



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year ended December 31, 2003



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Solid Waste Authority of Central Ohio, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2003 through December 31, 2003. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 2, 2004

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Comprehensive Annual Financial Report

of the

Solid Waste Authority of Central Ohio

for the

Fiscal Year ended December 31, 2003

Issued by the Solid Waste Authority of Central Ohio

Michael D. Long, P.E.

Executive Director

Ronald J. Mills

Assistant Executive Director

Prepared by the Department of Finance

G. Paul Koehler, CPA

Chief Financial Officer

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————— *SWACO* —————

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2003**

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INTRODUCTORY SECTION



Board of Trustees

June 25, 2004

Jacqueline E. LaMuth,
Chairman

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

Steven P. Shepard,
Vice Chairman

Colleen H. Briscoe

Robert J. Clemons

Bradley N. Frick

William Lotz, Sr.

Dewey Stokes

The Comprehensive Annual Financial Report (the “CAFR”) of SWACO (the Solid Waste Authority of Central Ohio) for the fiscal year ended December 31, 2003 is hereby presented to the SWACO Board of Trustees and those living and doing business within the jurisdiction of SWACO. This CAFR has been prepared to conform to generally accepted accounting principles as applicable to state and local government entities.

INTRODUCTION

Organization of the report

Eleanor Beaver-Haynes

The CAFR is presented in four sections. The Introductory Section includes this letter of transmittal and organizational information regarding SWACO. The Financial Section includes the financial statements of SWACO, including management discussion and analysis and the notes to the financial statements, and the accompanying report of the independent accountants regarding those statements. The Statistical Section includes current and historical data on SWACO operations and solid waste deliveries, generation, and recycling. The Compliance Section includes the report of the independent accountants on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Executive Director

Michael D. Long, P.E.

Administrative Office

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43123-9518

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The reporting entity

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In response to Amended Substitute House Bill 592 of the 117th Ohio General Assembly (“HB 592”), SWACO was established in 1989 to develop and implement a comprehensive solid waste management plan for the Franklin County Solid Waste Management District (the “District,” principally Franklin County, but also including parts of five adjacent counties). A political subdivision of the State of Ohio, SWACO operates a sanitary landfill with a maximum daily capacity of 4,000 tons and three waste transfer stations with a combined capacity of approximately 3,000 tons per day. SWACO also provides programs aimed at reducing the generation and disposal of solid waste within SWACO’s jurisdiction. These programs include public education and awareness, yard waste composting and other waste-reduction activities. SWACO is also responsible for a closed landfill and a closed resource recovery facility. Total solid waste disposal from within SWACO’s jurisdiction is approximately 1.1 million tons, only a portion of which is serviced by SWACO facilities.

Management of SWACO

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

SWACO is organized into operational, programmatic, and support functions. The Operations Department, supported by engineering and environmental safety and compliance, is responsible for operation of SWACO's landfill, transfer stations, yard waste composting facilities, household hazardous waste program and other waste reduction services. A community outreach manager is responsible for coordinating public education and awareness programs administered by SWACO. The Administrative Services and Business Management sections provide administrative support to the operations and program areas.

Mission Statement

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

History of SWACO

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

On June 1, 1994, SWACO implemented a \$49 per ton fee on all waste generated within the District. While it was in place, the fee resulted in all District waste being delivered to SWACO facilities, including the Waste-to-Energy Facility. This fee was challenged in Federal District Court, and, pursuant to that Court's order, the fee was repealed effective September 1, 1994. The repeal of the fee resulted in SWACO closing the Waste-To-Energy Facility at the end of 1994 because of its inability to generate revenues sufficient to operate the facility and update the

facility to meet new federal clean air act requirements. SWACO converted a portion of the closed facility and two of its satellite shredder facilities into waste transfer facilities to handle the increase in waste deliveries to the landfill. SWACO was also no longer able to meet all of its lease obligation to the City and began negotiating revised lease payment terms with the City.

The closure of the plant, and the subsequent reorganization, resulted in the lay off of approximately 190 employees and write-downs of the facility totaling nearly \$159 million by 2002 (see note 9, page 2-26).

After repeal of the fee, SWACO reduced the disposal fee at the landfill and transfer stations and implemented a new \$5 per ton Generation Fee (the “Generation Fee”) to pay the cost of waste reduction programs. During the next several years, SWACO continued to adjust its pricing structure as it operated in the competitive solid waste market. SWACO and the City negotiated interim modifications to the Facility Lease and continued negotiations for a complete solution.

During 1997, SWACO obtained a permit to expand its landfill, adding capacity sufficient to meet SWACO’s needs for at least 20 years and increasing the daily capacity to 6,000 tons.

During 1998, SWACO and the City reached agreement on a modification to the lease (the “Third Modification”), which is applicable until the lease is paid in full. Basic elements of the Third Modification include implementation of a new revenue by SWACO applied to all solid waste generated within SWACO’s jurisdiction and dedicated to the payment of the lease. The modified lease provides for a 35 percent reduction in the original lease obligation, contingent on successful implementation and continued collection of the new revenue source. Significantly, the modified lease provides for the deferral, with interest, of any amounts due but not paid under the modified lease for an indefinite period of time extending, if necessary, beyond the original term of the lease (see note 10, page 2-27).

Also during 1998, SWACO settled a second lawsuit challenging the \$5.00 per ton Generation Fee in a manner which left the fee in place and allowed SWACO to implement the new revenue source to meet its obligation to the City. In 1999 SWACO successfully implemented the new revenue called for in the modified lease and began making lease payments to the City of Columbus from the new revenue source (see New Revenue Source, page 1-7).

In 2004 the City and SWACO agreed on a fifth modification to the lease (a previous fourth modification dealt with the allocation of costs to both parties regarding a now completed project for remediation of a sedimentation pond at the closed facility). Pursuant to the Fifth Modification, SWACO issued \$57.2 million in general obligation bonds and paid off the deferred lease balance as of the end of 2003 plus prepaid a portion of the 2004 obligation (see note 15, page 2-32).

The Solid Waste Plan

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

SWACO's current Solid Waste Plan was approved by the Ohio Environmental Protection Agency in 2000. A plan update extending the plan through 2019 was submitted to the agency in 2004. The strategy for waste reduction contained in the plan emphasizes public education and awareness with active yard waste composting and household hazardous waste collection and disposal programs. If feasible, the plan calls for development of material recovery facilities for recycling commercial and residential waste.

SWACO has met Ohio's waste reduction goals of a twenty-five percent waste reduction rate by 1994, and in each successive planning period. SWACO is continuing to implement the plan in accordance with the schedule approved by the State of Ohio.

ECONOMIC OUTLOOK

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

SWACO finances have not been severely impacted by the slowing economy. Unlike many state and local governments, SWACO's revenues are not tied to sales or income tax collections. In fact, during 2003, SWACO's solid waste receipts reached the highest level in SWACO's history. SWACO has not had a rate increase since 1999, and this has contributed to SWACO's increased market share.

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

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

The introduction in 1999 of a new revenue source dedicated to the payment of the WTEF lease (the "Waiver Fee" and "Retired Facility Fee", see page 1-7) has allowed SWACO to reduce its lease obligation to the City of Columbus by 35 percent. The partial forgiveness of the debt and the new revenue source have allowed SWACO to make significant reductions in the lease and provided a means for retirement of the obligation within a time frame acceptable to the City. Resolution of this matter has contributed greatly to a more stable outlook for the future of SWACO.

MAJOR INITIATIVES

2003 Accomplishments

Management provides to the Board of Trustees an annual report on staff performance and accomplishments towards goals established by the Board of Trustees. The report for 2003 noted that SWACO achieved its budget goals in 2003, met all its financial obligations, including the lease obligation to the City of Columbus, and made a supplemental lease payment of \$2.2 million to the City. In addition, SWACO received and placed in the landfill a record amount of 919,000 tons of solid waste. Transfer station throughput of 386,000 tons was also a record amount.

Major initiatives in 2003 included the completion of an Integrated Site Development Plan for the closed WTEF. SWACO negotiated a Memorandum of Understanding with the City of Columbus regarding the development of the location and identified potential uses for the site including self-sustaining entrepreneurial projects, a permanent household hazardous waste facility, a waste-to-ethanol plant, and a material recovery facility.

In 2001, SWACO assumed responsibility for the Columbus drop-off recycling program. In 2003, by integrating this program with other SWACO recycling programs, performing the work with SWACO personnel, and negotiating a new processing contract, the cost was reduced to approximately \$35 per ton. This compares to \$72 per ton when SWACO took over the project.

SWACO developed a comprehensive anti-litter program to combat litter through education, enforcement and clean-up. A “Litter Marshal” Program was developed whereby volunteers can report littering to a hotline by phone or internet. A letter is mailed to the owner of the vehicle from the Franklin County Sheriff’s Office. A target litter enforcement zone was created in southern Franklin County. Highway advisory signs on I-71, south of the City of Columbus, urge drivers to tune their radios to 1630 AM. An anti-littering announcement plays 24-hours a day, 7-days a week. The “Stop Litter” campaign was kicked off at the 2003 Ohio State Fair with a new toll-free number (1-866-X-LITTER) for people to report littering. A new five-member litter crew was hired to clean the highways and roadways in Southern Franklin County. The crew collects an average of 125 bags of litter each week (1.25 ton per week).

SWACO has installed a landfill gas recovery system that currently flares the gas generated by the sanitary landfill. SWACO has an agreement with a private entity to buy the gas and use it to produce several industrial and consumer products including methane, electricity, methanol and carbon dioxide in gas, liquid or solid state. The system will allow SWACO to avoid flaring the gas and will generate revenue for SWACO of approximately \$300,000 per year.

In 2003, SWACO began e-Waste collection (electronics recycling) and conducted three computer-recycling drives and collected over 340,000 pounds of e-waste. SWACO developed a solid waste management plan for the Columbus Public School system, which will save the schools an estimated \$100,000 annually in solid waste disposal costs. SWACO continued its efforts to help local communities negotiate better waste and recycling contracts for their citizens. Communities assisted included New Albany and Plain Township, Grove City and Jackson Township, Truro Township, and the Cities of Dublin, Bexley, Gahanna and Hilliard.

SWACO redesigned its entire approach to public awareness and education with the goal of improving SWACO’s appeal to diverse audiences, targeting large traffic venues, and developing long-term partnerships to provide a more cost-effective approach to educational programming. With these goals in mind, SWACO developed two high-tech, interactive exhibits during 2003 at the King Arts Complex and the Center of Science and Industry (COSI). SWACO also worked closely with the King Arts Complex and The Columbus Zoo to identify educational projects worthy of statewide interest.

SWACO continues to expand its recognition nationally for our programs, ideas and accomplishments. Our coverage countrywide includes guest editorials, articles, and photographs in such publications as Waste Age, Waste News, and Recycling Today. Executive Director Long was chosen to serve as a member of the Editorial Board of MSW Management Magazine, a nationally distributed trade publication in the area of solid waste.

SWACO and Executive Director Long received national recognition from The Solid Waste Association of North America when he received the Professional Achievement Award at SWANA’s national convention in St. Louis. He was the only public official among SWANA’s 6000 international members in 2003 to receive this award.

Priorities for 2004

During 2004 SWACO will be concentrating on projects to improve recycling of waste streams that traditionally have been difficult to recycle. This includes waste tires and polystyrene plastic. SWACO is exploring cooperative efforts with private businesses to achieve these goals. SWACO will also be investigating projects to increase the removal of paper and other cellulose-based materials from the waste stream. Paper is the single largest component in the waste stream and is a high priority target for SWACO. SWACO will be focusing on programs that explore alternatives for the collection and processing of recyclable materials using new or alternative technology. The goal is to develop projects and programs that improve the economics of recycling to increase its competitiveness with landfill disposal and enhances the long-term viability of recycling programs.

FINANCIAL INFORMATION

Sources and Uses of Funds

SWACO derives its revenue principally from two sources: (1) tipping fees charged for solid waste disposal and waste transfer services provided at SWACO facilities, and (2) fees assessed on solid waste generated within the District and disposed at the SWACO landfill or other public or privately-owned landfills located outside of the county. These fees are established pursuant to authorization within the Ohio Revised Code and pursuant to agreements established with private or public landfill owners. In order to ensure statutory and contractual compliance, SWACO maintains two separate funds, the Operating Fund and the Program Fund, to segregate revenues and expenses as to the sources and uses of funds. The Operating Fund is further segregated into continuing operations (landfill and transfer stations) and discontinued operations (WTEF and Model Landfill).

Operating Fund-Continuing Operations

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

New Revenue Source

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

Trustees authorized waivers for any landfill in Ohio provided the landfill executes a waiver agreement with SWACO and agrees to pay a waiver fee as prescribed in the agreement (the "Waiver Fee"). Since 1999, waiver agreements have been in place for all landfills which receive District waste.

Also in 1998, the Board of Trustees established a new fee, the Retired Facility Fee, to be assessed at SWACO Facilities effective April 1, 1999. Under the Rule 1-98 waiver agreements, the Waiver Fee is set equal to the Retired facility Fee (initially \$7.00 per ton). Taken together, the Retired Facility Fee and the Waiver fee comprise the New Revenue called for in the Third Modification.

Operating Fund-Discontinued Operations

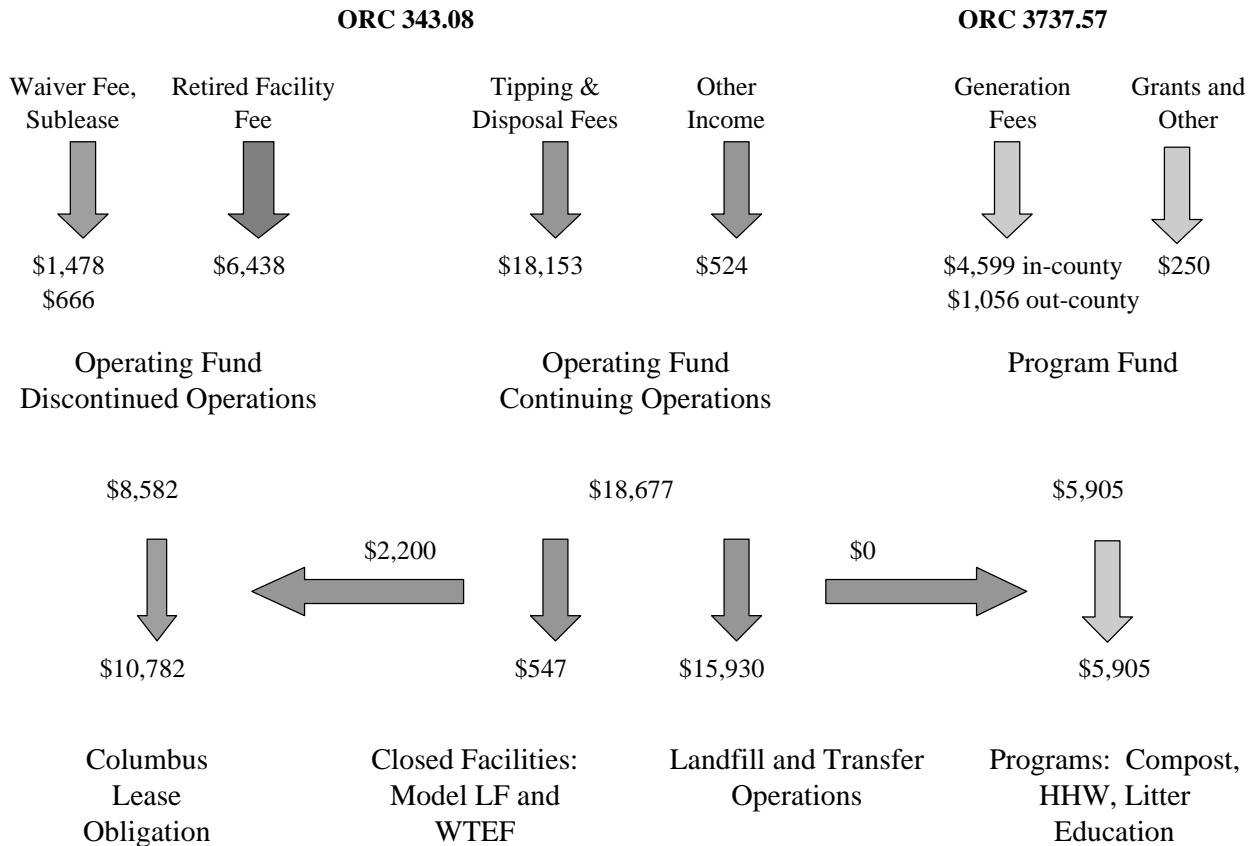
In accordance with the Third Modification, revenues from the New Revenue Source, as well as income derived from the sale or lease of the surplus plant property are used only to pay the lease obligation on the closed Waste-to-Energy Facility. Funds provided by continuing operations and used for closed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

Program Fund

The Program Fund receives the Generation Fee paid on waste generated in Franklin County and disposed of at SWACO's landfill or other public or privately-owned landfills. Generation Fees are authorized by ORC Section 3734.57 and may only be used for eligible purposes prescribed in the Revised Code. These include solid waste recycling, reuse, and reduction programs operated by SWACO in implementation of SWACO's solid waste plan. The Program Fund also includes grant revenues and expenses for grants received from the Ohio Department of Natural Resources.

For purposes of the financial statements shown on pages 2-11 through 2-15 SWACO is presented as two enterprise funds, the Operating Fund and the Program Fund. The budgetary data shown on pages 1-18 to 1-20 and the supplemental information shown on pages 2-33 through 2-37 shows financial information for continuing and discontinued operations separately within the Operating Fund. The following exhibit is a flow chart illustrating SWACO's major sources and uses of funds as well as the statutory authorization for SWACO's fees.

Sources and Uses of Funds 2003 (\$000)



Waste-to-Energy Facility Lease Obligation

The closure of the Waste-to-Energy Facility (the “WTEF”) has had a significant impact on SWACO’s financial statements. Even though the facility is closed, the obligation to pay the City of Columbus under the lease agreement remains. As a result of the closure, however, the facility has been reduced in value from \$162 million at the end of 1993 to \$2.0 million at the end of 2002. This is the principal reason for the \$89.7 million deficit in total net assets at the end of 2003 shown on SWACO’s statement of net assets (page 2-12).

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

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

In 1998, SWACO and the City reached agreement on a revised lease (the "Third Modification"). Under the terms of the Third Modification (which are explained in more detail in note 10, page 2-27), the City initially forgave 4.5 percent of the lease obligation with an additional 30.5 percent forgiven if SWACO implemented and sustained a new fee levied on all waste generated within the County (the "New Revenue"). Significantly, it is not necessary for SWACO to generate a surplus at its solid waste facilities to pay the City. Instead, the New Revenue will be used to pay the lease. Additionally, any income from the sublease of the facility will be paid to the City. Finally, any amounts not paid when due by SWACO will be deferred by the City at an annual interest rate of 4.5 percent.

The New Revenue was not in force at the end of 1998, and SWACO recorded a gain in 1998 of \$7.2 million reflecting the 4.5 percent reduction in the lease obligation for the period 1995-2010. Since the modified lease contains a provision for reinstatement of the 30.5 percent reduction if the New Revenue is repealed or removed, the gain associated with the 30.5 percent reduction is to be recognized as it is earned over the remaining life of the lease. With enactment of the New Revenue on April 1, 1999 (see New Revenue Source, page 1-7), the lease obligation was reduced by the additional 30.5 percent for a total reduction of 35 percent for the period January 1, 1995 to December 31, 1999. SWACO recorded a gain of \$27.7 million for fiscal 1999, representing the additional reduction to the lease for the period 1995-1999 and gains of \$3.7 million, \$3.9 million, \$3.7 million, and \$3.9 for the years 2000 through 2003, respectively. SWACO will recognize gains totaling \$19.6 million for the years 2004 through 2010, representing the additional 30.5 percent reduction in the lease obligation. Under terms of the fifth modification to the lease discussed above and in note 15, the provision restating the 30.5 percent reduction if the new revenue is repealed has been eliminated from the revised lease and SWACO will recognize the entire remaining \$19.6 million in additional lease reduction as a gain in 2004.

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

Model Landfill

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

The amounts reported as Model Landfill closure and postclosure care liability in SWACO's financial statements as of December 31, 2003 represent the estimated cost of upgrading the landfill gas collection system at the site and future maintenance and monitoring costs. The estimated cost was revised in 1998. The revised estimate was \$13.9 million less than the amount previously reported and this was reported as an increase in 1998 net income. Among other reasons, the previous estimate was higher than the current estimate because it assumed that the facility would need to be capped with a synthetic liner at a considerably higher cost.

Budgetary Control

The Board of Trustees adopts an operating and capital improvements budget resolution. Budgetary control is maintained by the Board at the major account (Salaries, wages and benefits; Contracts, services and supplies; Interest expense; etc.) and fund level. The Executive Director is authorized to make transfers between departments within the same fund and major accounts. Board approval is required to transfer between major accounts or to increase the budget within a fund.

2003 Budget to Actual Comparison

The schedules shown on pages 1-12 to 1-14 compare actual results to the original budget for the fiscal year ending December 31, 2003.

Budget Amendments

Actual expenses in some categories have exceeded the original budget adopted by the Board of Trustees. These overruns were authorized by budget amendments approved by resolution of the Board. Including these budget amendments, SWACO spending was within the authorized limits for all budgetary control accounts.

**Schedule of Revenues, Expenses and Changes in Fund Net Assets
2003 Budget to Actual (in thousands)**

Operating Fund - Continuing Operations

	2003 Budget	2003 Actual	Favorable (Unfavorable) Variance
Revenues:			
Tipping and disposal fees	\$ 13,460	\$ 14,079	\$ 619
Waste transfer fees	3,767	4,074	307
Other	25	58	33
Operating revenues	<u>17,252</u>	<u>18,211</u>	<u>959</u>
Expenses:			
Salaries, wages and benefits	4,247	4,635	(388)
Contract, services and supplies	8,846	9,574	(728)
Depreciation and depletion	2,035	1,873	162
Landfill closing costs	942	999	(57)
Other	-	86	(86)
Interfund transfers	247	1,967	(1,720)
Operating expenses	<u>16,317</u>	<u>19,135</u>	<u>(2,818)</u>
Operating income	<u>935</u>	<u>(924)</u>	<u>(1,859)</u>
Nonoperating income (expenses) :			
Interest expense	(753)	(821)	(68)
Interest income	600	466	(134)
Loss on sale of assets	-	(4)	(4)
Total nonoperating income (expense)	<u>(153)</u>	<u>(359)</u>	<u>(206)</u>
Change in net assets	782	(1,282)	(2,064)
Total net assets - beginning	<u>14,273</u>	<u>16,265</u>	<u>1,992</u>
Total net assets - ending	<u>\$ 15,055</u>	<u>\$ 14,983</u>	<u>\$ (72)</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Assets
2003 Budget to Actual (in thousands)**

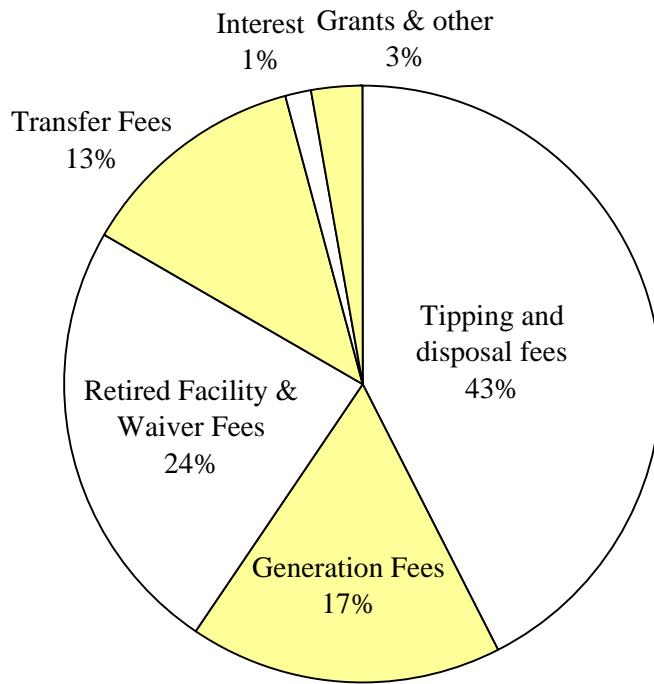
Operating Fund - Discontinued Operations

	2003 Budget	2003 Actual	Favorable (Unfavorable) Variance
Revenues:			
Retired facility and waiver fees	\$ 7,812	\$ 7,916	\$ 104
Other	500	626	126
Operating revenues	<u>8,312</u>	<u>8,542</u>	<u>230</u>
Expenses:			
Salaries, wages and benefits	59	45	14
Contract, services and supplies	-	118	(118)
Interfund transfers	(1,050)	(2,747)	1,697
Operating expenses	<u>(991)</u>	<u>(2,584)</u>	<u>1,593</u>
Operating income	<u>9,303</u>	<u>11,126</u>	<u>1,823</u>
Nonoperating income (expenses) :			
Gain on forgiveness of debt	3,927	3,927	-
Interest expense	(4,545)	(3,952)	593
Total nonoperating income (expense)	<u>(618)</u>	<u>(24)</u>	<u>593</u>
Change in net assets	8,685	11,102	2,417
Total net assets - beginning	<u>(117,633)</u>	<u>(120,860)</u>	<u>(3,227)</u>
Total net assets - ending	<u>\$ (108,948)</u>	<u>\$ (109,758)</u>	<u>\$ (810)</u>

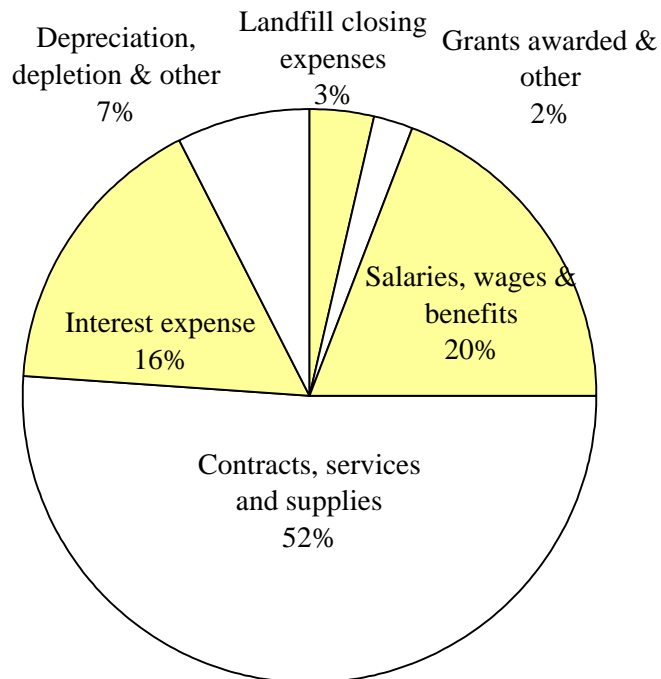
**Schedule of Revenues, Expenses and Changes in Fund Net Assets
2003 Budget to Actual (in thousands)**

	<u>Program Fund</u>		
	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Waste transfer fees	\$ 75	\$ 58	\$ (17)
Generation fees	5,580	5,655	75
Other	20	71	51
Operating revenues	<u>5,675</u>	<u>5,784</u>	<u>109</u>
Expenses:			
Salaries, wages and benefits	660	901	(241)
Contract, services and supplies	5,064	5,123	(59)
Depreciation and depletion	295	278	17
Other	-	27	(27)
Interfund transfers	803	781	22
Operating expenses	<u>6,822</u>	<u>7,110</u>	<u>(288)</u>
Operating income	<u>(1,147)</u>	<u>(1,326)</u>	<u>(179)</u>
Nonoperating income (expenses) :			
Grants received	142	138	(4)
Grants made	(542)	(542)	
Loss on sale of assets	-	(121)	(121)
Total nonoperating expense	<u>(400)</u>	<u>(525)</u>	<u>(125)</u>
Change in net assets	(1,547)	(1,851)	(304)
Total net assets - beginning	<u>5,622</u>	<u>6,921</u>	<u>1,299</u>
Total net assets - ending	<u>\$ 4,075</u>	<u>\$ 5,069</u>	<u>\$ 994</u>

2003 Revenues by Source



2003 Expenses by Category



Budget Principles

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

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

Internal Control Structure

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

Project managers are responsible for authorizing the payment of expenses and determining the project to be charged. The transactions are reviewed for compliance with Board policy, the Ohio Revised Code, and generally accepted accounting principles. Disbursements in excess of \$10,000 require two signatures. Expense reports are distributed to project managers to permit verification of the recorded transactions.

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

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

Basis of Accounting and Accounting Controls

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

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

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

Closure Trust Fund

Upon closure of the expanded landfill, SWACO will be faced with capping the completed landfill and providing for its long-term post-closure care. The Ohio Environmental Protection Agency requires landfill operators to provide assurance that they will be able to meet this financial obligation. Pursuant to this requirement, the Board of Trustees established a Trust Fund in 1993 to provide for the closure of the landfill prior to its expansion. Upon approval of the permit for the expanded landfill, SWACO placed the existing Trust Fund (which was fully funded for the pre-expanded landfill) into a trust fund for the expanded landfill. The balance in the Trust Fund stood at \$16.1 million at the end of 2003.

Debt Management

SWACO's long-term debt obligations are comprised of the long-term lease obligation with the City (see Waste-to-Energy Facility Lease Obligation, page 1-9) and long-term bonds issued by the County and covered under a repayment agreement with the County. Upon acquisition of the former County landfill in 1991, SWACO assumed payment of the remaining debt service on the \$1.7 million in general obligation bonds initially issued by the County to construct the landfill. During 2001 the final maturity was paid on these bonds.

In 1992, the County issued, on behalf of SWACO, \$10.0 million in general obligation bond anticipation notes to fund SWACO's capital improvements projects. The notes were renewed on an annual basis beginning in 1993. The County issued \$20.0 million in general obligation bonds in 1997 to permanently finance the notes and to provide an additional \$10.0 million in capital improvements funds for SWACO. The bonds have been secured by granting the County a mortgage on the landfill real property, a security interest in the landfill personal property, and an assignment of rents, permits, and licenses. SWACO began repaying principal in 1998 and at the end of 2003 the principal balance stood at \$16,045,000.

The Statistical Section, pages 3-18 and 3-19, provides debt service and lease payment schedules for the long-term obligations of SWACO.

In 2004, SWACO issued \$57.2 million in general obligation bonds to pay a portion of the lease obligation pursuant to a modification to the lease agreement between SWACO and the City (see page 1-9, Waste-to-Energy Facility Lease Obligation). SWACO also sold \$21.5 million in bond anticipation notes to finance its 2004-2005 capital improvements program. The bond and note issues are discussed in note 15 on page 2-32.

Cash Management

With the exception of cash customers of the landfill, all payments of tipping fees and generation fees are directed to SWACO's bank lock-box. In addition to maximizing internal control over these receipts, this also ensures the immediate investment of SWACO's deposits. SWACO staff located outside the Finance Department deposit cash sales and certain miscellaneous receipts (such as grant payments). The Finance Department audits these deposits and reconciles them to sales reports and other external documents. SWACO invests in accordance with an investment

policy adopted by its Board of Trustees pursuant to state statute. The investment policy emphasizes safety and liquidity and permits investment in U.S. treasury and agency obligations, the State Treasury Asset Reserve of Ohio (“STAR Ohio”), and other investments meeting the requirements of state law. The investment policy is described in more detail in note 2 to the financial statements included in Section 2 of the CAFR. Note 4 to the financial statements provides information on SWACO’s investments as of December 31, 2003.

Risk Management

SWACO engages a risk management consultant to evaluate SWACO’s risk exposure and to obtain insurance coverage when this is deemed advisable. In 2001 SWACO elected to establish a self-insurance program and the Board of Trustees identified funds to be used for self-insurance claims. Beginning in 2002, SWACO purchased \$5.0 million in insurance coverage for general liability, public officials liability and automobile liability claims in excess of \$1.0 million. SWACO retains the risk for liability claims up to \$1.0 million and for motor vehicle property loss. Separate insurance policies are purchased for buildings and contents, certain equipment and employee theft and dishonesty. Employee health care benefits are provided through Franklin County and workers’ compensation claims are covered through a retrospectively rated plan under the Ohio Bureau of Workers’ Compensation. See note 14 to the financial statements for more information on the SWACO’s risk management programs. Page 3-20 of the Statistical Section provides a list of insurance coverage carried by SWACO at the end of 2003.

OTHER INFORMATION

Independent Audit

Included in Section 2 of the CAFR, is the report of SWACO’s independent accountants, Wilson, Shannon & Snow, Inc., on SWACO’s financial statements for fiscal year 2003. PricewaterhouseCoopers, L.L.P. audited SWACO’s financial statements for the years 1993 through 2002. The Auditor of State audited SWACO’s financial statements for the period 1989 to 1992. Section 4 also includes the report of Wilson, Shannon & Snow, Inc. on compliance and internal control.

The Notes to Financial Statements beginning on page 2-16 are an integral part of the statements. The reader is encouraged to read them thoroughly.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Solid Waste Authority of Central Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2002. This was the sixth consecutive year SWACO has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael D. Long". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael D. Long, P.E.
Executive Director

A handwritten signature in blue ink, appearing to read "G. Paul Koehler". The signature is cursive and somewhat stylized.

G. Paul Koehler, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Solid Waste Authority of Central Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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



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Executive Director

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G. Paul Koehler, Chief Financial Officer

Harold J. Anderson III, Chief Legal Counsel

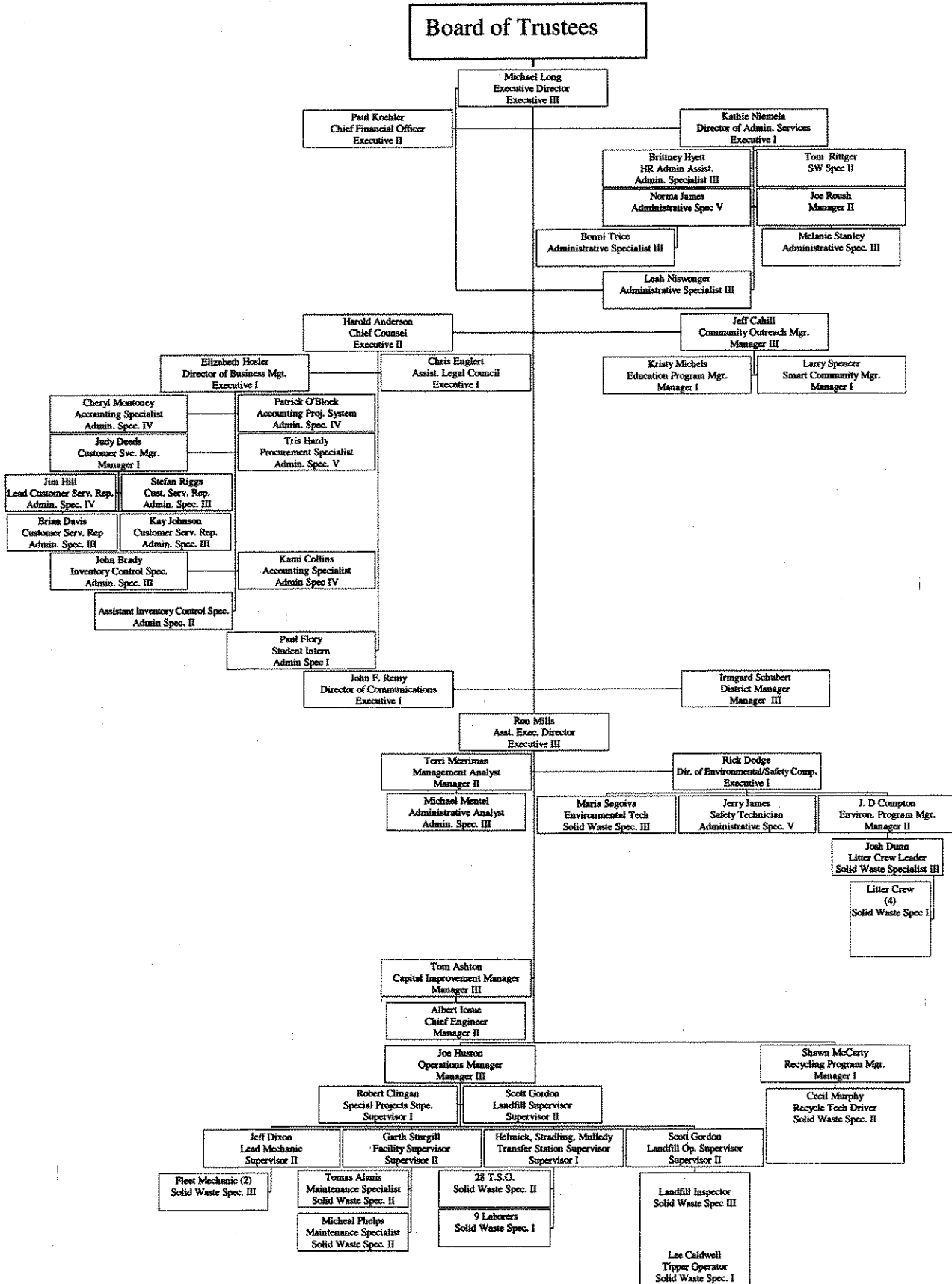
Rickey A. Dodge, Director of Safety and Compliance

Elizabeth Hosler, Director of Business Management

Kathie Niemela, Director of Administrative Services

John F. Remy, Director of Communications

SWACO Table of Organization



FINANCIAL SECTION

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Board of Trustees
Solid Waste Authority of Central Ohio
Grove City, Ohio

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of each major fund of the Solid Waste Authority of Central Ohio, Franklin County, Ohio (the "Authority") as of and for the year ended December 31, 2003, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Authority as of December 31, 2003 and the respective results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, effective January 1, 2003, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Omnibus, an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wilson, Shannon & Snow, Inc.

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

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, schedules and statistical tables are not a required part of the basic financial statements. We subjected the schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 16, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) provides an overview of the financial performance of the Solid Waste Authority of Central Ohio (SWACO) and provides an introduction to SWACO's financial statements for year ended December 31, 2003. The information contained in this MD&A should be considered in conjunction with information presented in SWACO's financial statements and corresponding notes to the financial statements.

Overview Of The Financial Statements

SWACO's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles 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, the fund may be used for any other lawful solid waste management purpose deemed appropriate by the Board of Trustees. Moneys to the credit of the *Program Fund* are restricted by state statute to certain solid waste reduction purposes and may not be used to support the operation of the landfill or transfer stations.

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

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

Financial Position Of SWACO

Operating Fund Net Assets

SWACO's financial position in the Operating Fund improved by \$9.8 million in 2003, reducing SWACO's net asset deficit from \$104.6 million at the beginning of the year to \$94.8 million at the end of the year. The deficit can be traced back to SWACO's acquisition in 1993 of the former City of Columbus waste-to-energy facility (WTEF) and the closure of the facility in 1994 and subsequent write down of the asset (see note 9, Idle Plant Facilities). The deficit reflects the low carrying value of the facility compared to the modified lease obligation owed by SWACO to the City (described in more detail in note 10). The lease obligation on the WTEF as of December 31, 2003 exceeds the carrying value by \$106 million, and accounts for all of the deficit in the Operating Fund at the end of 2003.

SWACO

Management Discussion & Analysis

Operating Fund Net Assets

	<u>2002</u>	<u>2003</u>	<u>Increase (decrease)</u>
Assets			
Current and other assets	\$ 13,073,450	\$ 11,056,372	\$ (2,017,078)
Closure/postclosure funds held by trustee:	15,296,250	16,142,509	846,259
Capital assets	<u>22,411,771</u>	<u>23,278,182</u>	<u>866,411</u>
Total assets	<u>50,781,471</u>	<u>50,477,063</u>	<u>(304,408)</u>
Liabilities			
Long-term debt outstanding	16,795,000	16,045,000	(750,000)
Capital lease obligation	118,456,249	108,051,831	(10,404,418)
Other long-term liabilities	14,748,686	15,474,766	726,080
Other liabilities	<u>5,376,297</u>	<u>5,680,799</u>	<u>304,502</u>
Total liabilities	<u>155,376,232</u>	<u>145,252,396</u>	<u>(10,123,836)</u>
Net Assets			
Invested in capital assets, net of related debt:			
Idle plant facilities, net of lease obligation	(116,480,249)	(106,075,831)	10,404,418
Other capital assets, net	3,640,771	5,257,182	1,616,411
Restricted:			
Sanitary landfill closure/postclosure trust fund, net of accrued liability	2,240,565	2,087,398	(153,167)
Other restricted, net	11,000	223,851	212,851
Unrestricted	<u>5,993,152</u>	<u>3,732,067</u>	<u>(2,261,085)</u>
Total net assets	<u>\$ (104,594,761)</u>	<u>\$ (94,775,333)</u>	<u>\$ 9,819,428</u>

On the surface, this large deficit raises issues of SWACO's ability to continue operating in the future. However, a series of modifications to the lease agreed to by SWACO and the City have virtually eliminated the risk of default under the lease and have allowed SWACO to put in place a means to fully retire the remaining lease obligation. The modified lease terms include a 35 percent reduction in the lease and the deferral of amounts due but not paid by SWACO. Significantly, the deferrals do not constitute a default under the terms of the modified lease. Pursuant to the modified lease, SWACO enacted new fees in 1999 dedicated to the payment of the lease obligation and is steadily paying down the lease.

Primarily as the result of the modifications to the lease agreement and the enactment of the dedicated lease retirement fee, the lease obligation has been reduced from \$165 million at the end of 1994 to \$108 million at the end of 2003. In three separate write-downs, the carrying value of the idle facilities has been reduced from \$163 million when it was closed to its current value of approximately \$2.0 million. In 2004, SWACO reached agreement with a private entity to lease a portion of the facility and SWACO plans to demolish the unused portion of the plant. The current carrying value reflects these plans, and further reductions in the facility carrying value are not anticipated. The net asset deficit related to the closed facility has been reduced by \$53 million from the peak deficit of \$159 million in 1997. This is illustrated in the following table.

SWACO
Management Discussion & Analysis

Invested in capital assets net of related debt
WTEF only (in thousands)

	Carrying value of WTEF/idle plant facilities	WTEF lease obligation	Net asset value
1993	\$162,105	\$173,253	(\$11,148)
1994	36,594	165,372	(128,778)
1995	36,594	165,372	(128,778)
1996	36,594	165,372	(128,778)
1997	6,500	165,372	(158,872)
1998	6,433	158,135	(151,702)
1999	6,381	140,275	(133,894)
2000	6,338	136,553	(130,215)
2001	4,605	127,443	(122,838)
2002	1,976	118,456	(116,480)
2003	1,976	108,052	(106,076)

Excluding the WTEF asset and lease obligation, SWACO's capital assets net of related debt at the end of 2003 were \$5.3 million, a \$1.6 million improvement from 2002. The increase reflects SWACO's capital improvements program including landfill improvements (landscaping and landfill gas collection system installation) and SWACO's fleet replacement program.

Restricted net assets in the Operating Fund include funds held by a trustee for closure of the Sanitary landfill net of the accrued liability for landfill closure and postclosure care. The Ohio EPA requires landfill owners to provide assurance that the owner has the necessary financial resources to provide for the ultimate closure and ongoing care of the landfill. SWACO has elected to meet this requirement by establishing a closure/postclosure trust fund (note 5). At the end of 2003, the trust fund balance was \$16.1 million, exceeding the accrued landfill closure liability by approximately \$2.0 million.

Unrestricted net assets in the Operating Fund fell by \$2.2 million in 2003 to \$3.7 million at the end of the year. This reduction can be directly attributed to a \$2.2 million supplemental lease payment made to the City of Columbus on the closed WTEF. The supplemental lease payment was made pursuant to a provision in the modified lease which requires SWACO to pay to the City excess working capital, as defined in the lease, held by SWACO at the end of each fiscal year. This provision has been eliminated from the lease by a subsequent modification to the lease agreed to in 2004 (see note 15, Fifth Modification to the Lease).

Operating Fund Revenues, Expenses and Changes in Net Assets

Solid waste deliveries to SWACO's facilities during 2003 were 919,315 tons, the highest in SWACO's history. As a result, tipping and disposal fees were \$484,000 greater in 2003 than they were in 2002. Similarly, due to increased usage of SWACO's transfer facilities in 2003, solid waste transfer fees exceeded 2002 revenues by \$288,000. Total operating revenue in 2003 exceeded 2002 revenues by just over \$1.0 million in the Operating Fund.

SWACO

Management Discussion & Analysis

Operating Fund Revenues, Expenses, Changes in Net Assets			
	2002	2003	Increase (decrease)
Operating Revenues:			
Tipping and disposal fees	\$ 13,594,524	\$ 14,078,827	\$ 484,303
Waste transfer fees	3,785,857	4,074,022	288,165
Retired facility and waiver fees	7,722,154	7,915,736	193,582
Other	643,606	683,750	40,144
Operating revenues	<u>25,746,141</u>	<u>26,752,335</u>	<u>1,006,194</u>
Operating Expenses:			
Salaries, wages and benefits	4,197,805	4,680,542	482,737
Contract, services and supplies	8,716,968	9,692,032	975,064
Depreciation and depletion	1,672,016	1,872,856	200,840
Landfill closing costs	722,095	999,426	277,331
Impairment loss (as restated)	2,626,818	-	(2,626,818)
Other	21,610	85,997	64,387
Interfund transfers	(596,719)	(780,620)	(183,901)
Operating expenses	<u>17,360,593</u>	<u>16,550,233</u>	<u>(810,360)</u>
Operating income	<u>8,385,548</u>	<u>10,202,102</u>	<u>1,816,554</u>
Nonoperating income (expenses) :			
Gain on forgiveness of debt (note 10)	3,663,152	3,927,405	264,253
Interest expense	(4,919,133)	(4,772,523)	146,610
Interest income	705,079	466,409	(238,670)
Loss on sale of assets	(49,658)	(3,965)	45,693
Total nonoperating income (expense)	<u>(600,560)</u>	<u>(382,674)</u>	<u>217,886</u>
Change in net assets	7,784,988	9,819,428	2,034,440
Total net assets - beginning	<u>(112,379,749)</u>	<u>(104,594,761)</u>	<u>7,784,988</u>
Total net assets - ending	<u>\$ (104,594,761)</u>	<u>\$ (94,775,333)</u>	<u>\$ 9,819,428</u>

Expenses for salaries, wages and benefits in 2003 were \$483,000 more than the 2002 expense. SWACO has added staff in a number of areas, with the biggest increase being the addition of a litter cleanup crew. Contracts, services and supplies increased by \$975,000 in 2003. Over one-half of this increase was related to the growth in waste receipts and the additional landfill operating cost associated with the tonnage-base landfill operating contract (note 12) and governmental fees. Similarly, landfill depletion and landfill closing costs (note 11) were up in 2003 due the additional waste placed in the landfill. Excluding the impairment loss of \$2.6 million related to the write-down of the WTEF in 2002 (note 3), operating expenses in 2003 were \$1.8 million higher than 2002.

The write down of the WTEF in 2002 reduced what would have been \$11.0 million in operating income to \$8.4 million. Operating income in 2003 was \$10.2 million, an increase of \$1.8 million over 2002.

SWACO Management Discussion & Analysis

However, 2003 operating income was \$800,000 less than 2002 results excluding the WTEF write down. This reduction in operating income can be attributed to the fact that SWACO's rates have not been increased since 1999, while expenses have been subject to inflationary increases during the same period. SWACO's operating income is still adequate to meet needs and the decline in operating income is not a significant area of concern. SWACO is not planning a rate increase until 2005 at the soonest.

Program Fund Net Assets

In the Program Fund, total net assets at the end of 2003 were approximately \$5.1 million consisting of cash and other current assets of \$3.5 million and capital assets of \$1.6 million. This is \$1.8 million less than total net assets at the end of 2002 but should not be viewed as a deterioration of the Fund's financial position. Instead, it represents a planned spend down of Generation Fee balances in the fund.

	<u>2002</u>	<u>2003</u>	<u>Increase (decrease)</u>
Assets			
Current and other assets	\$ 5,368,360	\$ 3,497,648	\$ (1,870,712)
Capital assets	1,649,680	1,571,647	(78,033)
Total assets	<u>7,018,040</u>	<u>5,069,295</u>	<u>(1,948,745)</u>
Liabilities			
Current Liabilities	<u>97,344</u>	<u>-</u>	<u>(97,344)</u>
Total liabilities	<u>97,344</u>	<u>-</u>	<u>(97,344)</u>
Net Assets			
Invested in capital assets, net of related debt	1,649,680	1,571,647	(78,033)
Restricted	5,322,041	3,434,353	(1,897,474)
Unrestricted	<u>(51,025)</u>	<u>63,295</u>	<u>124,106</u>
Total net assets	<u>\$ 6,920,696</u>	<u>\$ 5,069,295</u>	<u>\$ (1,851,401)</u>

Generation Fees are restricted for solid waste reduction and recycling programs in accordance with authorized purposes under the Ohio Revised Code, and may not be used for other purposes. A significant cash balance accumulated in the past when a portion of the Generation Fees collected was placed in an escrow account pending resolution of a law suit challenging the fee. In addition, the Board held back on spending other Generation Fee proceeds due to the then uncertain future of this funding source. With successful resolution of the law suit, the balance in the escrow fund was released to SWACO. The 2003 budget adopted by the Board specifically contemplated "deficit" spending to reduce the fund balance. The approach was to expend the balances on one-time, nonrecurring expenses to avoid building in a permanent deficit spending pattern.

SWACO

Management Discussion & Analysis

Program Fund Revenues, Expenses and Changes in Net Assets

Generation Fee revenues showed modest growth in 2003, increasing less than 2 percent over 2002. This is consistent with the pattern in recent years in which solid waste generation has kept pace with the growth in the District's population.

	<u>Program Fund</u>		
	<u>2002</u>	<u>2003</u>	<u>Increase (decrease)</u>
Operating Revenues:			
Yard Waste transfer fees	\$ 74,148	\$ 58,174	\$ (15,974)
Generation fees	5,559,313	5,654,701	95,388
Other	66,623	70,886	4,263
	-		
Operating revenues	<u>5,700,084</u>	<u>5,783,761</u>	<u>83,677</u>
Operating Expenses:			
Salaries, wages and benefits	675,005	901,191	226,186
Contract, services and supplies	4,909,745	5,122,772	213,027
Depreciation and depletion	143,071	278,354	135,283
Other	-	26,935	26,935
Interfund transfers	596,719	780,620	183,901
Operating expenses	<u>6,324,540</u>	<u>7,109,872</u>	<u>785,332</u>
Operating income	<u>(624,456)</u>	<u>(1,326,111)</u>	<u>(701,655)</u>
Nonoperating income (expenses) :			
Grants received	134,429	137,538	3,109
Grants awarded	(154,785)	(541,746)	(386,961)
Loss on sale of assets	(1,564)	(121,080)	(119,516)
Total nonoperating income (expense)	<u>(21,920)</u>	<u>(525,288)</u>	<u>(503,368)</u>
Change in net assets	(646,376)	(1,851,399)	(1,205,023)
Total net assets - beginning	<u>7,567,072</u>	<u>6,920,694</u>	<u>(646,378)</u>
Total net assets - ending	<u>\$ 6,920,696</u>	<u>\$ 5,069,295</u>	<u>\$ (1,851,401)</u>

Reflecting the planned reduction in the Program fund balance, operating expenses in 2003 were \$785,000 more than 2002 operating expenses. Grants awarded to others of \$541,000 increased total expenses in 2003 to \$7.6 million. This is \$2.1 million more than 2002 expenses of \$6.5 million. As a result, net assets in the Program Fund fell \$1.8 million during 2003. Again, this was the result of a planned decrease in cash included in the fund balance.

SWACO

Management Discussion & Analysis

Capital Assets

SWACO's investments in depreciable capital assets include the sanitary landfill, three transfer stations, solid waste transfer vehicles and related equipment, a fleet maintenance facility, and the administrative office building and furnishings. SWACO does not own the heavy equipment used to operate the landfill. The site operator is required to furnish this equipment pursuant to the operations contract (note 12). The WTEF has not been depreciated since its closure in 1994, but SWACO expects to resume depreciation of the asset based on the anticipated lease of the facility in 2004.

Operating Fund	2002	2003	Increase (decrease)
Capital assets, not being depreciated:			
Land	\$ 77,977	\$ 77,977	\$ -
Depreciable capital assets, net of accumulated depreciation and depletion:			
Equipment and furnishings	\$ 3,620,939	\$ 3,968,958	\$ 348,019
Building and improvements	1,551,927	2,141,369	589,442
Transfer stations	3,710,315	3,312,976	(397,339)
Sanitary landfill	11,474,614	11,800,902	326,289
Idle plant facilities	1,976,000	1,976,000	-
Total capital assets, being depreciated, net	<u>22,333,795</u>	<u>23,200,205</u>	<u>866,410</u>
Total capital assets, net	<u><u>\$ 22,411,772</u></u>	<u><u>\$ 23,278,182</u></u>	<u><u>\$ 866,410</u></u>
Program Fund			
Depreciable capital assets, net of accumulated depreciation:			
Equipment and furnishings	\$ 408,207	\$ 634,824	\$ 226,617
Building and improvements	1,241,473	936,823	(304,650)
Total capital assets, net	<u>\$ 1,649,680</u>	<u>\$ 1,571,647</u>	<u>\$ (78,033)</u>

SWACO has not issued debt for capital improvements since 1997. Calendar year 2003 acquisitions reflect a modest increase in total capital assets funded from available cash balances. SWACO maintains a strong fleet replacement program and schedule, and the increase in equipment and furnishings reflects the acquisition of nearly \$1.5 million in replacement vehicles and equipment. After depreciation and disposals, the net increase in equipment and furnishings was \$348,000.

SWACO

Management Discussion & Analysis

Debt Administration

During 2003, SWACO did not issue any additional debt or enter into any additional long-term lease obligations. The capital acquisitions during 2003 were financed using SWACO's available cash balances. However, certain landfill capital projects are eligible for tax exempt debt financing and SWACO intends to reimburse the Operating Fund for \$683,000 expended in 2003 on these projects from the proceeds of debt issued in 2004 .

SWACO reduced long-term debt by \$11.1 million in 2003 as shown in the following table:

	<u>2002</u>	<u>2003</u>	<u>Increase (decrease)</u>
Bonds payable	16,795,000	16,045,000	(750,000)
Capital lease obligation	<u>118,456,249</u>	<u>108,051,831</u>	<u>(10,404,418)</u>
Total	<u>135,251,249</u>	<u>124,096,831</u>	<u>(11,154,418)</u>

SWACO's 2004-2005 capital improvements plan (CIP) total nearly \$30 million. Approximately one-half of the CIP is for construction of the first horizontal expansion phase of the sanitary landfill. Another \$8 million is for property acquisition to be used to develop a resource recovery facility. The balance of the program is for other permanent improvements related to the landfill expansion and operations.

SWACO issued \$21.5 million in general obligation bond anticipation notes in 2004 to provide initial funding for the CIP. SWACO expects to refinance the notes with bonds prior to the end of 2004. The bond issue may be enlarged to include funds for the entire CIP.

Economic Factors

SWACO's financial position has not been severely impacted by the economic downturn that the State of Ohio and other local political subdivisions have experienced in the recent past. In fact, SWACO's waste receipts in 2003 reached the highest level in the history of SWACO. SWACO has not had a rate increase since implementation of the Retired Facility Fee and Waiver Fee in 1999. The planned expansion of the landfill will require rate adjustments of up to \$5.00 per ton to be phased in over a three-year period beginning in 2005. SWACO expects that, even with the proposed rate increases, SWACO rates will remain at a level competitive with the local market and landfill rates throughout Ohio.

Request For Information

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

SWACO
Statement of Net Assets – Proprietary Funds
As of December 31, 2003

Assets	Business-type Activities - Enterprise Funds		
	Operating Fund	Program Fund	Total
Current assets:			
Cash and cash equivalents (note 4)	\$ 5,772,507	\$ -	\$ 5,772,507
Restricted cash	-	3,330,076	3,330,076
Cash held in escrow	212,851	-	212,851
Accounts receivable (net of allowance for bad debts of \$108,298 and \$0 respectively)	2,457,548	104,277	2,561,825
Investments (note 4)	2,496,400	-	2,496,400
Other assets	73,684	45,073	118,757
Total current assets	<u>11,012,990</u>	<u>3,479,426</u>	<u>14,492,416</u>
Noncurrent assets:			
Cash held for underground storage tank fund	11,000	-	11,000
Closure/postclosure funds held by trustee:			
Investments (note 5)	16,142,509	-	16,142,509
Landfill (net of accumulated depletion and depreciation of \$12,065,524)	11,800,902	-	11,800,902
Property, plant and equipment (net of accumulated depreciation of \$6,977,528 and \$553,019 respectively)	9,501,280	1,571,647	11,072,927
Idle plant facilities (note 9)	1,976,000	-	1,976,000
Other assets	32,382	18,222	50,604
Total noncurrent assets	<u>39,464,073</u>	<u>1,589,869</u>	<u>41,053,942</u>
Total assets	<u>\$ 50,477,063</u>	<u>\$ 5,069,295</u>	<u>\$ 55,546,358</u>

Continued

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

SWACO
Statement of Net Assets – Proprietary Funds
As of December 31, 2003

	Business-type Activities - Enterprise Funds		
	Operating Fund	Program Fund	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 2,584,134	\$ -	\$ 2,584,134
Accrued wages and benefits	1,005,433	-	1,005,433
Accrued interest	787,540	-	787,540
Current maturities of bonds payable (note 8)	790,000	-	790,000
Capital lease obligation (note 10)	58,505,039	-	58,505,039
Unamortized bond premium (note 10)	273,346	-	273,346
Postclosure liability--Model Landfill (note 11)	1,025,347	-	1,025,347
Other	4,999	-	4,999
Total current liabilities	64,975,838	-	64,975,838
Noncurrent liabilities:			
Bonds payable (note 8)	15,255,000	-	15,255,000
Capital lease obligation (note 10)	49,546,792	-	49,546,792
Unamortized bond premium (note 10)	386,566	-	386,566
Closure and postclosure liability--Sanitary Landfill (note 11)	14,055,111	-	14,055,111
Postclosure liability--Model Landfill (note 11)	1,033,089	-	1,033,089
Total noncurrent liabilities	80,276,558	-	80,276,558
Total liabilities	145,252,396	-	145,252,396
Net Assets			
Invested in capital assets, net of related debt			
Idle plant facilities, net of lease obligation:	(106,075,831)	-	(106,075,831)
Other capital assets, net	5,257,182	1,571,647	6,828,829
Restricted:			
Sanitary landfill closure/postclosure trust fund, net of accrued liability	2,087,398	-	2,087,398
Other restricted, net	223,851	3,434,353	3,658,204
Unrestricted	3,732,067	63,295	3,795,362
Total net assets	\$ (94,775,333)	\$ 5,069,295	\$ (89,706,038)

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

SWACO**Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds****For the Fiscal Year Ended December 31, 2003**

	Business-type Activities - Enterprise Funds		
	Operating Fund	Program Fund	Total
Operating Revenues:			
Tipping and disposal fees	\$ 14,078,827	\$ -	\$ 14,078,827
Waste transfer fees	4,074,022	58,174	4,132,196
Retired facility and waiver fee	7,915,736	-	7,915,736
Generation fees	-	5,654,701	5,654,701
Other	683,750	70,886	754,636
	<u>26,752,335</u>	<u>5,783,761</u>	<u>32,536,096</u>
Operating revenues			
	<u>26,752,335</u>	<u>5,783,761</u>	<u>32,536,096</u>
Operating Expenses:			
Salaries, wages and benefits	4,680,542	901,191	5,581,733
Contract, services and supplies	9,692,032	5,122,772	14,814,804
Depreciation and depletion	1,872,856	278,354	2,151,210
Landfill closing costs	999,426	-	999,426
Other	85,997	26,935	112,932
Interfund charges	(780,620)	780,620	-
	<u>16,550,233</u>	<u>7,109,872</u>	<u>23,660,105</u>
Operating expenses			
	<u>16,550,233</u>	<u>7,109,872</u>	<u>23,660,105</u>
Operating income	<u>10,202,102</u>	<u>(1,326,111)</u>	<u>8,875,991</u>
Nonoperating income (expenses):			
Gain on forgiveness of debt (note 10)	3,927,405	-	3,927,405
Interest expense	(4,772,523)	-	(4,772,523)
Interest income	466,409	-	466,409
Grants received	-	137,538	137,538
Grants awarded	-	(541,746)	(541,746)
Loss on sale of assets	(3,965)	(121,080)	(125,045)
	<u>(382,674)</u>	<u>(525,288)</u>	<u>(907,962)</u>
Total nonoperating income (expenses)			
	<u>(382,674)</u>	<u>(525,288)</u>	<u>(907,962)</u>
Change in net assets	9,819,428	(1,851,399)	7,968,029
Total net assets - beginning (as restated)	<u>(104,594,761)</u>	<u>6,920,694</u>	<u>(97,674,067)</u>
Total net assets - ending	<u>\$ (94,775,333)</u>	<u>\$ 5,069,295</u>	<u>\$ (89,706,038)</u>

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

SWACO
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended December 31, 2003

	Business-type Activities - Enterprise Funds		
	Operating Fund	Program Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 17,820,598	\$ 58,174	\$ 17,878,772
Generation fees collected	-	5,625,333	5,625,333
Retired facility and wiaver fees collected	5,373,323	-	5,373,323
Other receipts	683,750	70,886	754,636
Payments to employees	(3,696,865)	(901,191)	(4,598,056)
Payments for retirement & payroll taxes	(904,407)	-	(904,407)
Payments to vendors	(9,645,523)	(5,143,309)	(14,788,832)
Post closure costs paid - Model Landfill	(315,653)	-	(315,653)
Interfund charges	780,620	(780,620)	-
Other payments	(15,000)	(58,000)	(73,000)
Net cash provided by (used in) operating activities:	<u>10,080,843</u>	<u>(1,128,727)</u>	<u>8,952,116</u>
Cash flows from noncapital financing activities:			
Grants received	-	94,401	94,401
Grants made	-	(541,746)	(541,746)
Net cash used by noncapital financing activities	<u>-</u>	<u>(447,345)</u>	<u>(447,345)</u>
Cash flows from investing activities:			
Interest received	497,458	-	497,458
Increase in investments	1,118,748	-	1,118,748
Net cash provided by investing activities	<u>1,616,206</u>	<u>-</u>	<u>1,616,206</u>
Cash flows from capital and related financing activities:			
Landfill, plant improvements and equipment additions	(2,100,827)	(321,402)	(2,422,229)
Principal paid on bond payable	(750,000)	-	(750,000)
Principal paid on capital lease	(6,220,541)	-	(6,220,541)
Interest paid	(2,897,900)	-	(2,897,900)
Net cash used in capital and related financing activities	<u>(11,969,268)</u>	<u>(321,402)</u>	<u>(12,290,670)</u>
Net decrease in cash	(272,219)	(1,897,474)	(2,169,693)
Cash and cash equivalents, beginning of year	<u>6,268,577</u>	<u>5,227,550</u>	<u>11,496,127</u>
Cash and cash equivalents, end of year	<u>\$ 5,996,358</u>	<u>\$ 3,330,076</u>	<u>\$ 9,326,434</u>

Continued

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

SWACO
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended December 31, 2003

	Business-type Activities - Enterprise Funds		
	Operating Fund	Program Fund	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	10,202,102	(1,326,111)	8,875,991
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and depletion	1,872,856	278,354	2,151,210
Deferred rent	-	7,353	7,353
Lease credits received in lieu of cash	(2,529,335)	-	(2,529,335)
Increase (decrease) in cash resulting from changes in:			
Accounts and notes receivable (net)	(259,332)	(9,786)	(269,118)
Accounts payable	72,775	(20,537)	52,238
Accrued wages and benefits	79,271	-	79,271
Closure and postclosure liability - Sanitary Landfill	999,426	-	999,426
Postclosure liability - Model Landfill	(315,653)	-	(315,653)
Other assets and liabilities	(41,267)	(58,000)	(99,267)
Net cash provided by (used in) operating activities:	<u>\$ 10,080,843</u>	<u>\$ (1,128,727)</u>	<u>\$ 8,952,116</u>

Noncash capital and related financing activities (Operating Fund)

Reduction in capital lease obligation of \$3,927,405 related to the modification of the lease obligation described in note 10.

Amortization of premium on refunding bonds of \$364,227 (note 10).

Change in carrying value of investments resulting in loss of \$51,502.

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

SWACO

Notes to Financial Statements

As of December 31, 2003

1. Organization

In response to House Bill 592 of the 117th General Assembly, SWACO (the Solid Waste Authority of Central Ohio) was established in 1989 to develop and implement a comprehensive solid waste management plan for the Franklin County Solid Waste Management District (the "District," principally Franklin County, but also including parts of five adjacent counties). SWACO is governed by a nine-member Board of Trustees appointed pursuant to statute. The Board consists of two members appointed by the Franklin County Board of County Commissioners (the "County"), two members appointed by the City of Columbus (the "City"), and additional members representing the County Board of Health, townships within SWACO, waste generators and the general public. As a governmental authority, SWACO is exempt from federal, state and local taxes. SWACO operates autonomously from the County and City, and the County and City have no financial responsibility for the operations of SWACO.

SWACO operates a sanitary landfill (the "Sanitary Landfill") and three solid waste transfer facilities supported by tipping fees charged for solid waste disposal and transfer services at these facilities. SWACO also operates programs to reduce the generation and disposal of solid waste within SWACO's jurisdiction. These programs include public education and awareness, yard waste composting and other waste-reduction activities supported by a five-dollar-per-ton waste generation fee levied on all solid waste generated within the District.

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

In 1993, SWACO leased a 90-megawatt solid waste resource recovery facility (the Waste-to-Energy Facility or "WTEF") and three related waste transfer facilities from the City (see note 10). Solid waste was incinerated at the WTEF with ash and additional raw solid waste disposed at the Sanitary Landfill. Operations were supported by tipping fees for solid waste disposal and from the sale of electricity generated by the WTEF from solid waste incineration. The WTEF was closed in November 1994 due to SWACO's inability to generate revenues sufficient to operate the facility. SWACO continues to operate two of the three waste transfer facilities and has converted a portion of the closed WTEF into an additional transfer facility.

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

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

SWACO
Notes to Financial Statements
As of December 31, 2003

units that meet the criteria imposed by GASB Statement No. 14 to be 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.

Effective January 1, 2003, SWACO implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, and Statement No. 38, *Certain Financial Statement Disclosures*. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. SWACO now follows the business-type activities reporting requirements of GASB Statement No. 34.

Statement No. 34 requires the following, which collectively make up SWACO's basic financial statements:

- Management's Discussion and Analysis
- Basic financial statements
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the financial statements

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

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

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

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

SWACO
Notes to Financial Statements
As of December 31, 2003

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

Within the Operating Fund, SWACO segregates revenues and expenses for Continuing Operations (primarily the sanitary landfill and transfer stations) from Discontinued Operations (the WTEF and Model Landfill) to allow management to more easily focus on operating results from operating facilities. Additionally, certain revenues within the Operating Fund are dedicated to the payment of WTEF lease obligation (note 10) and may not be used for continuing operations. The separation of the Operating Fund into continuing and discontinued operations is shown in the supplemental schedules included on pages 2-33 to 2-37. Transfers from Continuing Operations to Discontinued Operations shown in the supplemental schedule are comprised of \$2,262,914 of capital lease payments for the WTEF, \$104,184 of WTEF operating expenses and \$431,076 of postclosure costs for the Model Landfill.

The *Program Fund* receives generation fees paid on waste generated in the Solid Waste District and disposed of at SWACO's landfill or out-of-county landfills. Revenues are used only to support solid waste recycling, reuse, and reduction programs operated by SWACO in implementation of SWACO's solid waste plan. The Program Fund also includes grant revenues and expenses for grants received from the Ohio Department of Natural Resources. Interfund 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.

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

Cash held in escrow. In 2003, SWACO entered into an agreement with the lessee of the Model Landfill site (see note 11) to remediate the landfill gas collection system on the site. Pursuant to the agreement, funds allocated by SWACO for the project are held in escrow.

Investments. SWACO follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the accounting for investments at fair value and that all investment income, including changes in the fair value of investments, should be reported as revenue in the operating statement. Investments at December 31, 2003 are valued at quoted market prices.

In accordance with the Ohio Revised Code and the investment policy adopted by SWACO, SWACO is authorized to invest in (1) bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest; (2) bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality; (3) certificates of deposit purchased from qualified banks and savings and loans; (4) bond and other obligations of the State of Ohio; (5) no-load money market mutual funds consisting exclusively of obligations described in division (1) or

SWACO
Notes to Financial Statements
As of December 31, 2003

(2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; (6) the State Treasury Asset Reserve of Ohio (STAROhio, managed by the Treasurer of the State of Ohio), and (7) subject to certain restrictions and limitations, short-term commercial paper and bankers acceptances.

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

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

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

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

New accounting pronouncements. GASB recently issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*. This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. SWACO has not determined the impact, if any, this statement will have on its financial statement disclosures.

During November of 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for fiscal periods beginning after December 15, 2004. SWACO has not determined the impact, if any, this statement will have on its financial statements.

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Use of estimates. The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Restatement Of Net Assets

A reduction was made to the beginning net asset balance in the operating fund to reduce the carrying value of the idle plant facilities by \$2,626,818.

4. Cash, Cash Equivalents and Investments

Deposits. At December 31, 2003, the carrying amounts of SWACO's deposits were \$6,333,016, while the bank balances were \$2,026,686. Up to \$100,000 of each bank deposit was insured by the Federal Depository Insurance Corporation, and remaining amounts were collateralized by collateral pools held by the financial institution and not in the name of SWACO. Based on criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, bank balances are classified in three categories of credit risk: (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name, and (3) uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. SWACO's deposits at December 31, 2003 were categorized as follows:

**Risk
Category**

3	Collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agents in the pool's name	\$ 6,128,603
1	Insured by Federal Deposit Insurance Corporation (FDIC)	<u>204,413</u>
	Total deposits	<u>\$ 6,333,016</u>

Cash with STAR Ohio. At December 31, 2003, SWACO had \$2,777,867 invested with STAR Ohio. STAR Ohio is a highly liquid investment pool managed by the State Treasurer's Office with participation restricted to subdivisions of the State of Ohio. STAR Ohio is restricted to investing in securities authorized under Ohio Revised Code Section 135.143. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner generally consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is equal to SWACO's pro rata share of the fair value per share.

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Closure/Postclosure Funds Held by Trustee. SWACO maintains a trust fund to provide funding for the ultimate closure of the landfill (see note 5). At December 31, 2003 the cost of investments in the Fund was \$16,036,468, and the fair value was \$16,142,509. SWACO recorded an unrealized loss of \$38,188 as of December 31, 2003, which represents the difference between fair value and the carrying value as of that date. At December 31, 2003 the Fund was invested in government agency securities and a government only money market account. The amount reported in the fund as of December 31, 2003 includes \$81,134 in accrued interest on coupon bearing investments and \$16,545 amortized discounts on discount securities in the fund.

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

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
	<u>Insured or registered or securities held by SWACO or its agent in SWACO's name</u>	<u>Uninsured and unregistered with securities held by the counterparty's trust department or agent in SWACO's name</u>	<u>Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in SWACO's name</u>	<u>Fair value/ carrying value</u>	<u>Cost, net of premium, discount and accrued interest</u>
U.S. government sponsored enterprises	\$ 17,624,180	\$ -	\$ -	\$ 17,624,180	\$ 17,513,443
STAR Ohio				2,777,867	2,777,867
		Total investments		<u>20,402,047</u>	<u>\$ 20,291,310</u>
Carrying amount of deposits					
High yield savings			\$ 5,017,708		
Other			<u>1,315,307</u>		
				6,333,016	
Money market funds held by trustees				1,227,580	
Cash on hand				<u>2,700</u>	
		Total		<u>\$ 27,965,343</u>	
Reconciliation to Balance Sheets					
Cash and cash equivalents				\$ 5,772,507	
Restricted cash				3,330,076	
Cash held in escrow				212,851	
Investments				2,496,400	
Cash held for underground storage tank fund				11,000	
Closure/postclosure funds held by trustee				<u>16,142,509</u>	
		Total		<u>\$ 27,965,343</u>	

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5. Closure/Postclosure Funds Held by Trustee

In 1995, SWACO established a trust fund (the "Fund") with U.S. Bank (formerly Star Bank) for the benefit of the Ohio Environmental Protection Agency (the "OEPA") under OEPA rules applicable to SWACO requiring the owner or operator of a solid waste facility provide assurance that funds will be available when needed for final closure, postclosure care, and/or corrective measures of the facility. The amount to be funded is paid in annual installments over a twenty-year pay-in period, the maximum period allowed by the OEPA. Annual payments are determined by dividing the closure and postclosure costs remaining to be funded (the total required to be funded less cash and investments in the Fund) by the number of years remaining in the pay-in period (13 years as of December 31, 2003). SWACO is scheduled to have 100% of the estimated closure costs funded when the Sanitary Landfill stops accepting waste.

The Fund is restricted by the Director of the OEPA, and SWACO invests in those securities authorized by the Ohio Revised Code and SWACO's investment policy (see note 4). All amounts earned by the investments are reinvested in the Fund.

6. Landfill and Property, Plant, and Equipment

Landfill and property, plant, and equipment are stated at cost and updated for the cost of additions and retirements during the year. It is SWACO's policy to capitalize items costing in excess of \$5,000 with a useful life greater than one year. As discussed in note 11, SWACO received from the OEPA a permit for expansion of its currently operating Sanitary Landfill. Acquisition, engineering, legal and other direct costs associated with the permitting and development of this expansion have been capitalized, and are being depleted based on usage of permitted capacity. The depletion of the landfill is assigned to fiscal years based on cubic yards of solid waste disposed and placed in the landfill during the year as a percentage of estimated capacity.

The cost of property, plant, and equipment is depreciated using a straight-line method over the following estimated useful lives:

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

A summary of property, plant and equipment at December 31, 2003 is as follows:

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Operating Fund	Beginning	Increases	Decreases	Ending
Capital assets, not being depreciated:				
Land	\$ 77,977	\$ -	\$ -	\$ 77,977
Capital assets, being depreciated/depleted:				
Equipment and furnishings	6,059,468	1,216,254	(294,562)	6,981,160
Building and improvements	1,751,791	673,857	-	2,425,648
Transfer stations	6,963,030	30,994	-	6,994,024
Sanitary landfill	23,033,222	833,204	-	23,866,426
Idle plant facilities	1,976,000	-	-	1,976,000
Total capital assets, being depreciated/depl.	39,783,511	2,754,309	(294,562)	42,243,258
Less accumulated depreciation/depletion for:				
Equipment and furnishings	(2,438,529)	(850,091)	276,418	(3,012,202)
Building and improvements	(199,864)	(84,465)	50	(284,279)
Transfer stations	(3,252,715)	(430,474)	2,141	(3,681,048)
Sanitary landfill	(11,558,608)	(507,826)	910	(12,065,524)
Idle plant facilities	-	-	-	-
Total accumulated depreciation/depletion	(17,449,716)	(1,872,856)	279,519	(19,043,053)
Total capital assets, being depreciated, net	22,333,795	881,453	(15,043)	23,200,205
Total capital assets, net	\$ 22,411,772	\$ 881,453	\$ (15,043)	\$ 23,278,182
Program Fund				
Capital assets, being depreciated:				
Equipment and furnishings	\$ 588,063	\$ 326,389	-	\$ 914,452
Building and improvements	1,334,239	-	(124,025)	1,210,214
Total capital assets, being depreciated	1,922,302	326,389	(124,025)	2,124,666
Less accumulated depreciation for:				
Equipment and furnishings	(179,856)	(99,772)	-	(279,628)
Building and improvements	(92,766)	(178,582)	(2,043)	(273,391)
Total accumulated depreciation	(272,622)	(278,354)	(2,043)	(553,019)
Total capital assets, being depreciated, net	1,649,680	48,035	(126,068)	1,571,647
Total capital assets, net	\$ 1,649,680	\$ 48,035	\$ (126,068)	\$ 1,571,647

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7. Retirement Commitments

Plan description. SWACO contributes to the Public Employees Retirement System of Ohio (“OPERS”), a cost-sharing multiple-employer defined benefit pension plan administered by the State. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute (Chapter 145 of the Ohio Revised Code). The OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making written requests to OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Funding policy. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% for employees. It is SWACO’s policy to pay the employee contribution for full time employees. The 2003 employer contribution rate for local government employer units was 13.55% of covered payroll.

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

	<u>Employee share paid by employees</u>	<u>Employee share paid by SWACO</u>	<u>Employer share paid by SWACO</u>	<u>Total paid by SWACO</u>
2003	\$ 7,861	\$ 307,423	\$ 502,948	\$ 810,371
2002	5,716	283,006	459,149	742,155
2001	9,515	245,189	406,002	651,191
2000	9,004	223,327	287,219	510,546
1999	8,495	214,982	356,250	571,232

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

- A. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employers the 2003 rate was 13.55% of covered payroll; 5.0% was the portion that was used to fund health care for the year.
- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.
- C. Summary of Assumptions:

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Actuarial Review. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002.

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

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

Investment Return. The investment return assumption rate for 2002 was 8.0%.

Active Employee Total Payroll. An annual increase of 4.0% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%.

Health Care. Health care costs were assumed to increase 4.0% annually.

- D. OPEB's are advance-funded on an actuarially determined basis. The following disclosures are required:
1. The number of active contributing participants was 364,881.
 2. The portion of SWACO's 2003 employer contributions that was used to fund OPEB was \$185,600, which is equal to the annual required contribution.
 3. \$10.0 billion represents the actuarial value of the retirement system's net assets available for OPEB at December 31, 2002.
 4. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.
- E. In December 2001, the Retirement Board adopted the Health Care "Choices" Plan in response to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003. The plan will incorporate a cafeteria approach and will offer a broader range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit, in contrast to the ten-year eligibility standard under the present plan. Benefit recipients will fund health care costs in excess of their monthly health care benefit.

8. Bonds Payable

In March 1997, SWACO entered into a repayment agreement with the Franklin County Board of Commissioners, whereby the County issued \$20 million in general obligation bonds on behalf of SWACO. The proceeds of the bonds were used to fund SWACO's capital improvements

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program, including land acquisition and engineering for development of the expanded landfill, and other improvements to the landfill and transfer stations. To collateralize repayment, SWACO granted to the County a mortgage in the landfill real property, a security interest in the personal property associated with the landfill, and an assignment of rents, permits and licenses.

The general obligation bonds mature on various dates with a final maturity on December 1, 2017. Interest accrues at fixed rates ranging from 4.3% to 5.50% and is payable semiannually on June 1 and December 1.

Future payments of the general obligation bonds are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2004	\$ 790,000	\$ 787,635	4.3%
2005	835,000	753,665	5.5%
2006	880,000	707,740	5.5%
2007	930,000	659,340	5.5%
2008	980,000	608,190	4.5%
2009-2013	5,770,000	2,308,750	4.6-4.8%
2014-2017	5,860,000	747,800	4.9-5.0%
Total	<u>\$ 16,045,000</u>	<u>\$ 6,573,120</u>	

9. Idle Plant Facilities

On April 1, 1993, the City of Columbus leased its solid waste resource recovery plant, named the Waste-to-Energy Facility, and related waste transfer stations to SWACO. Under the initial terms of the lease, SWACO was required to make lease payments to the City in amounts equal to the debt service requirements on general obligation and revenue bonds the City issued for WTEF construction. SWACO recorded an asset and capital lease obligation liability for the WTEF. The assets acquired were recorded at an estimated market value equal to the liabilities assumed.

On November 1, 1994, SWACO authorized the closure of the WTEF as a solid waste incinerator due to SWACO's inability to control the flow of solid waste within its jurisdiction and consequently raise the necessary revenues to meet the cost of operating, maintaining and leasing the WTEF from the City. Management determined that SWACO would be unable to recover the carrying value of the WTEF at the date of closure and the WTEF was written down to \$36,594,000, and a loss of \$126,248,335 was recognized.

Since closure, management, in conjunction with the City of Columbus, has solicited proposals for either the sale or lease of WTEF for purposes other than waste disposal. Based on the estimated fair value determined by discounting the expected cash flows of lease proposals received in 1996, management further reduced the carrying value of the WTEF in 1997 to an estimated fair value of \$6,500,000 and a loss of \$30,034,000 was recognized. During 2001, SWACO sold two of the three turbine-generator sets and other equipment located in the facility, reducing the carrying value of the WTEF to \$4,602,818 as of December 31, 2001. The carrying value of the facility was subsequently reduced to \$1,976,000 as of December 31, 2002 reflecting the appraised value of usable space at the facility (\$1,121,000) plus the value of the remaining turbine-generator set

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and related equipment sold in early 2004 (\$855,000). This resulted in an impairment loss of \$2,626,818 in 2002 (see note 3). Management continues to negotiate sale or lease of the facility. Any sublease authorized by SWACO is subject to approval by the City as owner of the facility.

10. Capital Lease Obligation

As described in note 9, SWACO initially agreed to make lease payments to the City in amounts equal to the debt service requirements on general obligation and revenue bonds the City issued to construct the WTEF. With repeal of the \$49 per ton Generation Fee in 1994, SWACO was no longer able to meet all of its lease obligation to the City and began negotiating with the City to modify the lease agreement, including the determination of a revised lease payment schedule agreeable to both parties. Two interim agreements were negotiated with the City, which included revised terms through the end of 1997. During 1998, SWACO and the City reached agreement on a modification to the lease (the "Third Modification"), which is applicable until the lease is paid in full. Basic elements of the Third Modification are:

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

Pursuant to the Third Modification, and under authority granted by the Ohio Revised Code, SWACO adopted a rule in 1998, effective April 1, 1999, requiring that all waste generated within SWACO's jurisdiction be delivered only to a SWACO facility, unless a waiver has been granted to another facility or the waste is disposed at a facility outside the State of Ohio (Rule 1-98). The Board of Trustees authorized waivers for any landfill in Ohio provided the landfill executes a waiver agreement with SWACO and agrees to pay a waiver fee as prescribed in the agreement (the "Waiver Fee"). During 2003 waiver agreements were in place for all private landfills that accepted SWACO waste.

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Also in 1998, the Board of Trustees established a new fee, the Retired Facility Fee, which was assessed at SWACO Facilities effective April 1, 1999. Under the Rule 1-98 waiver agreements, the Waiver Fee is set equal to the Retired facility fee (initially \$7.00 per ton). Taken together, the Retired Facility Fee and the Waiver Fee comprise the New Revenue called for in the Third Modification. SWACO recognized total revenue of \$7,915,736 from the New Revenue during 2003.

As the result of the Third Modification, SWACO recognized a gain of \$7,236,400 in 1998, representing the 4.5% reduction in the lease obligation under the modified lease. Since implementation of the New Revenue in 1999, SWACO has recognized gains of \$39,039,466 relating to the additional 30.5% reduction in the lease liability for the periods 1995-2002. In 2003 SWACO recognized a gain of \$3,927,405 representing the 30.5% reduction in the lease obligation for the year. SWACO will recognize future reductions in the lease obligation of \$19,652,043 relating to the 30.5% reduction for the years 2004-2010. Based on a further modification to the lease entered into by the City and SWACO in 2004 the entire remaining gain of \$19,652,043 will be recognized in 2004 (see note 15, Subsequent Events

In 1999, SWACO and the City executed a fourth modification to the lease which set forth the relative financial obligations of SWACO and the City for a project to remediate a retention basin located at the facility. The project has been completed approval of the project by the OPEA is expected by the end of 2004.

SWACO has unpaid principal and accrued interest relating to 1995 through 2003 of \$46,312,389 as of December 31, 2003. The following is a schedule of the required minimum lease payments reflecting the refunding issue, and the modification to the lease described below:

<u>Year Ending December 31,</u>	
2004	\$ 62,097,441
2005	14,173,961
2006	13,736,863
2007	13,301,717
2008	7,616,278
2009	3,486,832
2010	<u>3,106,526</u>
Total minimum lease payments	117,519,618
Less: Amount representing interest	<u>9,467,787</u>
Present value of minimum lease payments	<u>\$ 108,051,831</u>

In 2001 the City completed two separate fixed-rate general obligation bond issues to refund outstanding variable-rate revenue bonds and a portion of the general obligation bonds included in the lease. The City received bond premiums upon sale of both refunding issues and credited the premiums to the capital lease. SWACO recorded the credit as a premium on bonds payable totaling \$1,477,727 as of December 31, 2001. The premium is being amortized using the effective interest rate method. The unamortized bond premium was \$659,912 as of December 31, 2003.

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11. Closure and Postclosure Care Costs

State and federal laws and regulations require SWACO to place a final cover on its Sanitary Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only when portions of the landfill reach final waste elevation (not expected to occur before 2006), SWACO reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. In August 1995, SWACO submitted an application to the OEPA for a permit for expansion of its currently operating Sanitary Landfill. The OEPA awarded the permit to SWACO in May 1997. The expansion increased the Sanitary Landfill waste disposal capacity by approximately 50.3 million cubic yards and increased the costs of closure and postclosure care to an estimated \$43,845,000. These amounts are estimated based on the costs to perform all closure and postclosure care in 2003. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Currently, SWACO expects to operate the landfill for a minimum of 20 years. The amount reported as Sanitary Landfill closure and postclosure care liability of \$14,055,111 represents the cumulative amount reported at December 31, 2003, based on the use of 100% of the estimated capacity of the landfill before expansion and 15.5% of the estimated capacity of the expanded landfill, respectively. SWACO will recognize the remaining estimated cost of closure and postclosure care costs of approximately \$30 million as the remaining estimated capacity is filled.

SWACO also maintains and monitors the Model Landfill, which has been closed since 1985. The Model Landfill is not subject to the same state and federal laws and regulations as the current operating landfill.

During 1998, SWACO contracted to upgrade and maintain the Model Landfill cap and cover and to improve surface water drainage. In related agreements, during 1999 SWACO leased the Model Landfill site to private sector entities to develop a public golf course on the site, and leased the landfill gas collection system and sold the gas rights for the purpose of generating electricity.

As a result of these events, and the additional information provided to management regarding the cost of maintaining and remediating the site, management revised its estimates of the future remediation, maintenance and monitoring costs for the site. Based on these estimates, management revised its postclosure liability to \$4,562,792 in 1998 and recognized a \$13,870,072 reduction in the liability as an increase in 1998 net income. The amounts reported as Model Landfill postclosure care liability of \$2,058,436 at December 31, 2003 represents the total estimated remaining cost of the current remediation project plus estimated future remediation, maintenance and monitoring costs.

12. Service Agreements

On November 1, 1996, SWACO entered into a five-year yard waste compost facility service agreement, expiring on October 30, 2001. In March 2001, the agreement was extended through March 31, 2007. Under the amended agreement, SWACO pays a service fee for each ton of yard waste delivered to the facility, with a guaranteed minimum annual payment to the facility operator based on the delivery of 40,000 tons per year. SWACO entered into an agreement with a second facility operator beginning in October 2002. The second agreement also contains a

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tonnage service fee and a guaranteed minimum payment based on the delivery of 30,000 tons. The future minimum service payments under the two agreements are as follows:

<u>Year Ending December 31,</u>	
2004	\$ 1,188,400
2005	1,188,400
2006	1,188,400
2007	484,300

Operating expenses under the service agreements were approximately \$2,542,385 in 2003.

In April 1997, SWACO entered into a landfill service operations agreement with a contractor to oversee the Sanitary Landfill operations through the first two vertical phases of the landfill expansion. Under the agreement, the contractor furnishes all labor, materials, tools and equipment for the landfill operations and SWACO pays the contractor for each ton of waste received at the landfill. During 2003 SWACO paid the contractor an average rate per ton of \$5.45. The rate per ton is subject to quarterly incentive increases or decreases related to the compaction rate of solid waste placed in the landfill during the preceding quarter and an annual CPI adjustment on May 1 each year of the agreement. Operating expenses under the contract were \$5,008,731 in 2003.

13. Commitments and Contingencies

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

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

14. Risks and Uncertainties

SWACO is exposed to various risks of loss related to torts and general liability; theft of, damage to and destruction of assets; natural disasters; errors and omissions; employee health care claims and injuries to employees. Insurance policies are procured for buildings and contents and certain equipment. In addition, a crime policy is in effect which covers SWACO for employee theft and

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Notes to Financial Statements
As of December 31, 2003

dishonesty. Settled claims have not exceeded commercial coverage in any of the past three years. SWACO purchases workers' compensation insurance through the State of Ohio to cover all employees. SWACO also provides life insurance to its employees equal to each employees' base annual salary and a short-term disability benefit. These benefits are fully insured by SWACO through third parties.

SWACO purchases property insurance for all buildings and equipment, excluding over-the-road motor vehicles. Prior to 2001, SWACO purchased general liability, public officials liability, and motor vehicle liability and property insurance. These policies were discontinued by SWACO in 2001 and SWACO elected to retain risk for losses relating to torts and general liability and motor vehicle property and liability rather than insuring those risks through a third party. Beginning in 2002, SWACO has purchased \$5.0 million in general liability, public officials liability, and motor vehicle liability insurance for claims in excess of \$1.0 million. SWACO retains the risk for claims less than \$1.0 million.

SWACO provides health care benefits to its employees under agreement with Franklin County. The County provides multiple health care benefit plans that cover approximately 5,000 employees of the County and other political subdivisions. There are approximately 13,000 plan subscribers when spouses and dependents are counted. During 2003, these benefits included a self-insured participating provider organization medical plan, a prescription drug program, a mental health and chemical dependency program, and dental and vision benefits. The program is administered by third parties which provide claims review and processing. Participating County agencies and other political subdivisions pay their proportionate shares of the premiums and actual claims processed through these programs.

An estimate of the amounts to be paid for claims but unreported as of year-end has been developed by the County based on its historical experience. At December 31, 2003, SWACO recognized a liability of \$105,909 for reported, unpaid claims and \$107,000 as an estimate for claims that had been incurred but not reported (IBNR) based on SWACO's proportionate share of the County program.

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

SWACO analyzes all outstanding and potential claims that have arisen or could arise due to the occurrence of a loss contingency on or before December 31, 2003. Those claims that are judged to have a high probability of requiring a settlement and for which the amount required to settle the claim is reasonably estimable are included.

Unpaid claims at January 1, 2003	\$58,000
2003 incurred claims	70,638
2003 paid claims	<u>(61,499)</u>
Unpaid claims at December 31, 2003	<u>\$67,139</u>

SWACO
Notes to Financial Statements
As of December 31, 2003

15. Subsequent Events

Fifth Modification to the Lease. In 2004, SWACO and the City agreed to a Fifth Modification to the lease and transfer agreement. The Fifth Modification provided that SWACO would issue long-term bonds to repay the deferred lease balance at December 31, 2003 plus prepay a portion of the lease obligation for 2004. In return for the payment, the City agreed to modify certain portions of the lease as follows:

1. Retired Facility and Waiver Fee revenues collected from customers other than the City will be used to repay pay the bonds issued by SWACO. SWACO has no obligation to pay these revenues to the City until the bonds are paid in full;
2. The lease credits for waste delivered by the City to SWACO will be applied to the remaining lease balance with any excess lease obligation deferred as under the Third Modification;
3. The interest rate on any new deferred balances will be reduced from 4.5% under the Third Modification to the rate paid by StarOhio (the State Treasurer's investment pool) with a cap of 4.0%.
4. The remaining 30.5% reduction in the lease under the Third Modification for the years 2004 through 2010 will not be contingent on the new revenue remaining in place and will be recognized upon payment of the bond proceeds to the City.
5. The Third Modification requires SWACO to pay excess working capital to the City. This is no longer required under the Fifth Modification.
6. The Third Modification requires SWACO to pay rent in the amount of \$100,000 per year upon renewal of the lease. Under the Fifth Modification, this is reduced to \$1.00 per year and the lease has been extended by 50 years.
7. The City has agreed to continue delivering all of its solid waste to SWACO and committed to deliver its waste to SWACO's transfer stations.

In 2004, SWACO issued \$57,205,000 in general obligation bonds and paid the City \$55,100,000 pursuant to the Fifth Modification. Debt service on the bonds will be paid from Retired Facility and Waiver fees collected by SWACO.

Also in 2004, SWACO sold \$21,575,000 in general obligation bond anticipation notes to finance SWACO's 2004-2005 capital improvements plan. The proceeds of the notes will be used to pay the cost of the landfill expansion, property acquisition, and certain other solid waste facility improvements. Debt service on the notes and any notes or bonds issued to refund the notes will be paid from SWACO's tipping fees. SWACO used \$8.1 million of the note proceeds to purchase 226 acres of real estate located across from SWACO's landfill. SWACO plans to use the property, in part, to develop a resource recovery park.

SWACO
Supplemental Schedule—Operating Fund Statement of Net Assets – Proprietary
Fund
As of December 31, 2003

Assets	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Current assets:			
Cash and cash equivalents (note 4)	\$ 5,772,507	\$ -	\$ 5,772,507
Cash held in escrow	212,851	-	212,851
Accounts receivable (net)	2,325,890	131,658	2,457,548
Investments (note 4)	2,496,400	-	2,496,400
Interfund receivable (payable)	373,717	(373,717)	-
Other assets	73,684	-	73,684
	<u>11,255,049</u>	<u>(242,059)</u>	<u>11,012,990</u>
Noncurrent assets			
Cash held-underground storage tank fund	11,000	-	11,000
Closure/postclosure funds held by trustee:			
Investments (note 5)	16,142,509	-	16,142,509
Landfill (net of accumulated depletion and depreciation of \$12,065,524)	11,800,902	-	11,800,902
Property, plant and equipment (net of accumulated depreciation of \$6,977,528):			
Transfer stations	3,390,954	-	3,390,954
Motor vehicles and other equipment	3,968,957	-	3,968,957
Buildings and improvements	2,141,369	-	2,141,369
Idle plant facilities (note 9)	-	1,976,000	1,976,000
Other assets	32,382	-	32,382
	<u>37,488,073</u>	<u>1,976,000</u>	<u>39,464,073</u>
Total assets	<u>\$ 48,743,122</u>	<u>\$ 1,733,941</u>	<u>\$ 50,477,063</u>

Continued

SWACO**Supplemental Schedule—Operating Fund Statement of Net Assets – Proprietary Fund****As of December 31, 2003**

	Operating Fund		Total
	Continuing Operations	Discontinued Operations	
Liabilities			
Current liabilities:			
Accounts payable	\$ 2,584,134	\$ -	\$ 2,584,134
Accrued wages and benefits	1,005,433	-	1,005,433
Accrued interest	65,636	721,904	787,540
Current maturities long-term payables (note 8)	790,000	-	790,000
Capital lease obligation (note 10)	-	58,505,039	58,505,039
Unamortized bond premium (note 10)	-	273,346	273,346
Postclosure liability-Model Landfill (note 11)	-	1,025,347	1,025,347
Other payables	4,999	-	4,999
Total current liabilities	<u>4,450,202</u>	<u>60,525,636</u>	<u>64,975,838</u>
Noncurrent liabilities:			
Bonds payable (note 8)	15,255,000	-	15,255,000
Capital lease obligation (note 10)	-	49,546,792	49,546,792
Unamortized bond premium (note 10)	-	386,566	386,566
Closure and postclosure liability—			
Sanitary Landfill (note 11)	14,055,111	-	14,055,111
Postclosure liability—			
Model Landfill (note 11)	-	1,033,089	1,033,089
Other payable	-	-	-
Total noncurrent liabilities	<u>29,310,111</u>	<u>50,966,447</u>	<u>80,276,558</u>
Total liabilities	<u>33,760,313</u>	<u>111,492,083</u>	<u>145,252,396</u>
Net Assets			
Invested in capital assets, net of related debt			
Idle plant facilities net of lease obligation	-	(106,075,831)	(106,075,831)
Other capital assets, net	5,257,182	-	5,257,182
Restricted			
Sanitary landfill closure/postclosure trust fund net of accrued liability	2,087,398	-	2,087,398
Other restricted, net	223,851	-	223,851
Unrestricted	7,414,378	(3,682,311)	3,732,067
Total net assets	<u>\$ 14,982,809</u>	<u>\$ (109,758,142)</u>	<u>\$ (94,775,333)</u>

SWACO**Supplemental Schedule—Operating Fund Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund
For the Year Ended December 31, 2003**

	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Operating Revenues:			
Tipping and disposal fees	\$ 14,078,827	\$ -	\$ 14,078,827
Waste transfer fees	4,074,022	-	4,074,022
Retired facility and waiver fees	-	7,915,736	7,915,736
Other	57,954	625,796	683,750
Operating revenues	18,210,803	8,541,532	26,752,335
Operating Expenses:			
Salaries, wages and benefits	4,635,178	45,364	4,680,542
Contract, services and supplies	9,574,406	117,626	9,692,032
Depreciation and depletion	1,872,856	-	1,872,856
Landfill closing costs	999,426	-	999,426
Other	85,997	-	85,997
Interfund transfers	(780,620)	-	(780,620)
Transfer from Continuing to Discontinued Operations	2,747,265	(2,747,265)	-
Operating expenses	19,134,508	(2,584,275)	16,550,233
Operating income	(923,705)	11,125,807	10,202,102
Nonoperating income (expenses) :			
Gain on forgiveness of debt (note 10)	-	3,927,405	3,927,405
Interest expense	(820,963)	(3,951,560)	(4,772,523)
Interest income	466,409	-	466,409
Loss on sale of assets	(3,965)	-	(3,965)
Total nonoperating income (expense)	(358,519)	(24,155)	(382,674)
Change in net assets	(1,282,224)	11,101,652	9,819,428
Total net assets - beginning (as restated)	16,265,033	(120,859,794)	(104,594,761)
Total net assets - ending	\$ 14,982,809	\$ (109,758,142)	\$ (94,775,333)

SWACO
Supplemental Schedule—Operating Fund Statement of Cash Flows – Proprietary
Fund
For the Year Ended December 31, 2003

	Operating Fund		Total
	Continuing Operations	Discontinued Operations	
Cash flows from operating activities:			
Receipts from customers	\$ 17,820,598	\$ -	\$ 17,820,598
Retired facility and wiaver fees collected	-	5,373,323	5,373,323
Other receipts	57,954	625,796	683,750
Payments to employees	(3,651,501)	(45,364)	(3,696,865)
Payments for retirement & payroll taxes	(904,407)	-	(904,407)
Payments to vendors	(9,501,607)	(143,916)	(9,645,523)
Post closure costs paid - Model Landfill	-	(315,653)	(315,653)
Interfund charges	780,620	-	780,620
Transfers from Continuing to Discontinued Operations	(2,747,265)	2,747,265	-
Net change in interfund receivable/(payable)	(55,605)	55,605	-
Other payments	(15,000)	-	(15,000)
Net cash provided by operating activities:	<u>1,783,787</u>	<u>8,297,056</u>	<u>10,080,843</u>
Cash flows from noncapital financing activities:			
Grants received	-	-	-
Grants made	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest received	497,458	-	497,458
Increase in investments	1,118,748	-	1,118,748
Net cash provided by investing activities	<u>1,616,206</u>	<u>-</u>	<u>1,616,206</u>
Cash flows from capital and related financing activities:			
Landfill, plant improvements and equipment additions	(2,100,827)	-	(2,100,827)
Principal paid on bond payable	(750,000)	-	(750,000)
Principal paid on capital lease	-	(6,220,541)	(6,220,541)
Interest paid	(821,385)	(2,076,515)	(2,897,900)
Net cash used in capital and related financing activities	<u>(3,672,212)</u>	<u>(8,297,056)</u>	<u>(11,969,268)</u>
Net decrease in cash	(272,219)	-	(272,219)
Cash and cash equivalents, beginning of year	<u>6,268,577</u>	<u>-</u>	<u>6,268,577</u>
Cash and cash equivalents, end of year	<u>\$ 5,996,358</u>	<u>\$ -</u>	<u>\$ 5,996,358</u>

SWACO
Supplemental Schedule—Operating Fund Statement of Cash Flows – Proprietary
Fund
For the Year Ended December 31, 2003

	Operating Fund		Total
	Continuing Operations	Discontinued Operations	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	(923,705)	11,125,807	10,202,102
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and depletion	1,872,856	-	1,872,856
Deferred rent	-	-	-
Lease credits received in lieu of cash	-	(2,529,335)	(2,529,335)
Increase (decrease) in cash resulting from changes in:			
Accounts and notes receivable (net)	(246,253)	(13,079)	(259,332)
Accounts payable	72,775	-	72,775
Interfund receivable	(55,606)	55,606	-
Accrued wages and benefits	79,271	-	79,271
Closure and postclosure liability - Sanitary Landfill	999,426	-	999,426
Postclosure liability - Model Landfill	-	(315,653)	(315,653)
Other assets and liabilities	(14,977)	(26,290)	(41,267)
Net cash provided by operating activities:	<u>\$ 1,783,787</u>	<u>\$ 8,297,056</u>	<u>\$ 10,080,843</u>

Noncash capital and related financing activities (Continuing Operations)

Reduction in capital lease obligation of \$3,927,405 related to the modification of the lease obligation described in note 10.

Amortization of premium on refunding bonds of \$364,227 (note 10).

Change in carrying value of investments resulting in loss of \$51,502.

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STATISTICAL SECTION

STATISTICAL SECTION

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

Tables 3 through 7 present data on solid waste deliveries and tipping fees at SWACO facilities. The generation fees reported on Table 8 provides generation fees reported by solid waste facilities receiving waste generated from within the Franklin County Solid Waste Management District (the "District") and disposed in an Ohio landfill.

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

SWACO
Statements of Net Assets - All Funds
For Years Ended December 31, 1994 through 2003
(in thousands)

ASSETS	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Current assets:										
Cash and cash equivalents (note 4) ¹	\$ 11,165	\$ 6,914	\$ 2,772	\$ 5,036	\$ 7,804	\$ 10,077	\$ 11,591	\$ 11,371	\$ 6,257	\$ 5,772
Restricted cash	159	410	473	1,046	5,249	6,963	7,543	6,021	5,228	3,330
Cash held by fiscal agent/in escrow	3,001	1,742	23	-	-	-	-	-	-	213
Accounts receivable (net of allowances)	2,572	2,659	2,079	1,968	1,518	1,906	2,059	2,227	2,199	-
Accounts receivable - restricted ²	-	-	-	205	354	134	84	101	94	2,562
Investments	-	-	-	-	-	-	-	-	4,493	2,496
Other assets	50	49	126	101	58	134	157	72	99	119
Total current assets	16,947	11,774	5,473	8,356	14,983	19,214	21,434	19,792	18,370	14,492
Noncurrent Assets										
Cash held in escrow	-	-	140	2,752	89	67	41	41	-	-
Cash held for underground storage tank fund	-	-	-	-	55	55	66	11	11	11
Restricted cash	-	-	197	8,160	5,407	3,242	-	-	-	-
Closure Trust Fund (note 5)	-	4,386	8,320	8,943	10,338	11,750	13,378	14,409	15,296	16,142
Sanitary landfill (net of accumulated deprec.)	5,883	7,437	5,844	6,010	7,737	7,559	10,401	11,083	11,475	11,801
Property, plant & equipment (net of deprec.)	7,424	7,271	7,027	7,017	6,984	7,360	7,820	9,911	10,611	11,073
Waste-to-Energy Facility (note 10)	36,594	36,594	36,594	6,500	6,433	6,381	6,338	4,605	1,976	1,976
Accounts receivable - restricted	-	-	1,576	112	-	-	-	-	-	-
Funds on deposit with public employees deferred compensation programs	896	701	790	883	-	-	-	-	-	-
Other assets	43	35	5	45	70	97	67	63	60	51
Total noncurrent assets	50,840	56,424	60,493	40,422	37,113	36,511	38,111	40,123	39,429	41,054
Total Assets	\$ 67,787	\$ 68,198	\$ 65,966	\$ 48,778	\$ 52,096	\$ 55,725	\$ 59,545	\$ 59,915	\$ 57,799	\$ 55,546

continued

LIABILITIES

Table 1 (continued)

Current Liabilities:

Accounts payable	\$ 2,178	\$ 1,051	\$ 1,472	\$ 1,375	\$ 1,755	\$ 2,020	\$ 3,368	\$ 2,729	\$ 1,875	\$ 2,584
Accrued wages and benefits	1,267	621	587	483	644	686	736	868	926	1,005
Accrued interest	154	2,338	3,076	7,438	15,445	6,285	2,151	648	824	788
Current maturities of bonds payable (note 8)	115	115	115	690	720	755	790	710	750	790
Notes payable	10,003	10,011	10,001	-	-	-	-	-	-	-
Accrued plant closing expenses (note 9)	2,566	1,227	1,021	1,015	710	336	292	93	26	-
Capital lease obligation (note 10)	8,583	18,094	27,713	38,950	48,879	42,673	50,632	52,588	56,923	58,505
Postclosure liability - Model Landfill (note 11)						156	250	1,250	1,341	1,025
Other	-	1,958	949	-	-	115	10	655	482	278
Total current liabilities	24,866	35,415	44,934	49,951	68,153	53,026	58,229	59,540	63,147	64,975

Noncurrent liabilities:

Landfill purchase contract payable	690	575	460	345	230	115	-	-	-	-
Bonds payable (note 8)	-	-	-	19,425	18,820	18,180	17,505	16,795	16,045	15,255
Capital lease obligation (note 10)	156,789	147,278	137,659	126,422	109,256	97,602	85,921	74,855	61,533	49,547
Closure and postclosure liability - Sanitary landfill (note 11)	5,705	7,034	8,096	8,849	9,606	10,314	11,391	12,334	13,056	14,055
Postclosure liability - Model Landfill (note 11)	19,940	19,647	19,508	19,128	4,563	2,955	2,325	1,204	1,033	1,033
Other	-	-	96	23	58	63	91	-	660	387
Due to others	896	701	790	883	-	-	-	-	-	-
Total noncurrent liabilities	184,020	175,235	166,609	175,075	142,533	129,229	117,234	105,187	92,327	80,277
Total liabilities	208,886	210,650	211,543	225,026	210,686	182,255	175,463	164,728	155,474	145,252

NET ASSETS

Invested in capital assets, net of related debt:

Idle plant facilities, net of lease obligation	(128,778)	(128,778)	(128,778)	(158,872)	(151,702)	(133,894)	(130,215)	(122,838)	(116,480)	(106,076)
Other capital assets, net	5,056	5,045	2,492	712	344	(905)	1,684	3,490	5,291	6,829
Restricted:										
Sanitary landfill closure/postclosure trust fund, net of accrued liability	(5,705)	(2,648)	224	94	732	1,436	1,987	2,075	2,240	2,087
Other restricted, net	3,160	2,152	2,409	12,275	11,154	10,461	7,734	6,173	5,333	6,116
Unrestricted	(14,832)	(18,223)	(21,924)	(30,457)	(19,118)	(3,628)	2,893	6,287	5,941	1,338
Total net assets	\$ (141,099)	\$ (142,452)	\$ (145,577)	\$ (176,248)	\$ (158,590)	\$ (126,530)	\$ (115,917)	\$ (104,813)	\$ (97,675)	\$ (89,706)

¹ All references to notes are to the Notes to Financial Statements, pages 2-16 to 2-32.

² Not reported separately prior to 1997.

Source: SWACO audited financial statements.

SWACO
Statements of Revenues, Expenses, and Changes in Fund Net Assets - All Funds
For Years Ended December 31, 1994 through 2003
(in thousands)¹

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenues: ²										
Tipping and disposal fees	\$ 35,588	\$ 19,378	\$ 15,450	\$ 14,944	\$ 11,105	\$ 11,238	\$ 13,576	\$ 13,705	\$ 13,600	\$ 14,079
Waste transfer fees ³	-	-	2,717	2,855	3,686	3,471	3,806	3,884	3,860	4,132
Retired facility and waiver fees	-	-	-	-	-	5,149	7,488	7,596	7,722	7,916
Generation fees ⁴	720	4,837	5,296	5,479	5,679	5,735	5,780	5,571	5,559	5,655
Electricity sales	7,339	-	-	-	-	-	-	-	-	-
Other	211	600	160	206	312	245	686	868	704	755
Operating revenues	43,858	24,815	23,623	23,484	20,782	25,839	31,337	31,624	31,445	32,536
Expenses: ²										
Salaries, wages and benefits	11,904	3,525	3,648	3,588	3,763	3,679	3,801	4,304	4,873	5,582
Contracts, services and supplies	16,491	8,977	9,972	8,715	9,238	9,369	13,817	13,164	13,625	14,815
Depreciation and depletion	9,472	3,090	3,178	2,262	1,068	1,121	1,132	1,424	1,815	2,151
Landfill closing expenses	929	1,329	1,063	753	757	707	1,078	942	722	999
Reduction of liability (note 11)	-	-	-	-	(13,870)	-	-	-	-	-
Impairment loss (note 9)	123,028	-	-	30,034	-	-	-	-	2,627	-
Plant closing costs	3,220	-	-	-	-	-	-	-	-	-
Other	178	14	6	-	-	5	52	1	22	113
Operating expenses	165,222	16,935	17,867	45,352	956	14,881	19,880	19,836	23,684	23,660
Operating income (loss)	(121,364)	7,880	5,756	(21,868)	19,826	10,958	11,456	11,788	7,761	8,876

continued

Table 2 (continued)

Nonoperating income (expenses):										
Gain on forgiveness of debt (note 10)	-	-	-	-	7,236	27,725	3,722	3,929	3,663	3,927
Interest expense	(9,459)	(9,858)	(9,602)	(9,861)	(11,052)	(8,418)	(6,745)	(6,113)	(4,919)	(4,773)
Interest income	315	479	599	972	1,408	1,528	2,002	1,296	705	466
Grants received	138	146	122	86	96	256	132	138	134	138
Grants awarded ⁵	-	-	-	-	-	-	-	-	(155)	(542)
Gain (loss) on sale of assets	-	-	-	-	144	10	45	68	(50)	(125)
Total nonoperating expenses	(9,006)	(9,233)	(8,881)	(8,803)	(2,168)	21,101	(844)	(683)	(622)	(908)
Change in net assets	(130,370)	(1,353)	(3,125)	(30,671)	17,658	32,059	10,613	11,105	7,139	7,968
Total net assets - beginning	(10,729)	(141,099)	(142,452)	(145,577)	(176,248)	(158,590)	(126,531)	(115,918)	(104,813)	(97,674)
Total net assets - ending	<u>\$ (141,099)</u>	<u>\$ (142,452)</u>	<u>\$ (145,577)</u>	<u>\$ (176,248)</u>	<u>\$ (158,590)</u>	<u>\$ (126,531)</u>	<u>\$ (115,918)</u>	<u>\$ (104,813)</u>	<u>\$ (97,674)</u>	<u>\$ (89,706)</u>

¹ Totals may not add due to rounding.

² Revenues and expenses reflect operation of the WTEF in 1994.

³ Included in tipping fees for 1994-1995; established as a separate fee in 1996.

⁴ Current \$5/ton fee effective 11/1/94; excludes the \$49/ton fee in effect from June 1 to August 31, 1994 (included in tipping fees).

⁵ Included in Contracts, Services and Supplies prior to 2002.

Source: SWACO audited financial statements.

All references to Notes are to the Notes to Financial Statements, pages 2-16 to 2-32.

Table 3

SWACO
Solid Waste Received 1994-2003
(in tons)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total solid waste received by SWACO ¹	798,328	597,853	640,580	663,443	634,831	714,791	880,867	881,985	883,393	919,315
Solid waste burned at WTEF ²	(478,853)	0	0	0	0	0	0	0	0	0
Ash disposed	130,289	0	0	0	0	0	0	0	0	0
Net WTEF Reduction ³	(348,564)	0	0	0	0	0	0	0	0	0
Scrap metal, tires, white goods & other Carryover/(shrinkage)	(43,821) 0	(646) 5,040	(966) 1,260	(1,487) (9,337)	(714) (6,280)	(913) 114	(453) (1,930)	(5,517) 1,138	(379) 2,449	(70) (873)
Total reduction	(43,821)	4,394	294	(10,824)	(6,994)	(799)	(2,383)	(4,379)	2,070	(943)
Total solid waste landfilled	405,943	602,247	640,874	652,619	627,837	713,992	878,484	877,607	885,463	918,372
Solid waste transferred out-of-county ⁴	0	0	0	0	0	0	(24,811)	0	0	0
Solid waste landfilled - Franklin County Sanitary Landfill	405,943	602,247	640,874	652,619	627,837	713,992	853,673	877,607	885,463	918,372

¹ Total solid waste received at all SWACO facilities including the landfill, the Waste-to-Energy Facility and waste transfer stations. The 2002 data includes 150 tons received as part of pilot projects and not subject to generation fees as reported on Table 8.

² The Waste-to-Energy Facility was closed in December 1994. Tonnage burned is an estimate.

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

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

Table 4

SWACO
Solid Waste Received by Location 1995-2003¹
(in tons)

Location	1995	1996	1997	1998	1999	2000	2001	2002	2003
Jackson Pike Transfer Station	244,558	242,243	271,999	205,177	144,768	140,152	139,576	167,211	173,213
Morse Road Transfer Station	122,297	140,731	119,008	119,008	111,205	128,337	131,837	129,495	149,120
Georgesville Road Transfer Station	29,800	65,274	66,248	66,248	72,627	83,471	87,027	62,788	63,860
Total Transfer Stations	396,655	448,248	457,255	390,433	328,600	351,960	358,440	359,494	386,193
Sanitary Landfill	201,198	192,332	206,188	244,398	386,191	528,907	523,545	523,899	533,122
Total Received	597,853	640,580	663,443	634,831	714,791	880,867	881,985	883,393	919,315

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

SWACO
Largest Customers 1994-2003
(in tons)

Customer	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
City of Columbus ¹	305,625	318,573	327,030	326,647	328,671	330,451	346,569	357,745	351,481	363,518
Republic Waste Systems ²	87,294	65,329	81,239	98,695	92,846	122,841	229,357	210,383	183,507	195,283
Rumpke Waste/Rumpke Container	52,911	17,350	19,043	52,917	49,365	105,509	157,769	162,573	155,091	158,657
Waste Management of Ohio (post-merger) ³	117,681	100,132	103,447	77,199	19,711	72,354	76,667	71,170	77,684	81,201
Local Waste Services LLC	n/a	n/a	n/a	n/a	n/a	n/a	9,241	17,757	47,922	56,959
City of Upper Arlington	8,159	7,744	7,412	7,887	8,372	8,780	8,523	7,873	7,643	7,814
BFI of Ohio, Inc.	-	-	-	-	-	-	-	-	-	6,737
Flower Garbage	884	-	152	153	3,999	1,032	212	4,628	5,521	6,211
City of Grandview Heights	3,627	3,571	3,677	3,619	3,597	3,485	3,729	3,698	3,605	3,591
Container Services	-	-	-	-	-	220	85	4,531	5,796	3,351
Adept, Inc.	2,341	2,122	2,592	4,706	7,780	8,262	6,384	4,188	2,075	2,140
Central Ohio Contractors	2,610	2,636	1,688	2,532	5,447	3,946	3,861	3,656	3,355	1,975
B & D Hauling	9,753	9,604	13,761	18,668	16,240	16,282	5,166	-	-	-
Waste Management of Ohio (pre-merger) ⁴	146,446	41,657	48,852	40,351	50,485	n/a	n/a	n/a	n/a	n/a
Total Largest Customers	737,331	568,718	608,893	633,375	586,511	673,162	847,562	848,202	843,680	887,437
Total tons received by SWACO ⁵	798,328	597,853	640,580	663,443	634,831	714,791	880,867	881,985	883,393	919,315
Largest customer % of total received	92%	95%	95%	95%	92%	94%	96%	96%	96%	97%
Total tons disposed ⁶	n/a	967,308	1,059,142	1,095,838	1,135,812	1,146,993	1,156,019	1,114,223	1,111,953	1,130,559
Largest customer % of total waste disposal	n/a	59%	57%	58%	52%	59%	73%	76%	76%	78%

Notes to Table 5
Largest Customers 1994 - 2003

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
¹ City of Columbus includes the following:										
City of Columbus Division of Sanitation	293,886	308,258	314,803	318,273	322,142	318,236	336,395	345,774	338,731	352,337
Other City of Columbus Departments	11,738	10,315	12,227	8,374	6,529	12,215	10,174	11,971	12,750	11,180

² Republic Waste Systems acquired Superior Services September 1, 2000. Superior Services acquired B.F.I. Waste Systems and Ohio Disposal Systems in 1997. Southwest Waste acquired Larry's Trucking in 1997. Republic Waste Services entered the market as part of the Waste Management divestiture (see note 3). The above data include the following:

B.F.I. Waste Systems	47,044	43,773	43,661	17,283	n/a	n/a	n/a	n/a	n/a	n/a
Ohio Disposal Systems	29,903	11,036	25,984	12,205	n/a	n/a	n/a	n/a	n/a	n/a
Superior Services	n/a	n/a	n/a	57,336	81,096	95,867	81,344	n/a	n/a	n/a
Republic Waste Systems	n/a	n/a	n/a	n/a	n/a	15,610	140,946	210,383	183,507	195,283
Southwest Waste	10,347	10,520	11,594	11,871	11,749	11,364	7,067	n/a	n/a	n/a

³ U.S.A. Waste acquired Johnson Disposal and Laidlaw Waste Systems in 1997, and Waste Management in 1998. The new company kept the name Waste Management but was required to divest a portion of the previous Waste Management business effective 11/6/98.

The above data include the following:

Johnson Disposal	1,382	n/a	4,042	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Laidlaw Waste Systems	116,299	100,132	99,405	77,199	1,475	n/a	n/a	n/a	n/a	n/a
U.S.A. Waste	n/a	n/a	n/a	n/a	13,316	n/a	n/a	n/a	n/a	n/a
Waste Management of Ohio	n/a	n/a	n/a	n/a	4,920	72,354	76,667	71,170	77,684	81,201

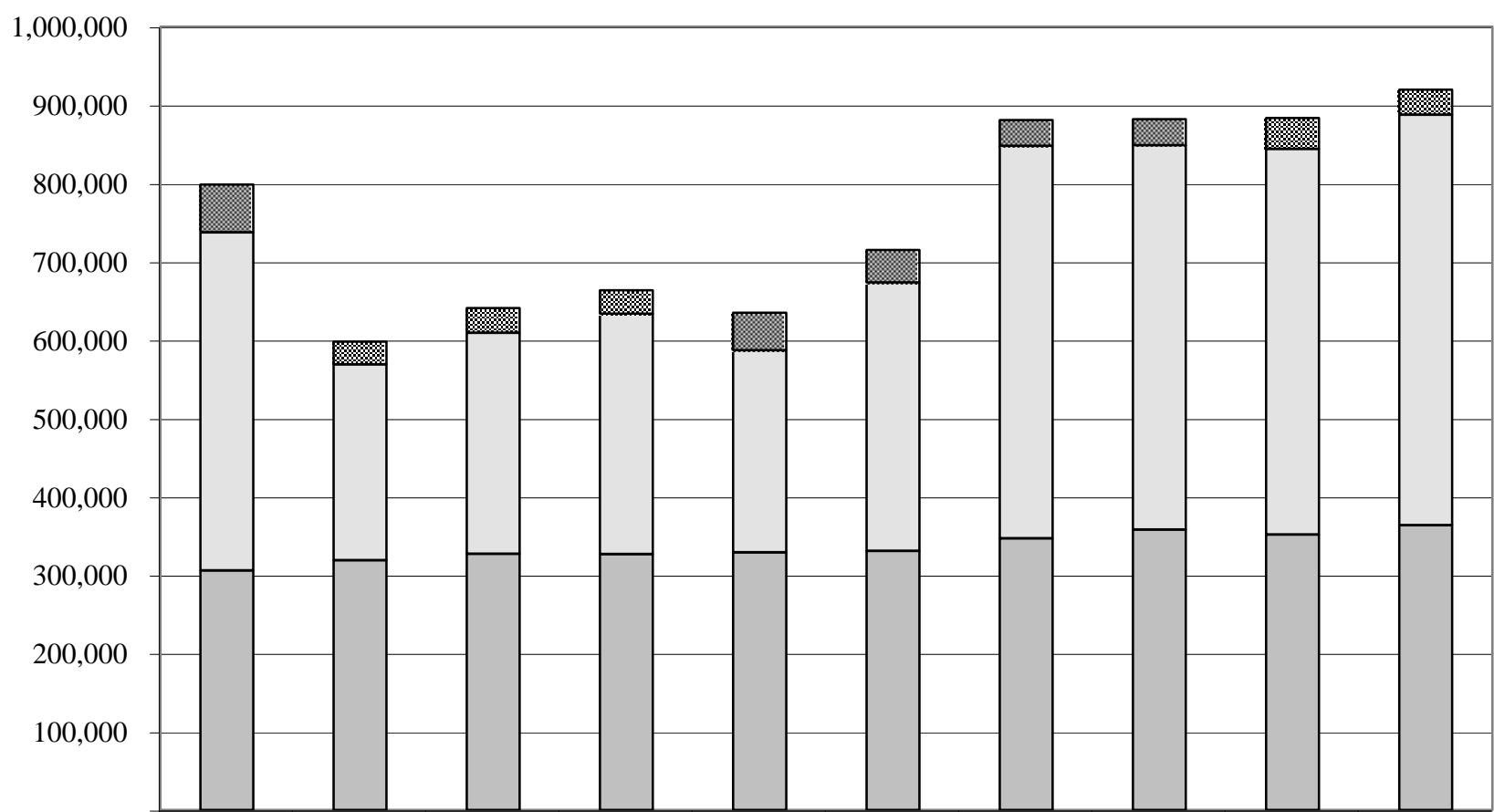
⁴ Waste Management of Ohio through 11/6/98, the effective date of the divestiture (see note 3).

⁵ Total solid waste disposed at SWACO facilities.

⁶ Total solid waste subject to Generation Fee and disposed at SWACO facilities and out of county facilities.

Source: SWACO

SWACO Waste Receipts 1994 - 2003



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
▣ All others	60,998	29,137	31,687	30,069	48,319	41,629	33,305	33,783	39,713	31,878
▣ Rest of Top Ten*	431,706	250,143	281,863	306,727	257,841	342,711	500,993	490,457	492,199	523,920
▣ City of Columbus*	305,625	318,573	327,030	326,647	328,671	330,451	346,569	357,745	351,481	363,518

Source: Solid Waste Authority of Central Ohio

*See notes to Table 5.

Table 6

SWACO
Tires and White Goods Received 1994 - 2003¹

	Tires (each)	White goods (each)
1994	43,376	7,689
1995	38,078	5,043
1996	48,390	6,071
1997	45,774	5,403
1998	36,738	4,548
1999	27,186	4,957
2000	22,881	6,596
2001	18,715	6,972
2002	17,650	7,249
2003	17,608	5,404

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

Source: Solid Waste Authority of Central Ohio

Table 7

SWACO Disposal Rates 1991-2003

Effective Date	Franklin County Landfill	Jackson Pike Transfer ²	Morse Road Transfer	Georgesville Rd. Transfer	Alum Creek Transfer	Holbrook Compost Facility	Charge Unit
02/01/1991 ¹	\$4.90	----	----	----	----	----	Cu. Yard
04/01/1991	7.50	----	----	----	----	----	Cu. Yard
04/01/1993	7.50	\$7.50	\$7.50	\$7.50	\$7.50	----	Cu. Yard
07/01/1993	13.25	13.00	13.50	13.00	13.00	----	Cu. Yard
06/01/1994	49.00	49.00	49.00	49.00	49.00	----	Ton
09/01/1994	32.00	32.00	32.00	32.00	32.00	----	Ton
11/01/1994 ³	37.00	37.00	37.00	37.00	Closed	----	Ton
02/07/1996	33.00	37.00	44.00	40.00	----	----	Ton
03/11/1996	30.00	34.00	41.00	37.00	----	----	Ton
05/08/1996	27.00	31.00	38.00	34.00	----	----	Ton
04/08/1998 ⁴	22.25	32.25	33.25	33.25	----	----	Ton
⁵	20.00	30.00	31.00	31.00	----	----	Ton
04/01/1999 ⁶	29.25	39.25	40.25	40.25	----	----	Ton
⁷	27.00	37.00	38.00	38.00	----	----	Ton
10/04/1999 ^{8,9}		----- No Change -----			----	\$6.00	Ton

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

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

³ Beginning November 1, 1994, all rates include a \$5.00/ton generation fee.

⁴ Non-contract rate.

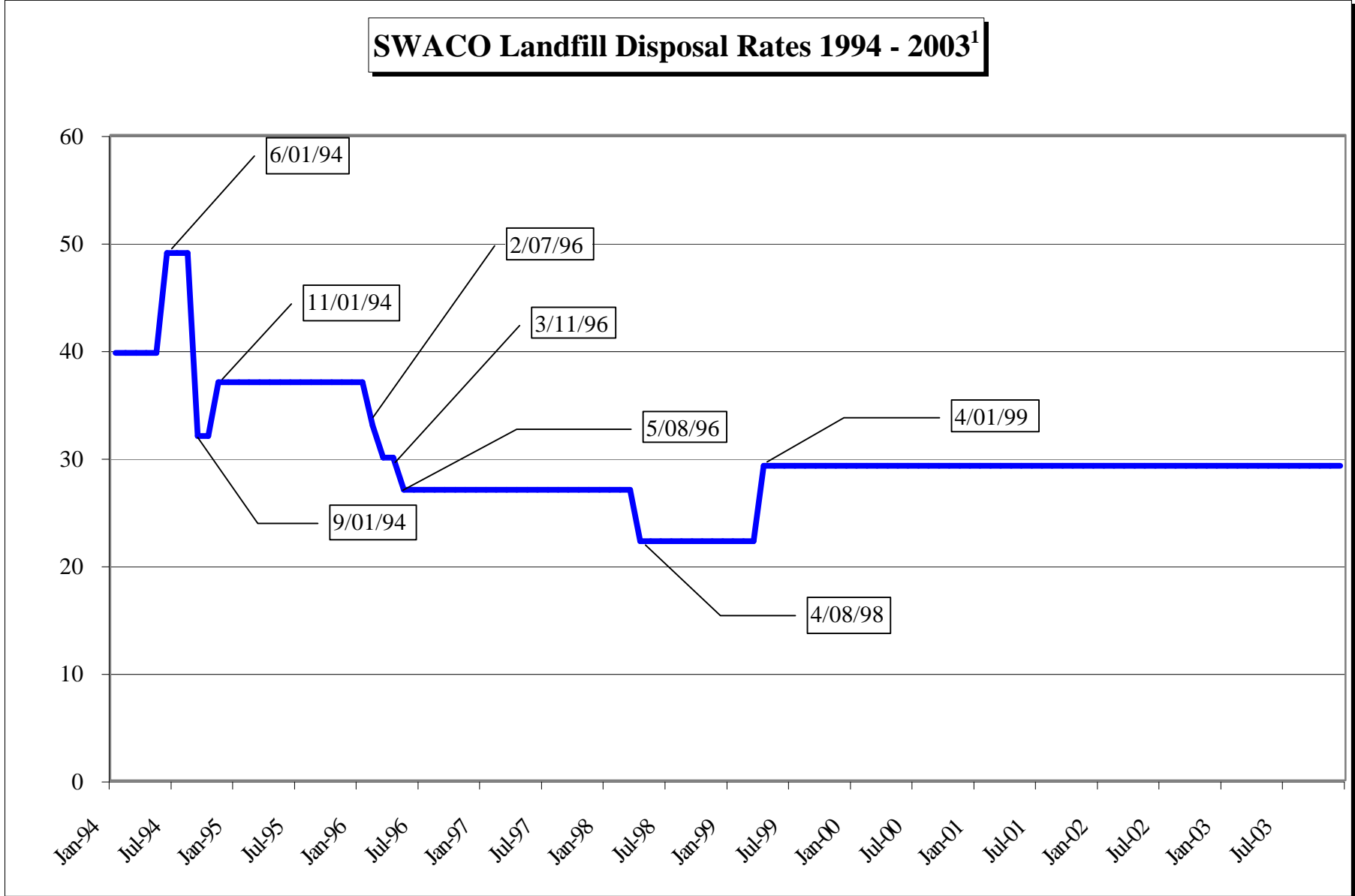
⁵ Reduced contract rate for put-or-pay customers meeting certain requirements.

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

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

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

⁹ No further rate changes in 2000 - 2003.



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

Table 8

Generation Fee Tonnage Reported 1994 - 2003¹

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Solid Waste Authority (4 facilities)	101,806	597,853	640,580	663,443	634,831	714,791	880,867	881,985	883,393	919,315
Waste Management (post-merger) ²	14,942	187,419	205,518	226,072	305,949	289,587	223,356	213,387	208,885	185,927
Rumpke Waste (4 facilities)	5,107	35,860	70,772	46,095	68,960	33,665	16,098	1,127	395	878
Waste Management (pre-merger) ³	21,814	144,747	140,193	156,116	121,779	n/a	n/a	n/a	n/a	n/a
Republic Waste Services	n/a	n/a	n/a	n/a	n/a	108,120	35,594	17,228	19,256	21,102
Other (14 facilities)	291	1,429	2,070	4,125	4,299	830	105	496	24	3,337
Total	143,960	967,308	1,059,133	1,095,851	1,135,818	1,146,993	1,156,019	1,114,223	1,111,953	1,130,559

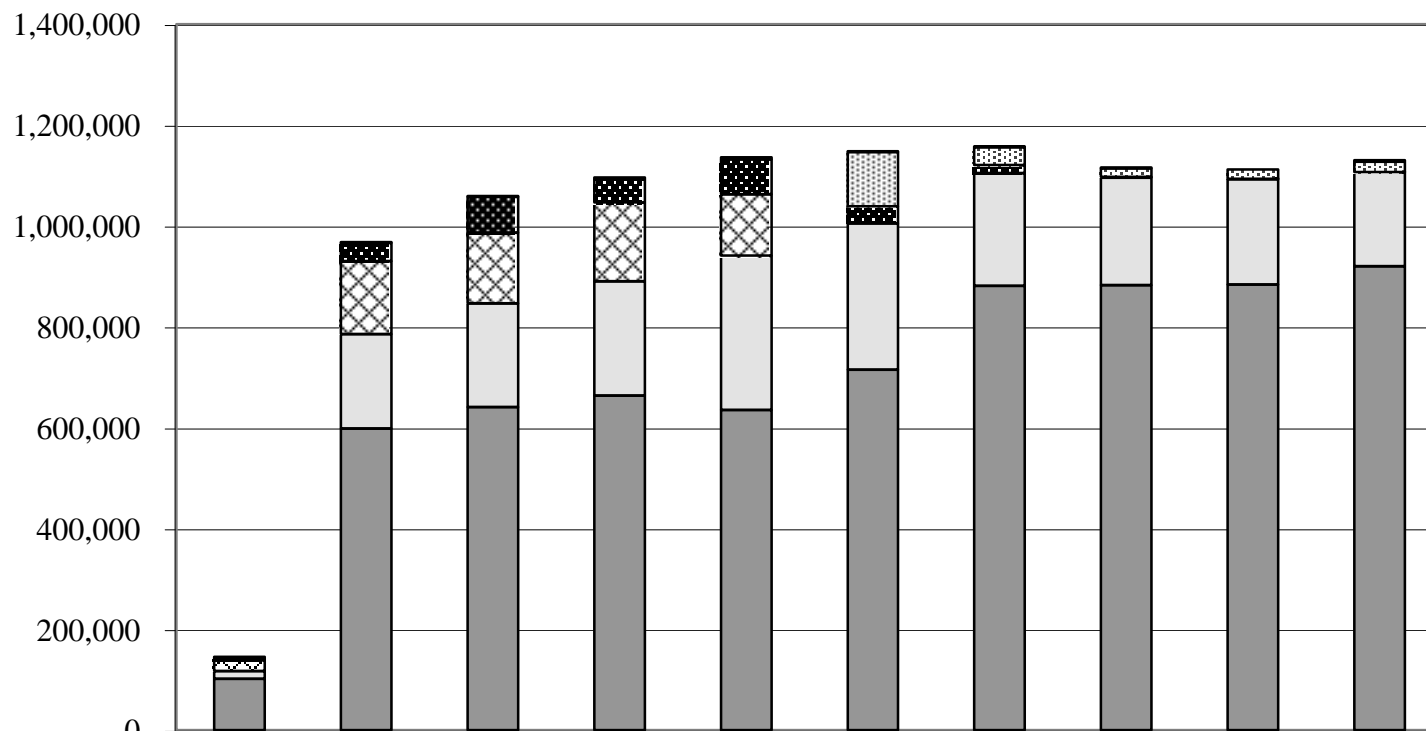
¹The generation fee is charged on all solid waste generated within SWACO's jurisdiction and disposed in a sanitary landfill located in Ohio. Certain solid waste is exempt from the fee. The current \$5 per ton generation fee was enacted effective November 1, 1994; this data excludes the \$49 per ton generation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

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

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

Source: SWACO

Generation Fee Tonnage Reported 1994 - 2003



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
■ Other (14 facilities)	291	1,429	2,070	4,125	4,299	830	105	496	24	3,337
▣ Republic	0	0	0	0	0	108,120	35,594	17,228	19,256	21,102
▣ Rumpke (4 facilities)	5,107	35,860	70,772	46,095	68,960	33,665	16,098	1,127	395	878
▣ Waste Management (pre-merger)	21,814	144,747	140,193	156,116	121,779	0	0	0	0	0
▣ Waste Management (post-merger)	14,942	187,419	205,518	226,072	305,949	289,587	223,356	213,387	208,885	185,927
▣ SWACO (4 facilities)	101,806	597,853	640,580	663,443	634,831	714,791	880,867	881,985	883,393	919,315

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

Table 9

SWACO
Yard Waste Composting 1994-2003
(in tons)

Year	Yard Waste Composted
1994	57,368
1995	63,371
1996	88,964
1997	92,207
1998	83,020
1999	74,224
2000	89,589
2001	105,315
2002	113,293
2003	<u>142,860</u>
Total	<u><u>910,211</u></u>

Source: SWACO.

SWACO
Household Hazardous Waste collection 1994 - 2003
(in pounds)¹

Material Classification	1994	1995	1996	1998	1999	2000	2001	2002	2003
Alkaline Batteries	6,344	4,291	7,768	8,171	1,614	5,135	4,066	5,017	n/a
Loosepack Fuels	195,215	144,328	180,508	138,975	94,287	171,388	173,899	183,289	148,189
Aerosol-Flammable	33,148	17,741	23,224	12,626	5,307	9,997	12,160	11,222	15,636
Aerosol-Pesticides	5,781	2,752	9,025	4,734	2,573	6,268	5,197	7,455	8,078
Bulked Flammables	162,112	108,582	131,048	126,297	73,021	124,557	129,246	153,965	263,418
Latex Paint	165,378	62,600	103,699	113,253	65,206	98,629	124,979	147,297	89,184
Lab Pack A	78,394	29,458	144,949	3,281	1,616	10,715	10,616	11,850	15,211
Lab Pack B	54,142	32,643	53,468	37,787	21,014	46,397	39,979	37,932	47,757
Propane Cylinders	16,085	2,816	3,785	5,731	3,448	8,839	11,226	27,299	35,051
Lead/Acid Batteries	40,361	8,903	34,589	16,423	1,805	9,845	18,215	23,073	24,272
Acids/Bases	14,992	8,903	9,410	6,396	4,103	-	-	-	-
Freon	969	63	257	539	60	-	-	-	446
Used Oil /Antifreeze	63,276	30,536	26,633	27,437	9,935	28,606	36,253	33,680	38,596
Cylinders	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	605
Fire Extinguishers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,348
Flourescent Light Bulbs	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	460
Total	836,197	453,616	728,363	501,650	283,990	520,376	565,836	642,079	688,251
Collection events	21	12	14	7	7	10	12	13	14
Collection days	53	26	28	14	14	20	24	26	27
Vehicles	13,519	8,556	10,825	9,014	3,441	7,562	9,002	10,033	11,559
Households Served	15,547	9,483	12,482	9,960	3,887	8,436	9,947	11,204	12,471
Pounds per vehicle	62	53	67	56	83	69	63	64	60

¹ There was no collection in 1997.

Source: Solid Waste Authority of Central Ohio

Source: Solid Waste Authority of Central Ohio

Table 11

Debt Service Schedule
Franklin County Series 1997 Bonds¹

Year	Principal	Coupon	Interest	Total
1997	-	-	\$329,938 ²	\$329,938
1998	\$575,000	5.00%	981,635	1,556,635
1999	605,000	5.00%	952,885	1,557,885
2000	640,000	5.00%	922,635	1,562,635
2001	675,000	5.00%	890,635	1,565,635
2002	710,000	5.00%	856,885	1,566,885
2003	750,000	4.50%	821,385	1,571,385
2004	790,000	4.30%	787,635	1,577,635
2005	835,000	5.50%	753,665	1,588,665
2006	880,000	5.50%	707,740	1,587,740
2007	930,000	5.50%	659,340	1,589,340
2008	980,000	4.50%	608,190	1,588,190
2009	1,035,000	4.60%	564,090	1,599,090
2010	1,090,000	4.70%	516,480	1,606,480
2011	1,150,000	4.75%	465,250	1,615,250
2012	1,215,000	4.80%	410,625	1,625,625
2013	1,280,000	4.85%	352,305	1,632,305
2014	1,350,000	4.90%	290,225	1,640,225
2015	1,425,000	4.90%	224,075	1,649,075
2016	1,500,000	5.00%	154,250	1,654,250
2017	1,585,000	5.00%	79,250	1,664,250
Total	\$20,000,000		\$12,329,118	\$32,329,118
				Net interest cost (%) 4.864%

¹ Bonds were issued in 1997 by Franklin County on behalf of SWACO to fund the expansion of the landfill and other projects. SWACO secured the bonds by granting the County a mortgage of the landfill property and a security interest in the landfill personal property and assignment of rents, permits, and licenses. See note 9 to financial statements, page 2-15.

² Net of accrued interest of \$40,901.

Source: SWACO

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

Year	Principal	Interest & Associated Bond Costs ²	Total Lease Obligation	Amount Paid or Credited	Interest on Deferred Balance ³	Deferred Balance ⁴
1993	\$ 4,991	\$ 8,099	\$ 13,090	\$ 13,090	\$ -	\$ -
1994	7,881	9,042	16,923	16,923	-	-
1995	5,579	5,853	11,432	6,000	153	5,585
1996	6,229	5,341	11,570	8,000	402	3,972
1997	6,299	4,991	11,290	4,055	746	7,981
1998	7,258	4,664	11,922	2,002	1,178	11,098
1999	7,904	4,220	12,124	6,764	1,670	7,030
2000	7,932	3,969	11,901	9,938	1,841	3,804
2001	8,373	3,374	11,747	13,083	1,968	631
2002	7,807	3,034	10,841	8,637	1,991	4,195
2003	8,370	2,323	10,693	10,826	2,151	2,016
Subtotal 1993-2002	78,623	54,910	133,532	99,319	12,099	46,312
2004	8,158	1,954	10,112			
2005	8,097	1,551	9,647			
2006	8,203	1,147	9,350			
2007	8,316	738	9,054			
2008	4,830	354	5,184			
2009	2,215	159	2,373			
2010	2,063	52	2,114			
Subtotal 2003-10	41,881	5,953	47,834			
Total 1993-2010	\$ 120,504	\$ 60,863	181,367			

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

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

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

4. Excludes accrued interest.

Source: SWACO

SWACO
Schedule of Insurance in Force at December 31, 2003

Coverage	Carrier	Amount	Limits	Exp. Date
Crime Coverage	Federal Insurance Company			07/10/2004
Blanket Employee Dishonesty		\$1,000,000	each occurrence	
Forgery and Alteration		1,000,000	actual loss	
Inside/Outside		2,500	actual loss	
Commercial Property Coverage	Corejus	13,916,281	value excludes non-scheduled content	04/01/2004
Excess Liability Coverage	Insurance Company of the State of Pennsylvania	\$5,000,000	in excess of \$1,000,000	12/19/2004

* SWACO has a \$3,000,000 self insurance fund reserve.

Source: SWACO

Table 14

District and Franklin County Demographic Statistics 1994-2003¹

Franklin County Only					
Fiscal Year	District Population ²	Population ³	Per Capita Income ⁴	Median Age ⁴	Total Assessed Value Taxable Property ⁴ (in thousands)
1994	n/a	1,014,465	23,787	32	15,672,486
1995	n/a	1,016,094	25,193	32	16,055,248
1996	1,041,500	1,027,599	26,347	32	17,356,432
1997	1,051,900	1,042,111	27,169	33	17,916,289
1998	1,062,400	1,056,863	28,166	33	18,607,705
1999	1,073,000	1,067,993	29,321	33	21,032,111
2000	1,093,500	1,068,978	31,527	33	21,698,652
2001	1,109,800	1,088,445	32,036	33	22,111,413
2002	1,119,000	1,101,225	33,465	33	24,744,179
2003	1,132,000	1,114,159	34,152	33	24,771,631

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

²Estimated population for SWACO is from the Solid Waste Plan for the years 1996 -1999. The 2000 data was provided by the U.S. Department of Commerce, Bureau of the Census. The 2001 and 2002 data are estimated by SWACO.

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

⁴ Woods & Poole Economics Inc.

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

Table 15

Average Unemployment Rates 1994-2003 ¹

Fiscal Year	Franklin County	State of Ohio	United States
1994	3.9%	5.5%	6.1%
1995	2.9%	4.8%	5.6%
1996	2.9%	4.9%	5.6%
1997	2.7%	4.6%	4.9%
1998	2.5%	4.3%	4.5%
1999	2.5%	4.3%	4.2%
2000	2.4%	4.1%	4.0%
2001	2.8%	4.3%	4.8%
2002	4.4%	5.7%	5.8%
2003	4.7%	6.0%	6.0%

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

Source: Auditor's Office - Franklin County, Ohio

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COMPLIANCE SECTION



Report On Compliance And On Internal Control Required By Government Auditing Standards

Board of Trustees
Solid Waste Authority of Central Ohio
Grove City, Ohio

We have audited the basic financial statements of Solid Waste Authority of Central Ohio, Franklin County, Ohio (the "Authority") as of and for the year ended December 31, 2003 and have issued our report thereon dated June 16, 2004 wherein we noted the Authority adopted GASB Statement No. 34, GASB Statement No. 37, and GASB Statement No. 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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However, we noted other matters involving internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Authority in a separate letter dated June 16, 2004.

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

Wilson, Shanna & Snow, Inc.

Newark, Ohio
June 16, 2004



**Auditor of State
Betty Montgomery**

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SOLID WASTE AUTHORITY OF CENTRAL OHIO

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 17, 2004**