



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Solid Waste Authority of Central Ohio
Franklin County, Ohio

Fiscal Year ended December 31, 2016



Dave Yost • Auditor of State

Board of Trustees
Solid Waste Authority of Central Ohio
4239 London Groveport Road
Grove City, OH 43123

We have reviewed the *Independent Auditor's Report* of the Solid Waste Authority of Central Ohio, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2016 through December 31, 2016. 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 that reads "Dave Yost".

Dave Yost
Auditor of State

June 27, 2017

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Comprehensive Annual Financial Report

of the

Solid Waste Authority of Central Ohio

for the

Fiscal Year ended December 31, 2016

Issued by the Solid Waste Authority of Central Ohio

Ty D. Marsh - Executive Director

Prepared by the Accounting and Finance Department

David R. Logan – Accounting and Finance Manager

Patrick W. O'Block – Budget and Management Administrator

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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2016

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INTRODUCTORY SECTION

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June 9, 2017

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

We are pleased to present SWACO’s Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended December 31, 2016 to the SWACO Board of Trustees and those living and doing business within the jurisdiction of SWACO.

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

Kennedy Cottrell Richards, Certified Public Accountants, have issued an unmodified opinion on SWACO’s financial statements for the year ended December 31, 2016. The independent auditors’ report is located at the beginning of the Financial Section of the report, Section 2.

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

Profile of SWACO

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

In addition to providing solid waste planning for the District, SWACO operates a sanitary landfill with a maximum daily capacity of 8,000 tons, two waste transfer stations with a combined capacity of approximately 3,000 tons per day, and various recycling and waste reduction programs.

SWACO is managed by an Executive Director who is appointed by the Board of Trustees. The Board of Trustees includes the following members:

- The President of the Franklin County Board of Commissioners or their designee
- A member appointed by the Board of Commissioners
- The mayor of the City of Columbus or their designee
- A member appointed by the Mayor of Columbus
- The Health Commissioner of the Health District having the largest territorial jurisdiction with Franklin County, or their designee
- One member to be chosen by a majority of the Boards of Township Trustees
- One member representing the public
- A member representing commercial, industrial or institutional generators of solid waste
- A member representing the interest of citizens with no affiliation with a solid waste management company or significant generator of solid waste

SWACO's mission is to manage the District municipal solid waste stream to achieve environmentally responsible and cost-effective disposal, treat solid waste as a resource capable of yielding recovered materials and energy, reduce reliance on landfilling, and plan future disposal capacity for the District.

SWACO is also responsible for post closure care of the closed Model Landfill including maintenance of the integrity & effectiveness of the final cover, the leachate collection, ground water monitoring, and gas monitoring systems.

History of SWACO

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

SWACO closed all but the waste receiving portion of the WTEF at the end of 1994 because of its inability to generate revenues sufficient to operate the facility and pay the lease obligation to the City. SWACO converted the waste receiving portion of the facility to a solid waste transfer station and negotiated revised lease terms with the City. Pursuant to the modified lease, SWACO implemented new fees in 1999 applied to all solid waste generated within SWACO's jurisdiction and dedicated to the payment of the lease (see Note 11). In 2005, SWACO demolished the waste incineration portions of the facility, retaining the transfer station and certain buildings and structures that SWACO used for recycling activities. The remaining buildings and structures were destroyed by fire in 2008, leaving only the transfer station.

With closure of the WTEF in 1994 and the resulting loss of disposal capacity, SWACO began the process of obtaining a permit from the Ohio Environmental Protection Agency (the “OEPA”) to expand the Landfill to meet the additional disposal requirements of the District. In 1997, the permit was approved adding 49 million cubic yards of capacity to the Landfill, sufficient to meet SWACO’s disposal requirements for at least 25 years and increasing the daily capacity to 6,000 tons. A further modification to the permit, approved in 2009, added 3.5 million cubic yards to the Landfill’s capacity. In 2011, The Ohio EPA granted SWACO’s request to increase its daily capacity from 6,000 to 8,000 tons.

The Solid Waste Plan

SWACO’s Solid Waste Plan was originally adopted in 1993. The plan is subject to periodic updates and the last update approved by the OEPA was in November 2011.

The current Solid Waste Plan includes the following recycling and waste reduction programs:

Yard Waste Composting Services

SWACO provides free yard waste composting services located at two composting facilities within the district. These facilities are operated by Kurtz Bros. Central Ohio, LLC and Ohio Mulch Supply, Inc. The composting services are free of charge to all residents and subsidized by SWACO.

Household Hazardous Waste Collections

SWACO began mobile household hazardous waste collections in local communities within SWACO’s solid waste management district on September 28, 1991. The mobile collections are free to district residents and offer citizens the opportunity to dispose of household hazardous materials in an environmentally friendly and responsible fashion. SWACO opened a permanent HHW collection facility under contract with Environmental Enterprises, Inc., located at 1249 Essex Avenue, in Columbus during 2007. This program is subsidized by SWACO.

SWACO Recycling Drop Box Program

SWACO offers free residential recycling within the District through a community-wide drop box program. The City of Columbus started the program and SWACO acquired the program in April 2002, servicing approximately 50 locations. SWACO has grown the program to approximately 178 locations within the District. SWACO provides the drop boxes to the local community and collects and transports the recyclables to a material recovery facility to be sold for reuse.

SWACO also provides resources to communities forming consortiums to better negotiate combined refuse, recycling and yard waste collection services.

Budgetary Control

The Board of Trustees adopts an annual non-appropriated operating and capital improvements budget resolution. Budgetary control is maintained by the Board at the major account level (salaries, wages and benefits; contracts, services and supplies; capital outlays; etc.). The Statistical Section provides a budget to actual comparison for the year ending December 31, 2016.

SWACO maintains a five-year Capital Improvement Plan that serves as the basis to support each year's Board approved Capital Budget. Long term assets such as land and landfill cell construction are financed through general obligation bond issuances. Operating capital is provided by revenue from ongoing landfill operations.

Local Economy and Economic Outlook

SWACO is located principally within Franklin County, with the City of Columbus as the largest city within the District. Government jobs provide the largest single source of employment within Columbus, due to the presence of city, state, county and federal employers. The area also hosts Ohio State University, Battelle Memorial Institute, the world's largest private research and development foundation, and the headquarters for seven major corporations, including four U.S. Fortune 500 organizations. Both the City and the County maintain triple A ratings on their long-term debt from the major rating agencies.

In 2010, SWACO enacted its full authority pursuant to flow control regulations, requiring haulers to bring 100% of solid wastes collected to a SWACO designated facility for disposal. In addition to the enactment of flow control, rate increases of \$3 per ton each in 2011 and 2012 were implemented. These measures, in conjunction with targeted expense reductions and operational productivity improvements, have enabled SWACO to reduce its negative net position, meet bond payment obligations, fund EPA mandated reserves for landfill closure/post-closure financial obligations, and operate the landfill in an environmentally responsible manner to ensure the health, welfare and safety of the general-public.

Long-Term Financial Planning

The SWACO Board of Trustees adopts annual operating and capital budgets that are supported by pro forma projections to extend the planning horizon from five to twenty-five years. Over the next twenty-five years, extensive capital improvements will be on-going as SWACO completes construction of the remaining four phases of the Landfill and plans for its eventual closure and replacement.

Obligations for closure/post-closure care of the Franklin County Sanitary Landfill are currently cash funded annually through operating revenue and are restricted and held in an Ohio Environmental Protection Agency trust fund account.

The previously established post-closure fund for care of the closed Model Landfill will cover standard operating and maintenance costs for an estimated two more years. SWACO is ultimately responsible for the ongoing capital costs of maintaining the landfill cap and the landfill gas collection and control system, as well as the standard operating and maintenance costs. SWACO is currently able to fund these costs into the future through operating revenue generated by operation of the currently active Franklin County Sanitary Landfill whose volumes and revenues are secured by the enactment of flow control within the district.

SWACO currently has an AAA rating from Standard and Poor's Corporation and an Aaa rating by Moody's Investors Service.

Major Initiatives

2016 General Obligation Debt Refunding

In 2016, SWACO identified a refunding opportunity for its Series 2008, Series 2010B and Series 2012 Bonds. The refunding of these bonds accumulated a net present value savings of approximately \$2.1 million. As part of the refunding effort SWACO credit quality rating was revalued by Standard and Poor's Corporation and Moody's Investment Service. SWACO maintained its AAA and Aaa respectively from both rating agencies.

Rate Adjustment

SWACO underwent a rate analysis in 2016. This analysis was driven by requirement to remove the restricted seven dollars (\$7.00) per ton fee associated with the retirement of the debt service on the former Waste-to-Energy Facility. Through SWACO's analysis, we found that maintaining four dollars (\$4.00) per ton would offset increasing cost of operations, maintain fund balance reserve levels, provide funds to fulfill SWACO's community mission and save the community three dollars (\$3.00) per ton totaling an estimated \$3 million per year. This rate analysis was complete with SWACO's first long-term planning model. Moving forward, it is SWACO's intent update the model annually in our efforts to gage efficiencies and measure our effectiveness. The Board of Trustees passed a resolution on January 10, 2017 making the rate change effective April 1, 2017.

Model Landfill

In 2014, SWACO and its environmental engineering consultant created a 5-phase plan to address potential landfill gas migration concerns at Model Landfill. Each phase addresses portions of the existing landfill gas collection and control system (“GCCS”). The phasing plan is progressive; once each phase is completed, the results will be evaluated to determine when the subsequent phase is to be constructed, if at all. The phasing plan included budgeted costs that were used in the Capital Improvement Plan in 2015 and 2016. Phase 1 was constructed in 2015. The budget for Phase 1 was \$500,000 and the actual cost was \$371,985. The work showed positive results in controlling gas migration, however it was determined that additional construction was necessary. After discussion with the Ohio EPA, SWACO combined Phases 2 and 3 into a single project. The redesign resulted in significant costs savings. The Phase 2 budget was \$706,000 and Phase 3 budget was \$564,000. The work was completed in 2016. The actual cost of the redesign and construction of Phases 2 & 3 was \$756,150. To date, the cost of construction on Phases 1 through 3 have come in \$641,865 under budget. More importantly, the GCCS construction has controlled the landfill gas within the facility boundary. The GCCS still needs to be maintained, but Phases 1 through 3 have been a success.

Franklin County Sanitary Landfill (FCSL) Phase H4 Construction

Phase H4 of the FCSL consists of a 32.3-acre cell bottom and 6.3 acres of separatory liner. The original design subdivided Phase H4 into two cells; H4A and H4B. Phase H4A was bid in 2015 and consisted of 22.1 acres of cell bottom and the 6.3 acres of the separatory liner. Due to the nature of the design, the 10.2-acre cell, Phase H4B, was to be bid and constructed immediately after the completion of Phase H4A. The same contractor, who was constructing Phase H4A, won the Phase H4B bid. At that point, SWACO and the contractor looked at benefits to re-phasing the two projects. It was determined there would be construction cost savings, as well as an operational advantage, to complete the entire cell bottom first. Then complete the separatory liner while waste was placed in the cell bottom. The cell bottom was certified in November 2016. Waste placement began in December 2016. The separatory liner portion of H4 was certified in February 2017.

Solid Waste Management Plan Update

Approximately every five years, SWACO must update its Solid Waste Management Plan (“SWMP”). The SWMP plan outlines the activities that will be implemented to achieve state waste reduction and recycling requirements and goals. During 2016, SWACO completed a draft of its SWMP Update and submitted it to Ohio EPA for review. The Ohio EPA found no major deficiencies in the Draft SWMP. SWACO plans to continue the use of its five (\$5.00) dollar Generation Fee to funding the activities in the SWMP. The budget during the planning period (2018-2032) for the SWMP ranges annually from \$5,142,912 to \$5,030,694. During 2017, to approve the SWMP Update, SWACO will conduct a public process that includes a public



comment period and hearing, and community ratification process. SWACO intends to begin full implementation of the SWMP Update in 2018.

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SWACO for its comprehensive annual financial report for the fiscal year ended December 31, 2015. This was the eighteenth consecutive year SWACO has received this award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Acknowledgements

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

Sincerely,

Ty D. Marsh
Executive Director

Principal Officials

Board of Trustees

(Appointed by or Representing)

Kenneth Wilson, Chairman

Appointed by the Franklin County Board of Commissioners

Stephen Bowshier

Appointed by a majority of the Boards of Township Trustees in Franklin County

Mike Frank

Appointed by the Board of Trustees representing the general interest of citizens

Joe Lombardi

Appointed by the Mayor of the City of Columbus

Susan Tilgner

Designee of the Franklin County Health Commissioner

Tracie Davies, Vice Chair

Designee of the Mayor of the City of Columbus

Brian Will

Appointed by the Board of Trustees representing Industrial, Commercial, and Institutional Waste Generators

Patrick King

Appointed by the Board of Trustees representing the public

John O'Grady

President of the Franklin County Board of Commissioners

Staff

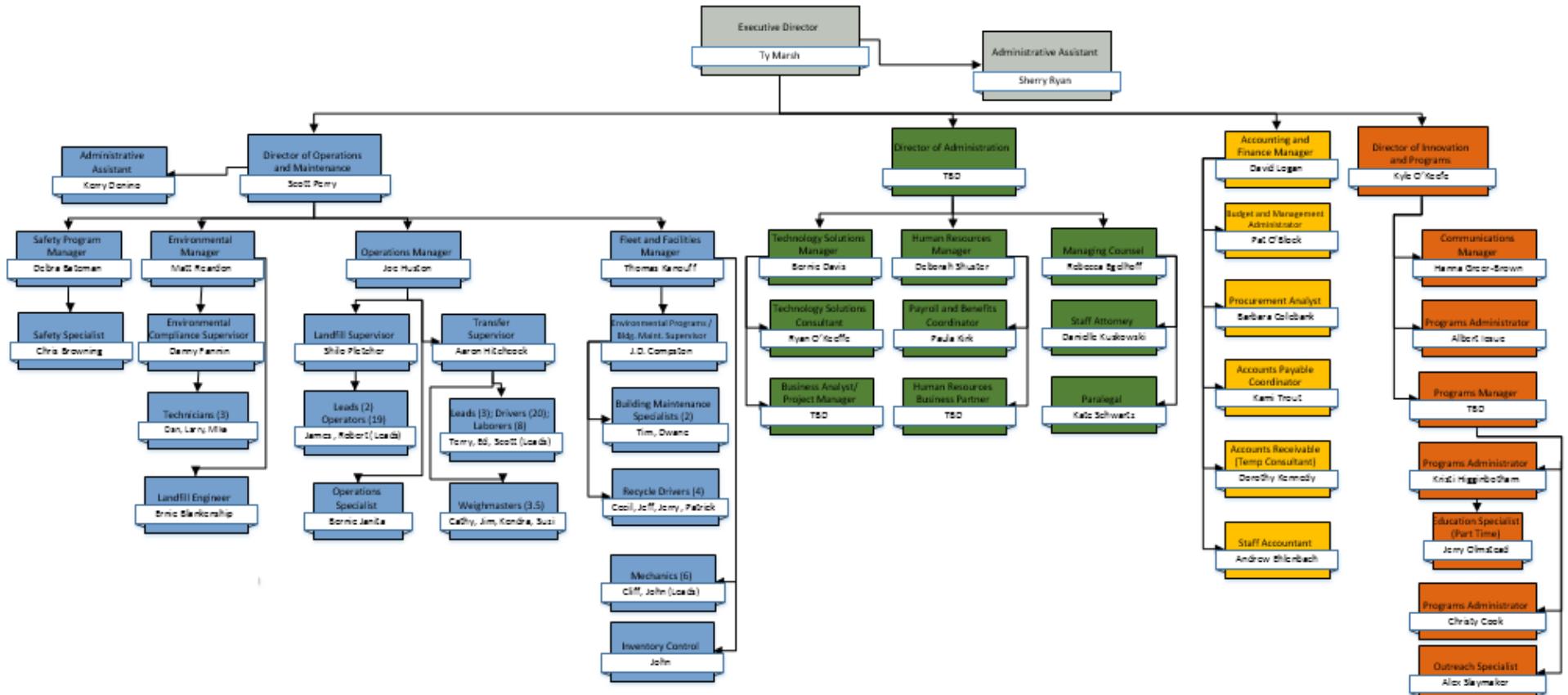
Ty Marsh, Executive Director

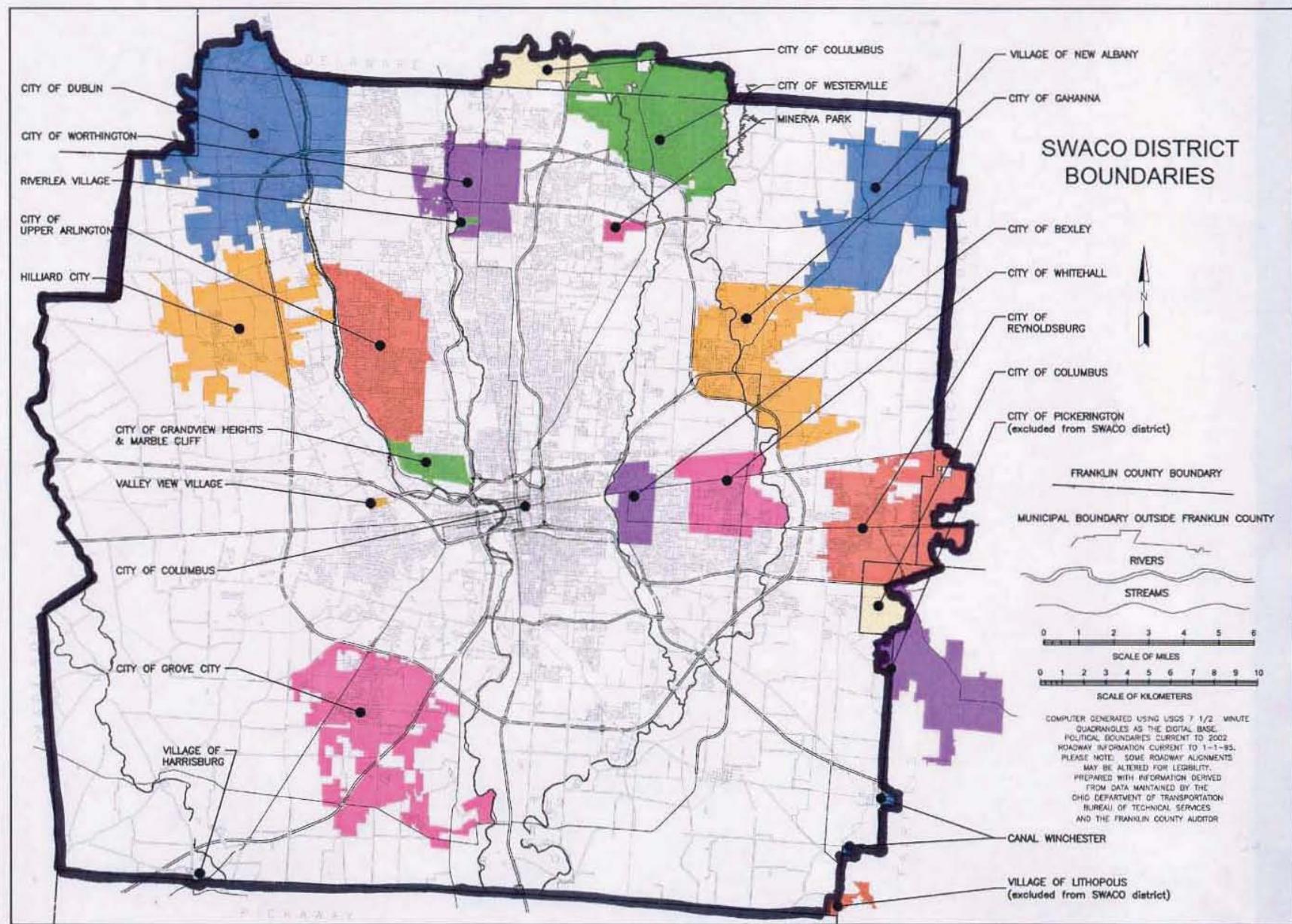
Scott Perry, Director of Operations and Maintenance

Kyle O'Keefe, Director of Innovation and Programs

David Logan, Accounting and Finance Manager

Patrick O'Block, Budget and Management Administrator







Government Finance Officers Association

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, 2015

A handwritten signature in black ink that reads "Jeffrey R. Emmer".

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Solid Waste Authority of Central Ohio
Franklin County
4239 London Groveport Road
Grove City, Ohio 43123

To the Audit and Finance Committee and Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Solid Waste Authority of Central Ohio, Franklin County, Ohio (SWACO), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise SWACO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to SWACO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of SWACO's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of SWACO as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on SWACO's basic financial statements taken as a whole. The introductory section, supplemental schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, on our consideration of the SWACO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SWACO's internal control over financial reporting and compliance.



Kennedy Cottrell Richards LLC
June 9, 2017

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") provides an overview of the financial performance of the Solid Waste Authority of Central Ohio (SWACO) and provides an introduction to SWACO's financial statements for the year ended December 31, 2016. The information contained in this MD&A should be considered in conjunction with information presented in the letter of transmittal, beginning on page 1-1, and SWACO's financial statements and corresponding notes to the financial statements, which follow this section.

Overview of the Financial Statements

SWACO's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America and promulgated by the Governmental Accounting Standard Board ("GASB"). The financial information of SWACO is accounted for in two enterprise funds in order to reflect limitations and restrictions placed on the use of available resources. The *Operating Fund* is used primarily to account for revenues and expenses related to the operation of SWACO's Sanitary Landfill and solid waste transfer facilities. Except for certain fees restricted to the payment of a capital lease obligation and related bonds, the fund may be used for any other lawful solid waste management purpose deemed appropriate by the Board of Trustees. Generation Fees in the *Program Fund* are restricted by state statute to certain solid waste reduction, recycling and reuse purposes. Generation fee proceeds are derived from \$5.00 per ton included in the tipping fee, and additional program funds are received from grant income.

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

- **Statement of Net Position** – This statement presents information about all of SWACO's assets, liabilities, and deferred outflows and inflows with the difference between them reported as net position.
- **Statement of Revenues, Expenses and Changes in Net Position** - This statement includes all operating and non-operating revenues and expenses for SWACO and shows the change in SWACO's net position during the most recent year.
- **Statement of Cash Flows** – This statement reports cash and cash equivalent activities for the year. A reconciliation of operating income to net cash provided by operating activities is provided.

Financial Highlights of 2016

- SWACO's overall net position increased by \$16.2 million, (125.9%), in 2016.
- Operating Fund change in net position increased by approximately \$15.6 million, (153.1%), in 2016.
- Operating Fund fees increased by approximately \$1.1 million, (2.5%) from the prior year. Other revenue was down approximately \$19,000, 0.7%.

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

- Operating Fund and Program Fund operating expenses – Salaries, wages and benefits overall expense increased approximately \$812,000 (9.3. %) from the prior year. In the Operating Fund operating expenses for salaries, wages and benefits increased by approximately \$600,000 (7.5%). Operating expenses for salaries, wages, and benefits in the Program Fund increased by approximately \$212,000 (27.5%), which is due to filling vacant positions, primarily in the public relations group.
- Contracts, services, and supplies expense for the combined funds increased by approximately \$1.4 million (13.2%). The Operating Fund increased by approximately \$1.2 million (16.1%), due to an increase in vehicle maintenance and legal expenses. The Program Fund saw an increase of approximately \$178,000 (5.9%).
- Depletion and closure expense increased by approximately \$1.6 million (42.0%) over prior year. Construction and development expenses that were updated in the build-out plan resulted in an adjustment for the current year. Landfill depletion expense specifically is down approximately \$1.8 million (28.9%) from prior year while closure expense is up approximately \$3.4 million (136.5%) from prior year based on the annual aerial survey calculation used to measure available airspace with future construction costs.
- Non-operating revenues and expenses for the Combined Funds net to an expense of approximately \$3.1 million, a decrease in expense of \$1.6 million (34.5%) from 2015.
- SWACO identified a refunding opportunity for its Series 2008, Series 2010B, and Series 2012 Bonds. The refunding of these bonds accumulated a net present value savings of approximately \$2.1 million, known as “Series 2016 Solid Waste Facilities Refunding Bonds”.

Combined Net Position

The 2015 and 2016 combined net position of both the Operating and Program Funds is presented on the following page. SWACO’s net position increased from the prior year by approximately \$16.2 million, 125.9%.

Other restricted includes approximately \$9.1 million related to the Waste-to-Energy bond retirement fund and approximately \$2.9 million pertaining to the Generation Fee, which is used for educational and outreach initiatives.

Significant net position changes from 2015 to 2016 are discussed in further detail, by fund, later in this MD&A. SWACO reclassified certain prior year balances to reflect more accurate representation for the pension liability per GASB 68. The reclassification for the Operating Fund resulted in approximately \$790,000 from net investment in capital assets to unrestricted. SWACO also reclassified the write-off of the deferred outflows related to the Phoenix Golf Links from operating expenses to non-operating expenses. The amount of this reclassification was approximately \$1.2 million. The Program Fund reclassified approximately \$75,000 from net investment in capital assets to other restricted. SWACO also reclassified its closure/post-closure liability in the Operating Fund related to the Franklin County Sanitary Landfill from unrestricted to restricted in the amount of approximately \$3.3 million. This amount is restricted only for the closure/post-closure care of the landfill and included in the EPA trust fund.

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

	Net Position Operating and Program Funds Combined		Increase (Decrease)
	2015	2016	
Assets			
Current and other assets	\$ 42,903,886	\$ 38,697,352	\$ (4,206,534)
Restricted cash and investments	15,907,172	12,622,009	(3,285,163)
Closure/post-closure funds held by trustee	23,647,224	24,661,800	1,014,576
Capital assets	72,826,485	82,410,923	9,584,438
Capital lease receivable (less current portion)	697,782	648,171	(49,611)
Total assets	155,982,549	159,040,255	3,057,706
Deferred outflows of resources			
Refundings	1,594,828	2,794,649	1,199,821
Pension	965,162	2,920,541	1,955,379
Total deferred outflows of resources	2,559,990	5,715,190	3,155,200
Liabilities			
Current liabilities	19,079,896	14,076,343	(5,003,553)
Bonds and notes payable, less current portion, net	100,504,050	92,380,907	(8,123,143)
Landfill closure/post-closure liability, non-current	20,312,834	21,224,375	911,541
Accrued wages and benefits	-	19,985	19,985
Net pension liability	5,678,740	7,583,941	1,905,201
Total liabilities	145,575,520	135,285,551	(10,289,969)
Deferred inflows of resources: pension	99,724	409,122	309,398
Net position			
Net investment in capital assets:			
Bonds payable related to closed waste-to-energy facility	(14,606,180)	(9,670,568)	4,935,612
Other capital assets, net	(17,875,095)	(5,637,209)	12,237,886
Restricted:			
Other restricted, net	9,788,889	12,579,544	2,790,655
Closure/post-closure trust fund net of accrued liability – Franklin County Sanitary Landfill	3,334,390	3,437,425	103,035
Unrestricted	32,225,291	28,351,580	(3,873,711)
Total net position	\$ 12,867,295	\$ 29,060,772	\$ 16,193,477

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

During 2015, SWACO adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of SWACO’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state laws governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals SWACO’s proportionate share of each plan’s collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees’ past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, SWACO is not responsible for certain key factors affecting the balance of this liability. In Ohio employees share the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

In accordance with GASB 68, SWACO's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, SWACO is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Combined Revenues, Expenses, and Changes in Net Position

The 2015 and 2016 combined revenue, expenses, and changes in net position of both the Operating and Program Funds are presented and compared below.

Revenues, Expenses, and Changes in Net Position Operating and Program Funds Combined			
	2015	2016	Increase (Decrease)
Revenues			
Operating revenues	\$ 53,869,041	\$ 55,056,812	\$ 1,187,771
Non-operating revenues	1,634,548	709,068	(925,480)
Total revenues	<u>55,503,589</u>	<u>55,765,880</u>	<u>262,291</u>
Expenses			
Operating expenses	31,943,629	35,797,405	3,853,776
Non-operating expenses	6,315,946	3,774,998	(2,540,948)
Total expenses	<u>38,259,575</u>	<u>39,572,403</u>	<u>1,312,828</u>
Change in net position	17,244,014	16,193,477	(1,050,537)
Total net position – beginning	<u>(4,376,719)</u>	<u>12,867,295</u>	<u>17,244,014</u>
Total net position – ending	<u>\$ 12,867,295</u>	<u>\$ 29,060,772</u>	<u>\$ 16,193,477</u>

Financial Position of SWACO

As shown in the table above, SWACO ended 2016 with a combined net position of approximately \$29.1 million, an improvement of approximately \$16.2 million, (125.9%) from 2015.

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SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

The following table shows the continued reduction of the Waste-to-Energy Facility (“WTEF”) lease obligation.

Discontinued Operations Total Net Position (in thousands)

	Carrying Value of Waste-to-Energy Facility	WTEF Lease Obligation	Bonds Payable	Other Assets and (Liabilities)	Total Net Position
1993	\$162,105	\$173,253	\$ -	\$ -	\$(11,148)
1994	36,594	165,372	-	(2,565)	(131,343)
1995	36,594	165,372	-	(3,565)	(132,343)
1996	36,594	165,372	-	(4,097)	(132,875)
1997	6,500	165,372	-	(8,361)	(167,233)
1998	6,433	158,135	-	(16,068)	(167,770)
1999	6,381	140,275	-	(4,150)	(138,044)
2000	6,338	136,553	-	(113)	(130,328)
2001	4,605	126,879	-	(1,734)	(124,008)
2002	1,976	119,480	-	(981)	(118,485)
2003	1,976	108,711	-	(964)	(107,699)
2004	1,121	28,751	56,379	4,837	(79,172)
2005	-	27,356	53,230	15,405	(65,181)
2006	-	15,817	50,029	5,986	(59,860)
2007	-	14,269	46,745	6,520	(54,494)
2008	-	6,225	43,370	556	(49,039)
2009	-	4,099	39,888	313	(43,674)
2010	-	1,889	36,287	280	(37,896)
2011	-	-	32,559	294	(32,265)
2012	-	-	28,706	1,934	(26,772)
2013	-	-	24,062	3,654	(20,408)
2014	-	-	19,441	5,638	(13,803)
2015	-	-	14,606	7,449	(7,157)
2016	\$ -	\$ -	\$ 9,671	\$ 9,665	\$ (6)

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SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

Operating Fund Net Position

	2015	2016	Increase (Decrease)
Assets			
Current and other assets	\$ 42,413,159	\$ 38,231,374	\$ (4,181,785)
Restricted cash and investments	13,300,843	9,092,053	(4,208,790)
Closure/post-closure funds held by trustee	23,647,224	24,661,800	1,014,576
Capital assets, net	72,442,314	82,106,319	9,664,005
Capital lease receivable	697,782	648,171	(49,611)
Total assets	152,501,322	154,739,717	2,238,395
Deferred outflows of resources			
Refundings	1,594,828	2,794,649	1,199,821
Pension	881,193	2,633,702	1,752,509
Total deferred outflows of resources	2,476,021	5,428,351	2,952,330
Liabilities			
Current liabilities	18,671,276	13,495,224	(5,176,052)
Bonds and notes payable, less current portion, net	100,504,050	92,380,907	(8,123,143)
Landfill closure/post-closure liability	20,312,834	21,224,375	911,541
Accrued wages and benefits	-	17,926	17,926
Net pension liability	5,186,980	6,839,088	1,652,108
Total liabilities	144,675,140	133,957,520	(10,717,620)
Deferred inflows of resources: pension	91,048	368,940	277,892
Net position			
Net investment in capital assets:			
Bonds payable related to closed waste-to-energy facility	(14,606,180)	(9,670,568)	4,935,612
Other capital assets, net	(18,259,266)	(5,941,813)	12,317,453
Restricted:			
Other restricted, net	7,516,920	9,664,984	2,148,064
Closure/post-closure trust fund net of accrued liability – Franklin County Sanitary Landfill	3,334,390	3,437,425	103,035
Unrestricted	32,225,291	28,351,580	(3,873,711)
Total net position	\$ 10,211,155	\$ 25,841,608	\$ 15,630,453

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

Operating Fund Net Position

A comparison of Operating Fund net position as of the end of 2015 and 2016 is shown in the table on page 2-9.

Collectively, total assets increased by approximately \$2.2 million (1.5%).

Collectively, total liabilities decreased by approximately \$10.7 million (7.4%). The major component for this decrease is a reduction of approximately \$8.1 million in bonds payable less current portion.

SWACO reclassified certain prior year balances to reflect more accurate representation. Other capital assets, net decreased approximately \$790,000 and moved to unrestricted, which represent the pension liability per GASB 68. SWACO also reclassified the write-off of deferred outflows for the Phoenix Golf Links from operating expenses to non-operating expenses. The amount of this reclassification was approximately \$1.2 million. SWACO also reclassified its closure/post-closure liability in the Operating Fund related to the Franklin County Sanitary Landfill from unrestricted to restricted in the amount of approximately \$3.3 million. This amount is restricted only for the closure/post-closure care of the landfill and included in the EPA trust fund.

Total net position increased by approximately \$15.6 million (153.1%) from 2015 to 2016.

Other restricted, net primarily consists of \$9.1 million associated with the bond retirement fund designated to pay the debt service for the Waste-to-Energy Facility.

Restricted net position includes funds held by a trustee (EPA Trust Fund) for closure of the Franklin County Sanitary Landfill net of the accrued liability for closure and post-closure care of the landfill. As of December 31, 2016, the EPA Trust Fund value was approximately \$24.7 million and the recorded closure liability was approximately \$21.2 million.

There was a decrease in unrestricted net position of approximately \$3.9 million (12.0%).

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SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

Operating Fund Revenues, Expenses and Changes in Net Position

The following table compares 2015 and 2016 revenues, expenses and changes in net position in the Operating Fund.

Operating Fund Revenues, Expenses, and Changes in Net Position

	2015	2016	Increase (Decrease)
Operating revenues:			
Tipping and disposal fees	\$ 30,302,489	\$ 30,811,682	\$ 509,193
Waste transfer fees	5,987,996	6,432,048	444,052
Retired facility and waiver fees	9,450,969	9,630,701	179,732
Other	2,829,124	2,810,358	(18,766)
Operating revenues	<u>48,570,578</u>	<u>49,684,789</u>	<u>1,114,211</u>
Operating expenses:			
Salaries, wages and benefits	7,971,800	8,571,635	599,835
Contracts, services and supplies	7,445,759	8,647,048	1,201,289
Solid waste fees	5,153,551	5,278,694	125,143
Depreciation	3,704,666	3,648,285	(56,381)
Landfill depletion	6,285,564	4,470,423	(1,815,141)
Landfill closing costs	(2,495,979)	911,541	3,407,520
Interfund charges	(276,600)	(324,716)	(48,116)
Operating expenses	<u>27,788,761</u>	<u>31,202,910</u>	<u>3,414,149</u>
Operating income	<u>20,781,817</u>	<u>18,481,879</u>	<u>(2,299,938)</u>
Non-operating revenues (expenses):			
Bad debt expense on loan receivable	(8,000)	-	8,000
Interest expense	(3,870,870)	(3,560,494)	310,376
Capital contributions received	1,104,721	-	(1,104,721)
Interest earnings	529,827	607,596	77,769
Write-off of deferred outflows – Phoenix	(1,196,438)	-	1,196,438
Gain (loss) on disposal of assets	(1,110,066)	101,472	1,211,538
Total non-operating expenses, net	<u>(4,550,826)</u>	<u>(2,851,426)</u>	<u>1,699,400</u>
Change in net position	<u>16,230,991</u>	<u>15,630,453</u>	<u>(600,538)</u>
Total net position – beginning	<u>(6,019,836)</u>	<u>10,211,155</u>	<u>16,230,991</u>
Total net position – ending	<u>\$ 10,211,155</u>	<u>\$ 25,841,608</u>	<u>\$ 15,630,453</u>

SWACO
Management's Discussion & Analysis for the Year Ended December 31, 2016
(unaudited)

Solid waste tons received at SWACO's facilities increased slightly from approximately 1,069,000 tons received during 2015 to approximately 1,091,000 tons received during 2016.

Retired facility and waiver fees increased by approximately \$180,000 (1.9%).

Collectively, operating revenues realized an increase of 2.3%, or approximately \$1.1 million.

Expenses for salaries, wages and benefits were approximately \$600,000 (7.5%) higher in 2016 compared to 2015. This increase is primarily due to staffing of vacant positions.

Contracts, services and supplies expenses increased by approximately \$1.2 million (16.1%) in 2016.

Depletion and closure expense increased by approximately \$1.6 million (42.0%) over 2015. Construction and development expensed were updated in the build-out plan resulting in an adjustment in the current year. Landfill depletion expense is down approximately \$1.8 million (28.9%) from the prior year while closure expense is up approximately \$3.4 million (136.5%) from the prior year.

Interfund charges decreased by approximately \$48,000 (17.4%) in 2016.

Collectively, operating expenses increased by approximately \$3.4 million (12.3%).

Non-operating revenues and expenses net to an expense in 2016 of approximately \$2.9 million. This represents a net increase of approximately \$1.7 million (37.3%) over the prior year.

SWACO reclassified an expense from prior year in the amount of \$1,196,438. This amount represents the write-off related to the deferred outflows of resources with the closed Phoenix Golf Links golf course. In 2015, this expense was captured in operating expenses, which has been moved to non-operating expenses for the presentation of prior year expenses. While this adjustment decreased operating expenses, and increased the non-operating expenses this reclassification had no impact on the total net position.

SWACO's financial position in the Operating Fund increased by approximately \$15.6 million (153.1%) in 2016, increasing SWACO's net position from approximately \$10.2 million in 2015 to a net position of approximately \$25.8 million at the end of 2016.

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SWACO**Management's Discussion & Analysis for the Year Ended December 31, 2016
(unaudited)****Program Fund Net Position**

	2015	2016	Increase (Decrease)
Assets			
Current assets	\$ 3,097,056	\$ 3,995,934	\$ 898,878
Capital assets	384,171	304,604	(79,567)
Total assets	<u>3,481,227</u>	<u>4,300,538</u>	<u>819,311</u>
Deferred outflows of resources: pension	83,969	286,839	202,870
Liabilities			
Current liabilities	408,620	581,119	172,499
Accrued wages and benefits	2,059	2,059	2,059
Net pension liability	491,760	744,853	253,093
Total liabilities	<u>900,380</u>	<u>1,328,031</u>	<u>427,651</u>
Deferred inflows of resources: pension	8,676	40,182	31,506
Net position			
Net investment in capital assets	384,171	304,604	(79,567)
Restricted	2,271,969	2,914,560	642,591
Total net position	<u>\$ 2,656,140</u>	<u>\$ 3,219,164</u>	<u>\$ 563,024</u>

Program Fund Net Position

Total net position at the end of 2016 was approximately \$3.2 million, an increase of approximately \$563,000, (21.2%) from the prior year. Restricted net position (cash and receivables less payables) was approximately \$2.9 million, an increase of approximately \$643,000 (28.3%). Net position for net investment in capital assets, was approximately \$305,000, a decrease of approximately \$80,000 (20.7%).

SWACO reclassified certain prior year balances to reflect more accurate representation. Net investment in capital assets decreased approximately \$75,000 and moved to restricted, which represent the pension liability per GASB 68.

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SWACO**Management's Discussion & Analysis for the Year Ended December 31, 2016
(unaudited)****Program Fund Revenues, Expenses, and Changes in Net Position**

	2015	2016	Increase (Decrease)
Operating revenues:			
Generation fees	\$ 5,257,704	\$ 5,362,545	\$ 104,841
Other	40,759	9,478	(31,281)
Operating revenues	<u>5,298,463</u>	<u>5,372,023</u>	<u>73,560</u>
Operating expenses:			
Salaries, wages and benefits	771,708	984,192	212,484
Contracts, services and supplies	3,028,034	3,206,020	177,986
Depreciation and depletion	78,525	79,567	1,042
Interfund charges	276,600	324,716	48,116
Operating expenses	<u>4,154,867</u>	<u>4,594,495</u>	<u>439,628</u>
Operating income	<u>1,143,596</u>	<u>777,528</u>	<u>(366,068)</u>
Non-operating revenues (expenses):			
Grants awarded	(130,573)	(214,504)	(83,931)
Total non-operating expenses, net	<u>(130,573)</u>	<u>(214,504)</u>	<u>(83,931)</u>
Change in net position	1,013,023	563,024	(449,999)
Total net position– beginning	<u>1,643,117</u>	<u>2,656,140</u>	<u>1,013,023</u>
Total net position – ending	<u>\$ 2,656,140</u>	<u>\$ 3,219,164</u>	<u>\$ 563,024</u>

Program Fund Revenues, Expenses and Changes in Net Position

A comparison of 2015 and 2016 revenues and expenses in the Program Fund is shown above.

Program Fund Operating Revenues

Generation fees increased by approximately \$105,000 (2.0%) in 2016 compared to 2015.

Program Fund Operating Expenses

Program Fund operating expenses collectively increased by approximately \$440,000 (10.6%) in 2016. Salaries, wages, and benefits increased by approximately \$212,000 (27.5%) due to increased headcount. Contracts, services, and supplies increased by approximately \$178,000 (5.9%). Interfund charges increased by approximately \$48,000 (17.4%).

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2016 (unaudited)

Program Fund Non-Operating Income & Expenses

Non-operating transactions only consisted of grant activities. Grants awarded and received, representing both pass-through and SWACO grants, decreased by approximately \$84,000 (64.3%). Timing of grants in the year they are awarded contributed to this decrease along with less grant funds expended.

Ending net position in the Program Fund increased by approximately \$563,000 (21.2%) from 2015 to 2016.

Capital Assets

SWACO's investments in depreciable capital assets include the Sanitary Landfill and related facilities and equipment, two transfer stations, a fleet maintenance facility, a landfill operations facility, the administrative office building and furnishings, and solid waste transfer vehicles and related equipment. Additionally, SWACO owns a 28,000-square foot light manufacturing building which is located at 2512 Jackson Pike which SWACO leases from the City of Columbus. SWACO entered into a capital lease with a recycling company who currently occupies this facility. SWACO also owns land for facilities and buffer area in the vicinity of the landfill.

The decrease in capital assets not being depreciated was approximately \$3.1 million (11.4%), primarily due to construction costs being placed in service which includes cell H4 and the landfill entrance road.

The increase in net assets being depreciated or depleted was approximately \$12.8 million (28.4%) in the Operating Fund due primarily to the increase in landfill development costs of approximately \$15.1 million (20.0%). The following table on the next page compares SWACO's investments in capital assets in the operating and program funds as of the end of 2015 and 2016.

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SWACO**Management's Discussion & Analysis for the Year Ended December 31, 2016
(unaudited)**

Operating Fund	Capital Assets		Increase (Decrease)
	2015	2016	
Capital assets, not being depreciated:			
Land and land improvements	\$ 18,744,612	\$ 23,718,712	\$ 4,974,100
Construction in progress	8,713,624	608,964	(8,104,660)
Total capital assets, not being depreciated	<u>27,458,236</u>	<u>24,327,676</u>	<u>(3,130,560)</u>
Depreciable capital assets, net of accumulated depreciation and depletion:			
Equipment and furnishings	3,704,251	2,222,007	(1,482,244)
Building and improvements	8,571,243	12,823,565	4,252,322
Transfer stations	9,969,331	9,381,826	(587,505)
Sanitary landfill	22,739,253	33,351,245	10,611,992
Total capital assets, being depreciated, net	<u>44,984,078</u>	<u>57,778,643</u>	<u>12,794,565</u>
Total capital assets, net	<u>72,442,314</u>	<u>82,106,319</u>	<u>9,664,005</u>
Program Fund			
Capital assets, not being depreciated:			
Construction in progress	-	-	-
Total capital assets not being depreciated	-	-	-
Depreciable capital assets, net of accumulated depreciation:			
Equipment and furnishings	27,830	6,303	(21,527)
Building and improvements	356,341	298,301	(58,040)
Total capital assets, net	<u>\$ 384,171</u>	<u>\$ 304,604</u>	<u>\$ (79,567)</u>

SWACO's capital asset activity is discussed in more detail in Note 6 of the financial statements (Capital Assets).

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SWACO
Management's Discussion & Analysis for the Year Ended December 31, 2016
(unaudited)

Debt Administration

SWACO's outstanding debt as of December 31, 2015 and 2016 is shown in the following table:

	Outstanding Long-Term Debt		Increase (Decrease)
	2015	2016	
General obligation bonds, net	\$ 109,019,050	\$ 99,695,908	\$ (9,323,142)
Taxable notes	3,672,045	-	(3,672,045)
Total	<u>\$ 112,691,095</u>	<u>\$ 99,695,908</u>	<u>\$(12,995,187)</u>

SWACO's ability to issue un-voted general obligation debt is subject to overlapping debt restrictions with other political subdivisions, but there is not a statutory direct debt limit on SWACO's ability to issue general obligation or revenue bonds. SWACO's debt capacity is more limited by market forces and its ability to raise tipping fees to levels required to pay debt service.

SWACO's general obligation bonds carry an AAA rating by Standard and Poor's and an Aaa rating by Moody's Investors Service. SWACO's debt management program is discussed in more detail in Note 10 of the financial statements (Debt Management).

Economic Factors

Similar to other local governments in Ohio, SWACO continues to face economic pressures. Waste receipts at the Franklin County Sanitary Landfill in 2016 increased slightly in comparison to the prior year.

Solid waste tons received at SWACO's facilities during 2016 were approximately 1,091,000 tons, versus 2015 receipts of 1,069,000 tons. SWACO has not increased its tipping fee rate since January 2012.

Request for Information

This financial report is designed to provide a general overview of SWACO's finances and to show accountability for money received by SWACO. For questions or for additional information regarding this report, write to SWACO, 4239 London-Groveport Road, Grove City, Ohio 43123 or contact David Logan (614) 801-6418, or by e-mail at david.logan@swaco.org.

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SWACO
Statement of Net Position – Proprietary Funds
As of December 31, 2016

Assets	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Operating Fund</u>	<u>Program Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 22,036,172	\$ -	\$ 22,036,172
Restricted cash	9,092,053	3,529,956	12,622,009
Investments	10,695,130	-	10,695,130
Accounts receivable, net	5,008,839	442,632	5,451,471
Lease receivable, current portion	49,611	-	49,611
Other assets	441,622	23,346	464,968
Total current assets	47,323,427	3,995,934	51,319,361
Non-current assets:			
Investments held by trustee for landfill closure/post-closure care	24,661,800	-	24,661,800
Capital assets:			
Sanitary landfill, net of accumulated depletion	33,351,245	-	33,351,245
Buildings and equipment and furnishings, net of accumulated depreciation	24,427,398	304,604	24,732,002
Construction in progress	608,964	-	608,964
Land and land improvements	23,718,712	-	23,718,712
Lease receivable, less current portion	648,171	-	648,171
Total non-current assets	107,416,290	304,604	107,720,894
Total assets	154,739,717	4,300,538	159,040,255
Deferred outflows of resources:			
Refundings	2,794,649	-	2,794,649
Pension	2,633,702	286,839	2,920,541
Total deferred outflows of resources	\$ 5,428,351	\$ 286,839	\$ 5,715,190

Continued the following page

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

SWACO
Statement of Net Position – Proprietary Funds
As of December 31, 2016

Liabilities	<u>Business-type Activities – Enterprise Funds</u>		
	Operating Fund	Program Fund	Total
Current liabilities:			
Accounts payable	\$ 5,286,263	\$ 460,406	\$ 5,746,669
SWACO grants payable	-	44,597	44,597
Accrued wages and benefits	670,889	76,116	747,005
Accrued interest	221,072	-	221,072
Current maturities of bonds and notes payable	7,315,000	-	7,315,000
Other payables	2,000	-	2,000
	<hr/>	<hr/>	<hr/>
Total current liabilities	<u>13,495,224</u>	<u>581,119</u>	<u>14,076,343</u>
Non-current liabilities:			
Bonds and notes payable, less current portion, net	92,380,907	-	92,380,907
Landfill closure/post-closure liability	21,224,375	-	21,224,375
Accrued wages and benefits	17,926	2,059	19,985
Net pension liability	6,839,088	744,853	7,583,941
	<hr/>	<hr/>	<hr/>
Total non-current liabilities	<u>120,462,296</u>	<u>746,912</u>	<u>121,209,208</u>
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>133,957,520</u>	<u>1,328,031</u>	<u>135,285,551</u>
Deferred inflows of resources: pension	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
	<u>368,940</u>	<u>40,182</u>	<u>409,122</u>
	<hr/>	<hr/>	<hr/>
Net Position			
Net investment in capital assets:			
Bonds payable related to closed waste-to-energy facility	(9,670,568)	-	(9,670,568)
Other capital assets, net	(5,941,813)	304,604	(5,637,209)
Restricted:			
Other restricted, net	9,664,984	2,914,560	12,579,544
Closure/post-closure trust fund net of accrued liability – Franklin County Sanitary Landfill	3,437,425	-	3,437,425
Unrestricted	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$ 25,841,608</u>	<u>\$ 3,219,164</u>	<u>\$ 29,060,772</u>

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

SWACO
Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Funds
For the Year Ended December 31, 2016

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Operating Fund</u>	<u>Program Fund</u>	<u>Total</u>
Operating revenues:			
Tipping and disposal fees	\$ 30,811,682	\$ -	\$ 30,811,682
Waste transfer fees	6,432,048	-	6,432,048
Retired facility and waiver fees	9,630,701	-	9,630,701
Generation fees	-	5,362,545	5,362,545
Other	2,810,358	9,478	2,819,836
Total operating revenues	<u>49,684,789</u>	<u>5,372,023</u>	<u>55,056,812</u>
Operating expenses:			
Salaries, wages and benefits	8,571,635	984,192	9,555,827
Contracts, services and supplies	8,647,048	3,206,020	11,853,068
Solid waste fees	5,278,694	-	5,278,694
Depreciation	3,648,285	79,567	3,727,852
Landfill depletion	4,470,423	-	4,470,423
Landfill closing costs	911,541	-	911,541
Interfund charges	(324,716)	324,716	-
Total operating expenses	<u>31,202,910</u>	<u>4,594,495</u>	<u>35,797,405</u>
Operating income	<u>18,481,879</u>	<u>777,528</u>	<u>19,259,407</u>
Non-operating revenues (expenses):			
Interest expense	(3,560,494)	-	(3,560,494)
Interest earnings	607,596	-	607,596
Grants awarded	-	(214,504)	(214,504)
Gain on disposal of assets	101,472	-	101,472
Total non-operating expenses, net	<u>(2,851,426)</u>	<u>(214,504)</u>	<u>(3,065,930)</u>
Change in net position	15,630,453	563,024	16,193,477
Total net position – beginning	<u>10,211,155</u>	<u>2,656,140</u>	<u>12,867,295</u>
Total net position – ending	<u>\$ 25,841,608</u>	<u>\$ 3,219,164</u>	<u>\$ 29,060,772</u>

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

SWACO**Statement of Cash Flows – Proprietary Funds****For the Year Ended December 31, 2016**

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Operating Fund</u>	<u>Program Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 37,214,475	\$ -	\$ 37,214,475
Retired facility fee and waiver fees collected	9,677,247	-	9,677,247
Generation fees collected	-	5,410,640	5,410,640
Other receipts	2,810,358	9,478	2,819,836
Payments to or on behalf of employees for salaries, wages and benefits	(8,340,701)	(885,748)	(9,226,449)
Payments to vendors	(12,585,585)	(3,112,120)	(15,697,705)
Model Landfill post-closure costs paid	(98,497)	-	(98,497)
Interfund charges	324,716	(324,716)	-
Other receipts	1,000	-	1,000
Net cash provided by operating activities	<u>29,003,013</u>	<u>1,097,534</u>	<u>30,100,547</u>
Cash flows from non-capital financing activities:			
Grants awarded	-	(173,907)	(173,907)
Net cash used in non-capital financing activities	-	(173,907)	(173,907)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	101,223,814	-	101,223,814
Purchase of investments	(105,393,154)	-	(105,393,154)
Interest received	624,872	-	624,872
Net cash used in investing activities	<u>\$ (3,544,468)</u>	<u>\$ -</u>	<u>\$ (3,544,468)</u>

Continued the following page

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

SWACO
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2016

	Operating Fund	Program Fund	Total
Cash flows from capital and related financing activities:			
Premium on refunding of bonds	\$ 5,642,710	-	\$ 5,642,710
Proceeds of refunding bonds	35,360,000	-	35,360,000
Payment to refunding bond escrow agent	(41,002,710)	-	(41,002,710)
Proceeds from sale of assets	101,472	-	101,472
Cash received from lease transactions	48,974	-	48,974
Landfill, facilities and equipment additions	(19,128,561)	-	(19,128,561)
Principal paid on bonds and notes payable	(13,742,045)	-	(13,742,045)
Interest paid and cost on debt refunded	(4,407,172)	-	(4,407,172)
Net cash used in capital and related financing activities	<u>(37,127,332)</u>	<u>-</u>	<u>(37,127,332)</u>
Net increase (decrease) in cash and cash equivalents	(11,668,787)	923,627	(10,745,160)
Cash and cash equivalents, beginning of year	<u>42,797,012</u>	<u>2,606,329</u>	<u>45,403,341</u>
Cash and cash equivalents, end of year	<u>31,128,225</u>	<u>3,529,956</u>	<u>34,658,181</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	18,481,879	777,528	19,259,407
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and depletion	8,118,708	79,567	8,198,275
Landfill closing costs	911,541	-	911,541
Increase (decrease) in cash resulting from changes in:			
Accounts receivable, net	17,291	48,095	65,386
Accounts payable	1,497,342	117,246	1,614,588
Accrued wages and benefits	53,443	16,715	70,158
Decrease in deferred outflows: pension	(1,752,509)	(202,870)	(1,955,379)
Increase in net pension liability	1,652,107	253,093	1,905,200
Increase in deferred inflows: pension	277,892	31,506	309,398
Landfill post-closure liability	(98,497)	-	(98,497)
Other assets and liabilities	(156,184)	(23,346)	(179,530)
Net cash provided by operating activities	<u>\$ 29,003,013</u>	<u>\$ 1,097,534</u>	<u>\$ 30,100,547</u>

Non-cash capital and related financing activities (Operating Fund):

Amortization of premiums on bonds payable during the year totaled \$832,028.

Bond defeasements net of amortization during the year totaled (\$315,404).

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

SWACO
Notes to Financial Statements
As of December 31, 2016

1. Organization

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

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

The Sanitary Landfill was purchased from Franklin County in 1991. The Ohio Environmental Protection Agency (“OEPA”) approved a modification to the original County permit in 1997 increasing disposal capacity by approximately 49 million cubic yards (from 10.7 million cubic yards) and increasing the landfill acreage to 363 acres from approximately 116 acres. The modified permit allowed both vertical and horizontal expansion of the landfill. In 2008, SWACO submitted an application to the OEPA to further modify the permit to change the configuration of the landfill and further increase capacity. The modification was approved by the OEPA in 2009 and added approximately 3.5 million cubic yards of disposal capacity (see Note 5 – Closure/Post-closure Funds Held by Trustee). SWACO estimates that it has sufficient landfill capacity to service the needs of the District for at least 21.0 years based on 2016 receipts.

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 – Waste-to-Energy Facility Debt). 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.

SWACO
Notes to Financial Statements
As of December 31, 2016

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

On January 15, 2014, SWACO entered into an asset purchase agreement with Phoenix Golf Links, Ltd. to acquire all of their operating assets located at SWACO's closed Model Landfill. The assets were purchased for \$2,375,000 and a related Model Landfill lease agreement was terminated at the same time. The golf course operation was closed in March 2015 due to declining revenue and excess costs.

SWACO derives its revenue principally from fees levied on the disposal of solid waste. SWACO collects these fees in two ways: 1) tipping fees charged for solid waste disposal and waste transfer services provided at SWACO facilities; and 2) fees assessed on all solid waste generated within the District. These fees are established pursuant to authorization within the Ohio Revised Code ("ORC") and agreements established with private landfill owners. SWACO had one customer which accounted for approximately 30.8% of SWACO's total operating revenues for the year ended December 31, 2016. The customer accounted for approximately 28.3% of accounts receivable at December 31, 2016.

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

2. Summary of Significant Accounting Policies

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

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

SWACO
Notes to Financial Statements
As of December 31, 2016

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

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

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

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

Within the Operating Fund, SWACO segregates revenues and expenses for Continuing Operations (primarily the Sanitary Landfill and transfer stations) from Discontinued Operations (the WTEF) to allow management to more easily focus on operating results from ongoing operations. Additionally, certain revenues within the Operating Fund are dedicated to the payment of the WTEF lease obligation and related bonds (Note 11 – Waste-to-Energy Facility Debt) and may not be used for other purposes. The separation of the Operating Fund into Continuing and Discontinued Operations is shown in the supplemental schedules beginning on page 2-59.

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

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

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

SWACO
Notes to Financial Statements
As of December 31, 2016

Accounts receivable: SWACO extends credit to public and private customers of the landfill, transfer stations, and other SWACO facilities and reports amounts owed to SWACO net of any allowance for bad debts. The allowance for bad debts is calculated by identifying specific accounts that are more than 90 days past due with no payment activity. As of December 31, 2016, the allowance for bad debt was zero. Accounts receivable also includes amounts owed by private transfer stations and landfills for solid waste received at the facilities, generated within the boundaries of SWACO and subject to the Generation Fee and Waiver Fee.

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

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. The cost of buildings and equipment is depreciated using a straight-line method over their estimated useful lives of 10 to 20 years for buildings and 5 to 10 years for equipment.

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.

Impairment of capital assets: SWACO will review a capital asset for possible impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that the service utility has significantly declined and that decline is unexpected, then SWACO will declare the asset impaired. The amount of impairment is determined by management based on a variety of factors including the asset's carrying value and the potential cash flows expected to be generated from that asset.

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, 2016.

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

Bond issuance cost and deferred amounts on refundings: Bond issuance costs are expensed when incurred. Deferred amounts on refundings are recorded as a deferred outflow, and are amortized using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

SWACO
Notes to Financial Statements
As of December 31, 2016

Net Position: Net position represents the difference between assets and liabilities. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvements of those assets. Any unspent capital related to debt proceeds does not reduce *Net investment in capital assets*. Net position is reported as restricted when there are external restrictions imposed on their use, either contractually, by debt covenant, or by statute.

New accounting pronouncements: For the year ended December 31, 2016, SWACO has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in SWACO's fiscal year 2016 note disclosures; however, there was no effect on beginning net position.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of SWACO.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of SWACO.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of SWACO.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of SWACO.

SWACO
Notes to Financial Statements
As of December 31, 2016

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of SWACO.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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.

Reclassification: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results.

Deferred Outflows/Inflows of Resources: In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For SWACO, deferred outflows of resources are reported on the statement of net position for pension (explained in Note 8 - Net Pension Liability).

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For SWACO, deferred inflows of resources are reported on the statement of net position for pension explained in Note 8.

Refundings: The issuance of refunding bonds resulted in a difference between the acquisition cost and the net carrying amount. This difference, reported in the financial statements as a deferred outflow of resources, is being amortized over the life of the bonds. More explanation is included in Note 10 (Debt Management).

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Subsequent Events: Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. Management has evaluated subsequent events through June 9, 2017, which is the date that the financial statements were available to be issued.

SWACO
Notes to Financial Statements
As of December 31, 2016

3. Cash and Investments

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

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

At December 31, 2016, the carrying amounts of SWACO's deposits were \$24,405,596, while the bank balances were \$24,553,062. Of the bank deposits, \$250,000 was insured by the Federal Deposit Insurance Corporation, and \$24,303,062 was uninsured and collateralized by collateral pools held by the financial institutions and not in the name of SWACO.

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." SWACO measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For the year ended December 31, 2016, there were no limitations on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

SWACO
Notes to Financial Statements
As of December 31, 2016

Money Market Mutual Funds: The Money Market Mutual Funds consist of overnight investments with a financial institution in an open-end, institutional money market fund complying with SEC Rule 2a-7 and investing only in U.S. government or agency securities pursuant to SWACO's investment policy. In accordance with the provisions of GASB Statement No. 31 these amounts are classified as investments but are not categorized.

Interest Rate Risk: It is SWACO's policy to manage interest rate risk by targeting the duration of the portfolio. Management of interest rate risk is an integral part of an overall process that addresses total return, reinvestment risk, interest rate risk and credit risk.

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

SWACO reports its investments at fair value in accordance with GASB Statement No. 31. SWACO recorded an unrealized loss of approximately \$65,000 as of December 31, 2016, which represents the difference between fair value and the cost as of that date. Fair value was determined using quoted market prices. The chart on the next page summarizes SWACO's cash and investments at fair value as of December 31, 2016:

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SWACO
Notes to Financial Statements
As of December 31, 2016

Cash and Investments at December 31, 2016

<u>Operating and Program Funds</u>	Fair Value	Maturity in Years	
		Less than 1	1 to 4
Carrying amount of deposits	\$ 24,405,596	\$24,405,596	\$ -
Federal agency securities	10,695,130	2,756,378	7,938,752
Money market mutual funds/sweep acct.	7,058,194	7,058,194	-
Cash on hand	2,100	2,100	-
STAR Ohio	3,192,291	3,192,291	-
	<u>45,353,311</u>	<u>37,414,559</u>	<u>7,938,752</u>
<u>Closure/Post-closure Trust Fund</u>			
Money market mutual funds	7,965,977	7,965,977	-
Federal agency securities	16,695,823	1,495,280	15,200,543
	<u>24,661,800</u>	<u>9,461,257</u>	<u>15,200,543</u>
Total	<u>\$ 70,015,111</u>	<u>\$ 46,875,816</u>	<u>\$ 23,139,295</u>

Reconciliation of Cash and Investments to Statement of Net Position

<u>Per Statement of Net Position</u>	Operating Fund	Program Fund	Total
Cash and cash equivalents	\$ 22,036,172	\$ -	\$ 22,036,172
Restricted cash	9,092,053	3,529,956	12,622,009
Investments	10,695,130	-	10,695,130
Closure/post-closure funds held by trustee:			
Investments	<u>24,661,800</u>	<u>-</u>	<u>24,661,800</u>
Total	<u>\$ 66,485,155</u>	<u>\$ 3,529,956</u>	<u>\$ 70,015,111</u>

Concentration of Credit Risk: SWACO's investment policy limits the amount that may be invested with any one issuer to fifty percent of the total portfolio. As of December 31, 2016, investments in the following issuers exceeded five percent of the portfolio for the Operating Fund: FNMA Notes (9.5%), FHLMC Notes (17.8%), FHLB Notes (8.7%), Certificates of Deposit (14.9%), and Commercial Paper (33.2%). The EPA Trust Fund consisted of the following breakout with issuers exceeding five percent of the portfolio: FHLMC Notes (42.0%), Commercial Paper (32.1%), and Certificates of Deposit (20.0%).

SWACO categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above table identifies SWACO's recurring fair value

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measurements as of December 31, 2016. All other investments of SWACO are valued using quoted market prices (Level 1 inputs).

As further discussed in Note 4 (Restricted Assets), cash in the amount of \$9,092,053 in the Operating Fund and \$3,529,956 in the Program Fund were restricted at December 31, 2016 for debt service, capital projects, by State law, or for other purposes.

4. Restricted Assets

Restricted Cash: In the Operating Fund these funds include debt service accounts, the capital improvements account (bond proceeds), and funds dedicated to the payment of the WTEF lease and associated bonds (see Note 11 – Waste-to-Energy Facility Debt). In the Program Fund, restricted cash is unexpended Generation Fees collected by SWACO that are restricted by State statute for the purpose of solid waste recycling, reuse, and reduction programs and implementation of SWACO's solid waste plan.

Other restricted assets include generation and waiver fees receivable. Other restricted net position is reduced by bonds payable related to the capital improvements account.

Restricted Net Position

	Operating Fund	Program Fund	Total
Cash			
Bond retirement account	\$ 9,092,053	\$ -	\$ 9,092,053
Unexpended generation fees	-	3,529,956	3,529,956
Total restricted cash	<u>9,092,053</u>	<u>3,529,956</u>	<u>12,622,009</u>
Waiver and generation fees receivable	602,963	442,632	1,045,595
Closure/post-closure trust fund net of accrued liability – Franklin County Sanitary Landfill	3,437,425	-	3,437,425
Less amounts payable from restricted assets	(30,033)	(1,058,028)	(1,088,061)
Other restricted net position	<u>\$ 13,102,408</u>	<u>\$ 2,914,560</u>	<u>\$ 16,016,968</u>

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5. Closure/Post-Closure Funds Held by Trustee

In 1995, SWACO established a trust fund (the “Fund”) with U.S. Bank for the benefit of the OEPA under OEPA rules applicable to SWACO requiring the owner or operator of a solid waste facility to provide financial assurance that funds will be available when needed for final closure, post-closure care, and/or corrective measures of the facility when the landfill stops accepting waste (either when at maximum capacity or if closed for other reasons). The amount to be funded for the financial assurance instrument, which is established in the landfill permit, and is subject to change due to inflation or other factors, is based on the maximum exposure of unclosed landfill area allowed in the permit and is calculated differently than SWACO’s Landfill Closure Cost estimate for purposes of GASB Statement No. 18 (see Note 12 – Landfill Closure and Post-Closure Care Costs). The amount to be funded for the financial assurance estimate is paid in annual installments over a maximum twenty-year pay-in period. Annual payments are made by SWACO and are calculated by dividing the financial assurance requirement less cash and investments in the Fund as of the calculation date by the number of years remaining in the pay-in period (eight years as of December 31, 2016).

The required Fund payment due and paid in May 2017 was approximately \$1.1 million.

The Fund is restricted by the Director of the OEPA, and SWACO invests in those securities authorized by the ORC and SWACO’s investment policy (see Note 3 – Cash and Investments).

All amounts earned by the investments are reinvested in the Fund.

6. Capital Assets

The sanitary landfill and buildings and equipment are stated at cost and updated for the cost of additions and retirements during the year. It is SWACO’s policy to capitalize items costing more than \$10,000 with a useful life greater than one year.

The cost of buildings and equipment is depreciated using a straight-line method over their estimated useful lives of 10 to 20 years for buildings and 5 to 10 years for equipment.

Landfill development costs (land acquisition, engineering, construction and other direct costs associated with the permitting, development, and construction of landfill capacity) are capitalized and depleted based on the percentage of permitted capacity used during the year. Depletion is calculated based on cubic yards of solid waste disposed and placed in the landfill as measured through an annual aerial survey. Costs associated with development of the entire landfill site are depleted based on the percentage of total permitted capacity used (approximately 49.8% as of December 31, 2016). Costs associated with the development and construction of individual expansion cells are depleted based on the percentage of horizontal capacity used 24.9% as of December 31, 2016.

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Depletion and closure expense increased approximately \$1.6 million over prior year. Landfill depletion expense specifically is down approximately \$1.8 million from prior year while closure expense is up approximately \$3.4 million from prior year.

Construction in progress primarily consists of the permit-to-install related to the Franklin County Sanitary Landfill.

As of the end of 2016, SWACO estimates total landfill development costs at approximately \$168.0 million, including approximately \$91.1 million expended through 2016 (including construction in progress) and approximately \$76.9 million estimated future costs to be expended over the remaining life of the landfill. SWACO recognized total accumulated depletion of \$57.2 million as of December 31, 2016, leaving an estimate of \$110.8 million in depletion expense over the remaining life of the landfill.

A summary of capital assets at December 31, 2016, is shown on the following page.

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Summary of property, plant and equipment at December 31, 2016

Operating Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 18,744,612	\$ 4,974,100	\$ -	\$ 23,718,712
Construction in progress	8,713,624	12,712,458	(20,817,118)	608,964
Total capital assets, not being depreciated	<u>27,458,236</u>	<u>17,686,558</u>	<u>(20,817,118)</u>	<u>24,327,676</u>
Capital assets, being depreciated/depleted:				
Equipment and furnishings	26,504,700	145,367	(754,646)	25,895,421
Building and improvements	13,276,559	5,606,448	-	18,883,007
Transfer stations	15,183,833	79,043	-	15,262,876
Sanitary landfill	75,461,965	15,082,415	-	90,544,380
Total capital assets, being depreciated/depleted	<u>130,427,057</u>	<u>20,913,273</u>	<u>(754,646)</u>	<u>150,585,684</u>
Less accumulated depreciation/depletion for:				
Equipment and furnishings	(22,800,449)	(1,627,611)	754,646	(23,673,414)
Building and improvements	(4,705,316)	(1,354,126)	-	(6,059,442)
Transfer stations	(5,214,502)	(666,548)	-	(5,881,050)
Sanitary landfill	(52,722,712)	(4,470,423)	-	(57,193,135)
Total accumulated depreciation/depletion	<u>(85,442,979)</u>	<u>(8,118,708)</u>	<u>754,646</u>	<u>(92,807,041)</u>
Total capital assets, being deprec. /depl., net	<u>44,984,078</u>	<u>12,794,565</u>	<u>-</u>	<u>57,778,643</u>
Total capital assets, net	<u>\$ 72,442,314</u>	<u>\$ 30,481,123</u>	<u>\$ (20,817,118)</u>	<u>\$ 82,106,319</u>
Program Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, being depreciated:				
Equipment and furnishings	506,283	-	(95,563)	410,720
Building and improvements	1,210,214	-	-	1,210,214
Total capital assets, being depreciated	<u>1,716,497</u>	<u>-</u>	<u>(95,563)</u>	<u>1,620,934</u>
Less accumulated depreciation for:				
Equipment and furnishings	(478,453)	(21,527)	95,563	(404,417)
Building and improvements	(853,873)	(58,040)	-	(911,913)
Total accumulated depreciation	<u>(1,332,326)</u>	<u>(79,567)</u>	<u>95,563</u>	<u>(1,316,330)</u>
Total capital assets, being depreciated, net	<u>384,171</u>	<u>(79,567)</u>	<u>-</u>	<u>304,604</u>
Total capital assets, net	<u>\$ 384,171</u>	<u>\$ (79,567)</u>	<u>\$ -</u>	<u>\$ 304,604</u>

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7. Lease Receivable

In 2005, SWACO purchased a building housing a non-hazardous oily waste water processing facility (the “Facility”) located on land leased to the owner of the facility by SWACO for approximately \$1.6 million. SWACO then entered into an agreement with the former owner to lease the building from SWACO. In 2007, SWACO purchased for approximately \$3.3 million the oily waste water processing equipment located in the building and amended the lease to include the equipment. Lease payments under the amended lease were equal to SWACO’s debt service requirements on the building and equipment plus 1/2 of one percent (the base rent). In addition, the lessee was required to provide certain waste processing services to SWACO at no additional cost to SWACO (the supplemental rent). The lease was for a term of ten years, subject to earlier termination if the lessee prepays the lease. At the end of the lease, title to the building and equipment would have passed to the lessee.

Beginning in January 2010, the lessee of the Facility defaulted, and was unable to pay the monthly rent due under the lease agreement. On June 15, 2010, the lease agreement was amended to provide the lessee with a reduced monthly rental obligation. Under the 2010 amendment, payments were \$25,000 per month (\$300,000 per year), with a balloon payment due on June 15, 2012, of approximately \$5,100,000. In June 2012, the Board authorized an amendment extending the due date of the balloon payment to June 15, 2013. In addition, the monthly payments increased to \$30,000 per month (\$360,000 per year) and the lessee agreed to pay a non-removal fee in the amount of \$300,000 if the principal payment was not made on or before June 15, 2013. The lessee failed to make the June 15, 2013, balloon payment, but continued making \$30,000 monthly payments through the end of 2013. In March 2014, SWACO entered into a forbearance agreement with the lessee. Under the forbearance agreement, monthly payments of \$30,000 will resume on April 15, 2014, with a balloon payment of approximately \$4,700,000 due on December 31, 2015 (including the \$300,000 non-removal fee). In 2014, the lessee made the April 15, 2014, monthly payments in accordance with the forbearance agreement and made periodic payments in 2014. SWACO engaged a third party to conduct an appraisal on the property. SWACO then recorded an adjustment of approximately \$2.1 million dollars to the lease receivable based on the appraisal results.

In 2015, SWACO reclassified the lease receivable to an operating agreement thus resulting in an asset of \$625,000 on its financials.

On January 1, 2012, SWACO leased a building it owns, on property owned by the City of Columbus, to a third party. The term of the lease is eighteen years and the total lease payments due to SWACO over the term of the agreement will be \$1,050,192, remitted in monthly payments of \$4,862. Interest income under the lease for the year ended December 31, 2016, approximated \$9,000.

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Estimated future minimum lease payments receivable, together with the present value of the net minimum lease payments receivable as of December 31, 2016, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 58,344
2018	58,344
2019	58,344
2020	58,344
2021	58,344
2022-2026	291,720
2027-2029	<u>175,032</u>
Total minimum lease payments receivable	758,472
Less amount representing interest	<u>60,690</u>
Present value of minimum lease payments	<u><u>\$ 697,782</u></u>

8. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents SWACO's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits SWACO's obligation for this liability to annually required payments. SWACO cannot control benefit terms or the manner in which pensions are financed; however, SWACO does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding

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could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - SWACO employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. SWACO employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
Total Employer	<hr/> <hr/> 14.00 %
Employee	<hr/> <hr/> 10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. SWACO's contractually required contribution was \$391,335 for 2016. Of this amount, \$137,628 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SWACO's proportion of the net pension liability was based on SWACO's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	OPERS Traditional Plan
Proportionate Share of the Net Pension Liability	\$ 7,583,941
Proportion of the Net Pension Liability	0.04378400%
Pension Expense	\$ 950,555

At December 31, 2016, SWACO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan
Deferred Outflows of Resources	
Net Difference between Projected and Actual	
Earnings on Pension Plan Investments	\$ 2,229,206
SWACO Contributions Subsequent	
to the Measurement Date	<u>691,335</u>
Total Deferred Outflows of Resources	<u>\$ 2,920,541</u>
Deferred Inflows of Resources	
Differences between Expected and	
Actual Experience	\$ 146,537
Changes in Proportionate Share	<u>262,585</u>
Total Deferred Inflows of Resources	<u>\$ 409,122</u>

\$691,335 reported as deferred outflows of resources related to pension resulting from SWACO contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan
2017	\$ 366,391
2018	402,035
2019	547,187
2020	<u>504,471</u>
	<u>\$ 1,820,084</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Information	Traditional Pension Plan
Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation at 3.75 percent
COLA or Ad Hoc COLA	3.00 percent, simple
Investment Rate of Return	8.00 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	<u>18.00</u>	<u>4.59</u>
Total	<u><u>100.00 %</u></u>	<u><u>5.27 %</u></u>

Discount Rate The discount rate used to measure the total pension liability was eight percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of SWACO's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents SWACO's proportionate share of the net pension liability calculated using the current period discount rate assumption of eight percent, as well as what SWACO's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (seven percent) or one-percentage-point higher (nine percent) than the current rate:

SWACO's Proportionate Share of the Net Pension Liability	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
	\$ 12,083,070	\$ 7,583,941	\$ 3,789,067

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9. Other Post-Employment Benefits

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016 as recommended by OPERS' actuary. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health

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care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

SWACO's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$115,223, \$110,381 and \$117,485, respectively. For 2016, 80 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

10. Debt Management

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

Outstanding Notes and Bonds as of December 31, 2016

Issue	Amount Issued	Maturities	Interest Rates	Principal Balance as of December 31, 2016
Series 2005 refunding	\$12,320,000	2008-2016	5.00%	\$ -
Series 2008	19,975,000	2010-2018	4.00%-5.20%	1,910,000
Series 2010	15,590,000	2012-2016	2.00%-5.70%	-
Series 2012	79,015,000	2013-2032	1.50%-5.00%	38,125,000
Series 2013A	9,375,000	2015-2026	1.50%-4.00%	7,945,000
Series 2013B	9,540,000	2014-2032	0.45%-5.00%	7,625,000
Series 2016	35,360,000	2016-2029	3.00% - 5.00%	35,360,000
Subtotal, general obligation bonds				<u>90,965,000</u>
Taxable revenue notes,				
Series 2013	4,170,000	2014-2016	1.30%	-
Promissory note	261,250	2011-2016	5.00%	-
Subtotal, notes payable				\$ <u>0.00</u>

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

On October 26, 2005, the County issued \$12.3 million in general obligation bonds (the Series 2005 Refunding Bonds) as part of a \$41.0 million various purpose issue to advance refund \$12.6 million of the outstanding Series 1997 Bonds (the 2008-2017 callable maturities; the 2006 and 2007 maturities were not callable). The Series 2005 Refunding Bonds are secured in the same manner as the Series 1997 Bonds.

The net proceeds of the Series 2005 Refunding Bonds were used to fund an irrevocable trust with an escrow agent to provide for all future debt service payments on the callable portion of the Series 1997 Bonds. In 2007, the Series 1997 Bonds maturing in 2008 through 2017 were called and retired using the funds on deposit with the escrow agent.

Series 2008 Bonds. In December 2008, SWACO issued \$20.0 million fixed-rate general obligation bonds to refund the Series 2008 Bond Anticipation Notes and to provide additional funds for SWACO's 2006-2009 capital improvements plan, including landfill construction, property acquisition, and certain other solid waste facility improvements.

Series 2010 Bonds. In July 2010, SWACO issued \$15,590,000 in general obligation bonds to fund capital projects and acquisitions related to the ongoing operation and maintenance of the landfill and transfer stations per the 2010 capital improvements plan.

Series 2012 Bonds. On June 1, 2012, SWACO issued General Obligation (Limited Tax) Solid Waste Facilities Improvement and Refunding Bonds, Series 2012, in the amount of \$79,015,000. The proceeds of the bonds were used to: retire the Series 2011 Bond Anticipation Notes in the amount of \$24,295,000; retire the Series 2011 Taxable Bond Anticipation Notes in the amount of \$3,520,000; refund \$24,365,000 of the outstanding \$31,970,000 Series 2004A bonds; refund \$11,110,000 of the outstanding \$13,315,000 Series 2004B bonds; and finance costs of additional solid waste facilities comprised of cell construction, land acquisition, landfill gas improvements, landfill improvements, model landfill improvements and scale transfer station/receiving improvements. The Series 2012 Bonds bear interest ranging from 1.5% to 5.0% with maturities of 20 years. The bonds are un-voted general obligations of SWACO and contain a pledge of the full faith and credit of SWACO for the payment of the principal and interest on the bonds when due.

The issuance of these bonds resulted in a difference between the acquisition price and the net carrying amount of the Series 2004A and Series 2004B bonds of \$2,593,370. This difference, reported in the financial statements as a deferred outflow of resources, is being amortized over the life of the bonds. The refunding reduced the debt service payments over the next 13 years by approximately \$3,273,000 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$2,827,000.

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Series 2013A Bonds. On August 7, 2013, SWACO issued General Obligation (Limited Tax) Solid Waste Facilities Refunding Bonds, Series 2013A, in the amount of \$9,375,000. The proceeds of the bonds were used to refund \$9,815,000 of the outstanding \$13,540,000 Series 2010 Build America Bonds. At the time of issuance, the federal government provided a 35% subsidy on interest payments for these bonds. On June 20, 2013, SWACO received notification from the Internal Revenue Service that the subsidy would be reduced by 8.7% due to sequestration. This qualified as an extraordinary event and provided SWACO with the opportunity to refund a portion of the Series 2010 Build America Bonds under more favorable terms. The Series 2013A Bonds bear interest ranging from 1.5% to 4.0% with maturities of 13 years. The bonds are un-voted general obligations of SWACO and contain a pledge of the full faith and credit of SWACO for the payment of the principal and interest on the bonds when due.

The issuance of these bonds resulted in a difference between the acquisition price and the net carrying amount of \$16,304. This difference, reported in the financial statements as a deferred outflow of resources, is being amortized over the life of the bonds. The refunding reduced the debt service payments over the next 13 years by approximately \$1,572,000 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$365,190.

Series 2013B Bonds. On August 7, 2013, SWACO issued General Obligation Taxable Solid Waste Facilities Refunding Bonds, Series 2013B, in the amount of \$9,540,000. The proceeds of the bonds were used to: refund \$340,000 of the outstanding \$1,495,000 Series 2004B bonds; refund \$1,140,000 of the outstanding \$19,165,000 Series 2008 bonds; and refund \$7,005,000 of the outstanding \$79,015,000 Series 2012 Bonds. In January 2013, SWACO entered into an agreement to lease land to Team Gemini Project Cardinal, LLC. The land leased qualified as private use, necessitating the defeasance of portions of Series 2004B, Series 2008 and Series 2012 under the Internal Revenue Code of 1986. The defeased tax-exempt bonds were refunded as taxable bonds with Series 2013B. The Series 2013B Bonds bear interest ranging from 0.45% to 5.0% with maturities of 19 years. The bonds are un-voted general obligations of SWACO and contain a pledge of the full faith and credit of SWACO for the payment of the principal and interest on the bonds when due.

The issuance of these bonds resulted in a difference between the acquisition price and the net carrying amount of \$261,165. This difference, reported in the financial statements as a deferred outflow of resources, is being amortized over the life of the bonds. The refunding increased the debt service payments over the next 19 years by approximately \$1,204,000 and incurred an economic loss (difference between the present values of the old and new debt service payments) of \$1,103,878.

Series 2016 Bonds: On December 20, 2016, SWACO issued General Obligation (Limited Tax) Solid Waste Facilities Refunding Bonds, Series 2016, in the amount of \$35,360,000. The proceeds of the bonds were used to: refund \$12,755,000 of the outstanding \$14,665,000 Series 2008 bonds, refund \$3,725,000 of the outstanding \$3,725,000 Series 2010 bonds, and \$19,795,000 of the outstanding \$57,920,000 Series 2012 bonds.

The refunding reduced the debt service payments over the next 13 years by approximately \$2,300,000 and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$2,100,000.

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It is anticipated that the debt service on the Series 2004B, Series 2005 refunding, Series 2008, Series 2010, Series 2012 (except for debt service on the \$24,365,000 portion of the issue which refunded 2004A) and Series 2013 (except for debt service on the \$2,195,000 portion of the issue which refunded the 2004A portion of 2012) bonds will be paid from SWACO's tipping fees or other sources of revenues. However, as is the case with the series 2004A bonds, the Series 2004B, Series 2008, Series 2010, Series 2012 and Series 2013 bonds are general obligation bonds secured by a pledge to levy ad valorem property taxes.

The following table summarizes SWACO's annual debt service requirements to maturity for its general obligation bonds (including general obligation bonds issued by Franklin County on behalf of SWACO), tax revenue note, and promissory note outstanding as of December 31, 2016, categorized by source of payment.

Year ended December 31,	Paid from Tipping Fees		Paid from Retired Facility/Waiver Fees			
	Series 2005 Refunding, 2008, 2010, 2012, 2013A, 2013B, 2016, Taxable Revenue Note, and Promissory Note	Series 2012			Total	
2017	\$2,380,000	\$3,450,803	\$4,935,000	\$360,400	\$7,315,000	\$3,811,203
2018	2,790,000	3,465,628	4,735,000	236,750	7,525,000	3,702,378
2019	4,760,000	3,368,540	-	-	4,760,000	3,368,540
2020	4,965,000	3,172,560	-	-	4,965,000	3,172,560
2021	5,180,000	2,958,060	-	-	5,180,000	2,958,060
2022-2026	28,140,000	10,999,330	-	-	28,140,000	10,999,330
2027-2031	27,140,000	4,736,150	-	-	27,140,000	4,736,150
2032	5,940,000	243,550	-	-	5,940,000	243,550
Total	\$81,295,000	\$32,394,621	\$9,670,000	\$597,150	\$90,965,000	\$32,991,771

Series 2013 Solid Waste Facilities Taxable Revenue Notes. In 2005, SWACO issued \$1,559,250 Variable Rate Taxable Notes to acquire a building used as an oily waste-water processing facility. In 2007, SWACO purchased additional assets at the facility at a cost of approximately \$3.3 million and issued \$4,900,000 in Variable Rate Taxable Notes to fund the acquisition and refund of the Series 2005 taxable notes (see Note 7 – Lease Receivable). The Series 2007 Notes mature in 2017 with principal payments beginning in 2008. Interest on the notes was set at the one month LIBOR rate (London Interbank Offered Rate) plus 100 basis points (1.0%). The notes, which were not general obligations of SWACO, were secured by a pledge of lease payments from the operator of the facility and SWACO's Generation Fees. Although Generation Fees were not used to pay the debt service on the taxable notes, if necessary up to 5.0% of Generation Fee income would be required for this purpose through 2017.

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At the same time the Series 2007 Variable Rate Taxable Notes were issued, SWACO entered into a five-year interest rate swap in connection with the notes. The purpose of the swap was to mitigate against the risk of rising interest rates by effectively changing SWACO's variable interest rate on the notes to a synthetic fixed rate of 5.71% for a period of five years.

On March 26, 2010, The Huntington National Bank ("HNB") notified SWACO, pursuant to the "Put Notice" in the \$4,900,000 *Series 2007 Variable Rate Taxable Notes* that HNB would require SWACO to purchase the Notes on October 1, 2010, for an amount equal to the principal amount outstanding plus accrued interest, \$4,316,629. On August 18, 2010, SWACO issued \$4,670,000 Taxable Revenue Notes to purchase the 2007 notes and terminate the swap agreement. The maturity date of the notes was August 25, 2011, and the interest rate was 1.875% per annum. The note proceeds were used to retire the outstanding principal and interest on the \$4,900,000 note and terminate the swap agreement. On August 23, 2011, SWACO issued \$4,670,000 Taxable Revenue notes to retire the 2010 note. The maturity date of the notes was July 2, 2012, and the interest rate was 1.625% per annum. On June 29, 2012, SWACO issued \$4,470,000 Taxable Revenue notes to retire the 2011 note. The maturity date of the notes was June 27, 2013, and the interest rate was 1.3% per annum. On June 26, 2013, SWACO issued \$4,170,000 Bond Anticipation Notes to retire the 2012 note. The notes mature at \$300,000 on December 31 of each year for 2014 and 2015, with a final maturity on December 31, 2016. The interest rate of the notes is 1.3% per annum.

Seller-financed property acquisition. In January 2011, SWACO purchased approximately 25 acres of real property adjacent to the Franklin County Sanitary Landfill. The purchase price was \$311,250; SWACO paid \$50,000 at closing and issued a promissory note to the seller to finance the \$261,250 balance. The note is amortized over five years with equal annual principal payments of \$50,000, carries an interest rate of 5% per annum on the outstanding principal, and is secured by a first mortgage on the property. This note was paid off in 2016.

Legal Debt Margins. SWACO's debt is not subject to direct debt limitations, but its un-voted general obligation debt (debt authorized by SWACO's Board of Trustees but not by a vote of the electors) is subject to overlapping debt restrictions with other political subdivisions. These limitations apply to each overlapping county, municipal corporation, school district or other issuing authority. Limitations apply to each county total and are not considered cumulatively. Total debt service charges for any one year of all overlapping debt may not exceed ten mills (1%) of the assessed property value within the overlapping jurisdictions. This determination is made by the respective county auditors each time a subdivision proposes to issue un-voted debt. At the time of SWACO's most recent un-voted debt issue in 2016, the maximum millage required in any overlapping jurisdictions was 9.6153 mills, leaving a margin of 0.3847 mills.

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Summary of Debt and Long-Term Obligations

Including the bonds and notes payable, net pension liability, and compensated leave balances, long-term liability activity for the year ended December 31, 2016, was as follow:

Operating and Program Funds	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation notes and bonds payable:					
Series 2005 bonds refunding	\$ 3,030,000	\$ -	\$ (3,030,000)	\$ -	\$ -
Series 2008 bonds refunding	15,555,000	-	(13,645,000)	1,910,000	940,000
Series 2010 bonds	3,725,000	-	(3,725,000)	-	-
Series 2012 bonds refunding	62,720,000	-	(24,595,000)	38,125,000	4,990,000
Series 2013A bonds refunding	8,670,000	-	(725,000)	7,945,000	745,000
Series 2013B bonds refunding	8,250,000	-	(625,000)	7,625,000	640,000
Series 2016 bonds refunding	-	35,360,000	-	35,360,000	-
Unamortized bond premiums	7,069,050	5,674,056	(4,012,198)	8,730,908	-
Total general obligation notes and bonds payable, net	109,019,050	41,034,056	(50,357,198)	99,695,908	7,315,000
Notes payable					
Taxable revenue notes,					
Series 2013	3,570,000	-	(3,570,000)	-	-
Promissory note	102,045	-	(102,045)	-	-
Unamortized note premiums	-	-	-	-	-
Total notes payable	3,672,045	-	(3,672,045)	-	-
Landfill closure and post-closure liability					
Net pension liability	20,411,331	911,541	(98,497)	21,224,375	-
Compensated leave	5,678,740	1,905,201	-	7,583,941	-
Total debt and long term liabilities	284,817	18,577	-	303,394	283,408
	\$ 139,065,983	\$ 43,869,374	\$ (54,127,740)	\$ 128,807,618	\$ 7,598,408

11. Waste-to-Energy Facility Debt

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

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

Management determined that SWACO would be unable to recover the carrying value of the WTEF at the date of closure and the WTEF was written down to \$36,594,000, and a loss of \$126,248,000 was recognized. Subsequent write downs of \$30,034,000 in 1997 and \$2,627,000 in 2001, plus sale of the turbine-generator sets and other equipment located in the facility reduced the carrying value of the WTEF to \$1,121,000 as of December 31, 2005, reflecting the appraised value of usable space at the facility as of that date. In 2005, SWACO completed demolition of all but the usable portion of the facility and entered into a sublease of the remaining portion (excluding the transfer station) to a recycling business. The building used for the recycling operation was destroyed in a fire in 2008, and SWACO has since terminated the sublease.

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

To implement the new fees, the SWACO Board adopted in 1998 a rule effective April 1, 1999, requiring that all waste generated within SWACO's jurisdiction be delivered only to a SWACO facility, unless a waiver has been granted to another facility or the waste is disposed at a facility outside the State of Ohio. The Board of Trustees authorized waivers for any landfill in Ohio provided the landfill executed a waiver agreement with SWACO and agreed to pay a Waiver Fee as prescribed in the agreement (the "Waiver Fee"). Also in 1998, the Board of Trustees established a new fee (the "Retired Facility Fee"), to be assessed at SWACO facilities effective April 1, 1999. Under the waiver agreements, the Waiver Fee was set equal to the Retired Facility Fee, (initially and through the end of 2008, \$7.00 per ton).

In 1999, SWACO paid 100% of the income derived from the Waiver Fee and Retired Facility Fees to the City. In lieu of cash payments to SWACO, Retired Facility Fees owed by the City for use of SWACO's facilities were applied directly to the lease obligation as a credit. The Waiver Fee and Retired Facility Fee revenues were not sufficient to satisfy all of the modified lease obligation and SWACO accumulated a deferred lease obligation of \$46.3 million by the end of 2003.

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As provided by a 2004 modification to the lease, SWACO issued \$57,205,000 in bonds in 2004 (the “Series 2004A Bonds”) and paid the net proceeds, \$55.1 million, to the City as a payment on the lease. Debt service on the bonds will be paid from the Retired Facility and Waiver Fees collected by SWACO, excluding amounts owed by the City. The final payment of the lease obligation was made in November 2011. The City is now remitting the Retired Facility Fee to SWACO, as the lease credit has been exhausted. Additional cash payments to the City will be made only to the extent collections from the Retired Facility Fee and Waiver Fee exceed debt service requirements on the bonds.

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

SWACO and the City of Columbus entered into a Ninth modification to the WTEF lease in 2008 that resulted in the replacement of the \$5.3 million debt service reserve account related to the Series 2004A bonds with a surety bond. The release of the reserve fund allowed SWACO to make supplemental lease payments to the City totaling \$5.3 million in 2008. In addition, SWACO made a supplemental lease payment to the City of \$771,000 in December 2008 from Retired Facility and Waiver Fees collected since 2004 and not needed for debt service on the Series 2004A Bonds.

In 2008, SWACO and the City further modified the lease (the Tenth Modification) to allow SWACO to increase the Retired Facility and Waiver Fee above \$7.00 per ton, and to allow SWACO to use the revenues generated by any fee increase for purposes other than paying the WTEF lease or debt service on the Series 2004A Bonds. During 2008, the SWACO Board of Trustees adopted a \$2 per ton increase in the Retired Facility and Waiver Fee effective January 1, 2009.

On June 1, 2012, SWACO issued General Obligation (Limited Tax) Solid Waste Facilities Improvement and Refunding Bonds, Series 2012, in the amount of \$79,015,000. A portion of the proceeds were used to refund \$24,365,000 of the outstanding \$31,970,000 Series 2004A bonds. The \$7.00 Retired Facility Fee and Waiver Fee will fund the debt service on the 2012 issue attributable to the 2004A refunding.

On June 1, 2012, SWACO issued General Obligation (Limited Tax) Solid Waste Facilities Improvement and Refunding Bonds, Series 2012, in the amount of \$79,015,000. A portion of the proceeds were used to refund \$24,365,000 of the outstanding \$31,970,000 Series 2004A bonds. The \$7.00 Retired Facility Fee and Waiver Fee will fund the debt service on the 2012 issue attributable to the 2004A refunding.

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On August 7, 2013, SWACO issued General Obligation Taxable Solid Waste Facilities Refunding Bonds, Series 2013B, in the amount of \$9,540,000. A portion of the proceeds were used to refund \$2,125,000 of the outstanding \$23,970,000 Series 2012 bonds which were attributable to the 2004A refunding. The \$7.00 Retired Facility Fee and Waiver Fee will fund the debt service on the 2013B issue attributable to the 2004A portion of the 2012 refunding.

12. Landfill Closure and Post-Closure 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 final closure and post-closure care costs will be paid only when the last phases of the landfill reach final waste elevation, in accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs, SWACO reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each Statement of Net Position date.

SWACO's estimate of total current cost of closure and post-closure care is \$42.6 million. This estimate includes final cover and gas collection system costs for the last phase of the landfill construction of \$34.6 million and post-closure maintenance and monitoring costs of \$8.0 million. These amounts are estimated based on the 2016 cost to perform all closure and post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The amount reported as Landfill Closure/Post-closure liability as of December 31, 2016, includes \$21.2 million representing the cumulative amount reported based on the use of 49.8% of the estimated capacity of the landfill, including the original permit and 1997 and 2009 modifications. SWACO will recognize the remaining estimated cost of closure and post-closure care costs of approximately \$21.4 million as the remaining estimated capacity is filled. Per SWACO's annual report the landfill has a remaining useful life of approximately 21.0 years.

SWACO also maintains and monitors the Model Landfill, which has been closed since 1985. The Model Landfill is not subject to the same state and federal laws and regulations as the current operating landfill. In an effort to manage post-closure costs, SWACO leased the closed landfill to a private entity in 1999 to develop a public golf course on the site, and leased the landfill gas collection system and sold the gas rights for the purpose of generating electricity. SWACO no longer carries a Landfill Closure/Post-closure care liability as of December 31, 2016. Future maintenance and repairs such as remediation costs for its gas system will be funded from operating funds.

On January 15, 2014, SWACO entered into an asset purchase agreement with Phoenix Golf Links, Ltd. to acquire all of their operating assets, located at SWACO's closed Model Landfill. The assets were purchased for \$2,375,000 and a related Model Landfill lease agreement was terminated at the same time. In March 2015, SWACO decided to close its golf course operation resulting in a write-down of the golf course clubhouse, land improvements, and deferred outflows of resources.

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After two RFP bid processes and discussions with multiple submitters, SWACO was not able to secure an agreement for an independent third party to operate the Phoenix Golf Course. As a result, the course was not re-opened following the standard seasonal shutdown in 2014 and has been closed permanently.

Since taking control of the golf course over a year ago, SWACO's goal was to keep the facility open as a public amenity if financially feasible by having an independent third party operate and manage the course. While many companies expressed interest in operating the course, the financial terms to do so were not acceptable to SWACO.

In the end, Phoenix golf course is an ongoing example of local and national golf courses closing due to a decreasing number of golfers and rounds played. In recent years, several local golf courses have closed, including two this year, Winding Hollow and Riviera, while others have reported operating deficits.

For the short term, SWACO has started the planned Phase I gas remediation process at Model Landfill. Because this project now can be undertaken without concern for the disruption of the golf course operations, SWACO will realize a cost savings. Phase II and Phase III gas remediation will occur after the impact assessment from Phase I is completed. The gas remediation process at Model Landfill is estimated to be a years-long process. In addition to the gas remediation, we will explore the potential leasing of the buildings at the golf course and other possible methods of cost mitigation.

Longer term, SWACO will be changing the golf course's layout, including but not limited to: filling in the sand bunkers, taking out the cart paths, leveling the slopes. These changes will provide for more efficient maintenance and mowing of the property, protect the landfill cap underneath the golf course, and allow for better drainage. Other potential uses for the land will be explored at a later date.

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13. Service Agreements

SWACO entered into a modification of a yard waste composting service agreement in November 2009. The agreement was extended through December 31, 2022. Under the modified terms of the agreement, SWACO pays a quarterly service fee (beginning January 1, 2010) of \$71,250 to the service provider to accept and process yard waste delivered by SWACO District constituents. Operating expenses under the service agreement were \$285,000 in 2016. The future maximum service payments are \$285,000 annually from 2017 through 2022.

SWACO also entered into a modification of another yard waste composting service agreement in November 2009. The agreement was extended through December 31, 2022. Under the modified terms of the agreement, beginning January 1, 2010, SWACO pays the service provider a per-ton fee for yard waste composting services up to a maximum annual payment of \$1,200,000, to accept and process yard waste delivered by SWACO District constituents. Operating expenses under the service agreement were \$1,200,000 in 2016. The future maximum service payments are \$1,200,000 annually from 2017 through 2022.

14. Commitments and Contingencies

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

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

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15. Risks and Uncertainties

SWACO is exposed to various risks of loss related to torts and general liability; theft of, damage to and destruction of assets; natural disasters; errors and omissions; employee health care claims, settlement 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 all full-time employees at an amount equal to \$50,000 or one (1) year's base salary, whichever is greater as well as short-term disability benefit. These benefits are fully insured by SWACO through third parties.

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

SWACO provides health care benefits package to its employees under agreement with Franklin County. The County provides multiple health care benefit plans that cover approximately 6,257 employees of Franklin, Pickaway and Fairfield Counties, SWACO and other Central Ohio political subdivisions. There are approximately 16,370 plan subscribers when spouses and dependents and domestic partners are counted. During 2016, these benefits included a self-insured participating provider organization medical plan, a prescription drug program, a mental health and chemical dependency program, dental, vision, and employee assistance program (EAP) benefits. The program is administered by third parties who provide claims review and processing. Participating County agencies and other political subdivisions pay their proportionate shares of the premiums and may be charged for their pro-rata share of any reserve deficiency as determined by the plan's independent actuary. SWACO has not been assessed any charges other than its premiums for the years ended December 31, 2016 or 2015.

The Consolidated Omnibus Budget 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, 2016. 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. SWACO still has potential claims at the end of 2016 incurred in prior years, but is unable to quantify the monetary value.

	2015	2016
Unpaid claims at January 1	-	-
Incurred claims	\$22,625	\$746,904
Paid claims	<u>\$22,625</u>	<u>\$(746,904)</u>
Unpaid claims at December 31	-	-

SWACO
Notes to Financial Statements
As of December 31, 2016

16. Subsequent Events

SWACO's Board of Trustees passed a resolution in January 2017 that adjusted SWACO's rates. A change in SWACO's rates was necessary due to the retirement and removal of the restricted seven dollars (\$7.00) per ton fee associated with the former Waste-to-Energy Facility and the addition of a four dollar (\$4.00) per ton fee to, amongst other things, offset SWACO's increasing cost of operations, maintain fund balance reserve levels, and provide funds to fulfill SWACO's community mission. The effective date of the rate change was April 1, 2017.

In 2016, SWACO staff and the Board of Trustees engaged in discussions about long-term planning for the Franklin County Sanitary Landfill. The Board agreed to pursue a plan to increase the life of the landfill. This plan requires SWACO to submit a new Permit-to-Install ("PTI") Application to the Ohio Environmental Protection Agency. The PTI Application requires additional testing and revisions to many current operating plans and permits. SWACO is continuously working with staff, engineers, and Ohio EPA to prepare all of the required documents as well as reaching out to the public for outreach and awareness.

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SWACO**Required Supplementary Information****As of December 31, 2016**

**Solid Waste Authority of Central Ohio
Franklin County, Ohio***Required Supplementary Information**Schedule of SWACO's Proportionate Share of the Net Pension Liability**Last Three Years⁽¹⁾***Ohio Public Employees' Retirement System (OPERS)**

	2016	2015	2014
SWACO's proportion of the net pension liability	0.0437840%	0.0470640%	0.0470640%
SWACO's proportionate share of the net pension liability	\$ 7,583,941	\$ 5,678,740	\$ 5,548,232
SWACO's covered-employee payroll	\$ 5,519,033	\$ 5,874,258	\$ 6,162,485
SWACO's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137.41%	96.67%	90.03%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%

⁽¹⁾ Information prior to 2014 is not available.

Amounts presented as of SWACO's measurement date, which is the prior fiscal year end.

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SWACO
Required Supplementary Information
As of December 31, 2016

Solid Waste Authority of Central Ohio
Franklin County, Ohio
Required Supplementary Information
Schedule of SWACO's Contributions
Last Four Years ⁽¹⁾

**Ohio Public Employees' Retirement System
(OPERS)**

	2016	2015	2014	2013
Contractually required contribution	\$ 691,335	\$ 662,284	\$ 704,911	\$ 801,123
Contributions in relation to the contractually required contribution	(691,335)	(662,284)	(704,911)	(801,123)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
SWACO's covered-employee payroll	<u>\$ 5,761,125</u>	<u>\$ 5,519,033</u>	<u>\$ 5,874,258</u>	<u>\$ 6,162,485</u>
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%

⁽¹⁾ Information prior to 2013 is not available.

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SWACO
Supplemental Schedule – Operating Fund Statement of Net Position – Proprietary
Fund
As of December 31, 2016

	Continuing Operations	Discontinued Operations	Operating Fund Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 22,036,172	\$ -	\$ 22,036,172
Restricted cash	-	9,092,053	9,092,053
Investments	10,695,130	-	10,695,130
Accounts receivable, net	4,405,876	602,963	5,008,839
Lease receivable, current portion	49,611	-	49,611
Other assets	441,622	-	441,622
 Total current assets	 37,628,411	 9,695,016	 47,323,427
Non-current assets:			
Investments held by trustee for landfill closure/post-closure care	24,661,800	-	24,661,800
Capital assets:			
Sanitary landfill, net of accumulated depletion	33,351,245	-	33,351,245
Buildings and equipment, net of accumulated depreciation	24,427,398	-	24,427,398
Construction in progress	608,964	-	608,964
Land and land improvements	23,718,712	-	23,718,712
Lease receivable, less current portion	648,171	-	648,171
 Total non-current assets	 107,416,290	 -	 107,416,290
 Total assets	 145,044,701	 9,695,016	 154,739,717
Deferred outflows of resources:			
Refundings	2,403,962	390,687	2,794,649
Pension	2,633,702	-	2,633,702
Total deferred outflows of resources	 \$ 5,037,664	 \$ 390,687	 \$ 5,428,351

Continued the following page

SWACO
Supplemental Schedule – Operating Fund Statement of Net Position – Proprietary Fund
As of December 31, 2016

	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 5,286,263	\$ -	\$ 5,286,263
Accrued wages and benefits	670,889	-	670,889
Accrued interest	191,039	30,033	221,072
Current maturities of bonds and notes payable	2,380,000	4,935,000	7,315,000
Other payables	2,000	-	2,000
Total current liabilities	<u>8,530,191</u>	<u>4,965,033</u>	<u>13,495,224</u>
Non-current liabilities:			
Bonds and notes payable, less current portion, net	87,254,653	5,126,254	92,380,907
Landfill closure/post-closure liability	21,224,375	-	21,224,375
Accrued wages and benefits	17,926		17,926
Net pension liability	6,839,088	-	6,839,088
Total non-current liabilities	<u>115,336,042</u>	<u>5,126,254</u>	<u>120,462,296</u>
Total liabilities	<u>123,866,233</u>	<u>10,091,287</u>	<u>133,957,520</u>
Deferred inflows of resources: pension	<u>368,940</u>	<u>-</u>	<u>368,940</u>
Net position			
Net investment in capital assets:			
Bonds payable related to closed waste-to-energy facility	-	(9,670,568)	(9,670,568)
Other capital assets, net	(5,941,813)	-	(5,941,813)
Restricted:			
Other restricted, net	-	9,664,984	9,664,984
Closure/post-closure trust fund net of accrued liability – Franklin County Sanitary Landfill	3,437,425	-	3,437,425
Unrestricted	<u>28,351,580</u>	<u>-</u>	<u>28,351,580</u>
Total net position	<u>\$ 25,847,192</u>	<u>\$ (5,584)</u>	<u>\$ 25,841,608</u>

SWACO

Supplemental Schedule – Operating Fund Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund **As of December 31, 2016**

	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Operating revenues:			
Tipping and disposal fees	\$ 30,811,682	\$ -	\$ 30,811,682
Waste transfer fees	6,432,048	-	6,432,048
Retired facility and waiver fees	2,140,938	7,489,763	9,630,701
Other	2,810,358	-	2,810,358
Operating revenues	<u>42,195,026</u>	<u>7,489,763</u>	<u>49,684,789</u>
Operating expenses:			
Salaries, wages and benefits	8,571,635	-	8,571,635
Contracts, services and supplies	8,647,048	-	8,647,048
Solid waste fees	5,278,694	-	5,278,694
Depreciation	3,648,285	-	3,648,285
Landfill depletion	4,470,423	-	4,470,423
Landfill closing cost	911,541	-	911,541
Interfund charges	(324,716)	-	(324,716)
Operating expenses	<u>31,202,910</u>	<u>-</u>	<u>31,202,910</u>
Operating income (loss)	<u>10,992,116</u>	<u>7,489,763</u>	<u>18,481,879</u>
Non-operating revenues (expenses):			
Interest expense	(3,221,905)	(338,589)	(3,560,494)
Interest earnings	607,596	-	607,596
Gain on disposal of assets	101,472	-	101,472
Total non-operating expenses, net	<u>(2,512,837)</u>	<u>(338,589)</u>	<u>(2,851,426)</u>
Change in net position	8,479,279	7,151,174	15,630,453
Total net position – beginning	<u>17,367,913</u>	<u>(7,156,758)</u>	<u>10,211,155</u>
Total net position – ending	<u>\$ 25,847,192</u>	<u>\$ (5,584)</u>	<u>\$ 25,841,608</u>

SWACO**Supplemental Schedule – Operating Fund Statement of Cash Flows – Proprietary Fund**
As of December 31, 2016

	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Cash flows from operating activities:			
Receipts from customers	\$ 37,214,475	\$ -	\$ 37,214,475
Retired facility fees and waiver fees collected	2,140,938	7,536,309	9,677,247
Other receipts	2,810,358	-	2,810,358
Payments to or on behalf of employees for salaries, wages and benefits	(8,340,701)	-	(8,340,701)
Payment to vendors	(12,585,585)	-	(12,585,585)
Landfill post-closure cost paid	(98,497)	-	(98,497)
Interfund charges	324,716	-	324,716
Other receipts	1,000	-	1,000
Net cash provided by operating activities	<u>21,466,704</u>	<u>7,536,309</u>	<u>29,003,013</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	101,223,814	-	101,223,814
Purchase of investments	(105,393,154)	-	(105,393,154)
Interest received	624,872	-	624,872
Net cash used in investing activities	<u>(3,544,468)</u>	<u>-</u>	<u>(3,544,468)</u>
Cash flows from capital and related financing activities:			
Premium on refunding of bonds	5,642,710	-	5,642,710
Proceeds of refunding bonds	35,360,000	-	35,360,000
Payment to refunding bond escrow agent	(41,002,710)	-	(41,002,710)
Proceeds from sale of assets	101,472	-	101,472
Cash received from lease transactions	48,974	-	48,974
Landfill, plant improvements and equipment additions	(19,128,561)	-	(19,128,561)
Principal paid on bonds and notes payable	(9,002,045)	(4,740,000)	(13,742,045)
Interest paid and cost on debt refunded	(3,857,172)	(550,000)	(4,407,172)
Net cash used in capital and related financing activities	<u>(31,837,332)</u>	<u>(5,290,000)</u>	<u>(37,127,332)</u>
Net increase (decrease) in cash	<u>(13,915,096)</u>	<u>2,246,309</u>	<u>(11,668,787)</u>
Cash and cash equivalents, beginning of year	<u>35,951,268</u>	<u>6,845,744</u>	<u>42,797,012</u>
Cash and cash equivalents, end of year	<u>\$ 22,036,172</u>	<u>\$ 9,092,053</u>	<u>\$ 31,128,225</u>

Continued the following page

SWACO**Supplemental Schedule – Operating Fund Statement of Cash Flows – Proprietary Fund**
As of December 31, 2016

	Continuing Operations	Discontinued Operations	Operating Fund Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 10,992,116	\$ 7,489,763	\$ 18,481,879
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation and depletion	8,118,708	-	8,118,708
Landfill closing cost	911,541	-	911,541
(Decrease) increase in cash resulting from changes in:			
Accounts receivable, net	(29,255)	46,546	17,291
Accounts payable	1,497,342	-	1,497,342
Accrued wages and benefits	53,443	-	53,443
Increase in deferred outflows: pension	(1,752,509)	-	(1,752,509)
Decrease in net pension liability	1,652,107	-	1,652,107
Increase in deferred inflows: pension	277,892	-	277,892
Landfill post-closure liability	(98,497)	-	(98,497)
Other assets and liabilities	<u>(156,184)</u>	<u>-</u>	<u>(156,184)</u>
Net cash provided by operating activities	<u>\$ 21,466,704</u>	<u>\$ 7,536,309</u>	<u>\$ 29,003,013</u>

Non-cash capital and related financing activities:

Amortization of premiums on bonds payable during the year of \$461,964 for Continuing Operations and \$370,064 for Discontinued Operations.

Amortization of deferred amounts on refundings during the year totaled \$140,951 for Continuing Operations and \$174,453 for Discontinued Operations.

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STATISTICAL SECTION

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Solid Waste Authority of Central Ohio

Introduction to Statistical Section

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

Tables 1 and 2 provide ten years of financial information for SWACO. Table 3 is a budget to actual comparison for year 2016.

Revenue capacity information on solid waste deliveries and tipping fees SWACO facilities is presented in Tables 4 through 8. 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.

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

Tables 12 through 19 provide debt service schedules for SWACO's outstanding notes and bonds. Table 20 shows various debt ratios for SWACO. It includes total debt (notes and bonds) per capita, total obligation debt as a percent of SWACO assessed property valuation (although backed by a pledge to levy ad valorem property taxes, SWACO's general obligation bonds are paid from other sources, see note 10 to the financial statements), and annual debt service per ton paid from the landfill tipping fee. Table 21 shows the statutory debt limit on SWACO's ability to issue debt supported by property taxes. SWACO is not subject to direct debt limits.

Demographic information is presented for SWACO's solid waste district and Franklin County in Tables 22 through 24. Table 25 provides the information on capital assets.

Table 1

SWACO
Schedules of Net Position - All Funds
For Years Ended December 31, 2007 through 2016
(in thousands)¹

Assets	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash and cash equivalents	\$ 4,524	\$ 2,461	\$ 7,349	\$ 5,599	\$ 5,238	\$ 7,152	\$ 14,221	\$ 18,311	\$ 29,496	\$ 22,036
Restricted cash	9,877	2,443	1,817	6,582	25,506	35,741	25,413	17,811	15,907	12,622
Unrestricted and restricted investments	7,917	6,857	3,008	5,055	7,337	6,886	5,877	7,426	7,536	10,695
Accounts receivable, net	3,113	3,329	3,036	3,794	3,640	4,721	4,288	4,611	5,517	5,451
Grant receivable	1,980	1,500	-	26	495	357	-	-	-	-
Closure/postclosure funds held by trustee	21,104	23,035	20,648	21,027	21,199	21,341	21,548	22,660	23,647	24,662
Sanitary Landfill, net of accum. deprec./depletion	22,586	13,850	18,600	12,767	16,010	23,925	21,146	28,049	22,739	33,351
Buildings and equipment, net of accum. depreciation	14,133	18,394	17,662	14,679	16,722	16,318	25,138	25,273	22,629	24,732
Construction in progress	10,279	9,107	4,341	3,558	2,606	9,886	8,647	1,848	8,714	609
Land and land improvements	11,721	11,721	12,711	12,711	13,036	18,064	18,163	18,745	18,745	23,719
Lease receivable	4,900	4,878	4,708	5,518	5,218	5,851	3,640	1,770	747	698
Other assets	349	130	53	23	210	212	522	427	306	465
Total assets	112,484	97,706	93,934	91,339	117,217	150,454	148,603	146,931	155,983	159,040
Deferred outflows of resources:										
Refundings	-	-	-	-	-	2,533	2,424	3,189	1,595	2,795
Pension	-	-	-	-	-	-	-	695	965	2,920
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,533	\$ 2,424	\$ 3,884	\$ 2,560	\$ 5,715

Totals may not add due to rounding.

Table 1 (continued)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Liabilities										
Accounts payable, deferred revenue, and unearned income	\$ 4,278	\$ 2,113	\$ 2,050	\$ 2,593	\$ 3,506	\$ 4,164	\$ 3,787	\$ 2,360	\$ 5,479	\$ 5,747
Accrued wages and benefits	750	896	1,380	1,408	1,418	1,525	791	884	697	767
SWACO grants payable	-	-	34	41	39	71	88	32	4	45
ERIP payable	-	-	1,139	1,097	617	100	-	-	-	-
Accrued interest	706	520	743	903	885	891	790	679	615	221
Bonds and notes payable (Note 10)	110,564	106,491	102,263	108,320	125,197	142,115	133,064	122,532	112,691	99,696
Capital lease obligation (Note 11)	14,269	6,225	4,099	1,889	-	-	-	-	-	-
Landfill closure/postclosure care liability (Note 12)	19,828	10,150	11,237	12,086	11,584	22,228	22,651	23,105	20,411	21,224
Net pension liability								5,548	5,679	7,584
Other	283	413	177	37	128	111	70	51	-	2
Total liabilities	150,680	126,810	123,122	128,374	143,374	171,205	161,241	155,191	145,576	135,286
Deferred inflows of resources: pension									100	409
Net position										
Net investment in capital assets:										
WTEF, net of lease obligation and bonds payable	(61,014)	(49,595)	(43,987)	(38,176)	(32,559)	(28,706)	(24,062)	(19,441)	(14,606)	(9,671)
Other capital assets, net	6,680	(1,054)	(3,609)	(17,925)	(16,480)	(5,286)	(8,069)	(14,056)	(17,875)	(5,637)
Restricted:										
Closure/postclosure trust fund, net of accrued liability - Sanitary Landfill	2,325	13,887	10,399	9,901	10,512	(137)	(573)	(149)	3,334	3,437
Other restricted, net	8,252	1,184	514	777	1,614	2,701	4,633	7,418	9,789	12,556
Unrestricted	5,562	6,474	7,496	8,388	10,756	13,210	17,857	21,852	32,225	28,375
Total net position	\$ (38,196)	\$ (29,104)	\$ (29,187)	\$ (37,035)	\$ (26,157)	\$ (18,218)	\$ (10,214)	\$ (4,376)	\$ 12,867	\$ 29,060

¹ Totals may not add due to rounding.

Source: SWACO. All references to notes are to the Notes to Financial Statements beginning on page 2-23.

Table 2

SWACO
Schedules of Revenues, Expenses, and Changes in Net Position - All Funds
For Years Ended December 31, 2007 through 2016
(in thousands)¹

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Tipping and disposal fees	\$ 18,958	\$ 18,650	\$ 18,101	\$ 21,141	\$ 26,870	\$ 29,251	\$ 29,217	\$ 29,255	\$ 30,302	\$ 30,812
Waste transfer fees	4,336	4,537	4,403	4,441	4,487	4,427	4,836	5,696	5,988	6,432
Retired facility and waiver fees	7,892	7,614	9,162	9,473	9,095	8,842	9,134	9,079	9,451	9,631
Generation fees	5,663	5,438	5,090	5,265	5,054	4,919	5,074	5,045	5,258	5,362
Other	617	582	563	846	435	1,096	482	1,932	2,870	2,820
Operating revenues	37,467	36,822	37,319	41,166	45,941	48,535	48,743	51,007	53,869	55,057
Expenses:										
Salaries, wages and benefits	7,351	9,692	11,226	9,457	9,281	10,132	9,951	9,460	8,744	9,556
Contracts, services and supplies	10,566	10,800	9,491	10,172	12,102	10,584	10,768	11,373	10,474	11,853
Solid waste fees	3,236	3,122	3,250	4,342	4,929	4,764	4,766	5,012	5,153	5,279
Depreciation and depletion	5,672	10,334	7,428	13,960	5,290	(2,211)	7,161	8,737	10,069	8,198
Landfill closing expenses	1,276	(9,630)	1,100	877	(440)	10,791	643	687	(2,496)	911
Other	-	-	-	10	1	-	(116)	-	1,196	-
Operating expenses	28,101	24,318	32,495	38,818	31,163	34,060	33,173	35,269	33,140	35,797
Operating income	\$ 9,366	\$ 12,504	\$ 4,824	\$ 2,348	\$ 14,778	\$ 14,475	\$ 15,570	\$ 15,738	\$ 20,729	\$ 19,260

Table 2 (continued)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Non-operating revenues (expenses):										
Interest expense	\$ (5,116)	\$ (4,858)	\$ (4,729)	\$ (4,498)	\$ (4,347)	\$ (5,700)	\$ (4,746)	\$ (3,522)	\$ (3,871)	\$ (3,561)
ERIP interest expense	-	-	(42)	(128)	(108)	386	(32)	(3)	-	-
Interest earnings	2,680	2,471	762	567	417	(72)	249	214	530	608
Capital contributions received									1,105	-
Grant revenues	2,192	379	307	621	495	133	27	-	-	-
Grants awarded	(593)	(498)	(712)	(587)	(369)	(247)	(399)	(147)	(131)	(215)
Loss on federal grant	-	(480)	(512)	-	-	-	-	-	-	-
Bad debt expense				(127)	-	-	(2,500)	(1,773)	(8)	-
Impairment of long-lived assets	-	-	-	(6,100)	-	(800)	-	-	-	-
Fire loss net of insurance proceeds	-	(382)	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	47	(44)	19	57	12	(236)	(165)	184	(1,110)	101
Total non-operating expenses	(790)	(3,412)	(4,908)	(10,195)	(3,900)	(6,536)	(7,566)	(5,047)	(3,485)	(3,067)
Change in net position	8,576	9,092	(84)	(7,847)	10,878	7,939	8,004	10,691	17,244	16,193
Total net position - beginning	(46,772)	(38,196)	(29,104)	(29,188)	(37,035)	(26,157)	(18,218)	(10,214)	(4,377)	12,867
Change in accounting principle ²									(4,853)	
Total net position - ending	\$ (38,196)	\$ (29,104)	\$ (29,188)	\$ (37,035)	\$ (26,157)	\$ (18,218)	\$ (10,214)	\$ (4,376)	\$ 12,867	\$ 29,060

¹ Totals may not add due to rounding.² SWACO implemented the provisions of GASB Statement No. 68 in 2015 and as a result of the change in accounting principle, recorded a restatement in 2014 net position.

Source: SWACO

Table 3

SWACO
Schedule of Revenues, Expenses and Changes in Net Position
2016 Budget to Actual (in thousands)

	Operating Fund			Program Fund			All Funds Total			<u>Budget Variance</u>	
	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual		
Operating revenues:											
Tipping and disposal fees	\$ 29,875	\$ 29,875	\$ 30,812	\$ -	\$ -	\$ -	\$ 29,875	\$ 29,875	\$ 30,812	\$ 937	
Waste transfer fees	5,915	5,915	6,432	-	-	-	5,915	5,915	6,432	517	
Retired facility and waiver fees	9,355	9,355	9,631	-	-	-	9,355	9,355	9,631	276	
Generation fees	-	-	-	5,211	5,211	5,363	5,211	5,211	5,363	152	
Other	2,156	2,156	2,810	16	16	9	2,172	2,172	2,819	647	
Total operating revenues	47,301	47,301	49,685	5,227	5,227	5,372	52,528	52,528	55,057	2,529	
Operating expenses:											
Salaries, wages and benefits	8,858	8,858	8,572	1,134	1,134	984	9,992	9,992	9,556	436	
Contracts, services and supplies	11,020	11,020	8,647	4,097	4,097	3,206	15,117	15,117	11,853	3,264	
Solid waste fees	5,173	5,173	5,279	-	-	-	5,173	5,173	5,279	(106)	
Depreciation and depletion	8,498	8,498	8,118	123	123	80	8,621	8,621	8,198	423	
Landfill closing costs	1,135	1,135	912	-	-	-	1,135	1,135	912	223	
Interfund charges	(360)	(360)	(325)	360	360	325	-	-	-	-	
Total operating expenses	34,324	34,324	31,203	5,714	5,714	4,595	40,038	40,038	35,798	4,240	
Operating income	\$ 12,977	\$ 12,977	\$ 18,482	\$ (487)	\$ (487)	\$ 777	\$ 12,490	\$ 12,490	\$ 19,260	\$ 6,770	

Table 3 (continued)

	Operating Fund			Program Fund			All Funds Total			<u>Budget Variance</u>
	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	
Non-operating revenues (expenses):										
Interest expense	\$ (4,539)	\$ (4,539)	\$ (3,561)	\$ -	\$ -	\$ -	\$ (4,539)	\$ (4,539)	\$ (3,561)	\$ 978
Interest earnings	393	393	608	-	-	-	393	393	608	215
Grants awarded	-	-	-	(276)	(276)	(215)	(276)	(276)	(215)	61
Gain (loss) on disposal of assets	-	-	102	-	-	-	-	-	101	101
Total non-operating expenses	(4,146)	(4,146)	(2,851)	(276)	(276)	(215)	(4,422)	(4,422)	(3,067)	1,355
Change in net position	8,831	8,831	15,631	(763)	(763)	562	8,068	8,068	16,193	8,125
Total net position - beginning	-	-	10,211	-	-	2,656	-	-	12,867	12,867
Total net position - ending	\$ 8,831	\$ 8,831	\$ 25,842	\$ (763)	\$ (763)	\$ 3,218	\$ 8,068	\$ 8,068	\$ 29,060	\$ 20,992

¹ Totals may not add due to rounding.

Source: SWACO

Table 4

SWACO
Solid Waste Received and Landfilled 2007 - 2016 (in tons)⁴

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Solid waste received by SWACO:										
Jackson Pike Transfer Station	170,425	164,326	152,829	153,564	152,681	149,410	163,360	241,938	233,331	263,927
Morse Road Transfer Station	119,305	133,156	123,988	132,727	127,957	126,081	153,507	212,358	245,239	251,196
Georgesville Road Transfer Station	56,927	64,201	73,606	67,133	76,256	76,534	67,680	-	-	-
Subtotal Transfer stations	346,657	361,683	350,422	353,424	356,894	352,025	384,547	454,296	478,570	515,123
Sanitary Landfill	524,581	483,675	465,206	586,422	721,290	682,381	637,150	563,149	590,242	575,679
Total solid waste received by SWACO	871,238	845,358	815,628	939,847	1,078,184	1,034,406	1,021,697	1,017,445	1,068,812	1,090,802
Removed from waste stream ¹	(280)	(457)	(478)	(195)	(257)	(215)	(124)	(95)	(164)	(279)
Carryover/(shrinkage) ²	(2,245)	(6,163)	385	(4,853)	(4,202)	(2,697)	(1,445)	(611)	(5,220)	(6,146)
Total adjustments	(2,525)	(6,620)	(93)	(5,048)	(4,459)	(2,912)	(1,569)	(706)	(5,384)	(6,424)
Transferred out-of-district ³	-	-	-	-	-	-	-	-	-	-
Solid waste landfilled - Franklin County Sanitary Landfill	868,713	838,738	815,536	934,798	1,073,725	1,031,494	1,020,127	1,016,739	1,063,428	1,084,378

¹ Scrap metal, tires, white goods & other.

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

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

⁴ Totals may not add due to rounding.

Source: SWACO

Table 5

SWACO
Top Ten Customers 2007 - 2016
(tons received)³

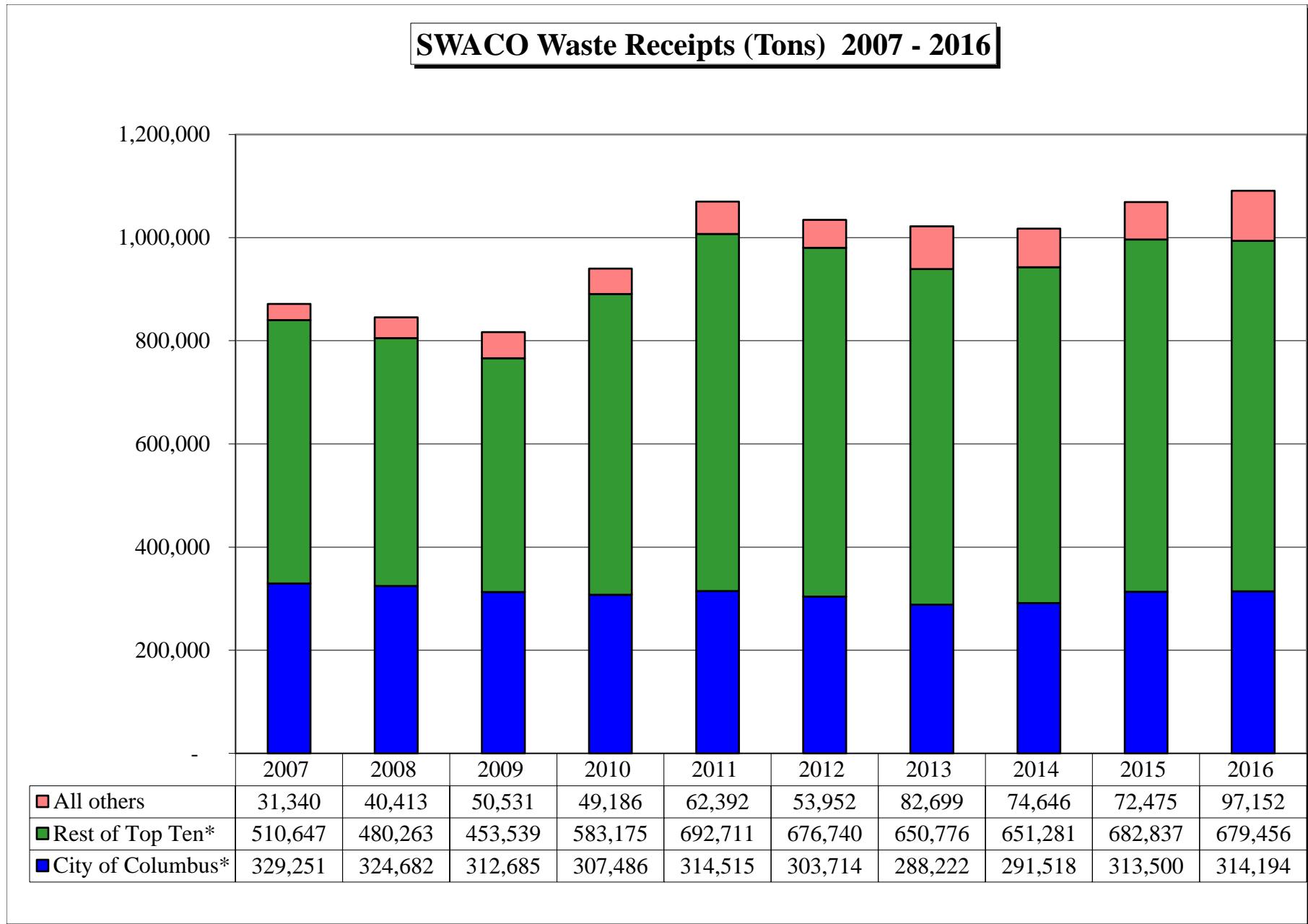
Customer	2007	2008	2009	2010	2011⁴	2012	2013	2014	2015	2016
City of Columbus Division of Sanitation/Refuse Public Serv	329,251	324,682	312,685	307,486	314,515	303,714	288,222	291,518	304,062	306,795
Republic Waste Systems	176,025	162,598	156,566	154,372	177,749	176,082	181,551	192,621	208,005	209,926
Rumpke Waste/Rumpke Container/Rumpke Transfer	157,696	159,279	155,848	154,524	198,488	198,115	200,356	198,665	183,801	179,740
Local Waste Services LLC	88,236	85,130	78,410	78,539	91,895	100,280	104,554	103,883	118,260	119,146
Waste Management of Ohio	59,574	43,927	36,032	162,860	143,063	128,850	133,553	100,680	104,273	106,362
Capitol Waste & Recycling	*	*	*	*	11,673	8,342	#	24,930	33,551	38,777
Columbus Auto Shredding Inc.	*	*	*	*	28,127	25,048	4,892	8,117	23,630	12,902
City of Columbus Street Engineer	6,671	5,926	6,152	5,547	#	8,584	9,118	9,829	9,438	7,399
Grass Groomers										6,451
City of Upper Arlington	6,886	7,175	6,665	6,539	6,719	#	6,702	6,950	7,158	6,152
City/Southerly Waste Water Plant	2,843	3,289	3,501	#	#	#	#	#	4,161	*
Mars Petcare U.S./Northstar Recycling Comp	#	#	#	9,325	8,666	6,961	6,288	5,607	#	*
Dist Trans Company, LLC	#	#	#	#	#	#	3,761	#	#	*
PSC Metals Inc.	*	*	*	*	26,331	24,479	#	#	*	#
Anheuser-Busch Inc.	#	#	#	7,117	#	#	#	#	#	*
Adept, Inc.	3,855	3,806	2,581	#	#	#	#	#	#	#
Flower Garbage	8,861	9,133	7,783	4,351	*	*	*	*	*	*
Total Top Ten Customers	839,898	804,945	766,223	890,660	1,007,226	980,454	938,998	942,800	996,337	993,650
Total tons received by SWACO ¹	871,238	845,358	815,628	939,847	1,078,184	1,034,406	1,021,697	1,017,445	1,068,812	1,090,802
Top Ten customer % of total received	96%	95%	94%	95%	93%	95%	92%	93%	93%	91%
Total tons generated within District ²	1,132,663	1,087,688	1,018,049	1,052,999	1,079,501	1,044,176	1,031,688	1,023,487	1,082,034	1,104,074
Top Ten customer % of total waste disposal	74%	74%	75%	85%	93%	94%	91%	92%	92%	90%

¹ Includes both in-district and out-of-district waste.² Total solid waste generated within the District and disposed of at SWACO and out-of-district facilities.³ Totals may not add due to rounding.

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

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

⁴ Adjusted to reflect total tons received on page 3-8, table 4.



Source: SWACO

*See notes to Table 5.

SWACO
Disposal Rates 1991-2016

Effective Date	Franklin County Landfill	Jackson Pike Transfer ²	Morse Road Transfer	Georgesville Rd. Transfer	Alum Creek Transfer	Compost Facilities	Charge Unit
2/1/1991 ¹	\$ 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 ³	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 ⁴	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 ⁵	20.00	30.00	31.00	31.00	-	-	Ton
4/1/1999 ⁶	27.00	37.00	38.00	38.00	-	-	Ton
10/4/1999	27.00	37.00	38.00	38.00	-	6.00 ⁷	Ton
1/1/2005	29.25	40.25	41.25	41.25	-	6.00	Ton
7/1/2005 ⁸	30.75	41.75	42.75	42.75	-	6.00	Ton
1/1/2006	32.25	44.25	45.25	45.25	-	6.00	Ton
1/1/2007	33.50	45.50	46.50	46.50	-	6.00	Ton
1/1/2008	33.50	45.50	46.50	46.50	-	6.00	Ton
1/1/2009	35.50	47.50	48.50	48.50	-	6.00	Ton
8/1/2009 ⁹	36.75	48.75	49.75	49.75	-	6.00 ¹⁰	Ton
1/1/2011 ¹¹	39.75	51.75	52.75	52.75	-	-	Ton
1/1/2012	\$ 42.75	\$ 54.75	\$ 55.75	\$ 55.75	\$ -	\$ -	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 in the district (the County landfill and one private landfill).

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

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

⁴ Beginning August 2, 1994, all rates include a \$5.00/ton generation fee.

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

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

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

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

⁹ Rate reflects \$1.25 per ton EPA rate increase.

¹⁰ Compost facility was closed December 2009.

¹¹ In September 2010, the SWACO Board of Trustees approved a rate increase of \$3.00 per ton effective January 1, 2011, and an additional increase of \$3.00 per ton effective January 1, 2012.

Table 7

SWACO
Franklin County Sanitary Landfill Airspace Capacity
Total Permitted, Annual Used, and Permitted Remaining 2007-2016
(cubic yards)

Year	Total Permitted Airspace	Annual Airspace Used	Permitted Airspace Remaining
2007	48,400,000	1,196,500	37,924,600
2008	48,400,000	1,192,300	36,732,300
2009	51,900,000 ¹	1,053,000	39,179,300
2010	51,900,000 ¹	1,163,000	38,670,000
2011	51,900,000 ¹	1,263,060	36,961,530
2012	51,900,000 ¹	1,010,563	35,958,706
2013	51,900,000 ¹	942,511	35,008,572
2014	51,900,000 ¹	1,109,792	33,898,780
2015	51,900,000 ¹	1,174,004	32,724,776
2016	51,900,000 ¹	1,284,020	31,440,756
At Maximum <u>Permitted Receipts</u> ²		<u>At 2016 Receipts</u> ³	
Remaining landfill life	10.0		21.0

¹ Total permitted airspace includes 3.5 million additional cubic yards for the OEPA 2009 permit.

² Maximum 8,000 tons per day or 2,288,000 annual tons per OEPA permit. Assumes a compaction rate of 1,450 pounds per cubic yard.

³ Approximately 1,084,378 tons landfilled. Assumes a compaction rate of 1,450 pounds per cubic yard.

Source: SWACO

Table 8

SWACO
Generation Fee Tonnage Reported 2007 - 2016¹

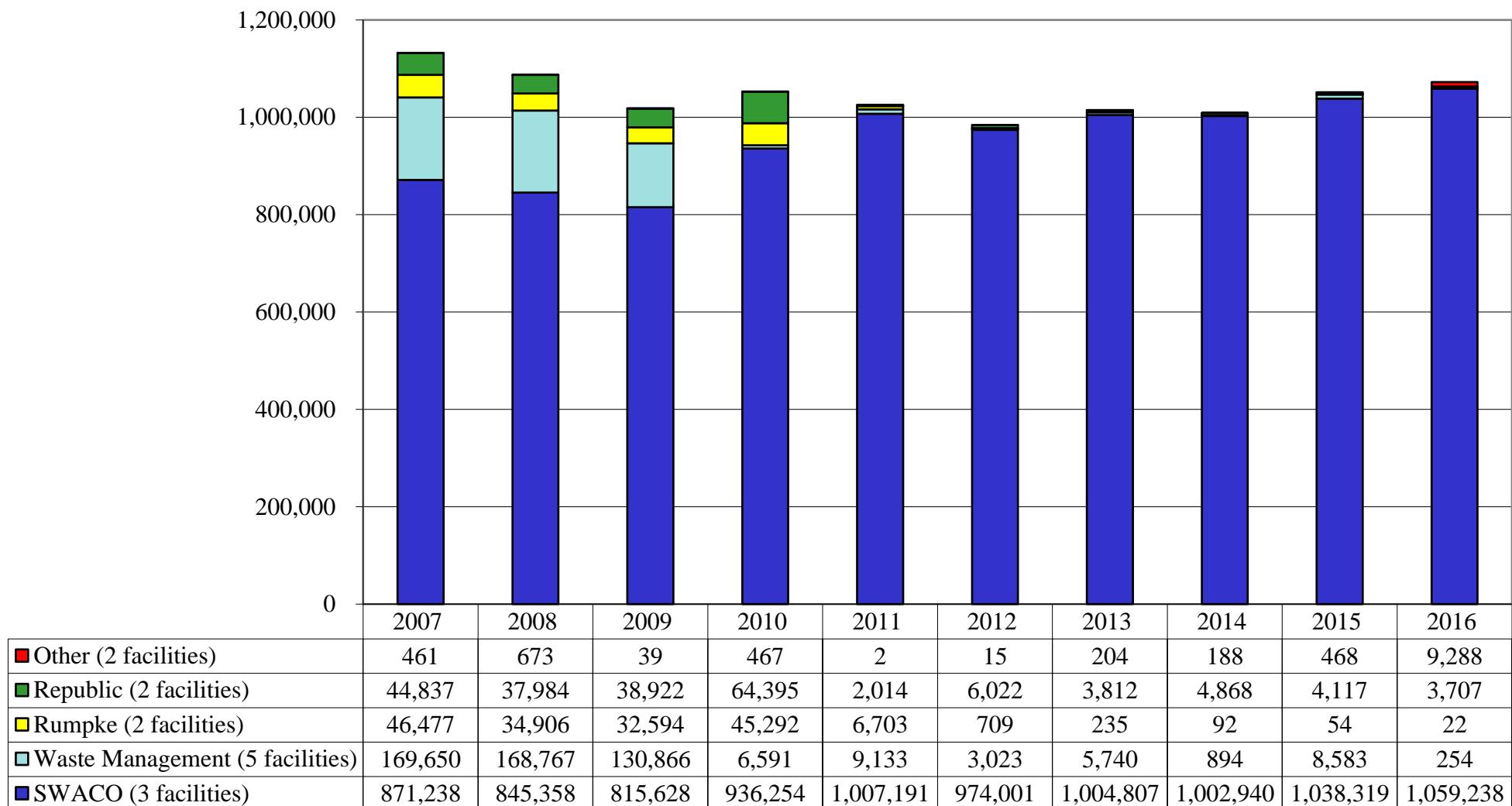
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Solid Waste Authority (3 facilities)	871,238	845,358	815,628	936,254	1,007,191	974,001	1,004,807	1,002,940	1,038,319	1,059,238
Republic Waste (2 facilities)	44,837	37,984	38,922	64,395	2,014	6,022	3,812	4,868	4,117	3,707
Rumpke Waste (2 facilities)	46,477	34,906	32,594	45,292	6,703	709	235	92	54	22
Waste Management (5 facilities)	169,650	168,767	130,866	6,591	9,133	3,023	5,740	894	8,583	254
Other (6 facilities)	461	673	39	467	2	15	204	188	468	9,288
Total²	1,132,663	1,087,688	1,018,049	1,052,999	1,025,043	983,770	1,014,798	1,008,982	1,051,541	1,072,509

¹The 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.

²Totals may not add due to rounding.

Source: SWACO

Generation Fee Tonnage Reported 2007 - 2016



Source: SWACO

*See notes to Table 8.

Table 9

SWACO
SWACO Program Activity - Tons Collected 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total tons of waste recycled:										
Yard waste composting	121,775	148,823	78,764	n/a	n/a	193,147	238,242	204,038	170,960	291,519
Drop-off recycling	10,755	12,999	15,126	15,924	16,444	14,843	10,136	9,524	9,087	8,575
Just-in-Time Recycling	815	774	636	37	n/a	n/a	n/a	n/a	n/a	n/a
Household hazardous waste	626	641	550	231	122	162	197	170	383	260
E-waste collection	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tire collection	168	187	153	139	220	168	113	94	93	n/a
Scrap metal recycling	104	246	19	40	23	41	8	89	5	82
Other recycling	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total²	134,243	163,670	95,248	16,371	16,809	208,360	248,696	213,915	180,528	300,436

Tires and White Goods Received 2007 - 2016¹

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Tires (each)	19,726	28,926	17,625	16,422	22,219	18,723	15,688	13,712	12,267	14,388
White goods (each)	2,292	301	290	143	169	157	141	115	269	486

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

² Totals may not add due to rounding.

Source: SWACO

SWACO
Household Hazardous Waste Collection 2007 - 2016
(in pounds)

Material classification	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bulked flammables	22,070	51,488	69,494	72,096	69,461	94,587	129,543	93,729	136,594	95,917
Paint	898,600	901,135	750,018	219,187	42,007	40,963	63,256	70,535	388,821	192,707
Aerosol-pesticides	56,093	63,491	61,798	32,149	37,625	41,422	44,873	34,597	69,603	52,600
Used oil /antifreeze	48,925	65,667	57,633	35,361	16,896	32,137	39,934	38,665	33,598	46,261
Putty & adhesives	48,854	35,486	37,351	34,807	23,167	30,051	38,267	24,167	37,570	35,837
Aerosol-flammable	32,716	34,914	19,731	14,790	10,676	18,418	18,617	14,285	25,152	22,048
Household cleaners	20,991	23,879	18,348	12,320	10,904	13,519	15,295	11,193	16,456	15,673
Lead/acid batteries	8,074	33,526	28,194	16,067	9,131	17,122	12,214	9,443	14,251	19,877
Acids/bases	14,548	12,734	13,977	7,536	6,614	6,965	7,148	13,124	14,231	8,695
Fluorescent light bulbs	3,373	6,875	6,700	6,101	5,130	9,978	7,043	9,026	8,264	7,947
Dry cell batteries	-	12,246	3,990	5,189	6,832	8,399	5,326	8,994	11,057	12,216
Propane cylinders	20,004	8,028	2,857	2,065	1,471	2,328	2,077	2,915	3,544	3,013
Oxidizers	3,466	4,516	2,476	1,689	1,869	2,968	1,988	3,310	3,903	3,673
NiCad batteries	46	18	3,649	334	1,012	1,033	1,724	660	508	1,036
Lithium batteries	19,365	13	475	102	136	674	1,720	505	348	1,090
Reactive lab pack/alum pain	1,599	1,222	7,213	142	205	342	799	254	558	1,033
Fire extinguishers	2,086	794	537	211	112	355	600	683	827	431
Elemental mercury	474	938	230	1,138	327	656	257	215	118	75
Poisons	981	208	235	322	476	414	239	1,385	767	239
Cylinders	1,926	756	163	41	28	85	66	821	90	90
Freon	433	-	6	-	37	17	-	252	1	1
Miscellaneous waste	207	-	6,291	15,056	28	660	3,987	1,481	383	644
Asbestos	1,352	90	8	1	3	3	1	-	-	-
Lab pack A	-	-	-	-	-	-	-	-	-	-
Lab pack B	-	-	-	-	-	-	-	-	-	-
Loosepack fuels	44,951	24,174	8,968	-	-	-	-	-	-	-
Total:	1,251,134	1,282,198	1,100,342	476,704	244,147	323,096	394,974	340,239	766,644	521,103

Table 11

SWACO
Number of Employees by Function 2007-2016

Function	2007	2008	2009	2010	2011	2012	2013	2014¹	2015¹	2016¹
Administration	22	21	19	20	24	24	23	12.5	17	14
Operations	77	88	89	90	89	95	86	83	83.5	85
Programs	11	11	6	6	6	5	5	2.5	4.5	4.5
Total	110	120	114	116	119	124	114	98	105	103.5

¹Part-time employees counted as half (0.5) regardless of the number of hours worked per week.

Source: SWACO

Table 12

SWACO
Series 2005 Refunding Bonds

Year	Principal	Coupon	Interest	Total Debt Service
2005	\$ -	\$ -	\$ 59,889	\$ 59,889
2006	-	-	616,000	616,000
2007	-	-	616,000	616,000
2008	945,000	5.000%	616,000	1,561,000
2009	1,000,000	5.000%	568,750	1,568,750
2010	1,060,000	5.000%	518,750	1,578,750
2011	1,125,000	5.000%	465,750	1,590,750
2012	1,190,000	5.000%	409,500	1,599,500
2013	1,250,000	5.000%	350,000	1,600,000
2014	1,325,000	5.000%	287,500	1,612,500
2015	1,395,000	5.000%	221,250	1,616,250
2016	3,030,000	5.000%	159,275	3,189,275
Total	<u>\$ 12,320,000</u>		<u>\$ 4,888,664</u>	<u>\$ 17,208,664</u>

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

Note - Series 2005 Refunding Bonds paid off in 2016.

Table 13

SWACO
Series 2008 Solid Waste Facility Improvements Bonds

Year	Principal	Coupon	Interest	Total Debt Service
2009	\$ -	-	\$ 715,328	\$ 715,328
2010	5,000	4.000%	964,488	969,488
2011	5,000	4.000%	964,288	969,288
2012	800,000	4.0%/5.0%	964,088	1,764,088
2013	1,920,000	4.000%	912,060	2,832,060
2014	820,000	4.0%/5.0%	843,039	1,663,039
2015	870,000	4.0%/5.0%	805,539	1,675,539
2016	13,645,000	4.000%	766,739	14,411,739
2017	940,000	5.000%	95,500	1,035,500
2018	970,000	5.000%	48,500	1,018,500
Total	<u>\$ 19,975,000</u>		<u>\$ 7,079,569</u>	<u>\$ 27,054,569</u>

Net interest cost (%) 4.898% prior to Series 2016 refunding

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

Note: Series 2013B refunded \$1,140,000 of the outstanding \$19,975,000 Series 2008 bonds in 2013.

Note: Series 2016 refunded \$12,755,000 of the outstanding \$14,665,000 Series 2008 bonds in 2016.

Table 14

SWACO
Series 2010 Solid Waste Facility Improvements Bonds

Year	Principal	Coupon	Interest	Total Debt Service
2011	\$ -	-	\$ 469,228	\$ 469,228
2012	625,000	2.000%	457,783	1,082,783
2013	10,520,000	2.000%	456,579	10,976,579
2014	720,000	2.000%	145,178	865,178
2015	-	3.000%	138,011	138,011
2016	3,725,000	3.500%	198,818	3,923,818
Total	<u>\$ 15,590,000</u>		<u>\$ 1,865,597</u>	<u>\$ 17,455,597</u>

Net interest cost (%) 3.335% prior to Series 2016 refunding

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

Note: Series 2013 refunded \$9,815,000 of the outstanding \$15,590,000 Series 2010 bonds in 2013.

Note: Series 2016 refunded \$3,725,000 of the outstanding \$3,725,000 Series 2010 bonds in 2016.

SWACO
Series 2012 Solid Waste Facility Improvements and Refunding Bonds

Table 15

Year	Principal	Coupon	Interest	Total Debt Service
2012	\$ -	-	\$ 1,667,338	\$ 1,667,338
2013	7,445,000	3.000%	3,241,068	10,686,068
2014	4,185,000	2.000%	3,025,875	7,210,875
2015	4,665,000	1.5%-4.0%	2,942,175	7,607,175
2016	24,595,000	4.000%	2,864,848	27,459,848
2017	4,990,000	1.5%-4.0%	1,623,789	6,613,789
2018	5,150,000	5.000%	1,502,350	6,652,350
2019	2,595,000	5.000%	1,244,850	3,839,850
2020	2,735,000	5.000%	1,115,100	3,850,100
2021	2,865,000	5.000%	978,350	3,843,350
2022	3,010,000	5.000%	835,100	3,845,100
2023	1,265,000	5.000%	684,600	1,949,600
2024	75,000	5.000%	621,350	696,350
2025	-	5.000%	617,600	617,600
2026	-	5.000%	617,600	617,600
2027	-	5.000%	617,600	617,600
2028	-	5.000%	617,600	617,600
2029	-	5.000%	617,600	617,600
2030	4,950,000	4.000%	617,600	5,567,600
2031	5,145,000	4.000%	419,600	5,564,600
2032	5,345,000	4.000%	213,800	5,558,800
Total	\$ 79,015,000		\$ 26,685,793	\$ 105,700,793

Net interest cost (%) 3.527% prior to Series 2016 refunding

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

Note: Series 2013B refunded \$7,005,000 of the outstanding \$79,015,000 Series 2012 bonds in 2013.

Note: Series 2016 refunded \$19,795,000 of the outstanding \$57,920,000 Series 2012 bonds in 2016.

Table 16

SWACO
Series 2013A Solid Waste Facility Improvements and Refunding Bonds

Year	Principal	Coupon	Interest	Total Debt Service
2013	\$ -	-	\$ 93,049	\$ 93,049
2014	-	-	293,838	293,838
2015	705,000	3.000%	293,838	998,838
2016	725,000	3.000%	272,688	997,688
2017	745,000	1.500%	250,938	995,938
2018	755,000	1.750%	239,763	994,763
2019	765,000	2.000%	226,550	991,550
2020	785,000	3.000%	211,250	996,250
2021	810,000	3.000%	187,700	997,700
2022	830,000	4.000%	163,400	993,400
2023	865,000	4.000%	130,200	995,200
2024	960,000	4.000%	95,600	1,055,600
2025	935,000	4.000%	57,200	992,200
2026	495,000	4.000%	19,800	514,800
Total	\$ 9,375,000		\$ 2,535,814	\$ 11,910,814

Net interest cost (%) 2.731%

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

Table 17

SWACO
Series 2013B Solid Waste Facility Improvements and Refunding Bonds

Year	Principal	Coupon	Interest	Total Debt Service
2014	\$ 660,000	0.450%	\$ 411,126	\$ 1,071,126
2015	630,000	0.850%	309,278	939,278
2016	625,000	1.150%	303,923	928,923
2017	640,000	1.800%	296,735	936,735
2018	650,000	2.250%	285,215	935,215
2019	390,000	2.700%	270,590	660,590
2020	400,000	3.100%	260,060	660,060
2021	415,000	3.450%	247,660	662,660
2022	435,000	3.800%	233,343	668,343
2023	450,000	4.000%	216,813	666,813
2024	460,000	4.125%	198,813	658,813
2025	485,000	4.250%	179,838	664,838
2026	370,000	4.375%	159,225	529,225
2027	385,000	4.500%	143,038	528,038
2028	410,000	4.625%	125,713	535,713
2029	440,000	5.000%	106,750	546,750
2030	535,000	5.000%	84,750	619,750
2031	565,000	5.000%	58,000	623,000
2032	595,000	5.000%	29,750	624,750
Total	\$ 9,540,000		\$ 3,920,620	\$ 13,460,620

Net interest cost (%) 4.279%

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

Table 18

SWACO**Series 2013 Taxable Revenue Notes**

Year	Principal	Interest	Total Debt Service
2013	\$ -	\$ 23,340	\$ 23,340
2014	300,000	52,260	352,260
2015	300,000	48,360	348,360
2016	3,570,000	23,205	3,593,205
Total	<u>\$ 4,170,000</u>	<u>\$ 147,165</u>	<u>\$ 4,317,165</u>

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

Table 19

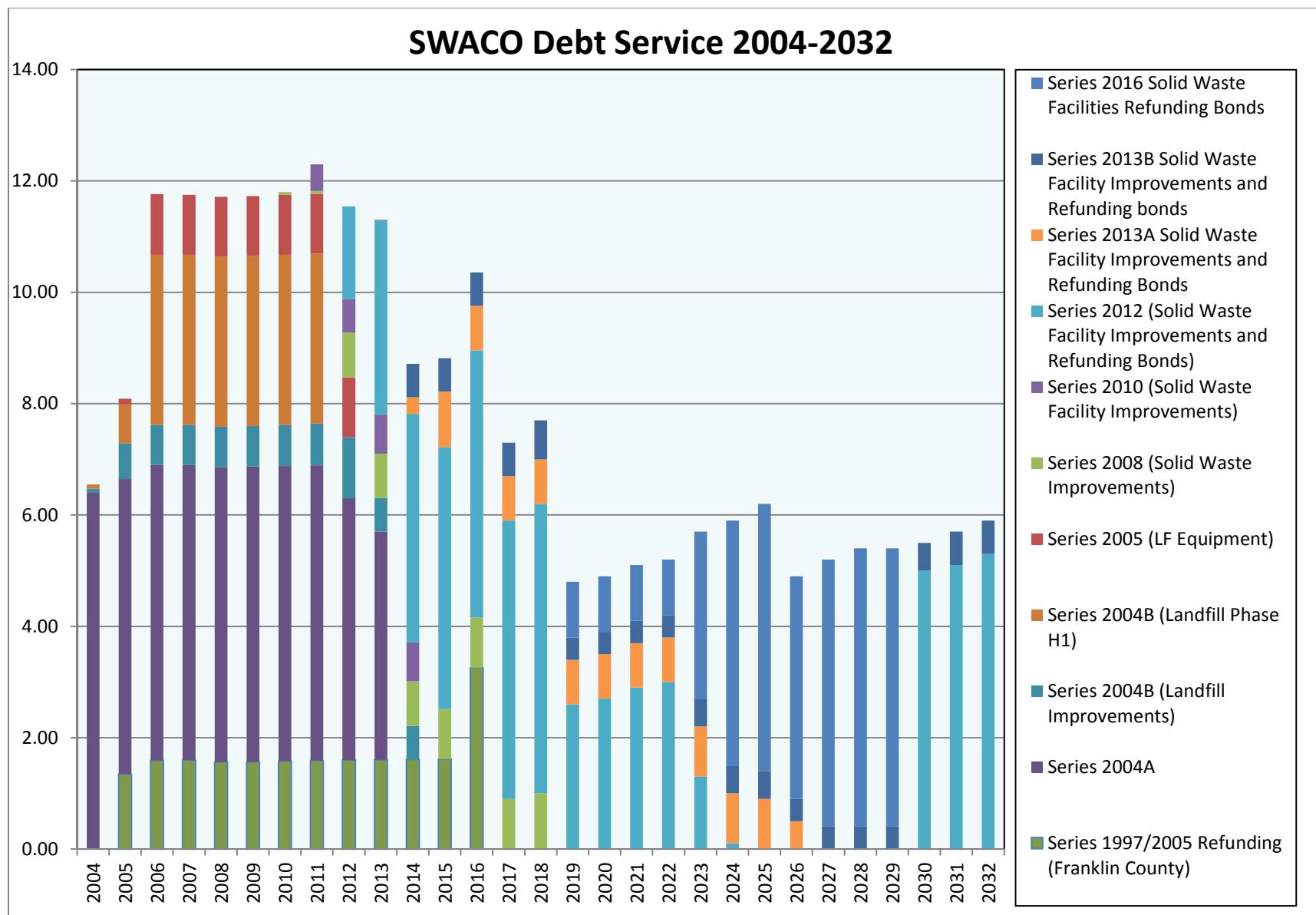
SWACO
Series 2016 Solid Waste Facilities Refunding Bonds

Year	Principal	Coupon	Interest	Total Debt Service
2016	\$ -	0.000%	\$ -	\$ -
2017	-	0.000%	1,540,704	1,540,704
2018	-	0.000%	1,626,550	1,626,550
2019	1,010,000	4.000%	1,626,550	2,636,550
2020	1,045,000	4.000%	1,586,150	2,631,150
2021	1,090,000	5.000%	1,544,350	2,634,350
2022	1,145,000	3.000%	1,489,850	2,634,850
2023	3,075,000	5.000%	1,455,500	4,530,500
2024	4,425,000	5.000%	1,301,750	5,726,750
2025	4,785,000	5.000%	1,080,500	5,865,500
2026	4,075,000	5.000%	841,250	4,916,250
2027	4,815,000	4.000%	637,500	5,452,500
2028	4,985,000	4.000%	444,900	5,429,900
2029	4,910,000	5.000%	245,500	5,155,500
Total	\$ 35,360,000		\$ 15,421,054	\$ 50,781,054

Net interest cost (%) 2.966%

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

Note: Series 2016 refunded \$12,755,000 of the outstanding \$14,665,000 Series 2008 bonds, \$3,725,000 of the outstanding \$3,725,000 Series 2010 bonds, and \$19,795,000 of the outstanding \$57,920,000 Series 2012 bonds.



*Graph does not include notes. Includes updated debt schedules due to Series 2016 Bonds.

Table 20

SWACO
Total and General Obligation Debt Ratios 2007 - 2016

Tax Year		SWACO		SWACO			Annual		Annual Debt	
		Total SWACO Debt¹ (thousands)	SWACO District Population²	Total SWACO Debt	Per Capita	General Obligation Debt³ (thousands)	District Assessed Property Valuation (AV)² (thousands)	SWACO G.O. Debt as a Percent of AV	Debt Service Paid from Tipping Fees (thousands)	Solid Waste Received by SWACO (tons)
2007	2008	\$ 116,970	1,189,600	98	\$ 97,810	\$ 29,912,050	0.33%	\$ 5,822	871,238	6.68
2008	2009	112,716	1,197,200	94	101,613	30,400,811	0.33%	6,186	845,358	7.32
2009	2010	106,363	1,201,810	89	93,265	28,910,438	0.32%	7,142	815,628	8.76
2010	2011	110,209	1,205,163	91	100,129	28,867,111	0.35%	7,921	939,847	8.43
2011	2012	125,197	1,208,818	104	91,114	27,113,105	0.34%	6,863	1,078,184	6.37
2012	2013	139,581	1,215,471	115	134,880	26,121,220	0.52%	8,165	1,034,406	7.89
2013	2014	133,064	1,216,000	109	128,709	27,362,018	0.47%	8,120	1,021,697	7.95
2014	2015	122,533	1,225,500	100	118,518	27,571,041	0.43%	8,295	1,017,445	8.15
2015	2016	112,691	1,235,273	91	109,019	27,907,630	0.39%	8,265	1,068,812	7.73
2016	2017	\$ 99,696	1,265,068	79	\$ 90,696	\$ 28,390,374	0.32%	\$ 5,330 ⁴	1,090,802	4.89

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

² See Table 23.

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

⁴ General obligation bonds excluding 2004A and a portion of Series 2012 bonds (paid from Retired Facility and Waiver Fees).

Source: SWACO

SWACO
Indirect Debt and Property Tax Limitations, June, 16, 2017

SWACO's debt is not subject to direct debt limits, but its unvoted general obligation debt (debt authorized by the Board of Trustees but not by a vote of the electors) is subject to overlapping restrictions with each respective county and school district. Limitations apply to each county total and should not be considered cumulatively. Total debt service charges for any one year of all overlapping debt must not exceed ten mills (1%) of the assessed property value. This determination is made by the respective county auditors each time a subdivision proposes to issue unvoted debt. The most recent data prepared by the county auditors for this purpose was as of June 16, 2017.

Overlapping Jurisdictions	Millage required	Unallocated Millage
SWACO, Franklin County, the City of Hilliard, Dublin City School District, Washington Township & Central Ohio JVS	9.6583	0.3417
SWACO, Licking County, the City of Reynoldsburg, Southwest Licking Local School District, Etna Township & Licking County C-TEC	5.5807	4.4193
SWACO, Union County, the City of Dublin, Washington Township & Dublin City School District	9.9500	0.0500
SWACO, Delaware County, the City of Westerville & Westerville City School District	7.6232	2.3768
SWACO, Pickaway County ¹ , Village of Harrisburg, Darby Township & South-Western City School District	3.3963	6.6037
SWACO, Fairfield County, City of Columbus, Montgomery Township, Pickerington Local School District & Eastland Career Center	7.8524	2.1476

¹ The latest available data for Pickaway County is from 4/28/2014.

Source: Auditors for respective counties.

Table 22

SWACO
Ten Largest Employers 2016 and 2007
Franklin County, Ohio

Employer	Principal Business	2016		Employer	2007	
		Number of Employees	% of Total Employment		Number of Employees	% of Total Employment
The Ohio State University	Education	29,601	4.6%	State of Ohio	26,239	4.4%
State of Ohio	Government	23,680	3.7%	The Ohio State University	20,345	3.4%
JP Morgan Chase (formerly Bank One)	Finance	18,700	2.9%	JP Morgan Chase & Co.	14,469	2.4%
OhioHealth	Health Care	15,417	2.4%	Nationwide	11,768	2.0%
Nationwide Mutual Insurance Co.	Insurance	13,570	2.1%	United States Government	10,726	1.8%
Kroger Co.	Retail	10,713	1.7%	OhioHealth	9,336	1.6%
Honda North America, Inc.	Manufacturing	10,701	1.7%	City of Columbus	8,227	1.4%
Nationwide Children's Hospital	Health Care	9,262	1.4%	Honda of America Mfg., Inc.	8,000	1.3%
Mount Carmel Health Systems	Health Care	8,840	1.4%	Columbus City School District	7,181	1.2%
City of Columbus	Government	8,616	1.3%	Franklin County	6,055	1.0%
Subtotal		149,100	23.2%	Subtotal	122,346	20.6%
Total estimated Franklin				Total estimated Franklin		
County employment		<u>641,500</u>	<u>100.0%</u>	County employment	<u>595,300</u>	<u>100.0%</u>

Source: City of Columbus, Ohio, 2016 and 2007 Comprehensive Annual Financial Reports.

Note: This table includes full-time employees only.

Table 23

District and Franklin County Demographic Statistics 2007 - 2016¹

Tax Year	District Population ²	Total Assessed Value Taxable District Property ³ (in thousands)	Franklin County Only				Total Assessed Value Taxable County Property (in thousands) ⁵	
			Per Capita		Median Age ⁴			
			Population ⁷	Income ⁴				
2007	1,189,600	\$ 29,912,050	1,160,300 ⁷	\$ 39,083 ⁷	34 ⁷		\$ 28,695,371 ⁷	
2008	1,197,200	30,400,811	1,164,725 ⁷	40,009 ⁷	34 ⁷		27,999,978 ⁷	
2009	1,201,810	28,910,438	1,167,641 ⁷	41,077 ⁷	35 ⁷		28,057,691 ⁷	
2010	1,205,163	28,867,111 ⁷	1,173,158 ⁷	39,165 ⁸	33 ⁸		27,984,335 ⁷	
2011	1,208,818	27,113,105 ⁷	1,168,018 ⁷	40,609 ⁷	33 ⁷		26,303,009 ⁷	
2012	1,215,471	26,121,220 ⁷	1,174,435 ⁷	40,981 ⁷	34 ⁷		26,124,038 ⁷	
2013	1,216,000	27,362,018 ⁷	1,195,537 ⁷	41,666 ⁷	34 ⁷		26,160,709 ⁷	
2014	1,225,500	27,571,041 ⁷	1,192,653 ⁷	44,723 ⁷	34 ⁷		26,358,683 ⁷	
2015	1,235,273	27,907,630 ⁷	1,202,423 ⁷	46,104 ⁷	34 ⁷		26,642,445 ⁷	
2016	1,265,068	\$ 28,390,374 ⁷	1,220,597 ⁷	\$ 46,104 ⁷	34 ⁷		\$ 27,067,822 ⁷	

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

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

³ Assessed valuation reflects tax year. Source is Ohio Municipal Advisory Council.

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

⁵ Ohio Municipal Advisory Council.

⁶ U.S. Department of Commerce, Bureau of Economic Analysis.

⁷ Franklin County Auditor.

⁸ Ohio Department of Development.

Sources: SWACO except as noted above.

Table 24

Average Unemployment Rates 2007 - 2016

Year	Franklin County	State of Ohio	United States
2007	4.7% ⁴	5.6% ⁴	4.6% ⁴
2008	5.5% ¹	6.6% ¹	5.8% ¹
2009	8.3% ⁴	10.2% ⁴	9.3% ⁴
2010	8.5% ⁴	10.1% ⁴	9.6% ⁴
2011	7.6% ¹	8.8% ¹	8.9% ¹
2012	6.1% ⁴	7.2% ⁴	8.1% ⁴
2013	6.2% ⁴	7.4% ⁴	7.4% ⁴
2014	4.8% ¹	5.7% ¹	6.2% ¹
2015	4.0% ⁵	4.9% ⁵	5.3% ⁵
2016	4.0% ⁵	4.9% ⁵	4.9% ⁵

¹Franklin County Auditor.

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

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

⁴Ohio Department of Job and Family Services, Bureau of Labor Market Information.

⁵City of Columbus, Ohio, 2015 Comprehensive Annual Financial Report.

Table 2

<u>Sanitary Landfill</u>	See Note 6 - Capital Assets, page 2-33 and Table 7 in the Statistical Section for additional information on the landfill.	
<u>Transfer Stations</u>	Capacity (tons per day)	Year <u>Constructed</u>
Jackson Pike	1,780	1983
Morse Road Eco-Station	1,000	2013
<u>Facilities</u>	Square <u>Footage</u>	Year <u>Constructed</u>
Administrative Office Building	8,500	2002
Fleet Maintenance Garage	11,120	2000
Landfill Operations Facility	12,800	2005
Green Energy Centre	4,280	2008
2512 Jackson Pike	27,500	2008
<u>Landfill Equipment</u>	<u>Transfer Station Equipment</u>	
Landfill compactors	5	Transfer tractors
Landfill dozers	4	Transfer trailers
Excavator/grader/track loader	6	Front-end loaders
Articulated dump trucks	4	Trackhoes
Trailer tippers	3	Service vehicles and other
Water trucks	2	
Other landfill vehicles and equipment	6	
<u>Recycling Programs</u>	<u>Other vehicles and equipment</u>	
Recycled materials front-load trucks	5	Roll-off trucks
Drop-box containers	365	Pickup trucks
		Cars and passenger vans
		Street sweepers
		Large mowers
		Cargo trailers

COMPLIANCE SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Solid Waste Authority of Central Ohio
Franklin County
4239 London Groveport Road
Grove City, Ohio 43123

To the Audit and Finance Committee and Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and each major fund of the Solid Waste Authority of Central Ohio, Franklin County, (SWACO) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise SWACO's basic financial statements and have issued our report thereon dated June 9, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered SWACO's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of SWACO's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of SWACO's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether SWACO's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Solid Waste Authority of Central Ohio
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of SWACO's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering SWACO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is fluid and cursive, with "Kennedy" on the first line, "Cottrell" on the second, and "Richards LLC" on the third.

Kennedy Cottrell Richards LLC
June 9, 2017



Dave Yost • Auditor of State

SOLID WASTE AUTHORITY OF CENTRAL OHIO

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JULY 11, 2017