

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended
June 30, 2008

Prepared by
Pamela H. Carnes
Controller

Western Carolina Regional Sewer Authority
Greenville, South Carolina



**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
GREENVILLE, SOUTH CAROLINA
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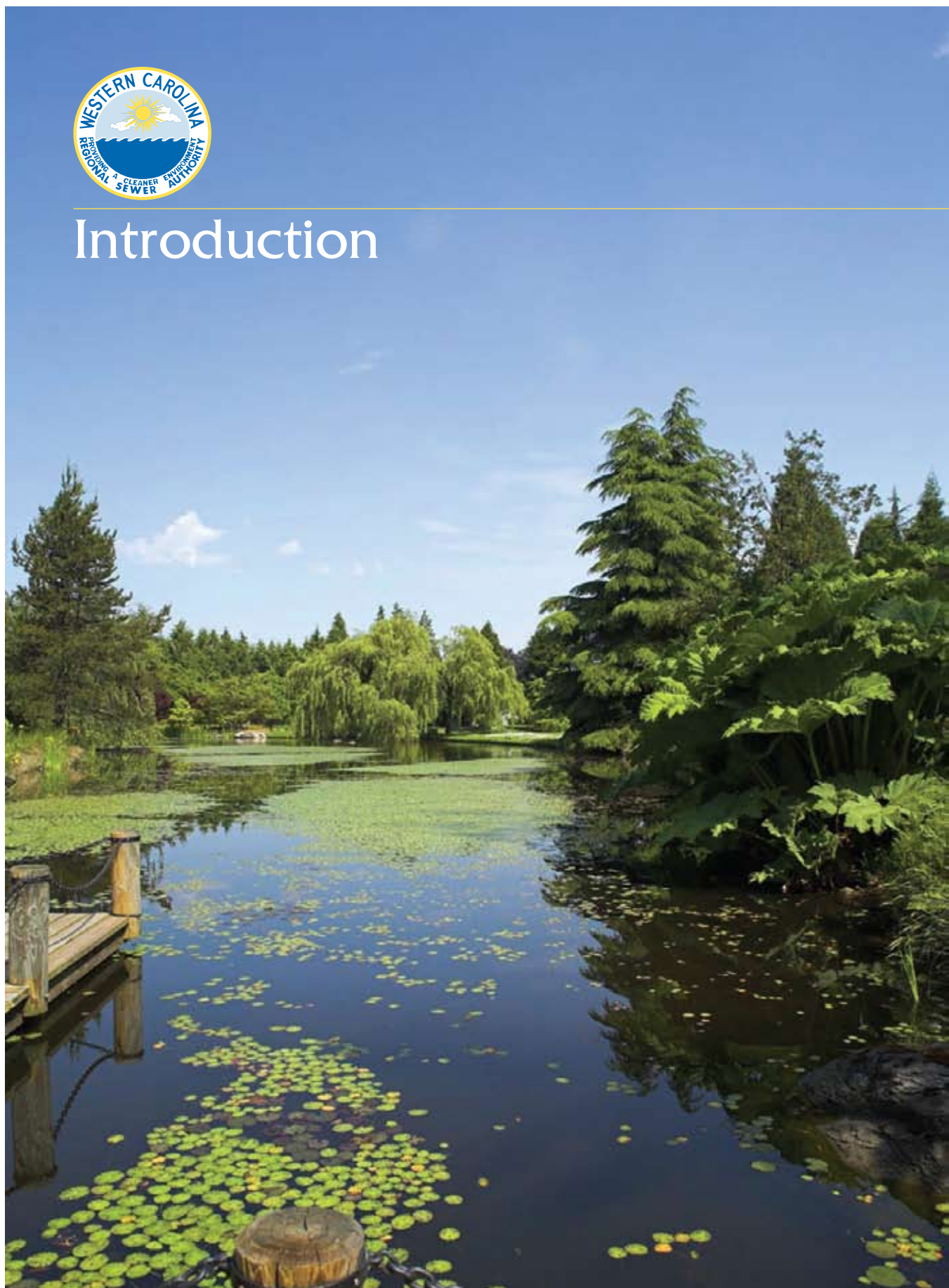
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Introduction





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, 2007

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



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Executive Director's Desk: In serving as the Upstate's quality wastewater treatment provider, Western Carolina Regional Sewer Authority (WCRSA) upholds our mission of protecting our natural resources and promoting a cleaner environment. We want to protect the public health and the quality of the Upstate waterways, while providing and developing the necessary sewer infrastructure for the growing economy. Each year, WCRSA serves the community by expanding the system capacity, as well as meeting stricter state and federal environmental regulations. We do so without any funding from state or local taxes, to ensure the future of the aquatic environment of the Saluda, Reedy and Enoree River Basins.

This past year, WCRSA reconvened the Upstate Roundtable, a volunteer collaboration of community, business and governmental leaders, and technical experts, who were charged with reviewing and addressing needed wastewater infrastructure growth. The current Upstate Roundtable builds from the original 20-year plan adopted in 1994. The report will guide WCRSA in the strategic planning and growth required ensuring efficient service in the future, while still protecting our environmental resources. The Upstate Roundtable will issue its new report in early 2009, describing the current objectives and initiatives recommended by the five committees.

Complementing the work of the Upstate Roundtable, WCRSA also maintains an ongoing capital improvement program addressing our current and future infrastructure needs. Due to projected residential and industrial growth, several plants are under construction to increase capacity. Additional projects include upgrading facilities for the addition of ultraviolet disinfection, sewer line rehabilitation and stricter South Carolina Department of Health & Environmental Control (SCDHEC) limits. The capital improvements program is also successfully continuing the multi-year process of consolidating into regional facilities, to reduce the total number of treatment plants. Completing this project is a large financial undertaking, of which WCRSA has financed the improvements through a combination of internal equity generated from system revenues, state-revolving fund loans and revenue debt issues.

These system-wide improvements allow WCRSA to provide a cleaner environment, and have successfully resulted in the organization achieving a 99.99% compliance with the NPDES requirements during 2007. The National Association of Clean Water Agencies (NACWA) awarded Peak Performance Awards to ten of WCRSA's treatment plants, recognizing their high performance standard. Seven of WCRSA's treatment plants received Gold Peak Performance Awards for 100% compliance; NACWA's Silver Peak Performance Awards were presented to three treatment plants.

One of the "green"-est capital improvements for WCRSA in the past year has been the completion of a new consolidated, energy-efficient Administration Building. The new facility is a large step to replace WCRSA's other aged and maintenance-intensive buildings, while serving as a testament of our dedication to environmental stewardship. WCRSA worked diligently in collaboration with architects from Pazdan-Smith Group to strategically plan and execute numerous green-building techniques, and we are currently pursuing LEED Certification to recognize our environmental features. In November 2008, WCRSA also turned over a new green leaf with its name. Western Carolina Regional Sewer Authority dba Renewable Water Resources will be launched in future financial years.

In additional efforts to protect our resources, WCRSA has partnered with the Greenville County Council and City Council to establish needed regulations regarding stormwater runoff. The new Stormwater Management Ordinance - issued in the fall of 2008 - established provisions to control and reduce the discharge of pollutants to Greenville's waterways. This reduction not only minimizes property damage and erosion, but helps ensure water quality standards and protect public health and the local environment.

WCRSA has partnered with additional community groups, such as the Greenville County Recreation District and the Greenville County Historic Preservation Commission, in an intergovernmental renovation project. The partnership will restore a historically significant antebellum mill office, as well as, develop a park and nature trail. Joining in this project allows WCRSA to contribute to enriching the quality of life in the Upstate through green space and economic development.

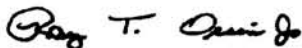
In keeping with other renovation projects, WCRSA has revitalized its communication with customers through a new, navigation-friendly web site. The interactive site, www.ReWaOnline.org, offers customers access to a variety of important and timely information, including employment opportunities at WCRSA and updates on the organization's projects. The site contributes to the new organizational identity, as a medium to educate the public on how WCRSA serves the Upstate and contributes to the protection of resources. Web site visitors can also contact WCRSA and offer feedback to the organization through a variety of ways, including the kid-friendly Freshwater Freddie Blog or the Environmental Management Systems (EMS) blog.

Additionally, WCRSA distributes an Annual Report to the community, detailing the organization's strong financial position, improvements and 2008 achievements. The informative piece is distributed as an insert in local newspapers, reaching more than 160,000 residences and businesses. In recognition for the community-friendly and informational approach of the report, WCRSA has received the Popular Annual Financial Report Award from the Government Finance Officers Association for the past ten years.

More than just educating the members of our community, WCRSA also endeavors to give back through various outreach and charitable projects. WCRSA employees donate time, skills and money to events, such as the Freshwater Freddie Golf Tournament and the Annual WCRSA Fish Fry. Participating in these fundraisers supports WCRSA's position as a United Way Pacesetter, and assisted the organization in surpassing its goal of \$74,000, raising a total of \$75,948. WCRSA also participates in campaigns, such as the Annual Reedy River Sweep, to bring together community groups to restore our local environment. Participating in these events, allows WCRSA and its employees to offer much-needed support to their community as a whole.

WCRSA recognizes the importance of accountability to both state and federal agencies, as well as to our customers. We look forward to another year supporting the Upstate community, both in treatment service and in environmental stewardship.

Respectfully,
Ray T. Orvin, Jr.



Executive Director

December 05, 2008



ACCOUNTING DEPARTMENT

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December 18, 2008

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of Western Carolina Regional Sewer Authority (the Authority) for the fiscal year ended June 30, 2008, is submitted for your review. This report was prepared by the Accounting Department of the Authority which is responsible for the accuracy of the presented data and the completeness and fairness of presentation. All disclosures necessary to gain an understanding of the Authority's financial activities have been included.

The Authority's Commission requires an audit by an independent firm of certified Public Accountants annually. Elliott Davis, LLC performed this function and conducted the engagement in accordance with auditing standards accepted by 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. Elliott Davis, LLC concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the Authority's financial statements for the Fiscal Year Ended 2008.

The independent audit of the financial statement included federal mandated Single Audit Standards. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Single Audit reports can be found under the "AUDIT" tab as a part of this report.

GAAP requires that management provide a narrative introduction, overview and analysis in the form of Management's Discussion and Analysis (MD&A) to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found beginning on page 26 of the Financial Section.

PROFILE OF THE AUTHORITY

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 13 billion gallons per year. The facilities range in size from plants treating 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 approximately 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 eight 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 offices, 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 68 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 2008

Industry	Revenue	Percentage Of Total Operating Revenues
Columbia Farms <i>Poultry processing</i>	\$ 912,560	1.38%
Kemet Electronics – Simpsonville <i>Manufacturing of electronic capacitors</i>	325,757	0.49 %
Sealed Air – Cryovac <i>Food wrapping</i>	315,994	0.48 %
Cliffstar Corporation <i>Fruit juice bottling</i>	304,336	0.46 %
Michelin Tire Corporation <i>Manufacturing of tires</i>	251,677	0.38 %
Cytec Carbon Fibers <i>Carbon fibers</i>	245,447	0.37 %
K&M Fabrics, Inc. <i>Drapery fabrics</i>	230,793	0.35 %
Cognis – Henkel Corporation <i>Production of organic chemicals</i>	207,601	0.31 %
Aurora Textile <i>Textile fabrics</i>	201,664	0.31 %
Columbia Farms - Pelham <i>Poultry processing</i>	163,735	0.25 %

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

Positive Growth Indicators

According to a new national survey, Greenville is rated number 4 in the best places in the United States to live. The reasons stated, by Relocate-American, for Greenville being one of the best places to live are: 1) Downtown revitalized district; 2) New residential construction and renovations; 3) Headquarters for companies such as Michelin North America and BMW; and 4) home of the largest school district in state.

Upstate Schools

The Upstate continues to provide skilled staff and training opportunities for the expanding growth of the Upstate. On June 25, 2008, Greenville Technical School announced the opening of a Culinary Institute for the Carolinas. This program qualifies graduates for positions as a sous chef, pastry chef, personal chef, catering director, hotel or restaurant manager, or certified culinarian earning about \$32,000 to \$54,000.

Also, The University of South Carolina is partnering with Greenville Technical School to offer a business incubator beginning this fall. The incubator program will stimulate and support economic development in the upstate and will be a learning tool for ambitious entrepreneurs.

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; fine arts; and media and communications. The business community is the strongest advocate of this program, since it prepares students for the working world and provides an expanded pool of qualified job applicants.

The School District of Greenville County is the largest district in the state, offering a variety of programs to meet the needs of more than 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; a number of highly accredited private schools such as Christ Church Episcopal (an independent school that is one of only five schools in North America that offer an International Baccalaureate Program curriculum in grades k-12). 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, also, is the home of Roper Mountain Science Center, and many other colleges, universities, and technical schools.

Economic Growth-Business

The availability of skilled and trainable labor has become increasingly important to prospective companies when choosing a new location. In June 2008, Greenville County had an average unemployment rate of 6.2 percent, improving on an overall South Carolina rate of 6.5 percent. According to South Carolina's Secretary of Commerce, our state continues to be a preferred location to do business and a nation leader in jobs created by foreign direct investment.

For examples, American Yuncheng Plate Making Inc., a China based manufacturer is bringing its first North American facility to Spartanburg County and a \$10 million investment. Its 30,000 square-foot facility will be located near the city of Spartanburg. The plant could create up to 120 new jobs.

A Florida-based company, Cross Country Home Service Inc., plans a \$3 million investment that will create 350 new jobs in the upstate. Cross Country Home Service Inc., a home warranty, service plan and homeowner emergency assistance company will open its newest customer care center in Anderson.

Greenville Area Development Corporation and Precision, a global manufacturer and marketer of aerosol valves, will significantly expand its production facilities in Greenville County by adding a projected 190 new jobs within a five year period. The expansion of the Travelers Rest facilities reflects a \$50 million investment by the company. Today, with annual revenues of over \$320 million, Precision Corporation is the world's largest supplier of aerosol valves.

Transportation and Community

Transportation is another critical component of 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.



Downtown Festival

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 River in downtown Greenville continues to be the 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.



Liberty Suspension Bridge

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 SCEPA and SCDHEC.

2007-2008 Capital Projects

Mauldin Road WWTP Modifications

Modifications will provide the capability to handle anticipated stormwater flows, including treatment facilities and new secondary sludge handling facilities. New filters and the addition of ultraviolet disinfection are completed. The solids treatment process and chemical treatment are on schedule to be completed by November 2008.

Durbin Creek WWTP Expansion

Upgrades that bring the WWTP from 3.3 MGD to 5.2 MGD will continue into Fiscal Year 2009. Work is 73% complete and is on schedule. Digester start-up is planned for the fall of 2008.

Gilder Creek WWTP Phase III Upgrade

The Authority had planned another upgrade to take the plant capacity from 8.0 MGD to 12.0 MGD and possibly up to 20.0 MGD. After minor changes DHEC approved a re-rate of the Gilder Creek WWTP to 11.3 MGD, postponing another upgrade until approximately Fiscal Year 2013.

Enoree River Trunk Line

In order to provide sewer to a developing area along the Enoree River, a new 60 inch diameter gravity sewer has been constructed starting at the Pelham WWTP and continuing up to the Dillard Road pump station. The gravity sewer has allowed for the elimination of three (3) existing pump stations.

Taylor's Pump Station and Force Main

Construction is underway on a new pump station and approximately 13,470 feet of new 24 inch force main, allowing the Taylor's WWTP to be taken out of service. The Pump Station will have a design capacity of 20 MGD.

Grove Creek Pump Station and conveyance system

Effluent from Grove Creek WWTP discharges into Grove Creek. In order to alleviate stringent permit requirements, the discharge point has been relocated to the Saluda River. Construction for the force main is complete and the pump station is online. Punch list items are being addressed.

Piedmont Regional WWTP

Significant growth is predicted along both sides of the Saluda River. In order to accommodate these additional flows, this new Piedmont regional plant will be constructed. The initial capacity of the WWTP will be 4.0 MGD and when construction is complete flows from the Grove Creek WWTP and existing Piedmont WWTP will be rerouted to this Regional WWTP. Construction of this Regional Plant will allow both smaller plants to be removed from service. Preliminary engineering on the project is complete and the Authority is initiating the design and construction process.

Woodfern-Pitts Replacement Sewer

The Authority is replacing 8, 10 and 12 inch existing sewers with 18 and 24 inch sewers between Woodfern Court and Howell Road in Greenville. Construction is 40% complete.

Administration Building

Construction was completed on the new Administration building. This building houses the Administrative, Purchasing, Accounting, Customer Service, Pretreatment, Engineering, and Human Resource Departments in one location.

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. More details are provided on pages 30 and 31 of the MD&A.

In an effort to meet future challenges, in Fiscal Year 2008, the Authority re-established a committee, Upstate Roundtable, to identify future projected growth in Greenville, Laurens, Anderson, Pickens, and Spartanburg counties.

FINANCIAL POLICIES

Accounting System and Internal Controls

The Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statement will be free from material misstatement. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed both to protect the Authority's assets from loss, theft, misuse or disposition and to compile sufficient reliable information for the preparation of the financial statements in conformity with Accounting Principles Generally Accepted in the United States of America. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. 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

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, 2008, the Authority had \$301.8 million in long and short-term debt primarily issued for purposes of constructing capital assets. \$124.7 million in debt at June 30, 2008 related to loan agreements with the South Carolina Budget and Control Board. The remaining \$177.1 million related to revenue bonds issued between 1995 and 2005. As of June 30, 2008 all outstanding bonds carried 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 American Home Assurance Company. The fund provides protection as mandated by the South Carolina Workers' Compensation Law.

Budget and Controls

For Fiscal Year 2009, the Authority's Commission approved a Capital Improvements Budget of \$52.4 million. This budget is funded by \$17.2 million from the State Revolving Fund Loans (SRFL) for the Piedmont and the Durbin Creek WWTPs. The balance will be provided by the Authority's reserves and contributed capital.

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 Board of Commissioners (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. The Authority's budget practices not only comply with state statutes, but are more stringent due to our budget policy.

Procurement procedures, after the budget is approved, are administered by internal controls set forth in section 5 of the Authority's Procurement Code. Any department that has need of goods or services must submit an internal requisition form signed by the appropriate department manager and/or by the appropriate director. Once the requisition is approved, the purchase order is placed with the lowest responsive, responsible source, or as determined to be the most advantageous for WCRSA.

Year 2008 Operational Budget vs. Actual
(in millions of dollars)

	FY 2008 Budgeted	FY 2008 Actual	Variance
			Over/(under)
Revenue:			
Domestic & Commercial	\$ 53.4	\$ 52.8 *	\$ (.6)
Industrial	5.3	6.3	1.0
New Account Fee	7.5	6.8	(.7)
Unrestricted Investment Income	<u>.7</u>	<u>2.6</u>	<u>1.9</u>
Total Revenue	\$ 66.9	\$ 68.5	\$ 1.6
Expense:			(Over)/under
Operations	\$ 13.4	\$ 12.9	\$.5
Laboratory/Pretreatment	1.9	1.8	.1
Collection System	2.9	2.7	.2
Administration and Other	<u>7.7</u>	<u>8.2</u>	<u>(0.5)</u>
Total Expense	\$ 25.9	\$ 25.6	\$.3

* Includes revenue from septage haulers and others

As shown above, the Authority's total revenues were approximately 2.4% above projections. Domestic and commercial customer revenues were lower than management's expectations by 1%. Even though, Domestic and Commercial customer revenues did not meet management's projection there has been a 6% increase from Fiscal Year 2007 to Fiscal Year 2008. Industrial revenues exceeded expectations by 19% 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 missed management's projections by 9%. The shortfall in NAF is reflective to the troubled economy. Unrestricted investment income exceeded projections by 271% due to construction projects being postponed to a later time.

Actual expenses were just under the budgeted amounts for FY 2008 helping to increase the total budget surplus to \$1.9 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

The Western Carolina Regional Sewer Authority recognized industries for demonstrating 100% compliance with environmental regulations throughout 2007. The Compliance Excellency Awards are presented annually to local industries that are in complete compliance with the Sewer Use and Pretreatment Regulation.

Industries receiving the awards were: Bausch & Lomb, Inc., Byrttech Custom Machine Works, Inc., C.H. Patrick & Co., Cognis Corp., Columbia Farms, Columbia Farms-Pelham, Cytec Carbon Fibers, LLC, EEEA Inc., Ethox Chemicals, Inc., General Electric Gas Turbine, Great American Tank Wash, Inc., GTP Greenville, Inc., Henkel Corporation, Irix Manufacturing, Inc. #1, ITG Automotive Safety-Dunean Plant, JPS Composite Materials, Kemet Corp. Fountain Inn and Simpsonville; KS Gleitager USA Inc., Lockheed-Martin Aircraft Center, Mitsubishi Polyester Films, Inc., Morgan AM&T, Nippon Carbide Industries (SC),

Inc., Nutra Manufacturing, Inc, Ortec, Inc., Roy Metal Finishing Inc., Mauldin, Saint Gobain Abrasives, Inc., Southern Weaving Company, Span Packaging Services, LLC, Specialty Shearing & Dyeing, Inc., Teknor Apex Carolina Co., and Vopak Logistics Service USA, Piedmont LLC.

Operations Awards

The Water Environment Association of South Carolina presented Joey Collins, Solids Manager, the Biosolids and Residual Management Program of the Year Award. This award recognizes significant achievement in recycling or reuse of natural resources, regulation compliance and excellence in project management.

Western Carolina's William Armes was presented the Quarter Century Operator Award for his service and dedication. The presentation was made by the Water Environmental Federation.

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, Durbin Creek, Grove Creek, Piedmont, Lower Reedy and Taylors Wastewater 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.

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, 2007. This is the fifteenth 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.

In addition, Pamela Carnes, Controller of Western Carolina, was recognized by receiving an Award of Financial Reporting Achievement. Carnes was responsible for preparing this award-winning CAFR.

However, 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 tenth 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 2007 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.

Upstate Roundtable

In 1994 the Authority's Commission and management worked with over 100 community volunteers and 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. Most of the projects identified by the Upstate Roundtable have been implemented. To say the least, all of Western Carolina's plants meet water quality standards and the organization has won several awards for innovation operation.

Western Carolina Board decided to re-establish the Upstate Roundtable. This new committee will complete a new twenty year plan that will be finalized in January 2009. During 2008, issues expected to be addressed are: future effluent standards, evolving technologies, water re-use, septic tank usage, micro-contaminants such as hormones in the effluent, and inflow and infiltration in aging sewer systems.

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.

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. The web site includes information about the wastewater treatment process; Pretreatment Regulations; Residential, Industrial and Commercial User Charges; employment opportunities; bid packages and the Procurement Code. The Authority's Comprehensive Annual Financial Report and Annual Report to the Community can also be accessed through the Authority's web site.

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.

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 2008 CAFR. The dedication and expertise of the Authority's staff are enormous assets to the Authority's operations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Pamela H. Carnes". The signature is fluid and cursive, with the first name "Pamela" being more prominent than the last name "Carnes".

Pamela H. Carnes

Controller

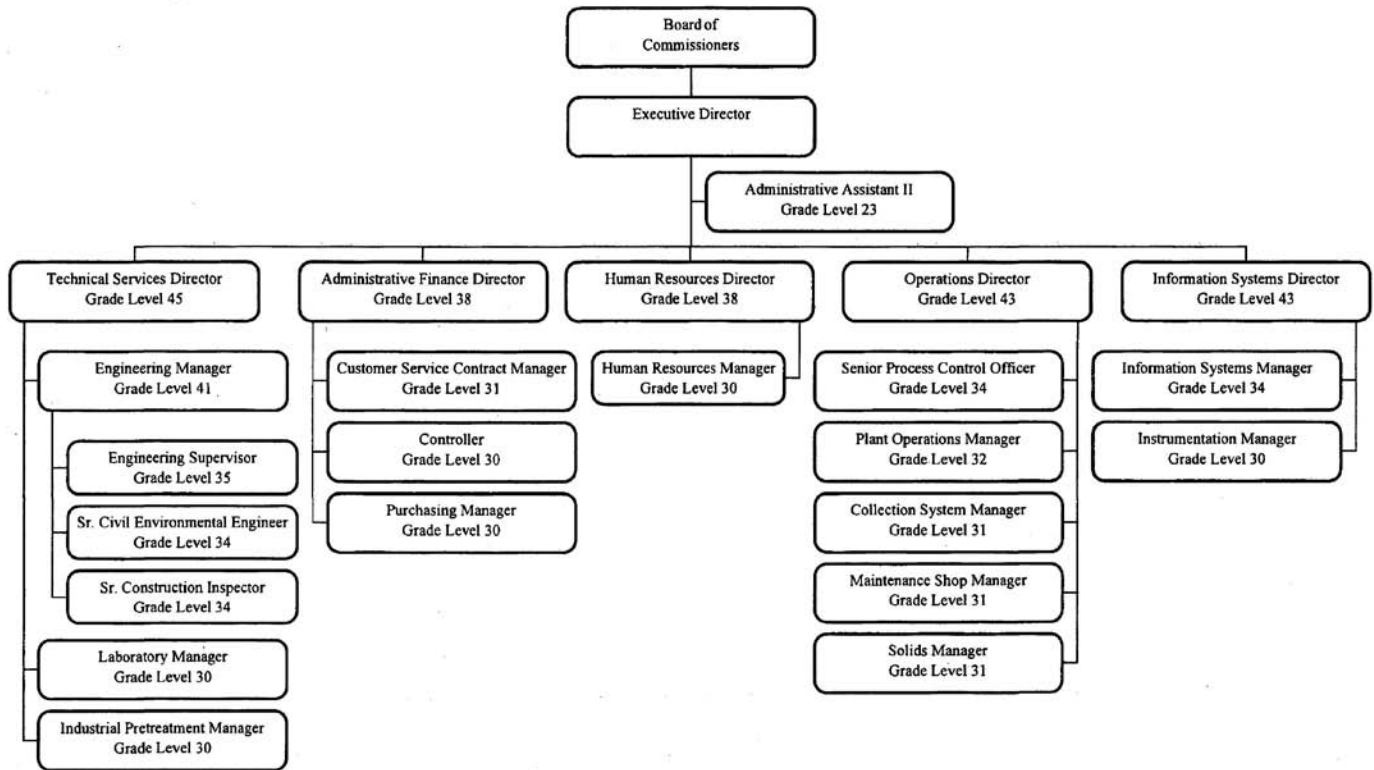
**Western Carolina Regional Sewer Authority
June 30, 2008
Board of Commissioners**

<u>Name</u>	<u>Date of Original Appointment</u>	<u>Current Term Expires</u>	<u>Principal Occupation</u>
J. D. Martin Chairman	December 31, 2001	December 31, 2009	Businessman
Jimmy T. Martin Vice Chairman	March 9, 2005	December 31, 2010	Businessman
L. Gary Gilliam Secretary/Treasurer	May 30, 2007	December 30, 2010	Businessman
George W. Fletcher	January 31, 2001	December 31, 2012	Businessman
Michael B. Bishop	February 24, 2006	December 31, 2009	Businessman
Ralph S. Hendricks	December 18, 1991	December 31, 2012	Businessman
John V. Boyette	February 26, 2004	December 31, 2011	Businessman
Willie J. Whittaker, Jr.	January 14, 1985	December 31, 2012	Retired Science Consultant
Billy (Butch) D. Merritt, Jr.	June 6, 1984	December 31, 2009	Guidance Counselor

Authority Directors

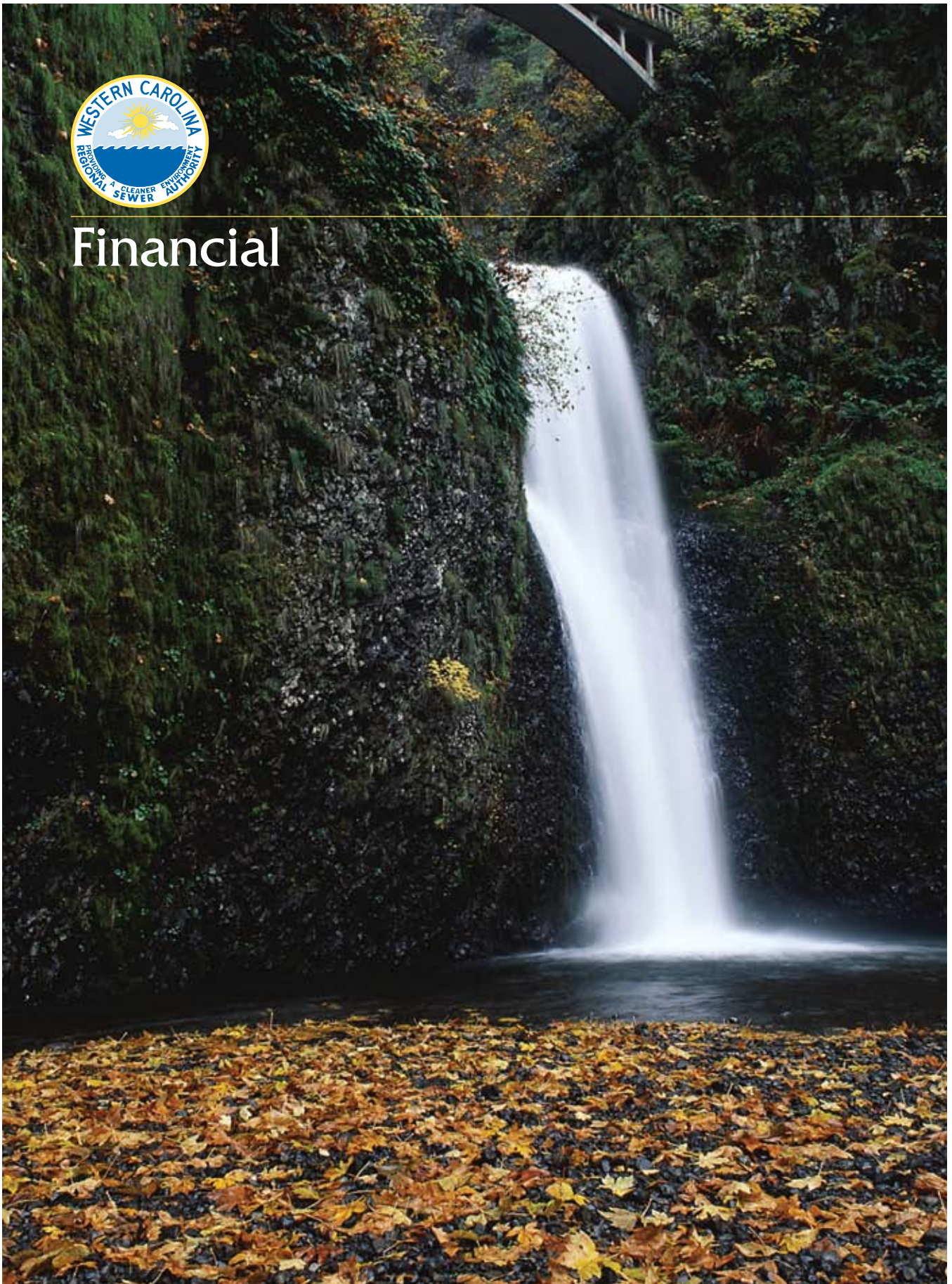
Ray T. Orvin, Jr., D.B.A.	Executive Director
Steven P. Graef, P.E. PhD.	Technical Services Director
Blake A. Visin	Information Systems Director
L. Glenn McManus	Operations Director
Cathy D. Caldwell, CPA	Administrative Finance Director
Barbara S. Wilson, SPHR	Human Resources Director

WESTERN CAROLINA REGIONAL SEWER AUTHORITY
Organizational Chart





Financial





**WESTERN CAROLINA REGIONAL
SEWER AUTHORITY**

REPORT ON FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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 Western Carolina Regional Sewer Authority (the "Authority") as of June 30, 2008 and 2007 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 Western Carolina Regional Sewer Authority as of June 30, 2008 and 2007, and the respective changes in financial position and 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 26 through 36 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 20, 2008 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 compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on 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.

Greenville, South Carolina
October 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Authority's annual financial report presents management's analysis of Western Carolina Regional Sewer Authority's ("WCRSA" or the "Authority") financial performance during the Fiscal Year that ended June 30, 2008. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets increased by \$7.2 million, or 3.0%, to \$246.6 million as a result of current year operations.
- Total revenues decreased by \$1 million, or 1.4%, to \$68.9 million due to decreased investment income.
- Total expenses increased by \$4.7 million, or 8.2%, to \$61.7 million primarily due to increases in worker's compensation insurance, billing adjustments, legal expenses and depreciation. Both billing adjustments and legal expense should decrease in fiscal year 2009.
- Capital improvements (see the capital assets and debt administration sections for a summary of our committed capital projects) included:
 - (1) Construction is final, except for punch list items, on the expansion of the Pelham Wastewater Treatment Plant (WWTP) which will accommodate 22.5 million gallons per day (MGD) and remove the Taylors WWTP from service. At over \$100 million, this is the Authority's largest project to date.
 - (2) Construction continues on the Mauldin Road WWTP to handle anticipated storm water flows, including treatment facilities and new secondary sludge handling facilities. This project is scheduled to be completed by December 2008.
 - (3) Upgrades for the Durbin Creek WWTP to bring the WWTP from 3.3 to 5.2 MGD will continue into Fiscal Year 2009. This project is 73% complete and is on schedule. Digester start-up is planned for fall of 2008.
 - (4) The Gilder Creek Phase II project was completed at the end of Fiscal Year 2007. This project upgraded the plant from 5 MGD to 8 MGD with ultraviolet disinfection and tertiary filtration. The Authority planned another upgrade to take the plant to 12 MGD in Fiscal Year 2008. With minor changes, DHEC approved a re-rate of Gilder Creek to 11.3 MGD, postponing another upgrade until approximately Fiscal Year 2013.
 - (5) Construction was completed on the new administrative building. This building houses the Administrative, Purchasing, Accounting, Customer Service, Engineering, and Human Resource Departments in one location.

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 sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's 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, investing, and financing activities.

The notes to the financial statements provide required disclosures and other information essential to a full understanding of information reported 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. As shown in the table, net assets increased \$7.2 million from \$239.4 million in Fiscal Year 2007 to \$246.6 million in Fiscal Year 2008, as compared to a \$13.4 million increase from Fiscal Year 2006 to 2007. A portion (73%) 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 (27%) 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 6% from Fiscal Year 2007 to 2008. Unrestricted net assets (those that can be used to finance day-to-day operations) decreased by \$32.7 million as the Authority utilized internally generated funds to finance capital projects.

Table A-1
Condensed Balance Sheets
(In millions)

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Current and Non-current Assets	\$ 58.9	\$ 90.9	\$ 59.9
Restricted Assets	14.1	14.9	92.5
Capital Assets	<u>489.3</u>	<u>445.1</u>	<u>382.3</u>
Total Assets	<u>562.3</u>	<u>550.9</u>	<u>534.7</u>
Long-term Debt Outstanding	301.9	294.9	292.8
Other Liabilities	<u>13.8</u>	<u>16.6</u>	<u>15.9</u>
Total Liabilities	<u>315.7</u>	<u>311.5</u>	<u>308.7</u>
Total Net Assets	<u>\$ 246.6</u>	<u>\$ 239.4</u>	<u>\$ 226.0</u>
Invested in capital assets, net of related debt	\$ 180.4	\$ 139.6	\$ 144.0
Restricted	14.1	15.0	27.9
Unrestricted (current & other assets)	<u>52.1</u>	<u>84.8</u>	<u>54.1</u>
Total Net Assets	<u>\$ 246.6</u>	<u>\$ 239.4</u>	<u>\$ 226.0</u>

(Continued)

NET ASSETS, *Continued*

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 on the following page reveals that the Authority's total revenues decreased by \$1 million in Fiscal Year 2008 to \$68.9 million from \$69.9 million in Fiscal Year 2007. Total revenues have decreased 1% since Fiscal Year 2006. 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 2008 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 5.7% and 2.9% in Fiscal Years 2008 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, decreased 11.6% in Fiscal Year 2007 and decreased 19% in Fiscal Year 2008. These decreases between Fiscal Years 2006 and 2008 are reflective of the distressed housing market.

Revenues from industrial customers increased slightly (3.3%) between Fiscal Years 2008 and 2007 after an increase of 5.2% from Fiscal Year 2006 to 2007. Even though there has been an increase in the volumetric treatment charge, companies have developed methods for more efficient water usage and/or restructured permit arrangements with the Authority. In Fiscal Year 2008 the Authority's Board of Commissions approved a rate increase for Pretreatment fees and surcharges. These increases will become effective January 1, 2009.

Interest and other non-operating revenues decreased during the year by \$2.6 million. In Fiscal Year 2008, the Authority did not enter into any projects that required cost sharing with other entities. Also, the Authority has exhausted the balance of bond proceeds requiring the use of internally generated cash flow to fund infrastructure, resulting in lower interest income.

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

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Operating Revenues			
Domestic and commercial customers	\$ 52.3	\$ 49.5	\$ 48.1
Industrial customers	6.3	6.1	5.8
New account fee	6.8	8.4	9.5
Septic haulers and other	0.5	0.3	0.3
Interest & other non-operating revenues	3.0	5.6	5.9
Total Revenues	<u>68.9</u>	<u>69.9</u>	<u>69.6</u>
Operating expense before depreciation	25.6	23.4	23.2
Depreciation expense	23.2	21.0	18.3
Interest, amortization & other non-operating expenses	12.9	12.6	12.9
Total Expenses	<u>61.7</u>	<u>57.0</u>	<u>54.4</u>
Capital project cost reimbursements	-	0.5	2.2
Increase in Net Assets	7.2	13.4	17.4
Total Net Assets, beginning of year	<u>239.4</u>	<u>226.0</u>	<u>208.6</u>
Total Net Assets, end of year	<u><u>\$ 246.6</u></u>	<u><u>\$ 239.4</u></u>	<u><u>\$ 226.0</u></u>

CAPITAL CONTRIBUTIONS

The Authority's capital project cost reimbursements decreased by \$1.7 million in Fiscal Year 2007 from Fiscal Year 2006, and there were no reimbursements received in Fiscal Year 2008. Reimbursements from outside entities have been received in previous fiscal years, but there were no participating entities in Fiscal Year 2008. Project reimbursement is necessary only when the Authority enters into a contract with one or more entities to construct pump stations and/or sewer conveyance systems that will benefit both parties.

EXPENSES

Total expenses increased by \$4.7 million in Fiscal Year 2008, an increase of 8.2% over Fiscal Year 2007. Total expenses increased by 4.8% in Fiscal Year 2007, from \$54.4 million in Fiscal Year 2006 to \$57 million in Fiscal Year 2007. In Fiscal Year 2008 the increase is primarily related to increases in cost such as gasoline, worker's compensation, customer refunds and depreciation. In Fiscal Year 2007, the increase was primarily depreciation. As the Authority continues improvements and construction of new facilities, depreciation expense has increased 10.5%, 14.8% and 11% for Fiscal Years 2008, 2007, and 2006, respectively. Operating expenses before depreciation increased by 9.4%, .9% and 6.4% in Fiscal Year 2008, 2007 and 2006, respectively. Non-project expenses can vary considerably each Fiscal Year. These expenses are one time costs 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 the Authority's cost savings program (sharing resources and internal surveys to identify efficiencies), operating expenses before depreciation have had increases of less than 10% per year since Fiscal Year 2004.

CAPITAL ASSETS

Capital assets grew from Fiscal Year 2007 to Fiscal Year 2008 by \$44.2 million, \$62.8 million in Fiscal Year 2007, and \$35.6 million in Fiscal Year 2006. At the end of Fiscal Year 2008, the Authority had invested \$489.3 million in infrastructure which includes land, sewer lines, buildings, operating equipment, wastewater treatment plant equipment and vehicles as shown in Table A-3 and in Note 5 of the accompanying notes to the financial statements.

Table A-3
Capital Assets
(In millions)

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Land	\$ 3.1	\$ 2.9	\$ 2.7
Depreciable assets:			
Buildings	305.6	277.6	243.7
Sewer Lines	288.9	262.1	228.8
Wastewater Treatment Plant Equipment	82.6	73.6	61.6
Operational Equipment	0.7	0.7	0.7
Office Furniture	0.5	0.5	0.5
Vehicles	0.6	0.6	0.7
	678.9	615.1	536.0
Less accumulated depreciation	192.7	172.9	156.4
	486.2	442.2	379.6
Net Capital Assets	<u>\$ 489.3</u>	<u>\$ 445.1</u>	<u>\$ 382.3</u>

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 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. The 20-year Upstate Roundtable plan adopted by the Authority's Board of Commissioners in 1994 identified needs of approximately \$326.5 million for growth in the Reedy, Saluda, and Enoree basins. In Fiscal Year 2008 all projects that materialized in this plan were completed, with the exception of the Piedmont Regional WWTP. The Piedmont Regional WWTP is projected to cost \$30 million with construction beginning in Fiscal Year 2009. The Authority, as of Fiscal Year end 2007, had construction contract commitments of approximately \$85.7 million to be completed in the next two fiscal years. The Authority closed Fiscal Year 2008 with construction commitments of approximately \$22.1 million. The Upstate Roundtable was re-established in Fiscal Year 2008 to identify future projects needed to maintain the quality of the environments, health of the citizenry, and growth in the upstate. This report will be completed in January 2009 and the projects identified in the Upstate Roundtable's new 20 year plan will be incorporated into the Authority's CIP.

(Continued)

CAPITAL ASSETS, Continued**Summary of Major Capital Improvement Expenditures
For Fiscal Year 2008**

Mauldin Road WWTP Modifications	\$23.2 million to continue construction on modifications to handle major wet weather flow events. Ultraviolet and filters are online. Solids treatment process is continuing on schedule.
Enoree River / Brushy Creek Trunk Sewer	\$0.9 million to substantially complete the sewer conveyance system from Taylors WWTP to Pelham WWTP. Pipeline is completed. Landscaping warranty work is pending.
Pelham Expansion	\$2.0 million to continue plant expansion to accommodate 22.5 MGD and take the Taylors WWTP out of service. Expansion is complete. Punch list items are currently being addressed.
Lower Reedy WWTP	\$0.79 million to complete construction of Phase I of upgrading the plant to 11.5 MGD and incorporating ultraviolet disinfection ("UV") and filtration. Completed.
Durbin Creek WWTP	\$ 23.4 million to begin work on UV, filter and headwork's structures to increase capacity from 3.3 MGD to 5.2 MGD. Project is 73% complete.
Gravity Sewer Rehabilitation and other Collection System Programs.	\$3.6 million to complete rehabilitation of manholes and WCRSA's sewer system. The portion designated for rehab in Fiscal Year 2008 is complete other than work ongoing in Botany Woods. Rehabilitation will continue in Fiscal Year 2009 on other portions of the service area.
Grove Creek Conveyance System	\$5.2 million for the construction of a pump station and force main to be installed at Grove Creek to divert effluent flows to the Saluda River. Force main is complete and the pump station is online. Punch list items are being addressed.
Administration Building	\$6.7 million for the construction of a new administration building on Mauldin Road. Construction complete, punch list remaining.
Piedmont Regional WWTP	\$0.1 million for the construction of a regional plant. Construction has been postponed until Fiscal Year 2009.
Gilder Creek Phase III	\$0.12 million to upgrade portions of the WWTP for DHEC to re-rate the plant to 11.3 MGD. Construction for re-rate eligibility will continue into Fiscal Year 2009.
Taylors WWT Pump Station	\$0.6 million for modifications to the plant to divert flow to the Pelham WWTP. Digging has started and pipe is being laid.

Table A-4 illustrates the Authority's 2009 Capital Budget of \$52.4 million for planned spending on projects that primarily consist of wastewater treatment plant improvements, collection systems, and sewage conveyance systems. The Authority believes that the budget requirement for the upcoming fiscal year can be funded from reserves and additional borrowing from the State Revolving Fund Loans (SRFL). The total cash requirement to complete the current CIP is anticipated to be approximately \$164.1 million through Fiscal Year 2011. This projection will change after the Upstate Roundtable completes its report in January 2009. The Authority expects to fund the remaining portion of the current CIP from issuance of revenue bonds, reserves, SRFL, and contributed capital. The Authority anticipates issuing Revenue Bonds for partial funding of the CIP during Fiscal Year 2009.

(Continued)

CAPITAL ASSETS, Continued

Table A-4
Fiscal Year 2009 Capital Expenditures Budget
(In millions)

Income	
South Carolina Revolving Loan	\$ 17.1
Capital Contributions	-
WCRSA Reserves/Debt	35.3
Total Income	<u>\$ 52.4</u>
Expenditures	
Wastewater Treatment Plants	\$ 31.4
Conveyance/Collection Systems	13.1
Administration/Other Projects	7.9
Total Expenditures	<u>\$ 52.4</u>

LONG TERM DEBTRevenue 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, 2008, revenue debt of the Authority totaled \$177.1 million and consisted of four series of revenue and refunding revenue bonds – the 2001 Series, 2002 Series, 2005 Series and 2005 B Series. Revenue bond debt totaled \$183 million at the end of Fiscal Year 2007. 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 2008, the Authority received an underlying rating of "AA" from Standard & Poor's. In Fiscal Year 2005 Moody's rated the Authority "Aa3".

(Continued)

LONG TERM DEBT, *Continued*

Revolving Fund Loans

Since December 1989, the Authority has entered into numerous loan agreements with the Office of Local Government of 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, 2008 was \$124.7 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 & Phase II, 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, 2008, \$106.4 million of SRFL debt was outstanding for these projects.

The Authority entered into a loan agreement to fund the Durbin Creek WWTP expansion during Fiscal Year 2007. At June 30, 2008, \$18.3 million has been received and was outstanding for this project at June 30, 2008.

Total Outstanding Long Term Debt

The total outstanding principal on long-term debt at the end of Fiscal Year 2008 (not including premiums) was \$290 million. The total obligation for compensated absences at June 30, 2008 was \$0.6 million. At year end, the Authority owed \$290.7 million in total long-term debt, an increase of \$7.6 million or 2.7% from the \$283 million at Fiscal Year-end 2007. In Fiscal Year 2008, the Authority incurred \$17.9 million in SRFL debt and made \$10.3 million in aggregate payments on both 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, 2008, WCRSA's assessed value was approximately \$1.8 billion. The Authority had no general obligation debt outstanding as of June 30, 2008.

(Continued)

Total Outstanding Long Term Debt, Continued

The Authority's Bond Covenants require 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.

Table A-5
Debt Coverage Ratio
(In millions)

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Operating Revenue	\$ 65.9	\$ 64.3	\$ 63.7
Interest Income (unrestricted)	2.6	3.6	1.2
Gross Revenues	68.5	67.9	64.9
Less operating expenses before depreciation	(25.6)	(23.4)	(23.2)
Net revenues available for debt service	<u>\$ 42.9</u>	<u>\$ 44.5</u>	<u>\$ 41.7</u>
Debt service on bonds and parity indebtedness	22.8	21.1	24.2
Debt Coverage	1.9	2.1	1.7

As seen in Table A-5, there has been a \$1.7 million (8.1%) increase in debt service payments from Fiscal Year 2007 to Fiscal Year 2008. The total long term debt payment of \$21.1 million in Fiscal Year 2007 increased to \$22.8 million in Fiscal Year 2008. There was a decrease of \$3.1 million from Fiscal Year 2006 to Fiscal Year 2007. Debt structure on Revenue Bonds varies from fiscal year to fiscal year causing principal payments to increase and decrease over the life of the bond. Principal payments in Fiscal Year 2008 were higher than in Fiscal Year 2007.

(Continued)

Total Outstanding Long Term Debt, Continued

The Authority has not entered into revenue bond debt since 2005 resulting in a small decrease in interest payments. Construction was completed on the Lower Reedy WWTP creating an increase in payments on SRFL debt. The most current revenue bonds were issued in Fiscal Year 2005 and have an average coupon rate of 4% and 4.3%. The most recent SRFL was secured at a 3.5% rate.

Table A-6
Average Coupon/Interest Rate

	Debt Balance (without premiums) (In millions)	Average Coupon / Rate %
Series 2001 Revenue Bonds	11.9	5.0
Series 2002 Revenue Bonds	2.0	3.3
Series 2005 Revenue Bonds	81.8	4.3
Series 2005-B Refunding Revenue Bonds	69.7	4.0
State Revolving Fund Loans	124.7	3.5

ACCOUNTING PRONOUNCEMENT

In June 2004 the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (OPEB)*. This Statement establishes standards of accounting and financial reporting for OPEB expenses and related OPEB liabilities. The Authority completed an actuarial valuation of the post employee benefits as of June 30, 2006. If the Authority pre-funds this obligation the actuarial accrued liability is \$4.2 million; if the obligation is not funded, the liability is \$6.6 million. Even though Statement 45 does not require pre-funding, the Authority's Fiscal Year 2009 budget has an allocation of \$483,652 to fund the Annual Required Contribution (ARC). The Authority will continue to review their insurance plan and will make a decision on the best way to address the OPEB liability in Fiscal Year 2009. The requirements of GASB Statement 45 are effective for the fiscal year ending June 30, 2009.

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.

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 slightly over 4% per year through Fiscal Year 2011. In March 2008 the Authority engaged a consulting service to review wastewater pretreatment fees and surcharges. After reviewing the results of this study with industry, the Board of Commissioners passed a resolution to increase these fees in January of 2009.

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.

BASIC FINANCIAL STATEMENTS

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
BALANCE SHEETS**

		JUNE 30,	
		2008	2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	12,652,615	\$ 19,540,519
Restricted cash and cash equivalents		14,074,826	14,951,023
Receivables, net		5,811,164	4,272,023
Investments		20,720,654	46,056,396
Total current assets		<u>53,259,259</u>	<u>84,819,961</u>
NON-CURRENT ASSETS			
Receivables, net		4,083,299	5,872,955
Investments		4,710,587	3,392,143
Capital assets, net		489,286,767	445,049,433
Deferred charges, net		10,907,561	11,795,665
Total non-current assets		<u>508,988,214</u>	<u>466,110,196</u>
Total assets		<u>\$ 562,247,473</u>	<u>\$ 550,930,157</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Revenue bonds payable	\$	5,274,906	\$ 5,854,906
State revolving loans payable		5,897,901	5,258,830
Accounts payable - operations		1,994,672	1,521,886
Accounts payable - construction projects		7,015,281	10,484,075
Accrued interest payable		3,545,183	3,615,691
Accrued expenses and other liabilities		674,038	397,540
Compensated absences		95,000	95,000
Total current liabilities		<u>24,496,981</u>	<u>27,227,928</u>
COMMITMENTS AND CONTINGENCIES (Notes 10, 11, 12, 13 and 14)			
LONG-TERM LIABILITIES			
Revenue bonds payable		171,871,599	177,146,505
State revolving loans payable		118,768,995	106,682,452
Compensated absences		508,416	504,467
Total long-term liabilities		<u>291,149,010</u>	<u>284,333,424</u>
Total liabilities		<u>315,645,991</u>	<u>311,561,352</u>
NET ASSETS			
Invested in capital assets, net of related debt		180,458,085	139,622,665
Restricted			
Debt service		6,049,781	6,202,937
Depreciation		4,892,868	4,450,494
Other		3,132,177	4,297,592
Unrestricted		<u>52,068,571</u>	<u>84,795,117</u>
Total net assets		<u>246,601,482</u>	<u>239,368,805</u>
Total liabilities and net assets		<u>\$ 562,247,473</u>	<u>\$ 550,930,157</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,	
	2008	2007
OPERATING REVENUES		
Domestic and commercial customers	\$ 52,339,875	\$ 49,468,345
Industrial customers	6,256,985	6,103,674
New account fee	6,761,750	8,432,625
Septic haulers and other	<u>562,351</u>	<u>311,718</u>
Total operating revenues	<u>65,920,961</u>	<u>64,316,362</u>
OPERATING EXPENSES		
Solids management	2,237,404	2,388,563
Facilities operations	8,569,776	8,317,346
Laboratory	1,778,301	1,626,016
Operations and maintenance shop	2,055,031	1,878,403
Collection system	2,708,446	2,526,372
Administration and accounting	5,417,180	4,767,187
Customer service	<u>2,819,984</u>	<u>1,937,978</u>
Total operating expenses before depreciation	25,586,122	23,441,865
Depreciation	<u>23,198,109</u>	<u>21,024,952</u>
Total operating expenses	<u>48,784,231</u>	<u>44,466,817</u>
Net operating income	<u>17,136,730</u>	<u>19,849,545</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,923,494	5,475,237
Interest expense	(12,490,675)	(11,964,357)
Amortization	(123,198)	(133,129)
Non-project expenses	(262,199)	(475,957)
Other income	<u>48,525</u>	<u>129,821</u>
Net non-operating expenses	<u>(9,904,053)</u>	<u>(6,968,385)</u>
CAPITAL PROJECT COST REIMBURSEMENTS	<u>-</u>	<u>495,173</u>
Increase in net assets	7,232,677	13,376,333
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>239,368,805</u>	<u>225,992,472</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 246,601,482</u>	<u>\$ 239,368,805</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,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 65,231,946	\$ 63,924,088
Paid to suppliers for goods and services	(19,103,927)	(14,240,368)
Paid to employees for services	(9,459,955)	(9,209,732)
Net cash provided by operating activities	<u>36,668,064</u>	<u>40,473,988</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received for capital project cost reimbursements	-	1,518,344
Cash received on notes receivable for capital	184,823	174,551
Acquisition of capital assets	(67,446,788)	(83,815,612)
Proceeds from state revolving loans	17,937,953	12,338,255
Repayment of revenue bond	(5,090,000)	(5,680,000)
Debt issuance costs	-	(782,778)
Repayment of state revolving loans	(5,212,339)	(3,715,354)
Interest payments on debt	(12,561,183)	(11,783,685)
Net cash used for capital and related financing activities	<u>(72,187,534)</u>	<u>(91,746,279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	3,738,071	5,022,726
Net proceeds (purchases) of investment securities	<u>24,017,298</u>	<u>(3,017,699)</u>
Net cash provided by investing activities	<u>27,755,369</u>	<u>2,005,027</u>
Net decrease in cash and cash equivalents	(7,764,101)	(49,267,264)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>34,491,542</u>	<u>83,758,806</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 26,727,441</u>	<u>\$ 34,491,542</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	\$ 17,136,730	\$ 19,849,545
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	23,198,109	21,024,952
Changes in deferred and accrued amounts		
Receivables	(689,015)	(868,231)
Accounts payable – operations	210,587	328,644
Accounts payable – construction projects	(3,468,794)	365,643
Accrued expenses and other liabilities	276,498	(233,070)
Compensated absences	3,949	6,505
Net cash provided by operating activities	<u>\$ 36,668,064</u>	<u>\$ 40,473,988</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEETS		
Cash and cash equivalents	\$ 12,652,615	\$ 19,540,519
Restricted cash and cash equivalents	<u>14,074,826</u>	<u>14,951,023</u>
	<u>\$ 26,727,441</u>	<u>\$ 34,491,542</u>

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

NOTES TO FINANCIAL STATEMENTS

WESTERN CAROLINA REGIONAL SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Description of entity

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

Certain cash and cash equivalents 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."

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.

(Continued)

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

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, 2007 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 June 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 Authority has completed an actuarial valuation of the post-employment benefits as of June 30, 2006. The actuarial accrued liability is \$4.2 million if the Authority prefunds this obligation; if the obligation is not funded, the liability is \$6.6 million. The Authority is not required to prefund the liability. The Authority has budgeted in the next fiscal year to fund the annual required contribution in the amount of \$483,652. The Authority will continue to study the most effective way to address the OPEB liability. The requirements for GASB No. 45 are effective for the fiscal year ending June 30, 2009.

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, 2008 and 2007, the Authority had the following cash and cash equivalents and investments:

<u>Description</u>	<u>Fair value</u>	
	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Cash and cash equivalents		
Checking and other cash	\$ 10,608,677	\$ 12,264,674
Money markets – US Treasuries	10,068,983	15,374,068
Money markets – government obligations	6,049,781	6,202,937
Government sponsored enterprises	-	649,863
Total cash and cash equivalents	<u>\$ 26,727,441</u>	<u>\$ 34,491,542</u>
Investments		
Government sponsored enterprises	\$ 25,431,241	\$ 49,448,539
Total investments	<u>\$ 25,431,241</u>	<u>\$ 49,448,539</u>

Investment maturities are as follows as of June 30, 2008.

<u>Investment Type</u>	<u>Investment Maturities</u>		
	<u>Fair Value</u>	<u>(in years)</u>	
		<u>Less than</u>	<u>1 - 5 years</u>
US Agencies	\$ 25,431,241	\$ 20,720,654	\$ 4,710,587
	<u>\$ 25,431,241</u>	<u>\$ 20,720,654</u>	<u>\$ 4,710,587</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 consist of discount notes and callable bonds/notes of the following entities: Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and Federal Farm Credit Bank. These securities are unsecured senior general obligation debt of these organizations. The short term notes were rated A-1+ and P-1 by Standard & Poor's and Moody's Investors Service, respectively. The medium and long term notes were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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 senior debt obligations of Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are 59.47, 27.06, and 8.69 percent, respectively, of the Authority's total investments.

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS, Continued

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, 2008 and 2007, 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

	June 30,	
	2008	2007
Fees and services		
Domestic and commercial customers	\$ 5,122,087	\$ 4,306,997
Industrial customers	1,008,475	1,074,680
	6,130,562	5,381,677
Less allowance for uncollectible accounts	725,000	725,000
	5,405,562	4,656,677
Accrued interest on cash equivalents	216,878	1,031,455
Reimbursements from other governmental units	4,272,023	4,456,846
	9,894,463	10,144,978
Less current portion	(5,811,164)	(4,272,023)
	\$ 4,083,299	\$ 5,872,955

NOTE 4 - RESTRICTED CASH AND CASH EQUIVALENTS

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 at June 30, 2008 and 2007 are restricted for the following uses:

	2008	2007
Capital projects	\$ -	\$ 1,344,103
Current principal and interest payments	6,049,781	6,202,937
Operations and maintenance	2,132,177	1,953,489
Depreciation	4,892,868	4,450,494
Contingencies	1,000,000	1,000,000
	\$ 14,074,826	\$ 14,951,023

NOTE 5 - CAPITAL ASSETS

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
Land	\$ 2,860,882	\$ 217,306	\$ -	\$ 3,078,188
Depreciable assets:				
Buildings	277,553,195	30,112,446	1,967,460	305,698,181
Sewer lines	262,125,933	26,766,619	-	288,892,552
Wastewater Treatment Plant equipment	73,566,497	10,037,482	1,048,700	82,555,279
Operational equipment	744,578	50,389	103,087	691,880
Office furniture	516,410	72,615	115,050	473,975
Vehicles	604,180	189,931	159,984	634,127
Total capital assets being depreciated	<u>615,110,793</u>	<u>67,229,482</u>	<u>3,394,281</u>	<u>678,945,994</u>
Less accumulated depreciation				
Treatment facilities	171,773,564	22,915,942	3,016,160	191,673,346
Operational equipment	410,047	77,824	91,744	396,127
Office furniture	331,854	75,792	115,049	292,597
Vehicle	406,777	128,551	159,983	375,345
Total accumulated depreciation	<u>172,922,242</u>	<u>23,198,109</u>	<u>3,382,936</u>	<u>192,737,415</u>
Total capital assets being depreciated net	<u>442,188,551</u>	<u>44,031,373</u>	<u>11,345</u>	<u>486,208,579</u>
Capital assets, net	<u>\$ 445,049,433</u>	<u>\$ 44,248,679</u>	<u>\$ 11,345</u>	<u>\$ 489,286,767</u>

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
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	<u>535,955,938</u>	<u>83,616,283</u>	<u>4,461,428</u>	<u>615,110,793</u>
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	<u>156,358,718</u>	<u>21,024,952</u>	<u>4,461,428</u>	<u>172,922,242</u>
Total capital assets being depreciated, net	<u>379,597,220</u>	<u>62,591,331</u>	<u>-</u>	<u>442,188,551</u>
Capital assets, net	<u>\$ 382,258,773</u>	<u>\$ 62,790,660</u>	<u>\$ -</u>	<u>\$ 445,049,433</u>

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>2008</u>	<u>2007</u>
Bond issuance costs	\$ 15,289,186	\$ 15,289,186
Less accumulated amortization	<u>4,381,625</u>	<u>3,493,521</u>
Deferred charges, net	<u>\$ 10,907,561</u>	<u>\$ 11,795,665</u>

Amortization of bond issuance costs for the year ended June 30, 2008 and 2007 totaled \$888,104 and \$898,035, respectively.

Estimated amortization expenses for each of the next five years is as follows:

<u>Year ending</u> <u>June 30,</u>	
2009	\$ 875,011
2010	821,809
2011	768,607
2012	768,607
2013	768,607

NOTE 7 - REVENUE BONDS PAYABLE

At June 30, 2008 and 2007, 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, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</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.	81,780,000	82,675,000
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.	2,000,000	2,135,000
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, 2011.	11,915,000	14,280,000

(Continued)

NOTE 7 - REVENUE BONDS PAYABLE, Continued

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.

	-	1,695,000
	165,390,000	170,480,000
Premium on Series 2001 refunding bonds	1,477,576	1,594,227
Premium on Series 2002 refunding bonds	56,176	89,881
Premium on Series 2005 revenue bonds	3,929,902	4,166,881
Premium on Series 2005 B refunding revenue bonds	6,292,851	6,670,422
	177,146,505	183,001,411
Less current maturities	5,274,906	5,854,906
Long-term portion	<u>\$ 171,871,599</u>	<u>\$ 177,146,505</u>

Amortization of bond premiums totaled \$764,906 for each of the years ended June 30, 2008 and 2007.

Future amounts required to pay principal and interest on revenue bonds outstanding at June 30, 2008 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,930,000	7,316,435	13,246,435
2014 – 2018	34,830,000	32,112,642	66,942,642
2019 – 2023	65,880,000	20,853,675	86,733,675
2024 – 2026	39,155,000	2,960,500	42,115,500
	<u>\$ 165,390,000</u>	<u>\$ 94,975,967</u>	<u>\$ 260,365,967</u>

Provisions of the revenue bond agreements require the Authority to maintain user rates sufficient to generate net earnings as defined by the bond agreement of at least 110 percent of the combined annual principal and interest payments, make timely payment of principal and interest on all outstanding debt, maintain required funds for debt service reserves, operations and maintenance expenses, depreciation and contingencies, and meet various other general requirements specified in the bond agreements. Management believes that the Authority was in compliance with these covenants at June 30, 2008 and 2007.

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 \$8,380,889 and \$8,577,075 for the years ended June 30, 2008 and 2007, respectively.

NOTE 8 - STATE REVOLVING LOANS PAYABLE

At June 30, 2008 and 2007, the Authority was obligated on various state revolving loans issued for purposes of constructing capital assets. State revolving loan amounts outstanding at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</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.	\$ 181,730	\$ 256,505
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.	2,162,999	2,388,100
Maple Creek loan dated August 9, 1990. Payable in quarterly installments of \$19,377, including interest at 4.50 percent, through May 1, 2011.	216,382	282,291
Lower Reedy WWTP loan dated September 24, 1998. Payable in quarterly installments of \$572,996, including interest at 4.00 percent, through November 1, 2020.	22,459,206	23,818,665
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.	6,192,623	6,524,299
Lower Reedy Wastewater Treatment Plant Expansion Phase II loan dated June 10, 2005. Payable in quarterly installments of \$347,116, beginning September 1, 2007, including interest at 3.00 percent, through September 1, 2027.	18,845,587	18,510,512
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.	15,084,146	15,773,984
Gilder Creek Wastewater Treatment Plant Upgrade Phase II loan dated May 16, 2003. Payable in quarterly installments of \$623,835, including interest at 3.75 percent, through April 1, 2025.	31,262,666	32,555,221
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.	5,366,751	5,612,483
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.	4,585,889	4,787,328
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.	18,308,917	1,431,894
	124,666,896	111,941,282
Less current maturities	<u>5,897,901</u>	<u>5,258,830</u>
Long-term portion	<u>\$ 118,768,995</u>	<u>\$ 106,682,452</u>

(Continued)

NOTE 8 - STATE REVOLVING LOANS PAYABLE, Continued

Interest expense on the state revolving loans totaled \$4,087,489 and \$3,360,672 for the years ended June 30, 2008 and 2007, respectively.

Future amounts required to pay principal and interest on state revolving loans outstanding at June 30, 2008 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,897,901	\$ 4,373,223	\$ 10,271,124
2010	6,616,977	4,623,463	11,240,440
2011	6,803,813	4,372,397	11,176,210
2012	6,961,160	4,116,129	11,077,289
2013	7,224,728	3,852,562	11,077,290
2014 – 2018	39,785,689	14,966,205	54,751,894
2019 – 2023	40,080,616	7,254,850	47,335,466
2024 – 2028	11,296,012	716,960	12,012,972
	<u>\$ 124,666,896</u>	<u>\$ 44,275,789</u>	<u>\$ 168,942,685</u>

Provisions of the state revolving loan agreements require the Authority to use loan proceeds solely for the purpose of paying eligible project costs, submit the annual audit of its financial statements by December 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, 2008 and 2007.

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, 2008 and 2007 are as follows:

	<u>2008</u>		
	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Balance at June 30, 2008</u>
Revenue bonds	\$ 170,480,000	\$ -	\$ 165,390,000
State revolving loans	111,941,282	17,937,953	124,666,896
Compensated absences	599,467	640,234	603,416
	283,020,749	18,578,187	290,660,312
Premiums on bond issuance	12,521,411	-	11,756,505
	<u>\$ 295,542,160</u>	<u>\$ 18,578,187</u>	<u>\$ 302,416,817</u>

(Continued)

NOTE 9 - CHANGES IN LONG-TERM DEBT AND COMPENSATED ABSENCES, Continued

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

In March 2005, the Authority defeased a portion of its Series 2001 revenue bonds with cash and cash equivalents generated from the issuance of its Series 2005 B revenue refunding bonds. The cash and cash equivalents were placed in escrow for the purpose of generating sufficient cash flows for all future debt service payments on the defeased debt. The advance refunding met the requirements of an in-substance defeasance and the defeased portion of the bonds 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 \$84,835,000 at June 30, 2008.

NOTE 10 - CONSTRUCTION CONTRACTS IN PROGRESS

At June 30, 2008 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, 2008 on which significant additional work is to be performed:

Number	Project Name	Contract amount	Total contract incurred through June 30, 2008	Balance to be performed
00 0108.04/3	Pelham Expansion	\$ 103,404,557	\$ 103,070,278	\$ 334,279
02 0124.09/2	Mauldin Rd WWTP Modifications	67,291,171	60,349,789	6,941,382
97 0129.09/4	Technical Planning	629,343	477,506	151,837
06 0128.01/0	Administration Building	7,226,587	6,914,190	312,397
00 0133.44/2	Durbin Creek WWTP	43,450,421	30,313,555	13,136,866
04 0152.02/2	Grove Creek Conveyance System	8,276,932	7,888,400	388,532
01 0153.00/2	Enoree River/Brushy Creek Collection System	22,123,142	21,893,246	229,896
07 0173.00/0	FY 08 Gravity Sewer & M/H	3,465,938	2,875,205	590,733
		<u>\$ 255,868,091</u>	<u>\$ 233,782,169</u>	<u>\$ 22,085,922</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 \$603,416 and \$599,467 at June 30, 2008 and 2007, respectively.

NOTE 12 - EMPLOYEE BENEFITS

Pension plan

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

Plan members are required to contribute 6.50 percent of their annual covered salary for the years ended June 30, 2008 and 2007, and the Authority is required to contribute at an actuarially determined rate. The Authority's rate is 9.06 and 8.05 percent of annual covered payroll for the years ended June 30, 2008 and 2007, 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, 2008 and 2007. Required contributions were made at 100 percent and are summarized as follows:

	<u>Employer SCRS</u>	<u>Employee SCRS</u>
June 30, 2008	\$ 837,421	\$ 555,557
June 30, 2007	737,214	530,986
June 30, 2006	581,263	498,845

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.

(Continued)

NOTE 12 - EMPLOYEE BENEFITS, Continued

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 retirees' 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-seven employees that were receiving coverage benefits. The Authority recognizes these expenses on a pay-as-you-go basis. For the year ended June 30, 2008 and 2007, the Authority paid \$106,807 and \$93,057, respectively, for these benefits.

NOTE 13 - COMMITMENTS

The Authority has contracted with the Commissioners of the Public Works of the City of Greenville, South Carolina to provide for collection of sewer service charges. 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, 2008 was approximately \$1,856,000. For the year ended June 30, 2009, billing charges to the Authority is estimated to cost approximately \$1.3 million.

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, 2008 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, 2008, 2007, and 2006. The Authority believes that the amount of actual or potential claims as of June 30, 2008 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.

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Invested in capital assets, net of related debt	**	**	\$ 47,835,171	\$ 57,035,152	\$ 71,052,604	\$ 103,152,950	\$ 137,838,215	\$ 143,955,865	\$ 139,622,665	\$ 180,458,085
Restricted										
Debt Service	***	***	***	***	***	***	***	19,477,820	6,202,937	6,049,781
Depreciation	***	***	***	***	***	***	***	3,822,587	4,450,494	4,892,868
Other	***	***	***	***	***	***	***	<u>4,642,670</u>	<u>4,297,592</u>	<u>3,132,177</u>
	**	**	93,476,508	85,651,748	82,964,739	41,145,932	26,546,992	27,943,077	14,951,023	14,074,826
Unrestricted	**	**	10,551,256	21,320,013	22,397,566	45,921,268	44,258,333	54,093,530	84,795,117	52,068,571
Total net assets	\$ 129,981,381	\$ 140,322,921	\$ 151,862,935	\$ 164,006,913	\$ 176,414,909	\$ 190,220,150	\$ 208,643,540	\$ 225,992,472	\$ 239,368,805	\$ 246,601,482

** 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 July 1, 2001.

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

Exhibit 2

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Domestic & commercial customers	\$ 32,784,195	\$ 32,645,722	\$ 34,049,254	\$ 36,456,491	\$ 38,953,135	\$ 41,713,660	\$ 44,544,985	\$ 48,099,936	\$ 49,468,345	\$ 52,339,875
Industrial customers	7,151,655	6,838,779	6,853,189	6,391,547	6,355,558	5,983,551	5,791,259	5,798,149	6,103,674	6,256,985
New-Account Fees	1,793,225	1,641,859	2,423,344	2,911,479	4,366,122	6,708,750	7,630,470	9,494,000	8,432,625	8,761,750
Septage haulers & others	60,255	95,205	150,142	195,345	218,599	227,510	289,578	290,257	311,718	562,351
Total operating revenues	41,789,330	41,221,565	43,475,929	45,954,862	49,893,412	54,613,471	58,256,292	63,682,342	64,316,362	65,920,961
Operating Expenses:										
Solids management	1,891,825	2,323,673	2,129,201	2,372,537	2,476,392	2,889,613	2,571,457	2,268,770	2,388,563	2,237,404
Facilities operation	6,310,703	7,263,899	7,137,743	6,549,042	6,591,423	6,968,274	7,756,033	8,299,744	8,317,346	8,569,776
Laboratory	1,208,175	1,354,752	1,376,900	1,446,840	1,413,945	1,509,165	1,547,330	1,700,991	1,626,016	1,778,301
Operation & maintenance shop	1,288,648	1,437,793	1,444,191	1,469,008	1,473,741	1,630,698	1,700,774	1,878,975	1,878,403	2,055,031
Collection System	2,157,562	2,284,829	2,291,984	2,340,598	2,407,948	2,422,992	2,554,998	2,625,325	2,526,372	2,708,446
Administration & accounting	2,958,876	3,277,424	3,273,410	3,533,731	3,681,391	4,015,158	4,506,383	4,797,503	4,767,187	5,417,180
Customer Service	943,327	1,009,164	1,079,999	1,025,601	1,115,113	1,094,612	1,136,918	1,626,330	1,937,978	2,819,984
Total operating expenses	16,759,436	18,951,534	18,733,428	18,737,363	19,159,951	20,531,512	21,773,893	23,195,638	23,441,865	25,586,122
before depreciation										
Depreciation	8,455,804	10,227,593	11,067,539	11,804,578	12,682,226	14,840,227	16,543,392	18,284,379	21,024,952	23,198,109
Total operating expense	25,215,240	29,179,117	29,800,967	30,541,941	31,842,177	35,171,739	38,317,285	41,480,017	44,466,817	48,784,231
Net operating income	16,574,090	12,042,448	13,674,962	15,412,921	18,051,235	19,441,732	19,939,007	22,202,325	19,849,545	17,136,730
Non-Operating Revenues (Expenses):										
Interest income	1,938,505	1,129,249	2,685,967	2,318,423	1,313,988	769,779	2,244,095	5,651,443	5,475,237	2,923,494
Other income	81,083	16,317	29,500	111,546	12,263	30,880	6,340	246,454	129,821	48,525
Amortization of bond issuance cost	(120,708)	(124,340)	(107,936)	(176,656)	(138,205)	(220,883)	(223,200)	(111,928)	(133,129)	(123,198)
Interest expense	(2,200,423)	(2,087,535)	(5,305,861)	(7,838,259)	(7,514,125)	(7,478,125)	(9,806,140)	(12,858,101)	(11,964,357)	(12,490,675)
Interest expense on bond defeasance	(9,135,786)	-	-	-	-	-	-	-	-	-
Non-project expenses	(922,773)	(546,864)	(73,338)	(12,632)	(958)	(1,789)	-	(305)	(475,957)	(262,199)
Other expenses	(5,327)	(377,657)	(26,515)	(4,982)	(597)	(145)	-	-	-	-
Net non-operating revenues (expenses)	(10,365,427)	(1,990,830)	(2,798,183)	(5,602,560)	(6,327,636)	(6,900,283)	(7,778,905)	(7,072,437)	(6,968,385)	(9,904,053)
Capital Project Cost Reimbursement	675,718	289,922	663,235	2,333,617	684,397	1,263,792	6,263,288	2,219,044	495,173	-
Increase in net assets	6,884,381	10,341,540	11,540,014	12,143,978	12,407,998	13,805,241	18,423,390	17,348,932	13,376,333	7,232,677
Total Net Assets, Beginning of Year	123,097,000	129,981,381	140,322,921	151,862,935	164,006,913	176,414,909	190,220,150	208,643,540	225,992,472	239,368,805
Total Net Assets, End of Year	\$ 129,981,381	\$ 140,322,921	\$ 151,862,935	\$ 164,006,913	\$ 176,414,909	\$ 190,220,150	\$ 208,643,540	\$ 225,992,472	\$ 239,368,805	\$ 246,601,482

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Salaries	\$ 6,285,392	\$ 6,897,647	\$ 6,882,481	\$ 7,080,852	\$ 7,275,361	\$ 7,850,640	\$ 8,098,008	\$ 8,731,260	\$ 8,446,661	\$ 8,885,770
Fringe benefits	1,745,870	2,248,278	2,220,872	2,460,146	1,952,749	1,981,923	2,152,354	2,389,311	2,463,339	2,668,145
Chlorine & sulfur dioxide	179,734	261,984	328,321	236,446	250,567	229,930	291,914	317,402	210,299	164,893
Chemicals: other	359,695	526,867	534,763	448,431	491,758	549,731	795,450	1,062,535	1,119,876	1,170,024
Repairs & maintenance	1,659,080	1,805,752	1,491,928	1,307,669	1,396,095	1,684,176	1,712,179	1,509,707	1,188,419	1,234,600
Telephone	122,719	114,604	115,351	101,321	137,461	139,612	173,681	176,749	151,460	191,260
Electricity	1,867,996	1,919,021	2,087,588	2,085,955	2,323,821	2,231,822	2,521,771	2,740,943	2,778,711	2,799,673
Water	53,791	72,829	70,611	64,668	67,329	63,723	62,370	68,316	79,847	65,014
Gasoline (fuel)	74,492	113,007	128,230	99,820	120,499	130,606	174,582	235,939	226,842	317,902
Outside technical services	306,776	378,986	469,668	346,325	408,819	464,368	405,066	423,102	1,171,351	1,399,756
Collection fees	804,908	822,857	897,667	870,885	888,876	916,442	967,791	1,431,752	1,748,839	1,856,244
General insurance	202,229	207,799	186,780	179,816	186,771	246,759	250,584	279,296	295,340	240,533
Worker's compensation	113,825	98,094	61,072	95,642	83,429	133,997	139,380	212,917	166,156	248,935
Travel	57,296	57,526	60,007	49,988	69,643	71,527	80,589	87,265	84,776	81,505
Solids management	1,918,799	2,352,176	2,205,745	2,040,497	2,125,692	2,589,053	2,227,367	1,859,808	1,966,735	1,867,073
Contingency	4,940	24,630	4,240	12,261	9,391	-	-	-	-	-
Auto parts	46,748	54,747	39,582	54,964	43,891	44,697	40,918	48,214	45,203	52,921
Tires & tubes	33,628	28,775	26,984	29,641	29,683	29,959	42,262	43,386	45,788	40,909
Paint	33,332	34,999	20,260	20,389	30,205	28,306	18,945	25,084	18,310	6,150
Office supplies	53,809	50,766	48,023	55,336	57,287	51,505	64,203	63,112	58,525	60,424
Legal	120,283	88,087	45,882	56,211	128,035	77,176	112,999	119,079	91,785	193,103
Employee/public relations	21,322	24,049	29,593	102,939	84,092	106,964	103,572	129,105	330,105	166,951
Commissioners	40,521	62,583	36,787	26,555	29,084	16,688	16,261	20,702	18,937	20,132
Postage	17,124	14,006	19,121	20,746	23,731	20,911	22,646	27,476	26,153	20,546
Other	296,206	317,262	316,225	307,037	389,578	333,532	362,722	417,224	371,334	1,137,029
Total (without allowance for uncollectible accounts)	16,411,314	18,575,331	18,327,740	18,134,327	18,601,849	19,796,047	20,835,824	22,419,664	23,084,391	24,892,292
Percent increase over prior year (calculated on totals without allowance for uncollectible accounts)	2.75%	13.19%	-1.33%	-1.06%	2.58%	6.42%	5.25%	7.60%	2.96%	7.83%
Provision for uncollectible accounts	348,122	376,204	405,688	603,035	558,102	735,465	938,069	775,974	357,474	693,831
Total (with allowance for uncollectible accounts)	\$ 16,759,436	\$ 18,951,535	\$ 18,733,428	\$ 18,737,362	\$ 19,159,951	\$ 20,531,512	\$ 21,773,893	\$ 23,195,638	\$ 23,441,865	\$ 25,586,122

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

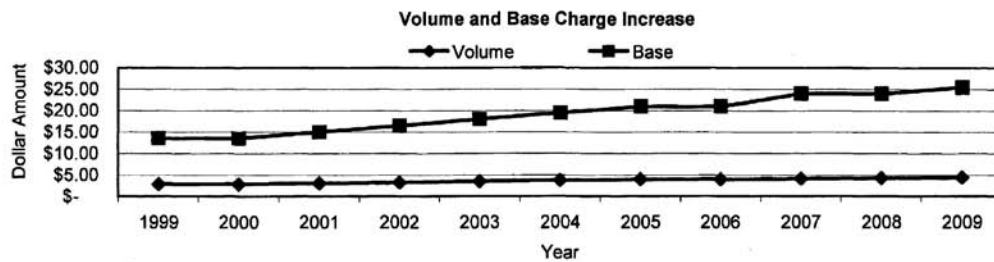
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Domestic & commercial customers:										
Greenville Water System billings	\$ 31,900,375	\$ 31,528,217	\$ 32,737,537	\$ 34,977,712	\$ 37,226,195	\$ 39,791,147	\$ 42,295,557	\$ 45,616,335	\$ 46,910,962	\$ 49,541,839
Well water/commercial	82,178	225,532	354,738	351,996	362,715	369,408	429,967	383,676	301,677	271,136
City View District	-	-	-	-	-	-	-	-	-	-
Marietta District	121,032	123,372	119,951	127,776	146,369	149,483	159,896	166,455	165,609	177,275
Powdersville District	59,682	79,322	90,422	97,470	146,216	170,440	194,228	237,607	256,942	286,316
Greer/Taylors District	547,941	660,807	718,683	875,538	1,016,527	1,170,406	1,394,840	1,617,121	1,748,499	1,989,232
Slater District/Laurens County	30,201	28,472	27,923	25,999	55,113	62,776	70,497	78,742	84,656	74,077
Total domestic & commercial customers	<u>\$ 32,741,409</u>	<u>\$ 32,645,722</u>	<u>\$ 34,049,254</u>	<u>\$ 36,456,491</u>	<u>\$ 38,953,135</u>	<u>\$ 41,713,680</u>	<u>\$ 44,544,985</u>	<u>\$ 48,099,936</u>	<u>\$ 49,468,345</u>	<u>\$ 52,339,875</u>

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
SEWER USE CHARGE RATES
LAST TEN FISCAL YEARS & PROJECTED 2009**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
User volume charge per 1000 gal.	\$ 2.87	\$ 2.87	\$ 3.07	\$ 3.28	\$ 3.51	\$ 3.75	\$ 4.01	\$ 4.01	\$ 4.15	\$ 4.30	\$ 4.45
Minimum charge per quarter	-	-	-	-	-	-	-	-	-	-	-
Base charge per quarter	13.50	13.50	15.00	16.50	18.00	19.50	21.00	21.00	22.50	24.00	25.50
Total monthly charge *	\$ 26.03	\$ 26.03	\$ 28.03	\$ 30.10	\$ 32.33	\$ 34.63	\$ 37.08	\$ 37.08	\$ 38.63	\$ 40.25	\$ 41.88
Monthly charge percent increase	0%	0%	8%	7%	7%	7%	7%	0%	4%	4%	4%

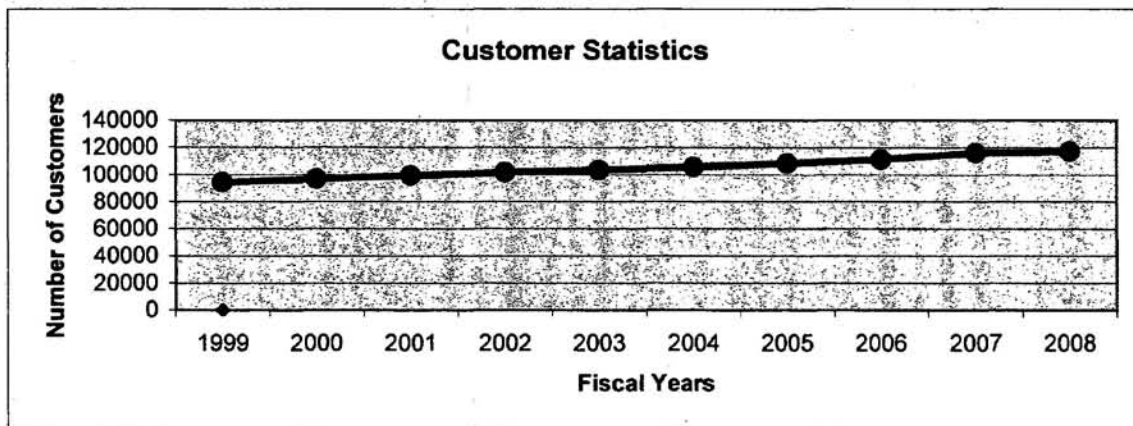
* Assumes residential customer using approximately 7,500 gallons per month

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



WESTERN CAROLINA REGIONAL SEWER AUTHORITY CUSTOMER STATISTIC

Year	Total Accounts	Percentage Change
1999	94,345	2.7%
2000	96,727	2.5%
2001	99,245	2.5%
2002	101,643	2.4%
2003	103,273	1.6%
2004	105,612	2.2%
2005	108,158	2.4%
2006	111,123	2.7%
2007	115,942	4.3%
2008	116,986	0.9%



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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenue Bonds										
1992 Refunding	\$ 8,320,000	\$ 7,215,000	\$ 1,105,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1993 Refunding	18,850,000	17,275,000	15,615,000	11,905,000	-	-	-	-	-	-
1995 Refunding	9,995,000	9,625,000	8,625,000	7,385,000	5,940,000	4,435,000	2,855,000	1,790,000	1,695,000	-
2001 Series	-	-	102,085,000	99,935,000	94,410,000	90,585,000	17,580,000	16,125,000	14,280,000	11,915,000
2002 Refunding	-	-	-	-	10,370,000	8,360,000	6,320,000	4,240,000	2,135,000	2,000,000
2005 Series	-	-	-	-	-	-	86,560,000	84,310,100	82,675,000	81,780,000
2005 B Series	-	-	-	-	-	-	69,695,000	69,695,000	69,695,000	69,695,000
	<u>37,165,000</u>	<u>34,115,000</u>	<u>127,430,000</u>	<u>119,225,000</u>	<u>110,720,000</u>	<u>103,380,000</u>	<u>183,010,000</u>	<u>176,160,100</u>	<u>170,480,000</u>	<u>165,390,000</u>
S.C. Revolving Loan										
Regional Sludge	730,437	678,578	624,212	567,217	507,466	444,826	379,158	310,313	256,505	181,730
Brushy Creek/Reedy River	3,859,553	3,694,199	3,522,131	3,343,077	3,156,752	2,962,861	2,761,098	2,551,142	2,388,100	2,162,999
Maple Creek	715,662	669,588	621,403	571,013	518,318	463,211	405,581	345,316	282,291	216,382
Lower Reedy River	11,013,086	24,536,560	30,421,549	29,645,925	28,746,342	27,586,966	26,380,516	25,125,079	23,818,665	22,459,206
Gilder Creek Ph* 1	-	-	-	7,580,582	7,651,538	7,443,676	7,149,330	6,843,033	6,524,299	6,192,623
Georges Creek	-	-	-	5,181,856	15,881,097	17,446,628	16,917,065	16,273,640	15,773,984	15,084,146
Gilder Creek Ph 2	-	-	-	-	-	21,565,759	32,583,718	32,979,213	32,555,221	31,262,666
Georges Creek Conveyance Ph 1	-	-	-	-	-	5,876,295	6,021,048	5,790,854	5,612,483	5,366,751
Georges Creek Conveyance Ph 2	-	-	-	-	-	1,640,933	4,975,282	4,981,387	4,787,328	4,585,888
Lower Reedy River Ph 2	-	-	-	-	-	-	-	8,118,404	18,510,512	18,845,587
Durbin Creek Upgrade	-	-	-	-	-	-	-	-	1,431,894	18,308,917
	<u>16,316,738</u>	<u>29,578,925</u>	<u>35,189,295</u>	<u>46,889,670</u>	<u>56,461,513</u>	<u>85,431,155</u>	<u>97,572,796</u>	<u>103,318,361</u>	<u>111,941,282</u>	<u>124,666,897</u>
	53,483,738	63,693,925	162,619,295	166,114,670	167,181,513	188,811,155	280,582,796	279,478,481	282,421,282	290,056,897
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Acquired treatment facilities obligations	36,232	18,110	-	-	-	-	-	-	-	-
Bond anticipation note	-	20,000,000	-	-	-	-	-	-	-	-
Total compensated absences	378,415	418,512	444,853	434,847	453,901	458,052	512,595	592,962	599,467	603,417
Premiums on bond issuance	-	-	2,294,133	2,177,482	2,285,533	2,135,176	14,051,223	13,286,317	12,521,411	11,756,505
Total long term debt	<u>\$ 53,898,385</u>	<u>\$ 84,130,547</u>	<u>\$ 165,358,281</u>	<u>\$ 168,726,989</u>	<u>\$ 169,920,947</u>	<u>\$ 191,404,383</u>	<u>\$ 295,146,614</u>	<u>\$ 293,357,760</u>	<u>\$ 295,542,160</u>	<u>\$ 302,416,819</u>
Customer accounts	94,345	96,727	99,245	101,643	103,273	105,612	108,158	111,123	115,942	116,966
Long term debt per customer account	571	870	1,666	1,660	1,645	1,812	2,729	2,640	2,549	2,585

* Ph = phase

**Western Carolina Regional Sewer Authority
Long Term Debt Obligation
F.Y. 2009- F.Y. 2027**

Does not include Bond premium		
Bond Premium	CP	\$3,868,355
	LT	10,991,599
	Amortization	(3,103,449)
	Total	\$11,756,505
Current year premium		\$764,906

	Principal	Revenue Interest	Total	Principal	SCRL Interest	Total	Principal (1)	Totals Interest	Total
2009	\$ 4,510,000	\$ 8,243,810	\$ 12,753,810	\$ 5,897,901	\$ 4,373,223	\$ 10,271,124	\$ 10,407,901	\$ 12,617,033	\$ 23,024,934
2010	4,680,000	8,075,360	12,755,360	6,616,977	4,623,463	11,240,439	11,296,977	12,698,823	23,995,799
2011	5,010,000	7,831,123	12,841,123	6,803,813	4,372,397	11,176,209	11,813,813	12,203,519	24,017,332
2012	5,395,000	7,582,423	12,977,423	6,961,160	4,116,129	11,077,289	12,356,160	11,698,552	24,054,712
2013	5,930,000	7,316,435	13,246,435	7,224,728	3,852,562	11,077,289	13,154,728	11,168,997	24,323,724
2014	6,180,000	7,063,885	13,243,885	7,498,350	3,578,939	11,077,289	13,678,350	10,642,824	24,321,174
2015	6,485,000	6,762,160	13,247,160	7,782,413	3,294,876	11,077,289	14,267,413	10,057,036	24,324,449
2016	6,870,000	6,457,605	13,327,605	8,077,319	2,999,971	11,077,290	14,947,319	9,457,576	24,404,895
2017	7,455,000	6,106,230	13,561,230	8,061,415	2,698,598	10,760,013	15,516,415	8,804,828	24,321,243
2018	7,840,000	5,722,763	13,562,763	8,366,193	2,393,821	10,760,013	16,206,193	8,116,583	24,322,776
2019	8,960,000	5,311,538	14,271,538	8,682,580	2,077,434	10,760,013	17,642,580	7,388,971	25,031,551
2020	11,210,000	4,849,138	16,059,138	9,011,021	1,748,992	10,760,013	20,221,021	6,598,129	26,819,151
2021	12,935,000	4,266,750	17,201,750	8,200,258	1,413,763	9,614,022	21,135,258	5,680,513	26,815,772
2022	15,335,000	3,596,500	18,931,500	7,185,650	1,135,452	8,321,101	22,520,650	4,731,952	27,252,601
2023	17,440,000	2,829,750	20,269,750	7,001,108	879,209	7,880,316	24,441,108	3,708,959	28,150,068
2024	19,100,000	1,957,750	21,057,750	5,034,109	474,333	5,508,442	24,134,109	2,432,083	26,566,192
2025	20,055,000	1,002,750	21,057,750	3,738,058	156,705	3,894,763	23,793,058	1,159,455	24,952,513
2026	-	-	-	928,808	49,855	978,663	928,808	49,855	978,663
2027	-	-	-	1,595,037	36,067	1,631,104	1,595,037	36,067	1,631,104
	165,390,000	94,975,968	260,365,968	124,666,896	44,275,788	168,942,684 (1)	290,056,896	139,251,756	429,308,652
Current Portion	4,510,000	8,243,810	12,753,810	5,897,901	4,373,223	10,271,124	10,407,901	12,617,033	23,024,934
2009	(no premiums)								
2010	4,680,000	8,075,360	12,755,360	6,616,977	4,623,463	11,240,439	11,296,977	12,698,823	23,995,799
2011	5,010,000	7,831,123	12,841,123	6,803,813	4,372,397	11,176,209	11,813,813	12,203,519	24,017,332
2012-2016	30,860,000	35,182,508	66,042,508	37,543,970	17,842,478	55,386,447	68,403,970	53,024,985	121,428,955
2017-2021	48,400,000	26,256,418	74,656,418	42,321,467	10,332,608	52,654,074	90,721,467	36,589,025	127,310,492
2022-2027	71,930,000	9,386,750	81,316,750	25,482,769	2,731,621	28,214,390	97,412,769	12,118,371	109,531,140
	160,880,000	86,732,158	247,612,158	118,768,995	39,902,566	158,671,560	279,648,995	126,634,723	406,283,718
	\$ 165,390,000	\$ 94,975,968	\$ 260,365,968	\$ 124,666,896	\$ 44,275,788	\$ 168,942,684	\$ 290,056,896	\$ 139,251,756	\$ 429,308,652

(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	2008
Operating revenue	\$ 41,789,330	\$ 41,221,565	\$ 43,475,929	\$ 45,954,862	\$ 49,893,412	\$ 54,613,471	\$ 58,256,292	\$ 63,682,342	\$ 64,316,362	\$ 65,920,962
Interest income (unrestricted)	1,938,505	1,129,249	2,685,967	2,318,423	1,313,986	769,779	1,176,003	1,200,000	3,451,183	2,570,452
Other income	<u>81,083</u>	<u>16,317</u>	<u>29,500</u>	<u>111,546</u>	<u>12,263</u>	<u>30,880</u>	<u>6,340</u>	<u>246,454</u>	<u>129,822</u>	<u>48,525</u>
Gross revenues	43,808,918	42,367,131	46,191,396	48,384,831	51,219,661	55,414,130	59,438,635	65,128,796	67,897,367	68,539,939
(Less operating expense)	<u>(16,759,436)</u>	<u>(18,951,534)</u>	<u>(18,733,428)</u>	<u>(18,737,363)</u>	<u>(19,159,951)</u>	<u>(20,531,512)</u>	<u>(21,773,893)</u>	<u>(23,195,638)</u>	<u>(23,441,865)</u>	<u>(25,586,122)</u>
Net revenues available for debt service	27,049,482	23,415,597	27,457,968	29,647,468	32,059,710	34,882,618	37,664,742	41,933,158	44,455,502	42,953,816
Debt service on bonds & parity indebtedness	4,542,135	5,468,633	13,143,804	17,553,807	18,128,549	17,317,957	15,971,002	24,207,487	21,359,711	22,863,522
Parity debt coverage*	5.96	4.28	2.09	1.69	1.77	2.01	2.36	1.73	2.08	1.88
Debt service on all obligations	<u>\$ 6,082,554</u>	<u>\$ 5,418,944</u>	<u>\$ 13,161,914</u>	<u>\$ 17,475,540</u>	<u>\$ 18,170,324</u>	<u>\$ 17,317,957</u>	<u>\$ 15,971,002</u>	<u>\$ 24,207,487</u>	<u>\$ 21,359,711</u>	<u>\$ 22,863,522</u>
Total debt coverage	444.71%	432.11%	208.62%	169.65%	176.44%	201.42%	235.83%	173.22%	208.13%	187.87%

* 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,**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Expense										
Operating expense without depreciation	\$ 16,759,436	\$ 18,951,534	\$ 18,733,428	\$ 18,737,363	\$ 19,159,951	\$ 20,531,512	\$ 21,773,893	\$ 23,195,638	\$ 23,441,865	\$ 25,586,122
Depreciation	8,455,804	10,227,583	11,067,539	11,804,578	12,682,226	14,640,227	16,543,392	18,284,379	21,024,952	23,198,109
Total operating expense	<u>25,215,240</u>	<u>29,179,117</u>	<u>29,800,967</u>	<u>30,541,941</u>	<u>31,842,177</u>	<u>35,171,739</u>	<u>38,317,285</u>	<u>41,480,017</u>	<u>44,466,817</u>	<u>48,784,232</u>
Non-Operating Revenues (Expenses)										
Amortization of bond issuance cost	120,706	-	107,936	176,656	138,205	220,883	223,200	111,928	133,129	123,198
Extraordinary expense loss on substance Difference	-	-	-	-	-	-	-	-	-	-
Non-project expenses	922,773	546,864	73,338	12,632	958	1,789	-	305	475,957	262,199
Other expenses	5,327	377,857	26,515	4,982	597	145	-	-	-	-
Total amortization, non-project and other expense	<u>1,048,806</u>	<u>924,521</u>	<u>207,789</u>	<u>194,270</u>	<u>139,760</u>	<u>222,817</u>	<u>223,200</u>	<u>112,233</u>	<u>609,086</u>	<u>385,397</u>
Total expense	<u>\$ 26,264,046</u>	<u>\$ 30,103,638</u>	<u>\$ 30,008,756</u>	<u>\$ 30,736,211</u>	<u>\$ 31,981,937</u>	<u>\$ 35,394,556</u>	<u>\$ 38,540,485</u>	<u>\$ 41,592,250</u>	<u>\$ 45,075,903</u>	<u>\$ 49,169,629</u>
Long-Term Debt Costs										
Interest payments and agent fees (excluding interest on BAN* payoff)	2,200,423	2,087,535	3,369,094	7,838,259	7,655,384	7,677,953	8,267,425	12,901,635	11,964,357	12,561,183
Principal payments (excluding refinance or BAN payoff)	3,834,462	3,313,287	4,534,726	9,637,281	10,514,940	9,840,004	7,703,577	11,305,852	9,395,354	10,302,339
Acquired facilities	47,669	18,122	18,110	-	-	-	-	-	-	-
Total long-term debt costs	<u>\$ 6,082,554</u>	<u>\$ 5,418,944</u>	<u>\$ 7,921,930</u>	<u>\$ 17,475,540</u>	<u>\$ 18,170,324</u>	<u>\$ 17,517,957</u>	<u>\$ 15,971,002</u>	<u>\$ 24,207,487</u>	<u>\$ 21,359,711</u>	<u>\$ 22,863,522</u>
* BAN - Bond Anticipation Note										
Expense to debt ratio	4.32/1	5.58/1	3.78/1	1.77/1	1.76/1	2.04/1	2.41/1	1.71/1	2.11/1	2.15/1

WESTERN CAROLINA REGIONAL SEWER AUTHORITY
 GREENVILLE COUNTY, SOUTH CAROLINA
 RATIO OF ASSESSED VALUE TO GENERAL OBLIGATION DEBT AND PER CAPITA
 LAST TEN FISCAL YEARS ENDED JUNE 30,

Year	Assessed Value (1)	The Authority's General Obligation Debt Balance	Ratio of Assessed Value to General Obligation	Population (2)	Assessed Value Per Capita
1999	\$ 1,175,716,074	-	-	379,819	3,095
2000	1,229,676,805	-	-	383,717	3,205
2001	1,285,599,359	-	-	385,000	3,339
2002	1,444,591,498	-	-	390,000	3,704
2003	1,443,715,170	-	-	391,000	3,692
2004	1,519,843,124	-	-	393,000	3,867
2005	1,552,755,137	-	-	401,000	3,872
2006	1,629,775,545	-	-	407,000	4,004
2007	1,312,110,475	-	-	417,166	3,145
2008	1,833,262,263	-	-	428,243	4,281

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 ENDED JUNE 30,**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Greenville County	\$ 14,350,000	\$ 18,455,000	\$ 41,225,000	\$ 43,555,000	\$ 47,410,000	\$ 46,560,000	\$ 55,855,000	\$ 58,385,000	\$ 65,435,000	\$ 66,115,000
School District of Greenville County	95,020,000	121,550,220	69,803,875	44,800,000	-	-	-	-	-	-
Greenville Memorial Auditorium District	12,215,000	11,970,000	11,840,000	11,280,000	10,900,000	10,500,000	10,080,000	9,620,000	9,150,000	8,650,000
Berea Public Service District	1,520,000	1,405,000	1,285,000	955,000	830,000	700,000	2,525,000	2,352,000	2,180,000	2,000,000
Boiling Springs Fire District	695,830	670,842	843,794	615,174	584,660	552,121	201,657	480,406	440,957	273,670
Donaldson Center Fire Service District	75,000	50,000	25,000	-	-	-	-	-	-	-
East Simpsonville Fire District	225,000	145,000	60,000	-	-	1,250,000	1,200,000	1,150,000	1,100,000	1,045,000
Gantt Fire, Sewer & Police District	721,223	2,652,019	2,522,354	2,392,208	2,241,550	2,090,362	2,013,615	1,928,279	1,838,327	1,739,727
Glassy Mountain Fire District	125,000	90,000	75,000	60,000	45,000	30,000	15,000	2,020,000	1,915,000	1,805,000
Mauldin Fire Service Area	365,000	330,000	295,000	255,000	210,000	160,000	110,000	55,000	-	-
Metropolitan Sewer Sub-District	350,000	-	-	-	-	-	-	-	-	-
Paris Mountain Water & Sewer District	-	-	-	-	-	-	-	-	-	-
Parker Fire & Sewer Sub-District	430,000	200,000	-	-	-	-	-	-	-	-
Pelham Batesville Fire District	-	-	-	950,000	873,478	793,344	709,428	621,550	529,525	-
Piedmont Sewer & Light District	43,000	26,000	9,000	-	-	-	-	-	-	-
Recreation District	1,085,000	895,000	890,000	47,500	245,000	1,712,000	1,607,000	2,137,535	2,000,128	1,855,736
South Greenville Fire & Sewer District	1,055,000	950,000	835,000	715,000	590,000	455,000	310,000	1,760,000	1,522,000	1,422,000
Taylors Fire & Sewer District	1,691,638	1,605,449	1,515,538	1,421,742	1,323,989	1,221,829	1,112,208	1,004,278	888,407	787,532
Tigerville Fire District	334,702	323,038	310,661	297,526	283,586	268,792	253,092	236,430	218,748	199,963
Upper Paris Mountain District	80,000	70,000	60,000	50,000	40,000	30,000	30,000	10,000	-	-
Wade Hampton Water & Sewer District	568,465	468,072	357,222	243,782	124,799	-	-	-	-	-
Western Carolina Regional Sewer Auth.	-	-	-	-	-	-	-	-	-	-
Town of Fountain Inn	-	-	-	-	-	-	275,000	2,375,000	230,000	1,795,000
City of Greenville	8,665,000	7,315,000	6,195,000	9,465,000	8,660,000	12,950,000	11,825,000	70,928,407	15,550,000	14,300,000
Town of Greer	1,260,000	4,810,000	4,490,000	4,160,000	3,810,000	3,435,000	3,040,000	4,118,500	5,311,500	5,133,500
Town of Mauldin	1,695,000	1,530,000	3,560,000	4,631,000	4,573,617	3,940,295	2,875,000	6,196,987	2,485,000	2,275,000
Town of Simpsonville	1,960,000	1,750,000	1,530,000	2,635,000	2,345,000	2,595,000	2,515,000	11,095,000	2,450,000	3,000,000
Town of Travelers Rest	143,386	150,000	-	-	-	-	-	-	142,293	840,529
	<u>\$ 144,673,244</u>	<u>\$ 177,410,440</u>	<u>\$ 146,927,444</u>	<u>\$ 128,528,930</u>	<u>\$ 85,090,679</u>	<u>\$ 89,243,743</u>	<u>\$ 96,552,000</u>	<u>\$ 176,468,372</u>	<u>\$ 113,386,885</u>	<u>\$ 113,217,677</u>

Source: Greenville County Treasurer

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

Calendar year 2008 valuation as determined by the Greenville County Finance Department	\$	1,833,262,263
Statutory debt limit rate-Article X of S.C. Constitution		8%
Statutory debt limit		146,660,981
General obligation indebtedness as of June 30, 2008		-

Legal debt margin	\$	146,660,981
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Total General Obligation Debt as of
June 30, 2008

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 2007 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 \$1,833,262,263 and 8% of such amount is \$146,660,981 (Source: Greenville County Auditors). The Authority has issued general obligation debt in the outstanding aggregate principal amount of \$ 0 (as of June 30, 2008), none of which was issued pursuant to referendum. Therefore, the Authority may presently issue without a referendum \$146,660,981 of general obligation debt.

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
GREENVILLE COUNTY, SOUTH CAROLINA
TEN LARGEST BUSINESSES 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
School District of Greenville County	Greenville	Public Education	7,207	3.0%	1951
Michelin North America, Inc.	Greenville	Radial tires	4,085	1.8%	1975
General Electric Co.	Greenville	Gas turbine engines	3,100	1.0%	1967
Fluor Corporation	Greenville	Engineering & Construction	2,700	1.0%	1960
SC State Government	Greenville	State Government	2,584	1.0%	1905
Bon Secours St. Francis Health System	Greenville	Health Services	2,132	1.0%	1932
Bob Jones University	Greenville	Education	1,795	1.0%	1927
Sealed Air Corporation	Greenville	Plastic Bags	1,700	0.7%	1998
Greenville County Government	Greenville	Government	1,627	1.0%	1786

Source: GADC and SCACOG; AUGUST, 2008

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**

Fiscal Year	(1) Population	Population Growth	Per Capita Personal Income (2)	(2) Median Age	School Enrollment (3)	Percent Unemployment (4)
1999	379,819	2.4%	28,852	37	59,135	2.0%
2000	383,717	1.0%	28,743	36	59,706	2.7%
2001	385,000	0.3%	29,109	36	59,361	3.2%
2002	390,000	1.3%	n/a	36	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%
2008	428,243	2.7%	30,814	37	69,227	6.5%

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 ENDED JUNE 30,**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Laboratory	15 8%	15 8%	16 9%	18 10%	19 10%	19 9%	18 9%	17 9%	16 9%	17 9%
Operations *	65 35%	62 34%	60 33%	54 29%	59 31%	63 31%	62 31%	61 32%	61 34%	60 32%
Maintenance/Collections	59 32%	54 30%	56 31%	64 34%	62 32%	66 33%	65 33%	63 33%	58 32%	61 33%
Administration	23 12%	23 13%	23 13%	23 12%	24 12%	24 12%	25 13%	24 13%	21 12%	26 14%
Pretreatment	4 2%	6 3%	6 3%	7 4%	7 4%	7 3%	7 4%	7 4%	6 3%	8 4%
Engineering	12 6%	14 8%	13 7%	15 8%	17 9%	18 9%	15 8%	15 8%	11 6%	15 8%
Solids Management	7 0	7 0	6 0	5 0	5 0	5 0	5 0	5 0	7 0	0 0
Total	185 100%	181 100%	180 100%	186 100%	193 100%	202 100%	197 100%	192 100%	180 100%	187 100%

Operators by Plant (operations)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
East Ops										
Durbin Creek	6 9%	5 8%	5 8%	4 7%	4 7%	4 6%	4 6%	4 7%	4 7%	3 5%
Gilder Creek	6 9%	4 6%	5 8%	3 6%	2 3%	3 5%	3 5%	5 8%	6 10%	6 10%
Lower Reedy	7 11%	8 13%	8 13%	8 15%	9 15%	7 11%	7 11%	7 11%	7 11%	7 12%
Pelham	5 8%	5 8%	5 8%	5 9%	7 12%	6 10%	6 10%	6 10%	8 13%	7 12%
Taylors	5 8%	5 8%	5 8%	5 9%	4 7%	6 10%	5 8%	5 8%	5 8%	4 7%
West Ops										
Georges Creek	- -	- -	- -	- -	- -	9 0	7 0	6 0	5 0	5 0
Grove Creek	5 8%	6 10%	6 10%	7 13%	7 12%	6 10%	7 11%	5 8%	3 5%	4 7%
Lakeside	6 9%	6 10%	5 8%	7 13%	8 14%	- 0%	- 0%	- 0%	- 0%	0%
Marietta	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Mauldin Road	25 38%	23 37%	21 35%	15 28%	18 31%	22 35%	23 37%	23 38%	22 36%	23 38%
Piedmont	- -	- -	- -	- -	- -	- -	- -	- -	1 0	1 0
Total *	65 100%	62 100%	60 100%	54 100%	59 100%	63 100%	62 100%	61 100%	61 100%	60 100%

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
LENGTH OF LINE SERVING WASTE WATER TREATMENT PLANTS
LAST TEN FISCAL YEARS ENDED JUNE 30,**

Treatment Plant	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Durbin Creek	149,598	149,598	135,745	135,054	135,054	135,054	135,552	135,552	135,552	135,552
Georges Creek	-	-	-	-	-	68,355	117,840	117,892	117,892	117,892
Gilder Creek	152,141	152,141	152,141	139,524	139,524	139,524	139,559	146,112	160,358	162,000
Grove Creek	94,528	94,528	94,528	94,431	94,431	94,431	94,570	94,570	94,570	94,570
Lakeside	36,956	36,956	36,956	36,802	36,802	-	-	-	-	-
Lower Reedy	249,359	249,359	263,959	274,260	274,260	274,260	274,237	279,823	279,823	279,823
Marietta	26,412	26,412	26,412	25,172	25,172	25,172	24,877	24,877	24,877	24,877
Mauldin Road	425,230	425,230	425,697	393,740	393,740	393,740	398,950	398,565	398,565	389,273
Parker	23,499	23,499	23,499	23,488	23,488	-	-	-	-	-
Pelham	221,174	221,174	221,174	216,802	216,802	216,802	216,683	216,760	216,760	242,194
Piedmont	10,437	10,437	10,437	10,437	10,437	10,437	10,437	10,437	10,437	10,437
Saluda	35,681	35,681	35,681	35,593	35,593	35,593	-	-	-	-
Taylors	<u>94,250</u>	<u>94,250</u>	<u>94,250</u>	<u>110,113</u>	<u>110,113</u>	<u>110,113</u>	<u>110,186</u>	<u>110,199</u>	<u>110,199</u>	<u>110,199</u>
Totals	<u>1,519,265</u>	<u>1,519,265</u>	<u>1,520,479</u>	<u>1,495,416</u>	<u>1,495,416</u>	<u>1,503,481</u>	<u>1,522,891</u>	<u>1,534,787</u>	<u>1,549,033</u>	<u>1,566,817</u>

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
SUMMARY OF TREATMENT PLANT FLOWS
JULY 1, 2007- JUNE 30, 2008**

Treatment Plant	Actual Design (Permitted) Flow (MGD)	Annual Average Flow (MGD) (1)	Actual Average Peak Monthly Flow (MGD) (1)
Reedy River Basin			
Mauldin Road	29.000	14.465	16.666
Lower Reedy	11.500	5.170	5.480
Basin Total	40.500	19.635	22.146
Saluda River Basin			
Marietta	0.670	0.297	0.384
Georges Creek	3.000	1.030	1.160
Grove Creek	2.000	0.930	1.210
Piedmont	1.200	0.150	0.188
Basin Total	6.870	2.407	2.942
Enoree River Basin			
Taylors	7.500	2.030	2.330
Pelham	22.500	6.420	6.960
Gilder Creek	8.000	3.610	4.020
Durbin Creek	3.300	1.330	1.530
Basin Total	41.300	13.390	14.840
Total All Basins	88.670	35.432	39.928

Annual Average Flow and Actual Average Peak Monthly Flow have been determined from the Authority's Operator Daily Log from July 1, 2007 to June 30, 2008. 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.

Annual Average Flow (MGD) (1)				Actual Average Peak Monthly Flow (MGD) (1)			
Last Ten Fiscal Years Ended June 30,				Last Ten Fiscal Years Ended June 30,			
Year	MGD	Year	MGD	Year	MGD	Year	MGD
1999	38.8	2004	40.6	1999	58.1	2004	48.1
2000	40.9	2005	44.2	2000	70.4	2005	54.8
2001	37.8	2006	38.2	2001	44.9	2006	46.7
2002	38.4	2007	38.9	2002	44.2	2007	48.8
2003	46.2	2008	35.4	2003	57.0	2008	39.9

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
MISCELLANEOUS STATISTICS
LAST TEN FISCAL YEARS ENDED JUNE 30,**

East Ops Services and Supplies	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Electric Power	* \$879,518	\$796,617	\$931,499	\$955,504	\$1,062,238	\$994,531	\$886,122	\$1,164,450	\$1,061,279	\$1,127,835
Chlorine	* 135 tons	178 tons	247 tons	218 tons	192 tons	174.22 tons	142.5 tons	108.73 tons	40.25 tons	36 tons
Polymer	* 37 tons	32 tons	16 tons	33 tons	68 tons	40.69 tons	32.68 tons	43.23 tons	49.1 tons	50 tons
Kiln Dust	-	-	-	-	-	-	-	-	-	-
Lime Slurry	-	-	-	-	-	-	-	-	-	-
Lime	* 307 tons	502 tons	1,061 tons	866 tons	933 tons	1,320.76 tons	765.07 tons	847.56 tons	697.5 tons	671 tons
Sulfur Dioxide	* 96 tons	131 tons	393 tons	251 tons	217.5 tons	158.65 tons	62.6 tons	40 tons	18 tons	13 tons
West Ops Services and Supplies	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Electric Power	* \$630,563	\$842,194	\$940,568	\$842,934	\$975,267	\$883,778	\$1,306,662	\$1,280,498	\$1,410,938	\$1,404,115
Chlorine	* 119 tons	149.5 tons	180 tons	150 tons	162.75 tons	133.23 tons	339.15 tons	744.65 tons	112.75 tons	90 tons
Polymer	* 24 tons	39 tons	41 tons	39 tons	54.5 tons	35.463 tons	71.54 tons	53.63 tons	68.07 tons	58 tons
Kiln Dust	* 11,842 tons	11,873 tons	11,826 tons	1,699 tons	-	-	-	-	-	-
Lime Slurry	-	-	-	-	173 tons	820.28 tons	2,791.85 tons	4,465.51 tons	4,520.08 tons	4,732 tons
Lime	-	287 tons	287 tons	216.5 tons	51.5 tons	35.04 tons	499.4 tons	556.29 tons	598.14 tons	605 tons
Sulfur Dioxide	* 40 tons	53.5 tons	69 tons	56 tons	64.25 tons	82.77 tons	148.39 tons	245.71 tons	33.3 tons	14 tons

* data for County Plants (East Ops) and Mauldin Road (West Ops)

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
PUMP STATIONS AND INDUSTRIAL USER STATISTICS
LAST TEN FISCAL YEARS ENDED JUNE 30,**

Treatment Plant	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of Pump Stations Serving WWT										
Durbin Creek	6	6	6	6	6	6	6	6	6	6
Georges Creek	-	-	-	-	-	7	14	15	14	14
Gilder Creek	3	3	3	3	3	3	3	3	3	3
Grove Creek	1	1	1	1	1	1	1	1	1	2
Lakeside	3	3	3	3	3	-	-	-	-	-
Lower Reedy	6	6	6	6	5	5	5	6	5	6
Marietta	3	3	3	3	3	3	3	3	4	3
Mauldin Road	9	8	8	8	8	8	8	8	8	9
Parker	1	1	1	1	1	-	-	-	-	-
Pelham	8	8	8	8	8	8	8	8	8	7
Piedmont	3	4	3	3	3	3	3	4	3	3
Saluda	7	7	7	7	7	7	-	-	-	-
Taylors	8	9	9	9	10	10	10	10	10	8
Totals	<u>58</u>	<u>59</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>61</u>	<u>61</u>	<u>64</u>	<u>62</u>	<u>61</u>

Number of Industrial Users Served by WWT										
Durbin Creek	12	13	14	15	14	13	12	13	14	14
Georges Creek	-	-	-	-	-	2	2	2	2	1
Gilder Creek	9	10	9	10	10	7	8	8	8	7
Grove Creek	10	10	10	11	12	12	12	11	15	11
Lakeside	1	1	1	1	1	-	-	-	-	-
Lower Reedy	28	26	28	29	29	29	30	28	26	30
Marietta	1	1	1	1	1	1	1	1	1	1
Mauldin Road	38	37	38	34	32	32	29	28	27	28
Parker	2	2	2	2	2	-	-	-	-	-
Pelham	9	8	9	8	8	7	7	7	10	10
Piedmont	1	1	2	1	1	1	-	-	-	1
Saluda	-	-	-	-	-	-	-	-	-	-
Taylors	10	10	12	13	12	11	11	9	7	8
Totals	<u>121</u>	<u>119</u>	<u>126</u>	<u>125</u>	<u>122</u>	<u>115</u>	<u>112</u>	<u>107</u>	<u>110</u>	<u>111</u>

Total significant Industries = 68

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
MAJOR TREATMENT PLANT MODIFICATIONS AND UPGRADES
LAST TEN FISCAL YEARS JUNE 30,**

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	Modification/Upgrade									
			1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Reedy River Basin												
Mauldin Road	Modified Activated Sludge for Biological Phosphorus Removal with Tertiary Treatment	1927			XX				X			
Lower Reedy	Modified Activated Sludge for Biological Phosphorus Removal with Tertiary Treatment	1975		XX					X		X	
Saluda River Basin												
Marietta	Extended Aeration Activated Sludge	1975					X				X	
Georges Creek	Extended Aeration Activated Sludge	2003					X					
Grove Creek	Extended Aeration Activated Sludge	1974					XX		X			
Piedmont	Extended Aeration Activated Sludge	1966						X				
Enoree River Basin												
Taylors	Extended Aeration Activated Sludge	1970									X	
Pelham	Modified Activated Sludge for Nitrogen Removal with Tertiary Treatment	1978					X				X	
Gilder Creek	Extended Aeration Activated Sludge with Tertiary Treatment	1987					X			X		
Durbin Creek	Extended Aeration Activated Sludge	1988									X	

XX = Modification
X = Upgrade

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

Fiscal Year	Bond Proceeds	State Revolving Loan Proceeds	Federal Payments & Reimbursements	Monies from Authority Operations	Total Construction Expenses
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
2007	59,917,562	12,338,255	495,172	11,037,376	83,788,365
2008	-	17,937,953	-	49,195,900	67,133,853
	<u>\$ 187,896,055</u>	<u>\$ 150,853,916</u>	<u>\$ 14,888,186</u>	<u>\$ 146,823,091</u>	<u>\$ 500,461,249</u>

**WESTERN CAROLINA REGIONAL SEWER AUTHORITY
SOLIDS GENERATED AND METHOD OF DISPOSAL
LAST TEN FISCAL YEARS ENDED JUNE 30,**

Treatment Plant Solids Generated	Dry Tons Per Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Durbin Creek	280	280	250	385	177	165	282	283	314	170
Georges Creek	-	-	-	-	-	55	303	295	266	299
Gilder Creek	840	1,020	505	1,221	1,268	1,027	919	706	568	709
Grove Creek	150	175	175	186	168	197	192	233	214	229
Lakeside	240	130	130	103	145	-	-	-	-	-
Lower Reedy	1,435	1,570	265	1,291	1,226	1,258	1,255	1,442	1,458	1,266
Marietta	140	195	175	151	68	92	140	73	103	146
Mauldin Road	19,010	21,125	17,874	7,931	2,694	5,001	4,129	3,550	3,811	3,607
Parker	15	35	32	39	26	-	-	-	-	-
Pelham	970	980	584	1,121	1,058	1,201	1,338	969	1,061	1,247
Piedmont	40	40	32	45	40	70	52	23	29	30
Saluda	30	50	36	56	50	41	-	-	-	-
Taylors	975	1,025	908	911	965	907	917	589	922	433
Totals	24,125	26,625	20,966	13,440	7,885	10,014	9,527	8,163	8,746	8,136

Method of Disposal (yearly totals)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Landfill Disposal	12,935	14,413	10,822	6,843	3,652	3,677	5,576	1,526	1,482	714
Land Application/Recycled	11,190	12,212	10,144	6,597	4,233	6,337	3,951	6,637	7,264	7,422
Totals	24,125	26,625	20,966	13,440	7,885	10,014	9,527	8,163	8,746	8,136



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, 2008, and have issued our report thereon dated October 20, 2008. 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.

(Continued)

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 20, 2008

**INDEPENDENT AUDITOR'S REPORT
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, 2008. 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, 2008.

(Continued)

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 20, 2008

WESTERN CAROLINA REGIONAL SEWER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Western Carolina Regional Sewer Authority (the "Authority").
2. There were no material weaknesses or significant deficiencies that are not 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 not 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, 2008

	<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-370-46	\$ 884,108	\$ 176,823	\$ 1,060,931
		SRF-370-47	<u>7,030,272</u>	<u>8,670,306</u>	<u>15,700,578</u>
			<u>\$ 7,914,380*</u>	<u>\$ 8,847,129</u>	<u>\$ 16,761,509</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."