



# Comprehensive Annual Financial Report

**Year Ended June 30, 2007**

Western Carolina Regional Sewer Authority  
Greenville, SC



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Greenville, SC

Prepared by  
Pamela H. Carnes  
**Controller**





**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
GREENVILLE, SOUTH CAROLINA  
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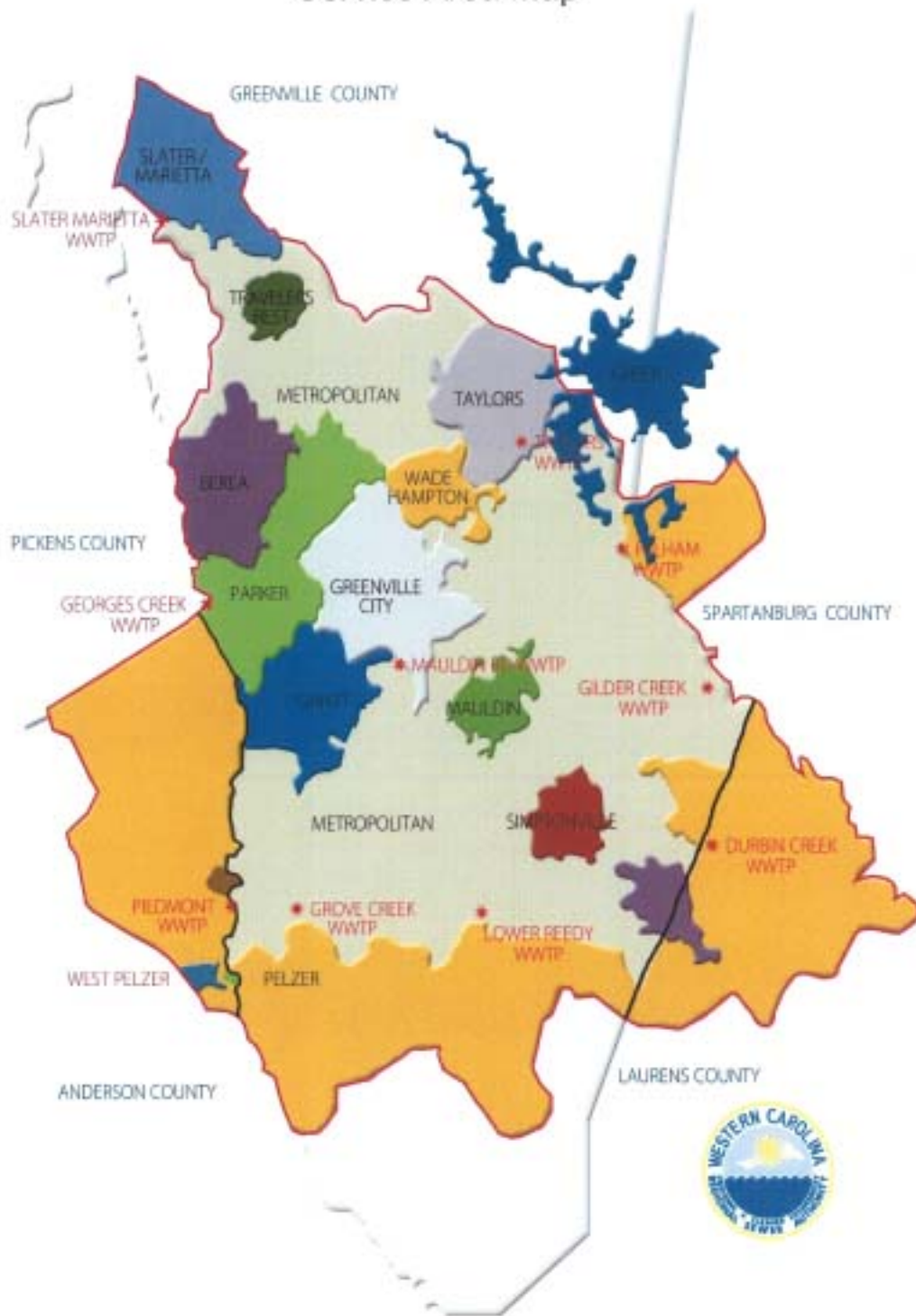


# Introduction





# Service Area Map





# 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, 2006

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.



President

Executive Director

**Administrative Office**

561 Mauldin Road • Greenville, SC 29607  
864/299-4000 • Fax 864/277-5852

**Operations/Laboratory/Pretreatment**

660 Mauldin Road • Greenville, SC 29607  
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**Executive Director's Desk:** Western Carolina Regional Sewer Authority proudly serves as the quality wastewater treatment service provider for the Upstate of South Carolina. We strive to protect the public health while developing the necessary sewer infrastructure to complement the Upstate's economic growth. To support the community and its needs, each year Western Carolina adapts to the challenges of expanding system capacity and meeting stricter state and federal environmental regulations. It is only through meeting the stringent environmental standards and continuous system rehabilitation that Western Carolina can continue to protect the aquatic environment of the Saluda, Reedy and Enoree River basins. We do so without any funding from state or local taxes, while

providing high-quality services to our customers.

The efforts to improve Western Carolina's system and to provide a cleaner environment for the Upstate have successfully resulted in the organization achieving a 99.99% compliance with the NPDES requirements during 2006. The National Association of Clean Water Agencies (NACWA) recognized our high performance standard by awarding Peak Performance Awards to ten of Western Carolina's Wastewater Treatment Plants (WWTP). NACWA's Gold Peak Performance Award was presented to seven of the WWTPs for perfect compliance, while the Silver Performance Award was presented to three WWTPs for excellent compliance records.

Our capital improvements program continued to progress throughout 2007 with a variety of enhancement projects for the wastewater treatment system and to also complement the economic development of the Upstate. As projected in the Upstate Roundtable Report, the multi-year process of consolidating our facilities into regional organizations is successfully underway. The conclusion of the process will include seven regional treatment systems to improve water quality and efficiencies. Consolidating and adapting the wastewater treatment infrastructures is a large financial undertaking. These funds are generated through a combination of internal equity generated from system revenues, state-revolving fund loans and revenue debt issues.

Developing partnerships throughout the community is always a strong focus for Western Carolina. Working with 18 public partners with connecting systems to Western Carolina offers consistency and support in program implementation. These partnerships allow Western Carolina to address Upstate-wide issues, like Inflow & infiltration (I&I). 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. Working with public partners advanced the implementation of programs to address and prevent excessive levels of I&I throughout the Western Carolina system, resulting in a reduction of costs for the future.

(Continued)

Western Carolina has developed additional partnerships in the efforts of public awareness. As a public utility, Western Carolina's first obligation is to our customers. Several educational programs, like the Fats, Oils and Grease (FOG) public awareness campaign, achieved success through collaboration with the Greenville County School District, as well as the Roper Mountain Science Center (RMSC). The campaign reaches thousands of community members through informational presentations to elementary students, distributing materials to their families, and RMSC's Second Saturday educational programs that are open to the public. Western Carolina also partnered with Anderson County School District 5 in an educational workshop regarding career opportunities for students at Western Carolina.

Partnerships with the Greenville County Recreation District (GCRD) have allowed Western Carolina to contribute in an additional manner to maintaining the quality of life in the Upstate. 2007 has seen the development and near-completion of Corey Burns Park, a 28-acre site on Western Carolina property. The land, adjacent to the Taylors WWTP, served as the development location for the multi-purpose recreation facility to open in the spring of 2008. Working with GCRD fostered several additional and ongoing projects throughout the years, including Pelham Mill Park and Lake Conestee Nature Park.

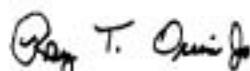
Western Carolina seeks to maintain communication with all customers. The interactive website, [www.wcrsa.org](http://www.wcrsa.org), hosts a variety of useful information for the public, including employment opportunities at Western Carolina and more information about issues like I & I. The website also offers visitors the opportunity to post their own questions and comments on the Freshwater Freddie Blog. Additionally, Western Carolina distributes an Annual Report to the community, detailing the agency's strong financial status, operations and 2007 achievements. The Annual Report reaches more than 140,000 businesses and residents as an insert in local newspapers. In recognition of the hard work put into the report, Western Carolina has received the Popular Annual Financial Report from the Government Finance Officers Association for the past nine years.

In addition to educating our public, Western Carolina and our employees endeavor to give back to the community. The organization continually supports various outreach projects - donating time, skills and money. Campaigns such as the annual Reedy River Sweep bring together community groups while helping to restore our local environment. Western Carolina also serves as a United Way Pacesetter and surpassed its \$70,000 goal for 2007 through projects like the Freshwater Freddie Golf Tournament and the Western Carolina Fish Fry. Participating in these events allows Western Carolina and its employees to serve as a supportive and integral arm of the community.

Western Carolina recognizes the importance of its accountability to both state and federal agencies, and even more importantly, to its customers. We look forward to another successful year supporting both the community and the local economy, as well as fostering support for environmental stewardship in the Upstate.

Respectfully,

Ray T. Orvin, Jr.



Executive Director

December 18, 2007





## **ACCOUNTING DEPARTMENT**

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Controller

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December 18, 2007

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of Western Carolina Regional Sewer Authority (the Authority) for the fiscal year ended June 30, 2007, 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 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 18 Public Partners 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 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 much 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 99.99% 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 office, manufacturing and warehousing / distribution operations. Greenville is now home to over 650 manufacturing facilities employing in excess of 30,000 people.

The Authority has classified 67 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 S. C. Department of Health and Environmental Control (SCDHEC), or the U. S. Environmental Protection Agency (USEPA) 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 2007**

<b>Industry</b>	<b>Revenue</b>	<b>Percentage Of Total Operating Revenues</b>
Columbia Farms <i>Poultry processing</i>	\$ 994,368	1.55 %
Sealed Air – Cryovac <i>Food wrapping</i>	344,077	0.53 %
Kemet Electronics – Simpsonville <i>Manufacturing of electronic capacitors</i>	331,474	0.52 %
Cliffstar Corporation <i>Fruit juice bottling</i>	289,004	0.45 %
Michelin Tire Corporation <i>Manufacturing of tires</i>	262,384	0.41 %
Cytac Carbon Fibers <i>Carbon fibers</i>	236,929	0.37 %
Cognis – Henkel Corporation <i>Production of organic chemicals</i>	217,574	0.34 %
K&M Fabrics, Inc. <i>Drapery fabrics</i>	188,770	0.29 %
Aurora Textile <i>Textile fabrics</i>	176,903	0.28 %
Safety Components – Duncan Back <i>Textiles</i>	152,653	0.24 %

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 1 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. The area's phenomenal growth is attributable to its strong labor and investment climate, location, competitive costs, and "a small-town feel with big-city amenities."

Both domestic and international firms have found the Upstate to be a desirable location for new and expanding facilities. According to *Site Selection Magazine*, South Carolina ranks fourth among the top ten states for business climate and locating a manufacturing facility. Over the past five years, Greenville County has attracted over \$1.4 billion in new investments. Approximately 325 companies have divisional, regional, national, international or other types of headquarters in Greenville County, more than 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, thirty international companies have located or expanded existing business facilities in the Greenville area, representing investments of approximately \$500 million and creating more than 800 new jobs. The Upstate continues to have 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 approximately 73 international firms providing over 14,000 jobs. Michelin, Kyocera Mita, Mitsubishi, Eurokera and Pierburg are among the most widely recognized companies.

The first phase of Clemson University International Center for Automotive Research (CU-ICAR) opened in the summer of 2007. The 250 acre research park and graduate engineering complex, a collaborative effort between Clemson University and BMW, 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, began a new manufacturing operation in Greer, January 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 expansion is expected to bring up to 70 new jobs to the area.

The availability of skilled and trainable labor has become increasingly important to prospective companies when choosing a new location. In June 2007, Greenville County had an average unemployment rate of 4.8 percent, improving on an overall South Carolina rate of 5.5 percent. Despite this low unemployment rate, the area remains attractive to employers for many reasons. The wide geographic area provides ample workers who are willing to commute; a number of available workers have been displaced by other industries and are currently seeking employment; and the excellent worker training programs provide essential skilled labor for new and expanding operations.

South Carolina's leaders and residents 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.

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, trained more than 9,400 people in almost 200 companies which use this program each year. 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. Both working professionals and traditional students may obtain degrees through the University Center of Greenville, a consortium of seven universities housed in one location. The Center offers more than 600 courses annually in seventy-six graduate and undergraduate degree programs.

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 68,000 students at over one hundred schools and facilities. Greenville County School District is the recipient of several honors including The Blue Ribbon, National Schools of Excellence Award and the Kennedy Center/National School Board Association Award for Support of the Arts in Education. Special school offerings include the Fine Arts Center; the District's Select Schools Program; the International Baccalaureate Program offered by several District schools; and a variety of Satellite Schools for students who require specialized services. 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.

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 development of the corridor as a recreational area for urban lifestyles has brought more aesthetic charm to Greenville and attracts even more commercial and civic attention. Falls Park on the Reedy opened in 2006 in downtown Greenville and has become a signature of the city with a \$4.5 million pedestrian suspension bridge and beautiful public gardens. The Liberty Bridge serves as the focal point of the park and is 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. Residents can enjoy a Class A baseball game at The Greenville Drive (The Drive) Baseball Stadium located in Greenville's West End. The Drive is an affiliate of the Boston Red Sox.

## **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 USEPA and SCDHEC. Modern and effective treatment processes are required because of these increasingly stringent effluent standards.



## **2006-2007 Capital Projects**

### **Pelham WWTP Upgrade**

The Pelham WWTP has recently been upgraded from 7.5 MGD to 22.5 MGD in order to maintain compliance with NPDES permit limits and accommodate excess flows from growth in the plant's service area and flows rerouted from the Taylors WWTP. The majority of construction is complete on the project, making the plant the second largest in the Authority's system.

### **Mauldin Road Upgrade**

Construction was brought to 60% completion on Mauldin Road facility improvements to handle anticipated storm water flows, including wet weather treatment facilities and new secondary sludge handling facilities.

### **Lower Reedy WWTP Upgrade**

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

### **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. Work has begun on the ultraviolet disinfection, filtration and headworks structures.

### **Gilder Creek WWTP Phase III Upgrade**

Expansion continues at the Gilder Creek WWTP with a Phase III upgrade to increase the plant capacity from 8.0 MGD to 12.0 MGD and possibly 20.0 MGD. New facilities include primary treatment, two additional secondary treatment units, anaerobic digesters, effluent filtration and ultraviolet disinfection.

### **Taylors 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 is being constructed starting at the Pelham WWTP and continuing up to the Dillard Road pump station. The gravity sewer will allow for the elimination of three (3) existing pump stations. 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. Construction is 95% complete for the sewer conveyance system from the Taylor's WWTP to the Pelham WWTP.

#### **Grove Creek Pump Station**

The Grove Creek WWTP has a permitted flow of 2.0 MGD and discharges to Grove Creek. In order to alleviate stringent permit requirements, the discharge point will be relocated to the Saluda River. A new pump station and approximately 12,500 linear feet of force main will be constructed to convey the Grove Creek WWTP effluent to the Saluda River. In addition, once the new Piedmont Regional WWTP is completed, this system will be used to pump influent flow from the Grove Creek collection system to the new regional plant.

#### **Piedmont Regional Facility**

Significant growth is predicted along both sides of the Saluda River from SC Hwy 183 to Williamston, S.C. 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 will be constructed. The initial capacity of the Piedmont Regional WWTP 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 WWTP in addition to flow from Pelzer, S.C. and West Pelzer, S.C. Preliminary engineering on the project is complete and the Authority is initiating the design and construction process.

#### **Peters Creek Trunk Line**

Peters Creek is a tributary to the Enoree River located east of Simpsonville, S.C. Construction is complete on the Peters Creek trunk line to provide service to an area that has not been previously sewered.

#### **Administration Building**

Construction was begun on a new administration building for the Authority requiring temporary relocation of its administration offices to a facility just down the road. The new building will replace the old administration and engineering buildings and will be located on the same site.

## **Fiscal Year 2008**

For Fiscal Year 2008, the Authority's Commission approved a Capital Improvements Budget of \$81.1 million. This budget is funded by \$19.5 million from the State Revolving Fund Loans (SRFL) for the Gilder Creek, Lower Reedy and the Durbin Creek WWTPs. The balance will be provided by the Authority's reserves and contributed capital.

## **The Future**

The Authority annually updates its five-year Capital Improvements 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 adding a new administration 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 \$162 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 summarized by the Controller. The Controller then 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. The Controller is then asked to submit an adjusted preliminary budget to the Executive Director. The Executive Director reviews and submits this preliminary budget to the Authority's Finance Committee. After the preliminary budget is reviewed by the 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 2007 Operational Budget vs. Actual**

(in millions of dollars)

	<b>FY 2007 Budgeted</b>	<b>FY 2007 Actual</b>	<b>Variance</b>
<b>Revenue:</b>			Over/(under)
Domestic & Commercial	\$ 51.2	\$ 49.8 *	\$ ( 1.4)
Industrial	5.2	6.1	0.9
New Account Fee	7.5	8.4	0.9
Unrestricted Investment Income	<u>1.0</u>	<u>3.5</u>	<u>2.5</u>
<b>Total Revenue</b>	<b>\$ 64.9</b>	<b>\$ 67.8</b>	<b>\$ 2.9</b>
<b>Expense:</b>			(Over)/under
Operations	\$ 12.6	\$ 12.6	\$ 0.0
Laboratory/Pretreatment	1.7	1.6	(0.1)
Collection System	2.8	2.5	(0.3)
Administration and Other **	<u>5.4</u>	<u>5.1</u>	<u>(0.3)</u>
<b>Total Expense</b>	<b>\$ 22.5</b>	<b>\$ 21.8</b>	<b>\$ (0.7)</b>

\* Includes revenue from septage haulers and others

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



As shown on page 14, the Authority's total revenues were approximately 4.5% above projections. Domestic and commercial customer revenues were lower than management's expectations by 3% as the Authority's service area experienced only a moderate increase in its customer base. Industrial revenues exceeded expectations by 18% but, 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 New Account Fee (NAF) revenue also exceeded management's projections by 12%. Unrestricted investment income exceeded projections by 250% due to a positive market and continued higher balances in unrestricted reserve balances.

Actual expenses were just under the budgeted amounts for FY 2007 helping to increase the total budget surplus to \$3.6 million to be used by the Authority for future spending.

## **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 32 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:

14 Consecutive Years

General Electric Gas Turbine Manufacturing Operations

12 Consecutive Years

Kemet Electronics - Simpsonville Plant

*Environmental Awards*

Western Carolina Regional Sewer Authority is an outstanding example of environmental efforts. The Water Environment Association of South Carolina (WEASC) presented several awards to Authority employees including the Golden Man Hole Award which recognizes the promotion of professionalism in Sewer Collection Systems in Operations, Management, Design, Education, Training, Certification or Management and Planning; the Maintenance Person of the Year Award; the Wastewater Operator of the Year Award; the Hatfield Laboratory Analyst Award recognizing individuals for outstanding performance, professionalism and contributions to the water quality analysis profession; the Noel M. Hurley Membership Award for outstanding achievements for recruiting new members to WEASC and the Crystal Crucible Award, which recognizes individuals for significant contribution for innovative laboratory operations.

*Peak Performance Awards*

Ten of the Authority's WWTPs were announced as recipients of Peak Performance Awards at the National Association of Clean Water Agencies (NACWA) 37<sup>th</sup> Annual Meeting in Cleveland, Ohio. Seven plants received the Gold Peak Performance Award and three received the Silver Peak Performance Awards.

*Occupational Safety Award*

The South Carolina Occupational Safety Council (SCOSC) presented safety awards to several of our plants. The Mauldin Road Treatment Plant won the Palmetto Safety Excellence Award for the state in their category and code. This award is presented annually to the company with the lowest Occupational Safety and Health Administration (OSHA) recordable incidence rate that is at least 50% below the state average for comparable companies throughout South Carolina. The Gilder Creek, Georges Creek, Marietta, Grove Creek, Piedmont, Lower Reedy and Pelham Treatment Plants received the South Carolina Safety

Certificate, which is awarded to companies whose incidence rate is below the state average for comparable companies which have not received the Palmetto Award.

#### *Upstate Roundtable*

Operational plans that encourage efficiencies, effective construction planning, and wastewater treatment consolidations have 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 purpose of the Upstate Roundtable was to prepare a twenty year plan which ensures that adequate sewer infrastructure is in place to provide for growth and development of the areas served by the Reedy, Saluda, and Enoree River basins. Since 99% of the projects identified by the Upstate Roundtable have been completed, a new committee with the same composition is being formed. This new committee, known as the Strategic Planning Committee, will complete a new twenty year plan that will be finalized in approximately 18 months.

#### *Public Partners*

The Authority is partnering with the 18 Public Partners 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 was recently presented with the Public Information and Education Award by NACWA. NACWA annually recognizes individuals and member agencies that have made outstanding contributions to environmental protection and wastewater management. The Authority remains involved in numerous public education events. Development of The Ultimate Water Guide for Kids featuring Fresh Water Freddie has earned the Authority the Communications and Reporting Award from the Government Finance

Officers Association of the United States and Canada (GFOA) and 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 Georges 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 site can be accessed at [www.wcrsa.org](http://www.wcrsa.org). Information about the wastewater treatment process and interactive pages offers employee listings and purchasing procedures. The web site also includes copies of the Authority's Comprehensive Annual Financial Report and Annual Report to the Community.

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, 2006. This is the fourteenth 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 ninth consecutive year, the Authority was also awarded the GFOA's prestigious Award for Excellence in Government Finance and the Popular Annual Financial Report (PAFR) Award for its 2006 Annual Report to the Community. The Authority is one of 35 agencies nation-wide and one of 3 agencies in South Carolina to receive this prestigious GFOA award. 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.

## **FINANCIAL POLICIES**

### **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, obligations of the US Treasury and agencies thereof, and repurchase agreements.

### **Debt Administration**

At June 30, 2007, the Authority had \$294.9 million in long and short-term debt primarily issued for purposes of constructing capital assets. \$111.9 million in debt at June 30, 2007 related to loan agreements with the South Carolina Budget and Control Board. The remaining \$183 million related to revenue bonds issued between 1995 and 2005. All outstanding bonds carry an "Aaa" and "AAA" rating from Moody's and Standard & Poor's respectively.

### **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

American Home Assurance Company. The fund provides protection as mandated by the South Carolina Workers' Compensation Law.

#### **Financial Statement Audit**

The Authority's financial statements have been audited as of June 30, 2007. The firm of Elliott Davis, LLC performed this function and conducted the engagement using auditing standards generally accepted in the United States. The auditors' report on the basic financial statements, including discussion of the major accounting policies affecting the financial statements, is included in the financial section of this report.

#### **ACKNOWLEDGMENTS**

On behalf of the Authority's management, we would like to express our thanks and appreciation to the accounting staff for their efficient and dedicated work in preparing this 2007 CAFR. The dedication and expertise of the Authority's staff are enormous assets to the Authority's operations.

Respectfully submitted,



Pamela H. Carnes

Controller

**Western Carolina Regional Sewer Authority  
June 30, 2007**

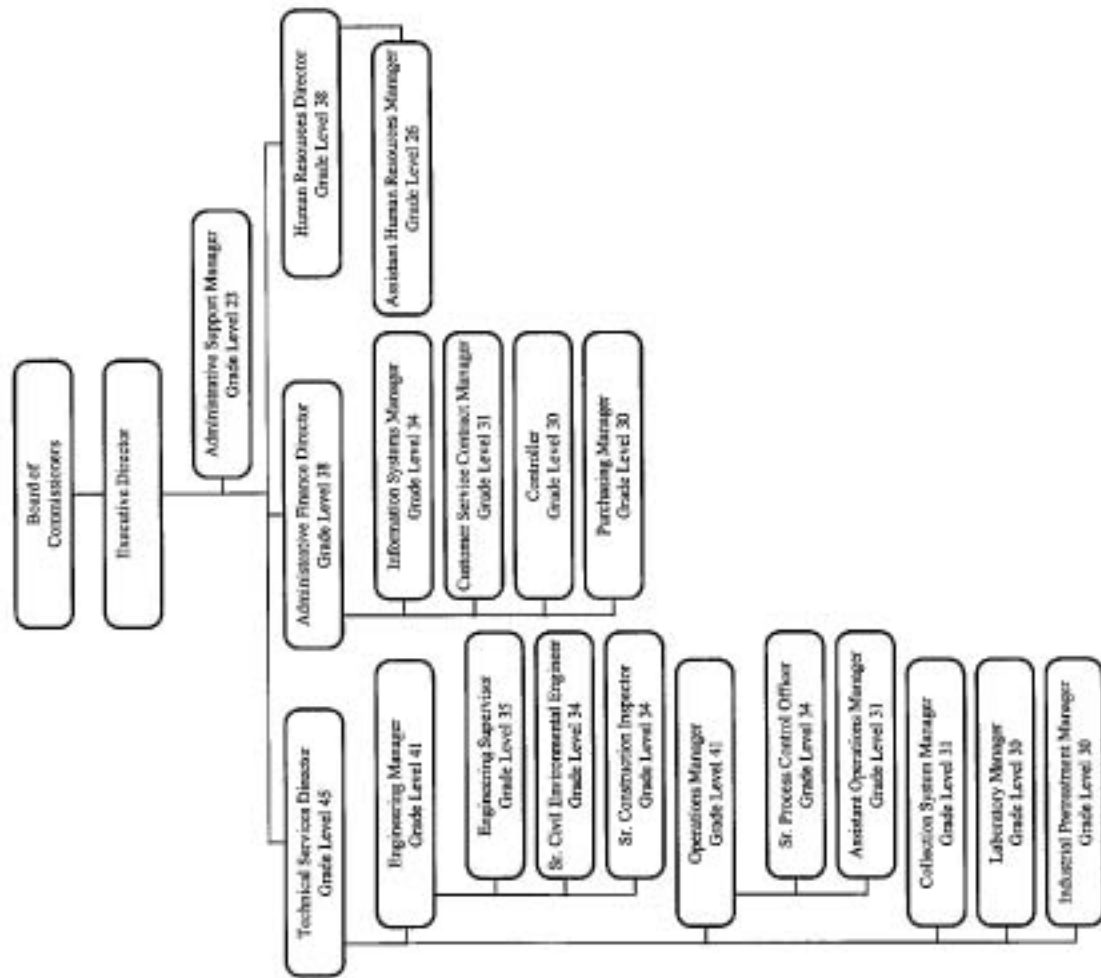
**Board of Commissioners**

<u><b>Name</b></u>	<u><b>Date of Original Appointment</b></u>	<u><b>Current Term Expires</b></u>	<u><b>Principal Occupation</b></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
Gary Gilliam	May 30, 2007	December 30, 2010	Businessman
Willie J. Whittaker, Jr.	January 14, 1985	December 31, 2008	Retired Science Consultant
Billy (Butch) D. Merritt, Jr.	June 6, 1984	December 31, 2009	Guidance Counselor

**Authority Directors**

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

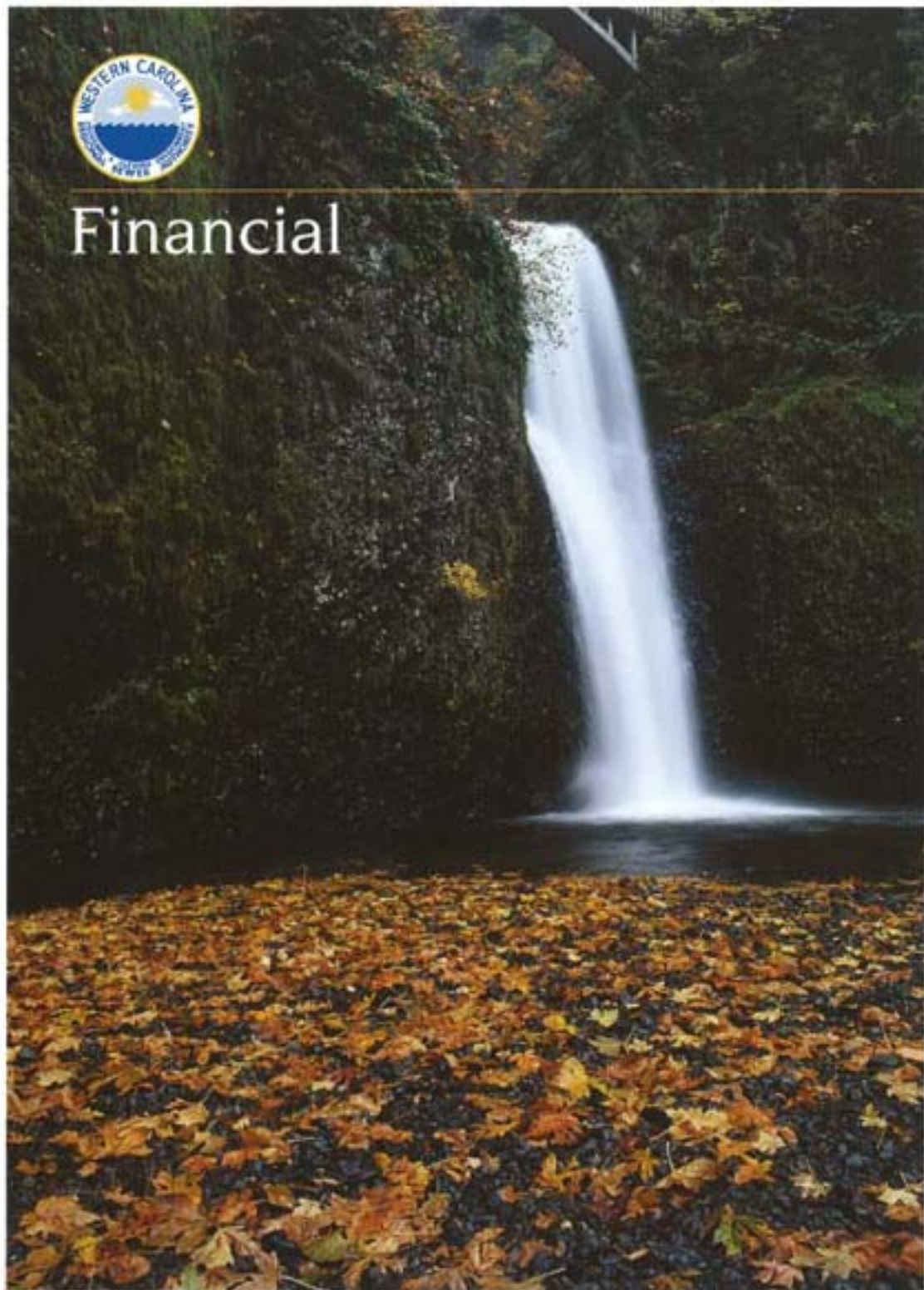
# Western Carolina Regional Sewer Authority Organizational Chart



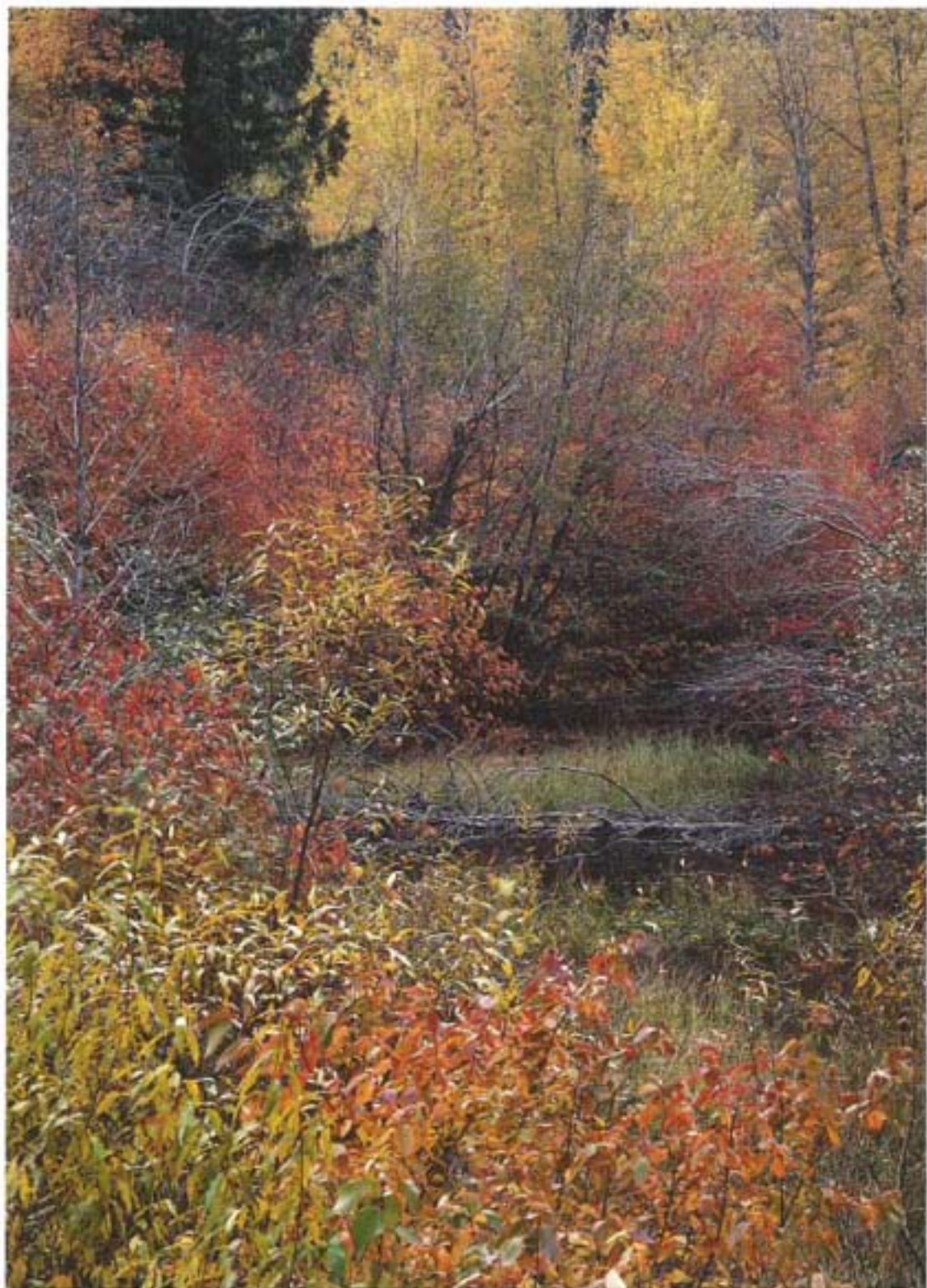




# Financial







**WESTERN CAROLINA REGIONAL  
SEWER AUTHORITY**

**REPORT OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

**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, 2007 and 2006 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, 2007 and 2006, 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 October 29, 2007 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on 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. 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  
October 29, 2007

## 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, 2007. Please read it in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- Net assets increased by \$13.4 million, or 5.9%, to \$239.4 million as a result of current year operations.
- Total revenues increased just slightly by \$0.3 million, or 0.4%, to \$69.9 million due to increases in commercial and residential billings.
- Total expenses increased by \$2.6 million, or 4.8%, to \$57.0 million primarily due to increases in non-project expenses and depreciation.
- Capital improvements (see capital assets and debt administration section for a summary of our committed capital projects) included:
  - (1) Continued expansion 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) Construction was brought to 60% completion on the Mauldin Road facility improvements to handle anticipated storm water flows, including treatment facilities and new secondary sludge handling facilities.
  - (3) Phase I of the upgrade of the Lower Reedy WWTP to 11.5 MGD with ultraviolet disinfection and tertiary filtration was completed.
  - (4) Upgrades were begun for the Durbin Creek WWTP to bring the WWTP from 3.3 to 5.2 MGD.
  - (5) The Enoree River / Brushy Creek sewer conveyance system from the Taylors WWTP to the Pelham WWTP was nearly complete.
  - (6) The Gilder Creek Phase II project was completed to upgrade the plant from 5 MGD to 8 MGD with ultraviolet disinfection and tertiary filtration and engineering on Phase III began to take the plant to 12 MGD.
  - (7) Site preparation and foundation construction began on a new administrative building, including relocating of personnel to another facility.
  - (8) Rehabilitation projects for the Mauldin Road and Pelham WWTP basins, including manholes, 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 information 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 \$13.4 million from \$226 million in Fiscal Year 2006 to \$239.4 million in Fiscal Year 2007, as compared to a \$17.4 million increase from Fiscal Year 2005 to 2006. A portion (58%) 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 (42%) represents 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) decreased by 46% from Fiscal Year 2006 to 2007 after a slight increase in 2006. Unrestricted assets (those that can be used to finance day-to-day operations) increased by \$30.7 million as the Authority utilized bond proceeds and State Revolving Fund Loans ("SRFL") to finance capital projects.

**Table A-1**  
**Condensed Balance Sheets**

(In millions)			
	FY 2007	FY 2006	FY 2005
Current and Other Assets	\$ 91.0	\$ 59.9	\$ 49.7
Restricted Assets	14.9	92.5	117.5
Capital Assets	445.0	382.3	346.7
<b>Total Assets</b>	<b>550.9</b>	<b>534.7</b>	<b>513.9</b>
Long-term Debt Outstanding	294.9	292.8	294.6
Other Liabilities	16.6	15.9	10.7
<b>Total Liabilities</b>	<b>311.5</b>	<b>308.7</b>	<b>305.3</b>
<b>Total Net Assets</b>	<b>\$ 239.4</b>	<b>\$ 226.0</b>	<b>\$ 208.6</b>
Invested in capital assets, net of related debt	139.6	144.0	137.8
Restricted	15.0	27.9	26.5
Unrestricted (current & other assets)	84.8	54.1	44.3
<b>Total Net Assets</b>	<b>\$ 239.4</b>	<b>\$ 226.0</b>	<b>\$ 208.6</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 \$.3 million in Fiscal Year 2007 to \$69.9 million from \$69.6 million in Fiscal Year 2006. Total revenues have increased 15.5% since Fiscal Year 2005. 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 in effect for Fiscal Year 2007 was amended in Fiscal Year 2001 and became effective on March 1, 2001, with the last increase in fees and charges effective on March 1, 2005. This Regulation was amended December 4, 2006, and became effective March 1, 2007, with subsequent increases in quarterly base fees and volume charges effective on March 1, 2008, 2009, 2010, and 2011.

Domestic and commercial customer revenues increased 8% and 2.9% in Fiscal Years 2006 and 2007, 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, increased 25% in Fiscal Year 2006 and decreased 11.6% in Fiscal Year 2007. The increase and decrease between Fiscal Years 2005 and 2007 reflected changes in new construction within the counties served by the Authority.

Revenues from industrial customers increased slightly (5.2%) between Fiscal Years 2007 and 2006 after holding constant from Fiscal Year 2005 to 2006, but are 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 decreased during the year by \$.3 million. The decrease was attributed to fewer entities participating in projects. Also, the Authority has drawn down all bond proceeds, resulting in lower interest income.

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

	FY 2007	FY 2006	FY 2005
<b>Operating Revenues</b>			
Domestic and commercial customers	\$ 49.5	\$ 48.1	\$ 44.5
Industrial customers	6.1	5.8	5.8
New account fee	8.4	9.5	7.6
Septic haulers and other	0.3	0.3	0.3
Interest & other non-operating revenues	5.6	5.9	2.3
<b>Total Revenues</b>	<b>69.9</b>	<b>69.6</b>	<b>60.5</b>
<b>Operating expense before depreciation</b>	<b>23.4</b>	<b>23.2</b>	<b>21.8</b>
Depreciation expense	21.0	18.3	16.5
Interest, amortization & other non-operating expenses	12.6	12.9	10.1
<b>Total Expenses</b>	<b>57.0</b>	<b>54.4</b>	<b>48.4</b>
Capital project cost reimbursements	0.5	2.2	6.3
<b>Increase in Net Assets</b>	<b>13.4</b>	<b>17.4</b>	<b>18.4</b>
<b>Total Net Assets, beginning of year</b>	<b>226.0</b>	<b>208.6</b>	<b>190.2</b>
<b>Total Net Assets, end of year</b>	<b>\$ 239.4</b>	<b>\$ 226.0</b>	<b>\$ 208.6</b>



## CAPITAL CONTRIBUTIONS

The Authority's Capital Project Cost Reimbursement decreased by \$1.7 million in Fiscal Year 2007 from Fiscal Year 2006, after a \$4.1 million decline from Fiscal Year 2005 to 2006. The Authority received just under \$0.5 million from outside entities in Fiscal Year 2007 on continuing sewer line projects. The majority of Fiscal Year 2006 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.

## OPERATING EXPENSES

Total operating expenses increased by \$2.9 million in Fiscal Year 2007, an increase of 7.0% over Fiscal Year 2006. Total operating expenses increased by 8.4% in Fiscal Year 2006, from \$38.3 million in Fiscal Year 2005 to \$41.5 million in Fiscal Year 2006. The increase is primarily related to increases in depreciation expense of 15%, 11% and 13% for Fiscal Years 2007, 2006 and 2005, respectively, as the Authority continues improvements and construction of new facilities. Operating expenses before depreciation increased by .9% and 6.4% in Fiscal Year 2007 and 2006, respectively. Non-project expenses can vary considerably each Fiscal Year. These are non budgeted one time cost's that are non-operational and are not project related. These expenses are monitored through an account that is reviewed by the Authority's Board of Commissioners. 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 less than 5% per year since Fiscal Year 2004.

## CAPITAL ASSETS

Capital assets grew from Fiscal Year 2005 to Fiscal Year 2006 by \$35.6 million and \$62.8 million from Fiscal Year 2006 to Fiscal Year 2007. At the end of Fiscal Year 2007, the Authority had invested \$445 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)**

	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
Land	\$ 2.9	\$ 2.7	\$ 1.9
Depreciable assets:			
Buildings	277.6	243.7	223.0
Sewer Lines	262.1	228.8	207.7
Wastewater Treatment Plant Equipment	73.6	61.6	54.7
Operational Equipment	0.7	0.7	0.8
Office Furniture	0.5	0.5	0.5
Vehicles	0.6	0.7	0.7
	615.1	536.0	487.4
Less accumulated depreciation	172.9	156.4	142.6
	<u>442.2</u>	<u>379.6</u>	<u>344.8</u>
Net Capital Assets	<u>\$ 445.1</u>	<u>\$ 382.3</u>	<u>\$ 346.7</u>

(Continued)

## CAPITAL ASSETS, Continued

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 (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 2008 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 flow monitoring program and information technology integration. The Authority is also continuing its work with chlorinated organics and collection system rehabilitations. Our committed capital projects totaled approximately \$326.5 million, of which approximately \$240.8 million had been incurred at June 30, 2007, leaving construction commitments of approximately \$85.7 million 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 2007:

**Summary of Major Capital Improvement Expenditures  
For Fiscal Year 2007**

<b>Mauldin Road WWTP Modifications</b>	\$30.6 million to continue construction on modifications to handle major wet weather flow events.
<b>Enoree River / Brushy Creek Trunk Sewer</b>	\$17.5 million to substantially complete sewer conveyance system from Taylors WWTP to Pelham WWTP.
<b>Pelham Expansion</b>	\$14.3 million to continue plant expansion to accommodate 22.5 MGD and take the Taylors WWTP out of service.
<b>Lower Reedy WWTP</b>	\$7.6 million to complete construction of Phase I of upgrading the plant to 11.5 MGD and incorporating ultraviolet disinfection ("UV") and filtration.
<b>Durbin Creek WWTP</b>	\$5.5 million to begin work on UV, filter and headworks structures to increase capacity from 3.3 MGD to 5 MGD.
<b>Gravity Sewer Rehabilitation</b>	\$2.5 million to complete rehabilitation of manholes and WCRSA's sewer system in the Mauldin Road and Pelham WWTP's basins.
<b>Grove Creek Conveyance System</b>	\$2.5 million to begin construction for a pump station and force main to be installed at Grove Creek to divert effluent flows to the Saluda River.
<b>Administration Building</b>	\$0.4 million to begin site preparation, utilities and foundation construction for a new administration building on Mauldin Road.
<b>Peters Creek Trunk Sewer</b>	\$0.4 million to complete installation for 12,000 linear feet gravity sewer serving Peters Creek upstream of the Glider Creek WWTP.
<b>Glider Creek Phase II</b>	\$0.3 million to complete final construction on upgrade of WWTP from 5 to 8 MGD and incorporate tertiary treatment.

(Continued)

**CAPITAL ASSETS, Continued**

**Summary of Major Capital Improvement Expenditures  
For Fiscal Year 2007, Continued**

<b>Gilder Creek WWTP Phase III</b>	\$0.2 million to begin work on upgrade of plant from 8 MGD to 12 MGD.
<b>Taylor's WWTP Pump Station</b>	\$0.2 million to make modifications to plant to divert flow to the Pelham WWTP.
<b>Piedmont Regional WWTP</b>	\$0.2 million to complete preliminary engineering on the upgrade of plant to comply with long range plan.
<b>Tubbs Mountain Road Pump Station</b>	\$0.1 million to complete construction on upgrades to the Tubbs Mountain Road Pump Station to handle flows in the Travelers Rest area.

Table A-4 illustrates the Authority's Capital Budget with planned spending of \$81.1 million for capital projects in Fiscal Year 2008, consisting principally of wastewater treatment plant improvements, collection systems, sewage conveyance systems and a new administration building. 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 approximately \$170 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. The Authority anticipates issuing Revenue Bonds for partial funding of the CIP during Fiscal Year 2008.

**Table A-4**

**Fiscal Year 2008 Capital Expenditures Budget  
(In millions)**

<b>Income</b>	
South Carolina Revolving Loan	\$ 19.5
Capital Contributions	-
WCOSA Reserves	61.6
<b>Total Income</b>	<b>\$ 81.1</b>
<b>Expenditures</b>	
Wastewater Treatment Plants	\$ 58.0
Conveyance/Collection Systems	16.4
Administration/Other Projects	6.7
<b>Total Expenditures</b>	<b>\$ 81.1</b>

## 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, 2007, revenue debt of the Authority totaled \$183 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 \$189.4 million at the end of Fiscal Year 2006. 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 par 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, 2007 was \$111.9 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) January 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                     |
| (11) November 2006 | Durbin Creek WWTP expansion                               |

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 & Phase II, Georges Creek Regional WWTP and the Georges Creek Regional Conveyance System Phase I & II. As of June 30, 2007, \$78 million of SRFL debt was outstanding for these projects.

(Continued)

## LONG TERM DEBT, Continued

Construction continues on the Lower Reedy WWTP – Phase II and the Durbin Creek WWTP expansion. The SRFL agreed to fund the Lower Reedy WWTP – Phase II project in June 2005. At June 30, 2007, \$18,510,512 had been received. The Authority entered into a loan agreement to fund the Durbin Creek WWTP expansion during the current fiscal year. At June 30, 2007, \$1,431,895 had been received. In total, \$52.5 million of SRFL debt was outstanding for these projects at June 30, 2007.

### Total Outstanding Long Term Debt

The total outstanding principal on long-term debt at the end of Fiscal Year 2007 (not including premiums) was \$282.4 million. The total obligation for compensated absences at June 30, 2007 was \$0.6 million. At year end, the Authority owed \$283 million in total long-term debt, an increase of \$2.9 million or 1% from the \$280.1 million at Fiscal Year-end 2006. In Fiscal Year 2007, the Authority incurred \$12.3 million in SRFL debt and made \$9.4 million in payments on outstanding revenue and SRFL debt. More detailed information about the Authority's long-term liabilities is presented in Notes 7, 8 and 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, 2007, WCRSA's assessed value was approximately \$1.6 billion. The Authority had no general obligation debt outstanding as of June 30, 2007.

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)**

	FY 2007	FY 2006	FY 2005
Operating Revenue	\$ 64.3	\$ 63.7	\$ 58.3
Interest Income (unrestricted)	3.6	1.2	1.2
Gross Revenues	67.9	64.9	59.5
Less operating expenses before depreciation	(23.4)	(23.2)	(21.8)
Net revenues available for debt service	\$ 44.5	\$ 41.7	\$ 37.7
Debt service on bonds and parity indebtedness	21.1	24.2	16.0
<b>Debt Coverage</b>	<b>2.1</b>	<b>1.7</b>	<b>2.4</b>

As seen in Table A-5, there has been a \$3.1 million (13%) decrease in debt service payments from Fiscal Year 2006 to Fiscal Year 2007. The total long term debt payment of \$24.2 million in Fiscal Year 2006 decreased to \$21.1 million in Fiscal Year 2007. There was an increase of \$8.2 million from Fiscal Year 2005 to Fiscal Year 2006 as the Authority began making payments on new SRFL debt and the Series 2005 bonds. 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**

	Debt Balance (In millions)	Average Coupon / Rate %	
Series 1995 Revenue Bonds	\$ 1.7	5.5	%
Series 2001 Revenue Bonds	14.3	5.0	
Series 2002 Revenue Bonds	2.1	3.3	
Series 2005 Revenue Bonds	82.7	4.3	
Series 2005-B Refunding Revenue Bonds	69.7	4.0	
State Revolving Fund Loans	111.9	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. On December 4, 2006, the Authority completed a rate study on Domestic and Commercial fees and the Board of Commissioners signed a resolution implementing a rate increase of a little over 4% per year through Fiscal Year 2010.

The Authority is conducting a rate study on both Pretreatment Fees and New Account Fees this Fiscal Year. If any increase is adopted by its Board of Commissioners, it will be implemented by the end of Fiscal Year 2008.

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 STATEMENT

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

	JUNE 30,	
	2007	2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 19,540,519	\$ 13,880,572
Restricted cash and cash equivalents	14,951,023	69,878,234
Investments	46,056,396	21,291,691
Restricted investments	-	22,645,065
Receivables, net	4,272,023	5,914,573
Total current assets	<u>84,819,961</u>	<u>133,610,135</u>
<b>NON-CURRENT ASSETS</b>		
Receivables, net	5,872,955	4,453,521
Investments	3,392,143	2,494,084
Capital assets, net	445,049,433	382,258,773
Deferred charges, net	11,795,665	11,910,922
Total non-current assets	<u>466,110,196</u>	<u>401,117,300</u>
Total assets	<u><b>\$ 550,930,157</b></u>	<u><b>\$ 534,727,435</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Revenue bonds payable	\$ 5,854,906	\$ 6,444,906
State revolving loans payable	5,258,830	4,338,256
Accounts payable - operations	1,521,886	1,193,242
Accounts payable - construction projects	10,484,075	10,118,432
Accrued interest payable	3,615,691	3,435,019
Accrued expenses and other liabilities	397,540	630,610
Compensated absences	95,000	95,000
Total current liabilities	<u>27,227,928</u>	<u>26,255,465</u>
<b>COMMITMENTS AND CONTINGENCIES (Notes 10, 11, 12, 13 and 14)</b>		
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds payable	177,146,505	183,001,411
State revolving loans payable	106,682,452	98,980,125
Compensated absences	504,467	497,962
Total long-term liabilities	<u>284,333,424</u>	<u>282,479,498</u>
Total liabilities	<u>311,561,352</u>	<u>308,734,963</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	139,622,665	143,955,865
Restricted		
Debt service	6,202,937	19,477,820
Depreciation	4,450,494	3,822,587
Other	4,297,592	4,642,670
Unrestricted	<u>84,795,117</u>	<u>54,093,530</u>
Total net assets	<u>239,368,805</u>	<u>225,992,472</u>
Total liabilities and net assets	<u><b>\$ 550,930,157</b></u>	<u><b>\$ 534,727,435</b></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,	
	2007	2006
<b>OPERATING REVENUES</b>		
Domestic and commercial customers	\$ 49,468,345	\$ 48,099,936
Industrial customers	6,103,674	5,798,149
New account fee	8,432,625	9,494,000
Septic haulers and other	311,718	290,257
Total operating revenues	<u>64,316,362</u>	<u>63,682,342</u>
<b>OPERATING EXPENSES</b>		
Solids management	2,388,563	2,268,770
Facilities operations	8,317,346	8,299,744
Laboratory	1,626,016	1,700,991
Operations and maintenance shop	1,878,403	1,876,975
Collection system	2,526,372	2,625,325
Administration and accounting	4,767,187	4,797,503
Customer service	1,937,978	1,626,330
Total operating expenses before depreciation	23,441,865	23,195,638
Depreciation	<u>21,024,952</u>	<u>18,284,379</u>
Total operating expenses	<u>44,466,817</u>	<u>41,480,017</u>
Net operating income	<u>19,849,545</u>	<u>22,202,325</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	5,475,237	5,651,443
Interest expense	(11,964,357)	(12,858,101)
Amortization	(133,129)	(111,928)
Non-project expenses	(475,957)	(305)
Other income	129,821	246,454
Net non-operating expenses	<u>(6,968,385)</u>	<u>(7,072,437)</u>
<b>CAPITAL PROJECT COST REIMBURSEMENTS</b>	<u>495,173</u>	<u>2,219,044</u>
Increase in net assets	13,376,333	17,348,932
<b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>	<u>225,992,472</u>	<u>208,643,540</u>
<b>TOTAL NET ASSETS, END OF YEAR</b>	<u>\$ 239,368,805</u>	<u>\$ 225,992,472</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,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 63,924,088	\$ 63,657,753
Paid to suppliers for goods and services	(14,240,368)	(9,065,340)
Paid to employees for services	(9,209,732)	(8,784,969)
Net cash provided by operating activities	<u>40,473,988</u>	<u>45,807,444</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash received for capital project cost reimbursements	1,692,895	2,386,915
Acquisition of capital assets	(83,815,612)	(53,810,789)
Proceeds from state revolving loans	12,338,255	10,201,437
Repayment of revenue bond	(5,680,000)	(6,850,000)
Debt issue costs	(782,778)	-
Repayment of state revolving loans	(3,715,354)	(4,455,852)
Interest payments on debt	(11,783,685)	(12,901,635)
Net cash used for capital and related financing activities	<u>(91,746,279)</u>	<u>(65,429,924)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	5,022,726	5,399,615
Net purchase of investment securities	(3,017,699)	(11,651,187)
Net cash provided by (used for) investing activities	<u>2,005,027</u>	<u>(6,251,572)</u>
Net decrease in cash and cash equivalents	(49,267,264)	(25,874,052)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>83,758,806</u>	<u>109,632,858</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><b>\$ 34,491,542</b></u>	<u><b>\$ 83,758,806</b></u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net operating income	\$ 19,849,545	\$ 22,202,325
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	21,024,952	18,284,379
Changes in deferred and accrued amounts		
Receivables	(868,231)	(24,893)
Accounts payable – operations	328,644	92,972
Accounts payable – construction projects	365,643	4,914,481
Accrued expenses and other liabilities	(233,070)	257,813
Compensated absences	6,505	80,367
Net cash provided by operating activities	<u><b>\$ 40,473,988</b></u>	<u><b>\$ 45,807,444</b></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEET</b>		
Cash and cash equivalents	\$ 19,540,519	\$ 13,880,572
Restricted cash and cash equivalents	<u>14,951,023</u>	<u>69,878,234</u>
	<u><b>\$ 34,491,542</b></u>	<u><b>\$ 83,758,806</b></u>

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

## NOTES TO FINANCIAL STATEMENT

**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 and operates and owns treatment facilities, sewage pumping stations and 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.

(Continued)

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

**Restricted assets and net assets, Continued**

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.

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."

(Continued)



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

**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.

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 estimated based on historic bad debt levels, plus an amount for any 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, 2006 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.

**Implementation of Governmental Accounting Standards Board Pronouncements**

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. GASB No. 45 establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense and related liabilities (assets), note disclosure, and, if applicable, required supplementary information in financial reports. The effect of implementing GASB 45 has not been determined but could have a material impact on the financial statements upon adoption.

Other accounting standards that have been issued or proposed by the GASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

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

As of June 30, 2007 and 2006, the Authority had the following cash and cash equivalents and investments:

<u>Description</u>	<u>Fair value</u>	
	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash and cash equivalents		
Checking and other cash	\$ 12,264,674	\$ 13,880,572
Money markets – US Treasuries	15,374,068	64,580,222
Money markets – government obligations	6,202,937	5,298,012
US agencies	649,863	-
Total cash and cash equivalents	<u>\$ 34,491,542</u>	<u>\$ 83,758,806</u>
Investments		
Certificates of deposit	\$ -	\$ 6,056,746
US agencies	49,448,539	40,374,094
Total investments	<u>\$ 49,448,539</u>	<u>\$ 46,430,840</u>

Investment maturities are as follows as of June 30, 2007.

<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	\$ -	\$ -	\$ -
US Agencies	49,448,539	46,056,396	3,392,143
	<u>\$ 49,448,539</u>	<u>\$ 46,056,396</u>	<u>\$ 3,392,143</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, 2007.

**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 86.54 and 10.45 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, 2007 and 2006, 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>2007</u>	<u>2006</u>
Fees and services		
Domestic and commercial customers	\$ 4,306,997	\$ 4,031,437
Industrial customers	<u>1,074,680</u>	<u>828,145</u>
	5,381,677	4,859,582
Less allowance for uncollectible accounts	<u>725,000</u>	<u>725,000</u>
	4,656,677	4,134,582
Accrued interest on cash equivalents	1,031,455	578,944
Reimbursements from other governmental units	<u>4,456,846</u>	<u>5,654,568</u>
	10,144,978	10,368,094
Less current portion	<u>(4,272,023)</u>	<u>(5,914,573)</u>
	<b><u>\$ 5,872,955</u></b>	<b><u>\$ 4,453,521</u></b>

**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, 2007 and 2006 are restricted for the following uses:

	<u>2007</u>	<u>2006</u>
Capital projects	\$ 1,344,103	\$ 66,289,922
Current principal and interest payments	6,202,937	19,477,820
Operations and maintenance	1,953,489	1,932,970
Depreciation	4,450,494	3,822,587
Contingencies	<u>1,000,000</u>	<u>1,000,000</u>
	<b><u>\$ 14,951,023</u></b>	<b><u>\$ 92,523,299</u></b>

**NOTE 5 – CAPITAL ASSETS**

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2006</b>	<b>Additions</b>	<b>Disposals</b>	<b>June 30, 2007</b>
Land	\$ 2,661,553	\$ 199,329	\$ -	\$ 2,860,882
Depreciable assets:				
Buildings	243,720,708	37,474,929	3,642,442	277,553,195
Sewer lines	228,814,885	33,311,048	-	262,125,933
Wastewater Treatment Plant equipment	61,571,697	12,491,643	496,843	73,566,497
Operational equipment	734,967	111,096	101,485	744,578
Office furniture	466,933	92,822	43,345	516,410
Vehicles	646,748	134,745	177,313	604,180
Total capital assets being depreciated	535,955,938	83,616,283	4,461,428	615,110,793
Less accumulated depreciation				
Treatment facilities	155,203,592	20,709,258	4,139,286	171,773,564
Operational equipment	430,605	80,927	101,485	410,047
Office furniture	292,704	82,495	43,345	331,854
Vehicle	431,817	152,272	177,312	406,777
Total accumulated depreciation	156,358,718	21,024,952	4,461,428	172,922,242
Total capital assets being depreciated, net	379,597,220	62,591,331	-	442,188,551
Capital assets, net	<b>\$ 382,258,773</b>	<b>\$ 62,790,660</b>	<b>\$ -</b>	<b>\$ 445,049,433</b>

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2005</b>	<b>Additions</b>	<b>Disposals</b>	<b>June 30, 2006</b>
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				
Treatment facilities	141,371,980	17,949,179	4,117,567	155,203,592
Operational equipment	497,607	81,792	148,794	430,605
Office furniture	254,855	84,148	46,299	292,704
Vehicle	421,420	169,260	158,863	431,817
Total 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	<b>\$ 346,732,363</b>	<b>\$ 35,526,410</b>	<b>\$ -</b>	<b>\$ 382,258,773</b>

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

**NOTE 6 - DEFERRED CHARGES**

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Bond issuance costs	\$ 15,289,186	\$ 14,506,408
Less accumulated amortization	<u>3,493,521</u>	<u>2,595,486</u>
Deferred charges, net	<u>\$ 11,795,665</u>	<u>\$ 11,910,922</u>

Amortization of bond issuance costs for the year ended June 30, 2007 and 2006 totaled \$898,035 and \$876,835, respectively.

**NOTE 7 - REVENUE BONDS PAYABLE**

At June 30, 2007 and 2006, 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, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</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.	82,675,000	84,310,000
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.	2,135,000	4,240,000
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.	14,280,000	16,125,000
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>1,695,000</u>	<u>1,790,000</u>
	170,480,000	176,160,000
Premium on Series 2001 refunding bonds	1,594,227	1,710,878
Premium on Series 2002 refunding bonds	89,881	123,586
Premium on Series 2005 revenue bonds	4,166,881	4,403,860
Premium on Series 2005 B refunding revenue bonds	<u>6,670,422</u>	<u>7,047,993</u>
	183,001,411	189,446,317
Less current maturities	<u>5,854,906</u>	<u>6,444,906</u>
Long-term portion	<u>\$ 177,146,505</u>	<u>\$ 183,001,411</u>

(Continued)



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

Amortization of bond premiums totaled \$764,907 for each of the years ended June 30, 2007 and 2006.

Future amounts required to pay principal and interest on revenue bonds outstanding at June 30, 2007 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	7,831,122	12,841,122
2012	5,395,000	7,582,423	12,977,423
2013 - 2017	32,920,000	33,706,315	66,626,315
2012 - 2022	56,280,000	23,746,687	80,026,687
2023 - 2026	<u>56,595,000</u>	<u>5,790,250</u>	<u>62,385,250</u>
	<b><u>\$ 170,480,000</u></b>	<b><u>\$ 103,425,383</u></b>	<b><u>\$ 273,905,383</u></b>

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, 2007 and 2006.

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 \$8,577,075 and \$8,703,803 for the years ended June 30, 2007 and 2006, respectively.

**NOTE 8 - STATE REVOLVING LOANS PAYABLE**

At June 30, 2007 and 2006, the Authority was obligated on various state revolving loans issued for purposes of constructing capital assets. State revolving loan amounts outstanding at June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</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.	\$ 256,505	\$ 310,313
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.	2,388,100	2,551,142
Maple Creek loan dated August 9, 1990. Payable in quarterly installments of \$19,377, including interest at 4.50 percent, through May 1, 2011.	282,291	345,316
Lower Reedy WWTTP loan dated September 24, 1998. Payable in quarterly installments of \$572,996, including interest at 4.00 percent, through November 1, 2020.	23,818,665	25,125,079

(Continued)

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

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.	6,524,299	6,843,033
Lower Reedy Wastewater Treatment Plant Expansion Phase II loan dated June 10, 2005. Payable in quarterly installments of \$47,116, beginning September 1, 2007, including interest at 3.00 percent, through September 1, 2027.	18,510,512	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.	15,773,984	16,273,640
Gilder Creek Wastewater Treatment Plant Upgrade Phase II loan dated March 31, 2003. Payable in quarterly installments of \$623,835, including interest at 3.75 percent, through April 1, 2025.	32,555,221	32,979,213
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.	5,612,483	5,790,854
Georges Creek Conveyance System Phase II loan dated February 20, 2004. Payable in quarterly installments of \$102,934, including interest at 3.75 percent, through September 1, 2024.	4,787,328	4,981,387
Durbin Creek Wastewater Treatment Plant Upgrade and Expansion loan dated November 14, 2006. Payable in quarterly installments of \$484,658, including interest at 3.50 percent, through December 1, 2028.	<u>1,431,894</u>	<u>-</u>
	111,941,282	103,318,381
Less current maturities	<u>5,258,830</u>	<u>4,338,256</u>
Long-term portion	<b><u>\$ 106,682,452</u></b>	<b><u>\$ 98,980,125</u></b>

Interest expense on the state revolving loans totaled \$3,360,672 and \$4,127,634 for the years ended June 30, 2007 and 2006, respectively.

Future amounts required to pay principal and interest on state revolving loans outstanding at June 30, 2007 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,258,830	\$ 4,126,556	\$ 9,385,386
2009	5,702,283	4,167,761	9,870,044
2010	6,657,696	4,666,322	11,324,018
2011	6,027,330	3,497,372	9,524,702
2012	5,946,117	3,276,119	9,222,236
2013 - 2017	32,998,464	12,795,440	45,793,904
2018 - 2022	34,717,067	6,222,929	40,939,996
2023 - 2026	<u>14,633,495</u>	<u>1,017,964</u>	<u>15,651,459</u>
	<b><u>\$ 111,941,282</u></b>	<b><u>\$ 39,770,463</u></b>	<b><u>\$ 151,711,745</u></b>

(Continued)

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

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 31st, 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, 2007 and 2006.

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, 2007 and 2006 are as follows:

	<b>2007</b>		
	<b>Balance at July 1, 2006</b>	<b>Additions</b>	<b>Balance at June 30, 2007</b>
Revenue bonds	\$ 176,160,000	\$ -	\$ 170,480,000
State revolving loans	103,318,381	12,338,255	111,941,282
Compensated absences	<u>592,962</u>	<u>585,235</u>	<u>599,467</u>
	280,071,343	12,923,490	283,020,749
Premiums on bond issuance	<u>13,286,317</u>	<u>-</u>	<u>12,521,411</u>
	<b><u>\$ 293,357,660</u></b>	<b><u>\$ 12,923,490</u></b>	<b><u>\$ 295,542,160</u></b>

	<b>2006</b>		
	<b>Balance at July 1, 2005</b>	<b>Additions</b>	<b>Balance at June 30, 2006</b>
Revenue bonds	\$ 183,010,000	\$ -	\$ 176,160,000
State revolving loans	97,572,796	10,201,437	103,318,381
Compensated absences	<u>512,595</u>	<u>579,525</u>	<u>592,962</u>
	281,095,391	10,780,962	280,071,343
Premiums on bond issuance	<u>14,051,223</u>	<u>-</u>	<u>13,286,317</u>
	<b><u>\$ 295,146,614</u></b>	<b><u>\$ 10,780,962</u></b>	<b><u>\$ 293,357,660</u></b>

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 was 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.

Outstanding principal amounts of defeased bonds totaled \$90,670,000 at June 30, 2007.

**NOTE 10 - CONSTRUCTION CONTRACTS IN PROGRESS**

At June 30, 2007 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, 2007 on which significant additional work is to be performed:

<u>Number</u>	<u>Project Name</u>	<u>Contract amount</u>	<u>Total contract incurred through June 30, 2007</u>	<u>Balance to be performed</u>
00 0108.04/3	Pelham Expansion	\$ 103,269,189	\$ 101,157,383	\$ 2,111,806
01 0146.02/0	Gilder Creek Phase II	51,289,601	51,189,453	100,148
00 0150.00/0	Lower Reedy WWTP	20,762,606	19,514,699	1,247,907
00 0133.44/2	Durbin Creek WWTP	42,655,872	7,148,019	35,507,853
04 0152.02/2	Grove Creek Conveyance System	8,693,575	2,676,784	6,016,791
01 0153.00/2	Enoree River/Brushy Creek Collection System	22,187,440	21,047,159	1,140,281
02 0124.09/2	Mauldin Rd WWTP Modifications	67,079,407	37,405,932	29,673,475
06 0128.01/0	Administration Building	6,391,351	374,158	6,017,193
97 0129.09/4	Technical Planning	686,048	302,528	383,520
07 0173.00/0	FY 08 Gravity Sewer & M/H	3,465,938	13,596	3,452,342
		<u>\$ 326,481,027</u>	<u>\$ 240,829,711</u>	<u>\$ 85,651,316</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 \$599,467 and \$592,962 at June 30, 2007 and 2006, 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.

(Continued)

**NOTE 12 - EMPLOYEE BENEFITS, Continued**

Plan members are required to contribute 6.50 and 6.25 percent of their annual covered salary for the years ended June 30, 2007 and 2006, respectively, and the Authority is required to contribute at an actuarially determined rate. The rate is 8.05 and 7.55 percent of annual covered payroll for the years ended June 30, 2007 and 2006, respectively, and .15 percent of payroll is contributed to a group life insurance benefit for the participants for each of the years ended June 30, 2007 and 2006. Required contributions were made at 100 percent and are summarized as follows:

	<u>Employer SCRS</u>	<u>Employee SCRS</u>
June 30, 2007	\$ 737,214	\$ 530,986
June 30, 2006	581,263	498,845
June 30, 2005	578,857	468,891

**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 \$289 to \$645 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 twenty employees that were receiving coverage benefits. The Authority recognizes these expenses on a pay-as-you-go basis. For the year ended June 30, 2007 and 2006, the Authority paid \$93,057 and \$81,279, 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, 2007 was approximately \$1,597,000. For the year ended June 30, 2008, billing charges to the Authority is estimated to cost approximately \$1,645,000.

#### 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, 2007 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, 2007, 2006, and 2005. The Authority believes that the amount of actual or potential claims as of June 30, 2007 will not materially affect the financial condition of the Authority.





Statistical



## STATISTICAL SECTION

This part of the Western Carolina Regional Sewer Authority CAFR presents detailed information as a context for understanding what the information in the financial statements and notes say about the Authority's overall financial health.

### Contents

**Financial Trends** – These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

**Revenue Capacity** – These schedules contain information to help the reader assess the Authority's most significant local revenue sources.

**Debt Capacity** – These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the ability to manage debt in the future.

**Demographic and Economic Information** – These schedules offer demographic and economic indicators to help the reader understand the environment in which the Authority operates.

**Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the financial report relates to the services the Authority provides.

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Invested in capital assets, net of related debt	**	**	**	\$ 47,835,171	\$ 57,035,152	\$ 71,052,604	\$ 103,152,960	\$ 137,838,215	\$ 143,955,865	\$ 139,622,865
Restricted										
Debt Service	***	***	***	***	***	***	***	***	19,477,820	8,202,937
Depreciation	***	***	***	***	***	***	***	***	3,822,587	4,450,494
Other	***	***	***	***	***	***	***	***	4,642,670	4,287,582
	**	**	**	93,476,508	85,651,748	82,964,739	41,145,932	26,546,882	27,943,077	14,951,023
Unrestricted	**	**	**	10,551,258	21,320,013	22,387,588	45,821,288	44,258,333	54,080,530	84,786,117
Total net assets	\$ 123,097,000	\$ 129,981,381	\$ 140,322,921	\$ 151,882,935	\$ 164,006,913	\$ 178,414,909	\$ 190,220,190	\$ 208,643,540	\$ 225,962,472	\$ 239,368,805

\*\* 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.

\*\*\* Breakdown of restricted net assets not available prior to fiscal year ended June 30, 2006.



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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Domestic & commercial customers	\$ 30,234,425	\$ 32,704,195	\$ 32,640,722	\$ 34,040,254	\$ 36,455,491	\$ 38,553,135	\$ 41,713,620	\$ 44,544,205	\$ 46,000,036	\$ 49,485,345
Industrial customers	7,555,718	7,151,655	6,608,779	6,603,109	6,391,547	6,353,556	5,853,551	5,791,259	5,798,146	6,103,674
Non-account fees	1,288,825	1,793,825	1,641,659	2,423,344	2,911,479	4,358,122	6,766,750	7,600,470	9,454,000	8,432,025
Septage haulers & others	78,231	69,255	58,205	150,142	195,345	219,098	227,510	203,578	300,262	311,718
Total operating revenues	39,467,199	41,788,330	41,221,565	43,475,629	45,854,862	49,893,412	54,613,471	58,256,292	63,653,342	64,316,352
Operating Expenses:										
Salaries management	1,545,369	1,551,825	2,323,873	2,129,201	2,372,537	2,476,382	2,666,513	2,571,467	2,558,770	2,588,563
Facilities operation	6,307,858	6,310,703	7,263,889	7,137,743	6,549,042	6,591,423	6,969,274	7,759,033	8,256,744	8,317,346
Laboratory	1,194,811	1,205,175	1,354,762	1,376,900	1,446,045	1,413,945	1,500,166	1,547,330	1,700,861	1,625,016
Operation & maintenance shop	1,251,294	1,248,948	1,437,733	1,444,191	1,468,026	1,473,741	1,630,668	1,702,774	1,876,975	1,876,403
Collection System	2,270,290	2,157,542	2,284,829	2,291,984	2,340,658	2,457,945	2,422,562	2,554,028	2,625,325	2,528,372
Administration & accounting	2,808,123	2,848,876	3,277,424	3,273,410	3,333,731	3,681,391	4,015,158	4,503,383	4,757,187	4,767,187
Customer Service	930,599	943,327	1,028,164	1,079,889	1,025,821	1,115,113	1,094,512	1,130,918	1,620,332	1,527,278
Total operating expenses	16,306,433	16,746,438	18,951,534	18,733,428	18,737,263	19,159,951	20,331,512	21,773,893	23,156,838	23,441,856
Depreciation	7,739,834	8,455,824	10,227,583	11,087,522	11,824,578	12,854,326	14,640,327	16,543,382	18,384,379	21,024,552
Total operating expense	24,126,267	25,215,240	29,179,117	29,820,950	30,561,841	31,843,127	35,171,739	38,317,275	41,450,017	44,466,408
Net operating income	15,340,932	16,574,090	12,042,448	13,674,962	15,412,921	18,051,235	19,441,732	19,939,017	22,202,325	19,849,946
Non-Operating Revenues (Expenses):										
Interest income	2,721,035	1,826,505	1,729,249	2,685,967	2,318,423	1,312,945	769,779	2,344,095	5,851,443	5,475,237
Other income	18,657	81,663	96,317	29,500	111,545	12,283	30,680	8,340	346,454	139,821
Amortization of bond issuance cost	(158,351)	(120,786)	(124,340)	(107,935)	(176,656)	(135,205)	(220,893)	(223,200)	(111,828)	(133,128)
Interest expense	(3,810,822)	(2,200,425)	(3,087,535)	(5,305,861)	(7,838,356)	(7,314,123)	(7,476,129)	(9,826,140)	(12,858,101)	(11,964,357)
Interest expense on bond defeasance	-	(9,125,786)	-	-	-	-	-	-	-	-
Non-project expenses	(2,440)	(822,778)	(546,854)	(73,338)	(12,632)	(954)	(1,768)	-	(305)	(475,257)
Other expenses	(602)	(5,327)	(217,657)	(58,515)	(4,952)	(587)	(145)	-	-	-
Net non-operating revenues (expenses)	(1,232,310)	(10,365,427)	(1,990,833)	(2,738,183)	(5,852,846)	(8,327,838)	(8,900,383)	(7,776,805)	(7,577,437)	(5,365,335)
Capital Project Cost Reimbursement	266,695	475,718	388,922	693,235	2,333,617	634,397	1,363,352	8,203,268	3,215,044	485,173
Increase in net assets	14,375,217	6,684,381	10,341,540	11,549,014	12,143,978	12,457,999	13,605,241	18,423,590	17,345,832	13,376,333
Total Net Assets, Beginning of Year	101,721,733	123,057,000	123,981,351	140,322,921	151,882,935	164,026,913	176,414,509	190,220,150	208,643,540	225,992,472
Total Net Assets, End of Year	\$ 123,607,000	\$ 129,881,391	\$ 140,322,921	\$ 151,882,935	\$ 164,026,913	\$ 176,414,509	\$ 190,220,150	\$ 208,643,540	\$ 225,992,472	\$ 239,368,805

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Salaries	\$ 5,854,553	\$ 6,285,392	\$ 6,897,647	\$ 6,882,481	\$ 7,060,652	\$ 7,275,361	\$ 7,650,640	\$ 8,056,008	\$ 8,731,260	\$ 8,446,661
Fringe benefits	1,831,352	1,745,870	2,246,278	2,220,872	2,480,146	1,953,749	1,981,923	2,152,354	2,388,311	2,483,339
Chlorine & sulfur dioxide	192,281	179,734	261,984	328,321	236,448	250,567	229,830	291,914	317,402	210,208
Chemicals: other	382,656	350,085	520,867	534,763	448,431	491,750	549,731	755,450	1,062,535	1,119,875
Repairs & maintenance	1,900,295	1,859,080	1,805,752	1,491,928	1,307,688	1,368,065	1,884,176	1,712,179	1,509,707	1,168,419
Telephone	118,045	122,719	114,604	115,351	101,321	137,461	139,812	173,881	176,749	151,460
Electricity	1,850,705	1,867,996	1,919,021	2,057,588	2,085,965	2,323,821	2,231,822	2,521,771	2,740,943	2,778,711
Water	59,159	53,791	72,829	70,611	64,688	67,329	63,723	62,370	68,316	79,847
Gasoline (fuel)	63,619	74,482	113,007	120,230	99,820	120,489	130,805	174,562	235,939	226,642
Outside technical services	284,672	306,775	378,995	459,668	346,325	408,819	454,358	405,066	423,102	1,171,351
Collection fees	787,832	804,908	822,857	807,667	870,885	888,876	916,442	967,791	1,431,752	1,748,839
General insurance	197,962	202,229	207,769	188,780	178,818	186,771	246,759	250,594	278,286	296,340
Worker's compensation	181,161	113,625	98,094	61,072	95,642	83,428	133,897	138,360	212,817	166,156
Travel	30,908	57,295	67,526	60,007	49,988	69,643	71,527	80,589	87,265	84,776
Solids management	1,583,016	1,918,799	2,352,176	2,205,745	2,040,487	2,125,682	2,589,053	2,227,367	1,859,808	1,966,735
Contingency	25,834	4,940	24,630	4,240	12,251	9,391	-	-	-	-
Auto parts	42,477	46,746	54,747	39,562	54,984	43,891	44,697	40,918	48,214	45,203
Tires & tubes	30,084	33,626	26,775	20,564	28,641	29,883	29,959	42,202	43,396	45,788
Paint	38,896	33,332	34,959	20,260	20,389	30,205	28,306	18,945	25,064	18,310
Office supplies	57,615	53,809	50,768	48,023	55,336	57,287	51,505	64,203	63,112	58,525
Legal	77,120	120,283	80,087	45,882	56,211	126,035	77,178	112,899	119,079	91,785
Employee/public relations	27,821	21,322	24,049	29,593	102,939	84,092	106,564	103,672	129,105	330,105
Commissioners	31,493	40,521	62,583	38,787	26,555	29,084	18,688	16,351	20,702	18,937
Postage	12,722	17,124	14,006	19,121	20,746	23,731	20,911	22,846	27,478	26,153
Other	278,414	298,206	317,262	316,225	307,037	369,578	333,532	362,722	417,224	371,334
<b>Total (without allowance for uncollectible accounts)</b>	<b>\$ 15,971,722</b>	<b>\$ 16,411,314</b>	<b>\$ 18,575,331</b>	<b>\$ 18,327,740</b>	<b>\$ 18,134,327</b>	<b>\$ 18,601,846</b>	<b>\$ 19,795,047</b>	<b>\$ 20,835,824</b>	<b>\$ 22,419,664</b>	<b>\$ 23,064,391</b>
Percent increase over prior year (calculated on totals without allowance for uncollectible accounts)	-0.59%	2.75%	13.19%	-1.33%	-1.06%	2.58%	6.42%	5.25%	7.60%	2.96%
Provision for uncollectible accounts	394,711	348,122	376,204	405,698	603,036	568,102	735,465	938,069	775,974	357,474
<b>Total (with allowance for uncollectible accounts)</b>	<b>\$ 16,366,433</b>	<b>\$ 16,759,436</b>	<b>\$ 18,951,535</b>	<b>\$ 18,733,438</b>	<b>\$ 18,737,362</b>	<b>\$ 19,169,948</b>	<b>\$ 20,531,512</b>	<b>\$ 21,773,893</b>	<b>\$ 23,195,638</b>	<b>\$ 23,441,865</b>



WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
SCHEDULE OF DOMESTIC AND COMMERCIAL CUSTOMER REVENUE  
LAST TEN FISCAL YEARS ENDED JUNE 30,

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Domestic & commercial customers:										
Greenville Water System billings	\$ 29,494,850	\$ 31,000,375	\$ 31,528,217	\$ 32,737,537	\$ 34,977,712	\$ 37,226,195	\$ 39,791,147	\$ 42,205,557	\$ 45,616,335	\$ 46,910,952
Well water/commercial	122,378	82,176	226,532	354,738	351,998	362,715	369,408	439,967	303,676	301,677
City View District	-	-	-	-	-	-	-	-	-	-
Marble District	117,844	121,032	123,372	119,951	127,776	145,369	149,483	159,896	196,455	165,609
Powdersville District	21,872	50,682	79,322	90,422	97,470	146,218	170,440	154,228	237,607	296,942
Greer/Taylor District	456,814	547,941	690,807	718,683	875,538	1,016,527	1,170,406	1,394,840	1,617,121	1,748,460
Satter District/Laurens County	90,667	30,201	28,472	27,863	25,959	55,113	62,778	70,497	78,742	84,650
Total domestic & commercial customers	\$ 30,234,425	\$ 32,741,405	\$ 32,645,722	\$ 34,049,254	\$ 36,456,491	\$ 38,953,135	\$ 41,713,660	\$ 44,644,965	\$ 48,599,936	\$ 49,468,345

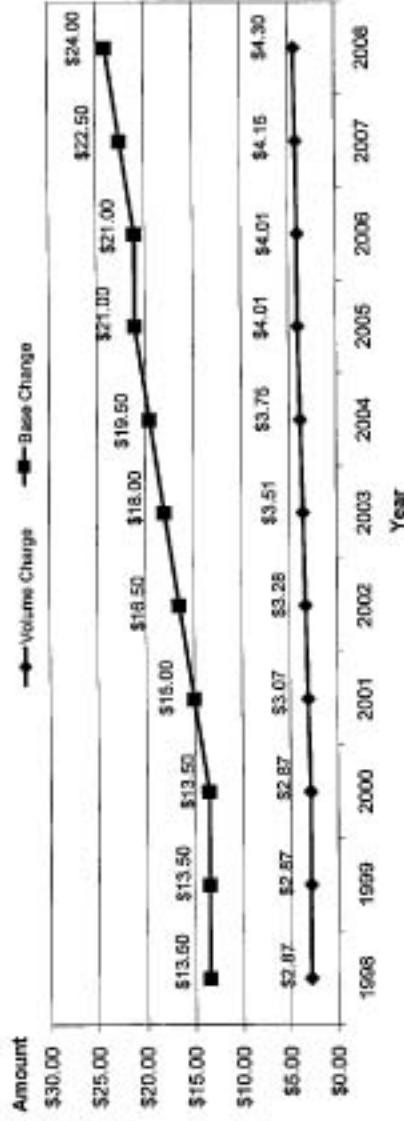
**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**SEWER USE CHARGE RATES**  
**LAST TEN FISCAL YEARS & PROJECTED 2008**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
User volume charge per 1000 gal.	\$ 2.87	\$ 2.87	\$ 2.87	\$ 3.07	\$ 3.28	\$ 3.51	\$ 3.75	\$ 4.01	\$ 4.01	\$ 4.15	\$ 4.30
Minimum charge per quarter	-	-	-	-	-	-	-	-	-	-	-
Base charge per quarter	\$ 13.50	\$ 13.50	\$ 13.50	\$ 15.00	\$ 16.50	\$ 18.00	\$ 19.50	\$ 21.00	\$ 21.00	\$ 22.50	\$ 24.00
Total monthly charge *	\$ 26.03	\$ 26.03	\$ 26.03	\$ 28.03	\$ 30.10	\$ 32.33	\$ 34.63	\$ 37.08	\$ 37.08	\$ 38.63	\$ 40.25
Monthly charge percent increase	0%	0%	0%	8%	7%	7%	7%	7%	0%	4%	4%

\* Assumes residential customer using approximately 7,500 gallons per month

Sewer use charge rates become effective in March of each year. Revenues are received in July of the following fiscal year.

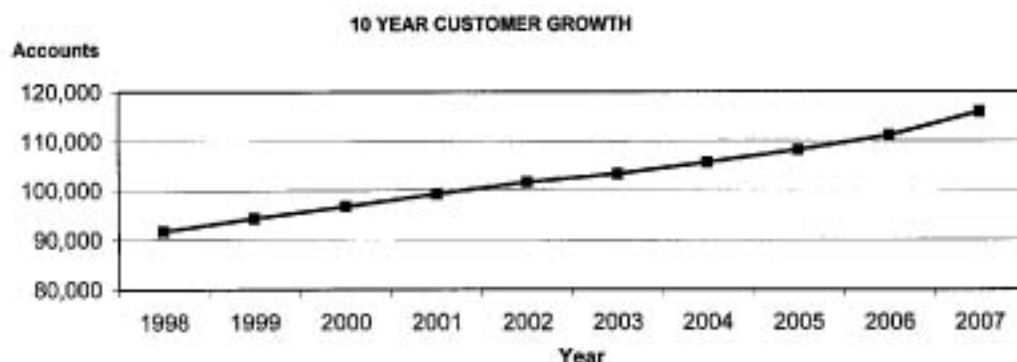
**Volume and Base Charge Increase**



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

The following table shows the total number of accounts of the Authority from 1998-2007

<u>Year</u>	<u>Total Accounts</u>	<u>Percentage Change</u>
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	105,812	2.2%
2005	108,158	2.4%
2006	111,123	2.7%
2007	115,942	4.3%



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

	1999	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenue Bonds</b>										
1999 Series	\$ 9,481,782	\$ 8,320,000	\$ 7,215,000	\$ 1,105,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999 Refunding	9,395,000	-	-	-	-	-	-	-	-	-
1999 Refunding	32,340,000	18,850,000	17,275,000	15,615,000	11,905,000	5,940,000	4,435,000	2,865,000	1,790,000	1,695,000
1999 Refunding	9,695,000	8,850,000	8,625,000	8,625,000	7,385,000	94,410,000	90,585,000	17,580,000	16,125,000	14,280,000
2001 Series	-	-	-	102,085,000	89,835,000	10,370,000	8,360,000	6,320,000	2,135,000	2,135,000
2002 Refunding	-	-	-	-	-	-	-	80,580,000	84,310,100	82,675,000
2005 Series	-	-	-	-	-	-	-	89,695,000	176,190,100	170,450,000
2005 B Series	-	-	-	-	-	-	-	183,010,000	-	-
<b>\$ 61,211,782</b>	<b>37,195,000</b>	<b>34,115,000</b>	<b>127,430,000</b>	<b>119,225,000</b>	<b>110,720,000</b>	<b>103,380,000</b>	<b>103,380,000</b>	<b>183,010,000</b>	<b>176,190,100</b>	<b>170,450,000</b>
<b>S.C. Revolving Loan</b>										
Regional Sludge	779,804	730,437	678,578	624,212	567,217	507,496	444,828	379,158	310,313	280,505
Buddy Creek/Ready River	4,010,455	3,859,553	3,694,199	3,522,131	3,343,077	3,166,742	2,992,861	2,781,098	2,551,142	2,388,300
Maple Creek	759,721	715,692	669,586	621,403	571,013	518,318	463,211	405,581	345,316	282,291
Lower Ready River	-	11,013,088	24,538,060	30,421,549	29,845,825	28,746,342	27,586,956	26,380,519	25,126,079	23,818,665
Glider Creek Ph 1	-	-	-	-	7,290,392	7,661,538	7,443,876	7,149,330	6,843,033	6,524,298
Glider Creek	-	-	-	-	5,161,856	16,881,097	17,448,628	16,917,085	16,273,840	15,773,984
Glider Creek Ph 2	-	-	-	-	-	-	21,565,759	32,563,718	33,679,213	32,556,221
Georges Creek Conveyance Ph 1	-	-	-	-	-	-	6,876,256	6,021,046	5,790,894	5,612,463
Georges Creek Conveyance Ph 2	-	-	-	-	-	-	1,640,933	4,975,282	4,881,387	4,787,328
Lower Ready River Ph 2	-	-	-	-	-	-	-	-	8,118,404	10,510,512
Duck Creek Upgrade	-	-	-	-	-	-	-	-	-	1,431,884
<b>\$ 5,558,060</b>	<b>18,318,738</b>	<b>29,578,925</b>	<b>35,189,259</b>	<b>40,889,670</b>	<b>56,461,513</b>	<b>85,431,155</b>	<b>85,431,155</b>	<b>97,572,795</b>	<b>100,210,381</b>	<b>111,941,282</b>
<b>General obligation bonds</b>										
Acquired treatment facilities obligations	1,420,000	-	-	-	-	-	-	-	-	-
Bond anticipation note	83,913	36,232	18,110	-	-	-	-	-	-	-
Total compensated absence	382,124	378,415	418,512	444,853	434,847	403,901	450,042	512,595	582,582	659,467
Premiums on bond issuance	-	-	-	2,394,133	2,377,482	2,285,033	2,135,176	14,061,223	13,286,317	12,521,411
Total long term debt	<b>\$ 68,615,869</b>	<b>\$ 53,868,365</b>	<b>\$ 84,130,547</b>	<b>\$ 185,368,281</b>	<b>\$ 168,726,899</b>	<b>\$ 189,820,947</b>	<b>\$ 191,404,363</b>	<b>\$ 285,145,614</b>	<b>\$ 283,357,780</b>	<b>\$ 295,642,960</b>
<b>Customer accounts</b>										
Customer accounts	91,762	94,345	98,727	99,245	101,643	103,273	105,812	108,158	111,123	116,942
Long term debt per customer account	<b>\$ 748</b>	<b>\$ 571</b>	<b>\$ 870</b>	<b>\$ 1,898</b>	<b>\$ 1,660</b>	<b>\$ 1,845</b>	<b>\$ 1,812</b>	<b>\$ 2,728</b>	<b>\$ 2,540</b>	<b>\$ 2,540</b>

\* Ph = phase

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
LONG TERM DEBT OBLIGATION  
FY 2008 - FY 2026**

Bond Premium	Current Portion			Revenue			SRFL			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Current year premium				\$764,806								
2008	5,090,000	8,449,416	13,539,416	5,258,830	4,126,556	9,385,386	10,348,830	12,575,972	22,924,802			
2009	4,510,000	8,243,810	12,753,810	5,702,283	4,167,761	9,870,044	10,212,283	12,411,571	22,623,854			
2010	4,680,000	8,075,360	12,755,360	6,657,696	4,666,322	11,324,018	11,337,696	12,741,662	24,079,378			
2011	5,010,000	7,831,123	12,841,123	6,027,330	3,497,372	9,524,703	11,037,330	11,328,495	22,365,825			
2012	5,395,000	7,582,423	12,977,423	5,946,117	3,276,119	9,222,236	11,341,117	10,858,542	22,199,659			
2013	5,930,000	7,316,435	13,246,435	6,173,421	3,048,818	9,222,236	12,103,421	10,365,251	22,468,671			
2014	6,180,000	7,063,885	13,243,885	6,409,485	2,812,751	9,222,236	12,589,485	9,876,636	22,466,121			
2015	6,485,000	6,762,160	13,247,160	6,654,850	2,567,596	9,222,236	13,139,650	9,329,746	22,469,396			
2016	6,870,000	6,457,605	13,327,605	6,908,269	2,312,968	9,222,236	13,779,269	8,770,573	22,549,841			
2017	7,455,000	6,106,230	13,561,230	6,851,641	2,053,319	8,904,960	14,305,641	8,159,549	22,466,180			
2018	7,840,000	5,722,763	13,562,763	7,113,206	1,791,754	8,904,960	14,953,206	7,514,516	22,467,722			
2019	8,960,000	5,311,538	14,271,538	7,384,938	1,520,122	8,905,060	16,344,938	6,831,659	23,176,597			
2020	11,210,000	4,849,138	16,059,138	7,698,928	1,238,031	8,904,960	18,876,928	6,067,169	24,964,097			
2021	12,935,000	4,298,750	17,201,750	8,808,160	950,809	7,758,968	19,743,160	5,217,558	24,960,718			
2022	15,335,000	3,595,500	16,931,500	5,743,834	722,214	6,466,048	21,078,834	4,318,714	25,397,548			
2023	17,440,000	2,829,750	20,269,750	5,507,800	517,464	6,025,264	22,947,800	3,347,214	26,295,014			
2024	19,100,000	1,957,750	21,057,750	4,939,453	317,350	5,256,803	24,039,453	2,275,100	26,314,553			
2025	20,055,000	1,002,750	21,057,750	3,815,332	163,009	3,978,341	23,870,332	1,165,759	25,036,091			
2026				370,810	20,141	391,051	370,910	20,141	391,051			
	170,480,000	103,425,384	273,905,384	111,941,282	39,770,463	151,711,745	282,421,282	143,195,846	425,617,128			
<b>Current Portion 2008</b>	<b>5,090,000</b>	<b>8,449,416</b>	<b>13,539,416</b>	<b>5,258,830</b>	<b>4,126,556</b>	<b>9,385,386</b>	<b>10,348,830</b>	<b>12,575,972</b>	<b>22,924,802</b>			
(See premium)												
2009	4,510,000	8,243,810	12,753,810	5,702,283	4,167,761	9,870,044	10,212,283	12,411,571	22,623,854			
2010	4,680,000	8,075,360	12,755,360	6,657,696	4,666,322	11,324,018	11,337,696	12,741,662	24,079,378			
2011	5,010,000	7,831,123	12,841,123	6,027,330	3,497,372	9,524,703	11,037,330	11,328,495	22,365,825			
2012-2016	30,860,000	35,182,508	66,042,508	32,092,940	14,018,240	46,111,180	62,952,940	49,200,747	112,153,688			
2017-2021	48,400,000	26,258,418	74,658,418	35,824,874	7,554,034	43,378,907	84,224,874	33,810,451	118,035,325			
2022-2026	71,830,000	9,386,750	81,316,750	20,377,328	1,740,178	22,117,507	92,307,328	11,126,928	103,434,257			
	165,350,000	94,875,968	260,365,968	106,682,452	35,643,907	142,326,359	272,072,452	130,819,875	402,892,326			
	<b>\$170,480,000</b>	<b>\$103,425,384</b>	<b>\$273,905,384</b>	<b>\$111,941,282</b>	<b>\$39,770,463</b>	<b>\$151,711,745</b>	<b>\$282,421,282</b>	<b>\$143,195,846</b>	<b>\$425,617,128</b>			

(1) Does not include bond premium

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Operating revenue	\$ 39,467,199	\$ 41,221,565	\$ 43,470,929	\$ 45,954,862	\$ 49,893,412	\$ 54,613,471	\$ 59,286,292	\$ 63,682,342	\$ 54,316,362
Interest income (unrestricted)	2,721,068	1,129,249	2,695,987	2,318,423	1,313,998	769,779	1,176,003	1,200,000	3,451,163
Other income	18,657	16,317	29,500	111,546	12,263	30,880	6,340	246,454	129,822
Gross revenues	42,206,944	42,367,131	46,191,396	48,384,831	51,219,661	55,414,130	59,438,635	65,129,796	67,897,367
(Less operating expense)	(16,366,433)	(10,961,634)	(18,733,428)	(18,737,363)	(19,109,851)	(20,531,512)	(21,773,893)	(23,196,636)	(23,441,865)
Net revenues available for debt service	\$ 25,840,511	\$ 23,415,597	\$ 27,457,968	\$ 29,647,468	\$ 32,059,710	\$ 34,882,618	\$ 37,664,742	\$ 41,933,160	\$ 44,455,502
Debt service on bonds & partly indebtedness	6,110,361 (1)	4,542,135	13,143,804	17,553,807	18,128,549	17,317,957	15,971,002 (2)	24,207,487	21,355,711
Parity debt coverage*	4.23	5.96	2.09	1.69	1.77	2.01	2.36	1.73	2.08
Debt service on all obligations	7,061,903 (1)	6,082,554	13,161,814	17,475,540	18,170,324	17,317,957	15,971,002 (2)	24,207,487	21,355,711
Total debt coverage	337.26%	444.71%	208.82%	169.65%	176.44%	201.42%	235.83%	173.22%	208.13%

(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 \$63,812,562 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,**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Expense</b>										
Operating expense without depreciation	\$ 18,366,433	\$ 16,756,436	\$ 18,951,634	\$ 19,733,428	\$ 19,737,383	\$ 18,159,951	\$ 20,531,512	\$ 21,773,863	\$ 23,196,638	\$ 23,441,865
Depreciation	7,759,634	8,455,804	10,227,583	11,057,639	11,804,678	12,082,226	14,640,227	16,543,392	18,284,379	21,024,952
Total operating expense	24,126,067	25,215,240	29,179,117	29,800,967	30,541,941	31,842,177	35,171,739	38,317,255	41,480,017	44,466,817
<b>Non-Operating Revenues (Expenses)</b>										
Amortization of bond issuance cost	159,391	120,706	-	107,936	176,658	138,205	220,883	223,200	111,828	133,129
Non-project expenses	2,440	922,773	546,884	73,338	12,632	958	1,789	-	305	475,957
Other expenses	402	5,327	377,667	26,515	4,982	597	145	-	-	-
Total amortization, non-project and other expenses	161,233	1,048,806	924,521	207,769	194,270	139,760	222,817	223,200	112,233	609,086
Total expense	\$ 24,287,500	\$ 26,264,046	\$ 30,103,638	\$ 30,008,756	\$ 30,736,211	\$ 31,981,937	\$ 35,394,556	\$ 38,540,455	\$ 41,592,250	\$ 45,075,903
<b>Long-Term Debt Costs</b>										
Interest payments and agent fees (excluding interest on BAN* payoff)	\$ 3,610,822	\$ 2,200,423	\$ 2,087,535	\$ 3,369,094	\$ 7,036,259	\$ 7,655,364	\$ 7,677,963	\$ 8,267,425	\$ 12,901,635	\$ 11,964,357
Principal payments (excluding refinancing or BAN payoff)	3,784,571	3,834,462	3,313,287	4,534,726	9,537,281	10,514,940	9,640,004	7,703,577	11,305,852	9,396,354
Acquired facilities	74,791	47,669	18,122	18,110	-	-	-	-	-	-
Total long-term debt costs	\$ 7,670,184	\$ 6,082,554	\$ 5,418,944	\$ 7,921,930	\$ 17,475,540	\$ 18,170,304	\$ 17,317,967	\$ 15,971,002	\$ 24,207,487	\$ 21,360,711
* BAN - Bond Anticipation Note										
Expense to debt ratio	3.17/1	4.32/1	5.58/1	3.78/1	1.77/1	1.75/1	2.04/1	2.41/1	1.71/1	2.11/1

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

Year	Assessed Value (1)	The Authority's General Obligation Debt Balance	Ratio of Assessed Value to General Obligation	Population (2)	Assessed Value Per Capita
1998	\$1,041,657,121	\$1,400,000	744	371,000	2,808
1999	\$1,175,716,074	\$0	0	379,819	3,085
2000	\$1,229,876,805	\$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
2007	\$1,312,110,475	\$0	0	417,166	3,145

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Greenville County	\$ 12,630,000	\$ 14,350,000	\$ 16,465,000	\$ 41,225,000	\$ 43,555,000	\$ 47,410,000	\$ 48,540,000	\$ 55,815,000	\$ 58,385,000	\$ 65,435,000
School District of Greenville County	82,875,000	96,020,000	121,550,225	89,803,878	44,360,000	-	-	-	-	-
Greenville Memorial Audubon District	11,485,000	12,215,000	11,970,000	11,540,000	11,280,000	10,990,000	10,590,000	10,040,000	9,620,000	9,150,000
Benoit Public Service District	1,525,000	1,530,000	1,466,000	1,385,000	825,000	830,000	750,000	2,635,000	2,392,000	2,180,000
Belling Springs Fire District	719,485	686,833	670,942	643,794	615,174	544,860	512,121	251,857	490,456	440,957
Denatation Center Fire Service District	95,000	75,000	50,000	35,000	-	-	-	-	-	-
East Simpsonville Fire District	255,000	225,000	145,000	60,000	-	-	1,295,000	1,200,000	1,180,000	1,100,000
Grant Fire, Sewer & Police District	798,341	721,223	2,852,019	2,522,354	2,392,206	2,241,550	2,092,362	2,013,815	1,828,279	1,628,327
Grassy Mountain Fire District	135,000	125,000	80,000	75,000	60,000	45,000	30,000	15,000	2,020,000	1,915,000
Mauldin Fire Service Area	395,000	395,000	330,000	295,000	255,000	210,000	180,000	110,000	65,000	-
Meridian Sewer Sub-District	700,000	350,000	-	-	-	-	-	-	-	-
Parker Fire & Sewer Sub-District	550,000	430,000	200,000	-	-	-	-	-	-	-
Pelham Blakesville Fire District	-	43,000	-	-	550,000	873,478	793,344	709,428	621,590	420,525
Piedmont Sewer & Light District	69,000	-	26,000	6,000	-	-	-	-	-	-
Recreation District	1,270,000	1,065,000	895,000	650,000	47,500	345,000	1,712,000	1,857,000	2,137,505	2,003,128
South Greenville Fire & Sewer District	1,160,000	1,565,000	925,000	835,000	715,000	660,000	455,000	310,000	1,765,000	1,522,000
Taylor's Fire & Sewer District	1,774,259	1,591,038	1,505,449	1,515,535	1,421,742	1,323,889	1,221,828	1,112,208	1,004,278	900,407
Tigerville Fire District	343,092	394,702	523,036	310,991	297,509	283,590	266,792	253,802	238,430	218,745
Upper Paris Mountain District	80,000	80,000	70,000	60,000	50,000	40,000	50,000	30,000	10,000	-
Wade Hampton Water & Sewer District	650,225	558,465	468,072	357,222	243,792	134,799	-	-	-	-
Western Carolina Regional Sewer Auth.	1,400,000	-	-	-	-	-	-	-	-	-
Town of Fountain Inn	50,000	-	-	-	-	-	-	275,900	2,375,000	280,000
City of Greenville	10,215,000	8,995,000	7,315,000	6,195,000	6,465,000	8,660,000	12,860,000	11,625,000	70,906,497	15,550,000
Town of Oconee	845,000	1,250,000	4,010,000	4,490,000	4,105,000	3,670,000	3,435,000	3,040,000	4,118,500	5,311,000
Town of Mauldin	1,825,000	1,695,000	1,530,000	1,590,000	4,631,000	4,573,617	3,946,286	2,875,000	4,196,987	2,485,000
Town of Simpsonville	2,003,000	1,960,000	1,750,000	1,530,000	2,695,000	2,345,000	2,695,000	2,515,000	11,056,000	2,450,000
Town of Travelers Rest	270,000	143,385	130,000	-	-	-	-	-	-	542,299
	\$ 144,114,982	\$ 144,673,344	\$ 177,410,440	\$ 145,827,444	\$ 128,528,900	\$ 85,590,879	\$ 89,243,743	\$ 95,552,000	\$ 178,488,372	\$ 113,399,885

Source: Greenville County Treasurer

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

Calendar year 2007 valuation as determined by the Greenville County Finance Department	\$1,312,110,475
Statutory debt limit rate-Article X of S.C. Constitution	8%
Statutory debt limit	104,968,838
General obligation indebtedness as of June 30, 2007	0
Legal debt margin	\$104,968,838
Total General Obligation Debt as of June 30, 2007	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 \$1,312,110,475 and 8% of such amount is \$104,968,838 (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 \$104,968,838 of general obligation debt.

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

Company Name	City	Primary Product / Service	Employment		Date Established
			Jobs	% of Total	
Greenville Hospital System	Greenville	Health Services	7,792	3.4%	1930
Michelin North America, Inc.	Greenville	Radial tires	4,085	1.8%	1975
General Electric Co.	Greenville	Gas turbine engines	2,600	1.1%	1967
Fluor Corporation	Greenville	Engineering & Construction	2,400	1.0%	1960
St. Francis Health Systems	Greenville	Health Services	2,027	0.9%	1932
Sealed Air Corporation	Greenville	Plastic Bags	1,700	0.7%	1998
Lockheed - Martin Corporation	Greenville	Commercial and military aircraft	1,300	0.6%	1984
Bi-Lo Warehouse and Distribution	Greenville	Grocery Distribution	900	0.4%	1961
Tela - Tech Services	Greenville	Business Services	850	0.4%	1980
BB&T	Greenville	Financial Services	743	0.3%	1960

Source: GADC and SCACOG; February, 2007

Note: Data for previous nine years not considered relevant to current year report and therefore omitted.

**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>
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%
2007	417,166	2.5%	\$30,037	36	68,382	4.9%

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>1988</u>	<u>1989</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>
Laboratory	16	15	15	16	18	19	19	18	17	17
Operations	9%	8%	8%	9%	10%	10%	9%	9%	9%	8%
Maintenance/Collections	64	65	62	60	54	59	63	62	61	61
Administration	35%	35%	34%	33%	29%	31%	31%	31%	32%	31%
Pretreatment	58	59	54	56	64	62	66	65	63	64
Engineering	32%	32%	30%	31%	34%	32%	33%	33%	33%	33%
Solids Management	21	23	23	23	23	24	24	25	24	24
	11%	12%	13%	13%	12%	12%	12%	13%	13%	12%
	6	4	6	6	7	7	7	7	7	7
	3%	2%	3%	3%	4%	4%	3%	4%	4%	4%
	11	12	14	13	15	17	18	15	15	16
	6%	6%	8%	7%	8%	9%	9%	8%	8%	8%
	7	7	7	6	5	5	5	5	5	5
	4%	4%	4%	3%	3%	3%	2%	3%	3%	3%
<b>Total</b>	<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>	<u>194</u>

WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
MISCELLANEOUS STATISTICS  
JUNE 30, 2007

Services and Supplies Per Year		East Ops	West Ops
Electric power		\$1,061,278	\$1,410,568
Chlorine		40.25 tons	112.75 tons
Polymer		49.1 tons	66.07 tons
Lime Slurry		0	4,520.08 tons
Lime		567.5 tons	528.14 tons
Sulfur Dioxide		18 tons	33.3 tons

Treatment Plant	Loc	Total Length of Line (ft)	# Pump Stations	# Industrial Users (1)	Amount of Solids Generated	Method of Solids Disposal	# Staff at Plant
Dubin Creek	E	135,532	6	14	314 dry tons/year	Land application/recycled	4
Georges Creek	W	117,652	14	2	69 dry tons/year 197 dry tons/year	Land application/recycled Landfill disposal	5
Glider Creek	E	160,358	3	8	568 dry tons/year	Land application/recycled	6
Geese Creek	W	94,570	1	15	214 dry tons/year	Land application/recycled	3
Lower Reedy	E	378,823	5	25	1,234 dry tons/year 224 dry tons/year	Land application/recycled Landfill disposal	7
Marlette	W	24,837	4	1	103 dry tons/year	Landfill disposal	0
Mauldin Road	W	368,555	8	27	3,611 dry tons/year	Land application/recycled	22
Pellam	E	216,760	8	10	1,025 dry tons/year 36 dry tons/year	Land application/recycled Landfill disposal	8
Piedmont	W	10,437	3	0	29 dry tons/year	Land application/recycled	1
Taylor	E	310,159	20	2	922 dry tons/year	Landfill disposal	5
<b>Totals</b>		<b>1,642,033</b>	<b>62</b>	<b>150</b>	<b>8,746 dry tons/year</b>		<b>61</b>

(1) Total significant industrial users = 67

E - East Operation

W - West Operation

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
SUMMARY OF TREATMENT PLANT FLOWS  
JULY 1, 2006–JUNE 30, 2007**

Treatment Plant	Actual Design (Permitted) Flow (MGD)	Annual Average Flow (MGD) <sup>(1)</sup>	Actual Average Peak Monthly Flow (MGD) <sup>(1)</sup>
<b>Reedy River Basin</b>			
Mauldin Road	29.0	16.5	21.3
Lower Reedy	7.5	5.3	6.1
Basin Total	36.5	21.8	27.4
<b>Saluda River Basin</b>			
Marietta	0.7	0.2	0.4
Georges Creek	3.0	1.1	1.6
Grove Creek	2.0	1.0	1.2
Piedmont	1.2	0.2	0.2
Basin Total	6.9	2.5	3.4
<b>Enoree River Basin</b>			
Taylor's	7.5	3.3	4.2
Pelham	22.6	6.9	7.1
Cedar Creek	8.0	3.6	4.6
Durbin Creek	3.3	1.6	2.1
Basin Total	41.3	14.6	18.0
<b>Total All Basins</b>	<b>84.7</b>	<b>38.9</b>	<b>48.8</b>

Annual Average Flow and Actual Average Peak Monthly Flow have been determined from the Authority's Operator Daily Log from July 1, 2006 to June 30, 2007. 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, 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.

**Total average flows for all treatment facilities—June 2003–June 2007**

Year	MGD
2003	46.2
2004	40.6
2005	44.2
2006	38.2
2007	38.9

WESTERN CAROLINA REGIONAL SEWER AUTHORITY  
MAJOR TREATMENT PLANTS  
JUNE 30, 2007

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 seven.

Treatment Plant	Type of Treatment	Original Service	Last Upgrade/Modification
<b>Roody River Basin</b>			
Mauldin Road	Modified Activated Sludge for Biological Phosphorus Removal with Tertiary Treatment	1927	Upgrade ongoing
<b>Lower Roody</b>			
	Modified Activated Sludge for Biological Phosphorus Removal with Tertiary Treatment	1975	2007
<b>Saluda River Basin</b>			
Marshall	Extended Aeration Activated Sludge	1975	2007
Georges Creek	Extended Aeration Activated Sludge	2003	2003
Grove Creek	Extended Aeration Activated Sludge	1974	2005
Pladmont	Extended Aeration Activated Sludge	1968	2004
<b>Enoree River Basin</b>			
Taylor's	Extended Aeration Activated Sludge	1970	1987
Pelham	Modified Activated Sludge for Nitrogen Removal with Tertiary Treatment	1978	2007
Gilder Creek	Extended Aeration Activated Sludge with Tertiary Treatment	1987	2008
Durbin Creek	Extended Aeration Activated Sludge	1968	Upgrade Ongoing

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**CAPITAL IMPROVEMENTS DEFRAID FROM EARNINGS**  
**LAST TEN YEARS ENDED JUNE 30,**

<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>
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	36,379,771	10,201,437	2,219,044	4,826,614	53,626,866 (1)
2007	59,917,562	12,338,255	495,172	11,037,376	83,788,365
	<u>\$ 187,896,055</u>	<u>\$ 132,915,963</u>	<u>\$ 15,154,780</u>	<u>\$ 104,419,819</u>	<u>\$ 440,386,617</u>

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

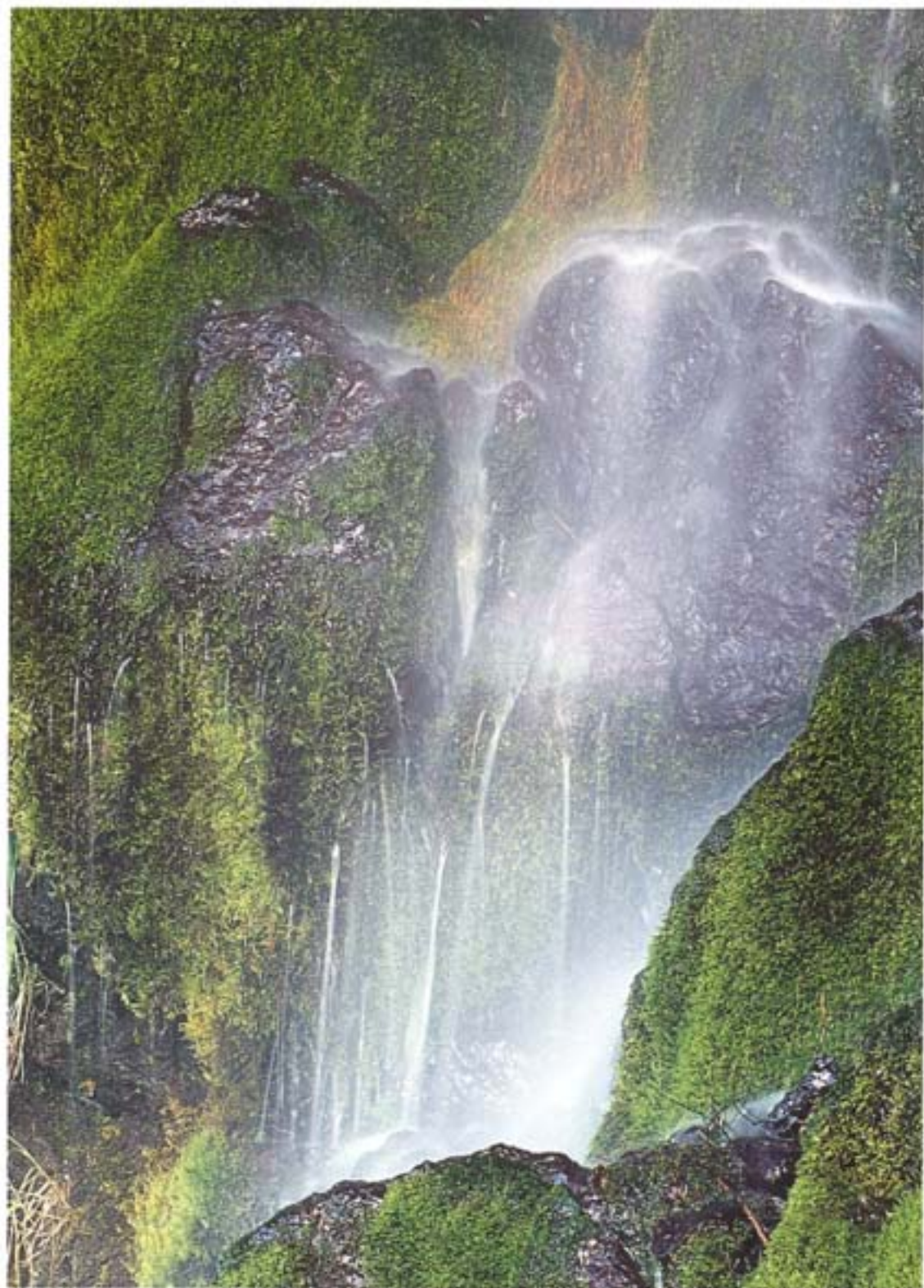






# Supplemental Audit Report





**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, 2007, and have issued our report thereon dated October 29, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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  
October 29, 2007

**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, 2007. 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 the Authority's 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, 2007.

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 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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  
October 29, 2007



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the year ended June 30, 2007*

**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 material weaknesses or significant deficiencies that are considered to be material weaknesses 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 material weaknesses or significant deficiencies that are considered to be material weaknesses 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, 2007*

	<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	\$ 404,918	\$ 109,334	\$ 514,252
		SRF-370-46	4,733,426	5,658,682	10,392,108
		SRF-370-47	-	2,608,339	2,608,339
			<u>\$ 5,138,344</u>	<u>\$ 8,376,355</u>	<u>\$ 13,514,699</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."

