



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Solid Waste Authority of Central Ohio
Franklin County, Ohio

Fiscal Year ended December 31, 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Solid Waste Authority of Central Ohio, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 8, 2018

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Comprehensive Annual Financial Report

of the

Solid Waste Authority of Central Ohio

for the

Fiscal Year ended December 31, 2017

Issued by the Solid Waste Authority of Central Ohio
Ty D. Marsh - Executive Director

Prepared by the Accounting and Finance Department
David R. Logan – Accounting and Finance Manager
Patrick W. O'Block – Budget and Management Administrator

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Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2017

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INTRODUCTORY SECTION

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June 21, 2018

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

We are pleased to present SWACO’s Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended December 31, 2017 to the SWACO Board of Trustees and those living and doing business within the jurisdiction of SWACO.

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

Kennedy Cottrell Richards, Certified Public Accountants, have issued an unmodified opinion on SWACO’s financial statements for the year ended December 31, 2017. The independent auditors’ report is located at the beginning of the Financial Section of the report, Section 2.

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

Profile of SWACO

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

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

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

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

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

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

History of SWACO

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

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

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

The Solid Waste Plan

SWACO’s Solid Waste Plan was originally adopted in 1993. The plan is subject to periodic updates and the last update approved by the OEPA was in November 2011. Updates to the Solid Waste Plan were ratified by the Board of Trustees and submitted to OEPA for approval in 2018.

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

Yard Waste Composting Services

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

Household Hazardous Waste Collections

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

SWACO Recycling Drop Box Program

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

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

Budgetary Control

The Board of Trustees adopts an annual non-appropriated operating and capital improvements budget resolution. Budgetary control is maintained by the Board at the major account level (salaries, wages and benefits; contracts, services and supplies; capital outlays; etc.). The Statistical Section provides a budget to actual comparison for the year ending December 31, 2017.

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

Local Economy and Economic Outlook

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

Long-Term Financial Planning

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

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

The previously established post-closure fund for care of the closed Model Landfill has been exhausted. SWACO is ultimately responsible for the ongoing costs of maintaining the landfill cap and the landfill gas collection and control system, as well as the standard operating and maintenance costs. SWACO is currently able to fund these costs into the

future through operating revenue generated by operation of the currently active Franklin County Sanitary Landfill whose volumes and revenues are secured by the enactment of flow control within the district.

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

Major Initiatives

Operating Fund Balance Policy

The Operating Fund Balance Policy established parameters and provide guidance governing the balances in the Operating Cash Reserve Fund. Implementation of the Policy demonstrates SWACO's commitment to long-term fiscal sustainability and sound financial planning. Adherence to such a policy helps to ensure that SWACO maintains a sound liquidity position and that its credit quality is protected. The Operating Cash Reserve Fund is intended to provide internal sources for services supported by Operating Funds when revenues have been temporarily lowered or unanticipated events like non-recurring expenses or emergency expenses create budgetary shortfalls. The Operating Cash Reserve Fund maintains a targeted minimum balance of the greater of \$15 million or fifty percent (50%) of the budgeted operating expenditures for the current fiscal year. The Policy requires SWACO Staff to notify the Board of Trustees whenever the cash balance meets or falls below \$20 million.

Debt Policy

The purpose of the Debt and Financing Management Policy is to establish parameters and provide guidance governing the issuance, management, evaluation, and reporting on all debt obligations of SWACO. Implementation of the Debt Policy enhances the quality of decisions, provides a framework for the decision-making process and demonstrates SWACO's commitment to long-term fiscal sustainability and sound financial planning. Adherence to this Debt Policy helps ensure that SWACO maintains a sound debt position and its credit quality is protected.

Permit to Install

In March of 2017, SWACO submitted to the Ohio EPA a new permit-to-install for a vertical and lateral expansion of the Franklin County Sanitary Landfill. The Ohio EPA's approval was received subsequent to year-end, the expansion will increase the remaining life of the landfill by 29 years, for a new total life of 48 years. The permit approval is important for SWACO and the residents and businesses served by ensuring safe, efficient and long-term disposal options, which in turn aligns with the

organization's mission to improve the community's solid waste stream through effective reduction, recycling & disposal.

Rate Adjustment

SWACO conducted a rate analysis in 2016. This analysis was driven by the requirement to remove the restricted seven dollars (\$7.00) per ton fee associated with the retirement of the debt service on the former Waste-to-Energy Facility. Through SWACO's analysis, we found that maintaining four dollars (\$4.00) per ton would offset increasing cost of operations, maintain fund balance reserve levels, provide funds to fulfill SWACO's community mission and save the community three dollars (\$3.00) per ton totaling an estimated \$3 million per year. The additional four dollars (\$4.00) per ton fee was also needed to offset SWACO's anticipated costs of operations associated with the new Permit to Install. This rate analysis was completed with SWACO's first long-term planning model. The Board of Trustees passed a resolution on January 10, 2017 making the rate change effective April 1, 2017.

Programs Initiatives

2017 was a busy year for Programs at SWACO. A few of the significant accomplishments are as follows:

- Ratification of the revised Solid Waste Management Plan by the Board of Trustees
- Updating District Rules.
- Rebranding of SWACO which received the Prism Award Excellence for Branding/Rebranding, Profit by the Public Relations Society of America Ohio Chapter.
- New website and increased outreach, engagement, and presence in the community, new and improved resources for public events.
- Four communities representing 20,000 households converted to curbside cart recycling systems.
- The school consortium program assisted six school districts representing 40,000 students with procuring recycling and solid waste collection services. SWACO also assisted Columbus City Schools with procuring recycling services for the first time. Columbus City Schools is the largest school district in Ohio and represents a student population of 51,000.

- The Community Waste Reduction Grant program awarded over \$89,000 in grant funds to six recipients which matched over \$62,000 in financial support towards the projects.
- Program evaluations for the Environmental Crimes Task Force and the Recycling Drop-off Program were conducted.
- A public opinion poll was conducted which documented 90% of respondents' support recycling for altruistic reasons.

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SWACO for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This was the nineteenth consecutive year SWACO has received this award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Acknowledgements

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

Sincerely,



Ty D. Marsh
Executive Director

Principal Officials

Board of Trustees
(Appointed by or Representing)

Kenneth Wilson, Chairman

Appointed by the Franklin County Board of Commissioners

Tracie Davies, Vice Chair

Designee of the Mayor of the City of Columbus

Stephen Bowshier

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

Brian Will

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

Mike Frank

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

Patrick King

Appointed by the Board of Trustees representing the public

Joe Lombardi

Appointed by the Mayor of the City of Columbus

Honorable Kevin Boyce

President of the Franklin County Board of Commissioners

Susan Tilgner

Designee of the Franklin County Health Commissioner

Staff

Ty Marsh, Executive Director

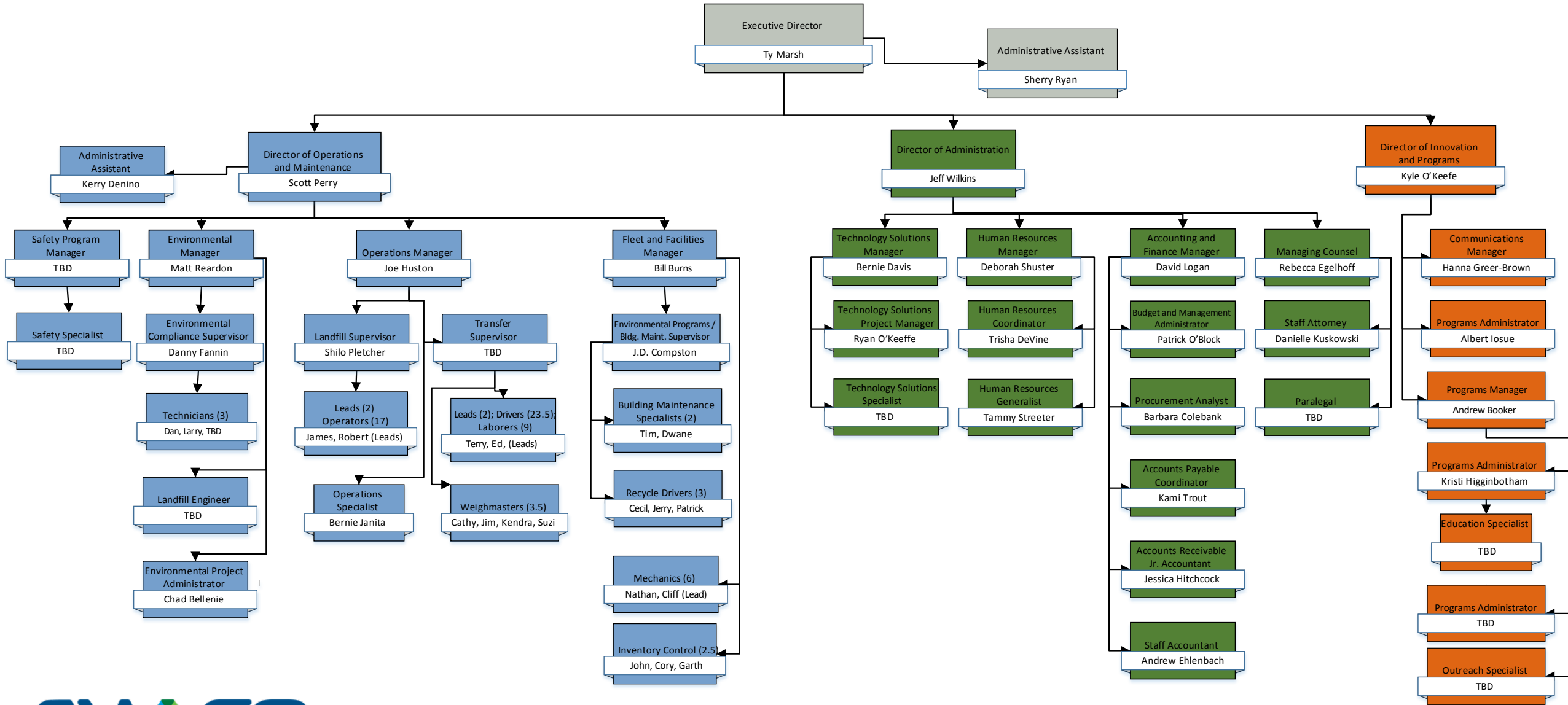
Jeffrey Wilkins, Director of Administration

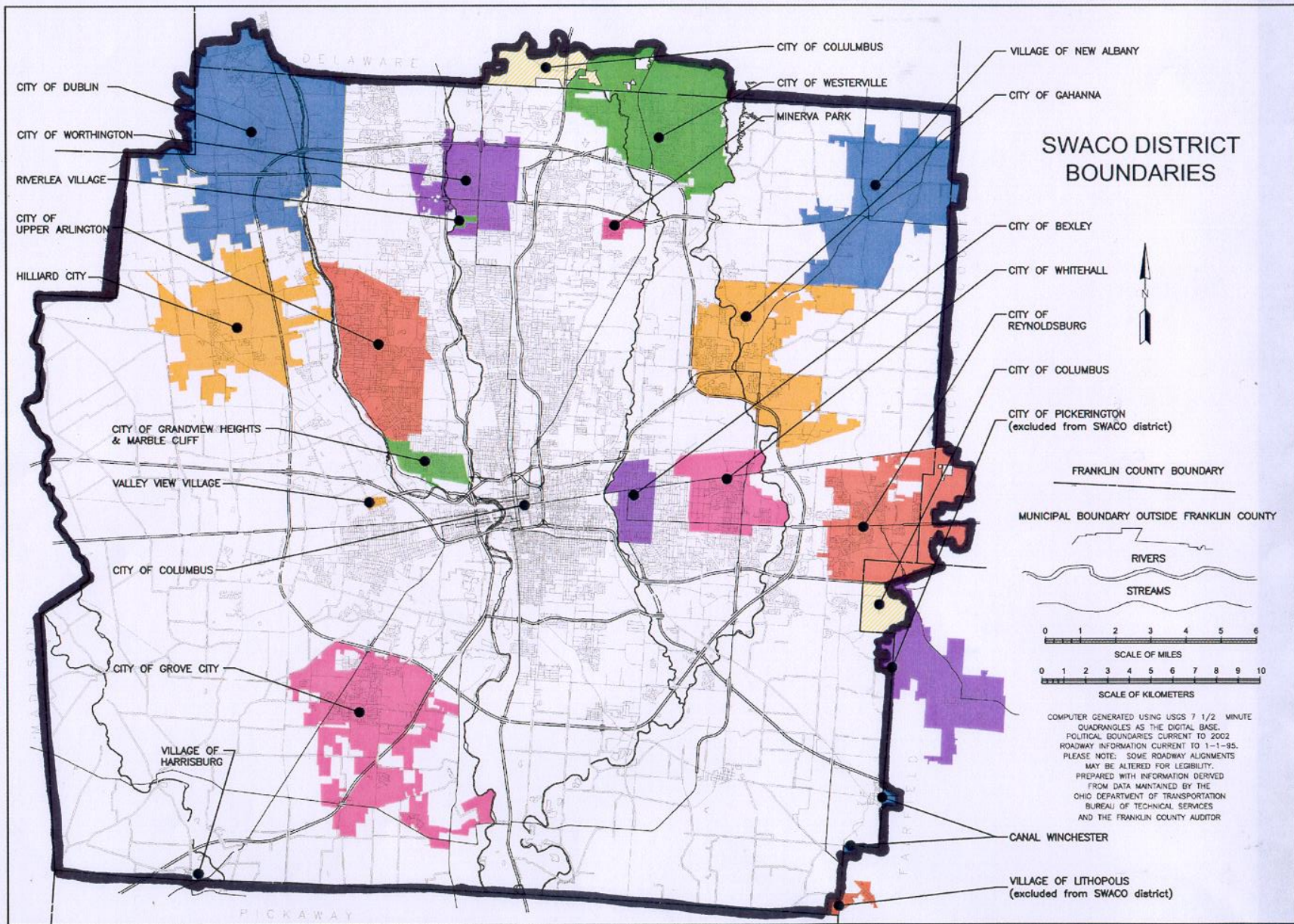
Scott Perry, Director of Operations and Maintenance

Kyle O'Keefe, Director of Innovation and Programs

David Logan, Accounting and Finance Manager

Patrick O'Block, Budget and Management Administrator







Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Solid Waste Authority
of Central Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

To the Audit and Finance Committee and Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Solid Waste Authority of Central Ohio, Franklin County, Ohio (SWACO), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise SWACO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of SWACO as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The supplemental schedules are management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. 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 section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2018, on our consideration of the SWACO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SWACO's internal control over financial reporting and compliance.



Kennedy Cottrell Richards LLC
June 21, 2018

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2017 (unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") provides an overview of the financial performance of the Solid Waste Authority of Central Ohio (SWACO) and provides an introduction to SWACO's financial statements for the year ended December 31, 2017. The information contained in this MD&A should be considered in conjunction with information presented in the letter of transmittal, beginning on page 1-1, and SWACO's financial statements and corresponding notes to the financial statements, which follow this section.

Overview of the Financial Statements

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

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

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

Financial Highlights of 2017

- SWACO's overall net position increased by \$14.7 million, (50.6%), in 2017.
- Operating Fund change in net position increased by approximately \$13.7 million, (52.8%), in 2017.
- Operating Fund sale of landfill gas increased by approximately \$2.0 million, (74.3%), in 2017 due to the opening of a landfill cell, H3.
- Operating Fund fees decreased by approximately \$739,000, (1.6%) from the prior year. Other revenue was up approximately \$50,000, (49.0%) from the prior year.

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2017 (unaudited)

- Operating Fund and Program Fund operating expenses – Salaries, wages and benefits overall expense increased approximately \$1.5 million (15.3%) from the prior year. In the Operating Fund operating expenses for salaries, wages and benefits increased by approximately \$1.3 million (15.1%). Operating expenses for salaries, wages, and benefits in the Program Fund increased by approximately \$171,000 (17.3%).
- Contracts, services, and supplies expense for the combined funds increased by approximately \$424,000 (3.6%). The Operating Fund increased by approximately \$567,000 (6.6%). The Program Fund saw a decrease of approximately \$144,000 (4.5%).
- Depletion and closure expense increased by approximately \$1.4 million (26.6%) over prior year. Construction and development expenses that were updated in the build-out plan resulted in an adjustment for the current year. Landfill depletion expense specifically is up approximately \$1.3 million (29.8%) from prior year while closure expense is up approximately \$102,000 (11.1%) from prior year based on the annual aerial survey calculation used to measure available airspace with future construction costs.
- Non-operating revenues and expenses for the Combined Funds net to an expense of approximately \$2.5 million, an overall decrease of approximately \$500,000 (16.9%) from 2016.

Combined Net Position

The 2016 and 2017 combined net position of both the Operating and Program Funds is presented on the following page. SWACO's net position increased from the prior year by approximately \$14.7 million, 50.6%.

Other restricted includes approximately \$5.0 million related to the Waste-to-Energy bond retirement fund and approximately \$4.0 million pertaining to the Generation Fee, which is used for educational and outreach initiatives.

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SWACO**Management's Discussion & Analysis for the Year Ended December 31, 2017****(unaudited)**

	Net Position		
	Operating and Program Funds Combined		
	2016	2017	Increase (Decrease)
Assets			
Current and other assets	\$ 38,697,352	\$ 45,790,928	\$ 7,093,576
Restricted cash and investments	12,622,009	9,788,901	(2,833,108)
Closure/post-closure funds held by trustee	24,661,800	25,988,052	1,326,252
Capital assets	82,410,923	83,041,330	630,407
Capital lease receivable (less current portion)	648,171	597,914	(50,257)
Total assets	159,040,255	165,207,125	6,166,870
Deferred outflows of resources			
Refundings	2,794,649	2,446,669	(347,980)
Pension	2,920,541	3,964,468	1,043,927
Total deferred outflows of resources	5,715,190	6,411,137	695,947
Liabilities			
Current liabilities	14,076,343	11,636,124	(2,440,219)
Bonds and notes payable, less current portion, net	92,380,907	83,649,330	(8,731,577)
Landfill closure/post-closure liability, non-current	21,224,375	22,237,474	1,013,099
Accrued wages and benefits	19,985	26,705	6,720
Net pension liability	7,583,941	10,105,688	2,521,747
Total liabilities	135,285,551	127,655,321	(7,630,230)
Deferred inflows of resources: pension	409,122	201,572	(207,550)
Net position			
Net investment in capital assets:			
Bonds payable related to closed waste-to-energy facility	(9,670,568)	(4,602,640)	5,067,928
Other capital assets, net	(5,637,209)	(1,834,186)	3,803,023
Restricted:			
Other restricted, net	12,579,544	8,975,560	(3,603,984)
Closure/post-closure trust fund net of accrued liability – Franklin County			
Sanitary Landfill	3,437,425	3,750,578	313,153
Unrestricted	28,351,580	37,472,057	9,120,477
Total net position	\$ 29,060,772	\$ 43,761,369	\$ 14,700,597

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2017 (unaudited)

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

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

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

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

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

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

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2017 (unaudited)

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

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

Combined Revenues, Expenses, and Changes in Net Position

The 2016 and 2017 combined revenue, expenses, and changes in net position of both the Operating and Program Funds are presented and compared below.

	Revenues, Expenses, and Changes in Net Position Operating and Program Funds Combined		Increase (Decrease)
Revenues	2016	2017	
Operating revenues	\$ 55,381,528	\$ 56,790,954	\$ 1,409,426
Non-operating revenues	709,068	622,112	(85,956)
Total revenues	56,090,596	57,413,066	1,322,470
Expenses			
Operating expenses	36,122,121	39,542,720	3,420,599
Non-operating expenses	3,774,998	3,169,749	(605,249)
Total expenses	39,897,119	42,712,469	2,815,350
Change in net position	16,193,477	14,700,597	(1,492,880)
Total net position – beginning	12,867,295	29,060,772	16,193,477
Total net position – ending	\$ 29,060,772	\$ 43,761,369	\$ 14,700,597

Financial Position of SWACO

As shown in the table above, SWACO ended 2017 with a combined net position of approximately \$43.8 million, an improvement of approximately \$14.7 million, (50.6%) from 2016.

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SWACO**Management's Discussion & Analysis for the Year Ended December 31, 2017****(unaudited)**

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

Discontinued Operations Total Net Position (in thousands)

	Carrying Value of Waste-to- Energy Facility	WTEF Lease Obligation	Bonds Payable	Other Assets and (Liabilities)	Total Net Position
1993	\$ 162,105	\$ 173,253	\$ -	\$ -	\$ (11,148)
1994	36,594	165,372	-	(2,565)	(131,343)
1995	36,594	165,372	-	(3,565)	(132,343)
1996	36,594	165,372	-	(4,097)	(132,875)
1997	6,500	165,372	-	(8,361)	(167,233)
1998	6,433	158,135	-	(16,068)	(167,770)
1999	6,381	140,275	-	(4,150)	(138,044)
2000	6,338	136,553	-	(113)	(130,328)
2001	4,605	126,879	-	(1,734)	(124,008)
2002	1,976	119,480	-	(981)	(118,485)
2003	1,976	108,711	-	(964)	(107,699)
2004	1,121	28,751	56,379	4,837	(79,172)
2005	-	27,356	53,230	15,405	(65,181)
2006	-	15,817	50,029	5,986	(59,860)
2007	-	14,269	46,745	6,520	(54,494)
2008	-	6,225	43,370	556	(49,039)
2009	-	4,099	39,888	313	(43,674)
2010	-	1,889	36,287	280	(37,896)
2011	-	-	32,559	294	(32,265)
2012	-	-	28,706	1,934	(26,772)
2013	-	-	24,062	3,654	(20,408)
2014	-	-	19,441	5,638	(13,803)
2015	-	-	14,606	7,449	(7,157)
2016	-	-	9,671	9,665	(6)
2017	\$ -	\$ -	\$ 4,603	\$ 4,952	\$ 349

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SWACO**Management's Discussion & Analysis for the Year Ended December 31, 2017****(unaudited)****Operating Fund Net Position**

	2016	2017	Increase (Decrease)
Assets			
Current and other assets	\$ 38,231,374	\$ 45,362,383	\$ 7,131,009
Restricted cash and investments	9,092,053	4,971,750	(4,120,303)
Closure/post-closure funds held by trustee	24,661,800	25,988,052	1,326,252
Capital assets, net	82,106,319	82,801,069	694,750
Capital lease receivable	648,171	597,914	(50,257)
Total assets	154,739,717	159,721,168	4,981,451
Deferred outflows of resources			
Refundings	2,794,649	2,446,669	(347,980)
Pension	2,633,702	3,561,328	927,626
Total deferred outflows of resources	5,428,351	6,007,997	579,646
Liabilities			
Current liabilities	13,495,224	11,041,577	(2,453,647)
Bonds and notes payable, less current portion, net	92,380,907	83,649,330	(8,731,577)
Landfill closure/post-closure liability	21,224,375	22,237,474	1,013,099
Accrued wages and benefits	17,926	26,425	8,499
Net pension liability	6,839,088	9,095,119	2,256,031
Total liabilities	133,957,520	126,049,925	(7,907,595)
Deferred inflows of resources: pension	368,940	181,670	(187,270)
Net position			
Net investment in capital assets:			
Bonds payable related to closed waste-to-energy facility	(9,670,568)	(4,602,640)	5,067,928
Other capital assets, net	(5,941,813)	(2,074,447)	3,867,366
Restricted:			
Other restricted, net	9,664,984	4,952,022	(4,712,962)
Closure/post-closure trust fund net of accrued liability – Franklin County			
Sanitary Landfill	3,437,425	3,750,578	313,153
Unrestricted	28,351,580	37,472,057	9,120,477
Total net position	\$ 25,841,608	\$ 39,497,570	\$ 13,655,962

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2017 (unaudited)

Operating Fund Net Position

A comparison of Operating Fund net position as of the end of 2016 and 2017 is shown in the table on page 2-9. SWACO implemented a rate change effective April 1, 2017 that eliminated the need to collect this fee as adequate funds have been collected to pay the debt service related to the Waste-to-Energy Facility.

Collectively, total assets increased by approximately \$5.0 million (3.2%). The major components to this increase involves current and other assets increasing by approximately \$7.1 million (18.7%), Closure/post-closure funds held by trustee increasing by approximately \$1.3 million (5.4%) and capital assets, net increasing by approximately \$700,000 (0.8%), while restricted cash and investments decreased by approximately \$4.1million (45.3%).

Collectively, total liabilities decreased by approximately \$7.9 million (5.9%). The major components of this decrease involves current liabilities decreasing by approximately \$2.5 million (18.2%), bonds payable, less current portion, net decreasing by approximately \$8.7 million (9.5%), while the landfill closure/post-closure liability increased by approximately \$1.0 million (4.8%) and the net pension liability also increased by approximately \$2.3 million (33.0%).

Total net position increased by approximately \$13.7 million (52.8%) from 2016 to 2017.

Other restricted, net primarily consists of \$5.0 million associated with the bond retirement fund designated to pay the debt service for the Waste-to-Energy Facility.

Restricted net position includes funds held by a trustee (EPA Trust Fund) for closure of the Franklin County Sanitary Landfill net of the accrued liability for closure and post-closure care of the landfill. As of December 31, 2017, the EPA Trust Fund value was approximately \$26.0 million and the recorded closure liability was approximately \$22.2 million.

There was an increase in unrestricted net position of approximately \$9.1 million (32.2%).

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SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2017 (unaudited)

Operating Fund Revenues, Expenses and Changes in Net Position

The following table compares 2016 and 2017 revenues, expenses and changes in net position in the Operating Fund.

Operating Fund Revenues, Expenses, and Changes in Net Position

	<u>2016</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Tipping and disposal fees	\$ 30,811,682	\$ 37,360,992	\$ 6,549,310
Waste transfer fees	6,432,048	6,445,491	13,443
Retired facility and waiver fees	9,630,701	2,329,377	(7,301,324)
Interfund charges	324,716	158,770	(165,946)
Sale of landfill gas	2,708,463	4,721,686	2,013,223
Other	101,895	151,846	49,951
	<u>50,009,505</u>	<u>51,168,162</u>	<u>1,158,657</u>
Operating revenues			
Operating revenues	50,009,505	51,168,162	1,158,657
Operating expenses:			
Salaries, wages and benefits	8,571,635	9,862,312	1,290,677
Contracts, services and supplies	8,647,048	9,214,196	567,148
Solid waste fees	5,278,694	5,494,677	215,983
Depreciation	3,648,285	3,714,889	66,604
Landfill depletion	4,470,423	5,803,136	1,332,713
Landfill closing costs	911,541	1,013,099	101,558
	<u>31,527,626</u>	<u>35,102,309</u>	<u>3,574,683</u>
Operating expenses			
Operating expenses	31,527,626	35,102,309	3,574,683
Operating income	<u>18,481,879</u>	<u>16,065,853</u>	<u>(2,416,026)</u>
Non-operating revenues (expenses):			
Interest expense	(3,560,494)	(3,032,003)	528,491
Interest earnings	607,596	600,678	(6,918)
Gain (loss) on disposal of assets	101,472	21,434	(80,038)
	<u>(2,851,426)</u>	<u>(2,409,891)</u>	<u>441,535</u>
Total non-operating expenses, net			
Total non-operating expenses, net	(2,851,426)	(2,409,891)	441,535
Change in net position	15,630,453	13,655,962	(1,974,491)
Total net position – beginning	<u>10,211,155</u>	<u>25,841,608</u>	<u>15,630,453</u>
Total net position – ending	<u>\$ 25,841,608</u>	<u>\$ 39,497,570</u>	<u>\$ 13,655,962</u>

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Management's Discussion & Analysis for the Year Ended December 31, 2017 (unaudited)

Solid waste tons received at SWACO's facilities increased slightly from approximately 1,091,000 tons received during 2016 to approximately 1,137,300 tons received during 2017. Tipping and disposal fees increased by approximately \$6.5 million (21.3%), which is can be contributed to the rate change effective April 1, 2017.

Retired facility and waiver fees decreased by approximately \$7.3 million (75.8%) due to the rate change effective April 1, 2017 that eliminated the need to collect this fee as adequate funds have been collected to pay the debt service related to the Waste-to-Energy Facility. Operating revenues realized an increase of 2.3%, or approximately \$1.2 million.

Operating Fund sale of landfill gas increased by approximately \$2.0 million, (74.3%), in 2017 due to the opening of a landfill cell, H3.

Expenses for salaries, wages and benefits were approximately \$1.3 million (15.1%) higher in 2017 compared to 2016. This increase is primarily due to the pension liability true-up per GASB 68.

Contracts, services and supplies expenses increased by approximately \$600,000 (6.6%) in 2017.

Depletion and closure expense increased by approximately \$1.4 million (26.6%) over 2016. Construction and development expenses were updated in the build-out plan resulting in an adjustment in the current year. Landfill depletion expense is up approximately \$1.3 million (29.8%) from the prior year while closure expense is up approximately \$102,000 (11.1%) from the prior year.

Interfund charges decreased by approximately \$166,000 (51.1%) in 2017.

SWACO reclassified certain prior year balances to reflect more accurate representation. This includes interfund transfers that were depicting a negative expense for interfund received. In 2017, these were presented in the revenue section.

Collectively, operating expenses increased by approximately \$3.6 million (11.3%), primarily due to the items discussed above.

Non-operating revenues and expenses net to an expense in 2017 of approximately \$2.4 million. This represents a net increase of approximately \$442,000 (15.5%) over the prior year.

SWACO's financial position in the Operating Fund increased by approximately \$13.7 million (52.8%) in 2017, increasing SWACO's net position from approximately \$25.8 million in 2016 to a net position of approximately \$39.5 million at the end of 2017.

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SWACO**Management's Discussion & Analysis for the Year Ended December 31, 2017****(unaudited)**

Program Fund Net Position			
	2016	2017	Increase (Decrease)
Assets			
Current assets	\$ 3,995,934	\$ 5,245,696	\$ 1,249,762
Capital assets	304,604	240,261	(64,343)
Total assets	4,300,538	5,485,957	1,185,419
Deferred outflows of resources: pension	286,839	403,140	116,301
Liabilities			
Current liabilities	581,119	594,547	13,428
Accrued wages and benefits	2,059	280	(1,779)
Net pension liability	744,853	1,010,569	265,716
Total liabilities	1,328,031	1,605,396	277,365
Deferred inflows of resources: pension	40,182	19,902	(20,280)
Net position			
Net investment in capital assets	304,604	240,261	(64,343)
Restricted	2,914,560	4,023,538	1,108,978
Total net position	\$ 3,219,164	\$ 4,263,799	\$ 1,044,635

Program Fund Net Position

Total net position at the end of 2017 was approximately \$4.3 million, an increase of approximately \$1.0 million, (32.5%) from the prior year. Restricted net position (cash and receivables less payables) was approximately \$4.0 million, an increase of approximately \$1.1 million (38.1%). Net position for net investment in capital assets, was approximately \$240,000, a decrease of approximately \$64,000 (21.1%).

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SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2017 (unaudited)

Program Fund Revenues, Expenses, and Changes in Net Position

	<u>2016</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Generation fees	\$ 5,362,545	\$ 5,609,783	\$ 247,238
Other	9,478	13,009	3,531
Operating revenues	<u>5,372,023</u>	<u>5,622,792</u>	<u>250,769</u>
Operating expenses:			
Salaries, wages and benefits	984,192	1,154,855	170,663
Contracts, services and supplies	3,206,020	3,062,443	(143,577)
Depreciation and depletion	79,567	64,343	(15,224)
Interfund charges	324,716	158,770	(165,946)
Operating expenses	<u>4,594,495</u>	<u>4,440,411</u>	<u>(154,084)</u>
Operating income	<u>777,528</u>	<u>1,182,381</u>	<u>404,853</u>
Non-operating revenues (expenses):			
Grants awarded	<u>(214,504)</u>	<u>(137,746)</u>	<u>76,758</u>
Total non-operating expenses, net	<u>(214,504)</u>	<u>(137,746)</u>	<u>76,758</u>
Change in net position	563,024	1,044,635	481,611
Total net position– beginning	<u>2,656,140</u>	<u>3,219,164</u>	<u>563,024</u>
Total net position – ending	<u>\$ 3,219,164</u>	<u>\$ 4,263,799</u>	<u>\$ 1,044,635</u>

Program Fund Revenues, Expenses and Changes in Net Position

A comparison of 2016 and 2017 revenues and expenses in the Program Fund is shown above.

Program Fund Operating Revenues

Generation fees increased by approximately \$247,000 (4.6%) in 2017 compared to 2016.

Program Fund Operating Expenses

Program Fund operating expenses collectively decreased by approximately \$154,000 (3.4%) in 2017. Salaries, wages, and benefits increased by approximately \$171,000 (17.3%) due to increased headcount. Contracts, services, and supplies decreased by approximately \$144,000 (4.5%). Interfund charges decreased by approximately \$166,000 (51.1%).

SWACO

Management's Discussion & Analysis for the Year Ended December 31, 2017 (unaudited)

Program Fund Non-Operating Income & Expenses

Non-operating transactions only consisted of grant activities. Grants awarded decreased by approximately \$77,000 (35.8%).

Ending net position in the Program Fund increased by approximately \$1.0 million (32.5%) from 2016 to 2017.

Capital Assets

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

The increase in capital assets not being depreciated was approximately \$3.0 million (12.2%), primarily due to construction costs being placed in service which includes cell H5 and the permit-to-install for the expansion of the Franklin County Sanitary Landfill.

The decrease in net capital assets being depreciated or depleted was approximately \$2.3 million (4.0%) in the Operating Fund due primarily to an increase in equipment and furnishings and a decrease in landfill development costs. The following table on the next page compares SWACO's investments in capital assets in the operating and program funds as of the end of 2016 and 2017.

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SWACO**Management's Discussion & Analysis for the Year Ended December 31, 2017****(unaudited)**

Operating Fund	Capital Assets		Increase
	2016	2017	(Decrease)
Capital assets, not being depreciated:			
Land and land improvements	\$ 23,718,712	\$ 23,718,712	\$ -
Construction in progress	608,964	3,579,112	2,970,148
Total capital assets, not being depreciated	24,327,676	27,297,824	2,970,148
Depreciable capital assets, net of accumulated depreciation and depletion:			
Equipment and furnishings	2,222,007	4,783,005	2,560,998
Building and improvements	12,823,565	12,603,707	(219,858)
Transfer stations	9,381,826	8,694,502	(687,324)
Sanitary landfill	33,351,245	29,422,031	(3,929,214)
Total capital assets, being depreciated, net	57,778,643	55,503,245	(2,275,398)
Total capital assets, net	82,106,319	82,801,069	694,750
Program Fund			
Depreciable capital assets, net of accumulated depreciation:			
Equipment and furnishings	6,303	-	(6,303)
Building and improvements	298,301	240,261	(58,040)
Total capital assets, net	\$ 304,604	\$ 240,261	\$ (64,343)

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

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SWACO
Management's Discussion & Analysis for the Year Ended December 31, 2017
(unaudited)

Debt Administration

SWACO's outstanding debt as of December 31, 2016 and 2017 is shown in the following table:

	Outstanding Long-Term Debt		
	<u>2016</u>	<u>2017</u>	<u>Increase (Decrease)</u>
General obligation bonds, net	\$ 99,695,908	\$ 91,174,329	\$ (8,521,579)
Total	<u>\$ 99,695,908</u>	<u>\$ 91,174,329</u>	<u>\$ (8,521,579)</u>

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

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

Economic Factors

Similar to other local governments in Ohio, SWACO continues to face economic pressures. Waste receipts at the Franklin County Sanitary Landfill in 2017 increased slightly in comparison to the prior year.

Solid waste tons received at SWACO's facilities during 2017 were approximately 1,137,300 tons, versus 2016 receipts of 1,090,100 tons. SWACO's tipping fee rate changed effective April 1, 2017. A change in SWACO's rate was necessary due to the retirement and removal of the restricted seven dollar (\$7.00) per ton fee associated with the former Waste-to-Energy Facility and the addition of a four dollar (\$4.00) per ton fee to, among other things, offset SWACO's increasing cost of operations, maintain fund balance reserve levels, and provide funds to fulfill SWACO's community mission.

Request for Information

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

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SWACO
Statement of Net Position – Proprietary Funds
As of December 31, 2017

Assets	Business-type Activities – Enterprise Funds		
	Operating Fund	Program Fund	Total
Current assets:			
Cash and cash equivalents	\$ 26,053,799	\$ -	\$ 26,053,799
Restricted cash	4,971,750	4,817,151	9,788,901
Investments	14,915,348	-	14,915,348
Accounts receivable, net	3,805,136	417,248	4,222,384
Lease receivable, current portion	50,257	-	50,257
Other assets	537,843	11,297	549,140
Total current assets	50,334,133	5,245,696	55,579,829
Non-current assets:			
Investments held by trustee for landfill closure/post-closure care	25,988,052	-	25,988,052
Capital assets:			
Sanitary landfill, net of accumulated depletion	29,422,031	-	29,422,031
Buildings and equipment and furnishings, net of accumulated depreciation	26,081,214	240,261	26,321,475
Construction in progress	3,579,112	-	3,579,112
Land and land improvements	23,718,712	-	23,718,712
Lease receivable, less current portion	597,914	-	597,914
Total non-current assets	109,387,035	240,261	109,627,296
Total assets	159,721,168	5,485,957	165,207,125
Deferred outflows of resources:			
Refundings	2,446,669	-	2,446,669
Pension	3,561,328	403,140	3,964,468
Total deferred outflows of resources	\$ 6,007,997	\$ 403,140	\$ 6,411,137

Continued the following page

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

SWACO
Statement of Net Position – Proprietary Funds
As of December 31, 2017

Liabilities	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Operating Fund</u>	<u>Program Fund</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 2,633,375	\$ 534,083	\$ 3,167,458
SWACO grants payable	-	10,782	10,782
Accrued wages and benefits	550,905	49,682	600,587
Accrued interest	331,396	-	331,396
Current maturities of bonds and notes payable	7,525,000	-	7,525,000
Other payables	901	-	901
Total current liabilities	<u>11,041,577</u>	<u>594,547</u>	<u>11,636,124</u>
Non-current liabilities:			
Bonds and notes payable, less current portion, net	83,649,330	-	83,649,330
Landfill closure/post-closure liability	22,237,474	-	22,237,474
Accrued wages and benefits	26,425	280	26,705
Net pension liability	9,095,119	1,010,569	10,105,688
Total non-current liabilities	<u>115,008,348</u>	<u>1,010,849</u>	<u>116,019,197</u>
Total liabilities	<u>126,049,925</u>	<u>1,605,396</u>	<u>127,655,321</u>
Deferred inflows of resources: pension	<u>181,670</u>	<u>19,902</u>	<u>201,572</u>
Net Position			
Net investment in capital assets:			
Bonds payable related to closed waste-to-energy facility	(4,602,640)	-	(4,602,640)
Other capital assets, net	(2,074,447)	240,261	(1,834,186)
Restricted:			
Other restricted, net	4,952,022	4,023,538	8,975,560
Closure/post-closure trust fund net of accrued liability – Franklin County Sanitary Landfill	3,750,578	-	3,750,578
Unrestricted	<u>37,472,057</u>	<u>-</u>	<u>37,472,057</u>
Total net position	<u>\$ 39,497,570</u>	<u>\$ 4,263,799</u>	<u>\$ 43,761,369</u>

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

SWACO**Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Funds
For the Year Ended December 31, 2017**

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Operating Fund</u>	<u>Program Fund</u>	<u>Total</u>
Operating revenues:			
Tipping and disposal fees	\$ 37,360,992	\$ -	\$ 37,360,992
Waste transfer fees	6,445,491	-	6,445,491
Retired facility and waiver fees	2,329,377	-	2,329,377
Generation fees	-	5,609,783	5,609,783
Interfund charges	158,770	-	158,770
Sale of landfill gas	4,721,686	-	4,721,686
Other	151,846	13,009	164,855
	<u>51,168,162</u>	<u>5,622,792</u>	<u>56,790,954</u>
Operating expenses:			
Salaries, wages and benefits	9,862,312	1,154,855	11,017,167
Contracts, services and supplies	9,214,196	3,062,443	12,276,639
Solid waste fees	5,494,677	-	5,494,677
Depreciation	3,714,889	64,343	3,779,232
Landfill depletion	5,803,136	-	5,803,136
Landfill closing costs	1,013,099	-	1,013,099
Interfund charges	-	158,770	158,770
	<u>35,102,309</u>	<u>4,440,411</u>	<u>39,542,720</u>
Operating income	<u>16,065,853</u>	<u>1,182,381</u>	<u>17,248,234</u>
Non-operating revenues (expenses):			
Interest expense	(3,032,003)	-	(3,032,003)
Interest earnings	600,678	-	600,678
Grants awarded	-	(137,746)	(137,746)
Gain on disposal of assets	21,434	-	21,434
	<u>(2,409,891)</u>	<u>(137,746)</u>	<u>(2,547,637)</u>
Change in net position	13,655,962	1,044,635	14,700,597
Total net position – beginning	<u>25,841,608</u>	<u>3,219,164</u>	<u>29,060,772</u>
Total net position – ending	<u>\$ 39,497,570</u>	<u>\$ 4,263,799</u>	<u>\$ 43,761,369</u>

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

SWACO
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2017

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Operating Fund</u>	<u>Program Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 44,781,179	\$ -	\$ 44,781,179
Retired facility fee and waiver fees collected	2,932,341	-	2,932,341
Generation fees collected	-	5,635,167	5,635,167
Sale of landfill gas	4,347,730	-	4,347,730
Other receipts	151,846	13,009	164,855
Payments to or on behalf of employees for salaries, wages and benefits	(8,832,663)	(1,053,933)	(9,886,596)
Payments to vendors	(17,394,981)	(2,976,717)	(20,371,698)
Interfund charges	158,770	(158,770)	-
Other expenses	(99)	-	(99)
	<u>26,144,123</u>	<u>1,458,756</u>	<u>27,602,879</u>
Net cash provided by operating activities			
	<u>26,144,123</u>	<u>1,458,756</u>	<u>27,602,879</u>
Cash flows from non-capital financing activities:			
Grants awarded	-	(171,560)	(171,560)
Net cash used in non-capital financing activities			
	<u>-</u>	<u>(171,560)</u>	<u>(171,560)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	58,850,087	-	58,850,087
Purchase of investments	(64,367,726)	-	(64,367,726)
Interest received	507,849	-	507,849
Net cash used in investing activities			
	<u>\$ (5,009,790)</u>	<u>\$ -</u>	<u>\$ (5,009,790)</u>

Continued the following page

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

SWACO
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2017

	Operating Fund	Program Fund	Total
Cash flows from capital and related financing activities:			
Proceeds from sale of assets	\$ 21,434	\$ -	\$ 21,434
Cash received from lease transactions	49,611	-	49,611
Landfill, facilities and equipment additions	(10,212,775)	-	(10,212,775)
Principal paid on bonds and notes payable	(7,315,000)	-	(7,315,000)
Interest paid and cost on debt refunded	(3,780,279)	-	(3,780,279)
Net cash used in capital and related financing activities	<u>(21,237,009)</u>	<u>-</u>	<u>(21,237,009)</u>
Net increase (decrease) in cash and cash equivalents	(102,676)	1,287,196	1,184,520
Cash and cash equivalents, beginning of year	<u>31,128,225</u>	<u>3,529,955</u>	<u>34,658,180</u>
Cash and cash equivalents, end of year	<u><u>31,025,549</u></u>	<u><u>4,817,151</u></u>	<u><u>35,842,700</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	16,065,853	1,182,381	17,248,234
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and depletion	9,518,025	64,343	9,582,368
Landfill closing costs	1,013,099	-	1,013,099
Increase (decrease) in cash resulting from changes in:			
Accounts receivable, net	1,203,704	25,384	1,229,088
Accounts payable	(2,653,586)	73,683	(2,579,903)
Accrued wages and benefits	(111,486)	(28,212)	(139,698)
Decrease in deferred outflows: pension	(927,626)	(116,301)	(1,043,927)
Increase in net pension liability	2,256,031	265,716	2,521,747
Decrease in deferred inflows: pension	(187,270)	(20,280)	(207,550)
Other assets and liabilities	(32,621)	12,042	(20,579)
Net cash provided by operating activities	<u><u>\$ 26,144,123</u></u>	<u><u>\$ 1,458,756</u></u>	<u><u>\$ 27,602,879</u></u>

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

Amortization of premiums on bonds payable during the year totaled \$1,206,578.
Bond defeasements net of amortization during the year totaled (\$347,980).

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

SWACO

Notes to Financial Statements

For the Year Ended December 31, 2017

1. Organization

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

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

The Sanitary Landfill was purchased from Franklin County in 1991. The Ohio Environmental Protection Agency (“OEPA”) approved a modification to the original County permit in 1997 increasing disposal capacity by approximately 49 million cubic yards (from 10.7 million cubic yards) and increasing the landfill acreage to 363 acres from approximately 116 acres. The modified permit allowed both vertical and horizontal expansion of the landfill. In 2008, SWACO submitted an application to the OEPA to further modify the permit to change the configuration of the landfill and further increase capacity. The modification was approved by the OEPA in 2009 and added approximately 3.5 million cubic yards of disposal capacity (see Note 5 – Closure/Post-closure Funds Held by Trustee). SWACO estimates that it has sufficient landfill capacity to service the needs of the District for at least 19.2 years based on 2017 receipts.

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

As part of the purchase of the currently operating landfill, SWACO also acquired the Model Landfill, the County's closed former landfill. The Model Landfill has been closed since 1985, and SWACO assumed ongoing monitoring and closure requirements for the landfill when it was transferred from the County. In 1999, SWACO leased the landfill to a private entity to develop a public golf course on the site in conjunction with a project to remediate the landfill cap. On January 15, 2014, SWACO entered into an asset purchase agreement with Phoenix Golf Links, Ltd. to acquire all their operating assets located at SWACO's closed Model Landfill. The assets were purchased for \$2,375,000 and a related Model Landfill lease agreement was terminated at the same time. The golf course operation was closed in March 2015 due to declining revenue and excess costs.

SWACO

Notes to Financial Statements

For the Year Ended December 31, 2017

SWACO derives its revenue principally from fees levied on the disposal of solid waste. SWACO collects these fees in two ways: 1) tipping fees charged for solid waste disposal and waste transfer services provided at SWACO facilities; and 2) fees assessed on all solid waste generated within the District. These fees are established pursuant to authorization within the Ohio Revised Code (“ORC”) and agreements established with private landfill owners. SWACO had one customer which accounted for approximately 29.2% of SWACO’s total operating revenues for the year ended December 31, 2017. The customer accounted for approximately 27.2% of accounts receivable at December 31, 2017.

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

SWACO

Notes to Financial Statements

For the Year Ended December 31, 2017

Within the Operating Fund, SWACO segregates revenues and expenses for Continuing Operations (primarily the Sanitary Landfill and transfer stations) from Discontinued Operations (the WTEF) to allow management to more easily focus on operating results from ongoing operations. Additionally, certain revenues within the Operating Fund are dedicated to the payment of the WTEF lease obligation and related bonds (Note 11 – Waste-to-Energy Facility Debt) and may not be used for other purposes. The separation of the Operating Fund into Continuing and Discontinued Operations is shown in the supplemental schedules beginning on page 2-57.

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

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

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

Accounts receivable: SWACO extends credit to public and private customers of the landfill, transfer stations, and other SWACO facilities and reports amounts owed to SWACO net of any allowance for bad debts. The allowance for bad debts is calculated by identifying specific accounts that are more than 90 days past due with no payment activity. As of December 31, 2017, the allowance for bad debt was zero. Accounts receivable also includes amounts owed by private transfer stations and landfills for solid waste received at the facilities, generated within the boundaries of SWACO and subject to the Generation Fee and Waiver Fee.

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

Landfill and Property, Plant, and Equipment: SWACO records asset acquisitions at cost and provides for depreciation in amounts adequate to amortize cost over the estimated useful lives of the assets using a straight-line method for financial reporting purposes, except for its landfill, which is depleted using a units-of-production method. The cost of buildings and equipment is depreciated using a straight-line method over their estimated useful lives of 10 to 20 years for buildings and 5 to 10 years for equipment.

SWACO

Notes to Financial Statements

For the Year Ended December 31, 2017

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

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

Vacation and sick leave: A liability for vacation and sick leave is included in accrued wages and benefits. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, this liability includes accumulated vacation time and vested sick leave computed using employee wage rates in effect at December 31, 2017.

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

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

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

New accounting pronouncements: For the year ended December 31, 2017, SWACO has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of SWACO.

SWACO

Notes to Financial Statements

For the Year Ended December 31, 2017

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of SWACO.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in SWACO's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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

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

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

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

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

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

SWACO

Notes to Financial Statements

For the Year Ended December 31, 2017

Subsequent Events: Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. Management has evaluated subsequent events through June 21, 2018, which is the date that the financial statements were available to be issued.

3. Cash and Investments

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

Deposits: Protection of SWACO's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

During the year 2017, SWACO invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. SWACO measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. Financial information may be obtained by visiting <http://www.tos.ohio.gov/starohio/>.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

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

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

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

SWACO recorded an unrealized loss of approximately \$44,000 as of December 31, 2017, which represents the difference between fair value and the cost as of that date. Fair value was determined as described below. The chart on the next page summarizes SWACO's cash and investments at fair value as of December 31, 2017:

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SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

Cash and Investments at December 31, 2017

<u>Operating and Program Funds</u>	Measurement	Maturity in Years	
	Value	Less than 1	1 to 4
Carrying amount of deposits	\$ 29,679,697	\$29,679,697	\$ -
Federal agency securities	14,915,347	1,989,845	12,925,502
Money market mutual funds/sweep acct.	2,934,386	2,934,386	-
Cash on hand	2,100	2,100	-
STAR Ohio	3,226,518	3,226,518	-
	<u>50,758,048</u>	<u>37,832,546</u>	<u>12,925,502</u>
<u>Closure/Post-closure Trust Fund</u>			
Money market mutual funds	46,541	46,541	-
Federal agency securities	25,941,511	747,025	25,194,486
	<u>25,988,052</u>	<u>793,566</u>	<u>25,194,486</u>
Total	<u>76,746,100</u>	<u>38,626,112</u>	<u>38,119,988</u>

Reconciliation of Cash and Investments to Statement of Net Position

<u>Per Statement of Net Position</u>	Operating Fund	Program Fund	Total
Cash and cash equivalents	26,053,799	-	26,053,799
Restricted cash	4,971,750	4,817,151	9,788,901
Investments	14,915,348	-	14,915,348
Closure/post-closure funds held by trustee:			
Investments	25,988,052	-	25,988,052
Total	<u>\$ 71,928,949</u>	<u>\$ 4,817,151</u>	<u>\$ 76,746,100</u>

Concentration of Credit Risk: SWACO's investment policy limits the amount that may be invested with any one issuer to fifty percent of the total portfolio. As of December 31, 2017, investments in the following issuers exceeded five percent of the portfolio for the Operating Fund: FNMA Notes (14.0%), FHLMC Notes (32.0%), FHLB Notes (8.7%), Certificates of Deposit (18.0%), Commercial Paper (9.0%), FFCB Notes (6.0%), and FHLB Notes (5.0%).

The EPA Trust Fund consisted of the following breakout with issuers exceeding five percent of the portfolio: FHLMC Notes (57.0%), Commercial Paper (32.1%), Certificates of Deposit (13.0%), FFCB Notes (13.0%), and FHLB Notes (13.0%).

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

SWACO categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies SWACO's recurring fair value measurements as of December 31, 2017. SWACO's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

As further discussed in Note 4 (Restricted Assets), cash in the amount of \$4,971,750 in the Operating Fund and \$4,817,151 in the Program Fund were restricted at December 31, 2017 for debt service, capital projects, by State law, or for other purposes.

4. Restricted Assets

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

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

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SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

Restricted Net Position

	Operating Fund	Program Fund	Total
Cash			
Bond retirement account	\$ 4,971,750	\$ -	\$ 4,971,750
Unexpended generation fees	-	4,817,151	4,817,151
Total restricted cash	<u>4,971,750</u>	<u>4,817,151</u>	<u>9,788,901</u>
Waiver and generation fees receivable	-	417,248	417,248
Prepaid expenses	-	11,297	11,297
Closure/post-closure trust fund net of accrued liability – Franklin County Sanitary Landfill	3,750,578	-	3,750,578
Less amounts payable from restricted assets	<u>(19,728)</u>	<u>(1,222,158)</u>	<u>(1,241,886)</u>
Other restricted net position	<u>\$ 8,702,600</u>	<u>\$ 4,023,538</u>	<u>\$ 12,726,138</u>

5. Closure/Post-Closure Funds Held by Trustee

In 1995, SWACO established a trust fund (the “Fund”) with U.S. Bank for the benefit of the OEPA under OEPA rules applicable to SWACO requiring the owner or operator of a solid waste facility to provide financial assurance that funds will be available when needed for final closure, post-closure care, and/or corrective measures of the facility when the landfill stops accepting waste (either when at maximum capacity or if closed for other reasons). The amount to be funded for the financial assurance instrument, which is established in the landfill permit, and is subject to change due to inflation or other factors, is based on the maximum exposure of unclosed landfill area allowed in the permit and is calculated differently than SWACO’s Landfill Closure Cost estimate for purposes of GASB Statement No. 18 (see Note 12 – Landfill Closure and Post-Closure Care Costs). The amount to be funded for the financial assurance estimate is paid in annual installments over a maximum twenty-year pay-in period. Annual payments are made by SWACO and are calculated by dividing the financial assurance requirement less cash and investments in the Fund as of the calculation date by the number of years remaining in the pay-in period (seven years as of December 31, 2017).

The required Fund payment due and paid in April 2017 was approximately \$1.2 million.

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

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

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

6. Capital Assets

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

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

Landfill development costs (land acquisition, engineering, construction and other direct costs associated with the permitting, development, and construction of landfill capacity) are capitalized and depleted based on the percentage of permitted capacity used during the year. Depletion is calculated based on cubic yards of solid waste disposed and placed in the landfill as measured through an annual aerial survey. Costs associated with development of the entire landfill site are depleted based on the percentage of total permitted capacity used (approximately 52.1% as of December 31, 2017). Costs associated with the development and construction of individual expansion cells are depleted based on the percentage of horizontal capacity used 28.2% as of December 31, 2017.

Depletion and closure expense increased approximately \$1.4 million over prior year. Landfill depletion expense specifically is up approximately \$1.3 million from prior year while closure expense is up approximately \$102,000 from prior year.

Construction in progress primarily consists of H5A construction costs and the permit-to-install related to the Franklin County Sanitary Landfill.

As of the end of 2017, SWACO estimates total landfill development costs at approximately \$169.4 million, including approximately \$96.0 million expended through 2017 (including construction in progress) and approximately \$73.4 million estimated future costs to be expended over the remaining life of the landfill. SWACO recognized total accumulated depletion of \$63.0 million as of December 31, 2017, leaving an estimate of \$106.4 million in depletion expense over the remaining life of the landfill.

A summary of capital assets at December 31, 2017, is shown on the following page.

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SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

Summary of Capital Assets at December 31, 2017

Operating Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 23,718,712	\$ -	\$ -	\$ 23,718,712
Construction in progress	608,964	6,346,748	(3,376,600)	3,579,112
Total capital assets, not being depreciated	24,327,676	6,346,748	(3,376,600)	27,297,824
Capital assets, being depreciated/depleted:				
Equipment and furnishings	25,895,421	4,169,833	(446,290)	29,618,964
Building and improvements	18,883,007	1,198,872	-	20,081,879
Transfer stations	15,262,876	-	-	15,262,876
Sanitary landfill	90,544,380	1,873,922	-	92,418,302
Total capital assets, being depreciated/depleted	150,585,684	7,242,627	(446,290)	157,382,021
Less accumulated depreciation/depletion for:				
Equipment and furnishing	(23,673,414)	(1,608,835)	446,290	(24,835,959)
Building and improvements	(6,059,442)	(1,418,730)	-	(7,478,172)
Transfer stations	(5,881,050)	(687,324)	-	(6,568,374)
Sanitary landfill	(57,193,135)	(5,803,136)	-	(62,996,271)
Total accumulated depreciation/depletion	(92,807,041)	(9,518,025)	446,290	(101,878,776)
Total capital assets, being deprec. /depl., net	57,778,643	(2,275,398)	-	55,503,245
Total capital assets, net	82,106,319	4,071,350	(3,376,600)	82,801,069
Program Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Equipment and furnishings	410,720	-	-	410,720
Building and improvements	1,210,214	-	-	1,210,214
Total capital assets, being depreciated	1,620,934	-	-	1,620,934
Less accumulated depreciation for:				
Equipment and furnishing	(404,417)	(6,303)	-	(410,720)
Building and improvements	(911,913)	(58,040)	-	(969,953)
Total accumulated depreciation	(1,316,330)	(64,343)	-	(1,380,673)
Total capital assets, being depreciated, net	304,604	(64,343)	-	240,261
Total capital assets, net	\$ 304,604	\$ (64,343)	\$ -	\$ 240,261

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

7. Lease Receivable

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

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

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

On January 1, 2012, SWACO leased a building it owns, on property owned by the City of Columbus, to a third party. The term of the lease is eighteen years and the total lease payments due to SWACO over the term of the agreement will be \$1,050,192, remitted in monthly payments of \$4,862. Interest income under the lease for the year ended December 31, 2017, approximated \$9,000.

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SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

Estimated future minimum lease payments receivable, together with the present value of the net minimum lease payments receivable as of December 31, 2017, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 58,344
2019	58,344
2020	58,344
2021	58,344
2022	58,344
2023-2027	291,720
2028-2029	116,688
Total minimum lease payments receivable	700,128
Less amount representing interest	51,957
Present value of minimum lease payments	<u>\$ 648,171</u>

8. Net Pension Liability

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

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

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

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

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

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

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

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

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

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.00 %
Post-Employment Health Care Benefits	1.00 %
Total Employer	<u>14.00 %</u>
Employee	<u>10.00 %</u>

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. SWACO's contractually required contribution was \$781,927 for 2017. Of this amount, \$86,466 is reported as accrued wages and benefits.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SWACO's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. SWACO's proportion of the net pension liability was based on SWACO's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportion of the Net Pension Liability:	
Current Measurement Period	0.04450218%
Prior Measurement Period	0.04378400%
Change in Proportion	<u>0.00071818%</u>
Proportionate Share of the Net	
Pension Liability	\$ 10,105,688
Pension Expense	\$ 2,052,197

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2017, SWACO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

	<u>OPERS</u>
Deferred Outflows of Resources	
Net Difference between Projected and Actual	
Earnings on Pension Plan Investments	\$ 1,504,969
Differences between Expected and	
Actual Experience	13,697
Changes of Assumptions	1,602,884
Changes in Proportionate Share	60,991
SWACO Contributions Subsequent	
to the Measurement Date	781,927
Total Deferred Outflows of Resources	<u>\$ 3,964,468</u>
Deferred Inflows of Resources	
Differences between Expected and	
Actual Experience	\$ 60,145
Changes in Proportionate Share	141,427
Total Deferred Inflows of Resources	<u>\$ 201,572</u>

\$781,927 reported as deferred outflows of resources related to pension resulting from SWACO contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>
2018	1,170,863
2019	1,316,742
2020	537,480
2021	(44,116)
	<u>\$ 2,980,969</u>

Actuarial Assumptions - OPERS

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

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.50 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to Financial Statements
For the Year Ended December 31, 2017

Sensitivity of SWACO's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents SWACO's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what SWACO's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SWACO's Proportionate Share of the Net Pension Liability	\$ 15,438,696	\$ 10,105,688	\$ 5,661,567

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Notes to Financial Statements
For the Year Ended December 31, 2017

9. Other Post-Employment Benefits

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the traditional and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

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Notes to Financial Statements
For the Year Ended December 31, 2017

Substantially all of SWACO's contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 were \$60,148, \$115,223, and \$110,381 respectively. For 2017, 89 percent has been contributed with the balance being reported as accrued wages and benefits. The full amount has been contributed for 2016 and 2015.

10. Debt Management

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

Outstanding Notes and Bonds as of December 31, 2017

Issue	Amount Issued	Maturities	Interest Rates	Principal Balance as of December 31, 2017
Series 2008	\$ 19,975,000	2010 - 2018	4.00% - 5.20%	\$ 970,000
Series 2012	79,015,000	2013 - 2032	1.50% - 5.00%	33,135,000
Series 2013A	9,375,000	2015 - 2026	1.50% - 4.00%	7,200,000
Series 2013B	9,540,000	2014 - 2032	0.45% - 5.00%	6,985,000
Series 2016	35,360,000	2016 - 2029	3.00% - 5.00%	35,360,000
Subtotal, general obligation bonds				\$ 83,650,000

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Notes to Financial Statements

For the Year Ended December 31, 2017

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

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

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

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

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

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

It is anticipated that the debt service on the Series 2008, Series 2012 (except for debt service on the portion pertaining to the retirement of debt for the Waste-to-Energy Facility), Series 2013A, Series 2013B, and Series 2016 bonds will be paid from SWACO's tipping fees or other sources of revenues. However, Series 2008, Series 2012, Series 2013A, Series 2013B, and Series 2016 bonds are general obligation bonds secured by a pledge to levy ad valorem property taxes.

The following table summarizes SWACO's annual debt service requirements to maturity for its general obligation bonds (including general obligation bonds issued by Franklin County on behalf of SWACO), tax revenue note, and promissory note outstanding as of December 31, 2017, categorized by source of payment.

Year ended December 31,	Paid from Tipping Fees		Paid from Retired Facility/Waiver Fees		Total	
	Series 2008, 2012, 2013A, 2013B, 2016		Series 2012			
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$2,790,000	\$3,465,628	\$4,735,000	\$236,750	\$7,525,000	\$3,702,378
2019	4,760,000	3,368,540	-	-	4,760,000	3,368,540
2020	4,965,000	3,172,560	-	-	4,965,000	3,172,560
2021	5,180,000	2,958,060	-	-	5,180,000	2,958,060
2022	5,420,000	2,721,693	-	-	5,420,000	2,721,693
2023 - 2027	27,920,000	9,675,775	-	-	27,920,000	9,675,775
2028 - 2032	27,880,000	3,581,563	-	-	27,880,000	3,581,563
Total	\$78,915,000	\$28,943,819	\$4,735,000	\$236,750	\$83,650,000	\$29,180,569

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

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SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

Summary of Debt and Long-Term Obligations

Including the bonds and notes payable, net pension liability, and compensated leave balances, long-term liability activity for the year ended December 31, 2017, was as follow:

Operating and Program Funds	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation notes and bonds payable:					
Series 2008 bonds refunding	\$ 1,910,000	\$ -	\$ (940,000)	\$ 970,000	\$ 970,000
Series 2012 bonds refunding	38,125,000	-	(4,990,000)	33,135,000	5,150,000
Series 2013A bonds refunding	7,945,000	-	(745,000)	7,200,000	755,000
Series 2013B bonds refunding	7,625,000	-	(640,000)	6,985,000	650,000
Series 2016 bonds refunding	35,360,000	-	-	35,360,000	-
Unamortized bond premiums	8,730,908	3,465	(1,210,044)	7,524,329	-
Total general obligation notes and bonds payable, net	99,695,908	3,465	(8,525,044)	91,174,329	7,525,000
Landfill closure and post-closure liability					
Landfill closure and post-closure liability	21,224,375	1,013,099	-	22,237,474	-
Net pension liability	7,583,941	2,521,747	-	10,105,688	-
Compensated leave	303,394	6,971	(23,401)	286,964	260,259
Total debt and long-term liabilities	\$ 128,807,618	\$ 3,545,282	\$ (8,548,445)	\$ 123,804,455	\$ 7,785,259

11. Waste-to-Energy Facility Debt

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

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

SWACO

Notes to Financial Statements

For the Year Ended December 31, 2017

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

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

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

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

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

As the result of the 1998 modification to the lease, SWACO recognized gains of \$50,203,271 for the years 1995-2003 representing 4.5% of the lease for the years 1995-2010 and 30.5% for the years 1995-2003. In 2004, SWACO recognized a gain of \$19,652,043 representing the remaining 30.5% reduction in the lease obligation for the years 2004-2010.

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

The 2004 modification removed the provision of the 1998 modification which make the additional 30.5% lease reduction contingent on the continued collection of the Waiver Fee and Retired Facility Fee and accelerated the recognition of the gain into 2004. No future gains will be recognized by SWACO under the terms of the modified lease.

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

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

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

12. Landfill Closure and Post-Closure Care Costs

State and federal laws and regulations require SWACO to place a final cover on its Sanitary Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although final closure and post-closure care costs will be paid only when the last phases of the landfill reach final waste elevation, in accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs, SWACO reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each Statement of Net Position date.

SWACO's estimate of total current cost of closure and post-closure care is \$42.7 million. This estimate includes final cover and gas collection system costs for the last phase of the landfill construction of \$34.6 million and post-closure maintenance and monitoring costs of \$8.1 million. These amounts are estimated based on the 2017 cost to perform all closure and post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The amount reported as Landfill Closure/Post-closure liability as of December 31, 2017, includes \$22.2 million representing the cumulative amount reported based on the use of 52.1% of the estimated capacity of the landfill, including the original permit and 1997 and 2009 modifications. SWACO will recognize the remaining estimated cost of closure and post-closure care costs of approximately \$20.5 million as the remaining estimated capacity is filled. Per SWACO's annual report the landfill has a remaining useful life of approximately 19.2 years.

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

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

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

In addition to the gas remediation, SWACO will explore the potential leasing of the buildings at the site and other possible methods of cost mitigation as well as other potential uses for the land.

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SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

13. Service Agreements

SWACO entered into a modification of a yard waste composting service agreement in November 2009. The agreement was extended through December 31, 2022. Under the modified terms of the agreement, SWACO pays a quarterly service fee (beginning January 1, 2010) of \$71,250 to the service provider to accept and process yard waste delivered by SWACO District constituents. Operating expenses under the service agreement were \$285,000 in 2017. The future maximum service payments are \$285,000 annually from 2018 through 2022.

SWACO also entered into a modification of another yard waste composting service agreement in November 2009. The agreement was extended through December 31, 2022. Under the modified terms of the agreement, beginning January 1, 2010, SWACO pays the service provider a per-ton fee for yard waste composting services up to a maximum annual payment of \$1,200,000, to accept and process yard waste delivered by SWACO District constituents. Operating expenses under the service agreement were \$1,200,000 in 2017. The future maximum service payments are \$1,200,000 annually from 2018 through 2022.

14. Commitments and Contingencies

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

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

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SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

15. Risks and Uncertainties

SWACO is exposed to various risks of loss related to torts and general liability; theft of, damage to and destruction of assets; natural disasters; errors and omissions; employee health care claims, settlement claims, and injuries to employees. Insurance policies are procured for buildings and contents and certain equipment. In addition, a crime policy is in effect which covers SWACO for employee theft and dishonesty. There have been no significant changes in insurance coverage since the prior year. Settled claims have not exceeded commercial coverage in any of the past three years. SWACO purchases workers' compensation insurance through the State of Ohio to cover all employees. SWACO also provides life insurance to all full-time employees at an amount equal to \$50,000 or one (1) year's base salary, whichever is greater as well as short-term disability benefit. These benefits are fully insured by SWACO through third parties.

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

SWACO provides health care benefits package to its employees under agreement with Franklin County. The County provides multiple health care benefit plans that cover approximately 5,990 employees of Franklin, Pickaway and Fairfield Counties, SWACO and other Central Ohio political subdivisions. There are approximately 14,749 plan subscribers when spouses and dependents and domestic partners are counted. During 2017, these benefits included a self-insured participating provider organization medical plan, a prescription drug program, a mental health and chemical dependency program, dental, vision, and employee assistance program (EAP) benefits. The program is administered by third parties who provide claims review and processing. Participating County agencies and other political subdivisions pay their proportionate shares of the premiums and may be charged for their pro-rata share of any reserve deficiency as determined by the plan's independent actuary. SWACO has not been assessed any charges other than its premiums for the years ended December 31, 2017 or 2016.

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

SWACO analyzes all outstanding and potential claims that have arisen or could arise due to the occurrence of a loss contingency on or before December 31, 2017. Those claims that are judged to have a high probability of requiring a settlement and for which the amount required to settle the claim is reasonably estimable are included. SWACO still has potential claims at the end of 2017 incurred in prior years, but is unable to quantify the monetary value.

	<u>2016</u>	<u>2017</u>
Unpaid claims at January 1	\$ -	\$ -
Incurred claims	746,904	248,214
Paid claims	<u>(746,904)</u>	<u>(231,710)</u>
Unpaid claims at December 31	<u>\$ -</u>	<u>\$ 16,504</u>

SWACO
Notes to Financial Statements
For the Year Ended December 31, 2017

16. Subsequent Events

On May 10, 2018 the Ohio EPA approved a new permit-to-install for a vertical and lateral expansion of the Franklin County Sanitary Landfill. The new expansion increases the remaining life of the landfill by 29 years, for a new total life of 48 years. The permit approval is important for SWACO and the residents and businesses served by ensuring safe, efficient and long-term disposal options, which in turn aligns with the organization's mission to improve the community's solid waste stream through effective reduction, recycling & disposal.

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SWACO
Required Supplementary Information
For the Year Ended December 31, 2017

Solid Waste Authority of Central Ohio
 Franklin County, Ohio
 Required Supplementary Information
 Schedule of the SWACO's Proportionate Share of the Net Pension Liability
 Last Four Years (1)

	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)				
SWACO's Proportion of the Net Pension Liability	0.0445022%	0.0437840%	0.0470640%	0.0470640%
SWACO's Proportionate Share of the Net Pension Liability	\$ 10,105,688	\$ 7,583,941	\$ 5,678,740	\$ 5,548,232
SWACO's Covered Payroll	\$ 5,761,125	\$ 5,519,033	\$ 5,874,258	\$ 6,162,485
SWACO's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.41%	137.41%	96.67%	90.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes:

Ohio Public Employees' Retirement System (OPERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00% to 7.50%
- Wage inflation rate from 3.75% to 3.25%
- Price inflation from 3.00% to 2.50%

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

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SWACO
Required Supplementary Information
For the Year Ended December 31, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>					
Contractually Required Contribution	\$ 781,927	\$ 691,335	\$ 662,284	\$ 704,911	\$ 801,123
Contributions in Relation to the Contractually Required Contribution	<u>(781,927)</u>	<u>(691,335)</u>	<u>(662,284)</u>	<u>(704,911)</u>	<u>(801,123)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SWACO's Covered Payroll	\$ 6,014,821	\$ 5,761,125	\$ 5,519,033	\$ 5,874,258	\$ 6,162,485
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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SWACO**Supplemental Schedule – Operating Fund Statement of Net Position – Proprietary Fund****As of December 31, 2017**

	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 26,053,799	\$ -	\$ 26,053,799
Restricted cash	-	4,971,750	4,971,750
Investments	14,915,348	-	14,915,348
Accounts receivable, net	3,805,136	-	3,805,136
Lease receivable, current portion	50,257	-	50,257
Other assets	537,843	-	537,843
Total current assets	45,362,383	4,971,750	50,334,133
Non-current assets:			
Investments held by trustee for landfill closure/post-closure care	25,988,052	-	25,988,052
Capital assets:			
Sanitary landfill, net of accumulated depletion	29,422,031	-	29,422,031
Buildings and equipment, net of accumulated depreciation	26,081,214	-	26,081,214
Construction in progress	3,579,112	-	3,579,112
Land and land improvements	23,718,712	-	23,718,712
Lease receivable, less current portion	597,914	-	597,914
Total non-current assets	109,387,035	-	109,387,035
Total assets	154,749,418	4,971,750	159,721,168
Deferred outflows of resources:			
Refundings	2,156,121	290,548	2,446,669
Pension	3,561,328	-	3,561,328
Total deferred outflows of resources	\$ 5,717,449	\$ 290,548	\$ 6,007,997

Continued the following page

SWACO**Supplemental Schedule – Operating Fund Statement of Net Position – Proprietary Fund****As of December 31, 2017**

	Operating Fund		Total
	Continuing Operations	Discontinued Operations	
Liabilities			
Current liabilities:			
Accounts payable	\$ 2,633,375	\$ -	\$ 2,633,375
Accrued wages and benefits	550,905	-	550,905
Accrued interest	311,668	19,728	331,396
Current maturities of bonds and notes payable	2,790,000	4,735,000	7,525,000
Other payables	901	-	901
Total current liabilities	6,286,849	4,754,728	11,041,577
Non-current liabilities:			
Bonds and notes payable, less current portion, net	83,491,142	158,188	83,649,330
Landfill closure/post-closure liability	22,237,474	-	22,237,474
Accrued wages and benefits	26,425	-	26,425
Net pension liability	9,095,119	-	9,095,119
Total non-current liabilities	114,850,160	158,188	115,008,348
Total liabilities	121,137,009	4,912,916	126,049,925
Deferred inflows of resources: pension	181,670	-	181,670
Net position			
Net investment in capital assets:			
Bonds payable related to closed waste-to-energy facility	-	(4,602,640)	(4,602,640)
Other capital assets, net	(2,074,447)	-	(2,074,447)
Restricted:			
Other restricted, net	-	4,952,022	4,952,022
Closure/post-closure trust fund net of accrued liability – Franklin County Sanitary Landfill	3,750,578	-	3,750,578
Unrestricted	37,472,057	-	37,472,057
Total net position	\$ 39,148,188	\$ 349,382	\$ 39,497,570

SWACO**Supplemental Schedule – Operating Fund Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund
For the Year Ended December 31, 2017**

	Operating Fund		Total
	Continuing Operations	Discontinued Operations	
Operating revenues:			
Tipping and disposal fees	\$ 37,360,992	\$ -	\$ 37,360,992
Waste transfer fees	6,445,491	-	6,445,491
Retired facility and waiver fees	516,511	1,812,866	2,329,377
Interfund charges	1,399,503	(1,240,733)	158,770
Sale of landfill gas	4,721,686	-	4,721,686
Other	151,846	-	151,846
Operating revenues	<u>50,596,029</u>	<u>572,133</u>	<u>51,168,162</u>
Operating expenses:			
Salaries, wages and benefits	9,862,312	-	9,862,312
Contracts, services and supplies	9,214,196	-	9,214,196
Solid waste fees	5,494,677	-	5,494,677
Depreciation	3,714,889	-	3,714,889
Landfill depletion	5,803,136	-	5,803,136
Landfill closing cost	1,013,099	-	1,013,099
Operating expenses	<u>35,102,309</u>	<u>-</u>	<u>35,102,309</u>
Operating income (loss)	<u>15,493,720</u>	<u>572,133</u>	<u>16,065,853</u>
Non-operating revenues (expenses):			
Interest expense	(2,814,836)	(217,167)	(3,032,003)
Interest earnings	600,678	-	600,678
Gain on disposal of assets	21,434	-	21,434
Total non-operating expenses, net	<u>(2,192,724)</u>	<u>(217,167)</u>	<u>(2,409,891)</u>
Change in net position	13,300,996	354,966	13,655,962
Total net position – beginning	<u>25,847,192</u>	<u>(5,584)</u>	<u>25,841,608</u>
Total net position – ending	<u>\$ 39,148,188</u>	<u>\$ 349,382</u>	<u>\$ 39,497,570</u>

SWACO**Supplemental Schedule – Operating Fund Statement of Cash Flows – Proprietary Fund****For the Year Ended December 31, 2017**

	Operating Fund		
	Continuing Operations	Discontinued Operations	Total
Cash flows from operating activities:			
Receipts from customers	\$ 44,781,179	\$ -	\$ 44,781,179
Retired facility fees and waiver fees collected	516,511	2,415,830	2,932,341
Sale of landfill gas	4,347,730	-	4,347,730
Other receipts	151,846	-	151,846
Payments to or on behalf of employees for salaries, wages and benefits	(8,832,663)	-	(8,832,663)
Payment to vendors	(17,394,981)	-	(17,394,981)
Interfund charges	1,399,503	(1,240,733)	158,770
Other expenses	(99)	-	(99)
Net cash provided by operating activities	<u>24,969,026</u>	<u>1,175,097</u>	<u>26,144,123</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	58,850,087	-	58,850,087
Purchase of investments	(64,367,726)	-	(64,367,726)
Interest received	507,849	-	507,849
Net cash used in investing activities	<u>(5,009,790)</u>	<u>-</u>	<u>(5,009,790)</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of assets	21,434	-	21,434
Cash received from lease transactions	49,611	-	49,611
Landfill, plant improvements and equipment additions	(10,212,775)	-	(10,212,775)
Principal paid on bonds and notes payable	(2,380,000)	(4,935,000)	(7,315,000)
Interest paid and cost on debt refunded	(3,419,879)	(360,400)	(3,780,279)
Net cash used in capital and related financing activities	<u>(15,941,609)</u>	<u>(5,295,400)</u>	<u>(21,237,009)</u>
Net increase (decrease) in cash	4,017,627	(4,120,303)	(102,676)
Cash and cash equivalents, beginning of year	<u>22,036,172</u>	<u>9,092,053</u>	<u>31,128,225</u>
Cash and cash equivalents, end of year	<u>\$ 26,053,799</u>	<u>\$ 4,971,750</u>	<u>\$ 31,025,549</u>

Continued the following page

SWACO**Supplemental Schedule – Operating Fund Statement of Cash Flows – Proprietary Fund
For the Year Ended December 31, 2017**

	Operating Fund		Total
	Continuing Operations	Discontinued Operations	
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 15,493,720	\$ 572,133	\$ 16,065,853
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation and depletion	9,518,025	-	9,518,025
Landfill closing cost	1,013,099	-	1,013,099
(Decrease) increase in cash resulting from changes in:			
Accounts receivable, net	600,740	602,964	1,203,704
Accounts payable	(2,653,586)	-	(2,653,586)
Accrued wages and benefits	(111,486)	-	(111,486)
Decrease in deferred outflows: pension	(927,626)	-	(927,626)
Increase in net pension liability	2,256,031	-	2,256,031
Increase in deferred inflows: pension	(187,270)	-	(187,270)
Other assets and liabilities	(32,621)	-	(32,621)
Net cash provided by operating activities	<u>\$ 24,969,026</u>	<u>\$ 1,175,097</u>	<u>\$ 26,144,123</u>

Non-cash capital and related financing activities:

Amortization of premiums on bonds payable during the year of \$973,512 for Continuing Operations and \$233,067 for Discontinued Operations.

Amortization of deferred amounts on refundings during the year totaled (\$247,841) for Continuing Operations and (\$100,139) for Discontinued Operations.

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STATISTICAL SECTION

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Solid Waste Authority of Central Ohio

Introduction to Statistical Section

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

Tables 1 and 2 provide ten years of financial information for SWACO. Table 3 is a budget to actual comparison for 2017.

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

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

Tables 12 through 16 provide debt service schedules for SWACO's outstanding notes and bonds. Table 17 shows various debt ratios for SWACO. Table 17 includes total debt (notes and bonds) per capita, total obligation debt as a percent of SWACO assessed property valuation (although backed by a pledge to levy ad valorem property taxes, SWACO's general obligation bonds are paid from other sources, see note 10 to the financial statements), and annual debt service per ton paid from the landfill tipping fee. Table 18 shows the statutory debt limit on SWACO's ability to issue debt supported by property taxes. SWACO is not subject to direct debt limits.

Demographic information is presented for SWACO's solid waste district and Franklin County in Tables 19 through 21. Table 22 provides information on capital assets.

SWACO
Schedules of Net Position - All Funds
For Years Ended December 31, 2008 through 2017
(in thousands)¹

Assets	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash and cash equivalents	\$ 2,461	\$ 7,349	\$ 5,599	\$ 5,238	\$ 7,152	\$ 14,221	\$ 18,311	\$ 29,496	\$ 22,036	\$ 26,054
Restricted cash	2,443	1,817	6,582	25,506	35,741	25,413	17,811	15,907	12,622	9,789
Unrestricted and restricted investments	6,857	3,008	5,055	7,337	6,886	5,877	7,426	7,536	10,695	14,915
Accounts receivable, net	3,329	3,036	3,794	3,640	4,721	4,288	4,611	5,517	5,451	4,222
Grants receivable	1,500	-	26	495	357	-	-	-	-	-
Closure/postclosure funds held by trustee	23,035	20,648	21,027	21,199	21,341	21,548	22,660	23,647	24,662	25,988
Sanitary Landfill, net of accum. deprec./depletion	13,850	18,600	12,767	16,010	23,925	21,146	28,049	22,739	33,351	29,422
Buildings and equipment, net of accum. depreciation	18,394	17,662	14,679	16,722	16,318	25,138	25,273	22,629	24,732	26,322
Construction in progress	9,107	4,341	3,558	2,606	9,886	8,647	1,848	8,714	609	3,579
Land and land improvements	11,721	12,711	12,711	13,036	18,064	18,163	18,745	18,745	23,719	23,719
Lease receivable	4,878	4,708	5,518	5,218	5,851	3,640	1,770	747	698	648
Other assets	130	53	23	210	212	522	427	306	465	549
Total assets	97,706	93,934	91,339	117,217	150,454	148,603	146,931	155,983	159,040	165,207
Deferred outflows of resources:										
Refundings	-	-	-	-	2,533	2,424	3,189	1,595	2,795	2,447
Pension	-	-	-	-	-	-	695	965	2,920	3,964
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ 2,533	\$ 2,424	\$ 3,884	\$ 2,560	\$ 5,715	\$ 6,411

Table 1 (continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Liabilities										
Accounts payable, deferred revenue, and unearned income	\$ 2,113	\$ 2,050	\$ 2,593	\$ 3,506	\$ 4,164	\$ 3,787	\$ 2,360	\$ 5,479	\$ 5,747	\$ 3,167
Accrued wages and benefits	896	1,380	1,408	1,418	1,525	791	884	697	767	628
SWACO grants payable	-	34	41	39	71	88	32	4	45	11
ERIP payable	-	1,139	1,097	617	100	-	-	-	-	-
Accrued interest	520	743	903	885	891	790	679	615	221	331
Bonds and notes payable (Note 10)	106,491	102,263	108,320	125,197	142,115	133,064	122,532	112,691	99,696	91,174
Capital lease obligation (Note 11)	6,225	4,099	1,889	-	-	-	-	-	-	-
Landfill closure/postclosure care liability (Note 12)	10,150	11,237	12,086	11,584	22,228	22,651	23,105	20,411	21,224	22,237
Net pension liability							5,548	5,679	7,584	10,106
Other	413	177	37	128	111	70	51	-	2	1
Total liabilities	126,810	123,122	128,374	143,374	171,205	161,241	155,191	145,576	135,286	127,655
Deferred inflows of resources: pension								100	409	202
Net position										
Net investment in capital assets:										
WTEF, net of lease obligation and bonds payable	(49,595)	(43,987)	(38,176)	(32,559)	(28,706)	(24,062)	(19,441)	(14,606)	(9,671)	(4,603)
Other capital assets, net	(1,054)	(3,609)	(17,925)	(16,480)	(5,286)	(8,069)	(14,056)	(17,875)	(5,637)	(1,834)
Restricted:										
Closure/postclosure trust fund, net of accrued liability - Sanitary Landfill	13,887	10,399	9,901	10,512	(137)	(573)	(149)	3,334	3,437	3,751
Other restricted, net	1,184	514	777	1,614	2,701	4,633	7,418	9,789	12,556	8,975
Unrestricted	6,474	7,496	8,388	10,756	13,210	17,857	21,852	32,225	28,375	37,472
Total net position	\$ (29,104)	\$ (29,187)	\$ (37,035)	\$ (26,157)	\$ (18,218)	\$ (10,214)	\$ (4,376)	\$ 12,867	\$ 29,060	\$ 43,761

¹ Totals may not add due to rounding.

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

SWACO
Schedules of Revenues, Expenses, and Changes in Net Position - All Funds
For Years Ended December 31, 2008 through 2017
(in thousands)¹

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Tipping and disposal fees	\$ 18,650	\$ 18,101	\$ 21,141	\$ 26,870	\$ 29,251	\$ 29,217	\$ 29,255	\$ 30,302	\$ 30,812	\$ 37,361
Waste transfer fees	4,537	4,403	4,441	4,487	4,427	4,836	5,696	5,988	6,432	6,445
Retired facility and waiver fees	7,614	9,162	9,473	9,095	8,842	9,134	9,079	9,451	9,631	2,329
Generation fees	5,438	5,090	5,265	5,054	4,919	5,074	5,045	5,258	5,362	5,610
Sale of landfill gas							676	2,086	2,708	4,722
Other	582	563	846	435	1,096	482	1,256	784	112	324
Operating revenues	36,822	37,319	41,166	45,941	48,535	48,743	51,007	53,869	55,057	56,791
Expenses:										
Salaries, wages and benefits	9,692	11,226	9,457	9,281	10,132	9,951	9,460	8,744	9,556	11,017
Contracts, services and supplies	10,800	9,491	10,172	12,102	10,584	10,768	11,373	10,474	11,853	12,276
Solid waste fees	3,122	3,250	4,342	4,929	4,764	4,766	5,012	5,153	5,279	5,495
Depreciation and depletion	10,334	7,428	13,960	5,290	(2,211)	7,161	8,737	10,069	8,198	9,582
Landfill closing expenses	(9,630)	1,100	877	(440)	10,791	643	687	(2,496)	911	1,014
Other	-	-	10	1	-	(116)	-	1,196	-	159
Operating expenses	24,318	32,495	38,818	31,163	34,060	33,173	35,269	33,140	35,797	39,543
Operating income	\$ 12,504	\$ 4,824	\$ 2,348	\$ 14,778	\$ 14,475	\$ 15,570	\$ 15,738	\$ 20,729	\$ 19,260	\$ 17,248

Table 2 (continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Non-operating revenues (expenses):										
Interest expense	\$ (4,858)	\$ (4,729)	\$ (4,498)	\$ (4,347)	\$ (5,700)	\$ (4,746)	\$ (3,522)	\$ (3,871)	\$ (3,561)	\$ (3,032)
ERIP interest expense	-	(42)	(128)	(108)	386	(32)	(3)	-	-	-
Interest earnings	2,471	762	567	417	(72)	249	214	530	608	601
Capital contributions received								1,105	-	-
Grant revenues	379	307	621	495	133	27	-	-	-	-
Grants awarded	(498)	(712)	(587)	(369)	(247)	(399)	(147)	(131)	(215)	(137)
Loss on federal grant	(480)	(512)	-	-	-	-	-	-	-	-
Bad debt expense			(127)	-	-	(2,500)	(1,773)	(8)	-	-
Impairment of long-lived assets	-	-	(6,100)	-	(800)	-	-	-	-	-
Fire loss net of insurance proceeds	(382)	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	(44)	19	57	12	(236)	(165)	184	(1,110)	101	21
Total non-operating expenses	(3,412)	(4,908)	(10,195)	(3,900)	(6,536)	(7,566)	(5,047)	(3,485)	(3,067)	(2,547)
Change in net position	9,092	(84)	(7,847)	10,878	7,939	8,004	10,691	17,244	16,193	14,701
Total net position - beginning	(38,196)	(29,104)	(29,188)	(37,035)	(26,157)	(18,218)	(10,214)	(4,377)	12,867	29,060
Change in accounting principle ²	-	-	-	-	-	-	(4,853)	-	-	-
Total net position - ending	\$ (29,104)	\$ (29,188)	\$ (37,035)	\$ (26,157)	\$ (18,218)	\$ (10,214)	\$ (4,376)	\$ 12,867	\$ 29,060	\$ 43,761

¹ Totals may not add due to rounding.

² SWACO implemented the provisions of GASB Statement No. 68 in 2015 and as a result of the change in accounting principle, recorded a restatement in 2014 net position.

Source: SWACO

SWACO
Schedule of Revenues, Expenses and Changes in Net Position
2017 Budget to Actual (in thousands)¹

	Operating Fund			Program Fund			All Funds Total			
	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	Budget Variance Positive (Negative)
Operating revenues:										
Tipping and disposal fees	\$ 36,038	\$ 36,038	\$ 37,361	\$ -	\$ -	\$ -	\$ 36,038	\$ 36,038	\$ 37,361	\$ 1,323
Waste transfer fees	6,292	6,292	6,445	-	-	-	6,292	6,292	6,445	153
Retired facility and waiver fees	2,259	2,259	2,329	-	-	-	2,259	2,259	2,329	70
Generation fees	-	-	-	5,389	5,389	5,610	5,389	5,389	5,610	221
Sale of landfill gas	2,500	2,500	4,722	-	-	-	2,500	2,500	4,722	2,222
Interfund charges	-	-	159	-	-	-	-	-	159	159
Other	-	-	152	-	-	13	-	-	165	165
Total operating revenues	47,089	47,089	51,168	5,389	5,389	5,623	52,478	52,478	56,791	4,313
Operating expenses:										
Salaries, wages and benefits ²	9,086	9,086	9,862	1,131	1,131	1,155	10,217	10,217	11,017	(800)
Contracts, services and supplies	12,331	12,331	9,214	3,906	3,906	3,062	16,237	16,237	12,276	3,961
Solid waste fees	5,361	5,361	5,495	-	-	-	5,361	5,361	5,495	(134)
Depreciation and depletion	8,758	8,758	9,518	64	64	64	8,822	8,822	9,582	(760)
Landfill closing costs	1,156	1,156	1,013	-	-	-	1,156	1,156	1,013	143
Interfund charges	(237)	(237)	-	237	237	159	-	-	159	(159)
Total operating expenses	36,455	36,455	35,102	5,338	5,338	4,440	41,793	41,793	39,542	2,251
Operating income	\$ 10,634	\$ 10,634	\$ 16,066	\$ 51	\$ 51	\$ 1,183	\$ 10,685	\$ 10,685	\$ 17,250	\$ 6,565

Table 3 (continued)

	Operating Fund			Program Fund			All Funds Total			Budget Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	
Non-operating revenues (expenses):										
Interest expense	\$ (3,154)	\$ (3,154)	\$ (3,032)	\$ -	\$ -	\$ -	\$ (3,154)	\$ (3,154)	\$ (3,032)	\$ 122
Interest earnings	729	729	601	-	-	-	729	729	601	(128)
Grants awarded	-	-	-	(371)	(371)	(138)	(371)	(371)	(138)	233
Gain (loss) on disposal of assets	-	-	21	-	-	-	-	-	21	21
Total non-operating revenues (expenses)	(2,425)	(2,425)	(2,410)	(371)	(371)	(138)	(2,796)	(2,796)	(2,548)	248
 Change in net position	 8,209	 8,209	 13,656	 (320)	 (320)	 1,045	 7,889	 7,889	 14,702	 6,813
Total net position - beginning	-	-	25,841	-	-	3,219	-	-	29,060	29,060
Total net position - ending	<u>\$ 8,209</u>	<u>\$ 8,209</u>	<u>\$ 39,497</u>	<u>\$ (320)</u>	<u>\$ (320)</u>	<u>\$ 4,264</u>	<u>\$ 7,889</u>	<u>\$ 7,889</u>	<u>\$ 43,762</u>	<u>\$ 35,873</u>

¹ Totals may not add due to rounding.

² Note - Salaries, wages and benefits exceeded budget due to GASB 68 Pension Liability Expense calculation.

Source: SWACO

SWACO
Solid Waste Received and Landfilled 2008 - 2017 (in tons)²

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Solid waste received by SWACO:										
Jackson Pike Transfer Station	164,326	152,829	153,564	152,681	149,410	163,360	241,938	233,331	263,927	261,643
Morse Road Transfer Station	133,156	123,988	132,727	127,957	126,081	153,507	212,358	245,239	251,196	254,338
Georgesville Road Transfer Station	64,201	73,606	67,133	76,256	76,534	67,680	-	-	-	-
Subtotal Transfer stations	361,683	350,422	353,424	356,894	352,025	384,547	454,296	478,570	515,123	515,981
Sanitary Landfill	483,675	465,206	586,422	721,290	682,381	637,150	563,149	590,242	575,679	621,368
Total solid waste received by SWACO	845,358	815,628	939,847	1,078,184	1,034,406	1,021,697	1,017,445	1,068,812	1,090,802	1,137,349
Adjustments ¹	(6,620)	(93)	(5,048)	(4,459)	(2,912)	(1,569)	(706)	(5,384)	(6,424)	(5,680)
Solid waste landfilled - Franklin County Sanitary Landfill	838,738	815,535	934,799	1,073,725	1,031,494	1,020,128	1,016,739	1,063,428	1,084,378	1,131,669

¹ Adjustments - carryover related to end of year inventory at transfer stations and shrinkage due to loss of water or removed from waste stream.

² Totals may not add due to rounding.

Source: SWACO

SWACO
Top Ten Customers 2008 - 2017
(tons received)³

Customer	2008	2009 ⁴	2010	2011 ⁴	2012	2013	2014	2015	2016	2017
City of Columbus Division of Sanitation/Refuse Public Serv	324,682	312,685	307,486	314,515	303,714	288,222	291,518	304,062	306,795	314,531
Republic Waste Systems	162,598	156,566	154,372	177,749	176,082	181,551	192,621	208,005	209,926	207,613
Rumpke Waste/Rumpke Container/Rumpke Transfer	159,279	155,848	154,524	198,488	198,115	200,356	198,665	183,801	179,740	192,356
Local Waste Services LLC	85,130	78,410	78,539	91,895	100,280	104,554	103,883	118,260	119,146	129,046
Waste Management of Ohio	43,927	36,032	162,860	143,063	128,850	133,553	100,680	104,273	106,362	121,036
Capitol Waste & Recycling	*	*	*	11,673	8,342	#	24,930	33,551	38,777	37,617
Grass Groomers	*	*	*	*	*	#	#	#	6,451	19,339
Columbus Auto Shredding Inc.	*	*	*	28,127	25,048	4,892	8,117	23,630	12,902	15,140
City of Columbus Street Engineer	5,926	6,152	5,547	#	8,584	9,118	9,829	9,438	7,399	7,352
The Ohio State University	#	#	#	#	#	#	#	#	#	5,007
City of Upper Arlington	7,175	6,665	6,539	6,719	#	6,702	6,950	7,158	6,152	4,560
City/Southerly Waste Water Plant	3,289	3,501	#	#	#	#	#	4,161	*	2,654
Mars Petcare U.S./Northstar Recycling Comp	#	#	9,325	8,666	6,961	6,288	5,607	#	*	*
Dist Trans Company, LLC	#	#	#	#	#	3,761	#	#	*	*
PSC Metals Inc.	*	*	*	26,331	24,479	#	#	*	#	*
Anheuser-Busch Inc.	#	#	7,117	#	#	#	#	#	*	*
Adept, Inc.	3,806	2,581	#	#	#	#	#	#	#	#
Flower Garbage	9,133	7,783	4,351	*	*	*	*	*	*	*
Total Top Ten Customers	804,945	766,223	890,660	1,007,226	980,454	938,998	942,800	996,337	993,650	1,056,251
Total tons received by SWACO ¹	845,358	815,628	939,847	1,078,184	1,034,406	1,021,697	1,017,445	1,068,812	1,090,802	1,137,349
Top Ten customer % of total received	95%	94%	95%	93%	95%	92%	93%	93%	91%	93%
Total tons generated within District ²	1,087,688	1,018,049	1,052,999	1,079,501	1,044,176	1,031,688	1,023,487	1,082,034	1,104,074	1,150,337
Top Ten customer % of total waste disposal	74%	75%	85%	93%	94%	91%	92%	92%	90%	92%

¹ Includes both in-district and out-of-district waste.

² Total solid waste generated within the District and disposed of at SWACO and out-of-district facilities.

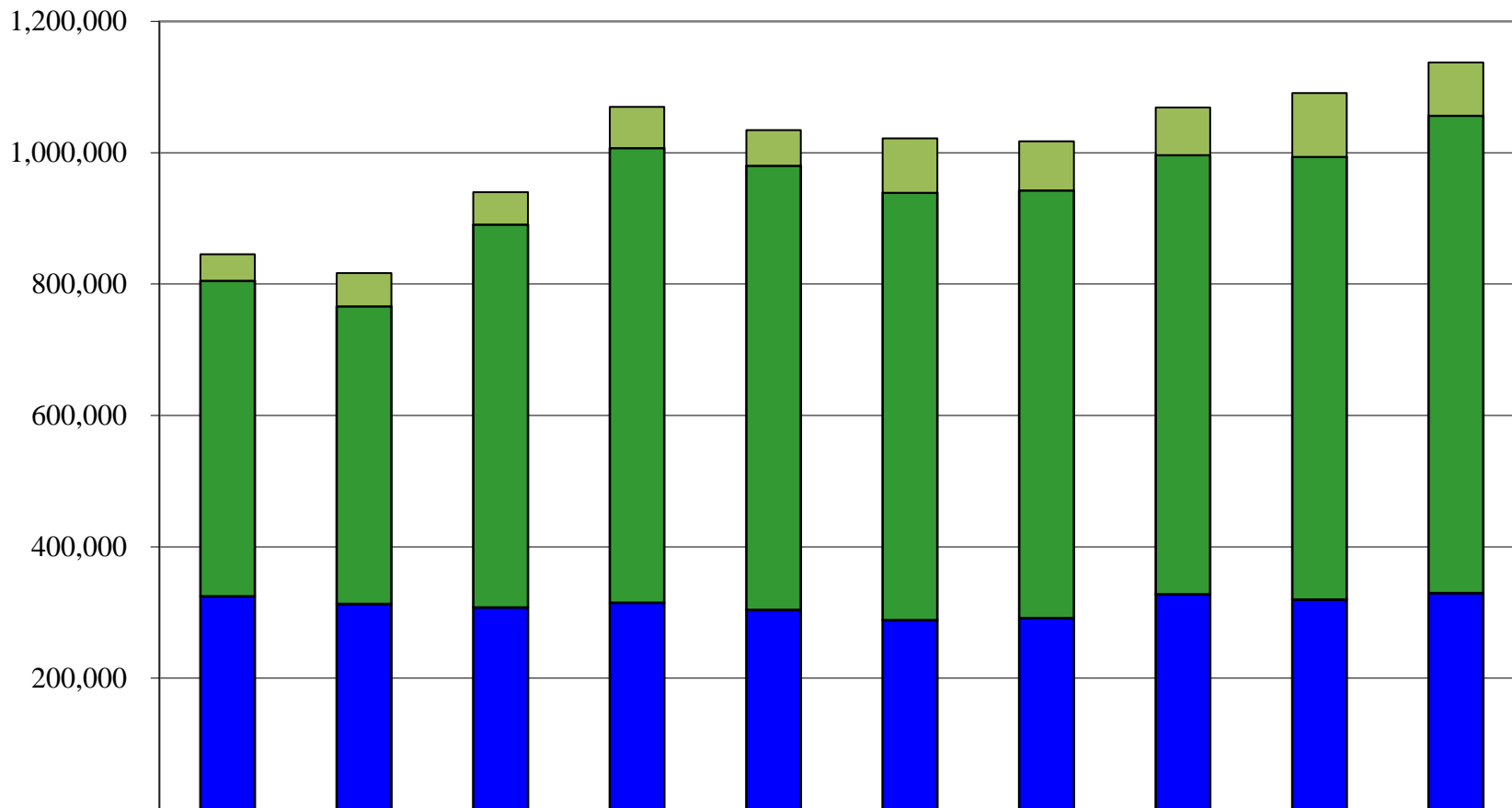
³ Totals may not add due to rounding.

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

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

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

SWACO Waste Receipts (Tons) 2008 - 2017



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All others	40,413	50,531	49,186	62,392	53,952	82,699	74,646	72,475	97,152	81,098
Rest of Top Ten*	480,263	453,539	583,175	692,711	676,740	650,776	651,281	668,646	673,953	726,580
City of Columbus*	324,682	312,685	307,486	314,515	303,714	288,222	291,518	327,692	319,697	329,671

Source: SWACO

*See notes to Table 5.

SWACO
Disposal Rates 1991-2017

Table 6

Effective Date	Franklin County Landfill	Jackson Pike Transfer ²	Morse Road Transfer	Georgesville Rd. Transfer	Alum Creek Transfer	Compost Facilities	Charge Unit
2/1/1991 ¹	\$ 4.90	\$ -	\$ -	\$ -	\$ -	\$ -	Cu. Yard
4/1/1991	7.50	-	-	-	-	-	Cu. Yard
4/1/1993	7.50	7.50	7.50	7.50	7.50	-	Cu. Yard
7/1/1993	13.25	13.00	13.50	13.00	13.00	-	Cu. Yard
6/1/1994 ³	49.00	49.00	49.00	49.00	49.00	-	Ton
9/1/1994	32.00	32.00	32.00	32.00	32.00	-	Ton
11/1/1994 ⁴	37.00	37.00	37.00	37.00	Closed	-	Ton
2/7/1996	33.00	37.00	44.00	40.00	-	-	Ton
3/11/1996	30.00	34.00	41.00	37.00	-	-	Ton
5/8/1996	27.00	31.00	38.00	34.00	-	-	Ton
4/8/1998 ⁵	20.00	30.00	31.00	31.00	-	-	Ton
4/1/1999 ⁶	27.00	37.00	38.00	38.00	-	-	Ton
10/4/1999	27.00	37.00	38.00	38.00	-	6.00 ⁷	Ton
1/1/2005	29.25	40.25	41.25	41.25	-	6.00	Ton
7/1/2005 ⁸	30.75	41.75	42.75	42.75	-	6.00	Ton
1/1/2006	32.25	44.25	45.25	45.25	-	6.00	Ton
1/1/2007	33.50	45.50	46.50	46.50	-	6.00	Ton
1/1/2008	33.50	45.50	46.50	46.50	-	6.00	Ton
1/1/2009	35.50	47.50	48.50	48.50	-	6.00	Ton
8/1/2009 ⁹	36.75	48.75	49.75	49.75	-	6.00 ¹⁰	Ton
1/1/2011 ¹¹	39.75	51.75	52.75	52.75	-	-	Ton
1/1/2012	42.75	54.75	55.75	55.75	-	-	Ton
4/1/2017 ¹²	\$ 39.75	\$ 51.75	\$ 52.75	Closed	\$ -	\$ -	Ton

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

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

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

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

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

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

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

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

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

¹⁰ Compost facility was closed December 2009.

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

¹² Effective April 1, 2017 the rate reflects an elimination of the \$7.00 Waste-to-Energy Facility, and an additional \$4.00 for a net decrease of \$3.00.

SWACO
Franklin County Sanitary Landfill Airspace Capacity
Total Permitted, Annual Used, and Permitted Remaining 2008-2017
(cubic yards)

Year	Total Permitted Airspace	Annual Airspace Used	Permitted Airspace Remaining
2008	48,400,000	1,192,300	36,732,300
2009	51,900,000 ¹	1,053,000	39,179,300
2010	51,900,000 ¹	1,163,000	38,670,000
2011	51,900,000 ¹	1,263,060	36,961,530
2012	51,900,000 ¹	1,010,563	35,958,706
2013	51,900,000 ¹	942,511	35,008,572
2014	51,900,000 ¹	1,109,792	33,898,780
2015	51,900,000 ¹	1,174,004	32,724,776
2016	51,900,000 ¹	1,284,020	31,440,756
2017	51,900,000 ¹	1,411,139	30,029,617
	<u>At Maximum Permitted Receipts²</u>		<u>At 2017 Receipts³</u>
Remaining landfill life	9.5		19.2

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

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

³ Approximately 1,131,669 tons landfilled. Assumes a compaction rate of 1,450 pounds per cubic yard.

Source: SWACO

SWACO
Generation Fee Tonnage Reported 2008 - 2017¹

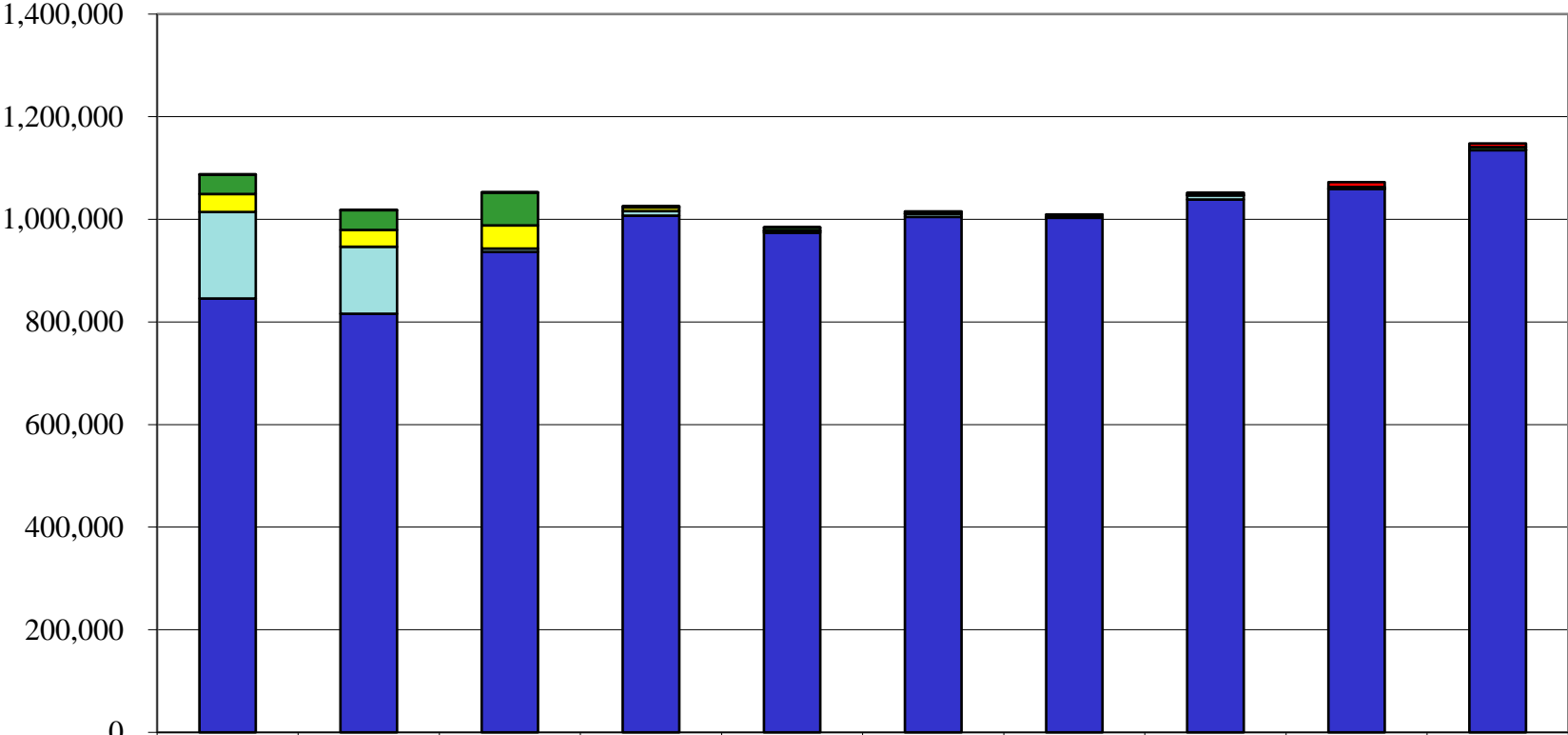
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017²
Solid Waste Authority (3 facilities)	845,358	815,628	936,254	1,007,191	974,001	1,004,807	1,002,940	1,038,319	1,059,238	1,134,798
Republic Waste (2 facilities)	37,984	38,922	64,395	2,014	6,022	3,812	4,868	4,117	3,707	5,948
Rumpke Waste (2 facilities)	34,906	32,594	45,292	6,703	709	235	92	54	22	5
Waste Management (5 facilities)	168,767	130,866	6,591	9,133	3,023	5,740	894	8,583	254	263
Other (6 facilities)	673	39	467	2	15	204	188	468	9,288	6,772
Total³	1,087,688	1,018,049	1,052,999	1,025,043	983,770	1,014,798	1,008,982	1,051,541	1,072,509	1,147,786

¹ The Generation Fee is charged on all solid waste generated within SWACO's jurisdiction and disposed in a sanitary landfill located in Ohio. Certain solid waste is exempt from the fee. The current \$5.00 per ton Generation Fee was enacted effective November 1, 1994.

² 2017 includes tonnage from prior periods that did not include Generation Fee revenue, but an allocation was performed to charge the Generation Fee \$5 per ton per an interfund transfer.

³ Totals may not add due to rounding.

Generation Fee Tonnage Reported 2008 - 2017



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other (2 facilities)	673	39	467	2	15	204	188	468	9,288	6,772
Republic (2 facilities)	37,984	38,922	64,395	2,014	6,022	3,812	4,868	4,117	3,707	5,948
Rumpke (2 facilities)	34,906	32,594	45,292	6,703	709	235	92	54	22	5
Waste Management (5 facilities)	168,767	130,866	6,591	9,133	3,023	5,740	894	8,583	254	263
SWACO (3 facilities)	845,358	815,628	936,254	1,007,191	974,001	1,004,807	1,002,940	1,038,319	1,059,238	1,134,798

Source: SWACO
 *See notes to Table 8.

Table 9

SWACO
SWACO Program Activity - Tons Collected 2008-2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total tons of waste recycled:										
Yard waste composting	148,823	78,764	n/a	n/a	193,147	238,242	204,038	170,960	291,519	334,422
Drop-off recycling	12,999	15,126	15,924	16,444	14,843	10,136	9,524	9,087	8,575	7,088
Just-in-Time Recycling	774	636	37	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Household hazardous waste	641	550	231	122	162	197	170	383	260	252
E-waste collection	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tire collection	187	153	139	220	168	113	94	93	n/a	n/a
Scrap metal recycling	246	19	40	23	41	8	89	5	82	46
Other recycling	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total²	163,670	95,248	16,371	16,809	208,360	248,696	213,915	180,528	300,436	341,808

Tires and White Goods Received 2008 - 2017¹

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tires (each)	28,926	17,625	16,422	22,219	18,723	15,688	13,712	12,267	14,388	12,735
White goods (each)	301	290	143	169	157	141	115	269	486	412

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

² Totals may not add due to rounding.

Source: SWACO

SWACO
Household Hazardous Waste Collection 2008 - 2017
(in pounds)

Material classification	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bulked flammables	51,488	69,494	72,096	69,461	94,587	129,543	93,729	136,594	95,917	122,770
Paint	901,135	750,018	219,187	42,007	40,963	63,256	70,535	388,821	192,707	92,030
Aerosol-pesticides	63,491	61,798	32,149	37,625	41,422	44,873	34,597	69,603	52,600	70,803
Used oil /antifreeze	65,667	57,633	35,361	16,896	32,137	39,934	38,665	33,598	46,261	31,225
Putty & adhesives	35,486	37,351	34,807	23,167	30,051	38,267	24,167	37,570	35,837	44,795
Aerosol-flammables	34,914	19,731	14,790	10,676	18,418	18,617	14,285	25,152	22,048	26,056
Household cleaners	23,879	18,348	12,320	10,904	13,519	15,295	11,193	16,456	15,673	16,912
Lead/acid batteries	33,526	28,194	16,067	9,131	17,122	12,214	9,443	14,251	19,877	21,330
Acids/bases	12,734	13,977	7,536	6,614	6,965	7,148	13,124	14,231	8,695	11,701
Fluorescent light bulbs	6,875	6,700	6,101	5,130	9,978	7,043	9,026	8,264	7,947	9,579
Dry cell batteries	12,246	3,990	5,189	6,832	8,399	5,326	8,994	11,057	12,216	12,378
Propane cylinders	8,028	2,857	2,065	1,471	2,328	2,077	2,915	3,544	3,013	3,139
Oxidizers	4,516	2,476	1,689	1,869	2,968	1,988	3,310	3,903	3,673	5,023
NiCad batteries	18	3,649	334	1,012	1,033	1,724	660	508	1,036	1,187
Lithium batteries	13	475	102	136	674	1,720	505	348	1,090	1,099
Reactive lab pack/alum paint	1,222	7,213	142	205	342	799	254	558	1,033	554
Fire extinguishers	794	537	211	112	355	600	683	827	431	1,157
Elemental mercury	938	230	1,138	327	656	257	215	118	75	216
Poisons	208	235	322	476	414	239	1,385	767	239	924
Cylinders	756	163	41	28	85	66	821	90	90	296
Freon	-	6	-	37	17	-	252	1	1	242
Miscellaneous waste	-	6,291	15,056	28	660	3,987	1,481	383	644	1,419
Asbestos	90	8	1	3	3	1	-	-	-	2
Lab pack A	-	-	-	-	-	-	-	-	-	-
Lab pack B	-	-	-	-	-	-	-	-	-	-
Loosepack fuels	24,174	8,968	-	-	-	-	-	-	-	-
Total:	1,282,198	1,100,342	476,704	244,147	323,096	394,974	340,239	766,644	521,103	474,837

SWACO
Number of Employees by Function 2008-2017

Function	2008	2009	2010	2011	2012	2013	2014¹	2015¹	2016¹	2017¹
Administration	21	19	20	24	24	23	12.5	17	14	17
Operations	88	89	90	89	95	86	83	83.5	85	85.5
Programs	11	6	6	6	5	5	2.5	4.5	4.5	5.0
Total	120	114	116	119	124	114	98	105	103.5	107.5

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

Source: SWACO

Table 12

SWACO
Series 2008 Solid Waste Facility Improvements Bonds

Year	Principal	Coupon	Interest	Total Debt Service
2009	\$ -	-	\$ 715,328	\$ 715,328
2010	5,000	4.000%	964,488	969,488
2011	5,000	4.000%	964,288	969,288
2012	800,000	4.0%/5.0%	964,088	1,764,088
2013	1,920,000	4.000%	912,060	2,832,060
2014	820,000	4.0%/5.0%	843,039	1,663,039
2015	870,000	4.0%/5.0%	805,539	1,675,539
2016	13,645,000	4.000%	766,739	14,411,739
2017	940,000	5.000%	95,500	1,035,500
2018	970,000	5.000%	48,500	1,018,500
Total	\$ 19,975,000		\$ 7,079,568	\$ 27,054,568

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

Totals may not add due to rounding.

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

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

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

SWACO
Series 2012 Solid Waste Facility Improvements and Refunding Bonds

Table 13

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

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

Totals may not add due to rounding.

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

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

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

Table 15

SWACO
Series 2013B Solid Waste Facility Improvements and Refunding Bonds

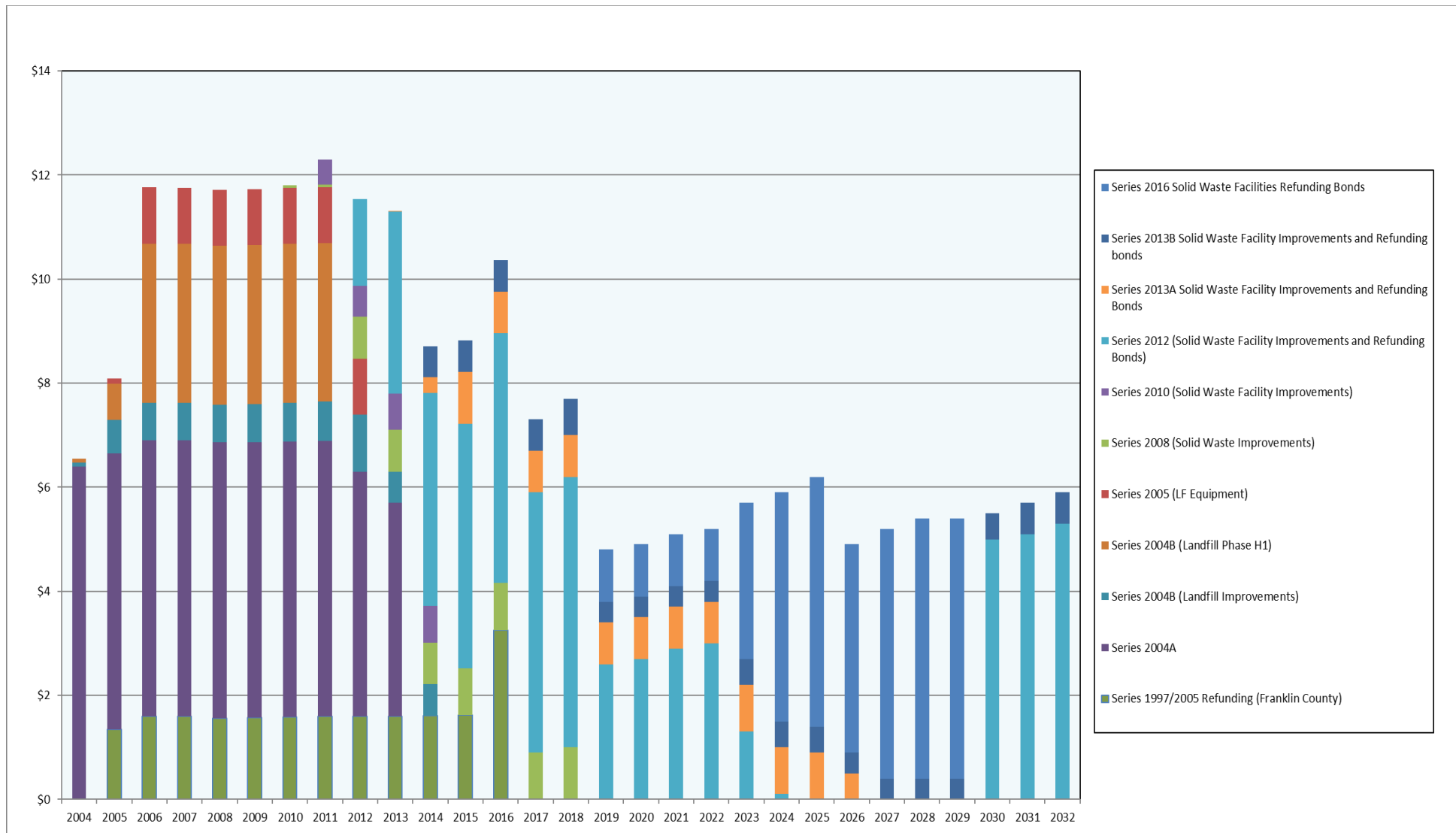
Year	Principal	Coupon	Interest	Total Debt Service
2014	\$ 660,000	0.450%	\$ 411,126	\$ 1,071,126
2015	630,000	0.850%	309,278	939,278
2016	625,000	1.150%	303,923	928,923
2017	640,000	1.800%	296,735	936,735
2018	650,000	2.250%	285,215	935,215
2019	390,000	2.700%	270,590	660,590
2020	400,000	3.100%	260,060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

Net interest cost (%) 4.279%

Totals may not add due to rounding.

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

Solid Waste Authority of Central Ohio Debt Service 2004-2032 (in millions)



SWACO
Total and General Obligation Debt Ratios 2008 - 2017

Tax Year		Total SWACO Debt ¹ (thousands)	SWACO District Population ²	Total SWACO Debt Per Capita	SWACO General Obligation Debt ³ (thousands) ⁵	District Assessed Property Valuation (AV) ² (thousands) ⁵	SWACO G.O. Debt as a Percent of AV	Annual Debt Service Paid from Tipping Fees (thousands)	Solid Waste Received by SWACO (tons)	Annual Debt Service Paid from Tipping Fees Per Ton Received
2008	2009	\$ 112,716	1,197,200	\$ 94	\$ 101,613	\$ 30,400,811	0.33%	\$ 6,186	845,358	\$ 7.32
2009	2010	106,363	1,201,810	89	93,265	28,910,438	0.32%	7,142	815,628	8.76
2010	2011	110,209	1,205,163	91	100,129	28,867,111	0.35%	7,921	939,847	8.43
2011	2012	125,197	1,208,818	104	91,114	27,113,105	0.34%	6,863	1,078,184	6.37
2012	2013	139,581	1,215,471	115	134,880	26,121,220	0.52%	8,165	1,034,406	7.89
2013	2014	133,064	1,216,000	109	128,709	27,362,018	0.47%	8,120	1,021,697	7.95
2014	2015	122,533	1,225,500	100	118,518	27,571,041	0.43%	8,295	1,017,445	8.15
2015	2016	112,691	1,235,273	91	109,019	27,907,630	0.39%	8,265	1,068,812	7.73
2016	2017	99,696	1,265,068	79	99,696	28,390,374	0.35%	9,296 ^{4,6}	1,090,802	8.52
2017	2018	\$ 91,174	1,293,183	\$ 71	\$ 91,174	\$ 31,617,408	0.29%	\$ 5,831 ⁴	1,137,349	\$ 5.13

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

² See Table 20.

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

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

⁵ Note prior year District Assessed Property Valuation and SWACO General Obligation Debt have been updated.

⁶ Prior year annual debt service paid from tipping fees updated.

Source: SWACO

SWACO
Indirect Debt and Property Tax Limitations, June, 21, 2018

SWACO's debt is not subject to direct debt limits, but its unvoted general obligation debt (debt authorized by the Board of Trustees but not by a vote of the electors) is subject to overlapping restrictions with each respective county and school district. Limitations apply to each county total and should not be considered cumulatively. Total debt service charges for any one year of all overlapping debt must not exceed ten mills (1%) of the assessed property value. This determination is made by the respective county auditors each time a subdivision proposes to issue unvoted debt. The most recent data prepared by the county auditors for this purpose was as of June 21, 2018.

Overlapping Jurisdictions	Millage required	Unallocated Millage
SWACO, Franklin County, the City of Hilliard, Dublin City School District, Washington Township & Central Ohio JVS	9.8895	0.1105
SWACO, Licking County, the City of Reynoldsburg, Southwest Licking Local School District, Etna Township & Licking County C-TEC	6.5284	3.4716
SWACO, Union County, the City of Dublin, Washington Township & Dublin City School District	6.4202	3.5798
SWACO, Delaware County, the City of Westerville & Westerville City School District, City of Dublin & Dublin City School District	5.6360	4.3640
SWACO, Pickaway County, Village of Harrisburg, Darby Township & South-Western City School District	0.1998	9.8002
SWACO, Fairfield County, City of Columbus, Montgomery Township, Pickerington Local School District & Eastland Career Center	6.4438	3.5562

Source: Auditors for respective counties.

Table 19

SWACO
Ten Largest Employers 2017 and 2008
Franklin County, Ohio

Employer	2017¹			Employer	2008²	
	Principal Business	Number of Employees	% of Total Employment		Number of Employees	% of Total Employment
The Ohio State University	Education	30,804	4.2%	State of Ohio	24,492	4.2%
State of Ohio	Government	24,067	3.3%	The Ohio State University	21,107	3.6%
Kroger Co.	Retail	22,821	3.1%	JP Morgan Chase (formerly Bank One)	14,689	2.5%
OhioHealth (formerly Grant/Riverside)	Health Care	21,117	2.9%	Nationwide	11,441	2.0%
JP Morgan Chase & Co.	Finance	18,600	2.5%	United States Government	10,762	1.8%
Nationwide	Insurance	14,100	1.9%	OhioHealth (formerly Grant/Riverside)	10,592	1.8%
Nationwide Children's Hospital	Health Care	10,032	1.4%	Columbus Public Schools	8,276	1.4%
Mount Carmel Health System	Health Care	8,852	1.2%	City of Columbus	8,227	1.4%
City of Columbus	Government	8,815	1.2%	Franklin County	6,310	1.1%
Columbus City School District	Education	8,004	1.1%	Limited Brands, Inc.	6,250	1.1%
Subtotal		167,212	22.7%	Subtotal	122,146	20.8%
Total estimated Franklin County employment ³		<u><u>737,500</u></u>	<u><u>100.0%</u></u>	Total estimated Franklin County employment	<u><u>586,400</u></u>	<u><u>100.0%</u></u>

¹ Business First of Columbus, Book of Lists, December 29, 2017 issue for Largest Employers.

² Business First of Columbus, Book of Lists, December 12, 2008 issue for Largest Employers.

³ Bureau of Labor Statistics, U.S. Department of Labor.

Note: This table includes full-time employees only.

District and Franklin County Demographic Statistics 2008 - 2017¹

Tax Year	District Population ²	Total Assessed Value Taxable District Property ³ (in thousands)	Franklin County Only			
			Population ⁸	Per Capita Income ⁴	Median Age ⁴	Total Assessed Value Taxable County Property (in thousands) ⁵
2008	1,197,200	\$ 30,400,811	1,164,725 ⁷	\$ 40,009 ⁷	34 ⁷	\$ 27,999,978 ⁷
2009	1,201,810	28,910,438	1,167,641 ⁷	41,077 ⁷	35 ⁷	28,057,691 ⁷
2010	1,205,163	28,867,111 ⁷	1,173,158 ⁷	39,165 ⁶	33 ⁶	27,984,335 ⁷
2011	1,208,818	27,113,105 ⁷	1,168,018 ⁷	40,609 ⁷	33 ⁷	26,303,009 ⁷
2012	1,215,471	26,121,220 ⁷	1,174,835 ⁷	40,981 ⁷	34 ⁷	26,124,038 ⁷
2013	1,216,000	27,362,018 ⁷	1,183,593 ⁷	41,666 ⁷	34 ⁷	26,160,709 ⁷
2014	1,225,500	27,571,041 ⁷	1,192,653 ⁷	44,723 ⁷	34 ⁷	26,358,683 ⁷
2015	1,235,273	27,907,630 ⁷	1,202,423 ⁷	46,104 ⁷	34 ⁷	26,642,445 ⁷
2016	1,265,068	28,390,374 ⁷	1,253,522 ⁷	48,941 ^{7,9}	34 ⁷	27,067,822 ⁷
2017	1,293,183	\$ 31,617,408 ⁷	1,291,981 ⁴	\$ 50,514 ⁷	34 ⁷	\$ 30,155,159 ⁷

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

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

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

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

⁵ Ohio Municipal Advisory Council.

⁶ Ohio Department of Development.

⁷ Franklin County Auditor/Woods & Poole Economics, Inc.

⁸ Previous population estimates updated.

⁹ Previous per capital income amount updated.

Sources: SWACO except as noted above.

Table 21

Average Unemployment Rates 2008 - 2017

Year	Franklin County	State of Ohio	United States
2008	5.5% ¹	6.6% ¹	5.8% ¹
2009	8.3% ²	10.2% ²	9.3% ²
2010	8.5% ²	10.1% ²	9.6% ²
2011	7.6% ¹	8.8% ¹	8.9% ¹
2012	6.1% ²	7.2% ²	8.1% ²
2013	6.2% ²	7.4% ²	7.4% ²
2014	4.8% ¹	5.7% ¹	6.2% ¹
2015	4.0% ³	4.9% ³	5.3% ³
2016	4.0% ³	4.9% ³	4.9% ³
2017	4.0% ³	5.0% ³	4.4% ³

¹Franklin County Auditor.

² Ohio Department of Job and Family Services, Bureau of Labor Market Information.

³ City of Columbus, Ohio, Comprehensive Annual Financial Reports.

SWACO
Capital Assets as of December 31, 2017

Sanitary Landfill See Note 6 - Capital Assets, page 2-33 and Table 7 in the Statistical Section for additional information on the landfill.

<u>Transfer Stations</u>	<u>Capacity</u> (tons per day)	<u>Year</u> <u>Constructed</u>		
Jackson Pike	1,780	1983		
Morse Road Eco-Station	1,000	2013		
	<u>Square</u> <u>Footage</u>	<u>Year</u> <u>Constructed</u>		
<u>Facilities</u>				
Administrative Office Building	8,500	2002		
Fleet Maintenance Garage	11,120	2000		
Landfill Operations Facility	12,800	2005		
4065 London-Groveport Rd.	4,280	2008		
2512 Jackson Pike	27,500	2008		
<u>Landfill Equipment</u>			<u>Transfer Station Equipment</u>	
Landfill compactors	5		Transfer tractors	41
Landfill dozers	4		Transfer trailers	40
Excavator/grader/track loader	6		Front-end loaders	8
Articulated dump trucks	4		Trackhoes	1
Trailer tippers	3		Service vehicles and other	3
Water trucks	2			
Other landfill vehicles and equipment	6		<u>Other vehicles and equipment</u>	
			Roll-off trucks	2
<u>Recycling Programs</u>			Pickup trucks	21
Recycled materials front-load trucks	5		Cars and passenger vans	3
Drop-box containers	249		Street sweepers	3
			Large mowers	6
			Cargo trailers	5

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SOLID WASTE AUTHORITY OF CENTRAL OHIO

Report Issued Pursuant to

Government Auditing Standards

For the year ended December 31, 2017

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**SOLID WASTE AUTHORITY OF CENTRAL OHIO
FRANKLIN COUNTY
DECEMBER 31, 2017**

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

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

To the Audit and Finance Committee and Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and each major fund of the Solid Waste Authority of Central Ohio, Franklin County, (SWACO) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise SWACO's basic financial statements and have issued our report thereon dated June 21, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Compliance and Other Matters

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

SWACO's Response to Finding

SWACO's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit SWACO's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Kennedy Cottrell Richards LLC

June 21, 2018

**SOLID WASTE AUTHORITY OF CENTAL OHIO
FRANKLIN COUNTY, OHIO**

SCHEDULE OF FINDINGS

DECEMBER 31, 2017

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2017-001

Significant Deficiency – Monitoring Controls Over Sale of Landfill Gas

Criteria: Management is responsible for designing, implementing, and maintaining effective internal controls, including evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported.

Condition: Although there were no significant audit adjustments related to the sale of landfill gas, we did note areas that monitoring controls could be strengthened to provide increased assurance that SWACO is receiving the monies it's due under the related contract. We noted the following deficiencies related to the monitoring of the sale of landfill gas:

- One employee, an Environmental Manager, is responsible for monitoring the landfill gas sales and the related revenue without oversight\monitoring by a supervisor. This employee is responsible for maintaining the Annual Bi-Weekly Landfill Gas Flow Summary and the Annual BTU Summary spreadsheets and for reviewing the royalty statements and supporting documentation for accuracy. Currently, there is no other employee trained to perform these functions.
- The Annual BTU Summary spreadsheet was not updated throughout the year to reflect adjustments made to monthly revenue. The adjustments to monthly revenue that were not accounted for on the Annual BTU Summary included a correction made to the June 2017 royalty statement, as well as additional royalty payments received that related to Low Carbon Fuel Standard (LCFS) for the months of January 2017 through September 2017.
- A portion of the royalty that SWACO receives is calculated based on the average daily market rate for gas sold in the Appalachian Basin. This rate\unit price wasn't monitored by SWACO throughout 2017 by comparing the price paid\received to available historical price indexes.
- The more significant components of the royalty payments that SWACO is receiving is based on the monies received by the buyer related to the Low Carbon Fuel Standard (LCFS) and Renewable Fuel Identification Number (RIN) settlements, a RIN is produced for each gallon of renewable fuel. The RIN settlements are based on agreements between the buyer of the landfill gas from SWACO and their customers. The existing agreement between SWACO and the buyer of the landfill gas states SWACO has the right to "audit" not only the books and records of buyer they also have the right to audit and inspect the books and records, and other documents maintained by the buyer's affiliates relating to the purchase and sale of the Beneficial End Use Products derived from the Project, and the buyer is required to have the affiliates comply with the requests. SWACO did not exercise their right to audit the records of the buyer\affiliates during 2017.
- There were not adequate procedures in place to ensure proper cutoff of Landfill Gas Sales Revenues and Receivables. A royalty payment for LCFS Settlements, which was not received until May 2018, was not reflected as revenue and a receivable on SWACO's financial statements. This receivable was not material to the financial statements.

Cause: The sale of landfill gas is relatively new revenue source and SWACO hasn't fully developed monitoring controls or cross-trained other employees to assist in the oversight of this contract.

**SOLID WASTE AUTHORITY OF CENTAL OHIO
FRANKLIN COUNTY, OHIO**

SCHEDULE OF FINDINGS

DECEMBER 31, 2017

Effect: The lack of monitoring controls over this contract and the involvement and oversight of other SWACO employees\supervisors could result in SWACO losing revenue they are entitled to receive under the contract.

Recommendation: We recommend that SWACO increase their monitoring controls over this receipt cycle by exercising their right to “audit” the buyer and its key affiliates to verify data that drives the calculation of the total sales used to calculate the royalty payments due to SWACO. SWACO should also verify the unit price paid by the buyer for gas by gaining access to a historical price index that shows the market rate for natural gas. In addition, SWACO should consider cross-training other employees instead of relying on just one to assist with the oversight of this contract. We also recommend updating the Annual BTU Summary to reflect all revenue received from Landfill Gas Sales, including adjustments made to royalty statements. Finally, SWACO should establish procedures to ensure Landfill Gas Sales Revenue and related receivables are appropriately captured in the proper period.

Official’s Response:

The sale of landfill gas at SWACO is a relatively new revenue source, and as identified above, is a cause leading to the current year finding. While current processes and procedures did not lead to audit adjustment to the amounts presented for audit, we recognize room for improvement. The revenue growth associated with this line item has outpaced the development of monitoring controls to cover all aspects of the respective transactions. While not fully developed, SWACO currently monitors the gas transmission and is in process of reviewing and improving the control structure with our external consultants to capture the settlement process, including regular monitoring of the Appalachian Basin rates and review of 3rd party statistics related to the purchase of landfill gas reported by the buyer. We also recognize the need to cross train additional staff on control procedures and plan to do so once processes are fully developed and vetted. Additionally, SWACO recognizes the need to develop a better understanding of the Low Carbon Fuel Standard (LCFS) Program market and the settlement process administered by the California Air Resources Board; however, we do have an understanding relative illiquidity of the LCFS market and its irregular settlement process from historical trades. Currently, SWACO accrues landfill gas revenue as net estimate, on a monthly-basis, and subsequently reconciles the estimate to actual revenue when the settlement process is complete. The specific carryover amounts relative to unsettled 4th quarter LCFS trades are unknown and were historically immaterial for accrual at year end. We will create a process to evaluate such settlements subsequent to year end and determine if an accrual is necessary utilizing information available prior to financial statement submission to the Hinkle system.



Dave Yost • Auditor of State

SOLID WASTE AUTHORITY OF CENTRAL OHIO

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 21, 2018**