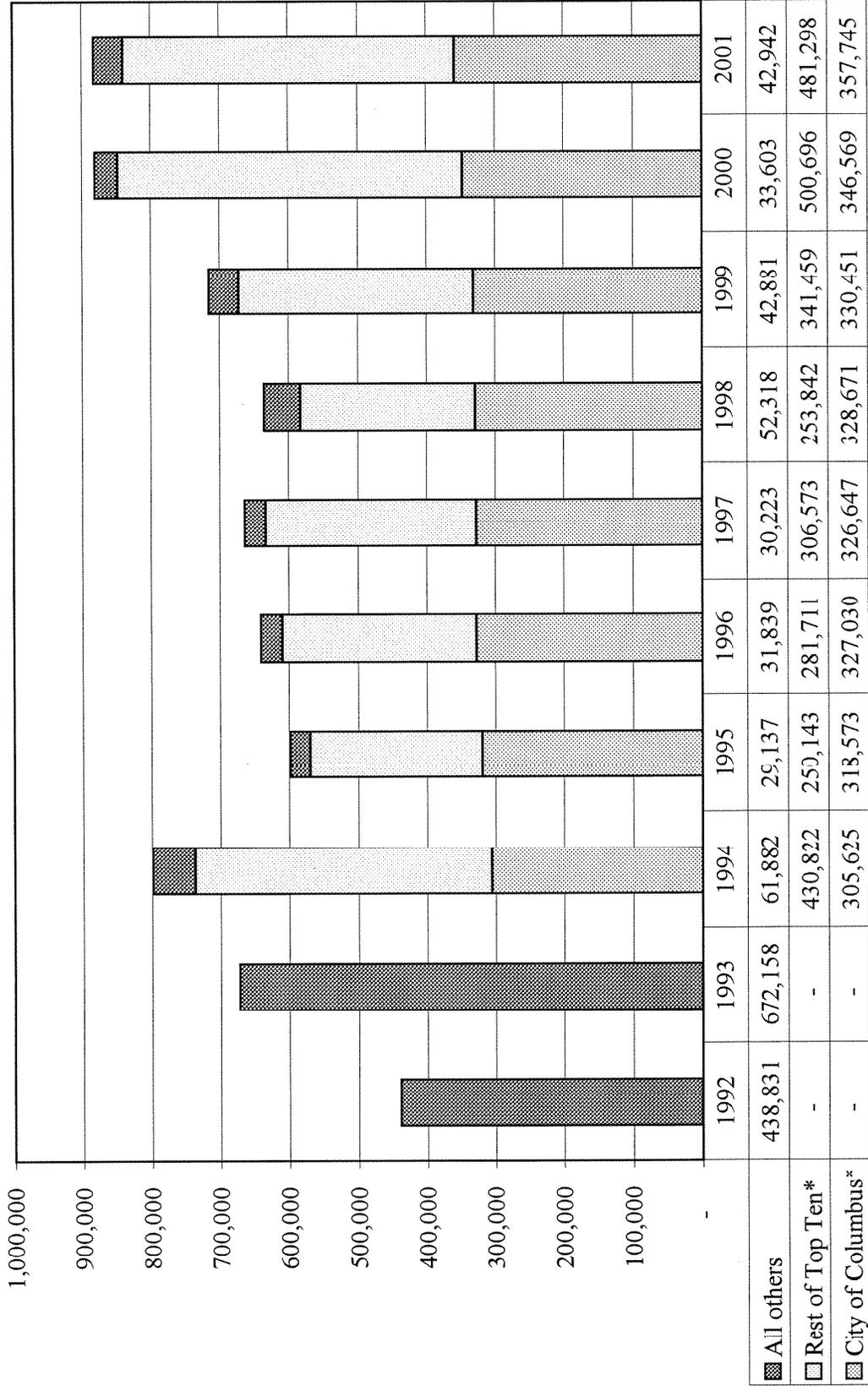
⁵ Waste Management of Ohio through 11/6/98, the effective date of the divestiture (see note 5).

⁶ Total solid waste disposed at SWACO facilities.

⁷ Total solid waste disposed at SWACO facilities and out of county facilities.

Source: SWACO

SWACO Waste Receipts 1991 - 2001



Source: Solid Waste Authority of Central Ohio

*See notes to Table 5.

Table 6

SWACO
Tires and White Goods Received 1992-2001¹

	Tires (each)	White goods ² (each)
1992	2,894	835
1993	18,194	3,605
1994	43,376	7,689
1995	38,078	5,043
1996	48,390	6,071
1997	45,774	5,403
1998	36,738	4,548
1999	27,186	4,957
2000	22,881	6,596
2001	18,715	6,972
Total	302,226	51,719

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

² White good program began July 1, 1992.

Source Solid Waste Authority of Central Ohio

Table 7

SWACO Disposal Rates 1991-2001

Effective Date	Franklin County Landfill	Jackson Pike Transfer ²	Morse Road Transfer	Georgesville Rd. Transfer	Alum Creek Transfer	Holbrook Compost Facility	Charge Unit
2/1/1991	\$4.90	----	----	----	----	----	Cu. Yard
4/1/1991	7.50	----	----	----	----	----	Cu. Yard
4/1/1993	7.50	\$7.50	\$7.50	\$7.50	\$7.50	----	Cu. Yard
7/1/1993	13.25	13.00	13.50	13.00	13.00	----	Cu. Yard
6/1/1994	49.00	49.00	49.00	49.00	49.00	----	Ton
9/1/1994	32.00	32.00	32.00	32.00	32.00	----	Ton
11/1/1994	37.00	37.00	37.00	37.00	Closed	----	Ton
2/7/1996	33.00	37.00	44.00	40.00	----	----	Ton
3/11/1996	30.00	34.00	41.00	37.00	----	----	Ton
5/8/1996	27.00	31.00	38.00	34.00	----	----	Ton
4/8/1998	22.25	32.25	33.25	33.25	----	----	Ton
	20.00	30.00	31.00	31.00	----	----	Ton
4/1/1999	29.25	39.25	40.25	40.25	----	----	Ton
	27.00	37.00	38.00	38.00	----	----	Ton
10/4/1999		-----	No Change	-----	-----	\$6.00	Ton

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

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

³ Beginning November 1, 1994, all rates include a \$.50/ton generation fee.

⁴ Non-contract rate.

⁵ Reduced contract rate for put-or-pay customers meeting certain requirements.

⁶ Non-contract rate, includes Retired Facility fee of \$7/ton.

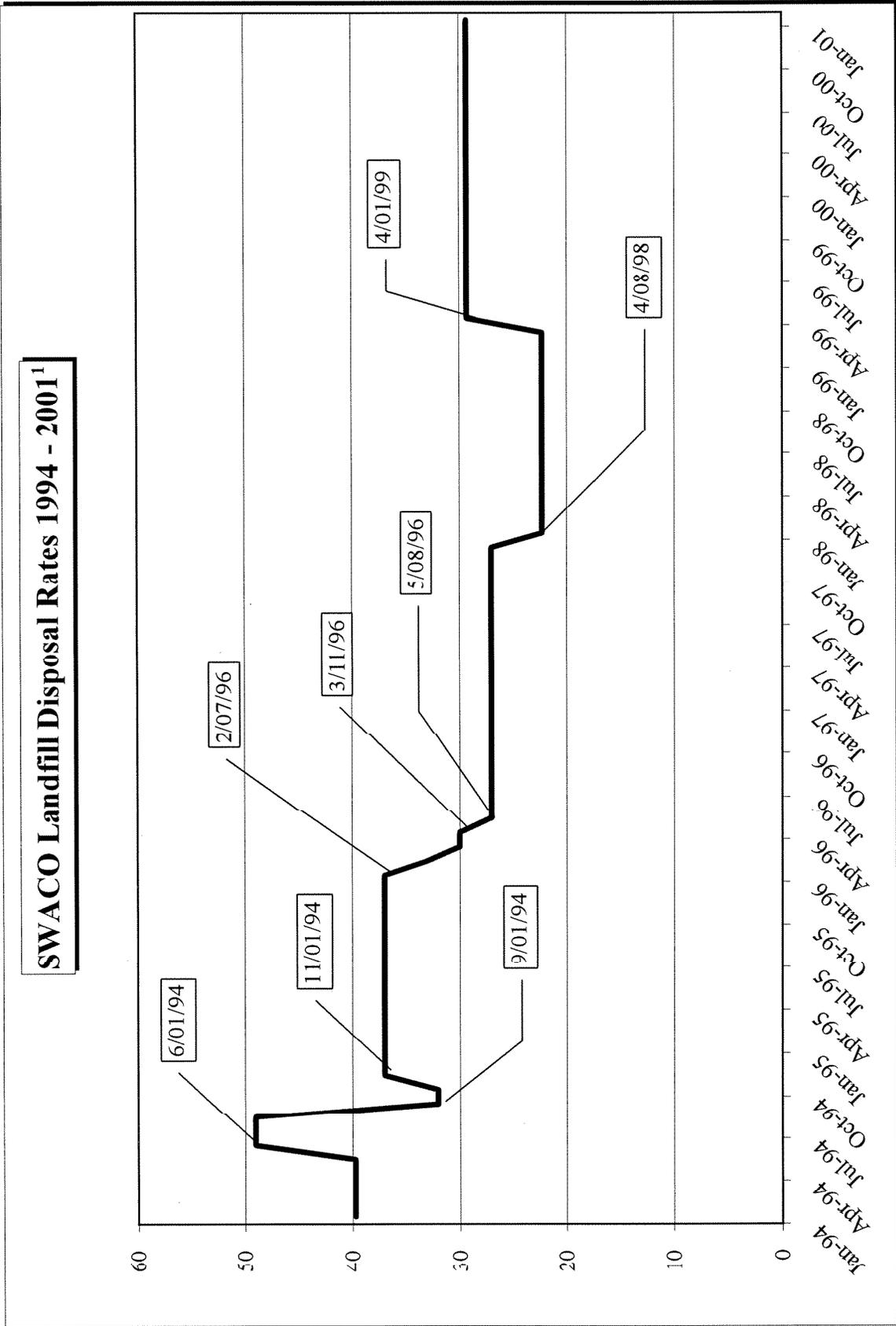
⁷ Reduced contract rate for put-or-pay customers meeting certain requirements. Includes Retired Facility fee of \$7.00 per ton.

⁸ Transfer fee for commercial loads delivered to Bill R. Holbrook Compost Facility

⁹ No further rate changes in 2000 and 2001.

Source: SWACO

3-12



¹Prior to 06/01/94, fees were charged on a cubic yard basis. This chart is based on a conversion rate of 3 yards per ton for the period 01/01/94 to 5/31/94 (see Table 7).

Table 8

SWACO
Generation Fee Tonnage Reported 1994 - 2001¹

	1994	1995	1996	1997	1998	1999	2000	2001
Solid Waste Authority (4 facilities)	101,806	597,853	640,580	663,443	634,831	714,791	880,867	881,985
Waste Management (post-merger) ²	14,942	187,419	205,518	226,072	305,949	289,587	223,356	213,387
Rumpke Waste (4 facilities)	5,107	35,860	70,772	46,095	68,960	33,665	16,098	1,127
Waste Management (pre-merger) ³	21,814	144,747	140,193	156,116	121,779	n/a	n/a	n/a
Republic Waste Services	n/a	n/a	n/a	n/a	n/a	108,120	35,594	17,228
Other (14 facilities)	291	1,425	2,070	4,125	4,299	830	105	496
Total	143,960	967,308	1,059,133	1,095,851	1,135,818	1,146,993	1,156,019	1,114,223

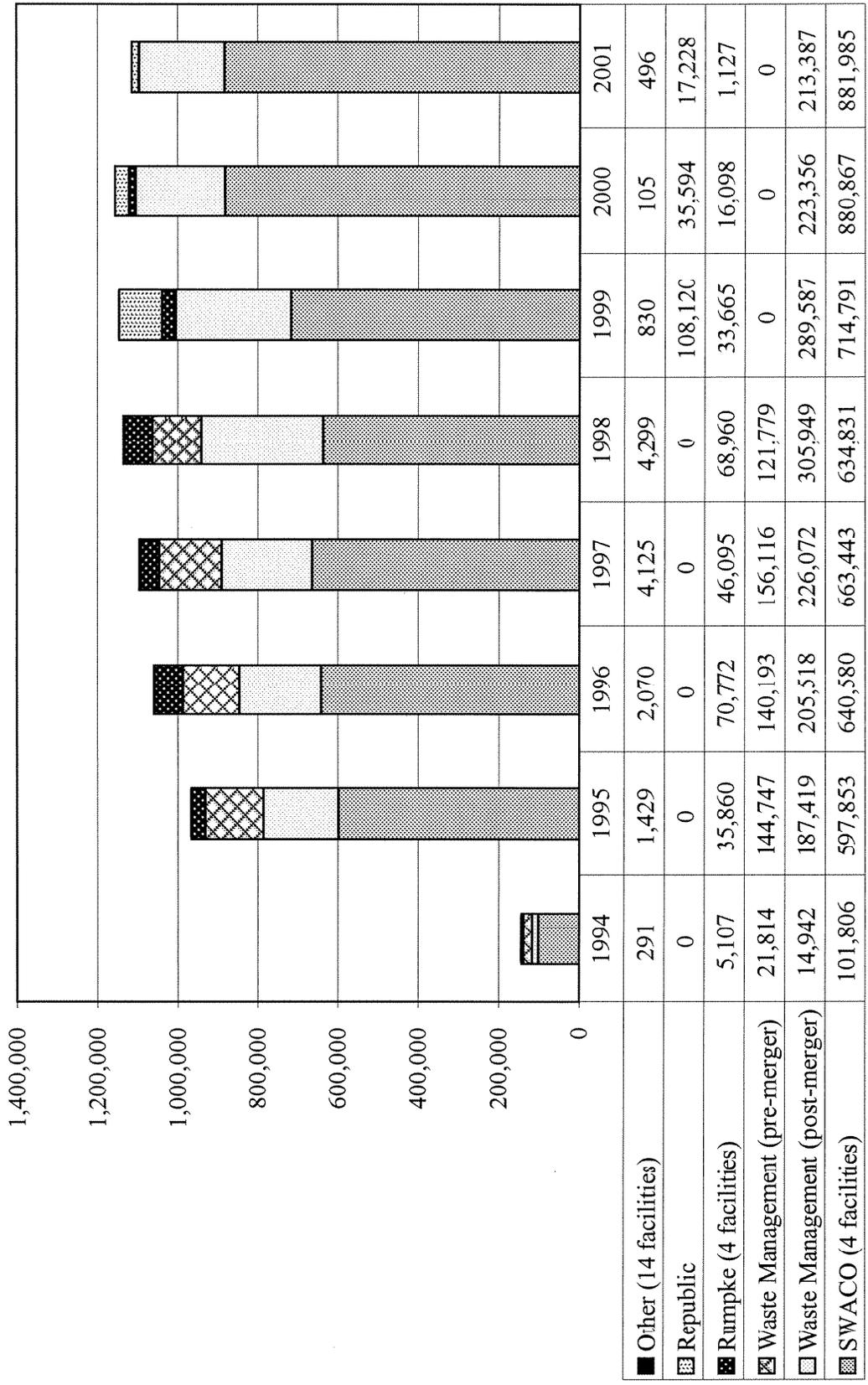
¹ The generation fee is charged on all solid waste generated within SWACO's jurisdiction and disposed in a sanitary landfill located in Ohio. Certain solid waste is exempt from the fee. The current \$5 per ton generation fee was enacted effective November 1, 1994; this data excludes the \$49 per ton generation fee in effect from June 1 to August 31, 1994.

² Includes Johnson Disposal Transfer/Recycling (USA Waste) up to date of acquisition of Waste Management and Suburban South Landfill and Reynolds Avenue Transfer Station after acquisition (see note 5 to Table 5).

³ Includes Suburban South Landfill and Reynolds Avenue Transfer Station up to date of acquisition of Waste Management by USA Waste.

Source: SWACO

Generation Fee Tonnage Reported 1994 - 2001



Source: Solid Waste Authority of Central Ohio
See notes to Table 5.

SWACO
Residential, Commercial and Industrial Recycling Reported 1996-2001¹
(in tons)

Material	Residential and Commercial Tons Recycled					
	1996	1997	1998	1999	2000	2001
Ferrous Metals	9,295	12,063	25,431	31,557	56,178	67,005
Yard Waste ²	77,138	93,207	83,020	74,236	89,451	105,408
Cardboard	75,954	70,779	66,947	80,256	45,632	29,664
Other Paper	57,379	39,566	47,262	54,165	48,157	53,703
Wood	1,560	17,534	13,590	47,871	63,724	46,342
Mixed Recyclables	-	-	-	-	-	34,343
Tires	398	8,020	20,055	20,053	24,119	35,479
NonFerrous Metals	5,881	9,390	8,043	3,593	14,474	20,533
Other Recyclables	-	-	11,122	14,025	135	1,419
Source reduction	7,000	10,676	10,430	10,211	-	-
Appliances	11,556	9,400	7,200	2,461	6,202	10,519
Batteries	586	92	3,552	7,213	584	2,542
Plastics	1,881	1,425	1,928	2,836	1,496	2,170
Glass	3,468	2,816	2,648	1,383	1,764	6,598
HHW ³	-	-	251	100	182	198
Food ⁴	-	-	-	1,411	-	11,000
Oil ⁴	-	-	-	7,723	12,240	10,318
Textiles	-	425	-	2,474	1,700	1,428
Total	252,096	275,393	301,479	361,568	366,038	438,669

continued

Table 9 (continued)

SWACO
Residential, Commercial and Industrial Recycling Reported 1996-2001¹
(in tons)

	Industrial Tons Recycled					
	1996	1997	1998	1999	2000	2001
Ferrous Metals	125,328	175,812	160,990	161,695	161,136	126,994
Yard Waste ²	-	-	-	-	-	-
Cardboard	5,848	516	8,808	6,104	41,284	32,289
Other Paper	712	13,980	25,042	20,934	41,261	29,369
Wood	10,809	-	7,059	11,014	19,813	18,123
Mixed Recyclables	-	-	-	-	-	-
Tires	-	300	-	-	3	7
NonFerrous Metals	8,249	5,625	7,283	5,936	7,036	7,278
Other Recyclables	30,597	-	-	-	35	3
Source reduction	-	-	-	-	-	-
Appliances	-	4,000	-	-	1,000	-
Batteries	-	2	-	443	62	10
Plastics	-	139	926	-	2,515	9,298
Glass	-	104	-	-	725	-
HHW ³	-	-	-	-	-	-
Food ⁴	-	-	-	1,753	-	-
Oil ⁴	-	-	-	-	-	-
Fabric	-	-	-	-	-	-
Total	181,543	200,478	210,108	207,879	274,870	223,371

continued

Table 9 (continued)

SWACO
Residential, Commercial and Industrial Recycling Reported 1996-2001¹
(in tons)

Material	Total Tons Recycled					
	1996	1997	1998	1999	2000	2001
Ferrous Metals	134,623	187,875	186,421	193,252	217,314	193,999
Yard Waste ²	77,138	93,207	83,020	74,236	89,451	105,408
Cardboard	81,802	71,295	75,755	86,360	86,916	61,955
Other Paper	58,091	53,546	72,304	75,099	89,418	83,072
Wood	12,369	17,534	20,649	58,885	83,537	64,465
Mixed Recyclables	-	-	-	-	-	34,343
Tires	398	8,320	20,055	20,053	24,122	35,486
NonFerrous Metals	14,130	15,015	15,326	9,529	21,510	27,811
Other Recyclables	30,597	-	11,122	14,025	170	1,422
Source reduction	7,000	10,676	10,430	10,211	-	-
Appliances	11,556	13,400	7,200	2,461	7,202	10,519
Batteries	586	94	3,552	7,656	646	2,552
Plastics	1,881	1,564	2,854	2,836	4,011	11,468
Glass	3,468	2,920	2,648	1,383	2,489	6,598
HHW ³	-	-	251	100	182	198
Food ⁴	-	-	-	3,164	-	11,000
Oil ⁴	-	-	-	7,723	12,240	10,318
Fabric	-	425	-	2,474	1,700	1,428
Total	433,639	475,871	511,587	569,447	640,908	662,040

¹1996 is the first year this data is available. This data is obtained through voluntary responses to surveys and may be over or understated in certain categories.

²The amount reported for 1996 excludes wood and is less than the amount reported on this table (only leaves, grass and trimmings were reportable as yard waste in 1996).

³Household Hazardous Waste was not an allowable recycling credit in 1996 and material collected in 1996 is not included on this table.

⁴Data for these categories was not recorded prior to 1999. Therefore, recycling totals for 1996-1998 may be understated.

Source: SWACO and SWACC Solid Waste Management Plan.

SWACO
Waste Generation and Recycling Rates 1996-2001

Material	Residential/Commercial					
	1996	1997	1998	1999	2000	2001
Waste Generated (tons)	1,339,262	1,350,588	1,467,461	1,514,274	1,574,702	1,653,887
Waste Reduced (tons)	252,096	275,393	301,479	361,568	366,038	438,669
Waste Disposed in Landfills (tons)	1,087,166	1,075,195	1,165,982	1,152,706	1,208,664	1,215,218
Waste reduction rate (percent of generation)	18.8%	20.4%	20.5%	23.9%	23.2%	26.5%
Population ¹	1,041,493	1,051,900	1,062,400	1,073,000	1,093,500	1,119,000
Per capita daily waste generation rate (lbs.)	7.05	7.04	7.57	7.73	7.89	8.10
Per capita daily waste reduction rate (lbs.)	1.33	1.43	1.55	1.85	1.83	2.15
Per capita daily waste disposal rate (lbs.)	5.72	5.60	6.01	5.89	6.06	5.95

continued

Table 10 (continued)

SWACO
Waste Generation and Recycling Rates 1996-2001

Material	1996	1997	Industrial			2001
			1998	1999	2000	
Waste Generated (tons)	265,315	325,039	326,246	312,866	401,565	334,670
Waste Reduced (tons)	181,543	209,478	210,108	207,879	274,870	223,371
Waste Disposed in Landfills (tons)	83,772	124,561	116,138	104,987	126,695	111,299
Waste reduction rate (percent of generation)	68.4%	51.7%	64.4%	66.4%	68.4%	66.7%
Population ¹	1,041,493	1,051,900	1,062,400	1,073,000	1,093,500	1,119,000
Per capita daily waste generation rate (lbs.)	1.40	1.69	1.68	1.60	2.01	1.64
Per capita daily waste reduction rate (lbs.)	0.96	1.04	1.08	1.06	1.38	1.09
Per capita daily waste disposal rate (lbs.)	0.44	0.65	0.60	0.54	0.63	0.55

continued

Table 10 (continued)

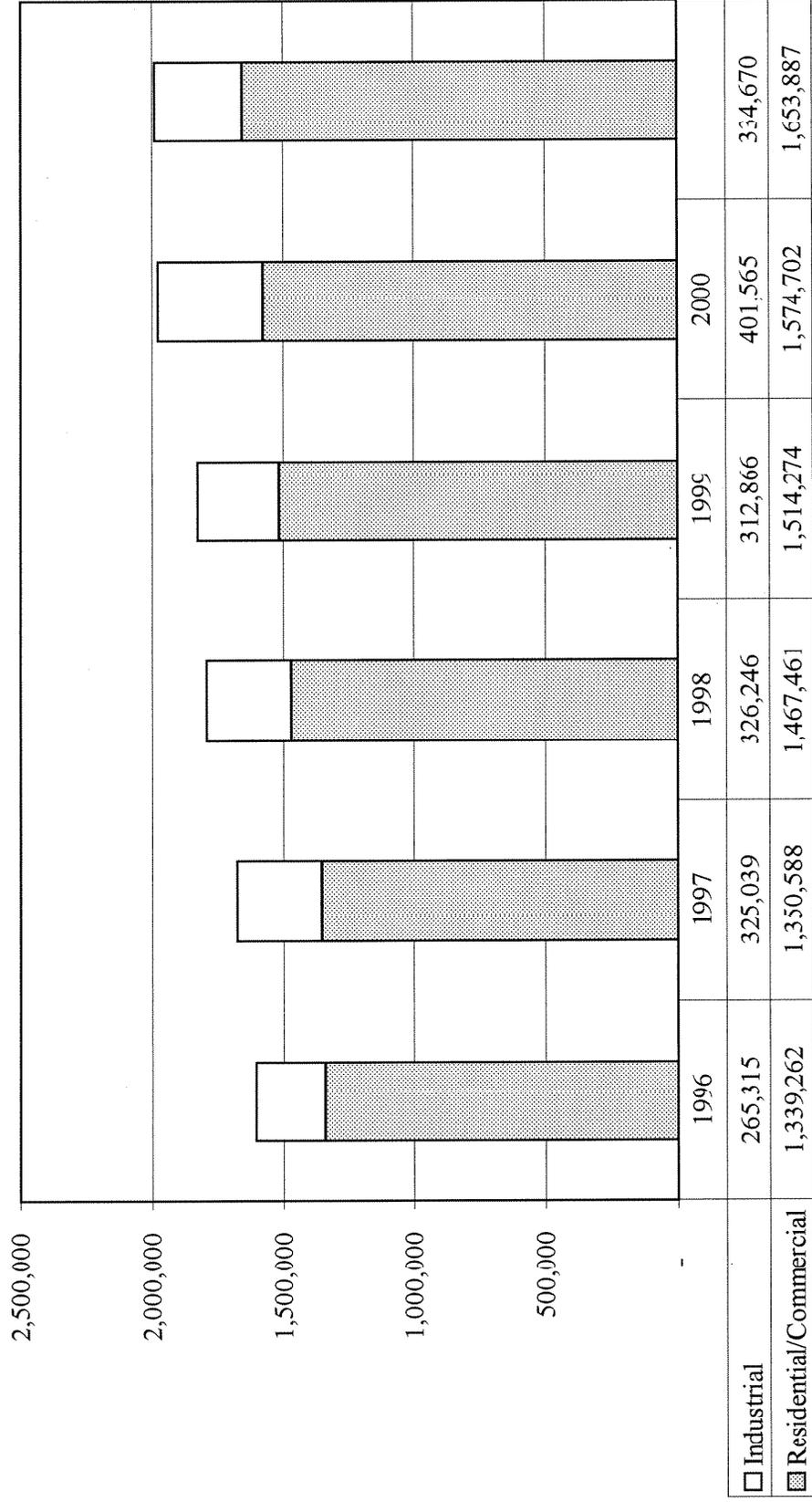
SWACO
Waste Generation and Recycling Rates 1996-2001

Material	Total					
	1996	1997	1998	1999	2000	2001
Waste Generated (tons)	1,604,577	1,675,627	1,793,707	1,827,140	1,976,267	1,988,557
Waste Reduced (tons)	433,639	475,871	511,587	569,447	640,908	662,040
Waste Disposed in Landfills (tons)	1,170,938	1,199,756	1,282,120	1,257,693	1,335,359	1,326,517
Waste reduction rate (percent of generation)	27.0%	28.4%	28.5%	31.2%	32.4%	33.3%
Population ¹	1,041,493	1,051,900	1,062,400	1,073,000	1,093,500	1,119,000
Per capita daily waste generation rate (lbs.)	8.44	8.73	9.25	9.33	9.90	9.74
Per capita daily waste reduction rate (lbs.)	2.28	2.48	2.64	2.91	3.21	3.24
Per capita daily waste disposal rate (lbs.)	6.16	6.25	6.61	6.42	6.69	6.50

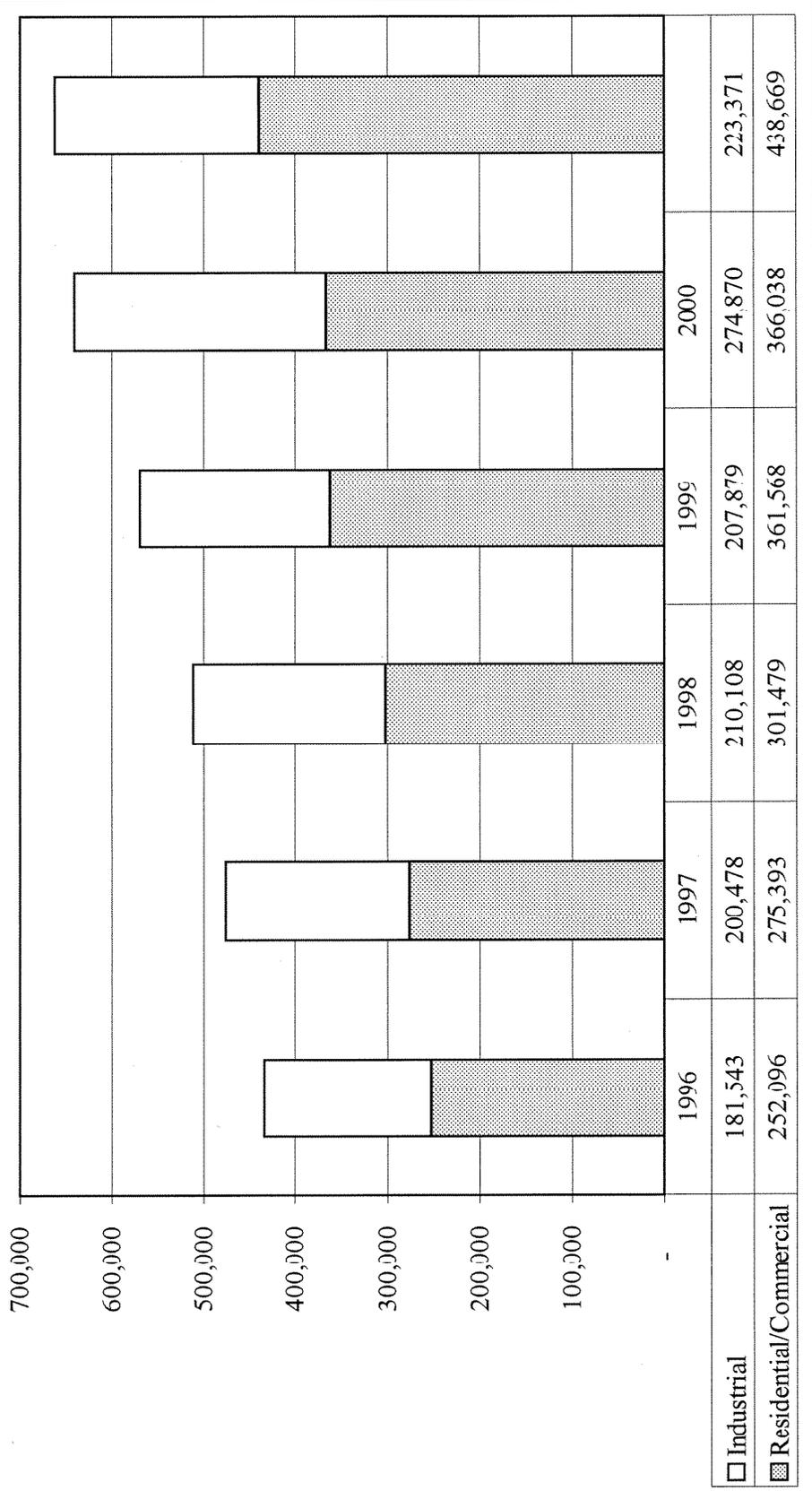
¹Estimated population for Franklin County Solid Waste Management District, principally Franklin County but including parts of five adjacent counties. The 1996-1999 population data are from the Solid Waste Plan; the 2000 figure is from the United States Department of Commerce, Bureau of the Census. The 2001 data is estimated by SWACO. (Note: The population data shown on Table 18 is for Franklin County only).

Source: SWACO Solid Waste Management Plan and the Ohio Environmental Protection Agency.

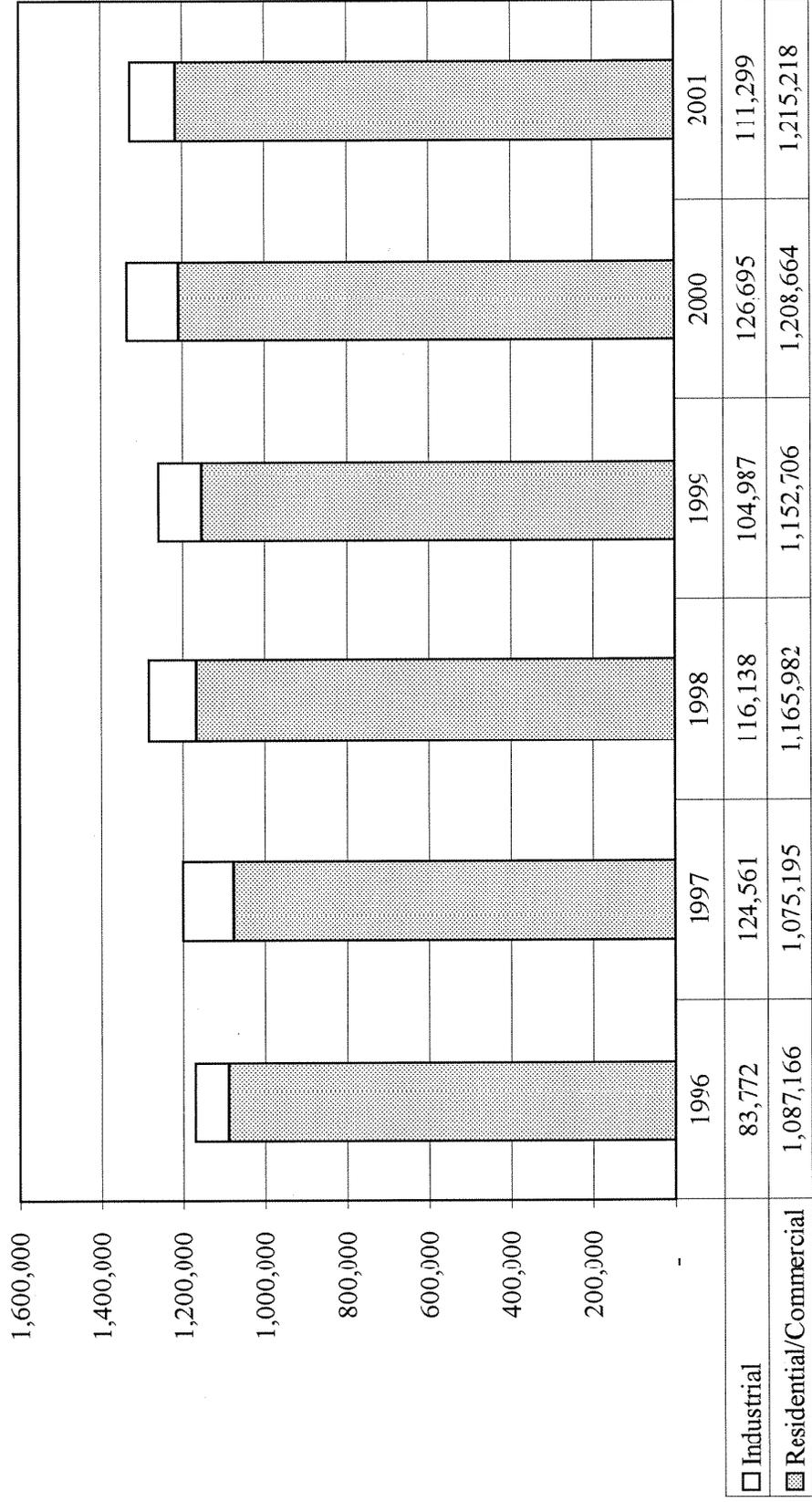
**District Solid Waste Generation
1996 - 2001
(annual tons)**



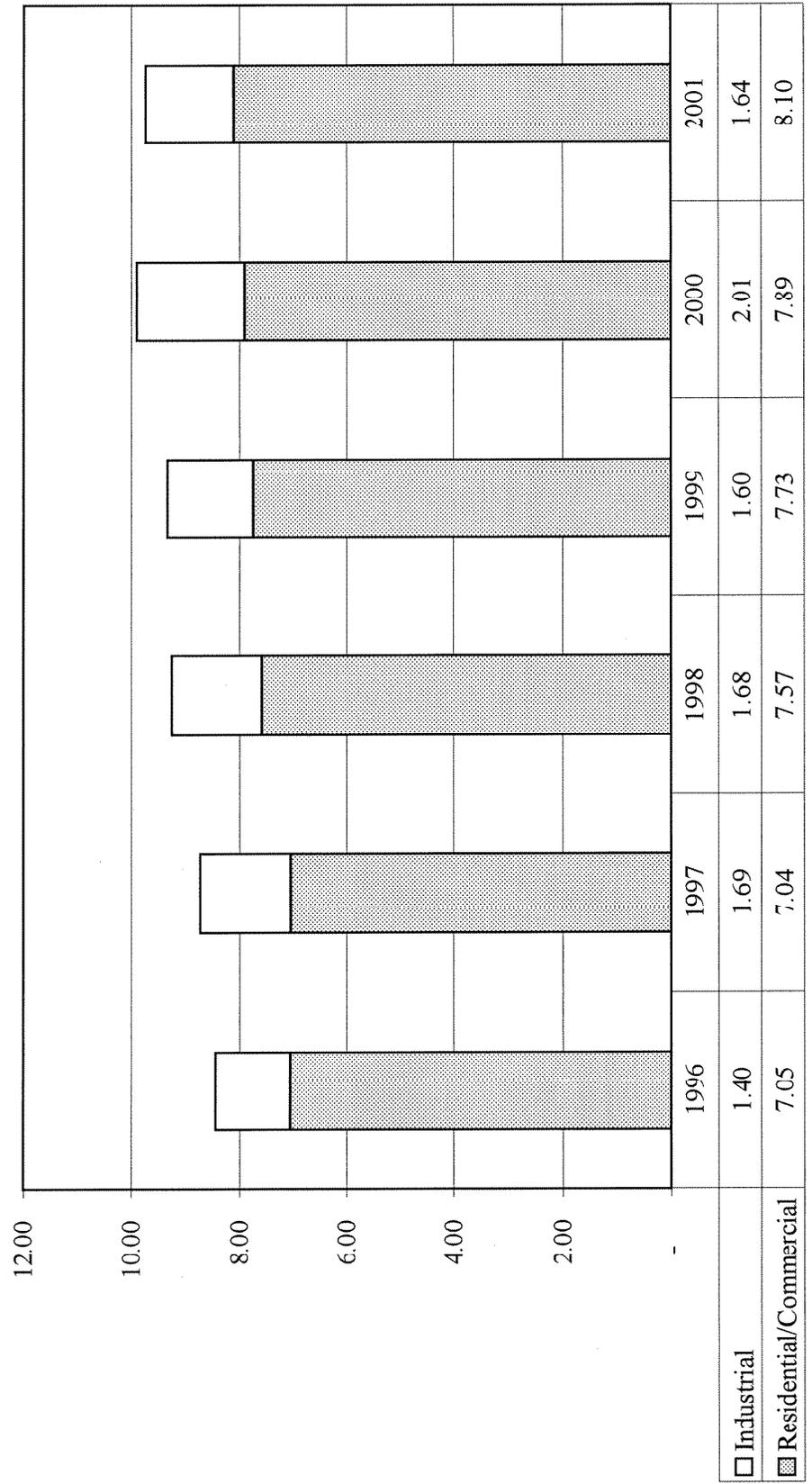
**District Solid Waste Recycling
1996 - 2001
(annual tons)**



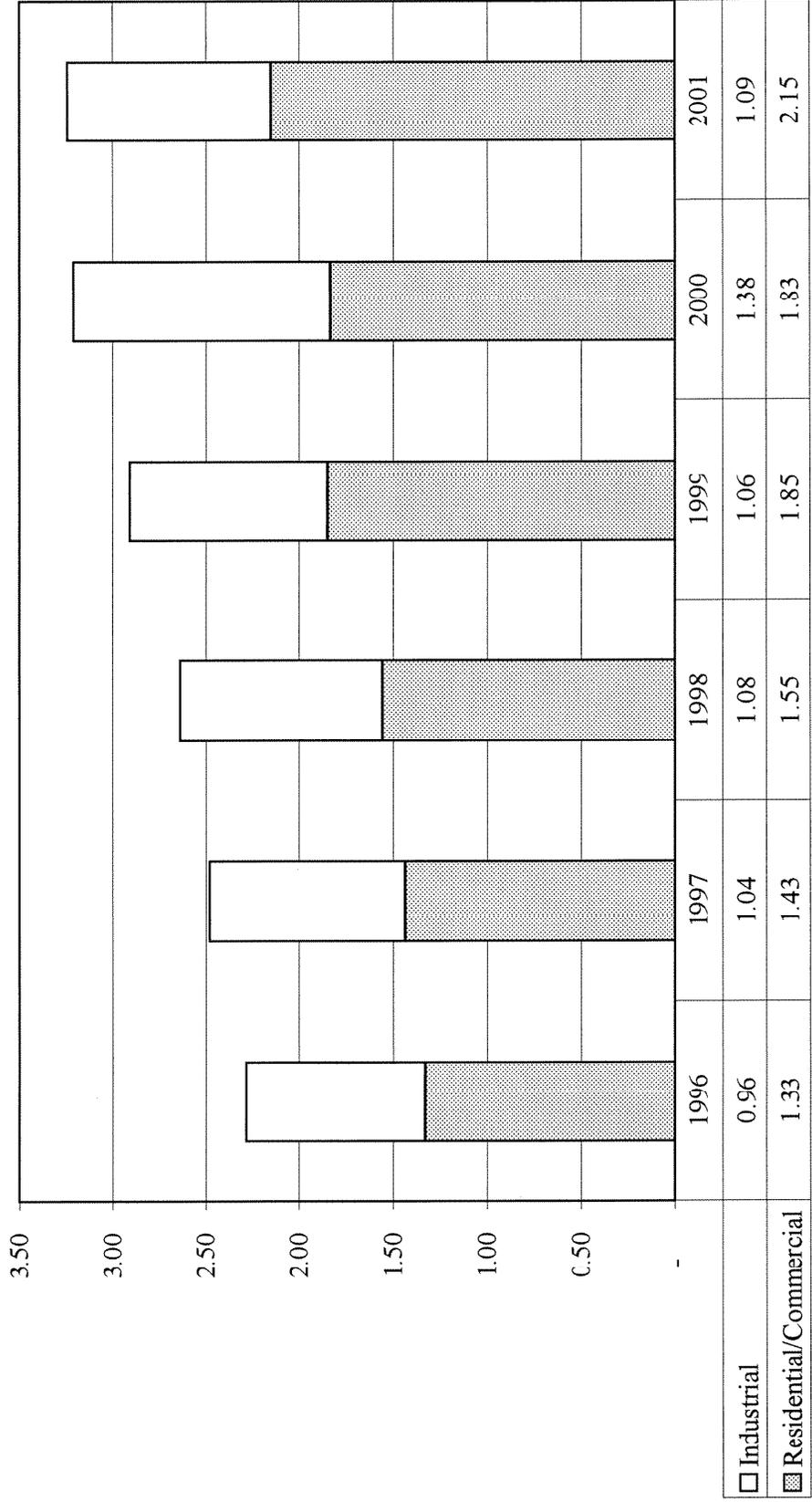
**District Solid Waste Disposal
1996 - 2001
(annual tons)**

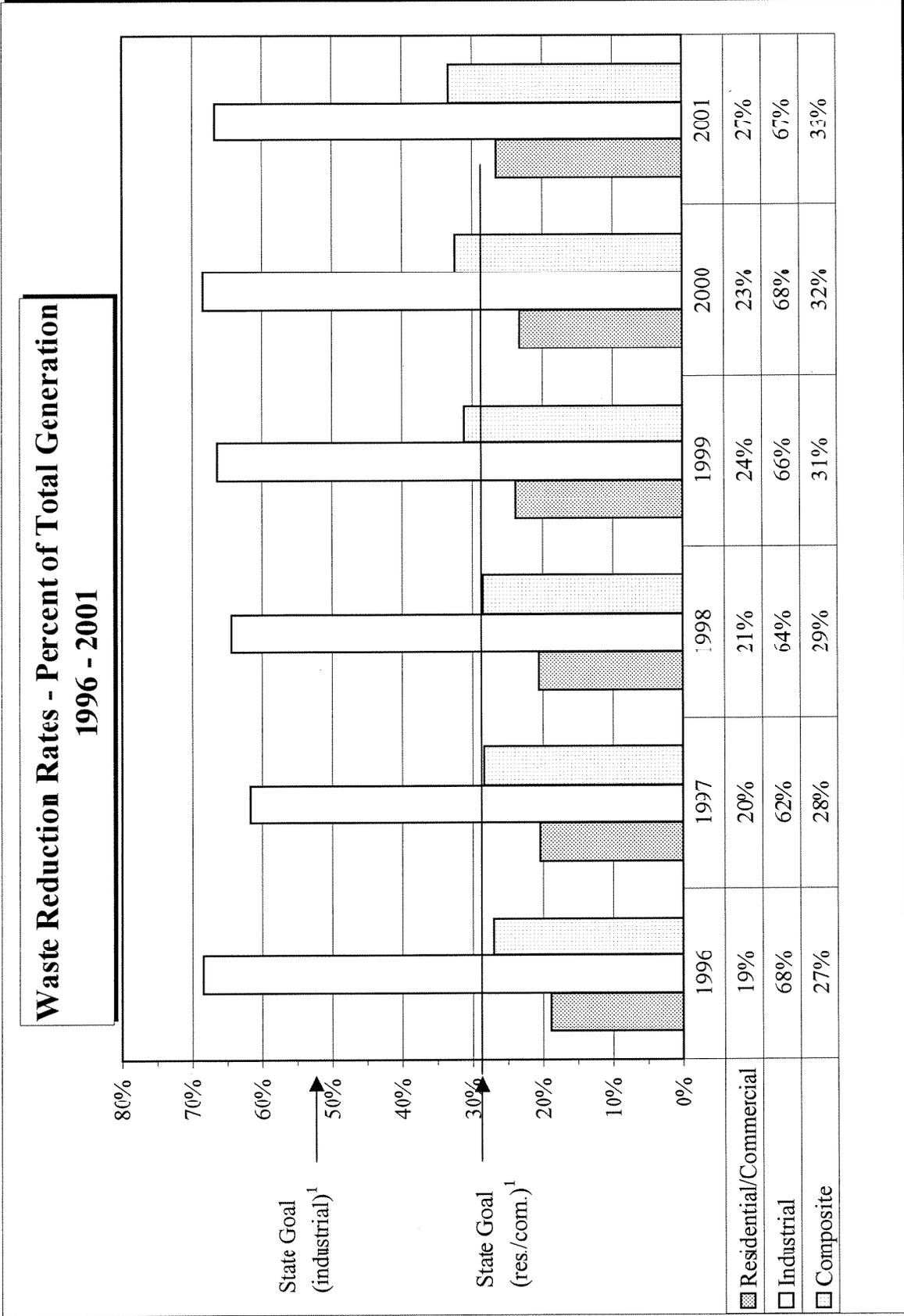


**Per Capita Waste Generation Rates
1996 - 2001
(pounds per day)**



**Per Capita Waste Reduction Rates
1996 - 2001
(pounds per day)**





¹The State goal is a recycling rate of 25% for the residential/commercial sector and 50% for the industrial sector

Table 11

SWACO
Yard Waste Composting 1992-2001
(in tons)

Year	Yard Waste Composted	% of District Waste Disposed ¹
1992	23,644	n/a
1993	38,479	n/a
1994	57,368	n/a
1995	63,371	n/a
1996	88,964	7%
1997	92,207	7%
1998	83,020	6%
1999	74,224	5%
2000	89,589	6%
2001	<u>105,315</u>	7%
Total	<u><u>716,181</u></u>	

¹ District disposal data is not available prior to 1996 (see Table 10).

Source: SWACO.

Table 12

SWACO
Battery Buy-Back Program 1993-2001¹

Year	Alum Creek		Jackson Pike		Morse Rd.		Georgesville		Sanitary		Total Batteries	Total Weight	Lead recovery in pounds ²
	Transfer		Transfer		Transfer		Transfer	Landfill					
1993	238		1,545		686		217		459		3,145	110,075	44,030
1994	78		1,042		717		263		245		2,345	82,075	32,830
1995	n/a		505		493		64		242		1,304	45,640	18,256
1996	n/a		693		593		243		234		1,763	61,705	24,682
1997	n/a		644		380		237		212		1,473	51,555	20,622
1998	n/a		461		515		151		225		1,352	47,320	18,928
1999	n/a		340		288		86		181		895	31,325	12,530
2000	n/a		216		220		59		303		838	29,330	11,732
2001	n/a		86		141		39		36		302	10,570	4,228
Total	316		5,532		4,033		1,399		2,137		13,417	469,595	187,838

¹ SWACO purchases lead acid batteries from waste haulers for a price of \$1 each to remove batteries from the waste stream.

² The program began January 1, 1993. Total lead recovered since program inception is 93 92 tons.

Source: Solid Waste Authority of Central Ohio.

Table 13

SWACO
Household Hazardous Waste Collection 1992 - 2001
 (in pounds)¹

Material Classification	1992	1994	1995	1996	1998	1999	2000	2001	Total
Alkaline Batteries	5,000	6,344	4,291	7,768	8,171	1,614	5,135	4,066	47,389
Loosepack Fuels	198,210	195,215	144,328	180,508	138,975	94,287	171,388	173,899	1,492,610
Aerosol-Flammable	45,000	33,148	17,741	23,224	12,626	5,307	9,997	12,160	176,753
Aerosol-Pesticides	4,500	5,781	2,752	9,025	4,734	2,573	6,268	5,197	44,340
Bulked Flammables	105,000	162,112	108,582	131,048	126,297	73,021	124,557	129,246	971,463
Latex Paint	205,153	165,378	62,600	103,699	113,253	65,206	98,629	124,979	1,099,097
Lab Pack A	85,100	79,363	29,521	145,206	3,820	1,676	10,715	10,616	465,567
Lab Pack B	38,520	54,142	32,643	53,468	37,787	21,014	46,397	39,979	344,038
Propane Cylinders	1,667	16,085	2,816	3,785	5,731	3,448	8,839	11,226	54,699
Lead/Acid Batteries	58,730	40,361	8,503	34,589	16,423	1,805	9,845	18,215	229,471
Acids/Bases	11,000	14,992	8,503	9,410	6,396	4,103	-	-	59,004
Used Oil/Antifreeze	72,120	63,276	30,536	26,633	27,437	9,935	28,606	36,253	335,596
Total	830,000	836,197	453,616	728,363	501,650	283,990	520,376	565,836	5,320,027
Collection events	9	21	12	14	7	7	10	12	95
Collection days	3	53	26	28	14	14	20	24	183
Vehicles	7,381	13,519	8,556	10,825	9,014	3,441	7,562	9,002	75,300
Households Served	3,488	15,547	9,483	12,482	9,960	3,887	8,436	9,947	83,130
Pounds per vehicle	112	62	53	67	56	83	69	63	534

¹ There was no collection in 1993 and 1997.

Source: Solid Waste Authority of Central Ohio

Table 14

SWACO
Debt Service Schedule
Franklin County Series 1986 Bonds¹

Year	Principal	Interest ²	Total
1991	\$110,000	\$81,900	\$191,900
1992	115,000	74,750	189,750
1993	115,000	67,275	182,275
1994	115,000	59,800	174,800
1995	115,000	52,325	167,325
1996	115,000	44,850	159,850
1997	115,000	37,375	152,375
1998	115,000	29,900	144,900
1999	115,000	22,425	137,425
2000	115,000	14,950	129,950
2001	115,000	7,475	122,475
Total	<u>\$1,260,000</u>	<u>\$493,025</u>	<u>\$1,753,025</u>

¹ Upon acquisition of the Landfill, SWACO assumed the balance of the \$1.7 million bonds issued by the County to build the original landfill. See note 9 to financial statements, page 2-15

² Bonds were issued with a single coupon rate of 6.5%.

Source: SWACO

SWACO
Debt Service Schedule
Franklin County Series 1997 Bonds¹

Year	Principal	Coupon	Interest	Total
1997	-	-	\$329,938 ²	\$329,938
1998	\$575,000	5.00%	981,635	1,556,635
1999	605,000	5.00%	952,885	1,557,885
2000	640,000	5.00%	922,635	1,562,635
2001	675,000	5.00%	890,635	1,565,635
2002	710,000	5.00%	856,885	1,566,885
2003	750,000	4.50%	821,385	1,571,385
2004	790,000	4.30%	787,635	1,577,635
	835,000	5.50%	753,665	1,588,665
2006	880,000	5.50%	707,740	1,587,740
2007	930,000	5.50%	659,340	1,589,340
2008	980,000	4.50%	608,190	1,588,190
2009	1,035,000	4.60%	564,090	1,599,090
2010	1,090,000	4.70%	516,480	1,606,480
2011	1,150,000	4.75%	465,250	1,615,250
2012	1,215,000	4.80%	410,625	1,625,625
2013	1,280,000	4.85%	352,305	1,632,305
2014	1,350,000	4.90%	290,225	1,640,225
2015	1,425,000	4.90%	224,075	1,649,075
2016	1,500,000	5.00%	154,250	1,654,250
2017	1,585,000	5.00%	79,250	1,664,250
Total	\$20,000,000		\$12,329,118	\$32,329,118
		Net interest cost (%)		4.864%

¹ Bonds were issued in 1997 by Franklin County on behalf of SWACO to fund the expansion of the landfill and other projects. SWACO secured the bonds by granting the County a mortgage of the landfill property and a security interest in the landfill personal property and assignment of rents, permits, and licenses. See note 10 to financial statements, page 2-15.

² Net of accrued interest of \$40,899.

Source: SWACO

SWACO
Waste-to-Energy Facility Lease Payment Schedule¹
(in thousands)

Year	Principal	Interest & Associated Bond Costs ²	Total Lease Obligation	Amount Paid or Credited	Accrued Interest on Deferred Balance ³	Deferred Balance
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	3,972
1997	6,299	4,991	11,290	4,055	746	7,981
1998	7,258	4,664	11,922	2,002	1,178	11,098
1999	7,904	4,220	12,124	6,764	1,670	7,030
2000	7,932	3,969	11,901	9,938	1,841	3,804
2001	8,373	3,374	11,747	13,083	1,968	631
Subtotal 1993-2001	62,446	49,553	111,999	79,855	7,958	40,101
2002	7,807	3,034	10,841			
2003	8,370	2,323	10,693			
2004	8,158	1,954	10,112			
2005	8,097	1,551	9,647			
2006	8,203	1,147	9,350			
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 2002-10	58,058	11,310	69,368			
Total 1993-2010	<u>\$ 120,504</u>	<u>\$ 60,862</u>	<u>181,366</u>			

1. WTEF lease obligation under the Third Modification. This includes a 35 percent reduction in the lease for the years 1995-2010 (see note 12 to the Financial Statements).

2. Associated bond costs include 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 early 2001.

3. Interest accrues at an annual rate of 4.5% on the deferred balance pursuant to the Third Modification.

Source: SWACO

SWACO
Schedule of Insurance in Force at December 31, 2001

Coverage	Carrier	Amount	Exp. Date
Crime Coverage	Federal Insurance Company		7/10/2002
Blanket Employee Dishonesty		\$1,000,000	each occurrence
Forgery and Alteration		1,000,000	actual loss
Inside/Outside		2,500	actual loss
Commercial Property Coverage	Corejus	\$14,166,772	value excludes non-scheduled contents 4/1/2002

Source: SWACO

District and Franklin County Demographic Statistics 1992-2001¹

Fiscal Year	District Population ²	Population ³	Per Capita Income ⁴	Median Age ⁴	Total Assessed Value Taxable Property ⁴	
					Franklin County Only	(in thousands)
1992	n/a	988,783	\$21,555	31	\$14,060,576	
1993	n/a	1,001,072	22,464	32	15,374,618	
1994	n/a	1,014,465	23,787	32	15,672,486	
1995	n/a	1,016,094	25,193	32	16,055,248	
1996	1,041,493	1,027,599	26,347	32	17,356,432	
1997	1,051,900	1,042,111	27,169	33	17,916,289	
1998	1,062,400	1,056,863	28,166	33	18,607,705	
1999	1,073,000	1,067,993	29,321	33	21,032,111	
2000	1,093,500	1,068,978	31,527	33	21,698,652	
2001	1,119,000	1,088,445	32,036	33	22,111,413	

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

²Estimated population for SWACO is from the Solid Waste Plan for the years 1996 - 1999. The 2000 data was provided by the U.S. Department of Commerce, Bureau of the Census. The 2001 data is estimated by SWACO.

³Estimates by the Mid-Ohio Planning Regional Planning Commission, except for 2000 which was provided by the U.S. Department of Commerce, Bureau of the Census.

⁴Woods & Poole Economics Inc.

Source: Auditor's Office - Franklin County, Ohio and SWACO

Table 19

Average Unemployment Rates 1992-2001¹

Fiscal Year	Franklin County	State of Ohio	United States
1992	5.0%	7.1%	7.0%
1993	4.6%	6.5%	6.8%
1994	3.9%	5.5%	6.1%
1995	2.9%	4.8%	5.6%
1996	2.9%	4.9%	5.6%
1997	2.7%	4.6%	4.5%
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%

¹Ohio Bureau of Employment Services, Division of Research and Statistics.

Source: Auditor's Office - Franklin County, Ohio

COMPLIANCE SECTION

**Report of Independent Accountants on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Trustees
Solid Waste Authority of Central Ohio

We have audited the financial statements of the Solid Waste Authority of Central Ohio (SWACO) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 17, 2002. 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.

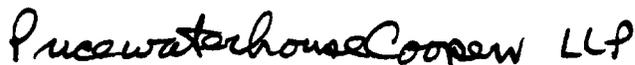
Compliance

As part of obtaining reasonable assurance about whether SWACO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SWACO's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of SWACO's audit committee, management, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.



May 17, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
NOVEMBER 7, 2002**