



Western Carolina Regional Sewer Authority  
Greenville, South Carolina

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006







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Prepared by  
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**Controller**



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GREENVILLE, SOUTH CAROLINA  
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# Introduction







# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Western Carolina  
Regional Sewer Authority  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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



*Caren E. Perry*

President

*Jeffrey R. Emer*

Executive Director



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**Executive Director's Desk:** Western Carolina provides the Upstate of South Carolina with high quality wastewater treatment services. We are proud to complete another successful year by continuing to focus on protecting the public health and providing the necessary sewer infrastructure to support economic growth. The Upstate economy is constantly growing and changing, which forces our organization to continually evaluate and enhance our operations.

Western Carolina receives no funding from state or local taxes. This absence of financial assistance generates challenges to cover the high costs of continuously improving our wastewater treatment infrastructure. Our funding is provided through revenue debt issues, internal equity generated from system revenues, and state revolving fund loans. Through these funds, we are constantly working on our capital improvement campaign to effectively and efficiently meet the needs of our community.

As a result of Western Carolina's efforts to improve our system and provide services to the growing Upstate, we are proud to announce that our employees accomplished 99.96% compliance with our National Pollutant Discharge Elimination System (NPDES) permit requirements this year. Recognizing this high standard, the National Association of Clean Water Agencies (NACWA) awarded Peak Performance Awards to all eleven of Western Carolina's wastewater plants (one plant was decommissioned in October). Nine of our plants received gold awards for perfect compliance, and two received silver awards for their excellent compliance records.

Our capital improvement program has continued to progress throughout 2006. As projected in the Upstate Roundtable Report, our focus on consolidating sources and merging facilities into regional plants has been extremely successful and it is projected that Western Carolina will have eight regional treatment plants within the next three years. Upgrades at our plants will include the ultraviolet (UV) disinfection process and deep bed filtration, which reduces the number of disease-causing organisms in the plant effluent, prior to discharging it to receiving streams. The continuation of these technology upgrades will allow for improved and more efficient services to our customers.

A strong concern for Western Carolina is excessive levels of Inflow and Infiltration (I & I) throughout our system. For several years Western Carolina has focused on the development of programs to measure and correct the excessive levels of I & I throughout the Western Carolina system. I & I occurs when rainwater and groundwater enter the sewer system and take up the available system capacity that is needed to convey and treat wastewater from homes and businesses. Western Carolina is working with the 17 subdistricts and municipalities to address these issues.



In addition to keeping our collection system and wastewater treatment facilities in excellent condition, Western Carolina is committed to educating the public about our programs and services. Customer information is provided every year through a variety of printed materials. These materials consist of the annual Six Month Savings Program insert, which is included in Greenville Water System bills during the spring and fall seasons indicating the beginning and end of this program. The Six Month Savings Program adjusts costs for outside water use during the months of warm weather.

For the ninth consecutive year, Western Carolina's Annual Report to the Community will be distributed to more than 160,000 households and businesses through local newspapers. The Annual Report details our organization's strong financial position, current capital program and 2006 accomplishments. Western Carolina has received the Government Finance Officers Association's Popular Annual Financial Report Award for the past eight years.

Western Carolina recently revamped its web site, [www.wcrsa.org](http://www.wcrsa.org), adding valuable educational information. Customers can now find information about the wastewater treatment process, environmental stewardship and I & I on the site. In addition, the new interactive site offers employment listings, purchasing procedures and industrial user information. Further, it serves as a source for a variety of Western Carolina forms and applications.

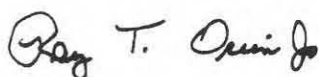
A new endeavor for our 2007 public education program will be the launch of our Fats, Oils, and Grease (FOG) campaign to inform students about the proper disposal of fats, oils, and grease. In this campaign we will distribute materials through the Roper Mountain Science Center and the Greenville County Schools.

Western Carolina is dedicated to supporting our community through a variety of projects. Our organization provided 25 acres to the Northwood Little League to build a new baseball facility. Another community-focused project includes the collaboration between Western Carolina and the Conestee Foundation in the opening of the Lake Conestee Nature Park on the shores of the Reedy River adjacent to our Mauldin Road plant site.

Western Carolina continues its many community outreach efforts. Once again, employees and volunteers spent an afternoon removing trash and debris from a portion of the river that runs through our Mauldin Road Facility for the annual Reedy River Sweep. Western Carolina hosted a second River Sweep during which employees, along with members of the St. Mary's Catholic School Boy Scout Troop, assisted in cleaning a section of Brushy Creek. Other annual events, such as the Freshwater Freddie Golf Tournament and Fish Fry, raise funds for the United Way and the March of Dimes and create a way for employees to support the less fortunate in our community.

Western Carolina's staff and Commission realize the importance of our organization's accountability to both state and federal agencies, and to our valued customers. We look forward to the coming year and the opportunity to support economic growth while continuing to promote environmental stewardship in the Upstate of South Carolina.

Respectfully,



Ray T. Orvin, Jr.  
Executive Director

**Administrative Office**

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December 21, 2006

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of Western Carolina Regional Sewer Authority (the Authority) for the fiscal year ended June 30, 2006, is submitted for your review. The data is reported in a manner designed to present the financial position of the Authority. All disclosures necessary to gain an understanding of the Authority's financial activities have been included. Responsibility for the accuracy, completeness, and fairness of the presentation, including all disclosures, rests with the Authority.

The CAFR is presented in four sections: introduction, financial, statistical, and a supplementary single audit report. The introduction section includes a map of the service area, the Certificate of Achievement, a message from the Executive Director, this transmittal letter, a listing of principal officials, and the Authority's organizational chart. The financial section includes the independent auditors' report of Elliott Davis, LLC, the Management's Discussion and Analysis, the Authority's financial statements, and notes to the financial statements. The statistical section includes selected financial and demographic information on a multi-year basis. The fourth section includes the supplementary single audit reports of Elliott Davis, LLC.



## **The Reporting Unit**

The Authority is a special purpose district originally created under the name of the "Greater Greenville Sewer District" by Act No. 362 of the Acts of the General Assembly of the State of South Carolina in 1925. As originally constituted, Act No. 362 provided for the Greater Greenville Sewer District to be governed by a commission known as the "Greater Greenville Sewer District Commission." The Greater Greenville Sewer District was initially comprised of the City of Greenville, the former Parker School District, and the area bordering the City of Greenville known as City View. In 1926, by Act No. 784, the Commission of the Greater Greenville Sewer District was empowered "to establish, extend, enlarge, maintain, conduct and operate sewer systems, sewer lines and sewer mains; to make any and all regulations which they consider necessary to effectuate this Act; and generally to do all things necessary to create and maintain a sewerage system in the District."

There are three major drainage basins in the Authority's service area: the Saluda River to the west, the Reedy River through the central portion, and the Enoree River to the east. Within these major drainage basins are numerous sub-areas of drainage. The Authority currently owns and operates ten wastewater treatment plants (WWTP) which treat an average flow of approximately 14 billion gallons per year. The facilities range in size from plants treating less than 150,000 gallons per day, to the Mauldin Road facility, which is permitted to discharge 29 million gallons per day (MGD). Wastewater within the region is collected from 17 sewer subdistricts and municipalities that construct and maintain their sewer collection lines. The collection lines are connected to the Authority's interceptor trunk system that has nearly 300 miles of line. The Authority does not own or maintain any collection or lateral lines that are connected to the trunk lines.

A nine-member Board of Commissioners governs the Authority. Each member of the Commission is appointed to a four-year term by the Governor upon

recommendation of the Legislative Delegation. One member is required to be a resident of Anderson County, and one member is required to be a resident of Laurens County. The other seven members are residents of Greenville County.

## **Economic Condition and Outlook**

The Authority is the largest wastewater treatment provider in the Upstate, serving all of Greenville County and portions of Spartanburg, Laurens, Pickens and Anderson Counties. The Authority invests a majority of its time, money and manpower in its sewer trunk lines and its ten major treatment plants within these counties. It does so to ensure dependable service and adequate capacity for residential, commercial, and industrial growth in the region. This year the Authority's employees have achieved 99.96% compliance with its National Pollutant Discharge Elimination System (NPDES) permit requirements. At the same time, the Authority offers rates that are competitive with other wastewater treatment facilities in the southeast, and it maintains a comprehensive long-range plan that enables it to meet the growing needs within the region.

## **A Look at Industry**

Greenville County is the centerpiece of a region considered to be the "economic engine of South Carolina" and the most populous county in the state. Since its beginning as a small farming community in 1786, Greenville County has grown into a large and diverse metropolitan area and one of the southeast region's premiere areas for business. Over the past thirty years, Greenville has transformed itself from the textile capital of the world to a destination for both international and national corporate offices, manufacturing and warehousing/distribution operations.

The Authority has classified 81 industries as significant industrial users in the region by meeting at least one of the following criteria. (1) They are subject to National Categorical Treatment Standards. (2) They discharge an average of at



least 25,000 gallons per day of process wastewater to the Public Owned Treatment Works (POTW). (3) They discharge more than five percent of any design or treatment capacity of the POTW or, (4) they are found by the Authority, the Department of Health and Environmental Control (DHEC), or the Environmental Protection Agency (EPA) to have a reasonable potential for adversely affecting – either singly or in combination with other discharges – the wastewater disposal system, the quality of biosolids, the system's effluent quality, the receiving stream, or air emissions generated by the system.

### **Ten Largest Industrial Accounts in 2006**

<b>Industry</b>	<b>Revenue</b>	<b>Percentage Of Total Operating Revenues</b>
Columbia Farms	\$ 821,787	1.29 %
Kemet Electronics – Simpsonville	340,440	0.53 %
Sealed Air – Cryovac	333,823	0.52 %
Michelin Tire Corporation	253,213	0.40 %
Cognis – Henkel Corporation	208,437	0.33 %
Cytec Carbon Fibers	199,001	0.31 %
Aurora Textile	190,221	0.30 %
Hitachi Electronic Devices	182,956	0.29 %
K&M Fabrics, Inc.	170,983	0.27%
General Electric	157,124	0.25 %

All significant industrial users must obtain a permit to discharge to the POTW. Significant industrial users pay fixed and volume charges, and they also are subject to a high-strength surcharge for industrial biological oxygen demand and total suspended solid discharges.



## Positive Growth Indicators

Greenville County is included in a five-county Metropolitan Statistical Area (MSA) with a population of more than 960,000. The MSA experienced a ten percent growth in population between 1990 and 2000 and is expected to exceed one million by 2010. According to the 2000 Census Data, the Upstate is one of the fastest growing MSA's in the nation, with a work force that has doubled in the last ten years. *Entrepreneur Magazine* attributes the area's phenomenal growth to its strong labor and investment climate, location, competitive costs, and "a small-town feel with big-city amenities."

Greenville County has attracted \$3.2 billion in capital investments in the last seven years. Both domestic and international firms have found the Upstate to be a desirable location for new and expanding facilities. According to *Site Selection Magazine*, Greenville ranks among the top ten U.S. markets for locating a manufacturing facility. Approximately 325 companies have divisional, regional, national, international or other types of headquarters in Greenville County, more than in any other region in South Carolina.

Keeping pace with the current trend in globalization, Greenville County's foreign business presence is on a constant rise. Since 1999, twenty-eight international companies have located or expanded existing business facilities in the Greenville area, representing investments of approximately \$486 million and creating more than 800 new jobs. The Upstate has the highest level of foreign capital investment in the nation and the largest concentration of foreign-owned companies in South Carolina. According to the Greenville Area Development Corporation (GADC) website, it is home to more than 240 international companies representing twenty-three nations.

Clemson University International Center for Automotive Research (CU-ICAR) and BMW Manufacturing's 250 acre research park and graduate engineering complex, located in Greenville, is expected to create up to 20,000 jobs and

attract major investments from many national and international companies. Facilities and programs within the research park will focus on acoustics and environmental systems, aerodynamics (wind tunnel), alternative fuels and safety testing.

Purafilter 2000, a national leader in residential air filters, announced this year that it will establish a new manufacturing operation in Greer. The company intends to hire 20 new employees within a month, adding another 50 associates in early 2007. Headquartered in Las Vegas, Nevada, Purafilter 2000 began with 3 employees in 1990. Today, with over 400 employees and manufacturing in both Nevada and Texas, Purafilter 2000 ranks No. 1 in sales of air filters in the United States to the national grocery and drug markets as reported by A/C Neilson.

The availability of skilled and trainable labor has become increasingly important to prospective companies when choosing a new location. As of June 30, 2006, Greenville County had an average unemployment rate of 5.6 percent, improving on an overall South Carolina rate of 6.7 percent. Despite this low unemployment rate, Greenville's excellent worker training programs provide essential skilled labor for new and expanding operations and its wide geographic area provides ample workers who are willing to commute.

South Carolina's leaders clearly understand that a strong economy depends largely on having a productive workforce. South Carolina's School-to-Work Program is an extensive program that provides all students with relevant academic skills, marketable occupational skills, and practical work-related experience. Current internships are in the fields of health and human services; engineering and manufacturing; building and construction; business; marketing, computer, and fine arts; and media and communications. The business community is the strongest advocate of this program, since it prepares students for the working world and provides an expanded pool of qualified job applicants.



The School District of Greenville County is the largest district in the state, offering a variety of programs to meet the needs of more than 65,000 students at over one hundred schools and facilities. In addition, downtown Greenville is home to the South Carolina Governor's School for the Arts and Humanities – a nine-month residential school dedicated to pre-professional arts education for exceptionally talented high school juniors and seniors – the only one of its kind in the nation.

South Carolina, primarily the Upstate, is home to a variety of colleges and universities, offering both academic and technical training. A network of sixteen two-year technical colleges and customized industry training programs, called Special Schools, has trained more than 9,400 people and has been used by approximately 200 companies. This program works proactively by providing tailored, pre-employment training to workers at new and expanding industries even before they open their doors for operation.

Greenville has a consortium of seven universities housed in one location at McAlister Square known as The University Center. This center offers more than 600 courses annually in seventy-six graduate and undergraduate degree programs to both working professionals and traditional students.

Transportation is another critical issue for the area's growing economy. Conveniently located along the I-85 "Boom Belt," Greenville is heavily traveled by commercial and recreational traffic. Current projects are underway to widen roads and increase usability for the accumulating number of commuters.

The Upstate has plenty of options for extracurricular opportunities. Residents are just minutes from the mountains and only a few short hours from the coast. While at home, residents enjoy an extensive array of parks and recreational activities. Several times a year, Greenville opens its streets to family-oriented festivals.

The Reedy River Corridor project is an extensive undertaking to promote, enhance, and preserve the quality of the Reedy River and its environs. The Reedy River plays an important role in Greenville's history as well as its future. The ongoing development of the corridor as a recreational area for urban lifestyles has brought more aesthetic charm to Greenville and attracts commercial and civic attention. Falls Park on the Reedy opened recently in downtown Greenville with beautiful public gardens and a \$4.5 million suspension bridge. The Liberty Bridge serves as the focal point of the Park, unique in that it's the first of its kind in the United States.

In addition, Greenville's theater and arts communities are vibrant, and its museums are nationally recognized. The Peace Center for the Performing Arts is home to the Greenville Symphony and welcomes the world's best performers. Bob Jones University's Museum & Gallery houses one of the most important collections of religious art in America. The Greenville Zoo downtown and the Roper Mountain Science Center provide educational and enjoyable entertainment for children and adults alike. The Greenville Drive, a Class A baseball team affiliate of the Boston Red Sox, came to the West End of Greenville in 2005, offering excitement and fun for families.

## **CAPITAL IMPROVEMENTS**

The Authority has planned and is currently working on numerous capital improvement projects to maintain the quality of service, accommodate the growth in the service area, and continue to comply with the existing and proposed effluent standards set by the United States Environmental Protection Agency (USEPA) and the South Carolina Department of Health and Environmental Control (SCDHEC). Modern and effective treatment processes are required because of these increasingly stringent effluent standards.



## **2005-2006 Capital Projects**

### **Peters Creek Trunk Line Phase I**

Peters Creek is a tributary to the Enoree River located east of Simpsonville, South Carolina. The Peters Creek trunk line will be constructed along Peters Creek to provide service to an area that has not been previously sewered.

### **Gilder Creek WWTP Phase II Upgrade**

Construction is nearly complete on Phase II of the Gilder Creek WWTP. The upgrade will increase the plant capacity to 8.0 MGD and incorporate tertiary treatment. New facilities will include primary treatment, two additional secondary treatment units, anaerobic digesters, effluent filtration and ultraviolet disinfection.

### **Lower Reedy WWTP Upgrade**

The Lower Reedy WWTP is being expanded from 7.5 MGD to 11.5 MGD in order to meet future capacity needs in the plant's service area and provide the capability to meet stringent regulatory requirements. Now in the construction phase, this upgrade incorporates ultraviolet disinfection and filtration and is approved by the SCDHEC for meeting its strict environmental standards.

### **Pelham WWTP Upgrade**

The Pelham WWTP currently has a capacity of 7.5 MGD. However, increasing wastewater flows are resulting from growth in the plant's service area. In addition, flow from the Taylors WWTP will be rerouted to the Pelham WWTP. In order to handle these excess flows and to maintain compliance with NPDES permit limits, the plant will be upgraded to 22.5 MGD, becoming the second largest in the Authority's system. Construction continues on the upgrade.

### **Mauldin Road Upgrade**

The Mauldin Road WWTP has a design capacity of 29.0 MGD and discharges to the Reedy River. This plant is being modified to comply with the SCDHEC permit requirements including wet weather treatment, ultraviolet disinfection, and filtration.

### **Taylor's Gravity Sewer / Enoree River Trunk Line**

In order to provide sewer to a developing area along the Enoree River, a new Enoree 60-inch diameter gravity sewer will be constructed starting at the Pelham WWTP and continuing up to the Dillard Road pump station. The Taylor's WWTP will also be taken out of service. A new pump station will be constructed to convey flow from the Taylor's WWTP through the Dillard Road force main to the Enoree River trunk line. Design has been completed and construction begun for the sewer conveyance system.

### **Durbin Creek WWTP Expansion**

Wastewater flows to the Durbin Creek WWTP are expected to increase over the next few years due to residential and industrial growth in the plant's service area. Expansion of the plant is also necessary to maintain compliance with NPDES permit requirements. As a result, the plant will be expanded from 3.3 MGD to 5.2 MGD. Design of the project is complete and the Authority is awaiting completion of the permitting process through the SCDHEC.

### **Piedmont Regional WWTP Upgrade**

Significant growth is predicted along both sides of the Saluda River from SC Hwy 183 to Williamston, South Carolina. Flow projections by watershed drainage areas into various segments of the Saluda River show that from Georges Creek to Brushy Creek, the wastewater flows in 2015 will be 13.0 MGD. In order to accommodate these flows, the new Piedmont Regional WWTP (RWWTP) will be constructed. The initial capacity of the Piedmont RWWTP will be 6.0 MGD, with a future capacity of 13.0 MGD. Flow from the Grove Creek WWTP will also be rerouted to this RWWTP in addition to flows



from Pelzer and West Pelzer. The Authority has completed site acquisition and begun engineering for the project.

### **Fiscal Year 2007**

For Fiscal Year 2007, the Authority's Commission approved a Capital Improvement Budget of \$90 million. This budget is funded by \$20.5 million from the State Revolving Fund Loans (SRFL) for the Lower Reedy WWTP and Durbin Creek WWTP. The balance will be provided by the Authority's reserves and contributed capital. Included in the 2007 budget is \$16.4 million for the Taylors Gravity Sewer/Enoree River trunk line, which is a new 60" diameter sewer line starting at the Pelham WWTP and continuing up to the Dillard Road pump station. This project will take the Taylors WWTP out of service. Pelham WWTP will be in Phase III and should be completed this fiscal year. Construction began on the Mauldin Road WWTP in May 2006 to upgrade the wastewater discharge to meet state water quality standards. It is expected that construction will be completed in October 2008. Also included in the 2007 budget is the new Grove Creek pump station and approximately 12,500 linear feet of force main to convey Grove Creek WWTP effluent to the Saluda River. The Authority included the design of a new administrative building in this year's budget.

### **The Future**

The Authority annually updates its five-year Capital Improvement Program (CIP). The development of this program involves the evaluation of current conditions, growth projections, regulatory requirements, required projects, and project costs. The current CIP includes ongoing selective upgrading of specific wastewater treatment processes to increase capacity at the various WWTPs. The Authority is also planning construction of a new administrative building.

Cost estimates for the CIP have been derived from general sources. Near term costs have been derived from engineering estimates or construction bids. Cost estimates for projects two to three years out have been derived from engineering planning studies or are reflective of recent construction cost. Cost estimates for projects four or five years out are planning-level estimates based on unit plant cost obtained from consulting engineers and others.

The continued estimated cost of the CIP is \$253.1 million through Fiscal Year 2011. The Authority presently intends to fund the CIP through a combination of proceeds from the sale of bonds, loans from the SRFL, capital reserves, cash from operations, and earnings on amounts borrowed for the CIP and invested during the construction period.

## **The Budget**

The Authority's budgetary preparations begin at the middle of each fiscal year. The department managers submit in writing their projected operational and capital needs for the ensuing fiscal year. These requests are reviewed, formatted and a summary is submitted to the Finance Director. The Finance Director prepares the cash forecast and both documents are presented to the Executive Director.

After review, the Executive Director meets with departmental staff to discuss needs, cost, and programs. Managers are then asked to submit a preliminary budget to the Executive Director. The Executive Director reviews and submits this preliminary budget to the Finance Committee. After the preliminary budget is reviewed by the Authority's Finance Committee, a notice of public hearing is published in the local newspapers at least fifteen days prior to the public hearing. During the public hearing, the Commission receives comments from the community. The Executive Director (considering public comment) reviews and/or changes the preliminary budget. The final preliminary budget is



submitted to the Commission with the Executive Director's recommendation for approval.

The approved budget will remain in effect for the entire fiscal year and cannot be revised without a public hearing and Commission approval. It is possible to revise an approved budget, but it is not a common occurrence. It is the policy of this Commission to review a budget to actual comparison on a monthly basis.

**Fiscal Year 2006 Operational Budget vs. Actual**  
(in millions of dollars)

	<b>FY 2006 Budgeted</b>	<b>FY 2006 Actual</b>	<b>Variance</b>
<b>Revenue:</b>			over/(under)
Domestic & Commercial	\$ 50.4	\$ 48.4 *	\$ (2.0)
Industrial	5.4	5.8	0.4
New Account Fee	5.5	9.5	4.0
Unrestricted Investment Income	<u>0.4</u>	<u>1.2</u>	<u>0.8</u>
	\$ 61.7	\$ 64.9	\$ 3.2
<b>Expense:</b>			(over)/under
Operations	\$ 12.2	\$ 12.4	\$ (0.2)
Laboratory/Pretreatment	1.7	1.7	0.0
Collection System	2.8	2.6	0.2
Administration and Other **	<u>5.2</u>	<u>6.4</u>	<u>(1.2)</u>
	\$ 21.9	\$ 23.1	\$ (1.2)

\* Includes revenue from septage haulers & others

\*\* Amount does not include allowance for uncollectible accounts

The Authority's total revenues were approximately 5% above projections. Domestic and commercial customer revenues were lower than management's expectations by 4% as the Authority's service area experienced only a moderate increase in its customer base. The increase in industrial revenues

exceeded projections by 7%. As noted in prior years, significant industrial users in the region are being replaced by service industry as the area's industrial base continues to become more diversified. The Authority had a 200% increase in projected unrestricted investment income. This can be attributed to a positive market and an increase in unrestricted reserve balances. The New Account Fee (NAF) was also well above projections by 72%.

Total expenses were over the budgeted amount by 5% for FY 2006.

## **Accomplishments**

The Authority strives to protect the environment of the Upstate by providing high-quality wastewater treatment services. Our employees maintain a superior level of performance, and their efforts have not gone unnoticed. The Authority's facilities and employees continue to receive numerous awards at both state and regional levels. The National Association of Clean Water Agencies (NACWA) named the Authority as an Excellence in Management Honoree at their 2005 Winter Conference in San Antonio, Texas. The Authority will hold this designation for three years. In addition to receiving awards, the Authority presented awards to a number of Upstate industries in recognition of their exemplary wastewater treatment programs.

### *Compliance Excellency Awards*

This year, the Authority recognized 29 local industries for demonstrating 100% compliance with environmental regulations. The Compliance Excellency Awards are presented annually to local industries that are in complete compliance with the Sewer Use and Pretreatment Regulation. The Authority applauds these good neighbors for their outstanding efforts in helping to achieve a cleaner environment in the Upstate.



Several industries received special recognition for their longstanding compliance efforts:

13 Consecutive Years

General Electric Gas Turbine Manufacturing Operations

11 Consecutive Years

Kemet Electronics - Simpsonville Plant

Safety Components Fabric Tech, Inc.

*Clean Water Partners for the 21<sup>st</sup> Century*

The USEPA awarded the Authority the Clean Water Partners for the 21<sup>st</sup> Century Award in 2002. This one-time award was established in celebration of the Year of Clean Water, proclaimed by President George W. Bush. Clean Water Partners were recognized for their extraordinary actions to protect watersheds beyond the requirements of the Clean Water Act – actions such as protecting and restoring rivers, lakes, streams, wetlands and initiating innovative local pollution prevention programs. The USEPA commended the Authority for its public outreach programs and its participation in the USEPA's Region 4 Pilot MOM program, an ongoing performance improvement and quality assurance program.

*Pretreatment Program Excellence Award*

In 2005 the Water Environment Association of South Carolina (WEASC) presented the Pretreatment Program Excellence Award to the Authority for demonstrating their commitment to protecting and improving the quality of the State's waters through exceptional implementation and enforcement of their pretreatment programs. The WEASC evaluates eligible organizations based on such criteria as their implementation and enforcement objectives, regulations for commercial dischargers and hauled wastes, inspection procedures,

recordkeeping practices, enforcement strategies, and program components including staff training, stakeholder involvement and public awareness.

### *Peak Performance Awards*

Nine of the Authority's WWTPs received Gold Peak Performance Awards from NACWA in 2006. These prestigious national awards recognized the Durbin Creek, Grove Creek, Idlewild, Lower Reedy, Mauldin Road, Pelham, Georges Creek, Gilder Creek and Piedmont WWTPs for their outstanding 100% NPDES compliance records.

NACWA also presented two WWTPs with Silver Peak Performance Awards in 2006. Marietta and Taylors WWTPs were recognized with these national awards for having no more than five NPDES permit non-compliances.

### *Operations Challenge*

The Authority's "Virtual Velocity" team took first place in the 2006 Operations Challenge competition at the Water Environment Association of SC's Annual Environmental Conference. The Operations Challenge event includes five separate activities to test team members' operations skills and abilities in the areas of process control, laboratory, pumping, collection systems and safety. By placing first, the team had the opportunity to compete in the national competition in Dallas, Texas, in which they placed 18th out of 42 teams.

### *Upstate Roundtable*

Operational plans that encourage efficiencies, effective construction planning, and wastewater treatment consolidations allowed the Authority to maintain its high level of service with minimal rate increases. The Authority's Commission and management have worked with business and government leaders from five counties collectively known as the Upstate Roundtable. The Upstate



Roundtable prepared a twenty year plan which ensured that adequate sewer infrastructure would be in place to provide for growth and development of the areas served by the Reedy, Saluda, and Enoree River basins.

### *Partnering with Satellites*

The Authority is partnering with the 17 subdistricts and municipalities to reduce Inflow and infiltration (I & I). I & I occurs due to cracks in the sewer lines, storm sewer cross connections, damaged manholes and manholes below grade and without watertight lids. To bring the entire system into a common level of maintenance, sewer lines, sewer cross connections and manholes must be repaired or replaced. Excessive I & I can create manhole overflows or manhole surcharges, which can expose the community to diseases; it also decreases capacity in sewer lines and WWTPs. Due to I & I, the cost of wastewater treatment can increase and new construction or plant upgrades will be needed to meet capacity deficiencies. To keep rate increases as minimal as possible, these partnerships to reduce I & I are a priority for the Authority.

### *Public Education*

The Authority remains involved in numerous public education events. Development of The Ultimate Water Guide for Kids featuring the Authority's mascot, Freshwater Freddie, has earned the Authority the Public Information and Education Award from the National Association of Clean Water Agencies. The piece was recognized as a cost effective tool that efficiently and effectively educated the community about protecting our environment and learning about the wastewater treatment process. Also, the Authority has been involved in an oil and grease campaign to inform the public of proper disposal of fats, oils and grease.

Ongoing public education efforts include educational tours of the wastewater treatment plants, facilitation of teacher workshops, a Speakers Bureau and an

Environmental Awareness Day at the Durbin Creek WWTP. Each activity is designed to provide more detailed information to the public. Speaking engagements, tours and workshops can be geared toward various topics in order to suit the needs of the organization.

The Authority's web page includes the CAFR and PAFR. Information about the wastewater treatment process and interactive sites offer employee listings and purchasing procedures. The web page can be accessed at [www.wcrsa.org](http://www.wcrsa.org).

The Authority also continues to focus on environmental accomplishments. In addition to participating in the annual Reedy River Sweep, employee volunteers facilitate the Wildlife and Industry Together (WAIT) program at many of the organization's plant sites. WAIT, a program sponsored by the South Carolina Wildlife Federation, is designed to give corporate landowners and their employees a framework for integrating wildlife habitat needs into corporate land management decisions.

#### *Financial Awards*

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This is the thirteenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. Receipt of this award represents the highest form of recognition in the area of governmental accounting and financial reporting.

A Certificate of Achievement is valid for a period of one year only. We believe our current report 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.

For the eighth consecutive year, the Authority was also awarded the GFOA's prestigious Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for its 2005 Annual Report to the Community. A PAFR Award is also valid for a period of one year only. We are submitting an annual report to the GFOA again this year for award consideration.

### **Cash Management**

The Authority manages all cash and cash equivalents, except for investments that are required to be held in trust and escrow accounts under the terms of bond ordinances and loan agreements. Investments are made in accordance with South Carolina law and resolutions of the Board of Commissioners. All cash and cash equivalents are invested in fully insured certificates of deposit, investments to obligations of the US Treasury and agencies thereof, and repurchase agreements.

### **Risk Management**

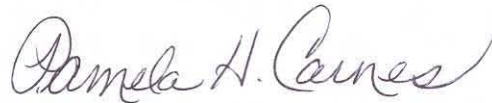
The Authority covers its exposure from losses related to torts, theft, damage to, and destruction of assets through various insurance policies. Periodically, insurance coverage is reviewed by Risk Consultants, Inc. in Charlotte, North Carolina.

Health insurance benefits for the Authority's employees are provided by the health insurance plan administered by the State of South Carolina. The Authority's workers' compensation plan is with the Companion Property & Casualty Insurance Company. The fund provides protection as mandated by the South Carolina Workers' Compensation Law.

## Acknowledgments

On behalf of the Authority's management, I would like to express our thanks and appreciation to the accounting staff for their efficient and dedicated work in preparing this 2006 CAFR. The dedication and expertise of the Authority's staff are enormous assets to the Authority's operations.

Respectfully submitted,

A handwritten signature in dark ink, reading "Pamela H. Carnes". The signature is written in a cursive style with a large, stylized initial "P".

Pamela H. Carnes  
Controller



**Western Carolina Regional Sewer Authority  
June 30, 2006**

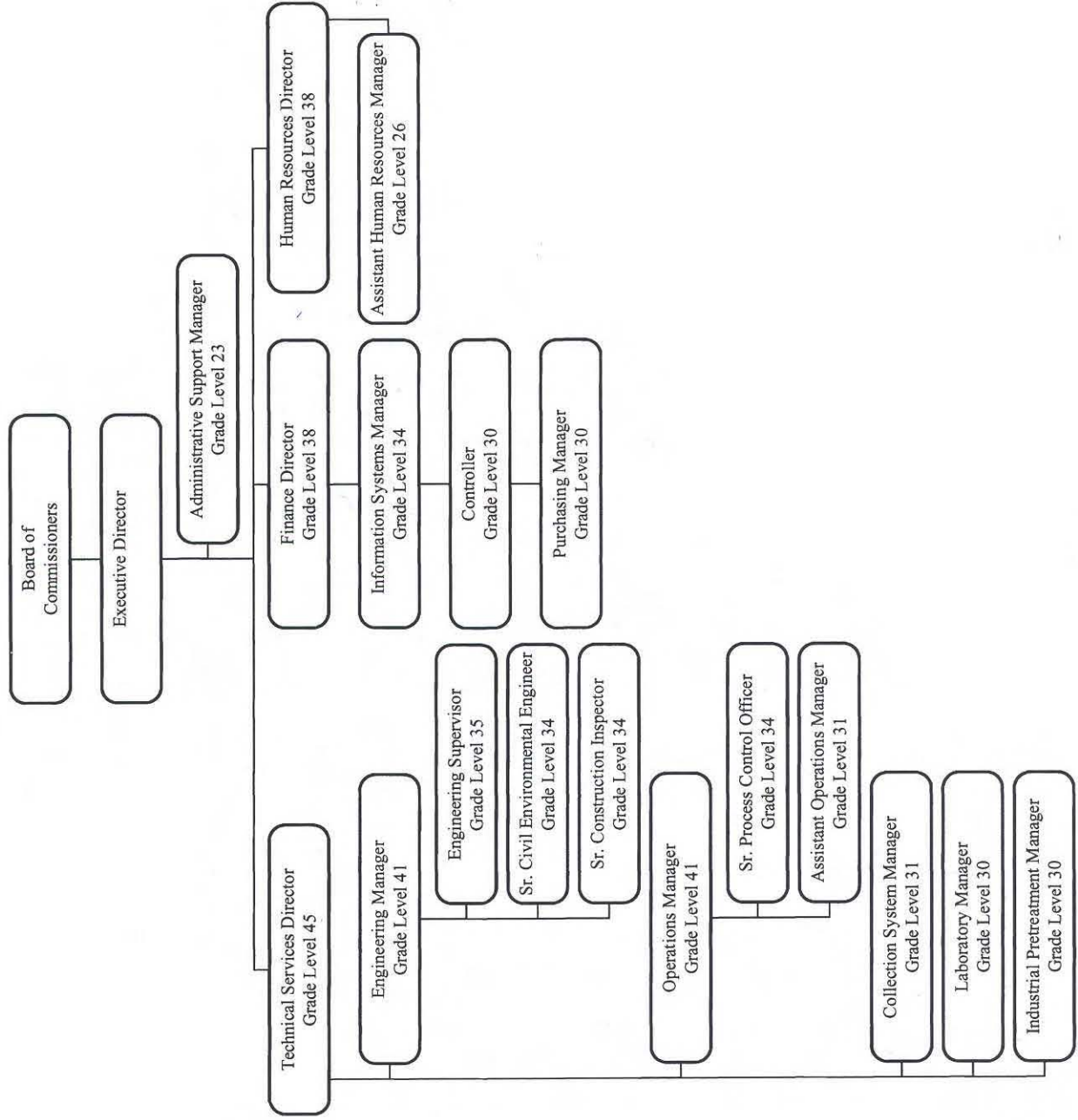
**Board of Commissioners**

<u>Name</u>	<u>Date of Original Appointment</u>	<u>Current Term Expires</u>	<u>Principal Occupation</u>
John V. Boyette Chairman	February 26, 2004	December 31, 2007	Businessman
J. D. Martin Vice Chairman	December 31, 2001	December 31, 2009	Businessman
Jimmy T. Martin Secretary/Treasurer	March 9, 2005	December 31, 2006	Businessman
George W. Fletcher	January 31, 2001	December 31, 2008	Businessman
Michael Bishop	February 24, 2006	December 31, 2009	Businessman
Ralph Hendricks	December 18, 1991	December 31, 2008	Businessman
Jane M. Mattson	October 11, 1988	December 31, 2006	Community Volunteer
Willie J. Whittaker, Jr.	January 14, 1985	December 31, 2008	Retired Science Consultant
Billy D. (Butch) Merritt, Jr.	June 6, 1984	December 31, 2009	Guidance Counselor

**Authority Directors**

Ray T. Orvin, Jr.	Executive Director
Steven P. Graef, P.E. PhD.	Technical Services Director
Barbara S. Wilson, SPHR	Human Resources Director

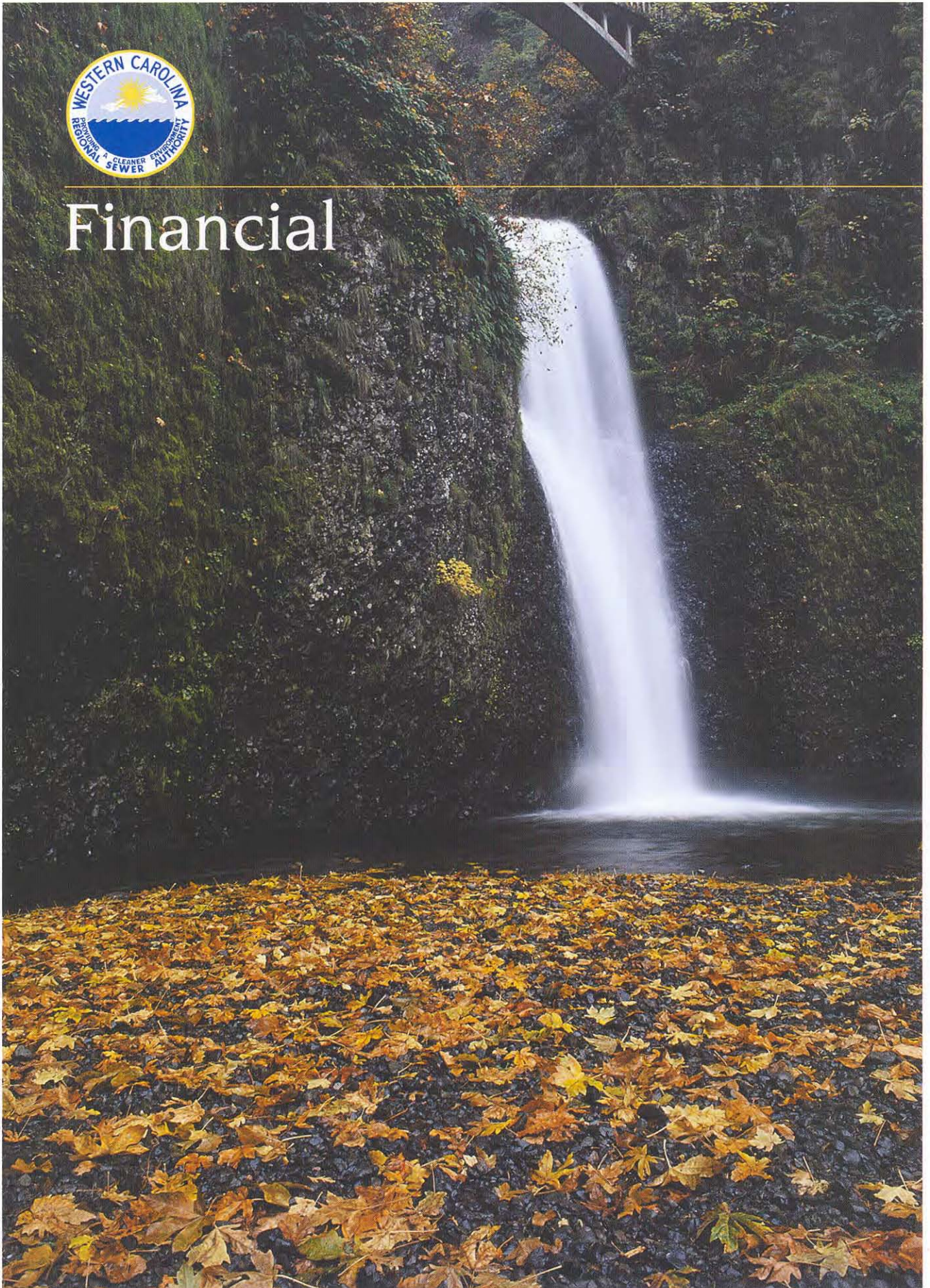
# Western Carolina Regional Sewer Authority Organizational Chart







# Financial





**WESTERN CAROLINA REGIONAL**

**SEWER AUTHORITY**

**REPORT OF FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners  
*Western Carolina Regional Sewer Authority*  
Greenville, South Carolina

We have audited the accompanying basic financial statements of the *Western Carolina Regional Sewer Authority* (the "Authority") as of June 30, 2006 and 2005 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the *Western Carolina Regional Sewer Authority* as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2006 on our consideration of the Authority's internal control structure over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in accessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of *Western Carolina Regional Sewer Authority* taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Elliott Davis, LLC*

Greenville, South Carolina  
September 15, 2006



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Authority's annual financial report presents management's analysis of the Western Carolina Regional Sewer Authority's ("WCRSA" or the "Authority") financial performance during the Fiscal Year that ended June 30, 2006. Please read it in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- Net assets increased by \$17.4 million, or 8.3%, to \$226 million as a result of current year operations.
- Total revenues increased by \$9.1 million, or 15%, to \$69.6 million due to a rate increase, New Account Fees on new construction and interest income.
- Total expenses increased by \$6 million, or 12.4%, to \$54.4 million primarily due to increases in interest expense and depreciation.
- Capital improvements (see capital assets and debt administration section for a summary of our committed capital projects) included:
  - (1) Expansion continued on the Pelham Wastewater Treatment Plant (WWTP) to accommodate 22.5 million gallons per day (MGD) and remove the Taylors WWTP from service. At greater than \$100 million, this is the Authority's largest project to date.
  - (2) Phase I of the upgrade of the Lower Reedy WWTP to 11.5 MGD with ultraviolet disinfection and tertiary filtration was nearly complete.
  - (3) Construction continued at the Mauldin Road facility to handle anticipated storm water flows, including treatment facilities and new secondary sludge handling facilities.
  - (4) Construction began on the Enoree River / Brushy Creek sewer conveyance system from the Taylors WWTP to the Pelham WWTP.
  - (5) The Gilder Creek Phase II project was nearly complete to upgrade the plant from 5 MGD to 8 MGD with ultraviolet disinfection and tertiary filtration.
  - (6) Installation began and was nearly complete for gravity sewer lines to serve Peters Creek upstream from the Gilder Creek WWTP. Installation was completed for gravity sewer lines to serve Horsepen Creek adjacent to the Gilder Creek WWTP.
  - (7) Design of upgrades to the Tubbs Mountain Road Pump Station was completed and the facility began to handle flows in the Travelers Rest area.
  - (8) Rehabilitation projects for the Mauldin Road and Pelham WWTP basins were completed.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Authority. The basic financial statements report information about the Authority using accounting methods similar to those used by private sector companies.

The balance sheets include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

(Continued)

## OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement presents the Authority's operations for the year and can be used to assess the Authority's financial position and results of operations.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash expenditures during the fiscal year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investments, and financing activities.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, significant risks, obligations, commitments, contingencies and subsequent events, if any.

### NET ASSETS

A summary of the Authority's balance sheets is presented in Table A-1 below. As shown in the table, net assets increased \$17.4 million from \$208.6 million in Fiscal Year 2005 to \$226 million in Fiscal Year 2006, as compared to an \$18.4 million increase from Fiscal Year 2004 to 2005. A portion (64%) of the Authority's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related outstanding debt used to acquire those assets. The remaining portion (36%) is in current, other and restricted assets (e.g. cash, cash equivalents and receivables, less other liabilities). These current and other assets will be used to meet long term debt obligations and other liabilities. Restricted net assets (restrictions established by debt covenants, enabling legislation, or other legal requirements) experienced a decrease in Fiscal Year 2005 and only a slight increase from Fiscal Year 2005 to Fiscal Year 2006. Unrestricted assets (those that can be used to finance day-to-day operations) increased by \$9.8 million as the Authority relied on bond proceeds and State Revolving Fund Loans ("SRFL") to finance capital projects.

Table A-1  
Condensed Balance Sheets  
(In millions)

	FY 2006	FY 2005	FY 2004
Current and Other Assets	\$ 59.9	\$ 49.7	\$ 49.9
Restricted Assets	92.5	117.5	41.1
Capital Assets	382.3	346.7	301.9
<b>Total Assets</b>	<b>534.7</b>	<b>513.9</b>	<b>392.9</b>
Long-term Debt Outstanding	292.8	294.6	190.9
Other Liabilities	15.9	10.7	11.8
<b>Total Liabilities</b>	<b>308.7</b>	<b>305.3</b>	<b>202.7</b>
<b>Total Net Assets</b>	<b>\$ 226.0</b>	<b>\$ 208.6</b>	<b>\$ 190.2</b>
Invested in capital assets, net of related debt	144.0	137.8	116.2
Restricted	27.9	26.5	28.1
Unrestricted (current & other assets)	54.1	44.3	45.9
<b>Total Net Assets</b>	<b>\$ 226.0</b>	<b>\$ 208.6</b>	<b>\$ 190.2</b>

Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



## REVENUES

Table A-2 below reveals that the Authority's total revenues increased by \$9.1 million in Fiscal Year 2006 to \$69.6 million from \$60.5 million in Fiscal Year 2005. Total revenues have increased 26% since Fiscal Year 2004. The Authority's Regulations (the "Regulations") provide for a sewer use charge that not only funds the operation of the system, but also provides a source of funds to repay liabilities. It also provides for future spending to maintain the Authority's facilities. The current user charge regulation was amended in Fiscal Year 2001 and became effective on March 1, 2001 with subsequent increases in quarterly base fees and volume charges effective on March 1, 2002, 2003, 2004 and 2005.

Domestic and commercial customer revenues increased 7% and 8% in Fiscal Years 2005 and 2006, respectively. Revenues rose in both fiscal years due to increases in quarterly base fees, volume charges, and the Authority's customer base. New Account Fees, based on water meter size, also increased 13% and 25% in Fiscal Years 2005 and 2006, respectively. Increases in both of these years can be attributed to a \$500 rate increase per fiscal year and to new construction.

Revenues from industrial customers held constant between Fiscal Year 2006 and 2005 but remain lower than previous years as companies have developed methods for more efficient water usage and/or restructured permit arrangements with the Authority.

Interest and other non-operating revenues increased during the year by \$3.6 million. The continued increase can be attributed to investment earnings on bond proceeds received but not yet spent and interest earned on a long term receivable. Other non-operating revenues increased as a result of reimbursements from federal agencies for system repairs due to a significant ice storm.

Table A-2  
Condensed Statements of Revenues, Expenses, and Changes in Net Assets  
(In millions)

	FY 2006	FY 2005	FY 2004
Operating Revenues			
Domestic and commercial customers	\$ 48.1	\$ 44.5	\$ 41.7
Industrial customers	5.8	5.8	6.0
New account fee	9.5	7.6	6.7
Septic haulers and other	0.3	0.3	0.2
Interest & other non-operating revenues	5.9	2.3	0.8
<b>Total Revenues</b>	<b>69.6</b>	<b>60.5</b>	<b>55.4</b>
Operating expense before depreciation	23.2	21.8	20.6
Depreciation expense	18.3	16.5	14.6
Interest, amortization & other non-operating expenses	12.9	10.1	7.7
<b>Total Expenses</b>	<b>54.4</b>	<b>48.4</b>	<b>42.9</b>
Capital project cost reimbursements	2.2	6.3	1.3
<b>Increase in Net Assets</b>	<b>17.4</b>	<b>18.4</b>	<b>13.8</b>
<b>Total Net Assets, beginning of year</b>	<b>208.6</b>	<b>190.2</b>	<b>176.4</b>
<b>Total Net Assets, end of year</b>	<b>\$ 226.0</b>	<b>\$ 208.6</b>	<b>\$ 190.2</b>

## CAPITAL CONTRIBUTIONS

The Authority's Capital Project Cost Reimbursement decreased by \$4.1 million in Fiscal Year 2006 from Fiscal Year 2005. The Authority received \$2.2 million from outside entities in Fiscal Year 2006 on six capital improvement projects. The majority of the current year reimbursements were received for the Peters Creek and Horsepen Creek gravity sewer line projects. During Fiscal Year 2005, the majority of reimbursements were received from Pickens County for the Georges Creek WWTP and Gravity Sewer projects under an agreement to be paid over approximately twenty years. The reimbursement from Pickens County has been recorded as a long term receivable on the balance sheets. The Authority received \$1.3 million from outside entities in Fiscal Year 2004 on five capital improvement projects. The largest portion (\$0.9 million) of Fiscal Year 2004 contributed resources came from the Environmental Protection Agency for the Georges Creek WWTP project.

## OPERATING EXPENSES

Total operating expenses increased by 8.3% in Fiscal Year 2006, from \$38.3 million in Fiscal Year 2005 to \$41.5 million in Fiscal Year 2006. Total operating expenses increased by 8.8% in Fiscal Year 2005, from \$35.2 million in Fiscal Year 2004. Operating expenses before depreciation increased slightly by 5.8% and 6.4% in Fiscal Year 2005 and 2006, respectively. As a result of a cost savings program (sharing resources and internal surveys to identify efficiencies), operating expenses before depreciation have increased an average of 6% per year since Fiscal Year 2004. The increases in depreciation of 11% in Fiscal Year 2006 and 13% in Fiscal Year 2005 are due to the continued pace of new construction.

## CAPITAL ASSETS

Capital assets grew from Fiscal Year 2004 to Fiscal Year 2005 by \$44.8 million and \$35.6 million from Fiscal Year 2005 to Fiscal Year 2006. At the end of Fiscal Year 2006, the Authority had invested \$382.3 million in infrastructure which includes land, sewer lines, buildings, operating equipment, wastewater treatment plant equipment and vehicles as shown in Table A-3 below and in Note 5 of the accompanying notes to the financial statements.

Table A-3  
Capital Assets  
(In millions)

	FY 2006	FY 2005	FY 2004
Land	\$ 2.7	\$ 1.9	\$ 1.9
Depreciable assets:			
Buildings	243.7	223.0	199.1
Sewer Lines	228.8	207.7	183.3
Wastewater Treatment Plant Equipment	61.6	54.7	46.2
Operational Equipment	0.7	0.8	1.0
Office Furniture	0.5	0.5	0.5
Vehicles	0.7	0.7	0.6
	536.0	487.4	430.7
Less accumulated depreciation	156.4	142.6	130.7
	379.6	344.8	300.0
Net Capital Assets	\$ 382.3	\$ 346.7	\$ 301.9

The Authority maintains a five year capital improvements program (CIP) that identifies the needs of a growing service area and provides for compliance with South Carolina Department of Health & Environmental Control (SCDHEC) regulations and National Pollutant Discharge Elimination System

(Continued)



## CAPITAL ASSETS, Continued

(NPDES) permit limitations. The CIP calls for upgrades to the Authority's six major wastewater treatment facilities, completion of a new regional wastewater treatment facility as well as a new administration building and various line projects. The projects included in the budget for Fiscal Year 2006 address capacity needs, environmental compliance and performance and efficiency improvements. When the current CIP is completed, the Authority will be treating wastewater to near drinking water quality standards and expects to have sufficient redundancy to ensure compliance with discharge permit requirements.

Several ongoing projects and initiatives are not included in the CIP. For example, the Authority is continuing its geographical information system ("GIS") implementation as well as its flow monitoring program. The Authority is also continuing its work with chlorinated organics and collection system rehabilitations. Our committed capital projects totaled approximately \$315,000,000 of which approximately \$168,776,000 had been incurred at June 30, 2006, leaving construction commitments of approximately \$146,224,000 to be completed over the next several fiscal years. The following chart is a summary of some of the major improvements to the system during Fiscal Year 2006:

**Summary of Major Capital Improvement Expenditures  
For Fiscal Year 2006**

<b>Pelham Expansion</b>	\$20 million to continue plant expansion to accommodate 22.5 MGD and take the Taylors WWTP out of service.
<b>Lower Reedy WWTP</b>	\$11.5 million to continue construction and near completion of Phase I of upgrading the plant to 11.5 MGD and incorporating ultraviolet disinfection and filtration.
<b>Mauldin Road WWTP Modifications</b>	\$4.3 million to begin construction on modifications to handle major wet weather flow events.
<b>Enoree River / Brushy Creek Trunk Sewer</b>	\$3.7 million to begin construction for sewer conveyance system from Taylors WWTP to Pelham WWTP.
<b>Gravity Sewer Rehabilitation</b>	\$3.4 million to complete rehabilitation of WCRSA's sewer system in the Mauldin Road and Pelham WWTP's basins.
<b>Gilder Creek Upgrade Phase II</b>	\$2.7 million to continue construction and near completion on Phase II bringing the plant from 5 MGD to 8 MGD, adding solids handling, additional aeration, ultraviolet disinfection and tertiary filtration.
<b>Peters Creek Trunk Sewer</b>	\$2.7 million to install 12,000 linear feet gravity sewer serving Peters Creek upstream of the Gilder Creek WWTP.
<b>Tubbs Mountain Road Pump Station</b>	\$1 million to design and begin construction on upgrades to the Tubbs Mountain Road Pump Station to handle flows in the Travelers Rest area.
<b>Horsepen Creek</b>	\$1 million to complete installation of sewer line to serve Horsepen Creek adjacent to Gilder Creek.
<b>Piedmont Regional WWTP</b>	\$0.7 million to complete site acquisition and engineering for upgrade of plant to comply with long range plan.
<b>Idlewild WWTP / Huff Creek</b>	\$0.7 million to complete the project which takes the Idlewild WWTP out of service and installs a gravity line along Huff Creek to serve the Southern Connector area.

(Continued)

CAPITAL ASSETS, Continued

Summary of Major Capital Improvement Expenditures  
For Fiscal Year 2006, Continued

Durbin Creek WWTP	\$0.3 million to continue initial phases of project to increase capacity from 3.3 MGD to 5 MGD.
Berea School Line	\$0.3 million to upgrade existing 12" sewer line to an 18" line to resolve capacity problems.
Grove Creek Conveyance System	\$0.1 million to complete design and permitting for a pump station and force main to be installed at Grove Creek to divert effluent flows to the Saluda River.
Hudson, Garlington, Woodruff and Tanner Rd. Sewer Relocations	\$0.6 million to relocate sewer lines outside of South Carolina Department of Transportation work.

Table A-4 illustrates the Authority's Capital Budget which projects spending \$90 million for capital projects in Fiscal Year 2007, consisting principally of wastewater treatment plant improvements and sewerage conveyance systems. The Authority believes that the budget requirement for the upcoming fiscal year can be funded from existing revenue bond proceeds, reserves, additional borrowing from the State Revolving Fund Loans (SRFL) and contributed capital. The total cash requirement for the current CIP is anticipated to be \$253.1 million through Fiscal Year 2011. The Authority also expects to fund the remaining portion of the current CIP from the balance of revenue bond proceeds, reserves, SRFL, and contributed capital.

Table A-4  
Fiscal Year 2007 Capital Expenditures Budget  
(In millions)

Income	
South Carolina Revolving Loan	\$ 20.5
Capital Contributions	0.6
WCRSA Reserves	68.9
Total Income	<u>\$ 90.0</u>
Expenditures	
Wastewater Treatment Plants	\$ 61.6
Conveyance Systems	24.8
Administration/Other Projects	3.6
Total Expenditures	<u>\$ 90.0</u>



## LONG TERM DEBT

### Revenue Bonds

Long term debt for the Authority principally consists of outstanding balances on revenue bonds and SRFL agreements with the South Carolina State Budget and Control Board. As of June 30, 2006, revenue debt of the Authority totaled \$176.2 million and consisted of five series of revenue and refunding revenue bonds – the 1995 Series, 2001 Series, 2002 Series, 2005 Series and 2005 B Series. Revenue bond debt totaled \$183 million at the end of Fiscal Year 2005. The decrease is attributable to principal payments made by the Authority.

The Authority received bond premiums of \$2.3 million, \$0.2 million, \$4.7 million and \$7.6 million on the Series 2001, 2002, 2005 and 2005 B revenue bonds, respectively. The bond premiums and related bond issuance costs, consisting of insurance costs and underwriting fees, are capitalized and amortized over the life of the bonds. The Authority's bonds are payable from gross revenues and are on parity with all revenue issues and a majority of the Authority's SRFL obligations.

**Bond Ratings:** All outstanding bonds carry "Aaa" and "AAA" rating from Moody's and Standard & Poor's respectively based on the purchase of a Municipal Bond Insurance Policy. In Fiscal Year 2005, the Authority received an underlying rating of "AA-" from Standard & Poor's and "Aa3" underlying rating from Moody's Investors Service.

### Revolving Fund Loans

Since December 1989, the Authority has entered into numerous loan agreements with the South Carolina State Budget and Control Board for new construction and/or upgrades of the system. Interest rates on these loans range from 3 to 4.75 percent. Total SRFL debt outstanding as of June 30, 2006 was \$103.3 million.

Listed below are the Authority's State Revolving Fund Loan Agreements outstanding at year end:

- |                    |   |
|--------------------|---|
| (1) December 1989  | Mauldin Road Plant Residual Biosolids Management Facility |
| (2) August 1990    | Maple Creek line  |
| (3) May 1995       | Brushy Creek/Reedy River rehabilitation of trunk sewers   |
| (4) September 1998 | Lower Reedy WWTP expansion - Phase I                      |
| (5) June 2001      | Gilder Creek WWTP upgrade - Phase I                       |
| (6) November 2001  | Georges Creek Regional WWTP                               |
| (7) May 2003       | Gilder Creek WWTP upgrade - Phase II                      |
| (8) June 2003      | Georges Creek Regional Conveyance System - Phase I        |
| (9) February 2004  | Georges Creek Regional Conveyance System - Phase II       |
| (10) June 2005     | Lower Reedy WWTP expansion - Phase II                     |

Construction has been completed and all funds received for the Mauldin Road Plant Residual Biosolids Management Facility, Maple Creek line, Brushy Creek/Reedy River lines, Lower Reedy WWTP – Phase I, Gilder Creek WWTP upgrade – Phase I, Georges Creek Regional WWTP and the Georges Creek Regional Conveyance System – Phase I. As of June 30, 2006, \$57.2 million of SRFL debt was outstanding for these projects.

(Continued)

## LONG TERM DEBT, Continued

Construction continues on the Gilder Creek WWTP upgrade -- Phase II, the Lower Reedy WWTP -- Phase II and the Georges Creek Regional Conveyance System -- Phase II. The Authority entered into a loan agreement in May of 2003 to fund the Gilder Creek WWTP -- Phase II project. At the end of the 2006 Fiscal Year, \$34,485,748 had been received. The Authority entered into a loan agreement to fund the Lower Reedy WWTP -- Phase II in June 2005. At June 30, 2006, \$8,118,404 had been received. The Authority entered into a loan agreement to fund the Georges Creek Regional Conveyance System -- Phase II, during Fiscal Year 2004. At June 30, 2006, \$5,304,041 had been received. As of June 30, 2006, \$46.1 million of SRFL debt was outstanding for these projects.

### Total Outstanding Long Term Debt

The total outstanding principal on long-term debt at the end of Fiscal Year 2006 (not including premiums) was \$279.5 million. The total obligation for compensated absences at June 30, 2006 was \$0.6 million. At year end, the Authority owed \$280.1 million in total long-term debt, a decrease of \$1 million or 0.3% from the \$281.1 million at Fiscal Year-end 2005. In Fiscal Year 2006, the Authority incurred \$10.2 million in SRFL debt and made \$11.3 million in payments on outstanding revenue and SRFL debt. More detailed information about the Authority's long-term liabilities is presented in Note 9 of the accompanying notes to the financial statements.

**General Obligation Bonds Limitation on Debt:** Under the debt limitation provisions of Article X of the South Carolina Constitution, every county, incorporated municipality, special purpose district, and school district has the power, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law (a) to incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and (b) to incur, without an election, debt, in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by majority vote of qualified electors, in an amount not exceeding 8% of the assessed value of all taxable property therein. As of June 30, 2006, WCRSA's assessed value was approximately \$1.6 billion. The Authority had no general obligation debt outstanding as of June 30, 2006.

The Authority's Bond Covenant requires that the System's net earnings be at least 1.10 times the highest combined debt service requirement. The Authority has not defaulted in the payment of principal or interest or in any other material way with respect to any of its securities at any time, nor has the Authority used the proceeds of any bonds for current operating expenses at any time, nor does the Authority intend to use the proceeds of any bonds for any such purposes. Based on the Authority's accompanying financial statements, the debt coverage ratio is calculated in table A-5.

(Continued)



## LONG TERM DEBT, Continued

**Table A-5**  
**Debt Coverage Ratio**  
**(In millions)**

	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>
Operating Revenue	\$ 63.7	\$ 58.3	\$ 54.6
Interest Income (unrestricted)	<u>1.2</u>	<u>1.2</u>	<u>0.4</u>
Gross Revenues	64.9	59.5	55.0
Less operating expenses before depreciation	<u>(23.2)</u>	<u>(21.8)</u>	<u>(20.6)</u>
Net revenues available for debt service	\$ 41.7	\$ 37.7	\$ 34.4
Debt service on bonds and parity indebtedness	24.2	16.0	17.3
Debt Coverage	1.7	2.4	2.0

As seen in Table A-5, there has been an \$8.2 million (51%) increase in debt service payments from Fiscal Year 2005 to Fiscal Year 2006. The total long term debt payment of \$16.0 million in Fiscal Year 2005 increased to \$24.2 million in Fiscal Year 2006 as the Authority began payments on approximately \$11 million in SRFL received in Fiscal Year 2005 as well as the Series 2005 revenue bonds. There was a decrease of \$1.3 million from Fiscal Year 2004 to Fiscal Year 2005. This decrease is a result of a low principal maturity on the Series 2001 revenue bonds for Fiscal Year 2005. The revenue bonds issued in Fiscal Year 2005 have average coupon rates of 4% and 4.3% and the most recent SRFL were secured at a 3% rate.

**Table A-6**  
**Average Coupon/Interest Rate**

	<u>Balance</u> <u>(In millions)</u>	<u>Coupon / Rate</u> <u>%</u>
Series 1995 Revenue Bonds	\$ 1.8	5.5
Series 2001 Revenue Bonds	16.1	5.0
Series 2002 Revenue Bonds	4.2	3.3
Series 2005 Revenue Bonds	84.3	4.3
Series 2005-B Refunding Revenue Bonds	69.7	4.0
State Revolving Fund Loans	103.3	3.5

## ECONOMIC FACTORS

The Authority continues to be affected by economic factors such as increases in the customer base (which increases approximately 2.5% per year historically), changes in drought conditions, and inflationary trends in the service area (which compare favorably to national indices). The Authority's Commission and management consider such factors when developing plans and budgets for the upcoming year.

(Continued)

## **ECONOMIC FACTORS, Continued**

Also, from time to time, local growth and development, changes in regulatory and compliance requirements, and modification of existing facilities or operations will dictate the financing of additional capital improvements and increases in operating costs. It is the Authority's policy to conduct regular reviews of its rates and fees in order to accommodate such changing circumstances. The Authority is conducting a rate study that will be completed by the end of calendar year 2006. If any rate increase is adopted by its Board of Commissioners, it will be implemented by the end of Fiscal Year 2007.

In management's opinion the overall financial condition of the Authority remains healthy.

## **CONTACTING THE AUTHORITY'S FINANCIAL DEPARTMENT**

This financial report is designed to provide our users and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Western Carolina Regional Sewer Authority's Controller at 561 Mauldin Road, Greenville, South Carolina 29607.



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## BASIC FINANCIAL STATEMENTS



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**BALANCE SHEETS**

	<u>JUNE 30,</u>	
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 13,880,572	\$ 12,393,257
Restricted cash and cash equivalents	69,878,234	97,239,601
Investments	21,291,691	14,528,440
Restricted investments	22,645,065	20,251,213
Receivables, net	<u>5,914,573</u>	<u>5,385,022</u>
Total current assets	<u>133,610,135</u>	<u>149,797,533</u>
<b>NONCURRENT ASSETS</b>		
Receivables, net	4,453,521	4,628,072
Investments	2,494,084	-
Capital assets, net	382,258,773	346,732,363
Deferred charges, net	<u>11,910,922</u>	<u>12,787,757</u>
Total noncurrent assets	<u>401,117,300</u>	<u>364,148,192</u>
Total assets	<u>\$ 534,727,435</u>	<u>\$ 513,945,725</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Revenue bonds payable	\$ 6,444,906	\$ 7,614,906
State revolving loans payable	4,338,256	4,473,633
Accounts payable - operations	1,193,242	1,100,270
Accounts payable - construction projects	10,118,432	5,203,951
Accrued interest payable	3,435,019	3,478,553
Accrued expenses and other liabilities	630,610	372,797
Compensated absences	<u>95,000</u>	<u>95,000</u>
Total current liabilities	<u>26,255,465</u>	<u>22,339,110</u>
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds payable	183,001,411	189,446,317
State revolving loans payable	98,980,125	93,099,163
Compensated absences	<u>497,962</u>	<u>417,595</u>
Total long-term liabilities	<u>282,479,498</u>	<u>282,963,075</u>
Total liabilities	<u>308,734,963</u>	<u>305,302,185</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	143,955,865	137,838,215
Restricted	27,943,077	26,546,992
Unrestricted	<u>54,093,530</u>	<u>44,258,333</u>
Total net assets	<u>225,992,472</u>	<u>208,643,540</u>
Total liabilities and net assets	<u>\$ 534,727,435</u>	<u>\$ 513,945,725</u>

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

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	For the years ended June 30,	
	2006	2005
<b>OPERATING REVENUES</b>		
Domestic and commercial customers	\$ 48,099,936	\$ 44,544,985
Industrial customers	5,798,149	5,791,259
New account fee	9,494,000	7,630,470
Septic haulers and other	290,257	289,578
Total operating revenues	63,682,342	58,256,292
<b>OPERATING EXPENSES</b>		
Solids management	2,268,770	2,571,457
Facilities operations	8,299,744	7,756,033
Laboratory	1,700,991	1,547,330
Operations and maintenance shop	1,876,975	1,700,774
Collection system	2,625,325	2,554,998
Administration and accounting	4,797,503	4,506,383
Customer service	1,626,330	1,136,918
Total operating expenses before depreciation	23,195,638	21,773,893
Depreciation	18,284,379	16,543,392
Total operating expenses	41,480,017	38,317,285
Net operating income	22,202,325	19,939,007
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	5,651,443	2,244,095
Interest expense	(12,858,101)	(9,806,140)
Amortization	(111,928)	(223,200)
Non-project expenses	(305)	-
Other income	246,454	6,340
Net non-operating expenses	(7,072,437)	(7,778,905)
<b>CAPITAL PROJECT COST REIMBURSEMENTS</b>	2,219,044	6,263,288
Increase in net assets	17,348,932	18,423,390
<b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>	208,643,540	190,220,150
<b>TOTAL NET ASSETS, END OF YEAR</b>	<u>\$ 225,992,472</u>	<u>\$ 208,643,540</u>

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



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**

	For the years ended June 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 63,657,753	\$ 57,514,553
Paid to suppliers for goods and services	(9,065,340)	(16,297,433)
Paid to employees for services	(8,784,969)	(8,096,008)
Net cash provided by operating activities	<u>45,807,444</u>	<u>33,121,112</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash received for capital project cost reimbursements	2,386,915	1,467,345
Acquisition of capital assets	(53,810,789)	(61,357,255)
Proceeds from state revolving loans	10,201,437	14,925,217
Proceeds from issuance of revenue bonds	-	168,546,001
Repayment of revenue bonds	(6,850,000)	(76,625,000)
Bond issue costs	-	(8,614,928)
Repayment of state revolving loans	(4,455,852)	(2,783,576)
Interest payments on debt	(12,901,635)	(8,267,425)
Net cash provided by (used for) capital and related financing activities	<u>(65,429,924)</u>	<u>27,290,379</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	5,399,615	2,046,659
Net purchase of investment securities	(11,651,187)	6,765,141
Net cash provided by (used for) investing activities	<u>(6,251,572)</u>	<u>8,811,800</u>
Net increase (decrease) in cash and cash equivalents	(25,874,052)	69,223,291
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>109,632,858</u>	<u>40,409,567</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 83,758,806</u>	<u>\$ 109,632,858</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net operating income	\$ 22,202,325	\$ 19,939,007
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	18,284,379	16,543,392
Changes in deferred and accrued amounts		
Receivables	(24,893)	(741,739)
Accounts payable -- operations	92,972	(140,886)
Accounts payable -- construction projects	4,914,481	(2,615,267)
Accrued expenses and other liabilities	257,813	82,062
Compensated absences	80,367	54,543
Net cash provided by operating activities	<u>\$ 45,807,444</u>	<u>\$ 33,121,112</u>
<b>NONCASH TRANSACTIONS</b>		
Notes receivable for capital project cost reimbursement	\$ -	\$ 4,795,943
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEET</b>		
Cash and cash equivalents	\$ 13,880,572	\$ 12,393,257
Restricted cash and cash equivalents	<u>69,878,234</u>	<u>97,239,601</u>
	<u>\$ 83,758,806</u>	<u>\$ 109,632,858</u>

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

## NOTES TO FINANCIAL STATEMENTS



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES**

**Description of entity**

The *Western Carolina Regional Sewer Authority* (the "Authority") is a special purpose district created by the General Assembly of the State of South Carolina. The Authority is governed by a Commission consisting of nine members who are appointed by the Governor upon recommendation by the legislative delegations of Greenville, Anderson and Laurens Counties. The Authority's mission is to provide wastewater treatment services for residents and industries covering substantially all of Greenville County and portions of Anderson and Laurens Counties. In fulfilling its functions, the Authority receives wastewater from the area's collection systems, operates and owns treatment facilities and sewage pumping stations and owns and operates trunk sewer lines (the "System"). It is the Authority's policy to maintain customer user rates sufficient to meet operational and maintenance expenses and to pay debt service on bonds and notes issued to finance upgrading and maintaining the System.

**Reporting entity**

This report includes all operations of the Authority for which the Authority's Commissioners are financially accountable.

**Fund accounting**

The Authority maintains a single enterprise type fund to record its activities which consists of a self-balancing set of accounts. Enterprise type funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

**Basis of accounting**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting as recommended by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. Basis of accounting refers to the timing of recognition of revenues and expenses. Under the accrual basis of accounting, revenues and receivables are recognized when earned and expenses and liabilities are recognized when incurred.

The Authority's policy is to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

**Budgetary practices**

Annual budgets are prepared by management as a control device. The budget required by the State of South Carolina is prepared on the cash basis of accounting. Management also prepares a budget on the accrual basis of accounting which is used for internal purposes.

**Cash and cash equivalents**

For purposes of reporting cash flows, the Authority considers all liquid investments with an original maturity of three months or less to be cash equivalents.

**Restricted assets and net assets**

Certain cash and cash equivalents and investments are classified as restricted on the balance sheet because their use is limited by revenue bond and state revolving loan covenants, or by the Board of Commissioners.

(Continued)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

### **Restricted assets and net assets, Continued**

Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service on revenue bonds and state revolving loans.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

### **Capital assets**

Capital assets are stated at historical cost. The Authority capitalizes purchases of assets greater than \$1,500. Depreciation of capital assets is calculated by use of the straight-line method over the estimated useful lives of the respective assets as follows:

Treatment facilities, trunk lines, and equipment	15 - 40 years
Office furniture and equipment	5 - 8 years
Vehicles	3 years

The cost of fully depreciated assets and the related accumulated depreciation amounts are eliminated from the accounts whether the assets are retired or continued in service.

### **Net assets**

Net assets are classified into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Instead that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### **Deferred charges**

Bond issuance costs, including insurance costs, underwriting fees and capitalized interest, are amortized over the life of the respective bonds using methods which approximate the interest method.

### **Compensated absences**

Vested vacation leave is recorded as an expense and liability as the benefits accrue to employees.

### **Revenues and receivables**

Domestic and commercial customers - Revenues and receivables, based on water consumption, are recognized when services are provided.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued**

**Revenues and receivables, Continued**

Industrial customers - Revenues and receivables, based on metered effluent and surcharges, are recognized when services are provided.

Allowance for uncollectible accounts - An allowance for uncollectible accounts is calculated based on an average of accounts determined to be uncollectible during the past two years, plus an amount for specific doubtful accounts.

**Operating revenues and expenses**

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for wastewater treatment services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Estimates**

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the Authority's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

**Reclassifications**

Certain amounts in the June 30, 2005 financial statements have been reclassified to conform with the current year presentation. These reclassifications had no effect on the previously reported net assets, results of operations or cash flows of the Authority.

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

As of June 30, 2006 and 2005, the Authority had the following cash and cash equivalents and investments:

<u>Description</u>	<u>Fair value</u>	
	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Cash and cash equivalents		
Checking and other cash	\$ 13,880,572	\$ 12,393,257
Money markets -- US Treasuries	64,580,222	90,943,822
Money markets -- government obligations	5,298,012	6,295,779
Total cash and cash equivalents	<u>\$ 83,758,806</u>	<u>\$ 109,632,858</u>
Investments		
Certificates of deposit	\$ 6,056,746	\$ -
US agencies	40,374,094	34,779,653
Total investments	<u>\$ 46,430,840</u>	<u>\$ 34,779,653</u>

(Continued)

## NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS, Continued

Investment maturities are as follows as of June 30, 2006.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less than 1 year</u>	<u>1 - 5 years</u>
Certificates of Deposit	\$ 6,056,746	\$ 6,056,746	\$ -
US Agencies	40,374,094	37,880,010	2,494,084
	<u>\$ 46,430,840</u>	<u>\$ 43,936,756</u>	<u>\$ 2,494,084</u>

### **Interest rate risk**

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### **Credit risk**

State law limits investments to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, financial institutions to the extent that the same are secured by Federal Deposit Insurance, and certificates of deposits where the certificates are collaterally secured by securities of the type described above are held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest. The Authority has no investment policy that would further limit its investment choices. The Authority's investments in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Home Loan Bank were rated AAA by Standard and Poor's as of June 30, 2006.

### **Concentration of credit risk**

The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5 percent of the Authority's investments are in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are 83.37 and 12.42 percent, respectively, of the Authority's total investments.

### **Custodial credit risk deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of June 30, 2006 and 2005, all of the Authority's deposits were insured or collateralized with securities held by the Authority's agents in the Authority's name.

## NOTE 3 - RECEIVABLES

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Fees and services		
Domestic and commercial customers	\$ 4,031,437	\$ 3,531,992
Industrial customers	828,145	548,467
	4,859,582	4,080,459
Less allowance for uncollectible accounts	725,000	725,000
	4,134,582	3,355,459
Accrued interest on cash equivalents	578,944	327,116
Unbilled fees and services	-	461,788
Reimbursements from other governmental units	5,654,568	5,868,731
	10,368,094	10,013,094
Less current portion	(5,914,573)	(5,385,022)
	<u>\$ 4,453,521</u>	<u>\$ 4,628,072</u>



#### NOTE 4 - RESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

Provisions of the revenue bond and state revolving loan agreements require the Authority to establish funds and restrict the use of certain cash and cash equivalents and investments. A brief description of such funds follows:

Capital projects - restricts the use of revenue bond, state revolving loan, and real property sales proceeds, and interest earnings on such proceeds, to the construction of capital projects.

Current principal and interest payments - reports resources accumulated for the next principal and interest payments.

Debt service reserves - reports resources set aside to cover potential future deficiencies in the current principal and interest payments account.

Operations and maintenance - reports resources set aside to cover operating and maintenance expenses for one month.

Depreciation - reports resources set aside to fund asset replacements.

Contingencies - reports resources set aside to meet unexpected contingencies.

Restricted cash and cash equivalents and investments at June 30, 2006 and 2005 are restricted for the following uses:

	<u>2006</u>	<u>2005</u>
Capital projects	\$ 66,289,922	\$ 92,653,522
Current principal and interest payments	19,477,820	18,555,477
Operations and maintenance	1,932,970	1,814,491
Depreciation	3,822,587	3,467,324
Contingencies	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 92,523,299</u>	<u>\$117,490,814</u>

**NOTE 5 – CAPITAL ASSETS**

	Balance June 30, 2005	Additions	Disposals	Balance June 30, 2006
Land	\$ 1,957,335	\$ 704,218	\$ -	\$ 2,661,553
Depreciable assets:				
Buildings	222,956,649	23,803,707	3,039,648	243,720,708
Sewer lines	207,656,034	21,158,851	-	228,814,885
Wastewater Treatment Plant equipment	54,715,047	7,934,569	1,077,919	61,571,697
Operational equipment	823,977	59,784	148,794	734,967
Office furniture	464,193	49,039	46,299	466,933
Vehicles	704,990	100,621	158,863	646,748
Total capital assets being depreciated	487,320,890	53,106,571	4,471,523	535,955,938
Less accumulated depreciation	142,545,862	18,284,379	4,471,523	156,358,718
Total capital assets being depreciated, net	344,775,028	34,822,192	-	379,597,220
Capital assets, net	<u>\$ 346,732,363</u>	<u>\$ 35,526,410</u>	<u>\$ -</u>	<u>\$ 382,258,773</u>

	Balance June 30, 2004	Additions	Disposals	Balance June 30, 2005
Land	\$ 1,855,374	\$ 101,961	\$ -	\$ 1,957,335
Depreciable assets:				
Buildings	199,165,065	27,400,962	3,609,378	222,956,649
Sewer lines	183,299,624	24,356,410	-	207,656,034
Wastewater Treatment Plant equipment	46,206,271	9,133,654	624,878	54,715,047
Operational equipment	960,431	112,388	248,842	823,977
Office furniture	470,054	43,049	48,910	464,193
Vehicles	630,582	208,831	134,423	704,990
Total capital assets being depreciated	430,732,027	61,255,294	4,666,431	487,320,890
Less accumulated depreciation	130,668,901	16,543,392	4,666,431	142,545,862
Total capital assets being depreciated, net	300,063,126	44,711,902	-	344,775,028
Capital assets, net	<u>\$ 301,918,500</u>	<u>\$ 44,813,863</u>	<u>\$ -</u>	<u>\$ 346,732,363</u>

The Authority has granted a statutory lien on the System to secure its revenue bonds and state revolving loans.

**NOTE 6 - DEFERRED CHARGES**

	June 30,	
	2006	2005
Bond issuance costs	\$ 14,506,408	\$ 14,896,659
Less accumulated amortization	2,595,486	2,108,902
Deferred charges, net	<u>\$ 11,910,922</u>	<u>\$ 12,787,757</u>

Amortization of bond issuance costs for the year ended June 30, 2006 and 2005 totaled \$876,835 and \$598,154, respectively.



# NOTE 7 - REVENUE BONDS PAYABLE

At June 30, 2006 and 2005, the Authority was obligated on various series of revenue bonds issued for purposes of constructing sewer and wastewater treatment facilities and trunk lines. Revenue bonds outstanding at June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Series 2005 B refunding revenue bonds dated March 15, 2005 with interest at 2.55 to 5.07 percent payable semi-annually beginning September 1, 2006. Beginning March 1, 2012, annual principal payments ranging from \$5,180,000 to \$9,400,000 plus semi-annual payments of interest at 2.55 to 5.07 percent are payable through March, 2021.	\$ 69,695,000	\$ 69,695,000
Series 2005 revenue bonds dated January 11, 2005 with annual principal payments ranging from \$30,000 to \$20,055,000 plus interest at 2.40 to 4.88 percent payable semi-annually through March, 2025.	84,310,000	86,560,000
Series 2002 refunding bonds dated December 5, 2002, with annual principal payments ranging from \$40,000 to \$2,010,000, plus interest at 2.50 to 4.00 percent payable semi-annually through March 1, 2009.	4,240,000	6,320,000
Series 2001 refunding bonds dated March 1, 2001 with annual principal payments ranging from \$1,300,000 to \$9,665,000 plus interest at 3.40 to 5.375 percent payable semi-annually through March 1, 2021.	16,125,000	17,580,000
Series 1995 refunding bonds dated November 1, 1996, with annual principal payments ranging from \$95,000 to \$1,695,000, plus interest at 4.25 to 5.00 percent payable semi-annually through March 1, 2008.	<u>1,790,000</u>	<u>2,855,000</u>
	176,160,000	183,010,000
Premium on Series 2001 refunding bonds	1,710,878	1,827,530
Premium on Series 2002 refunding bonds	123,586	157,291
Premium on Series 2005 revenue bonds	4,403,860	4,640,839
Premium on Series 2005 B refunding revenue bonds	<u>7,047,993</u>	<u>7,425,563</u>
	189,446,317	197,061,223
Less current maturities	<u>6,444,906</u>	<u>7,614,906</u>
Long-term portion	<u>\$ 183,001,411</u>	<u>\$ 189,446,317</u>

Amortization of bond premiums totaled \$764,907 and \$374,954 for the years ended June 30, 2006 and 2005, respectively.

(Continued)

**NOTE 7 - REVENUE BONDS PAYABLE, Continued**

Future amounts required to pay principal and interest on revenue bonds outstanding at June 30, 2006 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 5,680,000	\$ 8,640,896	\$ 14,320,896
2008	5,090,000	8,449,416	13,539,416
2009	4,510,000	8,243,810	12,753,810
2010	4,680,000	8,075,360	12,755,360
2011	5,010,000	7,831,123	12,841,123
2012 - 2016	30,860,000	35,182,508	66,042,508
2017 - 2021	48,400,000	26,256,418	74,656,418
2022 - 2026	71,930,000	9,386,750	81,316,750
	<u>\$ 176,160,000</u>	<u>\$ 112,066,281</u>	<u>\$ 288,226,281</u>

Provisions of the revenue bond agreements require the Authority to maintain user rates sufficient to generate net earnings as defined by the bond agreement of at least 110 percent of the combined annual principal and interest payments, make timely payment of principal and interest on all outstanding debt, maintain required funds for debt service reserves, operations and maintenance expenses, depreciation and contingencies, and meet various other general requirements specified in the bond agreements. Management believes that the Authority was in compliance with these covenants at June 30, 2006 and 2005.

The revenue bonds are payable solely from and secured by a pledge of the gross revenues of the Authority. As additional security, the Authority has granted a statutory lien on the System.

Interest expense on the revenue bonds totaled \$8,703,803 and \$6,875,641 for the years ended June 30, 2006 and 2005, respectively.

**NOTE 8 - STATE REVOLVING LOANS PAYABLE**

At June 30, 2006 and 2005, the Authority was obligated on various state revolving loans. State revolving loan amounts outstanding at June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Mauldin Road Facility loan dated December 15, 1989. Payable in quarterly installments of \$21,410, including interest at 4.75 percent, through July 1, 2010.	\$ 310,313	\$ 379,158
Brushy Creek/Reedy River trunk lines loan dated January 13, 1995. Payable in quarterly installments of \$79,319, including interest at 4.00 percent, through April 1, 2016.	2,551,142	2,761,098
Maple Creek loan dated August 9, 1990. Payable in quarterly installments of \$19,377, including interest at 4.50 percent, through May 1, 2011.	345,316	405,581
Reedy River Facility loan dated September 24, 1998. Payable in quarterly installments of \$572,996, including interest at 4.00 percent, through November 1, 2020.	25,125,079	26,380,516
Gilder Creek Wastewater Treatment Plant Upgrade Phase I loan dated June 22, 2001. Payable in quarterly installments of \$164,159, including interest at 4.00 percent, through February 1, 2028.	6,843,033	7,149,330

(Continued)



**NOTE 8 - STATE REVOLVING LOANS PAYABLE, Continued**

Lower Reedy Wastewater Treatment Plant Expansion Phase II loan dated June 8, 2005. Payable in quarterly installments of 347,116, beginning September 1, 2007, including interest at 3.00 percent, through September 1, 2027.	8,118,404	-
Georges Creek Wastewater Treatment Plant loan dated November 29, 2001. Payable in quarterly installments of \$343,145, beginning January 1, 2005, including interest at 4.00 percent, through October 1, 2023.	16,273,640	16,917,065
Gilder Creek Wastewater Treatment Plant Upgrade Phase II loan dated May 16, 2003. Payable in quarterly installments of \$623,835, including interest at 3.75 percent, through April 1, 2025.	32,979,213	32,583,718
Georges Creek Conveyance System Phase I loan dated June 10, 2003. Payable in quarterly installments of \$122,548, including interest at 3.75 percent, through January 1, 2024.	5,790,854	6,021,048
Georges Creek Conveyance System Phase II loan dated February 20, 2005. Payable in quarterly installments of \$102,934, including interest at 3.75 percent, through September 1, 2024.	4,981,387	4,975,282
	103,318,381	97,572,796
Less current maturities	4,338,256	4,473,633
Long-term portion	<u>\$ 98,980,125</u>	<u>\$ 93,099,163</u>

Interest expense on the state revolving loans totaled \$4,127,634 and \$2,903,913 for the years ended June 30, 2006 and 2005, respectively.

Future amounts required to pay principal and interest on state revolving loans outstanding at June 30, 2006 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 4,338,256	\$ 3,658,668	\$ 7,996,924
2008	5,283,289	4,102,097	9,385,386
2009	5,486,296	3,899,090	9,385,386
2010	5,697,178	3,688,208	9,385,386
2011	5,829,065	3,470,681	9,299,746
2012 - 2016	32,162,133	13,869,729	46,031,862
2017 - 2021	30,878,630	5,916,324	36,794,954
2022 - 2026	13,643,534	924,331	14,567,865
	<u>\$ 103,318,381</u>	<u>\$ 39,529,128</u>	<u>\$ 142,847,509</u>

Provisions of the state revolving loan agreements require the Authority to use loan proceeds solely for the purpose of paying eligible project costs, submit the annual audit of its financial statements by December 31<sup>st</sup>, maintain user rates sufficient to make timely payment of principal and interest on all outstanding debt, maintain required funds for current principal and interest payments, debt service reserves, operations and maintenance expenses, depreciation and contingencies, review the adequacy of its user rates at least annually, and meet various other general requirements specified in the loan agreements. Management believes that the Authority was in compliance with these covenants at June 30, 2006 and 2005.

The state revolving loans are secured by a pledge of the gross revenues of the Authority. As additional security, the Authority has granted a statutory lien on the System.

**NOTE 9 - CHANGES IN LONG-TERM DEBT AND COMPENSATED ABSENCES**

Changes in long-term debt and compensated absences for the years ended June 30, 2006 and 2005 are as follows:

	2006			Balance at June 30, 2006
	Balance at July 1, 2005	Additions	Reductions	
Revenue bonds	\$ 183,010,000	\$ -	\$ 6,850,000	\$ 176,160,000
State revolving loans	97,572,796	10,201,437	4,455,852	103,318,381
Compensated absences	512,595	84,248	3,881	592,962
	281,095,391	10,285,685	11,309,733	280,071,343
Premiums on bond issuance	14,051,223	-	764,906	13,286,317
	<u>\$ 295,146,614</u>	<u>\$ 10,285,685</u>	<u>\$ 12,074,639</u>	<u>\$ 293,357,660</u>

	2005			Balance at June 30, 2005
	Balance at July 1, 2004	Additions	Reductions	
Revenue bonds	\$ 103,380,000	\$ 156,255,000	\$ 76,625,000	\$ 183,010,000
State revolving loans	85,431,155	14,925,217	2,783,576	97,572,796
Compensated absences	458,052	63,212	8,669	512,595
	189,269,207	171,243,429	79,417,245	281,095,391
Premiums on bond issuance	2,135,176	12,291,001	374,954	14,051,223
	<u>\$ 191,404,383</u>	<u>\$ 183,534,430</u>	<u>\$ 79,792,199</u>	<u>\$ 295,146,614</u>

In March 2005, the Authority defeased a portion of its Series 2001 revenue bonds with cash and cash equivalents generated from the issuance of its Series 2005 B revenue refunding bonds. The cash and cash equivalents were placed in escrow for the purpose of generating sufficient cash flows for all future debt service payments on the defeased debt. The advance refunding met the requirements of an in-substance defeasance and the defeased portion of the bonds were removed from the Authority's financial statements. There was no significant difference between the book value of the refunded debt and the amount required to retire the debt. This advance refunding was undertaken to reduce total debt service payments over the next 32 years by \$3,710,040 and resulted in an economic gain, or difference between the present value of the debt service payments on the old and new debt of \$2,652,726.

**NOTE 10 - CONSTRUCTION CONTRACTS IN PROGRESS**

At June 30, 2006 the Authority had commitments for various projects for the construction and acquisition of property and equipment. Construction in progress is included in the property and equipment balance as treatment facilities, land, trunk lines and equipment. The following summarizes construction contracts in progress at June 30, 2006 on which significant additional work is to be performed:

Number	Project Name	Contract amount	Total contract incurred through June 30, 2006	Balance to be performed
00 0108.04/3	Pelham Expansion	\$ 103,032,797	\$ 86,999,617	\$ 16,033,180
01 0146.02/0	Gilder Creek Phase II	51,392,341	51,049,915	342,426
00 0150.00/0	Lower Reedy WWTP	22,712,215	14,211,149	8,501,066
00 0133.44/2	Durbin Creek WWTP	42,423,683	1,728,446	40,695,237
00 0133.46/2	Tubbs Mountain Road Pump Station	1,240,827	997,181	243,646
01 0153.00/2	Enoree River/Brushy Creek Collection System	22,491,210	3,647,737	18,843,473
04 0133.40/2	Peters Creek Trunk Sewer	3,948,535	2,589,643	1,358,892
02 0124.09/2	Mauldin Rd WWTP Modifications	67,421,566	7,345,432	60,076,134
02 0154.01/0	Piedmont Regional WWTP	336,481	206,962	129,519
		<u>\$ 314,999,655</u>	<u>\$ 168,776,082</u>	<u>\$ 146,223,573</u>



#### NOTE 11 - COMPENSATED ABSENCES

Full-time employees of the Authority accumulate vacation benefits at 1 to 2 days per month, based on length of service, up to 24 days per year. Annual leave in excess of 24 days at December 31st of each year is forfeited. Annual leave earned up to 24 days is paid to employees upon separation from employment. Accrued vacation benefits totaled \$592,962 and \$512,595 at June 30, 2006 and 2005, respectively.

#### NOTE 12 - EMPLOYEE BENEFITS

##### **Pension plan**

Substantially all of the Authority's employees are members of the South Carolina Retirement System (the "SCRS"), a cost-sharing multiple-employer pension plan administered by the Retirement Division of the State Budget and Control Board. The SCRS provides retirement and disability benefits, cost of living adjustments on an adhoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. The SCRS issues a publicly available financial report that includes financial statements and required information for the South Carolina Retirement System. That report may be obtained by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960 or by calling 1-800-868-9002.

Plan members are required to contribute 6.25 percent of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. The current rate is 7.55 percent of annual covered payroll and .15 percent of payroll is contributed to a group life insurance benefit for the participants. Required contributions were made at 100 percent and are summarized as follows:

	<u>Employer SCRS</u>	<u>Employee SCRS</u>
June 30, 2006	\$ 581,263	\$ 498,845
June 30, 2005	578,857	468,891
June 30, 2004	555,209	459,809

##### **Deferred compensation plan**

The Authority offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, which is administered and controlled by the State of South Carolina. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant.

CitiStreet (under state contract) is the program administrator of the 457 Plan.

##### **Other post-employment benefits**

The Authority provides postretirement health and dental care benefits for eligible retirees and their dependents under the same provisions as benefits provided to existing employees. The Authority pays a portion of the monthly premiums for health and dental care coverage for these retirees in amounts ranging from \$237 to \$539 with the retirees paying the remainder of the premiums. The Authority's regular health and dental care benefit providers underwrite the retiree's policy. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year end, there were nineteen employees that were receiving coverage benefits. The Authority recognizes these expenses on a pay-as-you-go basis. For the year ended June 30, 2006 and 2005, the Authority paid \$81,279 and \$74,943, respectively, for these benefits.

#### NOTE 13 - COMMITMENTS

The Authority maintained a contract with the Commissioners of the Public Works of the City of Greenville, South Carolina to provide for collection of sewer service charges through July 31, 2006. This agreement is cancelable by either party after providing a twelve-month notice of intent. The rate charged is subject to adjustment annually based upon the municipal cost index. The cost to the Authority for the year ending June 30, 2006 was approximately \$1,432,000. For the year ended June 30, 2006, billing charges to the Authority is estimated to cost approximately \$1,490,000.

#### NOTE 14 - CONTINGENCIES

The Authority participates in various construction projects assisted by federal and state agencies. Project reimbursements arising from these arrangements whether received or receivable at June 30, 2006 are subject to final audit and adjustment by such agencies. Reimbursement claims ultimately disallowed, if any, will be refundable to the respective agency. Based on prior experience and information known to date, the Authority does not anticipate that refunds, if any, will be material to the basic financial statements.

The Authority is from time-to-time subject to various claims, legal actions and other matters arising out of the normal conduct of the Authority's operations. In particular, the Authority is regularly involved in lawsuits related to acquiring rights-of-way for its use, which requires a determination of amounts of just compensation to be paid to the owners. Based on prior experience and available information, the Authority does not anticipate any lawsuits to be material to the basic financial statements.

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains insurance coverage through the State of South Carolina, and has effectively managed risk through various employee education and prevention programs. No significant reductions in insurance coverage have occurred from the prior year to the current year. The amount of settlements has not exceeded insurance coverage for the years ending June 30, 2006, 2005, and 2004. The Authority believes that the amount of actual or potential claims as of June 30, 2006 will not materially affect the financial condition of the Authority.









# Statistical



WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
SCHEDULE OF NET ASSETS  
LAST TEN FISCAL YEARS ENDED JUNE 30,

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Invested in capital assets, net of related debt	**	**	**	**	\$ 47,835,171	\$ 57,035,152	\$ 71,052,604	\$103,152,950	\$137,838,215	\$143,955,865
Restricted	**	**	**	**	93,476,508	85,651,748	82,964,739	41,145,932	26,546,992	27,943,077
Unrestricted	**	**	**	**	10,551,256	21,320,013	22,397,566	45,921,268	44,258,333	54,093,530
Total net assets	\$108,721,783	\$123,097,000	\$129,981,381	\$140,322,921	\$151,862,935	\$164,006,913	\$176,414,909	\$190,220,150	\$208,643,540	\$225,992,472

\*\*WCRSA adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments on July 1, 2001.

**Exhibit 2**

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS ENDED JUNE 30,**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Domestic & commercial customers	\$ 29,653,579	\$ 30,234,425	\$ 32,784,195	\$ 32,645,722
Industrial customers	8,293,311	7,865,718	7,151,655	6,838,779
New-Account Fees	1,265,975	1,288,825	1,793,225	1,641,859
Septage haulers & others	<u>56,155</u>	<u>78,231</u>	<u>60,255</u>	<u>95,205</u>
Total operating revenues	39,269,020	39,467,199	41,789,330	41,221,565
Operating Expenses:				
Solids management	1,811,977	1,545,368	1,891,825	2,323,673
Facilities operation	6,401,599	6,307,958	6,310,703	7,263,889
Laboratory	1,126,180	1,194,811	1,208,175	1,354,762
Operation & maintenance shop	1,166,696	1,251,284	1,288,948	1,437,793
Collection System	2,494,403	2,270,290	2,157,582	2,284,829
Administration & accounting	2,679,916	2,866,123	2,958,876	3,277,424
Customer Service	<u>883,065</u>	<u>930,599</u>	<u>943,327</u>	<u>1,009,164</u>
Total operating expenses				
before depreciation	16,563,836	16,366,433	16,759,436	18,951,534
Depreciation	<u>7,310,668</u>	<u>7,759,834</u>	<u>8,455,804</u>	<u>10,227,583</u>
Total operating expense	<u>23,874,504</u>	<u>24,126,267</u>	<u>25,215,240</u>	<u>29,179,117</u>
Net operating income	15,394,516	15,340,932	16,574,090	12,042,448
Non-Operating Revenues (Expenses):				
Interest income	1,922,554	2,721,088	1,938,505	1,129,249
Other income	36,583	18,657	81,083	16,317
Amortization of bond issuance cost	(158,391)	(158,391)	(120,706)	(124,340)
Interest expense	(3,939,046)	(3,810,822)	(2,200,423)	(2,087,535)
Interest expense on bond defeasance	-	-	(9,135,786)	-
Non-project expenses	(9,792)	(2,440)	(922,773)	(546,864)
Other expenses	<u>(988)</u>	<u>(402)</u>	<u>(5,327)</u>	<u>(377,657)</u>
Net non-operating revenues (expenses)	<u>(2,149,080)</u>	<u>(1,232,310)</u>	<u>(10,365,427)</u>	<u>(1,990,830)</u>
Capital Project Cost Reimbursement	<u>1,364,692</u>	<u>266,595</u>	<u>675,718</u>	<u>289,922</u>
Increase in net assets	14,610,128	14,375,217	6,884,381	10,341,540
Total Net Assets, Beginning of Year	<u>94,111,655</u>	<u>108,721,783</u>	<u>123,097,000</u>	<u>129,981,381</u>
Total Net Assets, End of Year	<u>\$ 108,721,783</u>	<u>\$ 123,097,000</u>	<u>\$ 129,981,381</u>	<u>\$ 140,322,921</u>



**Exhibit 2**  
**cont'd**

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS ENDED JUNE 30,**

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 34,049,254	\$ 36,456,491	\$ 38,953,135	\$ 41,713,660	\$ 44,544,985	\$ 48,099,936
6,853,189	6,391,547	6,355,556	5,963,551	5,791,259	5,798,149
2,423,344	2,911,479	4,366,122	6,708,750	7,630,470	9,494,000
<u>150,142</u>	<u>195,345</u>	<u>218,599</u>	<u>227,510</u>	<u>289,578</u>	<u>290,257</u>
43,475,929	45,954,862	49,893,412	54,613,471	58,256,292	63,682,342
2,129,201	2,372,537	2,476,392	2,889,613	2,571,457	2,268,770
7,137,743	6,549,042	6,591,423	6,969,274	7,756,033	8,299,744
1,376,900	1,446,846	1,413,945	1,509,165	1,547,330	1,700,991
1,444,191	1,469,008	1,473,741	1,630,698	1,700,774	1,876,975
2,291,984	2,340,598	2,407,946	2,422,992	2,554,998	2,625,325
3,273,410	3,533,731	3,681,391	4,015,158	4,506,383	4,797,503
<u>1,079,999</u>	<u>1,025,601</u>	<u>1,115,113</u>	<u>1,094,612</u>	<u>1,136,918</u>	<u>1,626,330</u>
18,733,428	18,737,363	19,159,951	20,531,512	21,773,893	23,195,638
<u>11,067,539</u>	<u>11,804,578</u>	<u>12,682,226</u>	<u>14,640,227</u>	<u>16,543,392</u>	<u>18,284,379</u>
<u>29,800,967</u>	<u>30,541,941</u>	<u>31,842,177</u>	<u>35,171,739</u>	<u>38,317,285</u>	<u>41,480,017</u>
13,674,962	15,412,921	18,051,235	19,441,732	19,939,007	22,202,325
2,685,967	2,318,423	1,313,986	769,779	2,244,095	5,651,443
29,500	111,546	12,263	30,880	6,340	246,454
(107,936)	(176,656)	(138,205)	(220,883)	(223,200)	(111,928)
(5,305,861)	(7,838,259)	(7,514,125)	(7,478,125)	(9,806,140)	(12,858,101)
-	-	-	-	-	-
(73,338)	(12,632)	(958)	(1,789)	-	(305)
<u>(26,515)</u>	<u>(4,982)</u>	<u>(597)</u>	<u>(145)</u>	<u>-</u>	<u>-</u>
<u>(2,798,183)</u>	<u>(5,602,560)</u>	<u>(6,327,636)</u>	<u>(6,900,283)</u>	<u>(7,778,905)</u>	<u>(7,072,437)</u>
<u>663,235</u>	<u>2,333,617</u>	<u>684,397</u>	<u>1,263,792</u>	<u>6,263,288</u>	<u>2,219,044</u>
11,540,014	12,143,978	12,407,996	13,805,241	18,423,390	17,348,932
<u>140,322,921</u>	<u>151,862,935</u>	<u>164,006,913</u>	<u>176,414,909</u>	<u>190,220,150</u>	<u>208,643,540</u>
<u>\$ 151,862,935</u>	<u>\$ 164,006,913</u>	<u>\$ 176,414,909</u>	<u>\$ 190,220,150</u>	<u>\$ 208,643,540</u>	<u>\$ 225,992,472</u>

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES**  
**LAST TEN FISCAL YEARS ENDED JUNE 30,**

**Exhibit 3**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Salaries	\$ 5,755,717	\$ 5,864,553	\$ 6,285,392	\$ 6,897,647
Fringe benefits	1,617,815	1,831,362	1,745,870	2,246,278
Chlorine & sulfur dioxide	190,424	192,281	179,734	261,984
Chemicals: other	410,234	382,656	350,695	526,867
Repairs & maintenance	2,175,856	1,900,295	1,659,080	1,805,752
Telephone	129,350	118,045	122,719	114,604
Electricity	1,853,419	1,850,705	1,867,996	1,919,021
Water	66,605	59,159	53,791	72,829
Gasoline (fuel)	109,149	83,619	74,492	113,007
Outside technical services	272,734	284,672	306,776	378,986
Collection fees	766,866	787,832	804,908	822,857
General insurance	130,308	197,982	202,229	207,799
Worker's compensation	142,289	181,161	113,625	98,094
Travel	47,794	30,908	57,296	57,526
Solids management	1,827,816	1,583,016	1,918,799	2,352,176
Contingency	30,217	25,834	4,940	24,630
Auto parts	39,400	42,477	46,748	54,747
Tires & tubes	35,783	30,084	33,628	28,775
Paint	41,063	38,896	33,332	34,999
Office supplies	55,915	57,615	53,809	50,766
Legal	76,189	77,120	120,283	88,087
Employee/public relations	22,635	27,821	21,322	24,049
Commissioners	25,820	31,493	40,521	62,583
Postage	11,697	12,722	17,124	14,006
Other	<u>230,728</u>	<u>279,414</u>	<u>296,206</u>	<u>317,262</u>
Total (without allowance for uncollectible accounts)	<u>\$ 16,065,823</u>	<u>\$ 15,971,722</u>	<u>\$ 16,411,314</u>	<u>\$ 18,575,331</u>
Percent increase over prior year (calculated on totals without allowance for uncollectible accounts)	1.91%	-0.59%	2.75%	13.19%
Provision for uncollectible accounts	<u>498,010</u>	<u>394,711</u>	<u>348,122</u>	<u>376,204</u>
Total (with allowance for uncollectible accounts)	<u>\$ 16,563,833</u>	<u>\$ 16,366,433</u>	<u>\$ 16,759,436</u>	<u>\$ 18,951,535</u>



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES**  
**LAST TEN FISCAL YEARS ENDED JUNE 30,**

**Exhibit 3**  
**Cont'd**

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 6,882,481	\$ 7,060,652	\$ 7,275,361	\$ 7,650,640	\$ 8,096,008	\$ 8,731,260
2,220,872	2,460,146	1,952,749	1,981,923	2,152,354	2,389,311
328,321	236,446	250,567	229,930	291,914	317,402
534,763	448,431	491,758	549,731	795,450	1,062,535
1,491,928	1,307,669	1,396,095	1,684,176	1,712,179	1,509,707
115,351	101,321	137,461	139,612	173,881	176,749
2,087,588	2,085,955	2,323,821	2,231,822	2,521,771	2,740,943
70,611	64,668	67,329	63,723	62,370	68,316
128,230	99,820	120,499	130,606	174,582	235,939
469,668	346,325	408,819	464,368	405,066	423,102
897,667	870,885	888,876	916,442	967,791	1,431,752
186,780	179,816	186,771	246,759	250,594	279,296
61,072	95,642	83,429	133,997	139,380	212,917
60,007	49,988	69,643	71,527	80,589	87,265
2,205,745	2,040,497	2,125,692	2,589,053	2,227,367	1,859,808
4,240	12,251	9,391	-	-	-
39,562	54,964	43,891	44,697	40,918	48,214
26,964	29,641	29,683	29,959	42,262	43,386
20,260	20,389	30,205	28,306	18,945	25,064
48,023	55,336	57,287	51,505	64,203	63,112
45,882	56,211	126,035	77,176	112,999	119,079
29,593	102,939	84,092	106,964	103,572	129,105
36,787	26,555	29,084	18,688	16,261	20,702
19,121	20,746	23,731	20,911	22,646	27,476
<u>316,225</u>	<u>307,037</u>	<u>389,578</u>	<u>333,532</u>	<u>362,722</u>	<u>417,224</u>
<u>\$ 18,327,740</u>	<u>\$ 18,134,327</u>	<u>\$ 18,601,849</u>	<u>\$ 19,796,047</u>	<u>\$ 20,835,824</u>	<u>\$ 22,419,664</u>
-1.33%	-1.06%	2.58%	6.42%	5.25%	7.60%
<u>405,688</u>	<u>603,035</u>	<u>558,102</u>	<u>735,465</u>	<u>938,069</u>	<u>775,974</u>
<u>\$ 18,733,428</u>	<u>\$ 18,737,362</u>	<u>\$ 19,159,951</u>	<u>\$ 20,531,512</u>	<u>\$ 21,773,893</u>	<u>\$ 23,195,638</u>

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
SCHEDULE OF REVENUES AND OTHER INCOME  
LAST TEN FISCAL YEARS ENDED JUNE 30,**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Operating Revenues:				
Domestic & commercial customers				
Greenville Water System billings	\$ 28,886,792	\$ 29,484,850	\$ 31,900,375	\$ 31,528,217
Well water/commercial	181,828	122,378	82,178	225,532
City View district	-	-	-	-
Marietta district	111,966	117,844	121,032	123,372
Powdersville district		21,872	59,682	79,322
Greer/Taylors district	441,003	456,814	547,941	660,807
Slater district/Laurens County	31,990	30,667	30,201	28,472
Total domestic & commercial revenue	29,653,579	30,234,425	32,741,409	32,645,722
Industrial customers	8,293,311	7,865,718	7,195,641	6,838,779
Septage haulers & others	56,155	78,231	59,055	95,205
New Account Fee	1,265,975	1,288,825	1,793,225	1,641,859
Total operating revenues	39,269,020	39,467,199	41,789,330	41,221,565
Non-Operating Revenues:				
Interest income	1,922,554	2,721,088	1,938,505	1,129,249
Other income	36,583	18,657	81,083	16,317
Total non-operating revenues	1,959,137	2,739,745	2,019,588	1,145,566
Total Revenues	\$ 41,228,157	\$ 42,206,944	\$ 43,808,918	\$ 42,367,131



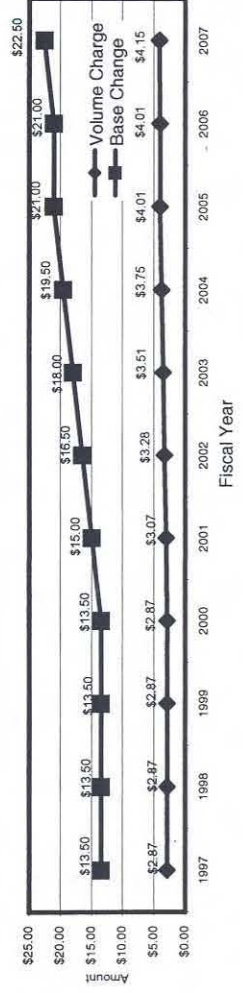
**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
SCHEDULE OF REVENUES AND OTHER INCOME  
LAST TEN FISCAL YEARS ENDED JUNE 30,**

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 32,737,537	\$ 34,977,712	\$37,226,195	\$ 39,791,147	\$ 42,295,557	\$ 45,616,335
354,738	351,996	362,715	369,408	429,967	383,676
-	-	-	-	-	-
119,951	127,776	146,369	149,483	159,896	166,455
90,422	97,470	146,216	170,440	194,228	237,607
718,683	875,538	1,016,527	1,170,406	1,394,840	1,617,121
27,923	25,999	55,113	62,776	70,497	78,742
34,049,254	36,456,491	38,953,135	41,713,660	44,544,985	48,099,936
6,853,189	6,391,547	6,355,556	5,963,551	5,791,259	5,798,149
150,142	195,345	218,599	227,510	289,578	290,257
2,423,344	2,911,479	4,366,122	6,708,750	7,630,470	9,494,000
43,475,929	45,954,862	49,893,412	54,613,471	58,256,292	63,682,342
2,685,967	2,318,423	1,313,986	769,779	2,244,095	5,651,443
29,500	111,546	12,263	30,880	6,340	246,454
2,715,467	2,429,969	1,326,249	800,659	2,250,435	5,897,897
\$ 46,191,396	\$ 48,384,831	\$51,219,661	\$ 55,414,130	\$ 60,506,727	\$ 69,580,239

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**SEWER USE CHARGE RATES**  
**TEN FISCAL YEARS & PROJECTED 2007**  
**MARCH,**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
User volume charge per 1000 gallons	\$2.87	\$2.87	\$2.87	\$2.87	\$3.07	\$3.28	\$3.51	\$3.75	\$4.01	\$4.01	\$4.15
Minimum charge per quarter	-	-	-	-	-	-	-	-	-	-	-
Base charge per quarter	13.50	13.50	13.50	13.50	15.00	16.50	18.00	19.50	21.00	21.00	22.50
Total monthly charge for residential customer using approximately 7,500 gallons per month	\$26.03	\$26.03	\$26.03	\$26.03	\$28.03	\$30.10	\$32.33	\$34.63	\$37.08	\$37.08	\$38.63
Monthly charge percent increase	0%	0%	0%	0%	8%	7%	7%	7%	7%	0%	4%

**Western Carolina Regional Sewer Authority**  
**Volume Charge and Base Charge Increases**

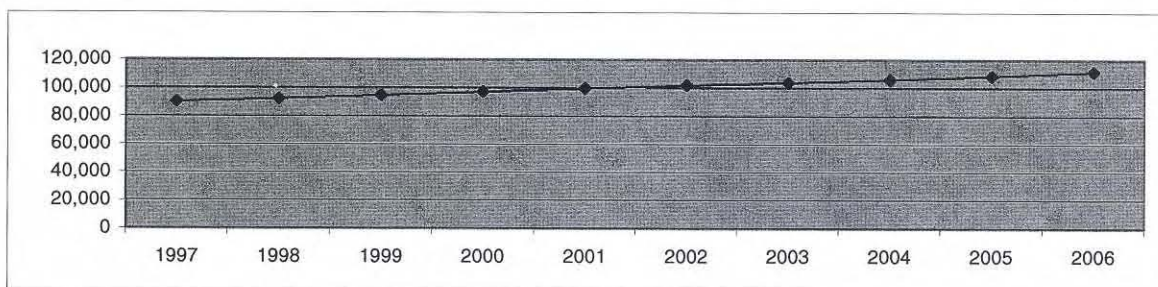




# **WESTERN CAROLINA REGIONAL SEWER AUTHORITY CUSTOMER STATISTICS**

The following table shows the total number of accounts of the Authority from 1997-2006

<u>Year</u>	<u>Total Accounts</u>	<u>Percentage Change</u>
1997	89,765	3.8%
1998	91,762	2.2%
1999	94,345	2.7%
2000	96,727	2.5%
2001	99,245	2.5%
2002	101,643	2.4%
2003	103,273	1.6%
2004	105,612	2.2%
2005	108,158	2.4%
2006	111,123	2.7%



As of June 30, 2006 WCRSA's ten largest customers and their product/service are listed below:

<u>Company</u>	<u>Product/Service</u>
Columbia Farms	Poultry processing
Hitachi Electronic Devices	Manufacturing of television picture tubes
Kemet Electronics (Simpsonville Division)	Manufacturing of electronic capacitors for PCs & cellular phones
Sealed Air-Cryovac	Food wrapping
Michelin Tire Corporation	Manufacturing of tires
Cognis-Henkel Corporation	Produce organic chemicals
Cytac Carbon Fibers	Carbon fibers
General Electric	Manufacturing of gas turbines
K&M Fabrics, Inc.	Drapery fabrics
Aurora Textile	Textile fabrics

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**RATIO OF OUTSTANDING DEBT**  
**LAST TEN FISCAL YEARS ENDED JUNE 30,**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>Revenue Bonds</b>				
1990 Series	\$ 10,166,576	\$ 9,481,782	\$ -	\$ -
1992 Refunding	10,490,000	9,395,000	8,320,000	7,215,000
1993 Refunding	32,685,000	32,340,000	18,850,000	17,275,000
1995 Refunding	9,995,000	9,995,000	9,995,000	9,625,000
2001 Series	-	-	-	-
2002 Refunding	-	-	-	-
2005 Series	-	-	-	-
2005 B Series	-	-	-	-
	<u>63,336,576</u>	<u>61,211,782</u>	<u>37,165,000</u>	<u>34,115,000</u>
<b>S.C. Revolving Loan</b>				
Regional Sludge	944,848	779,904	730,437	678,578
Brushy Creek/Reedy River	4,171,156	4,018,455	3,859,553	3,694,199
Maple Creek	801,852	759,721	715,662	669,588
Lower Reedy River	-	-	11,013,086	24,536,560
Gilder Creek Ph* 1	-	-	-	-
Georges Creek	-	-	-	-
Gilder Creek Ph 2	-	-	-	-
Georges Creek Conveyance Ph 1	-	-	-	-
Georges Creek Conveyance Ph 2	-	-	-	-
Lower Reedy River Ph 2	-	-	-	-
	<u>5,917,856</u>	<u>5,558,080</u>	<u>16,318,738</u>	<u>29,578,925</u>
	<u>69,254,432</u>	<u>66,769,862</u>	<u>53,483,738</u>	<u>63,693,925</u>
General obligation bonds	2,700,000	1,400,000	-	-
Acquired treatment facilities obligations	158,705	83,913	36,232	18,110
Bond anticipation note	-	-	-	20,000,000
Total compensated absences	360,045	362,124	378,415	418,512
Premiums on bond issuance	-	-	-	-
Total long term debt	<u>\$ 72,473,182</u>	<u>\$ 68,615,899</u>	<u>\$ 53,898,385</u>	<u>\$ 84,130,547</u>
Customer accounts	89,765	91,762	94,345	96,727
Long term debt per customer account	<u>\$ 807</u>	<u>\$ 748</u>	<u>\$ 571</u>	<u>\$ 870</u>

\* Ph = phase



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**RATIO OF OUTSTANDING DEBT**  
**LAST TEN FISCAL YEARS ENDED JUNE 30,**

**Exhibit 7**  
**cont'd**

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,105,000	-	-	-	-	-
15,615,000	11,905,000	-	-	-	-
8,625,000	7,385,000	5,940,000	4,435,000	2,855,000	1,790,000
102,085,000	99,935,000	94,410,000	90,585,000	17,580,000	16,125,000
-	-	10,370,000	8,360,000	6,320,000	4,240,000
-	-	-	-	86,560,000	84,310,000
-	-	-	-	69,695,000	69,695,000
<u>127,430,000</u>	<u>119,225,000</u>	<u>110,720,000</u>	<u>103,380,000</u>	<u>183,010,000</u>	<u>176,160,000</u>
624,212	567,217	507,466	444,826	379,158	310,313
3,522,131	3,343,077	3,156,752	2,962,861	2,761,098	2,551,142
621,403	571,013	518,318	463,211	405,581	345,316
30,421,549	29,645,925	28,746,342	27,586,966	26,380,516	25,125,079
-	7,580,582	7,651,538	7,443,676	7,149,330	6,843,033
-	5,181,856	15,881,097	17,446,628	16,917,065	16,273,640
-	-	-	21,565,759	32,583,718	32,979,213
-	-	-	5,876,295	6,021,048	5,790,854
-	-	-	1,640,933	4,975,282	4,981,387
-	-	-	-	-	8,118,404
<u>35,189,295</u>	<u>46,889,670</u>	<u>56,461,513</u>	<u>85,431,155</u>	<u>97,572,796</u>	<u>103,318,381</u>
<u>162,619,295</u>	<u>166,114,670</u>	<u>167,181,513</u>	<u>188,811,155</u>	<u>280,582,796</u>	<u>279,478,381</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
444,853	434,847	453,901	458,052	512,595	592,962
2,294,133	2,177,482	2,285,533	2,135,176	14,051,223	13,286,317
<u>\$165,358,281</u>	<u>\$168,726,999</u>	<u>\$169,920,947</u>	<u>\$191,404,383</u>	<u>\$295,146,614</u>	<u>\$293,357,660</u>
99,245	101,643	103,273	105,612	108,158	111,123
<u>\$ 1,666</u>	<u>\$ 1,660</u>	<u>\$ 1,645</u>	<u>\$ 1,812</u>	<u>\$ 2,729</u>	<u>\$ 2,640</u>

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**LONG TERM DEBT OBLIGATION**  
**F.Y. 2007- F.Y. 2026**

Bond Premium			CP			LT			Amortization			Total			Revenue			SCRL			Totals		
			CP	LT	Amortization	Total				Principal	Interest	Total				Principal	Interest	Total					
			\$2,338,543	12,521,411	(1,573,637)	\$14,859,954																	
Current year premium			764,906			\$13,286,317																	
			Principal	Interest	Total				Principal	Interest	Total				Principal (1)	Interest	Total						
2007	5,680,000	8,640,896.26	14,320,896	4,338,256	3,658,668	7,996,924	4,338,256	3,658,668	7,996,924	10,018,256	12,299,564	22,317,820											
2008	5,090,000	8,449,416.26	13,539,416	5,283,289	4,102,097	9,385,386	5,283,289	4,102,097	9,385,386	10,373,289	12,551,513	22,924,802											
2009	4,510,000	8,243,810.00	12,753,810	5,486,296	3,899,090	9,385,386	5,486,296	3,899,090	9,385,386	9,996,296	12,142,900	22,139,196											
2010	4,680,000	8,075,360.00	12,755,360	5,697,178	3,688,208	9,385,386	5,697,178	3,688,208	9,385,386	10,377,178	11,763,568	22,140,746											
2011	5,010,000	7,831,122.50	12,841,123	5,829,065	3,470,681	9,299,746	5,829,065	3,470,681	9,299,746	10,839,065	11,301,804	22,140,868											
2012	5,395,000	7,582,422.50	12,977,423	5,973,589	3,248,647	9,222,236	5,973,589	3,248,647	9,222,236	11,368,589	10,831,070	22,199,659											
2013	5,930,000	7,316,435.00	13,246,435	6,201,965	3,020,271	9,222,236	6,201,965	3,020,271	9,222,236	12,131,965	10,336,706	22,468,671											
2014	6,180,000	7,063,885.00	13,243,885	6,439,143	2,783,093	9,222,236	6,439,143	2,783,093	9,222,236	12,619,143	9,846,978	22,466,121											
2015	6,485,000	6,762,160.00	13,247,160	6,685,466	2,536,770	9,222,236	6,685,466	2,536,770	9,222,236	13,170,466	9,298,930	22,469,396											
2016	6,870,000	6,457,605.00	13,327,605	6,861,969	2,280,948	9,142,917	6,861,969	2,280,948	9,142,917	13,731,969	8,738,553	22,470,522											
2017	7,455,000	6,106,230.00	13,561,230	6,132,160	1,742,794	7,874,954	6,132,160	1,742,794	7,874,954	13,587,160	7,849,024	21,436,184											
2018	7,840,000	5,722,762.50	13,562,763	6,103,030	1,413,467	7,516,498	6,103,030	1,413,467	7,516,498	13,943,030	7,136,230	21,079,260											
2019	8,960,000	5,311,537.50	14,271,538	6,344,281	1,172,216	7,516,498	6,344,281	1,172,216	7,516,498	15,304,281	6,483,754	21,788,035											
2020	11,210,000	4,849,137.50	16,059,138	6,595,079	921,419	7,516,498	6,595,079	921,419	7,516,498	17,805,079	5,770,556	23,575,635											
2021	12,935,000	4,266,750.00	17,201,750	5,704,080	666,427	6,370,506	5,704,080	666,427	6,370,506	18,639,080	4,933,177	23,572,256											
2022	15,335,000	3,596,500.00	18,931,500	4,500,320	463,874	4,964,193	4,500,320	463,874	4,964,193	19,835,320	4,060,374	23,895,693											
2023	17,440,000	2,829,750.00	20,269,750	4,442,363	307,631	4,749,994	4,442,363	307,631	4,749,994	21,882,363	3,137,381	25,019,744											
2024	19,100,000	1,957,750.00	21,057,750	4,700,852	152,827	4,853,679	4,700,852	152,827	4,853,679	23,800,852	2,110,577	25,911,429											
2025	20,055,000	1,002,750.00	21,057,750	0	0	0	0	0	0	20,055,000	1,002,750	21,057,750											
2026	0	0	0	0	0	0	0	0	0	0	0	0											
	176,160,000	112,066,280	288,226,280	103,318,381	39,529,128	142,847,509	103,318,381	39,529,128	142,847,509	279,478,381	151,595,408	431,073,789											
Current Portion 2007	5,680,000	8,640,896	14,320,896	4,338,256	3,658,668	7,996,924	4,338,256	3,658,668	7,996,924	10,018,256	12,299,564	22,317,820											
(no premiums)																							
2008	5,090,000	8,449,416	13,539,416	5,283,289	4,102,097	9,385,386	5,283,289	4,102,097	9,385,386	10,373,289	12,551,513	22,924,802											
2009	4,510,000	8,243,810	12,753,810	5,486,296	3,899,090	9,385,386	5,486,296	3,899,090	9,385,386	9,996,296	12,142,900	22,139,196											
2010	4,680,000	8,075,360	12,755,360	5,697,178	3,688,208	9,385,386	5,697,178	3,688,208	9,385,386	10,377,178	11,763,568	22,140,746											
2011-2015	29,000,000	36,556,025	65,556,025	31,129,228	15,059,462	46,188,690	31,129,228	15,059,462	46,188,690	60,129,228	51,615,487	111,744,715											
2016-2020	42,335,000	28,447,273	70,782,273	32,036,519	7,530,845	39,567,365	32,036,519	7,530,845	39,567,365	74,371,519	35,978,118	110,349,637											
2021-2026	84,865,000	13,653,500	98,518,500	19,347,614	1,590,759	20,938,372	19,347,614	1,590,759	20,938,372	104,212,614	15,244,259	119,456,872											
	170,480,000	103,425,384	273,905,384	98,980,125	35,870,460	134,850,585	98,980,125	35,870,460	134,850,585	269,460,125	139,295,844	408,755,969											
	\$176,160,000	\$112,066,280	\$288,226,280	\$103,318,381	\$39,529,128	\$142,847,509	\$103,318,381	\$39,529,128	\$142,847,509	\$279,478,381	\$151,595,408	\$431,073,789											

(1) Does not include bond premium



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**SCHEDULE OF BOND COVERAGE**  
**LAST TEN FISCAL YEARS ENDED JUNE 30,**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating revenue	\$ 39,269,020	\$ 39,467,199	\$ 41,789,330	\$ 41,221,565	\$ 43,475,929	\$ 45,954,862	\$ 49,893,412	\$ 54,613,471	\$ 58,256,292	\$ 63,682,342
Interest income (unrestricted)	1,922,554	2,721,088	1,938,505	1,129,249	2,685,967	2,318,423	1,313,986	769,779	1,176,003	1,200,000
Other income	36,583	18,657	81,083	16,317	29,500	111,546	12,263	30,880	6,340	246,454
Gross revenues	41,228,157	42,206,944	43,808,918	42,367,131	46,191,396	48,384,831	51,219,661	55,414,130	59,438,635	65,128,796
[Less operating expense]	(16,563,835)	(16,366,433)	(16,759,436)	(18,951,534)	(18,733,428)	(18,737,363)	(19,159,951)	(20,531,512)	(21,773,893)	(23,195,638)
Net revenues available for debt service	\$ 24,664,322	\$ 25,840,511	\$ 27,049,482	\$ 23,415,597	\$ 27,457,968	\$ 29,647,468	\$ 32,059,710	\$ 34,882,618	\$ 37,664,742	\$ 41,933,158
Debt service on bonds & parity indebtedness	6,241,774	6,110,361 (1)	4,542,135	5,468,633	13,143,804	17,553,807	18,128,549	17,317,957	15,971,002 (2)	24,207,487
Parity debt coverage*	3.95	4.23	5.96	4.28	2.09	1.69	1.77	2.01	2.36	1.73
Debt service on all obligations	7,792,862	7,661,903 (1)	6,082,554	5,418,944	13,161,914	17,475,540	18,170,324	17,317,957	15,971,002 (2)	24,207,487
Total debt coverage	316.50%	337.26%	444.71%	432.11%	208.62%	169.65%	176.44%	201.42%	235.83%	173.22%

(1) Does not include \$8,734,747 to defease revenue debt series 1990 and \$13,130,000 to defease revenue debt series 1993

(2) Does not include \$63,812,582 to defease a portion of revenue debt series 2001.

\* Requirement per Article IV, Section 4.02 (A) (7) of the Sewer System Revenue Bond Resolution dated April 26, 1990.  
Net earnings available for Debt Service can not be less than 110% of all debt service expense.

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**RATIO OF TOTAL EXPENSE TO LONG-TERM DEBT COSTS**  
**LAST TEN FISCAL YEARS ENDED JUNE 30,**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expense</b>										
Operating expense without depreciation	\$16,563,836	\$16,366,433	\$16,759,436	\$18,951,534	\$18,733,428	\$18,737,363	\$19,159,951	\$20,531,512	\$21,773,893	\$23,195,638
Depreciation	<u>7,310,668</u>	<u>7,759,834</u>	<u>8,455,804</u>	<u>10,227,583</u>	<u>11,067,539</u>	<u>11,804,578</u>	<u>12,682,226</u>	<u>14,640,227</u>	<u>16,543,392</u>	<u>18,284,379</u>
Total operating expense with depreciation	<u>23,874,504</u>	<u>24,126,267</u>	<u>25,215,240</u>	<u>29,179,117</u>	<u>29,800,967</u>	<u>30,541,941</u>	<u>31,842,177</u>	<u>35,171,739</u>	<u>38,317,285</u>	<u>41,480,017</u>
<b>Non-Operating Revenues (Expenses)</b>										
Amortization of bond issuance cost	158,391	158,391	120,706		107,936	176,656	138,205	220,883	223,200	111,928
Non-project expenses	9,792	2,440	922,773	546,864	73,338	12,632	958	1,789	-	305
Other expenses	988	402	5,327	377,657	26,515	4,982	597	145	-	-
Total non-operating expense	<u>169,171</u>	<u>161,233</u>	<u>1,048,806</u>	<u>924,521</u>	<u>207,789</u>	<u>194,270</u>	<u>139,760</u>	<u>222,817</u>	<u>223,200</u>	<u>112,233</u>
<b>Total expense</b>	<u>\$24,043,675</u>	<u>\$24,287,500</u>	<u>\$26,264,046</u>	<u>\$30,103,638</u>	<u>\$30,008,756</u>	<u>\$30,736,211</u>	<u>\$31,981,937</u>	<u>\$35,394,556</u>	<u>\$38,540,485</u>	<u>\$41,592,250</u>
<b>Long-Term Debt Costs</b>										
Interest payments (including paying agent fees)										
(does not include interest on BAN* payoff)	\$ 3,939,046	\$ 3,810,822	\$ 2,200,423	\$ 2,087,535	\$ 3,369,094	\$ 7,838,259	\$ 7,655,384	\$ 7,677,953	\$ 8,267,425	\$12,901,635
Principal payments										
(does not include refinancing payoff or BAN payoff)	3,715,748	3,784,571	3,834,462	3,313,287	4,534,726	9,637,281	10,514,940	9,640,004	7,703,577	11,305,852
Acquired facilities	<u>98,139</u>	<u>74,791</u>	<u>47,669</u>	<u>18,122</u>	<u>18,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total long-term debt costs</b>	<u>\$ 7,752,933</u>	<u>\$ 7,670,184</u>	<u>\$ 6,082,554</u>	<u>\$ 5,418,944</u>	<u>\$ 7,921,930</u>	<u>\$17,475,540</u>	<u>\$18,170,324</u>	<u>\$17,317,957</u>	<u>\$15,971,002</u>	<u>\$24,207,487</u>
* BAN - Bond Anticipation Note										
Expense to debt ratio	3.10/1	3.17/1	4.32/1	5.58/1	3.78/1	1.77/1	1.76/1	2.04/1	2.41/1	1.71/1



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
GREENVILLE COUNTY, SOUTH CAROLINA  
RATIO OF ASSESSED VALUE TO GENERAL OBLIGATION DEBT AND PER CAPITA  
LAST TEN YEARS**

<b>Year</b>	<b>Assessed Value (1)</b>	<b>The Authority's General Obligation Debt Balance</b>	<b>Ratio of Assessed Value to General Obligation</b>	<b>Population (2)</b>	<b>Assessed Value Per Capita</b>
1997	\$1,067,160,210	\$2,700,000	395	354,587	3,010
1998	\$1,041,657,121	\$1,400,000	744	371,000	2,808
1999	\$1,175,716,074	\$0	0	379,819	3,095
2000	\$1,229,676,805	\$0	0	383,717	3,205
2001	\$1,285,599,359	\$0	0	385,000	3,339
2002	\$1,444,591,498	\$0	0	390,000	3,704
2003	\$1,443,715,170	\$0	0	391,000	3,692
2004	\$1,519,843,124	\$0	0	393,000	3,867
2005	\$1,552,755,137	\$0	0	401,000	3,872
2006	\$1,629,775,545	\$0	0	407,000	4,004

Source:

- (1) Greenville County Auditor's Office
- (2) Greenville County Planning Commission

Note: Population figures are estimated based on new building permits for the year.

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
GREENVILLE COUNTY, SOUTH CAROLINA  
OUTSTANDING GENERAL OBLIGATION BONDS - DIRECT AND OVERLAPPING DEBT  
LAST TEN FISCAL YEARS**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Greenville County	\$ 58,385,000	\$ 55,855,000	\$ 46,560,000	\$ 47,410,000	\$ 43,555,000	\$ 41,225,000	\$ 18,455,000	\$ 14,350,000	\$ 12,630,000	\$ 16,700,000
School District of Greenville County	-	-	-	-	44,800,000	69,603,875	121,550,220	95,020,000	92,675,000	89,795,000
Greenville County Hospital System	-	-	-	-	-	-	-	-	-	-
Greenville Memorial Auditorium District	9,620,000	10,080,000	10,500,000	10,900,000	11,280,000	11,640,000	11,970,000	12,215,000	11,465,000	-
Belmont Fire & Sanitation District	-	-	-	-	-	-	-	-	-	-
Berea Public Service District	2,352,000	2,525,000	700,000	830,000	955,000	1,285,000	1,405,000	1,520,000	1,625,000	2,340,000
Boiling Springs Fire District	480,406	201,657	552,121	584,660	615,174	643,794	670,642	695,830	719,465	761,646
Donaldson Center Fire Service District	-	-	-	-	-	25,000	50,000	75,000	95,000	310,000
East Simpsonville Fire District	1,150,000	1,200,000	1,250,000	-	-	60,000	145,000	225,000	295,000	385,000
Gantt Fire, Sewer & Police District	1,926,279	2,013,615	2,090,362	2,241,550	2,392,206	2,522,354	2,652,019	2,721,223	2,798,341	848,333
Glassy Mountain Fire District	2,020,000	15,000	30,000	45,000	60,000	75,000	90,000	125,000	135,000	120,000
Mauldin Fire Service Area	55,000	110,000	160,000	210,000	255,000	295,000	330,000	365,000	395,000	-
Metropolitan Sewer Sub-District	-	-	-	-	-	-	-	350,000	700,000	1,050,000
Parker Fire & Sewer Sub-District	-	-	-	-	-	-	200,000	430,000	650,000	860,000
Pelham Batesville Fire District	621,550	709,428	793,344	873,478	950,000	-	-	-	-	-
Piedmont Sewer & Light District	-	-	-	-	-	9,000	26,000	43,000	59,000	74,000
Recreation District	2,137,535	1,607,000	1,712,000	245,000	47,500	690,000	895,000	1,085,000	1,270,000	1,440,000
South Greenville Fire & Sewer District	1,760,000	310,000	455,000	590,000	715,000	835,000	950,000	1,055,000	1,155,000	-
Taylor's Fire & Sewer District	1,004,278	1,112,208	1,221,829	1,323,989	1,421,742	1,515,538	1,605,449	1,691,638	1,774,259	1,850,316
Tigerville Fire District	236,430	253,092	268,792	283,586	297,526	310,661	323,038	334,702	345,692	356,061
Upper Paris Mountain District	10,000	30,000	30,000	40,000	50,000	60,000	70,000	80,000	90,000	100,000
Wade Hampton Water & Sewer District	-	-	-	124,799	243,782	357,222	468,072	568,465	650,225	760,620
Western Carolina Regional Sewer Auth.	-	-	-	-	-	-	-	-	1,400,000	2,700,000
Town of Fountain Inn	2,375,000	275,000	-	-	-	-	-	-	50,000	100,000
City of Greenville	70,926,407	11,825,000	12,950,000	8,660,000	9,485,000	6,195,000	7,315,000	8,665,000	10,215,000	12,756,174
Town of Greer	4,116,500	3,040,000	3,435,000	3,810,000	4,160,000	4,490,000	4,810,000	1,260,000	845,000	1,202,166
Town of Mauldin	6,196,987	2,875,000	3,940,295	4,573,617	4,631,000	3,560,000	1,530,000	1,695,000	1,805,000	195,000
Town of Simpsonville	11,095,000	2,515,000	2,595,000	2,345,000	2,635,000	1,530,000	1,750,000	1,960,000	2,003,000	-
Town of Travelers Rest	-	-	-	-	-	-	150,000	143,386	270,000	648,546
	<u>\$ 176,468,372</u>	<u>\$ 96,552,000</u>	<u>\$ 89,243,743</u>	<u>\$ 85,090,679</u>	<u>\$ 128,528,930</u>	<u>\$ 146,927,444</u>	<u>\$ 177,410,440</u>	<u>\$ 144,673,244</u>	<u>\$ 144,114,982</u>	<u>\$ 135,332,862</u>

Source: Greenville County Treasurer



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
STATEMENT OF BONDED DEBT LIMIT**

Calendar year 2006 valuation as determined by the Greenville County Finance Department	\$1,629,775,545
Statutory debt limit rate-Article X of S.C. Constitution	<u>8%</u>
Statutory debt limit	130,382,044
General obligation indebtedness as of June 30, 2006	0
Legal debt margin	<u>\$130,382,044</u>
Total G.O. Debt as of June 30, 2006	0

Under the applicable debt limitation provisions of Article X of the South Carolina Constitution, every county, incorporated municipality, special purpose district and school district has power, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law, (a) to incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without an election, debt, in addition to bonded indebtedness authorized by a majority vote of qualified electors, in an amount not exceeding 8% of the assessed value of all taxable property therein. As of the 2006 tax year (the latest date for which complete assessed values are available), the estimated total assessed value of property taxable for the benefit of the Authority was not less than **\$1,629,775,545** and 8% of such amount is \$130,382,044 [Source: Greenville County Auditors]. The Authority has issued general obligation debt in the outstanding aggregate principal amount of \$ 0 (as of June 30, 2006), none of which was issued pursuant to referendum. Therefore, the Authority may presently issue without a referendum **\$130,382,044** of general obligation debt.

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
GREENVILLE COUNTY, SOUTH CAROLINA  
TEN LARGEST INDUSTRIES BY TOTAL EMPLOYMENT**

<b>Company Name</b>	<b>City</b>	<b>Primary Product / Service</b>	<b>Employment</b>	<b>Date Established</b>
General Electric Co.	Greenville	Gas turbines	3,600	1967
Sealed Air Corp - Cryovac	Simpsonville	Plastic bags	1,700	1998
Michelin North America, Inc.	Greenville	Radial tires	1,468	1975
Hitachi Electronic Devices (USA)	Greenville	Television picture tubes	1,150	1989
Lockheed Martin Corp.	Greenville	Aircraft & logistics centers	1,064	1984
Kemet Electronics	Greenville	Capacitors for Electronics & Computers	1,025	1990
Bi-Lo, LLC	Greenville	Regional grocery headquarters	900	1961
Mitsubishi Polyester Film	Greer	Polyester film	681	1963
House of Raeford	Greenville	Processed poultry	630	1992
Collins & Aikman - Greenville Operations	Greenville	Automotive carpet	600	1987

Source: 2006 Labor Profile for Greenville, SC, SC Department of Commerce



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
GREENVILLE COUNTY, SOUTH CAROLINA  
DEMOGRAPHIC STATISTICS-LAST TEN YEARS**

<b>Fiscal Year</b>	<b>(1) Population</b>	<b>Population Growth</b>	<b>Per Capita Income (2)</b>	<b>(2) Median Age</b>	<b>School Enrollment (3)</b>	<b>Percent Unemployment (4)</b>
1997	354,587	0.8%	\$24,761	34.7	57,142	2.4%
1998	371,000	4.6%	\$27,131	36.2	58,196	2.0%
1999	379,819	2.4%	\$28,852	36.5	59,135	2.0%
2000	383,717	1.0%	\$28,743	35.5	59,706	2.7%
2001	385,000	0.3%	\$29,109	35.7	59,361	3.2%
2002	390,000	1.3%	n/a	35.9	61,360	4.4%
2003	391,000	0.3%	n/a	n/a	61,887	4.5%
2004	393,000	0.5%	n/a	n/a	62,918	4.3%
2005	401,000	2.0%	n/a	n/a	63,694	4.4%
2006	407,000	1.5%	n/a	n/a	65,287	5.6%

n/a = not available

**Sources:**

- (1) Greenville County Planning Commission (from Census data and projected estimates)
- (2) State Data Center, Division of Research and Statistics
- (3) S. C. Department of Education
- (4) S. C. Employment Security Commission and Labor Market Information

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Laboratory	17	16	15	15	16	18	19	19	18	17
Operations	69	64	65	62	60	54	59	63	62	61
Maintenance/Collections	53	58	59	54	56	64	62	66	65	63
Administration	23	21	23	23	23	23	24	24	25	24
Pretreatment	5	6	4	6	6	7	7	7	7	7
Engineering	7	11	12	14	13	15	17	18	15	15
Solids Management	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>6</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total	<u>181</u>	<u>183</u>	<u>185</u>	<u>181</u>	<u>180</u>	<u>186</u>	<u>193</u>	<u>202</u>	<u>197</u>	<u>192</u>



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**OPERATING STATISTICS**  
**JUNE 30, 2006**

**Services and Supplies Per Year**

	<u>East Ops</u>	<u>West Ops</u>
Electric power	\$1,164,450	\$1,280,498
Chlorine	108.73 tons	744.65 tons
Polymer	43.23 tons	53.63 tons
Lime Slurry	0	4,465.51 tons
Lime	847.56 tons	556.29 tons
Sulfur Dioxide	40 tons	245.71 tons

**Treatment Plant Statistics**

<b>WWT Plant</b>	<b>Total Length of Line (feet)</b>	<b>Number of Pump Stations</b>	<b>Number of Industrial Users (1)</b>	<b>Amount of Solids Generated</b>	<b>Method of Solids Disposal</b>	<b>Number of Staff at Plant</b>
* Durbin Creek	135,552	6	13	283 dry tons / year	Land application/ recycled	4
# Georges Creek	117,892	15	2	240 dry tons / year 55 dry tons / year	Land application/ recycled Landfill disposal	6
* Gilder Creek	146,112	3	8	506 dry tons / year 200 dry tons / year	Land application/ recycled Landfill disposal	5
# Grove Creek	94,570	1	11	233 dry tons / year	Land application/ recycled	5
* Lower Reedy	279,823	6	28	1,042 dry tons / year 400 dry tons / year	Land application/ recycled Landfill disposal	7
# Marietta	24,877	3	1	73 dry tons / year	Land application/ recycled	NFT
# Mauldin Road	398,565	8	28	3,507 dry tons / year 43 dry tons / year	Land application/ recycled Landfill disposal	23
* Pelham	216,760	8	7	730 dry tons / year 239 dry tons / year	Land application/ recycled Landfill disposal	6
# Piedmont	10,437	4	0	23 dry tons / year	Land application/ recycled	NFT
* Taylors	<u>110,199</u>	<u>10</u>	<u>9</u>	589 dry tons / year	Landfill disposal	<u>5</u>
Subtotal	<u>1,534,787</u>	<u>64</u>	<u>107</u>	8,163 dry tons / year		<u>61</u>

NFT=No full-time employees

(1) Total significant industrial users = 81

\* = East Ops

# = West Ops

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
SUMMARY OF TREATMENT PLANT FLOWS  
JULY 1, 2005 – JUNE 30, 2006**

<u>Treatment Plant</u>	<u>Actual Design (Permitted) Flow (MGD)</u>	<u>Annual Average Flow (MGD) <sup>(1)</sup></u>	<u>Actual Average Peak Monthly Flow (MGD) <sup>(1)</sup></u>
<u>Reedy River Basin</u>			
Mauldin Road	29.000	16.399	20.582
Lower Reedy	7.500	4.970	5.400
Idlewild <sup>(2)</sup>	<u>.070</u>	<u>.030</u>	<u>.030</u>
Basin Total	36.570	21.399	26.012
<u>Saluda River Basin</u>			
Marietta	.670	.249	.387
Georges Creek	3.000	1.090	1.500
Grove Creek	2.000	1.000	1.300
Piedmont	<u>1.200</u>	<u>.147</u>	<u>.233</u>
Basin Total	6.870	2.486	3.420
<u>Enoree River Basin</u>			
Taylors	7.500	3.310	4.100
Pelham	22.500	5.890	7.000
Gilder Creek	8.000	3.710	4.300
Durbin Creek	<u>3.300</u>	<u>1.390</u>	<u>1.900</u>
Basin Total	41.300	14.300	17.300
 Total - All Basins	 <u>84.740</u>	 <u>38.185</u>	 <u>46.732</u>

(1) Annual Average Flow and Actual Average Peak Monthly Flow have been determined from the Authority's Operator Daily Log from July 1, 2005 to June 30, 2006. The above summary shows the average design or permitted flow set forth in the Authority's permits, and also shows the peak daily and average monthly flows at the various plants. Plants are normally designed based on monthly average flow and not a peak daily flow. Reporting is generally done upon average monthly, and occasionally weekly, flow limits when required by DHEC. A peak daily flow that exceeds the average design flow is not considered an excursion from permit limits unless the monthly or weekly average flows are exceeded. When an average monthly flow reaches 80% of the design flow, then wastewater treatment plant operators are required to file preliminary engineering reports to provide for accommodation of the potential increases in flow unless it is determined not to maintain future flow in excess of design limits.

(2) Small package plant. (Idlewild decommissioned Oct. 2005)

**Total Average Flows for all treatment facilities—June 2002-June 2006**

<u>Year</u>	<u>MGD</u>
2002	38.4
2003	46.2
2004	40.6
2005	44.2
2006	38.2



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
MAJOR TREATMENT PLANTS  
JUNE 30, 2006**

The following table shows the type of treatment facilities and the year placed in service for each of the Authority's major treatment plants, grouped by drainage basin into which effluent is discharged. As part of the current capital improvement plan, the total number of wastewater treatment plants of the Authority will be reduced to eight.

<u>Treatment Plant</u>	<u>Type of Treatment</u>	<u>Original Service</u>	<u>Last Upgrade/Modification</u>
<b><u>Reedy River Basin</u></b>			
Mauldin Road	Modified Activated Sludge for Biological Phosphorus Removal with Tertiary Treatment	1927	Upgrade ongoing
Lower Reedy	Modified Activated Sludge for Biological Phosphorus Removal	1975	Upgrade ongoing
<b><u>Saluda River Basin</u></b>			
Marietta	Extended Aeration Activated Sludge	1975	2003
Georges Creek	Extended Aeration Activated Sludge	2003	2003
Grove Creek	Extended Aeration Activated Sludge	1974	2005
Piedmont	Extended Aeration Activated Sludge	1966	2004
<b><u>Enoree River Basin</u></b>			
Taylors	Extended Aeration Activated Sludge	1970	1987
Pelham	Modified Activated Sludge for Nitrogen Removal with Tertiary Treatment	1978	Upgrade ongoing
Gilder Creek	Extended Aeration Activated Sludge with Tertiary Treatment	1987	2006
Durbin Creek	Extended Aeration Activated Sludge	1988	1993

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
CAPITAL IMPROVEMENTS DEFRAIDED FROM EARNINGS  
OF THE SYSTEM**

<u>Fiscal Year</u>	<u>Bond Proceeds</u>	<u>State Revolving Loan Proceeds</u>	<u>Federal Payments &amp; Reimbursements</u>	<u>Monies from Authority Operations</u>	<u>Total Construction Expenses</u>
1997	-	589,377	1,364,693	4,671,251	6,625,321
1998	-	-	266,594	6,792,628	7,059,222
1999	-	11,013,086	675,719	15,765,184	27,453,989
2000	-	13,523,474	289,922	38,932,938	52,746,333
2001	21,231,302	5,173,794	663,235	339,891	27,408,222
2002	11,864,926	13,132,656	2,333,618	12,632	27,343,832
2003	11,134,541	21,338,398	684,397	995	33,158,331
2004	34,273,243	31,269,646	1,263,792	1,789	66,808,470
2005	13,094,710	14,925,217	6,263,288	26,709,772	60,992,987
2006	<u>36,379,771</u>	<u>10,201,437</u>	<u>2,219,044</u>	<u>4,826,614</u>	<u>53,626,866</u> (1)
	<u>\$127,978,493</u>	<u>\$121,167,085</u>	<u>\$16,024,301</u>	<u>\$98,053,694</u>	<u>\$363,223,574</u>

(1) This number does not include operating capital purchases of \$183,923.





# Supplemental Audit Report



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
*Western Carolina Regional Sewer Authority*  
Greenville, South Carolina

We have audited the financial statements of *Western Carolina Regional Sewer Authority* (the "Authority") as of and for the year ended June 30, 2006, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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



This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Elliott Davis, LLC*

Greenville, South Carolina  
September 15, 2006

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
***Western Carolina Regional Sewer Authority***  
Greenville, South Carolina

Compliance

We have audited the compliance of ***Western Carolina Regional Sewer Authority*** (the "Authority") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of compliance with those requirements.

In our opinion, ***Western Carolina Regional Sewer Authority*** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Elliott Davis, LLC*

Greenville, South Carolina  
September 15, 2006

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the year ended June 30, 2006*

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the *Western Carolina Regional Sewer Authority* (the "Authority").
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Authority expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Authority.
7. The program tested as a major program is the Environmental Protection Agency -- Capitalization Grant for State Revolving Funds, CFDA No. 66.458
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Authority was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the year ended June 30, 2006*

	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	<u>Federal disbursements/ expenditures</u>	<u>State disbursements/ expenditures</u>	<u>Total</u>
Environmental Protection Agency: Passed through South Carolina Department of Health and Environmental Control:					
Capitalization Grant for State Revolving Funds	66.458	SRF-370-42	\$ 1,333,728	\$ 266,746	\$ 1,600,474
		SRF-370-45	150,836	30,167	181,003
		SRF-370-46	2,524,264	5,594,140	8,118,404
			<u>\$ 4,008,828</u>	<u>\$ 5,891,053</u>	<u>\$ 9,899,881</u>

\* Major Program

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting as recommended by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. Information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."



