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renewable water resources

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

GREENVILLE, SOUTH CAROLINA

PREPARED BY:

Patricia Dennis

CONTROLLER

renewable water resources

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

GREENVILLE, SOUTH CAROLINA

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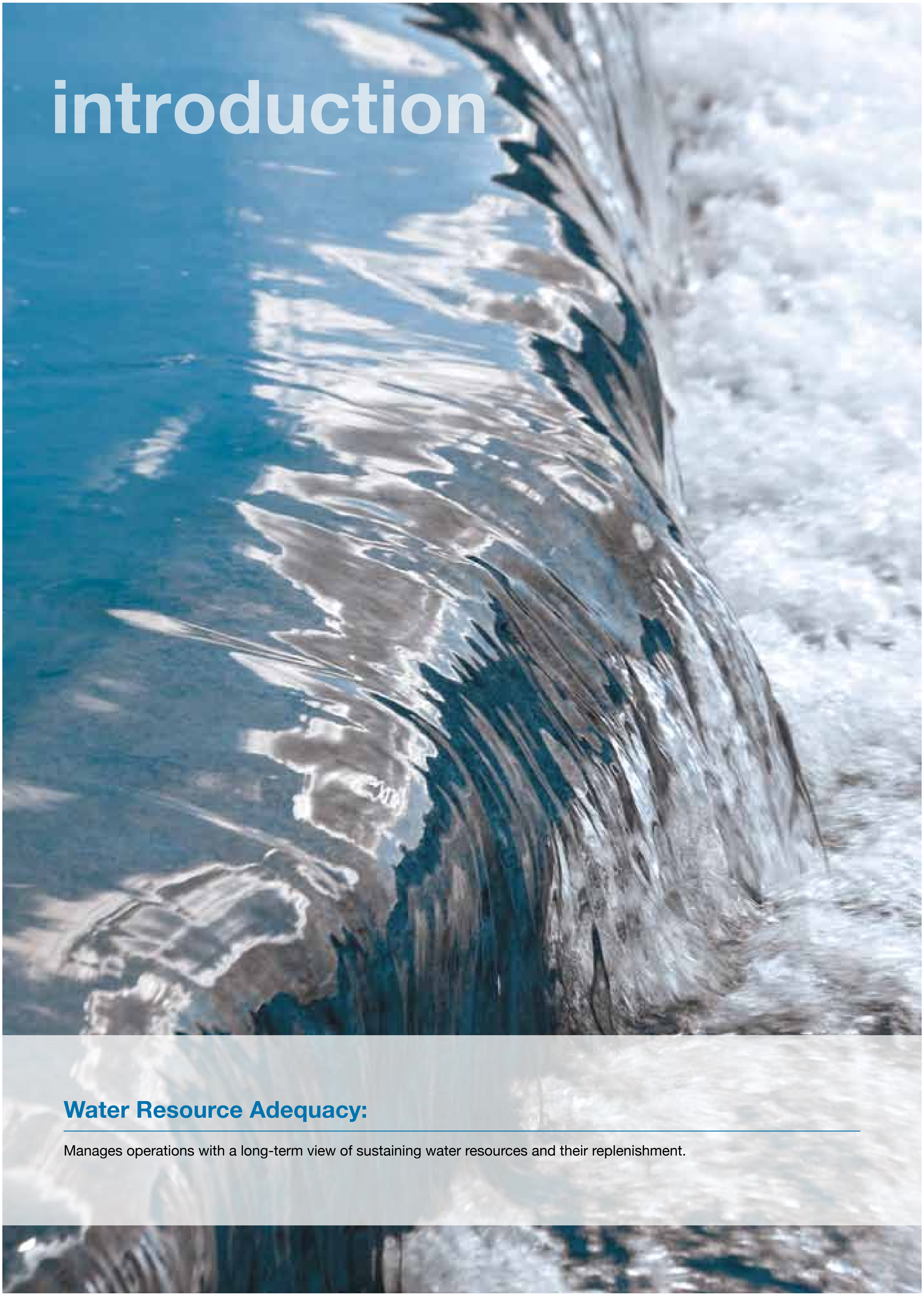


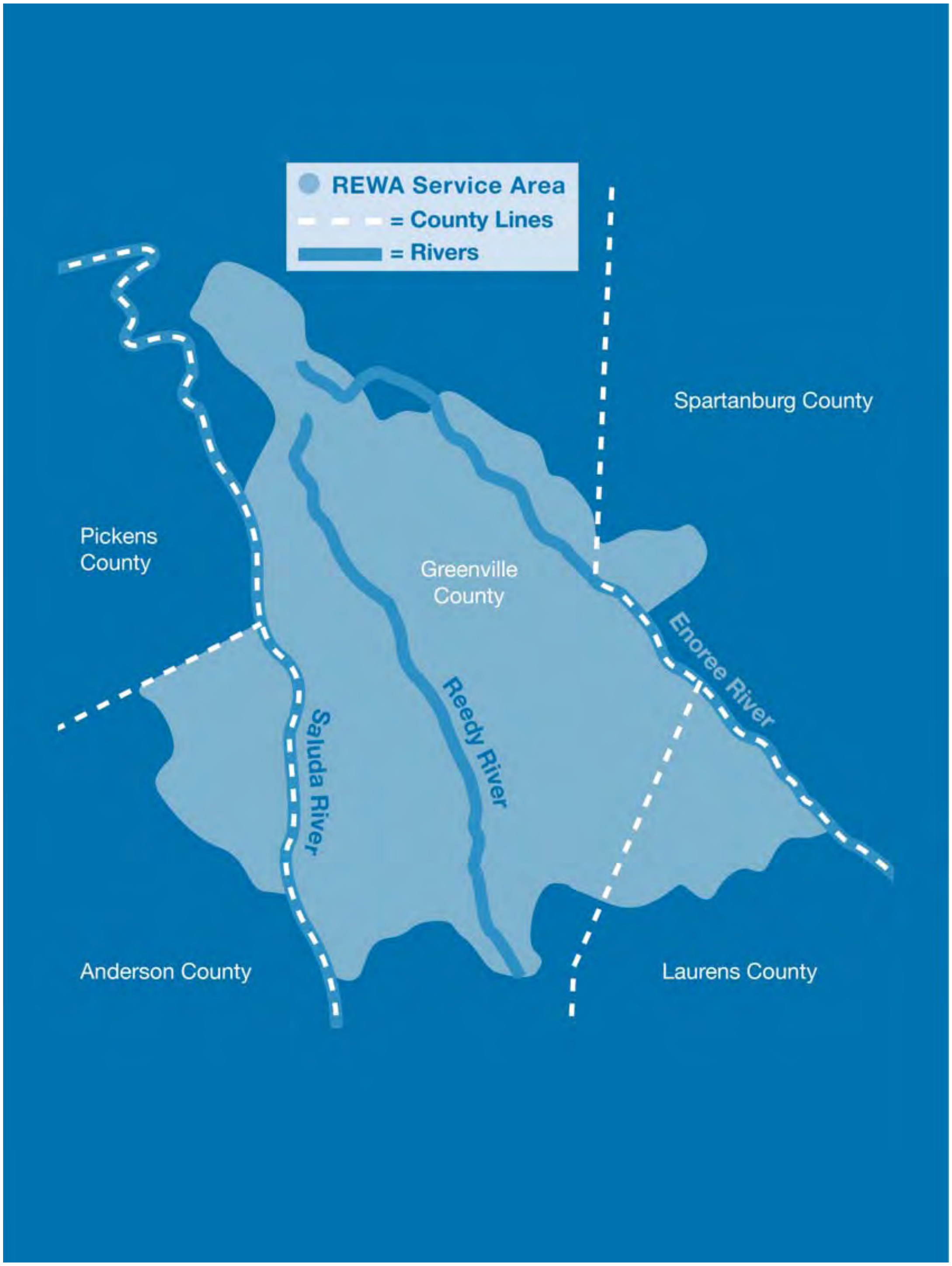
introduction

Water Resource Adequacy:

Manages operations with a long-term view of sustaining water resources and their replenishment.

Customer Satisfaction:

Performs affordable and reliable service in a timely manner that exceeds customers' expectations.


REWA Service Area
= County Lines
= Rivers
Spartanburg County
Pickens County
Greenville County
Enoree River
Reedy River
Saluda River
Anderson County
Laurens County

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Renewable Water Resources South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

President

Executive Director

ReWa
renewable water resources

November 30, 2010

To the Board of Commissioners and Customers:

The management and staff of Renewable Water Resources ("the Agency") are pleased to present the Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2010.

The CAFR consists of management's representations concerning the finances of the Agency for the fiscal year ended June 30, 2010. Accordingly, management assumes full responsibility for the accuracy and completeness of the information provided in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with Generally Accepted Accounting Principles ("GAAP"). Since the cost of internal controls should not outweigh the benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert to the best of our knowledge and belief that this financial report is complete and reliable in all material respects.

The Agency's Board of Commissioners (the "Commission") requires an annual audit by an independent firm of certified public accountants. Elliott Davis, LLC performed this function and conducted the engagement 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. Elliott Davis, LLC concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Agency's financial statements for the fiscal year ended June 30, 2010.

The independent audit of the financial statement included federally-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. For additional information on the Single Audit, please refer to the audit section 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 Agency's MD&A can be found in the financial section of this report.

PROFILE OF THE AGENCY

The Agency 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." 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." The name, Greater Greenville Sewer District was changed to Western Carolina Regional Sewer Authority by Act No. 393 of 1974, and changed to Renewable Water Resources by Act No. 102 of 2009. In 2010, by Act No. 311, the Agency's authority was expanded to use, market, and set rates related to the generation of goods and energy derived from by-products of our treatment process and alternate sources. The Agency's activities are accounted for as an enterprise fund and costs are recovered through user fees.

The Agency is the largest wastewater treatment provider in the region, serving much of Greenville County and portions of Anderson, Laurens, Pickens and Spartanburg Counties, which are commonly referred to as the Upstate. The Saluda River, Reedy River and the Enoree River basins are the three major drainage basins in the Agency's service area. Wastewater within the region is collected from 17 public partners that construct and maintain 1,880 miles of sewer collection lines. These collection lines connect into the Agency's 360 mile interceptor system. The Agency owns and operates nine wastewater treatment plants ("WWTP") which treat an average flow of 39.6 million gallons per day.

A nine-member Commission governs the Agency. Each member of the Commission is appointed to a four-year term by the Governor upon recommendation of the respective county legislative delegation. Seven members are residents of Greenville County, whereas the remaining two are required to live in Anderson and Laurens Counties.

The Agency is dedicated to enhancing the quality of life in its service area by providing high quality wastewater treatment services. The mission of the organization is to protect the public health and water quality of the Upstate waterways while providing the necessary infrastructure to support the local economy.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in this report is most meaningful when it is considered in relation to the economic and social environment in which the Agency operates.

Regional Economy

Greenville County is strategically located on the I-85 corridor between Atlanta and Charlotte. Greenville has become an established coordination center for east coast transportation as the County is almost an equal distance between New York and Miami. Likewise, the Port of Charleston is just 200 miles to the southeast, explaining why 60% of the goods shipped from one of the Southeast's largest container ports were produced in the Upstate.

As of September 2010, Greenville County's unemployment rate, not seasonally adjusted, was 9.3% down from 11.1% for the same period in 2009, an indicator that Greenville's economy is improving. In fact, *fDi Magazine* recently named Greenville the **Number 1 Micro-City of the Future** in North America based on economic potential, business friendliness and infrastructure. Greenville is continually cited as one of the most affordable places to live and retire. Greenville's unemployment rate continues to be significantly lower than the overall South Carolina rate of 10.7%, which can be attributed to Greenville's economic development strategy.

Greenville is committed to strategic planning and development and is regarded as an innovative and entrepreneurial leader in South Carolina. Companies continue to be attracted to Greenville's pro-business attitude, location and workforce quality. In fact, Greenville has the highest per capita population of engineers in the nation. Greenville is known to have a progressive local government which has formed partnerships with companies and universities to promote economic development. One of the most prominent partnerships is Clemson University's International Center of Automotive Research ("CU-ICAR"), the result of a joint effort between BMW, Michelin North America, the city of Greenville, the state of South Carolina and others. The 250-acre advanced-technology campus, located within the city limits of Greenville, was designed to bridge the gaps between research, technology and commercial application. CU-ICAR is composed of five technology neighborhoods, each designed uniquely for optimizing an innovative and collaborative environment. Greenville is home to world-class organizations such as BMW, Timken, Sealed Air – Cryovac, Michelin North America, General Electric, Hubbell Lighting, Lockheed Martin, Fluor Corporation and many others. More than 120 Fortune 500 Companies are located in Greenville. Furthermore, Greenville has more foreign investment per capita than any other region in the United States. BMW recently completed a $750-million expansion and is currently hiring for the estimated 1,600 positions needed to operate this new facility. During fiscal year 2010, more than 20 companies announced new development or expansion plans in Greenville, which are projected to create more than 2,200 jobs and invest more than $278 million. The most notable of these announcements includes a $100-million investment across the next five years by FitesaFiberweb, who is a leading international manufacturer of specialty nonwoven materials. In addition Proterra, which develops and assembles fuel cell hybrid-powered transit vehicles, announced in February 2010 that they would invest approximately $68 million throughout the next seven years.

Industry

The Agency has slightly more than 100 industrial customers that it bills directly and classifies as either low-volume dischargers or significant industrial users. An industry is classified as a significant industrial user by meeting one of the following criteria:

- is subject to National Categorical Treatment Standards
- discharges an average of at least 25,000 gallons per day of process wastewater to the Public Owned Treatment Works (“POTW”)
- discharges five percent or more of any design or treatment capacity of the POTW
- is found by the Agency, the South Carolina Department of Health & Environmental Control, or the U.S. Environmental Protection Agency (“EPA”) to have a reasonable potential for adversely affecting, either singly or in combination with other discharges, the wastewater disposal system, the quality of sludge, the system’s effluent quality, the receiving stream, or air emissions generated by the system

Conversely, a low-volume discharger is one that does not meet any of the above criteria. Currently, the Agency has 72 industries classified as significant industrial users. All significant industrial users must obtain a permit to discharge to the POTW. Significant industrial users pay fixed-base fees, volume charges, and surcharges for industrial biological oxygen demand and total suspended solid discharges.

Listed below are the Agency's largest industrial customers by revenue generation in fiscal year 2010.

Ten Largest Industrial Accounts in 2010

Industry	Revenue	Percentage of total operating revenues
Columbia Farms – Mauldin & Pelham *Poultry processing*	$ 1,242,863	1.91%
Cryovac Sealed Air Corporation *Food wrapping*	258,067	0.40
Michelin North America *Tire manufacturer*	252,991	0.39
Aurora Textile Finishing *Textile fabrics*	237,969	0.37
Cytec Carbon Fibers LLC *Carbon fiber manufacturing*	216,610	0.33
Furman University *Higher education*	215,512	0.33
Cognis – Henkel Corporation *Organic chemical producer*	208,333	0.32
3M Company *Film & tape manufacturer*	198,547	0.31
Kemet – Simpsonville Facility *Electronic capacitor manufacturing*	196,531	0.30
K&M Fabrics, Inc. *Drapery fabrics*	159,430	0.25

Long-Term Financial Planning

The Agency maintains a rolling five-year capital improvements program. The development of this program involves the evaluation of current conditions, growth projections, regulatory requirements and project affordability. In addition, the Agency performs long-range planning, such as the recently adopted 20-year strategic plan (the "Upstate Roundtable Plan"). The goal of the Upstate Roundtable was to align regional wastewater infrastructure with the Upstate's projected growth, while promoting environmental sustainability. In fiscal year 2010, the Agency was able to accomplish the first step towards these goals by expanding our legislation to use, market and set rates related to the generation of goods and energy derived from by-products of our treatment process and alternate sources. This legislation lays the groundwork towards implementing numerous objectives identified in the Upstate Roundtable Plan. This plan identifies more than $800 million in capital improvement needs and more than 70 recommendations as a guide for growth and development through the year 2030. Additional information on the Upstate Roundtable, as well as the final report, can be accessed at www.upstateroundtable.org. In fiscal year 2010, the Agency commissioned a 20-year Capital Planning Analysis to identify the appropriate sources to fund these capital improvement needs. Since the Agency's revenues are solely derived from user fees, it is critical that the rates remain sufficient to meet operational expenses, as well as the above five- and 20-year plans. Additional information on the rate study can be found in MD&A within the financial section of this report.

Accountability and Transparency

Our website www.rewaonline.org is utilized to publish both financial and non-financial information to our rate-payers and other interested parties to enhance the public's understanding and promote interest. The site enables us to disseminate timely information to our rate-payers in an effective manner and includes a description of the wastewater treatment process, approved rates, procurement and employment opportunities, new customer information and upcoming events. The website also includes links to the Upstate Roundtable, CAFR, Annual Report to the Community and the Sewer Use Regulation. The Agency uses the website and local newspapers to communicate public comment and hearing notifications, as well as Commission meeting agendas. The Agency strives to be transparent and accountable both operationally and fiscally.

Debt Management Policy

On June 14, 2010, the Commission adopted a revised Master Bond Resolution (the "Master Bond Resolution") which modernized the Agency's debt covenants. The Master Bond Resolution creates an additional lien on net revenues which is subordinate to existing debt issued under the Senior Bond Resolution, adopted April 26, 1990. In the Master Bond Resolution, the Commission pledges not to issue any system revenue bonds on parity with or senior to the Senior Lien Bonds. The Master Bond Resolution establishes the types of allowable debt, debt coverage ratio requirements, debt service pattern, rating requirements and reporting requirements. All of the Agency's outstanding indebtedness, as of June 30, 2010, was issued under the Senior Bond Resolution. The first series to be issued under the Master Bond Resolution is the Series 2010A, dated July 9, 2010. For additional information on the Agency's debt, please refer to the Long-Term Debt section of MD&A located within the financial section, as well as footnotes 7, 8 and 9.

Budget

The Agency's Commission annually adopts an operating and capital budget prior to the new fiscal year. The budget is prepared on a cash basis, as required by the state of South Carolina and on an accrual basis for internal purposes. The budget provides the basis for reporting, which management uses to monitor and control the Agency's spending. Management receives budget to actual reports monthly and is responsible for providing variance explanations to the Accounting Department.

The budget is approved by the Commission after a public hearing and upon recommendation of the Executive Director. The approved budget will remain in effect for the entire fiscal year and can only be revised with a public hearing and Commission approval.

Major Initiatives

The Agency has recently embraced the strategies set forth in the Effective Utility Management Primer (The "Primer"). The Primer is the product of a partnership between the EPA and six major water and wastewater associations to collaboratively develop strategies for excellence in utility management. The Primer is designed to aid water and wastewater utility managers as they face many similar challenges including rising costs, aging infrastructure and increasingly-stringent regulations. Effective utility management can help utilities enhance the stewardship of their infrastructure, improve performance in many critical areas and respond to current and future challenges. The Primer identifies ten attributes of effectively managed utilities and five keys to management success. A definition of each of the ten attributes is included on the section dividers within this report. When used together, these attributes can guide a utility to success for the benefit of the environment and its community. The Agency is in the process of integrating these attributes and keys, as well as the Balanced Scorecard, throughout the organization.

ACCOMPLISHMENTS

Organizational Awards

Nine of the Agency's treatment plants: Durbin Creek, Georges Creek, Gilder Creek, Grove Creek, Lower Reedy, Marietta, Mauldin Road, Pelham and Piedmont, as well as four facilities: Administration Building, Collection System, Maintenance Shop and Solids Department, won the South Carolina Chamber of Commerce Safety Awards.

Eight of the Agency's treatment plants: Durbin Creek, Georges Creek, Gilder Creek, Grove Creek, Lower Reedy, Marietta, Mauldin Road and Pelham won the South Carolina Department of Health & Environmental Control's Outstanding Facility Award.

All of the Agency's treatment plants received Peak Performance Awards from the National Association of Clean Water Agencies ("NACWA"). NACWA recognizes member agencies for excellence in wastewater treatment as measured by their compliance with their National Pollutant Discharge Elimination System ("NPDES") permit. Awards are made in three categories: Silver Awards for member facilities with five or fewer NPDES permit violations in a calendar year; Gold Awards for member facilities that meet all NPDES permit limits during a calendar year; and Platinum Awards for facilities that have sustained 100 percent compliance for five consecutive years or more. Georges Creek, Gilder Creek and Mauldin Road plants received Platinum level awards; Durbin Creek, Grove Creek, Lower Reedy and Marietta received Gold level awards; and Pelham and Piedmont plants received Silver level awards.

Individual Awards

Glen McManus, Director of Operations, was inducted into the South Carolina Chapter of the Water Environment Federation's 5S Society, in recognition of his outstanding service.

Fred Nesbitt, Plant Operator for the Mauldin Facility, received the Water Environment Association of South Carolina Plant Operator of the Year Award.

Karen Sprinkle, Pretreatment Data Control Technician, received the Water Environment Association of South Carolina Young Professional of the Year Award.

Angela Allen, Engineering Project Supervisor, received the Water Environment Association of South Carolina Engineer of the Year Award.

Russell Morris, Operations Mechanic, received the Water Environment Association of South Carolina Maintenance Person of the Year Award.

Samantha Bartow, Administrative Assistant for the Collection System Department, received the Blue Ridge Foothills District Collections System of the Year Award.

Financial Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Agency for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the 17th consecutive year that the Agency has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily-readable and efficiently-organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. Receipt of this award represents the highest form of recognition in the area of governmental accounting and financial reporting.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibilty for another certificate.

The Agency was also awarded the GFOA's prestigious Award for Outstanding Achievement in Popular Annual Financial Reporting for the 12th consecutive year. We believe that our current Annual Report to the Community continues to meet the award requirements and we are submitting it to the GFOA for evaluation.

ACKNOWLEDGEMENTS

This report could not have been prepared without the dedicated and professional effort of the Agency's Accounting Department along with the cooperation of staff from the Agency's other departments.

Ray T. Orvin Jr., DBA
Executive Director

Cathy D. Caldwell, CPA
Administrative Finance Director

Patricia R. Dennis, CPA
Controller

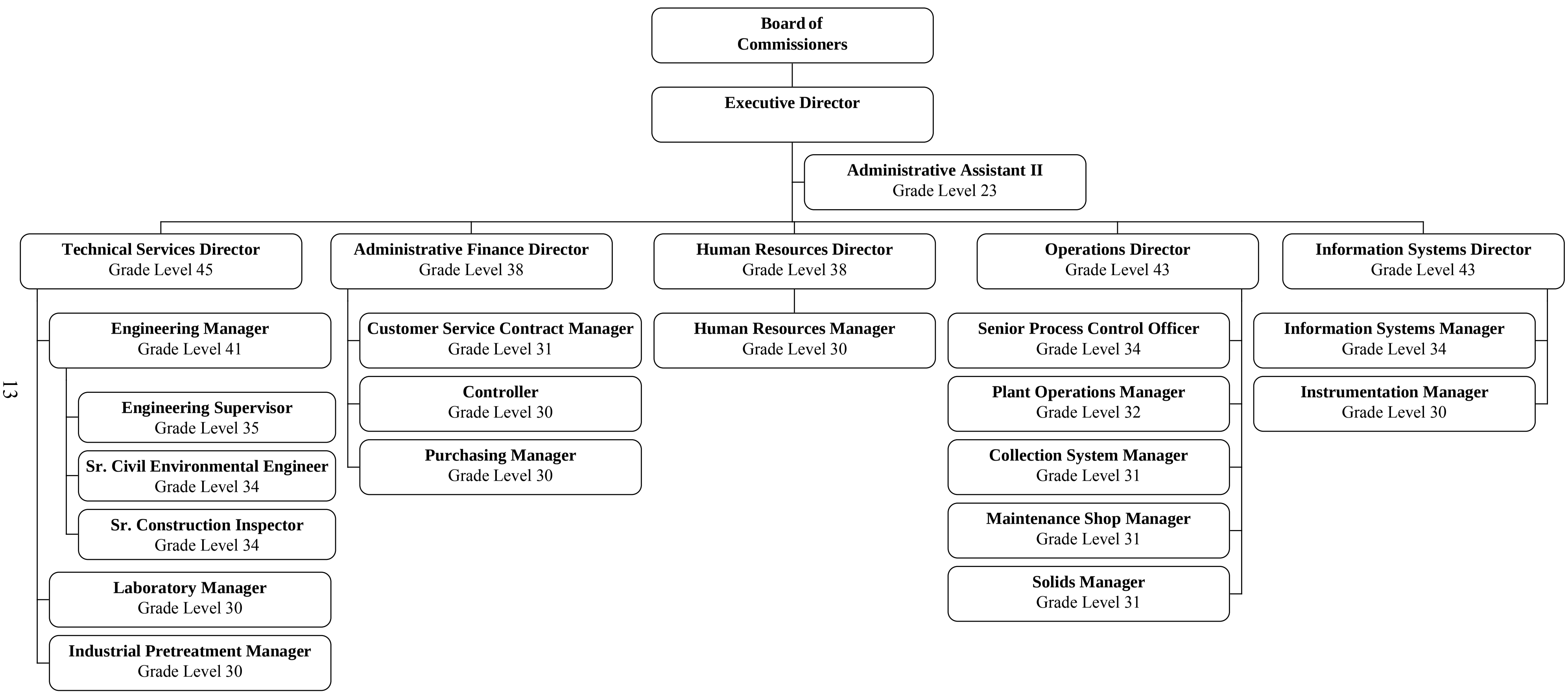
RENEWABLE WATER RESOURCES
March 1, 2010
Board of Commissioners

Name	Date of Original Appointment	Current Term Expires	Principal Occupation
John V. Boyette, Jr. Chairman	02/26/04	12/31/11	Businessman
George W. Fletcher Vice Chairman	01/31/01	12/31/12	Businessman
L. Gary Gilliam Secretary/Treasurer	12/30/06	12/30/10	Businessman
J. D. Martin	12/31/01	12/31/13	Businessman
Jimmy T. Martin	03/09/05	12/31/10	Businessman
Billy D. Merritt, Jr.	06/06/84	12/31/13	Enrollment Counselor
Willie J. Whittaker, Jr.	01/14/85	12/31/12	Retired Science Consultant
Ralph S. Hendricks	12/18/91	12/31/12	Businessman
Michael B. Bishop	02/24/06	12/31/13	Businessman

Renewable Water Resources Directors

Ray T. Orvin, Jr., D.B.A.	Executive Director
Charles L. Logue, PE	Technical Services Director
Blake A. Visin	Information System Director
L. Glen McManus	Operations Director
Cathy D. Caldwell, CPA	Administrative Finance Director
Barbara S. Wilson, SPHR	Human Resources Director

RENEWABLE WATER RESOURCES
Organizational Chart



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financial

Financial Viability:

Establishes reasonable rates and responsibly utilizes funds.

Infrastructure Stability:

Maintains and enhances all systems efficiently while considering future growth.

Product Quality:

Produces clean water that meets all health and environmental needs and regulations.

RENEWABLE WATER RESOURCES

REPORT ON FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

elliott davis

Tax • Assurance • Consulting • Accounting Resources

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
Renewable Water Resources
Greenville, South Carolina

We have audited the accompanying basic financial statements of the business-type activities of Renewable Water Resources (“the Agency”) as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Renewable Water Resources as of June 30, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2010 on our consideration of the Agency'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 assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed on the accompanying table of contents and the Schedule of Funding Progress - Other Postemployment Benefits as listed on the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Renewable Water Resources. 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 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, 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
September 27, 2010

Elliott Davis, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Renewable Water Resources ("the Agency"), we present this narrative overview and analysis of financial performance for the fiscal year ended June 30, 2010. Please consider this information in conjunction with the financial statements and related notes, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets increased by $2.9 million, or 1.1%, to $259.9 million as a result of current year operations.

- Total revenues decreased by $0.6 million, or 0.9%, to $65.4 million primarily due to continued decreases in interest and other non-operating revenues, as well as new account fees. These decreases were slightly mitigated by scheduled rate increases and customer growth.

- Total expenses increased by $0.3 million or 0.5% to $62.5 million. Non-operating expenses increased $1.1 million, which is predominantly attributable to an increase in interest expense according to planned debt service. The increase in non-operating expenses was somewhat softened by decreases in the following operating costs: $0.4 million in solids disposal, $0.2 million in chemicals, and $0.2 million in professional fees.

- Total outstanding principal on debt decreased by $7.3 million, or 2.2% to $320.0 million during the current fiscal year due to scheduled debt service payments of $11.3 million and premium amortization of $1.3 million. The decrease was reduced by draws of $5.3 million on existing and new state revolving fund loans.

- On March 31, 2010, the South Carolina legislature enacted House Bill 4416 expanding the Agency's authorization to use and market a variety of wastewater treatment by-products. Specifically, to:

    - Provide retail services related to renewed water, wastewater or stormwater
    - Generate and sell energy obtained through alternate sources
    - Implement processes to reuse and market biosolids by-products
    - Develop, implement and sell products derived from any Agency process

    The Agency is currently researching strategies and evaluating the feasibility of the above opportunities. This legislation lays the groundwork towards implementing numerous objectives identified in the Agency's recently adopted 20-year strategic plan (the "Upstate Roundtable Plan").

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Agency. The basic financial statements include the balance sheets; the statements of revenues, expenses and changes in net assets and the statements of cash flows; with the related notes to provide additional details. These basic financial statements provide information about the activities and performance of the Agency using accounting methods similar to those found in the private sector.

The balance sheets present information about the nature and amounts of resources (assets) and the obligations (liabilities) with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

The statements of revenues, expenses and changes in net assets present the current and prior fiscal year's results of operations and can be used to determine whether the Agency is recovering costs through user fees and charges.

The statements of cash flows report cash receipts, cash payments, and net changes in cash and cash equivalents for the current and prior fiscal years. This statement may be used to determine sources of cash, uses of cash and changes in cash from operating, capital and related financing, and investing activities. The statement may be useful in assessing the Agency's ability to meet short term obligations.

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 Agency's accounting policies, significant account balances and activities, significant risks, obligations, commitments, contingencies and subsequent events, if applicable.

The Agency's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

NET ASSETS

The Agency's overall financial position improved during fiscal year 2010 as net assets grew 1.1%. Net assets in fiscal years 2010 and 2009 totaled $259.9 million and $257.0 million, an increase of $2.9 million and $3.8 million, respectively. Approximately 62.1% of the Agency's net assets reflect the investment in capital assets (e.g., land, rights-of-way, buildings, machinery, and equipment) less any related outstanding debt used to acquire those assets. The Agency uses these capital assets to provide services to ratepayers. Although the Agency's investment in capital assets is reported net of debt, the resources needed to repay this debt must be provided from other sources, as these capital assets cannot be liquidated to pay these liabilities. Restricted assets (restrictions established by debt covenants, enabling legislation, or other legal requirements) increased $0.5 million or 1.0% in fiscal year 2010 compared to an increase of $33.6 million in fiscal year 2009. The fiscal year 2009 increase was principally attributable to satisfying the debt service reserve fund requirement of $33.1 million after the downgrade of the Agency's surety provider. Unrestricted net assets are typically used for funding day to day operations or capital projects. In fiscal year 2010, unrestricted net assets increased $11.8 million, which is primarily related to the deferral of capital expenditures to fiscal year 2011.

In fiscal year 2010, the Agency restated net assets to show the cumulative impact of unbilled receivables. Additional information regarding the restatement is presented in Note 18 of the accompanying notes to financial statements. The schedules included herein reflect this change in all years presented.

(Continued)

NET ASSETS, Continued

A summary of the Agency's balance sheets is presented in Table A-1.

Table A-1
Condensed Balance Sheets
(in millions)

	FY 2010	FY 2009	FY 2008
Current and non-current assets	$ 56.9	$ 46.0	$ 65.5
Restricted assets	50.8	55.4	14.1
Capital assets	480.2	495.6	489.3
Total assets	**587.9**	**597.0**	**568.9**
Current liabilities	32.4	23.7	24.5
Non-current liabilities	295.6	316.3	291.2
Total liabilities	**328.0**	**340.0**	**315.7**
Total net assets	**$ 259.9**	**$ 257.0**	**$ 253.2**
Invested in capital assets, net of related debt	$ 161.3	$ 170.7	$ 180.5
Restricted	48.2	47.7	14.1
Unrestricted (current & other assets)	50.4	38.6	58.6
Total net assets	**$ 259.9**	**$ 257.0**	**$ 253.2**

REVENUES

Table A-2 reveals that the Agency's total revenues decreased by $0.6 million in fiscal year 2010 to $65.4 million from $66.0 million in fiscal year 2009. Total revenues have decreased 5.5% since fiscal year 2008. The Agency's regulations provide for a sewer use charge that funds the operation of the system, provides a source of funds to repay liabilities, and provides for future spending to maintain the Agency's facilities. The current user fee regulation in effect for fiscal year 2010 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, and 2010.

Domestic and commercial customer revenues increased 0.5% and 5.5% in fiscal years 2010 and 2009, respectively. The slight increase in fiscal year 2010 was attributable to rate increases and customer growth, which were offset by a decrease in consumption. The change in fiscal year 2009 was related to increases in rates and customer accounts.

Revenues from industrial customers have remained relatively flat in recent years. These revenues increased $0.1 million, or 1.6%, in fiscal year 2010 and decreased $0.1 million, or 1.6%, in fiscal year 2009. In fiscal year 2008, the Agency's Board of Commissions approved a rate increase for Pretreatment fees and surcharges, which became effective January 1, 2009. Even though there has been an increase in the base and volumetric treatment charges, companies have developed methods for more efficient water usage and/or restructured permit arrangements with the Agency.

New account fees, based on water meter size, decreased 17.2% in fiscal year 2010 and 57.4% in fiscal year 2009. Since fiscal year 2008, new account fees have decreased 64.7% due to the weakened economy.

(Continued)

REVENUES, Continued

In fiscal years 2010 and 2009, interest and other non-operating revenues decreased by $0.6 million and $1.9 million, respectively. Since fiscal year 2008, interest and other non-operating revenues has decreased $2.5 million or 83.3% due to declining market conditions.

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

	FY 2010	FY 2009	FY 2008
Operating revenues			
Domestic and commercial customers	$ 55.8	$ 55.5	$ 52.6
Industrial customers	6.3	6.2	6.3
New account fee	2.4	2.9	6.8
Septic haulers and other	0.4	0.3	0.5
Interest & other non-operating revenues	0.5	1.1	3.0
Total revenues	65.4	66.0	69.2
Operating expense before depreciation			
Solids management	1.5	2.0	2.2
Facilities operations	8.8	9.3	8.6
Laboratory	1.8	1.8	1.8
Operations and maintenance shop	1.7	1.7	2.1
Collection system	2.6	2.6	2.7
Administration and accounting	6.7	6.9	5.4
Customer service	2.1	1.8	2.8
Total operating expenses before depreciation	25.2	26.1	25.6
Depreciation expense	24.1	24.0	23.2
Total operating expenses	49.3	50.1	48.8
Interest, amortization & other non-operating expenses	13.2	12.1	12.9
Total expenses	62.5	62.2	61.7
Capital project cost reimbursements	-	-	-
Increase in net assets	2.9	3.8	7.5
Total net assets, beginning of year, as previously reported	257.0	253.2	239.4
Prior period adjustment	-	-	6.3
Total net assets, beginning of year, as restated	257.0	253.2	245.7
Total net assets, end of year	**$ 259.9**	**$ 257.0**	**$ 253.2**

CAPITAL CONTRIBUTIONS

Project reimbursement is necessary only when the Agency enters into a contract with one or more entities to construct pump stations and/or sewer conveyance systems that will be mutually beneficial. Capital project reimbursements from outside entities have been received in previous fiscal years. However, there were no participating entities in fiscal years 2010, 2009 and 2008.

EXPENSES

Total expenses increased by $0.3 million or 0.5% to $62.5 million in fiscal year 2010. In fiscal year 2009, total expenses increased by $0.5 million, an increase of 0.8% over fiscal year 2008. In fiscal year 2010, the increase is substantially due to interest expense on planned debt service and was offset by decreases in solids disposal, chemicals, and professional expenses. In fiscal year 2009, the increase is primarily related to the initial recording of the other postemployment benefit liability, as well as, increases in electricity and depreciation expenses. Operating expenses before depreciation decreased by 3.4% in fiscal year 2010 and increased by 2.0% and 9.4% in fiscal years 2009 and 2008, respectively. As the Agency continues improvements and construction of new facilities, depreciation expense has increased 0.4%, 3.4% and 10.5% for fiscal years 2010, 2009 and 2008, respectively. Non-project expenses can vary considerably each fiscal year. These expenses are one-time costs that are non-operational and are not capitalizable.

CAPITAL ASSETS

While the Agency continues to invest in capital assets, current year additions were less than depreciation on existing assets resulting in a $15.4 million decrease in fiscal year 2010. Investment in capital assets grew in fiscal year 2009 by $6.3 million and $44.2 million in fiscal year 2008. At the end of fiscal year 2010, the Agency had invested $480.2 million in infrastructure which includes land, rights-of-ways, 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)

	FY 2010	FY 2009	FY 2008
Capital assets not being depreciated			
Land	$ 3.2	$ 3.1	$ 3.1
Rights-of-way	-	-	-
Total capital assets not being depreciated	3.2	3.1	3.1
Capital assets being depreciated			
Buildings	318.7	317.2	305.6
Sewer lines	304.0	300.9	288.9
Wastewater treatment plant equipment	83.9	85.3	82.6
Operational equipment	1.0	0.7	0.7
Office furniture	0.5	0.4	0.5
Vehicles	0.7	0.6	0.6
Total capital assets being depreciated	708.8	705.1	678.9
Less: accumulated depreciation	231.8	212.6	192.7
Total capital assets being depreciated, net	477.0	492.5	486.2
Net capital assets	**$ 480.2**	**$ 495.6**	**$ 489.3**

(Continued)

CAPITAL ASSETS, Continued

Capital improvement program

The Commission assembled a community-wide volunteer collaboration to develop an environmentally sound long-term strategy for the Agency. The collaboration was named the Upstate Roundtable and was tasked with aligning the regional wastewater system capacity and infrastructure with projected growth, while promoting environmental sustainability. Initially convened in 1994 and reconvened in 2008, this strategic planning group brought together over 60 community, governmental and industry leaders to develop a 20-year plan to guide the Agency. The 1994 Upstate Roundtable Plan identified needs of approximately $326.5 million for growth in the Reedy, Saluda, and Enoree basins. In fiscal year 2009, all projects that were identified in this plan were completed, with the exception of the Piedmont Regional WWTP. The Piedmont Regional WWTP is projected to cost $35.0 million with construction beginning in fiscal year 2011. The 2008 Upstate Roundtable Plan identified $809.7 million of projects which have been incorporated into the Agency's capital improvements program ("CIP").

The Agency maintains a fluid five year CIP that merges the Agency's strategic plan with the ongoing objective of maintaining 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 three of the Agency's wastewater treatment facilities, completion of a new regional wastewater treatment facility, numerous line projects, as well as, various green energy and reuse projects that support the recently adopted Upstate Roundtable Plan. In addition to infrastructure planning and design, major capital expenditures in fiscal year 2010 focused on significant line rehabilitation projects demonstrating the Agency's continued commitment to reduce inflow and infiltration.

Capital improvement expenditures

Significant capital improvement expenditures for fiscal year 2010 include the following:

- **Durbin Creek WWTP -** The $0.8 million expenditure completes this project, which increases average design capacity from 3.3 MGD to 5.2 MGD. The project also includes the addition of filtration and ultraviolet disinfection to produce tertiary water quality.

- **Gravity Sewer and Manhole Rehabilitation Phases I and II –** Outlay of $3.7 million to maintain the sewer system in peak condition. The Agency conducts ongoing maintenance projects to reverse the damage created by normal deterioration of underground components.

- **Piedmont Regional WWTP** – Investment of $1.0 million for the engineering design of Piedmont Regional WWTP. This plant will combine four aging facilities on the Saluda River (the existing Piedmont, Grove Creek and the municipal plants of Pelzer and West Pelzer). Construction is expected to begin in fiscal year 2011.

Table A-4 illustrates the Agency's 2011 Capital Budget of $45.9 million for planned spending on projects that primarily consists of construction of a new regional wastewater treatment plant, improvements to wastewater treatment plants and the collection system, as well as, various reuse projects. The Agency believes that the budget requirement for the upcoming fiscal year can be funded through a combination of reserves and additional borrowings through either a public debt offering or a State Revolving Fund Loan ("SRFL").

(Continued)

CAPITAL ASSETS, Continued

Table A-4
Fiscal Year 2011 Capital Expenditures Budget
(in millions)

INCOME		
New borrowings	$	36.5
Reserves and remaining 2009 bond proceeds		9.4
Total funding sources	**$**	**45.9**
EXPENDITURES		
Wastewater treatment plants	$	29.8
Collection systems		10.0
Other projects		6.1
Total expenditures	**$**	**45.9**

LONG-TERM DEBT

Revenue bonds

Long-term debt for the Agency consists of outstanding balances on revenue bonds and SRFL agreements with the South Carolina Water Quality Revolving Fund Authority. As of June 30, 2010, revenue bond debt of the Agency totaled $195.9 million and consisted of four series of revenue and refunding revenue bonds: the 2001 Series, 2005 Series, 2005 B Series and 2009 Series. Revenue bond debt totaled $201.9 million at the end of fiscal year 2009. The decrease of $6.0 million is attributable to planned debt service and premium amortization.

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

The 2001 Series, 2005 Series, and 2005 B Series revenue bonds carry 'Aa2' and 'AAA' rating from Moody's Investors Service and Standard & Poor's, respectively. The debt service reserve requirement on these revenue bonds and applicable SRFL's was funded during fiscal year 2009, subsequent to the downgrade of the Agency's surety provider. The 2009 Series revenue bond was issued based on the Agency's underlying rating without a debt service reserve requirement. In fiscal year 2010, Standard & Poor's affirmed its 'AA' underlying rating on the Agency's debt. Also in fiscal year 2010, the Agency's underlying rating on existing revenue debt was recalibrated to 'Aa2' by Moody's Investors Service.

State revolving fund loans

Since December 1989, the Agency has entered into numerous loan agreements with the South Carolina Water Quality Revolving Fund Authority 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, 2010 was $124.1 million. In fiscal year 2010, the Agency entered into two SRFL agreements which included American Recovery and Reinvestment Act of 2009 funds yielding blended interest rates of 1.84 and 2.34 percent.

(Continued)

LONG-TERM DEBT, Continued

Listed below are the Agency's SRFL Agreements outstanding at year end:

- December 1989 — Mauldin Road Plant Residual Biosolids Management Facility
- August 1990 — Maple Creek line
- January 1995 — Brushy Creek/Reedy River rehabilitation of trunk sewers
- September 1998 — Lower Reedy WWTP expansion - Phase I
- June 2001 — Gilder Creek WWTP upgrade - Phase I
- November 2001 — Georges Creek Regional WWTP
- May 2003 — Gilder Creek WWTP upgrade - Phase II
- June 2003 — Georges Creek Regional Conveyance System - Phase I
- February 2004 — Georges Creek Regional Conveyance System - Phase II
- June 2005 — Lower Reedy WWTP expansion - Phase II
- November 2006 — Durbin Creek WWTP expansion
- December 2009 — Gravity Sewer and Manhole Rehabilitation Phase I
- December 2009 — Gravity Sewer and Manhole Rehabilitation Phase II

As of June 30, 2010, the remaining amounts available to draw against the Gravity Sewer and Manhole Rehabilitation Phases I and II SRFL's were \$1.5 million and \$2.2 million, respectively. Construction has been completed and all funds received for the other projects listed above.

Total outstanding long-term debt

At June 30, 2010, the Agency owed \$310.3 million (not including premiums) in total long-term debt, a decrease of \$6.0 million or 1.9% from \$316.3 million at the end of fiscal year 2009. In fiscal year 2010, the Agency incurred \$5.3 million in SRFL debt and made \$11.3 million in aggregate payments on both outstanding revenue bonds and SRFL debt. The total obligation for compensated absences at June 30, 2010 was \$0.7 million. More detailed information about the Agency's long-term liabilities is presented in Notes 7, 8 and 9 of the accompanying notes to the financial statements.

The Agency's bond covenants require net earnings (as defined in respective loan agreements) to be at least 110 percent of combined debt service requirements (as defined in the respective loan agreements). The Agency 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 Agency used the proceeds of any bonds for current operating expenses at any time, nor does the Agency intend to use the proceeds of any bonds for any such purposes. Based on the Agency's accompanying financial statements, the debt coverage ratio is calculated in Table A-5.

(Continued)

__LONG-TERM DEBT, Continued__

Table A-5
Debt Coverage
(in millions)

	FY 2010	FY 2009	FY 2008
Operating revenue	$ 64.9	$ 65.0	$ 66.2
Interest income, unrestricted	0.4	1.0	2.6
Gross revenues	65.3	66.0	68.8
Less: operating expenses before depreciation	25.2	26.1	25.6
Net revenues available for debt service	**$ 40.1**	**$ 39.9**	**$ 43.2**
Debt service on bonds and parity indebtedness	$ 24.9	$ 22.5	$ 22.8
Debt coverage	**161%**	**177%**	**189%**

Fiscal year 2010 debt service payments increased $2.4 million or 10.7% to $24.9 million. Debt service payments decreased $0.3 million or 1.3% to $22.5 million in fiscal year 2009. In fiscal year 2010, the Agency initiated payments on the 2009 Series revenue bond and made a full year of payments on the Durbin Creek WWTP expansion SRFL. Offsetting these increases, the 2002 Series revenue bonds were paid in full in fiscal year 2009. 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.

Table A-6 shows the average coupon/rate by issue.

Table A-6
Average Coupon/Interest Rate

	Balance (without premiums) (in millions)	Average coupon / rate
Series 2001 revenue bonds	$ 4.9	5.0 %
Series 2005 revenue bonds	81.6	4.3
Series 2005-B refunding revenue bonds	69.7	4.0
Series 2009 revenue bonds	30.0	3.8
State revolving fund loans	124.1	3.5

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, 2010, the Agency's assessed value was approximately $1.5 billion. The Agency had no general obligation debt outstanding as of June 30, 2010.

ECONOMIC FACTORS

The Agency is moderately impacted by economic trends. The Agency's operating revenues are derived solely from user fees. The Agency does not receive any tax appropriation. Although the economy remains depressed, the Agency has experienced a slight increase in the Domestic and Commercial customer base and user fees in fiscal year 2010.

The Agency conducts a domestic and commercial fee rate study every five years to determine the appropriate sewer use charge. In order to operate the system, meet growth expectations and increasingly restrictive regulatory changes, this study recommended annual rate increases slightly over 4% through third quarter of fiscal year 2011. The next study has been commissioned and is expected to be effective March 2011.

As a result of the declining economy, new account fees remained depressed in fiscal year 2010 and are expected to remain low in the near term. A new account fee rate study has been commissioned and is expected to be completed in fiscal year 2011. This revenue is designated exclusively for increasing system capacity.

Interest rates remain low; decreasing interest earnings and the cost of borrowing.

Current economic conditions, such as the above, are considered by the Agency's Commissioners and Management when developing plans and budgets for the upcoming year.

SUBSEQUENT EVENT

During July 2010, the Agency issued Sewer System Refunding Revenue Bonds Series 2010A in the amount of $63,630,000. The bonds were issued to refund the Agency's outstanding principal balances on seven state revolving fund loans for a net present value savings of $2.5 million. The 2010A Series was issued under a recently adopted master bond resolution, which creates an additional lien on net revenues, subordinate to the senior-lien obligations outstanding, and closes the senior lien. The bonds are payable solely on and secured by a pledge and lien of the Agency's gross revenues remaining after the payment of operating and maintenance expenses.

CONTACTING THE AGENCY'S FINANCIAL DEPARTMENT

This financial report is designed to provide our users and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for funds received. If you have any questions about this report or need additional financial information, please contact the Controller of Renewable Water Resources at 561 Mauldin Road, Greenville, South Carolina 29607.

BASIC FINANCIAL STATEMENTS

RENEWABLE WATER RESOURCES
BALANCE SHEETS

	June 30, 2010	June 30, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 26,250,801	$ 19,512,172
Restricted cash and cash equivalents	25,184,889	22,282,867
Receivables, net	11,887,074	11,813,461
Restricted investments	25,660,236	33,110,499
Total current assets	88,983,000	86,718,999
NON-CURRENT ASSETS		
Receivables, net	3,683,017	3,887,064
Investments	5,007,383	-
Capital assets, net	480,205,945	495,550,762
Deferred charges, net	10,060,812	10,861,110
Total non-current assets	498,957,157	510,298,936
Total assets	$ 587,940,157	$ 597,017,935
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Revenue bonds payable	$ 10,835,594	$ 5,444,906
State revolving loans payable	14,950,321	6,608,341
Accounts payable - operations	657,415	1,657,216
Accounts payable - construction projects	1,539,833	5,254,937
Accrued interest payable	3,700,359	3,805,089
Accrued expenses and other liabilities	567,315	868,265
Compensated absences	125,000	98,948
Total current liabilities	32,375,837	23,737,702
COMMITMENTS AND CONTINGENCIES (Notes 7, 8, 10, 11, 12, 13, 14, 15 and 16)		
LONG-TERM LIABILITIES		
Revenue bonds payable	185,098,906	196,426,694
State revolving loans payable	109,139,826	118,824,191
Compensated absences	554,454	545,892
Other postemployment benefits	889,945	483,652
Total long-term liabilities	295,683,131	316,280,429
Total liabilities	328,058,968	340,018,131
NET ASSETS		
Invested in capital assets, net of related debt	161,289,271	170,727,631
Restricted		
Debt service	40,108,418	39,528,346
Depreciation	4,802,059	4,955,508
Other	3,286,842	3,173,574
Unrestricted	50,394,599	38,614,745
Total net assets	259,881,189	256,999,804
Total liabilities and net assets	$ 587,940,157	$ 597,017,935

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

RENEWABLE WATER RESOURCES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	For the years ended June 30, 2010	2009
OPERATING REVENUES		
Domestic and commercial customers	$ 55,797,843	$ 55,522,398
Industrial customers	6,352,280	6,209,957
New account fee	2,375,000	2,914,250
Septic haulers and other	381,986	368,854
Total operating revenues	64,907,109	65,015,459
OPERATING EXPENSES		
Solids management	1,533,612	2,000,907
Facilities operations	8,802,553	9,266,236
Laboratory	1,853,155	1,811,014
Operations and maintenance shop	1,675,485	1,736,783
Collection system	2,580,030	2,620,849
Administration and accounting	6,701,932	6,906,265
Customer service	2,060,056	1,740,847
Total operating expenses before depreciation	25,206,823	26,082,901
Depreciation	24,137,438	24,073,372
Total operating expenses	49,344,261	50,156,273
Net operating income	15,562,848	14,859,186
NON-OPERATING REVENUES (EXPENSES)		
Investment income	439,915	1,035,059
Interest expense	(12,259,120)	(11,129,245)
Amortization	(866,645)	(915,208)
Non-project expenses	(87,241)	(77,476)
Other income	91,628	57,637
Net non-operating expenses	(12,681,463)	(11,029,233)
Increase in net assets	2,881,385	3,829,953
TOTAL NET ASSETS, BEGINNING OF YEAR, as previously reported	256,999,804	246,601,482
PRIOR PERIOD ADJUSTMENT (Note 18)	-	6,568,369
TOTAL NET ASSETS, BEGINNING OF YEAR, as restated	256,999,804	253,169,851
TOTAL NET ASSETS, END OF YEAR	**$ 259,881,189**	**$ 256,999,804**

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

RENEWABLE WATER RESOURCES
STATEMENTS OF CASH FLOWS

	For the years ended June 30, 2010	For the years ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	$ 64,965,101	$ 65,429,956
Paid to suppliers for goods and services	(20,456,275)	(17,975,318)
Paid to employees for services	(9,412,737)	(9,563,556)
Net cash provided by operating activities	35,096,089	37,891,082
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received on notes receivable for capital	196,237	188,722
Acquisition of capital assets	(8,727,901)	(29,571,690)
Proceeds from state revolving loans	5,265,956	6,420,017
Proceeds from revenue bonds	-	30,000,000
Repayment of revenue bond	(4,680,000)	(4,510,000)
Debt issuance costs	(66,339)	(868,757)
Repayment of state revolving loans	(6,608,341)	(5,654,381)
Interest payments on debt	(13,685,678)	(12,399,921)
Net cash used for capital and related financing activities	(28,306,066)	(16,396,010)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	412,320	1,227,252
Proceeds from sales of investment securities	96,638,560	29,156,129
Purchases of investment securities	(94,200,252)	(36,810,855)
Net cash provided by (used for) investing activities	2,850,628	(6,427,474)
Net increase in cash and cash equivalents	9,640,651	15,067,598
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	41,795,039	26,727,441
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 51,435,690	$ 41,795,039

(Continued)

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

	For the years ended June 30, 2010	2009
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	$ 15,562,848	$ 14,859,186
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	24,137,438	24,073,372
Changes in deferred and accrued amounts		
Receivables	57,992	414,497
Accounts payable - operations	(1,087,042)	(414,932)
Accounts payable - construction projects	(3,715,104)	(1,760,344)
Accrued expenses and other liabilities	(300,950)	194,227
Compensated absences	34,614	41,424
Other postemployment benefits	406,293	483,652
Net cash provided by operating activities	$ 35,096,089	$ 37,891,082
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEETS		
Cash and cash equivalents	$ 26,250,801	$ 19,512,172
Restricted cash and cash equivalents	25,184,889	22,282,867
Total cash and cash equivalents	$ 51,435,690	$ 41,795,039
SUPPLEMENTAL DISCLOSURES		
Capitalized interest costs	$ 64,720	$ 765,677
NON-CASH INVESTING ACTIVITIES		
Increase (decrease) in fair value of investments	$ (4,572)	$ 24,532

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Description of entity

Renewable Water Resources ("the Agency"), previously known as Western Carolina Regional Sewer Authority, is a special purpose district created by the General Assembly of the State of South Carolina. The Agency 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 Agency's mission is to provide wastewater treatment services for residents and industries covering substantially all of Greenville County and portions of Anderson, Laurens, Pickens and Spartanburg Counties. In fulfilling its functions, the Agency 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 Agency'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 Agency for which the Agency's Commissioners are financially accountable.

Fund accounting

The Agency 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, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency'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 Agency considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Gains or losses that result from market fluctuation are reported in the current period.

(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.

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 Agency'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 Agency capitalizes purchases of assets greater than $1,500. Donated capital assets are recorded at estimated fair value at the date of donation. 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

Intangible assets consisting of rights-of-way are recorded as capital assets at cost. A permanent rights-of-way easement is considered to have an indefinite useful life and is therefore not amortized. If changes in factors and conditions result in the useful life of an intangible asset no longer being indefinite, the asset is evaluated for impairment because a change in the expected duration of use of the asset has occurred. The carrying value of the intangible asset, if any, following the recognition of any impairment loss is amortized over the remaining estimated useful life of the asset.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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.

(Continued)

- **Restricted -** This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Deferred charges

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

Compensated absences

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

Revenues and receivables

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

- **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 Agency's principal ongoing operations. The principal operating revenues of the Agency 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 Agency'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, 2009 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 Agency.

Subsequent events

Management has evaluated subsequent events through September 27, 2010, which is the date that these financial statements were available to be issued.

(Continued)

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

Implementation of Governmental Accounting Standards Board Pronouncements

In June 2007, the GASB issued Statement No. 51*, Accounting and Financial Reporting for Intangible Assets*. GASB No. 51 establishes standards for the recognition, initial measurement, and amortization of intangible assets. This statement requires that an intangible asset be recognized in the statement of net assets only if it is identifiable. Retrospective reporting of assets with indefinite useful lives is permitted. The requirements of GASB No. 51 are effective for the fiscal year ended June 30, 2010. The Agency purchases rights-of-way, an indefinite life asset, which are being capitalized prospectively in the statement of net assets in accordance with GASB No. 51.

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, 2010 and 2009, the Agency had the following cash and cash equivalents and investments:

Description	Fair value June 30, 2010	Fair value June 30, 2009
Cash and cash equivalents		
Checking and other cash	$ 36,987,508	$ 35,377,192
Money markets - government obligations	14,448,182	6,417,847
Total cash and cash equivalents	$ 51,435,690	$ 41,795,039
Investments		
Government sponsored enterprises	$ 5,007,383	$ -
United States Treasury Bills	25,660,236	33,110,499
Total investments	$ 30,667,619	$ 33,110,499

Investment maturities are as follows as of June 30, 2010:

Investment type	Fair value	Investment maturities (in years) Less than 1 year	Investment maturities (in years) 1 - 5 years
US Treasury Bills	$ 25,660,236	$ 25,660,236	$ -
US Agencies notes and bonds			
Federal Farm Credit Bank bonds	975,302	-	975,302
Federal Home Loan Mortgage notes	2,268,053	-	2,268,053
Federal Home Loan Bank bonds	764,535	-	764,535
Federal National Mortgage Association notes	999,493	-	999,493
	$ 30,667,619	$ 25,660,236	$ 5,007,383

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS, Continued

Interest rate risk

The Agency's investment policy requires structuring investment maturities and investment options to manage 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 Agency has an investment policy that would further limit its investment choices. The Agency's investments at June 30, 2010 consist of US Treasury Bills and US Agencies bonds and notes. The bills and US Agencies notes and bonds were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk

The Agency has an investment policy that limits the types of investments the Agency may invest in any one issuer. More than 5 percent of the Agency's investments are in US Treasury Bills. These investments are approximately 84 percent of the Agency's total investments at June 30, 2010.

Custodial credit risk deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency has a policy for custodial credit risk. As of June 30, 2010 and 2009, all of the Agency's deposits were insured or collateralized with securities held by the Agency's agents in the Agency's name.

NOTE 3 - RECEIVABLES

Customer and other accounts receivables were as follows:

	June 30, 2010	June 30, 2009
Fees and services		
Domestic and commercial customers	$ 11,139,557	$ 10,931,280
Industrial customers	1,249,803	1,424,444
	12,389,360	12,355,724
Less: allowance for uncollectible accounts	738,653	738,653
	11,650,707	11,617,071
Accrued interest on cash equivalents	32,320	153
Reimbursements due from other governmental units	3,887,064	4,083,301
Total receivables	15,570,091	15,700,525
Less: current receivables, net	11,887,074	11,813,461
Non-current receivables, net	**$ 3,683,017**	**$ 3,887,064**

NOTE 4 - RESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

Provisions of the revenue bond and state revolving loan agreements require the Agency 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, real property sales proceeds, and interest earnings on such proceeds, to the construction of capital projects.
- **Current principal and interest payments -** reports resources accumulated for the next principal and interest payments.
- **Debt service reserves -** reports resources set aside to cover potential future deficiencies in the current principal and interest payments account.
- **Operations and maintenance -** reports resources set aside to cover operating and maintenance expenses for one month.
- **Depreciation -** reports resources set aside to fund asset replacements.
- **Contingencies -** reports resources set aside to meet unexpected contingencies.

Restricted cash and cash equivalents and investments at June 30, 2010 and 2009 are restricted for the following uses:

	2010	2009
Capital projects	$ 2,647,806	$ 7,735,938
Current principal and interest payments	6,598,535	6,412,880
Debt service reserves	33,509,883	33,115,466
Operations and maintenance	2,286,842	2,173,574
Depreciation	4,802,059	4,955,508
Contingencies	1,000,000	1,000,000
Total restricted assets	**$ 50,845,125**	**$ 55,393,366**

Restricted assets consisted of the following at June 30:

	2010	2009
Cash	$ 25,184,889	$ 22,282,867
Investments	25,660,236	33,110,499
Total restricted assets	**$ 50,845,125**	**$ 55,393,366**

NOTE 5 - CAPITAL ASSETS

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
Capital assets not being depreciated				
Land	$ 3,127,797	$ 105,803	$ -	$ 3,233,600
Rights-of-way	-	749	-	749
Total capital assets not being depreciated	3,127,797	106,552	-	3,234,349
Capital assets being depreciated				
Buildings	317,198,561	3,570,140	2,048,094	318,720,607
Sewer lines	300,869,425	3,173,457	4,000	304,038,882
Wastewater treatment plant equipment	85,319,925	1,190,045	2,631,850	83,878,120
Operational equipment	685,633	439,232	86,288	1,038,577
Office furniture	439,931	140,663	117,593	463,001
Vehicles	594,523	172,532	100,621	666,434
Total capital assets being depreciated	705,107,998	8,686,069	4,988,446	708,805,621
Less: accumulated depreciation				
Buildings	96,640,365	10,624,017	2,048,095	105,216,287
Sewer lines	80,841,118	7,600,972	4,000	88,438,090
Wasterwater treatment plant equipment	34,274,599	5,591,875	2,631,848	37,234,626
Operational equipment	349,191	90,284	86,288	353,187
Office furniture	260,621	66,784	117,593	209,812
Vehicle	319,139	163,506	100,622	382,023
Total accumulated depreciation	212,685,033	24,137,438	4,988,446	231,834,025
Total capital assets being depreciated, net	492,422,965	(15,451,369)	-	476,971,596
Capital assets, net	$ 495,550,762	$ (15,344,817)	$ -	$ 480,205,945

	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
Land	$ 3,078,188	$ 49,609	$ -	$ 3,127,797
Capital assets being depreciated				
Buildings	305,698,181	13,473,982	1,973,602	317,198,561
Sewer lines	288,892,552	11,976,873	-	300,869,425
Wastewater treatment plant equipment	82,555,279	4,491,327	1,726,681	85,319,925
Operational equipment	691,880	111,536	117,783	685,633
Office furniture	473,975	64,813	98,857	439,931
Vehicles	634,127	169,227	208,831	594,523
Total capital assets being depreciated	678,945,994	30,287,758	4,125,754	705,107,998
Less: accumulated depreciation				
Buildings	88,040,679	10,573,288	1,973,602	96,640,365
Sewer lines	73,319,382	7,521,736	-	80,841,118
Wastewater treatment plant equipment	30,313,285	5,687,995	1,726,681	34,274,599
Operational equipment	396,127	70,847	117,783	349,191
Office furniture	292,597	66,881	98,857	260,621
Vehicle	375,345	152,625	208,831	319,139
Total accumulated depreciation	192,737,415	24,073,372	4,125,754	212,685,033
Total capital assets being depreciated, net	486,208,579	6,214,386	-	492,422,965
Capital assets, net	$ 489,286,767	$ 6,263,995	$ -	$ 495,550,762

(Continued)

NOTE 5 - CAPITAL ASSETS, Continued

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

Interest expense capitalized during 2010 and 2009 totaled $64,720 and $765,677, respectively.

NOTE 6 - DEFERRED CHARGES

At June 30, 2010 and 2009, the Agency's deferred charges were as follows:

	June 30,	
	2010	**2009**
Bond issuance costs	$ 16,224,280	$ 16,157,943
Less: accumulated amortization	6,163,468	5,296,833
Deferred charges, net	$ 10,060,812	$ 10,861,110

Amortization of bond issuance costs for the year ended June 30, 2010 and 2009 totaled $866,635 and $915,208, respectively.

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

Year ending June 30,	Amortization expense
2011	$ 814,566
2012	816,751
2013	816,751
2014	816,751
2015	816,751

NOTE 7 - REVENUE BONDS PAYABLE

At June 30, 2010 and 2009, the Agency 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, 2010 and 2009 are as follows:

	2010	2009
Series 2001 refunding bonds dated March 1, 2001 with annual principal payments ranging from $1,300,000 to $5,525,000 plus interest at 3.40 to 5.375 percent payable semi-annually through March 1, 2011.	$ 4,920,000	$ 9,535,000
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.	81,585,000	81,650,000
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 2009 revenue bonds dated April 29, 2009, with annual principal payments ranging from $1,520,000 to $5,000,000 plus interest at 3.79 percent payable semi-annually through March 1, 2024.	30,000,000	30,000,000
	186,200,000	190,880,000
Premium on Series 2001 refunding bonds	1,244,276	1,360,927
Premium on Series 2002 refunding bonds	-	22,470
Premium on Series 2005 revenue bonds	3,455,944	3,692,923
Premium on Series 2005 B refunding revenue bonds	5,034,280	5,915,280
	195,934,500	201,871,600
Less: current maturities	10,835,594	5,444,906
Long-term portion	**$ 185,098,906**	**$ 196,426,694**

Amortization of bond premiums totaled approximately $1,257,000 and $765,000 for the years ended June 30, 2010 and 2009, respectively.

(Continued)

NOTE 7 - REVENUE BONDS PAYABLE, Continued

Future amounts required to pay principal and interest on revenue bonds outstanding at June 30, 2010 are as follows:

June 30,	Principal	Interest	Total
2011	$ 10,010,000	$ 8,968,123	$ 18,978,123
2012	6,915,000	8,529,923	15,444,923
2013	7,510,000	8,206,327	15,716,327
2014	7,820,000	7,893,895	15,713,895
2015	8,195,000	7,530,014	15,725,014
2016 - 2020	51,865,000	31,265,706	83,130,706
2021 - 2025	93,885,000	14,524,253	108,409,253
	$ 186,200,000	$ 86,918,241	$ 273,118,241

Provisions of the revenue bond agreements require the Agency 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 Agency was in compliance with these covenants at June 30, 2010 and 2009.

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

Interest expense on the revenue bonds totaled $8,968,510 and $8,505,572 for the years ended June 30, 2010 and 2009, respectively.

Subsequent to June 30, 2010, the Agency issued Series 2010A revenue bonds totaling $63,630,000 to refund seven of the thirteen state revolving loan fund balances outstanding as of June 30, 2010. See Note 17.

NOTE 8 - STATE REVOLVING LOANS PAYABLE

At June 30, 2010 and 2009, the Agency was obligated on various state revolving loans issued for purposes of constructing capital assets. State revolving loan amounts outstanding at June 30, 2010 and 2009 are as follows:

	2010	2009
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.	$ 21,159	$ 103,340
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.	1,685,006	1,928,758
Maple Creek loan dated August 9, 1990. Payable in quarterly installments of $19,377, including interest at 4.50 percent, through May 1, 2011.	75,378	147,457

(Continued)

NOTE 8 - STATE REVOLVING LOANS PAYABLE, Continued

	2010	2009
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.	19,572,448	21,044,548
Gilder Creek Wastewater Treatment Plant Upgrade Phase I loan dated June 22, 2001. Payable in quarterly installments of $146,928, including interest at 4.00 percent, through February 1, 2022.	5,488,322	5,847,480
Lower Reedy Wastewater Treatment Plant Expansion Phase II loan dated June 10, 2005. Payable in quarterly installments of $326,221, including interest at 3.00 percent, through March 1, 2027.	17,327,143	18,097,710
Georges Creek Wastewater Treatment Plant loan dated November 29, 2001. Payable in quarterly installments of $327,634, including interest at 4.00 percent, through October 1, 2023.	13,619,303	14,366,298
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.	28,528,215	29,920,953
Georges Creek Conveyance System Phase I loan dated June 10, 2003. Payable in quarterly installments of $113,193, including interest at 3.75 percent, through January 1, 2024.	4,846,898	5,111,675
Georges Creek Conveyance System Phase II loan dated February 20, 2004. Payable in quarterly installments of $94,539, including interest at 3.75 percent, through September 1, 2024.	4,159,734	4,376,787
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 March 1, 2029.	26,571,651	24,487,526
Gravity Sewer and Manhole Rehabilitation Phase I loan dated December 9, 2009. Payable in quarterly installments of $45,558 including interest at 1.84 percent, through November 1, 2030.	1,496,822	-
Gravity Sewer and Manhole Rehabilitation Phase II loan dated December 9, 2009. Payable in quarterly installments of $45,025 including interest at 2.34 percent, through January 1, 2031.	698,068	-
	124,090,147	125,432,532
Less: current maturities	14,950,321	6,608,341
Long-term portion	**$ 109,139,826**	**$ 118,824,191**

(Continued)

NOTE 8 - STATE REVOLVING LOANS PAYABLE, Continued

Interest expense on the state revolving loans totaled $4,588,035 and $4,130,228 for the years ended June 30, 2010 and 2009, respectively.

Subsequent to June 30, 2010, the Agency issued Series 2010A revenue bonds totaling $63,630,000 to refund seven of the thirteen state revolving loan fund balances outstanding as of June 30, 2010. See Note 17.

Future amounts required to pay principal and interest on state revolving loans outstanding at June 30, 2010 are as follows:

June 30,	Principal	Interest	Total
2011	$ 14,950,321	$ 3,605,367	$ 18,555,688
2012	6,258,391	4,325,757	10,584,148
2013	6,490,005	4,093,745	10,583,750
2014	6,773,852	3,809,896	10,583,748
2015	7,070,010	3,512,988	10,582,998
2016 - 2020	38,112,560	12,898,893	51,011,453
2021 - 2025	29,890,500	4,796,823	34,687,323
2026 - 2029	14,544,508	568,114	15,112,622
	$ 124,090,147	**$ 37,611,583**	**$ 161,701,730**

Provisions of the state revolving loan agreements require the Agency 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 Agency was in compliance with these covenants at June 30, 2010 and 2009.

The state revolving loans are secured by a pledge of the gross revenues of the Agency. As additional security, the Agency 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, 2010 and 2009 are as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due within one year
Revenue bonds	$ 190,880,000	$ -	$ 4,680,000	$ 186,200,000	$ 10,010,000
State revolving loans	125,432,532	5,265,956	6,608,341	124,090,147	14,950,321
Compensated absences	644,840	643,794	609,180	679,454	125,000
	316,957,372	5,909,750	11,897,521	310,969,601	25,085,321
Premiums on bond issuance	10,991,600	-	1,257,100	9,734,500	825,594
	$ 327,948,972	$ 5,909,750	$ 13,154,621	$ 320,704,101	$ 25,910,915

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Revenue bonds	$ 165,390,000	$ 30,000,000	$ 4,510,000	$ 190,880,000	$ 4,680,000
State revolving loans	124,666,896	6,420,017	5,654,381	125,432,532	6,608,341
Compensated absences	603,416	617,841	576,417	644,840	98,948
	290,660,312	37,037,858	10,740,798	316,957,372	11,387,289
Premiums on bond issuance	11,756,505	-	764,905	10,991,600	764,906
	$ 302,416,817	$ 37,037,858	$ 11,505,703	$ 327,948,972	$ 12,152,195

Outstanding principal amounts of defeased bonds totaled $76,625,000 at June 30, 2010.

NOTE 10 - CONSTRUCTION CONTRACTS IN PROGRESS

At June 30, 2010 the Agency 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, 2010 on which significant additional work is to be performed:

Project Name	Contract amount	Total contract incurred through June 30, 2010	Balance to be performed
Durbin Creek WWTP	$ 41,155,150	$ 40,865,935	$ 289,215
Gravity Sewer Phase I	3,062,349	1,947,621	1,114,728
Gravity Sewer Phase II	2,930,523	1,535,367	1,395,156
Gilder Creek Phase III	2,416,578	1,135,010	1,281,568
M.R. Air Piping Replacement	501,092	293,752	207,340
Piedmont Regional WWTP	2,647,123	949,366	1,697,757
Replacement Grit Classifiers	116,000	-	116,000
	$ 52,828,815	$ 46,727,051	$ 6,101,764

NOTE 11 - COMPENSATED ABSENCES

Full-time employees of the Agency 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 $679,454 and $644,840 at June 30, 2010 and 2009, respectively.

NOTE 12 - EMPLOYEE BENEFITS

Pension plan

Substantially all of the Agency'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, 2010 and 2009, and the Agency is required to contribute at an actuarially determined rate. The Agency's rate is 9.24 percent of annual covered payroll for the years ended June 30, 2010 and 2009, and an additional 0.15 percent of payroll is contributed to a group life insurance benefit for the participants for each of the years ended June 30, 2010 and 2009. Required contributions were made at 100 percent and are summarized as follows:

	Employer SCRS	Employee SCRS
June 30, 2010	$ 915,126	$ 626,608
June 30, 2009	925,730	613,801
June 30, 2008	837,421	555,557

Deferred compensation plan

The Agency 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 the Agency employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. Certain employees of the Agency have elected to participate. Compensation deferred under Sections 457 plan is placed in trust for the contributing employee. 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 Agency in an amount equal to the fair market value of the deferred account for each participant.

Great-West Retirement Services (under state contract) is the program administrator of the Section 457 Plan.

NOTE 13 - POSTEMPLOYMENT HEALTHCARE PLAN

The Agency maintains a single-employer defined benefit plan (the “Plan”) to provide certain postretirement healthcare benefits to all former regular full time employees. Healthcare coverage levels for retirees is the same as coverage provided to regular active full time employees in accordance with the terms and conditions of the SC State Health Plan. The Agency contributes up to 62 percent of the monthly premium for retirees and covered dependents based on the selected healthcare plan. The amount contributed by the Agency is determined by the State of SC Employee Insurance Program. This amount is based on the level of coverage selected by the retiree not the plan selected. The Agency is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the Agency’s commitment to provide other postemployment benefits (“OPEB”) through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

The Agency contributes the following per retiree per month based on the level of coverage selected and not the plan selected by the retiree:

	July 2009 to December 2009	January 2010 to June 2010
Retiree only	$ 304	$ 261
Retiree/spouse	600	515
Retiree/child(ren)	430	369
Family	703	603

For the year ended June 30, 2010, Plan members receiving benefits paid $75,950 which was used to offset the Agency’s cash outlays to insurance carriers equaling $240,239 for the current year premiums due. The net outlay from the Agency, which totaled $164,289, represents the Agency’s net cost paid for current year premiums due. The Plan is financed on a pay-as-you-go basis.

The Agency’s annual OPEB cost is calculated based on the annual required contributions (“ARC”) of the Agency, an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Agency’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency’s net OPEB obligation to the Plan:

Annual required contribution	$ 712,143
Interest on net OPEB obligation	18,505
Adjustment to annual required contribution	(89,573)
Annual OPEB cost (expense)	641,075
Contributions made	234,782*
Increase in net OPEB obligation	406,293
Net OPEB obligation, beginning of year	483,652
Net OPEB obligation, end of year	**$ 889,945**

*includes adjustment for implicit rate subsidy.

(Continued)

NOTE 13 - POSTEMPLOYMENT HEALTHCARE PLAN, Continued

As of June 30, 2008, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was $8,417,369 resulting in an unfunded actuarial accrued liability ("UAAL") of $8,417,369. The covered payroll (annual payroll of active employees covered by the plan) was $9,518,573, and the ratio of the UAAL to the covered payroll was 88.42 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, because the Agency maintains no Plan assets, information relative to Plan asset required disclosure is not applicable. Additionally, because 2009 was the year of transition for GASB Statement 45, requirements of GASB Statement 45 have been implemented prospectively; therefore the required supplementary information does not reflect similar information respective of years preceding 2009.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial present value of benefits allocated to the valuation year is the normal cost. Using the plan benefits, the present health premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The actuarial present value of benefits allocated to all prior periods is the actuarial accrued liability. Actuarial gains (losses), as they occur, reduce (increase) the unfunded actuarial accrued liability. Unfunded actuarial accrued liabilities (full funding credit if assets exceed liabilities) were amortized by level percent of payroll contributions. The UAAL was determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment (one component of the contribution requirement), is the level percent of payroll (assumed to increase at 3 percent) required to fully amortize the UAAL over a 30-year period. Projections of health benefits are based on the plan as understood by the Agency and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Agency and its employees to that point. Actuarial assumptions include annual healthcare and dental cost trend rates of 10 percent and 4.5 percent, respectively, initially reduced by decrements to an ultimate rate of 4.5 percent for both healthcare and dental costs after 10 years. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Investment rate of return	4.5%, net of expenses
Actuarial cost method	Projected Unit Cost Method
Amortization method	Level as a percentage of salary
Salary Growth	3.0% per annum

NOTE 14 - COMMITMENTS

The Agency 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 Agency for the year ending June 30, 2010 was $1,367,418, which is included in administrative and accounting expenses on the accompanying statements of revenues, expenses and changes in net assets. For the year ended June 30, 2011, billing charges to the Agency is estimated to cost approximately $2.0 million.

NOTE 15 - CONTINGENCIES

The Agency participates in various construction projects assisted by federal and state agencies. Project reimbursements arising from these arrangements whether received or receivable at June 30, 2010 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 Agency does not anticipate that refunds, if any, will be material to the basic financial statements.

The Agency is from time-to-time subject to various claims, legal actions and other matters arising out of the normal conduct of the Agency's operations. In particular, the Agency 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 Agency does not anticipate any lawsuits to be material to the basic financial statements.

NOTE 16 - RISK MANAGEMENT

The Agency 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 Agency 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, 2010 and 2009. The Agency believes that the amount of actual or potential claims as of June 30, 2010 will not materially affect the financial condition of the Agency.

NOTE 17 - SUBSEQUENT EVENT

During July 2010, the Agency issued Sewer System Refunding Revenue Bonds Series 2010A in the amount of $63,630,000. The bonds were issued to refund the Agency’s outstanding principal balances on several state revolving loan fund balances and pay certain costs and expenses of issuance of the Series 2010A Bonds. The bonds are payable solely on and secured by a pledge and lien of the Agency’s gross revenues after the payment of operating and maintenance expenses. Annual principal payments range from $1,665,000 to $5,585,000 plus interest at 3.00 percent to 5.00 percent payable semi-annually through January 2025.

NOTE 18 - PRIOR PERIOD ADJUSTMENT

The financial statements for the year ending June 30, 2009 have been restated for the correction of an error. During the current year, the Agency determined that it had not previously accrued for services rendered as of June 30th to certain domestic and commercial, as well as, industrial customers. While the Agency's revenue figures were presented materially correct in each year, the cumulative impact of the error resulted in an understatement of the Agency's accounts receivables and net assets. The accompanying financial statements for the year ending June 30, 2009 have been restated as follows:

	As previously reported	As restated	Change
Balance sheet			
Receivables, net	$ 5,180,779	$ 11,813,461	$ 6,632,682
Unrestricted net assets	31,982,063	38,614,745	6,632,682
Statement of revenues, expenses, and changes in net assets			
Operating revenue			
Domestic and commercial customer services	55,479,082	55,522,398	43,316
Industrial customers	6,188,960	6,209,957	20,997
Net operating revenue	14,794,873	14,859,186	64,313
Increase in net assets	3,765,640	3,829,953	64,313
Net assets beginning of the year	246,601,482	253,169,851	6,568,369
Cash flow statement			
Net operating income	14,794,873	14,859,186	64,313
Changes in deferred and accrued amounts			
Receivables	478,810	414,497	64,313

RENEWABLE WATER RESOURCES
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress - Other Postemployment Benefits

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL)- entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
6/30/2006	$ -	$ 4,172,234	$ 4,172,234	0.00 %	$ 9,431,889	59.83 %
6/30/2008	-	8,417,369	8,417,369	0.00	9,518,573	88.42

Fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the Agency has elected to implement prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented, as available.

Schedule of Employer Contributions

Year ended	Annual required contribution	Actual contributions	Percentage contributed	Net OPEB obligation
6/30/2009	$ 483,652	$ -	0.00%	$ 483,652
6/30/2010	712,143	234,782*	32.97	889,945

*includes adjustment for implicit rate subsidy.

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statistical

Operational Optimization:

Uses performance improvements effectively to sustain day-to-day operations while minimizing resource use.

Community Sustainability:

Understands and considers the impact its decisions have on the community, as well as on the watershed health and welfare.

Operational Resiliency:

Proactively identifies, assesses and responds to potential risks in an appropriate manner.

STATISTICAL SECTION

This part of the Agency’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Agency’s overall financial health.

Contents

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

Revenue Capacity – This schedule contains information to help the reader assess the Agency’s most significant local revenue sources.

Debt Capacity – These schedules present information to help the reader assess the affordability of the Agency’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 Agency 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.

Exhibit 1

RENEWABLE WATER RESOURCES
SCHEDULE OF NET ASSETS
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008[2]	2007[2]	2006[2]	2005 [1],[2]	2004 [1],[2]	2003 [1],[2]	2002 [1],[2]	2001 [1],[2]
Invested in capital assets, net of related debt	$ 161,289,271	$ 170,727,631	$ 180,458,085	$ 139,622,665	$ 143,955,865	$ 137,838,215	$ 103,152,950	$ 71,052,604	$ 57,035,152	$ 47,835,171
Restricted										
Debt service	40,108,418	39,528,346	6,049,781	6,202,937	19,477,820	n/a	n/a	n/a	n/a	n/a
Depreciation	4,802,059	4,955,508	4,892,868	4,450,494	3,822,587	n/a	n/a	n/a	n/a	n/a
Other	3,286,842	3,173,574	3,132,177	4,297,592	4,642,670	n/a	n/a	n/a	n/a	n/a
Total restricted	48,197,319	47,657,428	14,074,826	14,951,023	27,943,077	26,546,992	41,145,932	82,964,739	85,651,748	93,476,508
Unrestricted	50,394,599	38,614,745	58,636,940	91,110,877	60,277,431	50,225,291	51,621,512	27,613,020	26,424,091	15,469,707
Total net assets	$ 259,881,189	$ 256,999,804	$ 253,169,851	$ 245,684,565	$ 232,176,373	$ 214,610,498	$ 195,920,394	$ 181,630,363	$ 169,110,991	$ 156,781,386

n/a - not avaialable

[1] Restricted net asset categories are not available prior to fiscal year 2006.

[2] In 2010, the Agency restated fiscal year 2009 net assets to reflect the cumulative impact of certain unbilled services, as described in Note 18 of the notes to the financial statements for years ended June 30, 2010 and 2009. For comparative purposes, all other fiscal years presented have been adjusted to reflect the application of this methodology.

Exhibit 2

RENEWABLE WATER RESOURCES
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008 [1]	2007 [1]	2006 [1]	2005 [1]	2004 [1]	2003 [1]	2002 [1]	2001 [1]
OPERATING REVENUES										
Domestic and commercial customers	$ 55,797,843	$ 55,522,398	$ 52,601,443	$ 49,602,282	$ 48,265,538	$ 44,777,872	$ 42,240,262	$ 39,019,072	$ 36,716,143	$ 34,335,904
Industrial customers	6,352,280	6,209,957	6,248,026	6,101,595	5,849,490	5,825,086	5,921,739	6,400,996	6,317,521	6,830,121
New account fees	2,375,000	2,914,250	6,761,750	8,432,625	9,494,000	7,630,470	6,708,750	4,366,122	2,911,479	2,423,344
Septic haulers and other	381,986	368,854	562,351	311,718	290,257	289,578	227,510	218,599	195,345	150,142
Total operating revenues	64,907,109	65,015,459	66,173,570	64,448,220	63,899,285	58,523,006	55,098,261	50,004,789	46,140,488	43,739,511
OPERATING EXPENSES										
Solids management	1,533,612	2,000,907	2,237,404	2,388,563	2,268,770	2,571,457	2,889,613	2,476,392	2,372,537	2,129,201
Facilities operations	8,802,553	9,266,236	8,569,776	8,317,346	8,299,744	7,756,033	6,969,274	6,591,423	6,549,042	7,137,743
Laboratory	1,853,155	1,811,014	1,778,301	1,626,016	1,700,991	1,547,330	1,509,165	1,413,945	1,446,846	1,376,900
Operations and maintenance shop	1,675,485	1,736,783	2,055,031	1,878,403	1,876,975	1,700,774	1,630,698	1,473,741	1,469,008	1,444,191
Collection system	2,580,030	2,620,849	2,708,446	2,526,372	2,625,325	2,554,998	2,422,992	2,407,946	2,340,598	2,291,984
Administration and accounting	6,701,932	6,906,265	5,417,180	4,767,187	4,797,503	4,506,383	4,015,158	3,681,391	3,533,731	3,273,410
Customer service	2,060,056	1,740,847	2,819,984	1,937,978	1,626,330	1,136,918	1,094,612	1,115,113	1,025,601	1,079,999
Total operating expenses before depreciation	25,206,823	26,082,901	25,586,122	23,441,865	23,195,638	21,773,893	20,531,512	19,159,951	18,737,363	18,733,428
Depreciation	24,137,438	24,073,372	23,198,109	21,024,952	18,284,379	16,543,392	14,640,227	12,682,226	11,804,578	11,067,539
Total operating expenses	49,344,261	50,156,273	48,784,231	44,466,817	41,480,017	38,317,285	35,171,739	31,842,177	30,541,941	29,800,967
Net operating income	15,562,848	14,859,186	17,389,339	19,981,403	22,419,268	20,205,721	19,926,522	18,162,612	15,598,547	13,938,544
NON-OPERATING REVENUES (EXPENSES)										
Investment income	439,915	1,035,059	2,923,494	5,475,237	5,651,443	2,244,095	769,779	1,313,986	2,318,423	2,685,967
Other income	91,628	57,637	48,525	129,821	246,454	6,340	30,880	12,263	111,546	29,500
Amortization	(866,645)	(915,208)	(888,104)	(898,034)	(876,834)	(598,155)	(371,239)	(266,092)	(293,306)	(254,287)
Interest expense	(12,259,120)	(11,129,245)	(11,725,769)	(11,199,451)	(12,093,195)	(9,431,185)	(7,327,769)	(7,386,239)	(7,721,608)	(5,159,510)
Non-project expenses	(87,241)	(77,476)	(262,199)	(475,957)	(305)	-	(1,789)	(958)	(12,632)	(73,338)
Other expenses	-	-	-	-	-	-	(145)	(597)	(4,982)	(26,515)
Net non-operating expenses	(12,681,463)	(11,029,233)	(9,904,053)	(6,968,384)	(7,072,437)	(7,778,905)	(6,900,283)	(6,327,637)	(5,602,559)	(2,798,183)
Capital project cost reimbursement	-	-	-	495,173	2,219,044	6,263,288	1,263,792	684,397	2,333,617	663,235
Increase in net assets	2,881,385	3,829,953	7,485,286	13,508,192	17,565,875	18,690,104	14,290,031	12,519,372	12,329,605	11,803,596
Total net assets, beginning of year	256,999,804	253,169,851	245,684,565	232,176,373	214,610,498	195,920,394	181,630,363	169,110,991	156,781,386	144,977,790
Total net assets, end of year	$ 259,881,189	$ 256,999,804	$ 253,169,851	$ 245,684,565	$ 232,176,373	$ 214,610,498	$ 195,920,394	$ 181,630,363	$ 169,110,991	$ 156,781,386

[1] In 2010, the Agency restated fiscal year 2009 net assets to reflect the cumulative impact of certain unbilled services, as described in Note 18 of the notes to the financial statements for years ended June 30, 2010 and 2009. For comparative purposes, all other fiscal years presented have been adjusted to reflect the application of this methodology.

RENEWABLE WATER RESOURCES
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Salaries	$ 9,412,737	$ 9,563,556	$ 8,885,770	$ 8,446,661	$ 8,731,260	$ 8,096,008	$ 7,650,640	$ 7,275,361	$ 7,060,652	$ 6,882,481
Fringe benefits	3,315,822	3,312,199	2,668,145	2,463,339	2,389,311	2,152,354	1,981,923	1,952,749	2,460,146	2,220,872
Electricity	3,203,095	3,264,567	2,799,673	2,778,711	2,740,943	2,521,771	2,231,822	2,323,821	2,085,955	2,087,588
Collection fees	1,600,662	1,483,506	1,856,244	1,748,839	1,431,752	967,791	916,442	888,876	870,885	897,667
Repairs and maintenance	1,348,942	1,214,581	1,234,600	1,168,419	1,509,707	1,712,179	1,684,176	1,396,095	1,307,669	1,491,928
Outside technical services	1,319,038	1,491,827	1,399,756	1,171,351	423,102	405,066	464,368	408,819	346,325	469,668
Solids management	1,156,579	1,575,855	1,867,073	1,966,735	1,859,808	2,227,367	2,589,053	2,125,692	2,040,497	2,205,745
Chemicals - other	1,054,410	1,218,621	1,170,024	1,119,876	1,062,535	795,450	549,731	491,758	448,431	534,763
Other	311,717	290,104	1,137,029	371,334	417,224	362,722	333,532	389,578	307,037	316,225
General insurance	290,520	279,026	240,533	295,340	279,296	250,594	246,759	186,771	179,816	186,780
Legal	288,293	373,979	193,103	91,785	119,079	112,999	77,176	126,035	56,211	45,882
Employee/public relations	274,214	223,847	169,951	330,105	129,105	103,572	106,964	84,092	102,939	29,593
Gasoline	245,277	223,958	317,902	226,642	235,939	174,582	130,606	120,499	99,820	128,230
Worker's compensation	226,207	195,584	248,935	166,156	212,917	139,380	133,997	83,429	95,642	61,072
Telephone	174,560	180,803	191,260	151,460	176,749	173,881	139,612	137,461	101,321	115,351
Travel	90,281	82,713	81,505	84,776	87,265	80,589	71,527	69,643	49,988	60,007
Water	56,501	114,858	65,014	79,647	68,316	62,370	63,723	67,329	64,668	70,611
Office supplies	53,818	57,860	60,424	58,525	63,112	64,203	51,505	57,287	55,336	48,023
Auto parts	32,058	44,380	52,921	45,203	48,214	40,918	44,697	43,891	54,964	39,562
Tires and tubes	31,759	47,568	40,909	45,788	43,386	42,262	29,959	29,683	29,641	26,964
Chemicals - chlorine and sulfur dioxide	29,614	50,257	164,693	210,299	317,402	291,914	229,930	250,567	236,446	328,321
Commissioners	21,985	20,434	20,132	18,937	20,702	16,261	18,688	29,084	26,555	36,787
Postage	7,043	19,914	20,546	26,153	27,476	22,646	20,911	23,731	20,746	19,121
Paint	2,184	5,457	6,150	18,310	25,064	18,945	28,306	30,205	20,389	20,260
Contingency	-	-	-	-	-	-	-	9,391	12,251	4,240
Total, excluding allowance for uncollectible accounts	24,547,316	25,335,454	24,892,292	23,084,391	22,419,664	20,835,824	19,796,047	18,601,847	18,134,330	18,327,741
Percentage increase (decrease) over prior year	(3.1)%	1.8%	7.8%	3.0%	7.6%	5.3%	6.4%	2.6%	(1.1)%	1.3%
Allowance for uncollectible accounts	659,507	747,447	693,831	357,474	775,974	938,069	735,465	558,102	603,035	405,688
Total, including allowance for uncollectible accounts	$ 25,206,823	$ 26,082,901	$ 25,586,123	$ 23,441,865	$ 23,195,638	$ 21,773,893	$ 20,531,512	$ 19,159,949	$ 18,737,365	$ 18,733,429

RENEWABLE WATER RESOURCES
SCHEDULE OF REVENUE STATISTICS
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
DOMESTIC AND COMMERCIAL CUSTOMER REVENUE										
Greenville	$ 52,935,744	$ 52,705,367	$ 49,803,407	$ 47,044,899	$ 45,781,937	$ 42,528,445	$ 40,317,749	$ 37,292,132	$ 35,237,365	$ 33,024,188
Greer/Taylors	2,149,999	2,007,268	1,989,232	1,748,499	1,617,121	1,394,840	1,170,406	1,016,527	875,538	718,683
Powdersville	296,425	317,808	286,316	256,942	237,607	194,228	170,440	146,216	97,470	90,422
Well water/commercial	89,835	196,468	271,136	301,677	383,676	429,967	369,408	362,715	351,996	354,738
Marietta	183,616	180,017	177,275	165,609	166,455	159,896	149,483	146,369	127,776	119,951
Slater/Laurens	142,224	115,470	74,077	84,656	78,742	70,497	62,776	55,113	25,999	27,923
Total domestic and commercial customers	$ 55,797,843	$ 55,522,398	$ 52,601,443	$ 49,602,282	$ 48,265,538	$ 44,777,873	$ 42,240,262	$ 39,019,072	$ 36,716,144	$ 34,335,905
NUMBER OF CUSTOMERS										
Customer accounts	120,558	119,184	116,986	115,942	111,123	108,158	105,612	103,273	101,643	99,245
Percentage increase	1.2%	1.9%	0.9%	4.3%	2.7%	2.4%	2.3%	1.6%	2.4%	2.6%
DOMESTIC REVENUE RATES										
User volume charge per 1000 gallons	$ 4.61	$ 4.45	$ 4.30	$ 4.15	$ 4.01	$ 4.01	$ 3.75	$ 3.51	$ 3.28	$ 3.07
Base charge per month	9.00	8.50	8.00	7.50	7.00	7.00	6.50	6.00	5.50	5.00
Total monthly charge (1)	$ 43.58	$ 41.88	$ 40.25	$ 38.63	$ 37.08	$ 37.08	$ 34.63	$ 32.33	$ 30.10	$ 28.03
Monthly charge percent increase	4.1%	4.0%	4.2%	4.2%	0.0%	7.1%	7.1%	7.4%	7.4%	7.7%

(1) Assumes residential customer using approximately 7,500 gallons per month, rates are effective in March of each year

Exhibit 5

RENEWABLE WATER RESOURCES
SCHEDULE OF LONG-TERM DEBT
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
REVENUE BONDS										
1992 Refunding	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,105,000
1993 Refunding	-	-	-	-	-	-	-	-	11,905,000	15,615,000
1995 Refunding	-	-	-	1,695,000	1,790,000	2,855,000	4,435,000	5,940,000	7,385,000	8,625,000
2001 Refunding	4,920,000	9,535,000	11,915,000	14,280,000	16,125,000	17,580,000	90,585,000	94,410,000	99,935,000	102,085,000
2002 Refunding	-	-	2,000,000	2,135,000	4,240,000	6,320,000	8,360,000	10,370,000	-	-
2005 Series	81,585,000	81,650,000	81,780,000	82,675,000	84,310,100	86,560,000	-	-	-	-
2005 B Refunding	69,695,000	69,695,000	69,695,000	69,695,000	69,695,000	69,695,000	-	-	-	-
2009 Series	30,000,000	30,000,000	-	-	-	-	-	-	-	-
Total revenue bonds payable	186,200,000	190,880,000	165,390,000	170,480,000	176,160,100	183,010,000	103,380,000	110,720,000	119,225,000	127,430,000
STATE REVOLVING FUND LOANS ("SRFL")										
Regional Sludge	21,159	103,340	181,730	256,505	310,313	379,158	444,826	507,466	567,217	624,212
Brushy Creek/Reedy River	1,685,006	1,928,758	2,162,999	2,388,100	2,551,142	2,761,098	2,962,861	3,156,752	3,343,077	3,522,131
Maple Creek	75,378	147,457	216,382	282,291	345,316	405,581	463,211	518,318	571,013	621,403
Lower Reedy River	19,572,448	21,044,548	22,459,206	23,818,665	25,125,079	26,380,516	27,586,966	28,746,342	29,645,925	30,421,549
Gilder Creek Phase 1	5,488,322	5,847,480	6,192,623	6,524,299	6,843,033	7,149,330	7,443,676	7,651,538	7,580,582	-
Georges Creek	13,619,303	14,366,298	15,084,146	15,773,984	16,273,640	16,917,065	17,446,628	15,881,097	5,181,856	-
Gilder Creek Phase 2	28,528,215	29,920,953	31,262,666	32,555,221	32,979,213	32,583,718	21,565,759	-	-	-
Georges Creek Conveyance Phase 1	4,846,898	5,111,675	5,366,751	5,612,483	5,790,854	6,021,048	5,876,295	-	-	-
Georges Creek Conveyance Phase 2	4,159,734	4,376,787	4,585,889	4,787,328	4,981,387	4,975,282	1,640,933	-	-	-
Lower Reedy River Phase 2	17,327,143	18,097,710	18,845,587	18,510,512	8,118,404	-	-	-	-	-
Durbin Creek Upgrade	26,571,651	24,487,526	18,308,917	1,431,894	-	-	-	-	-	-
Gravity Sewer and Manhole Rehabilitation Phase I	1,496,822	-	-	-	-	-	-	-	-	-
Gravity Sewer and Manhole Rehabilitation Phase II	698,068	-	-	-	-	-	-	-	-	-
Total SRFL	124,090,147	125,432,532	124,666,896	111,941,282	103,318,381	97,572,796	85,431,155	56,461,513	46,889,670	35,189,295
Total long-term debt payable	310,290,147	316,312,532	290,056,896	282,421,282	279,478,481	280,582,796	188,811,155	167,181,513	166,114,670	162,619,295
Acquired treatment facilities obligations	-	-	-	-	-	-	-	-	-	-
Bond anticipation note	-	-	-	-	-	-	-	-	-	-
Premiums on bond issuance	9,734,500	10,991,600	11,756,505	12,521,411	13,286,317	14,051,223	2,135,176	2,285,533	2,177,482	2,294,133
Total long-term debt, including premiums	320,024,647	327,304,132	301,813,401	294,942,693	292,764,798	294,634,019	190,946,331	169,467,046	168,292,152	164,913,428
Customer accounts	120,558	119,184	116,986	115,942	111,123	108,158	105,612	103,273	101,643	99,245
Long-term liabilities per customer account	$ 2,655	$ 2,746	$ 2,580	$ 2,544	$ 2,635	$ 2,724	$ 1,808	$ 1,641	$ 1,656	$ 1,662

RENEWABLE WATER RESOURCES
LONG-TERM DEBT OBLIGATION (EXCLUDING PREMIUMS)
FISCAL YEARS 2011 TO 2031

Year	Revenue Bond Principal[1]	Revenue Bond Interest[1]	SRFL Principal[1],[2]	SRFL Interest[1],[2]	Total Principal	Total Interest	Grand Total
2011	$ 13,920,000	$ 10,382,631	$ 2,683,854	$ 1,938,704	$ 16,603,854	$ 12,321,335	$ 28,925,189
2012	11,050,000	11,373,223	2,123,392	1,482,457	13,173,392	12,855,680	26,029,072
2013	11,810,000	10,884,227	2,190,004	1,415,844	14,000,004	12,300,071	26,300,075
2014	12,335,000	10,356,795	2,258,852	1,346,996	14,593,852	11,703,791	26,297,643
2015	12,935,000	9,767,164	2,330,010	1,275,838	15,265,010	11,043,002	26,308,012
2016	13,580,000	9,196,800	2,403,557	1,202,291	15,983,557	10,399,091	26,382,648
2017	14,165,000	8,531,342	2,479,573	1,126,276	16,644,573	9,657,618	26,302,191
2018	14,810,000	7,883,339	2,558,141	1,047,707	17,368,141	8,931,046	26,299,187
2019	16,255,000	7,146,664	2,639,348	966,501	18,894,348	8,113,165	27,007,513
2020	18,835,000	6,343,412	2,723,282	882,566	21,558,282	7,225,978	28,784,260
2021	19,770,000	5,404,458	2,810,036	795,812	22,580,036	6,200,270	28,780,306
2022	21,220,000	4,418,110	2,899,705	706,143	24,119,705	5,124,253	29,243,958
2023	23,140,000	3,384,033	2,992,388	613,461	26,132,388	3,997,494	30,129,882
2024	24,285,000	2,254,802	3,088,186	517,663	27,373,186	2,772,465	30,145,651
2025	21,720,000	1,069,350	3,187,204	418,644	24,907,204	1,487,994	26,395,198
2026	-	-	3,289,552	316,296	3,289,552	316,296	3,605,848
2027	-	-	3,395,341	208,078	3,395,341	208,078	3,603,419
2028	-	-	2,185,052	115,912	2,185,052	115,912	2,300,964
2029	-	-	1,773,385	42,922	1,773,385	42,922	1,816,307
2030	-	-	352,209	10,124	352,209	10,124	362,333
2031	-	-	223,828	2,362	223,828	2,362	226,190
	$ 249,830,000	$ 108,396,350	$ 50,586,899	$ 16,432,597	$ 300,416,899	$ 124,828,947	$ 425,245,846

[1] On July 9, 2010 the Agency refunded seven SRF loans, the above information has been updated to reflect the refunding.
[2] Assumes full funding of all amounts available to be advanced with respect to the 2009A and 2009B SRF loans ($3,718,635 remaining to be advanced as of June 30, 2010).

RENEWABLE WATER RESOURCES
SCHEDULE OF BOND COVERAGE
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating revenue	$ 64,907,109	$ 65,015,459	$ 66,173,570	$ 64,448,220	$ 63,899,285	$ 58,523,006	$ 55,098,261	$ 50,004,789	$ 46,140,488	$ 43,739,511
Investment income, unrestricted	405,982	1,023,713	2,570,452	3,451,183	1,200,000	1,176,003	769,779	1,313,986	2,318,423	2,685,967
Other income	91,628	57,637	48,525	129,822	246,454	6,340	30,880	12,263	111,546	29,500
Gross revenue	65,404,719	66,096,809	68,792,547	68,029,225	65,345,739	59,705,349	55,898,920	51,331,038	48,570,457	46,454,978
Less: operating expense before depreciation	25,206,823	26,082,901	25,586,122	23,441,865	23,195,638	21,773,893	20,531,512	19,159,951	18,737,363	18,733,428
Net revenues available for debt service	$ 40,197,896	$ 40,013,908	$ 43,206,425	$ 44,587,360	$ 42,150,101	$ 37,931,456	$ 35,367,408	$ 32,171,087	$ 29,833,094	$ 27,721,550
Debt service on bonds and parity indebtedness	$ 24,949,616	$ 22,564,302	$ 22,863,522	$ 21,359,711	$ 24,207,487	$ 15,971,002	$ 17,317,957	$ 18,128,549	$ 17,553,807	$ 13,143,804
Parity debt coverage[1]	1.6	1.8	1.9	2.1	1.7	2.4	2.0	1.8	1.7	2.1
Debt service on all bonds	$ 24,949,616	$ 22,564,302	$ 22,863,522	$ 21,359,711	$ 24,207,487	$ 15,971,002	$ 17,317,957	$ 18,170,324	$ 17,475,540	$ 13,161,914
Total debt coverage	1.6	1.8	1.9	2.1	1.7	2.4	2.0	1.8	1.7	2.1

(1) Per Article IV, Section 4.02 (A) (7) of the Sewer System Revenue Bond Resolution dated April 26, 1990, net revenues available for debt service cannot be less than 1.10 of the debt service obligation

Exhibit 8

RENEWABLE WATER RESOURCES
RATIO OF TOTAL EXPENSE TO LONG-TERM DEBT COSTS
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
OPERATING EXPENSE										
Operating expense before depreciation	$ 25,206,823	$ 26,082,901	$ 25,586,122	$ 23,441,865	$ 23,195,638	$ 21,773,893	$ 20,531,512	$ 19,159,951	$ 18,737,363	$ 18,733,428
Depreciation	24,137,438	24,073,372	23,198,109	21,024,952	18,284,379	16,543,392	14,640,227	12,682,226	11,804,578	11,067,539
Total operating expense	49,344,261	50,156,273	48,784,231	44,466,817	41,480,017	38,317,285	35,171,739	31,842,177	30,541,941	29,800,967
NON-OPERATING EXPENSE										
Amortization of bond issuance cost	866,645	915,208	888,104	898,034	876,834	598,155	371,239	266,092	293,306	254,287
Non-project expense	87,241	77,476	262,199	475,957	305	-	1,789	958	12,632	73,338
Other expense	-	-	-	-	-	-	145	597	4,982	26,515
Total non-operating expense	953,886	992,684	1,150,303	1,373,991	877,139	598,155	373,173	267,647	310,920	354,140
Total expense	50,298,147	51,148,957	49,934,534	45,840,808	42,357,156	38,915,440	35,544,912	32,109,824	30,852,861	30,155,107
DEBT SERVICE										
Interest payments	13,661,275	12,399,921	12,561,183	11,964,357	12,901,635	8,267,425	7,677,953	7,655,384	7,838,259	3,369,094
Principal payments	11,288,341	10,164,381	10,302,339	9,395,354	11,305,852	7,703,577	9,640,004	10,514,940	9,637,281	4,534,726
Acquired facilities	-	-	-	-	-	-	-	-	-	18,110
Total debt service	$ 24,949,616	$ 22,564,302	$ 22,863,522	$ 21,359,711	$ 24,207,487	$ 15,971,002	$ 17,317,957	$ 18,170,324	$ 17,475,540	$ 7,921,930
Total expense to debt ratio	2.0	2.3	2.2	2.1	1.7	2.4	2.1	1.8	1.8	3.8

Exhibit 9

RENEWABLE WATER RESOURCES
RATIO OF ASSESSED VALUE PER CAPITA AND GENERAL OBLIGATION DEBT BALANCE
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Assessed value [1]	$ 1,540,375,699	$ 1,508,622,437	$ 1,833,262,263	$ 1,312,110,475	$ 1,629,775,545	$ 1,552,755,137	$ 1,519,843,124	$ 1,443,715,170	$ 1,444,591,498
General obligation debt balance	-	-	-	-	-	-	-	-	-
Population [2]	453,966	438,119	428,243	417,166	407,000	401,000	393,000	391,000	390,000
Assessed value per capita	$ 3,393	$ 3,443	$ 4,281	$ 3,145	$ 4,004	$ 3,872	$ 3,867	$ 3,692	$ 3,704

[1] Greenville County Auditor's Office
[2] Greenville County Planning Commission estimate based on new building permits for the year

RENEWABLE WATER RESOURCES
OUTSTANDING GENERAL OBLIGATION BONDS - DIRECT AND OVERLAPPING
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Berea Public Service District	$ 1,690,000	$ 1,830,000	$ 2,000,000	$ 2,180,000	$ 2,352,000	$ 2,525,000	$ 700,000	$ 830,000	$ 955,000	$ 1,285,000
Boiling Springs Fire District	359,819	388,486	273,670	440,957	480,406	201,657	552,121	584,660	615,174	643,794
City of Fountain Inn	3,935,000	1,080,000	1,795,000	230,000	2,375,000	275,000	-	-	-	-
City of Greenville	12,040,780	13,005,000	14,300,000	15,550,000	70,926,407	11,825,000	12,950,000	8,660,000	9,465,000	6,195,000
City of Greer	4,136,500	4,576,500	5,133,500	5,311,500	4,116,500	3,040,000	3,435,000	3,810,000	4,160,000	4,490,000
City of Mauldin	4,535,000	4,855,000	2,275,000	2,485,000	6,196,987	2,875,000	3,940,295	4,573,617	4,631,000	3,560,000
City of Simpsonville	3,105,000	3,605,000	3,000,000	2,450,000	11,095,000	2,515,000	2,595,000	2,345,000	2,635,000	1,530,000
City of Travelers Rest	683,310	721,447	840,529	142,293	-	-	-	-	-	-
Clear Springs Fire District	935,000	990,000	1,045,000	1,100,000	1,150,000	1,200,000	1,250,000	-	-	60,000
Donaldson Center Fire Service District	-	-	-	-	-	-	-	-	-	25,000
Fountain Inn Fire Service Area	1,670,000	1,735,000	-	-	-	-	-	-	-	-
Gantt Fire, Sewer & Police District	1,580,453	1,640,447	1,739,727	1,838,327	1,926,279	2,013,615	2,090,362	2,241,550	2,392,206	2,522,354
Glassy Mountain Fire District	2,505,000	1,690,000	1,805,000	1,915,000	2,020,000	15,000	30,000	45,000	60,000	75,000
Greenville Arena District	24,275,000	8,125,000	8,650,000	9,150,000	9,620,000	10,080,000	10,500,000	10,900,000	11,280,000	11,640,000
Greenville County	68,040,000	62,510,000	66,115,000	65,435,000	58,385,000	55,855,000	46,560,000	47,410,000	43,555,000	41,225,000
Greenville County of School District	38,230,000	15,795,000	-	-	-	-	-	-	44,800,000	69,603,875
Mauldin Fire Service Area	2,265,000	2,390,000	-	-	55,000	110,000	160,000	210,000	255,000	295,000
Parker Fire & Sewer Sub-District	-	-	-	-	-	-	-	-	-	-
Pelham Batesville Fire District	-	-	-	529,525	621,550	709,428	793,344	873,478	950,000	-
Piedmont Sewer & Light District	-	-	-	-	-	-	-	-	-	9,000
Recreation District	1,544,817	1,704,315	1,855,736	2,000,128	2,137,535	1,607,000	1,712,000	245,000	47,500	690,000
Renewable Water Resources	-	-	-	-	-	-	-	-	-	-
Simpsonsville Fire Service Area	615,000	805,000	-	-	-	-	-	-	-	-
South Greenville Fire & Sewer District	1,209,000	1,318,000	1,422,000	1,522,000	1,760,000	310,000	455,000	590,000	715,000	835,000
Taylors Fire & Sewer District	509,899	641,438	767,532	888,407	1,004,278	1,112,208	1,221,829	1,323,989	1,421,742	1,515,538
Tigerville Fire District	158,935	180,069	199,983	218,748	236,430	253,092	268,792	283,586	297,526	310,661
Upper Paris Mountain District	-	-	-	-	10,000	30,000	30,000	40,000	50,000	60,000
Wade Hampton Water & Sewer District	-	-	-	-	-	-	-	124,799	243,782	357,222
Total	$ 174,023,513	$ 129,585,702	$ 113,217,677	$ 113,386,885	$ 176,468,372	$ 96,552,000	$ 89,243,743	$ 85,090,679	$ 128,528,930	$ 146,927,444

Source: Greenville County Treasurer

RENEWABLE WATER RESOURCES
TEN LARGEST EMPLOYERS IN 2010

Company Name	City	Product / Service	Employment Jobs	Employment % of Total	Date Established
School District of Greenville County	Greenville	Public education	8,700	1.9%	1951
Greenville Hospital System	Greenville	Health services	7,582	1.7%	1930
Michelin North America, Inc.	Greenville	Headquarters/R&D/Mfg (radial tires)	4,000	0.9%	1975
Bon Secours St. Francis Health System	Greenville	Health services	3,500	0.8%	1932
SC State Government	Greenville	State government	3,238	0.7%	1905
General Electric Co.	Greenville	Engineering/Turbines & Jet engine parts	3,200	0.7%	1967
Fluor Corporation	Greenville	Engineering/Construction services	2,100	0.5%	1960
US Government	Greenville	Federal government	1,857	0.4%	1776
Greenville County Government	Greenville	Government	1,672	0.4%	1786
Bob Jones University	Greenville	Higher education	1,650	0.4%	1927

Source: GADC and SCACOG; SEPTEMBER, 2010

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

RENEWABLE WATER RESOURCES
SUMMARY OF DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS ENDED JUNE 30,

Fiscal Year	Population [1]	Population Growth	Per Capita Personal Income [2]	Median Age [2]	School Enrollment [3]	Percent Unemployment [4]
2010	453,966	3.6%	36,905	37	69,006	9.6%
2009	438,119	2.3%	35,076	37	70,051	10.7%
2008	428,243	2.7%	30,814	37	69,227	6.5%
2007	417,166	2.5%	30,037	36	68,382	4.9%
2006	407,000	1.5%	n/a	n/a	65,287	5.6%
2005	401,000	2.0%	n/a	n/a	63,694	4.4%
2004	393,000	0.5%	n/a	n/a	62,918	4.3%
2003	391,000	0.3%	n/a	n/a	61,887	4.5%
2002	390,000	1.3%	n/a	36	61,360	4.4%
2001	385,000	0.3%	29,109	36	59,361	3.2%

n/a - not available
[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

RENEWABLE WATER RESOURCES
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
EMPLOYEES BY DEPARTMENT	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Laboratory	16	8%	17	9%	17	9%	16	9%	17	9%	18	9%	19	9%	19	10%	18	10%	16	9%
Operations, see below	58	30%	58	30%	60	32%	61	34%	61	32%	62	31%	63	31%	59	31%	54	29%	60	33%
Maintenance/Collections	64	33%	59	31%	61	33%	58	32%	63	33%	65	33%	66	33%	62	32%	64	34%	56	32%
Administration	31	16%	33	17%	26	14%	21	12%	24	13%	25	13%	24	12%	24	12%	23	12%	23	13%
Pretreatment	8	4%	8	4%	8	4%	6	3%	7	3%	7	4%	7	4%	7	4%	7	4%	6	3%
Engineering	14	7%	13	7%	15	8%	11	6%	15	8%	15	8%	18	9%	17	9%	15	8%	13	7%
Solids management	5	2%	4	2%	-	0%	7	4%	5	2%	5	2%	5	2%	5	2%	5	3%	6	3%
Total	196	100%	192	100%	187	100%	180	100%	192	100%	197	100%	202	100%	193	100%	186	100%	180	100%
OPERATIONS EMPLOYEES BY PLANT																				
East Operations																				
Durbin Creek	4	7%	3	5%	3	5%	4	7%	4	7%	4	6%	4	6%	4	7%	4	7%	5	8%
Gilder Creek	6	10%	6	10%	6	10%	6	10%	5	8%	3	5%	3	5%	2	3%	3	6%	5	8%
Pelham	8	13%	8	14%	7	12%	8	13%	6	10%	6	10%	6	10%	7	12%	5	9%	5	8%
Taylors	-	0%	3	5%	4	7%	5	8%	5	8%	5	8%	6	10%	4	7%	5	9%	5	8%
West Operations																				
Georges Creek	5	9%	5	9%	5	8%	5	8%	6	10%	7	11%	9	14%	-	0%	-	0%	-	0%
Grove Creek	5	9%	4	7%	4	7%	3	5%	5	8%	7	11%	6	10%	7	12%	7	13%	6	10%
Lakeside	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	8	14%	7	13%	5	8%
Lower Reedy	7	12%	7	12%	7	12%	7	11%	7	11%	7	11%	7	11%	9	15%	8	15%	8	14%
Mauldin Road	23	40%	21	36%	23	38%	22	36%	23	38%	23	38%	22	34%	18	30%	15	28%	21	36%
Piedmont	-	0%	1	2%	1	1%	1	2%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total	58	100%	58	100%	60	100%	61	100%	61	100%	62	100%	63	100%	59	100%	54	100%	60	100%

RENEWABLE WATER RESOURCES
LENGTH OF GRAVITY LINE SERVING WASTEWATER TREATMENT PLANTS (IN FEET)
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
TREATMENT PLANT										
Mauldin Road	397,109	388,847	389,273	398,565	398,565	398,950	393,740	393,740	393,740	425,697
Pelham	339,132	345,862	242,194	216,760	216,760	216,683	216,802	216,802	216,802	221,174
Lower Reedy	285,209	279,622	279,823	279,823	279,823	274,237	274,260	274,260	274,260	263,959
Gilder Creek	162,000	162,000	162,000	160,358	146,112	139,559	139,524	139,524	139,524	152,141
Durbin Creek	135,556	135,312	135,552	135,552	135,552	135,552	135,054	135,054	135,054	135,745
Georges Creek	94,674	94,674	117,892	117,892	117,892	117,840	68,355	-	-	-
Grove Creek	94,570	94,570	94,570	94,570	94,570	94,570	94,431	94,431	94,431	94,528
Marietta	24,877	24,877	24,877	24,877	24,877	24,877	25,172	25,172	25,172	26,412
Piedmont	10,417	10,437	10,437	10,437	10,437	10,437	10,437	10,437	10,437	10,437
Lakeside	-	-	-	-	-	-	-	36,802	36,802	36,956
Taylors	-	-	110,199	110,199	110,199	110,186	110,113	110,113	110,113	94,250
Saluda	-	-	-	-	-	-	35,593	35,593	35,593	35,681
Parker	-	-	-	-	-	-	-	23,488	23,488	23,499
Totals	1,543,544	1,536,201	1,566,817	1,549,033	1,534,787	1,522,891	1,503,481	1,495,416	1,495,416	1,520,479

RENEWABLE WATER RESOURCES
SUMMARY OF TREATMENT PLANT FLOWS IN MILLION GALLONS PER DAY (MGD)
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Permitted flow	85	92	89	85	85	66	67	64	65	64
Average flow	40	36	35	39	38	44	41	46	38	38
Average peak flow	51	47	40	49	47	55	48	57	44	45

FISCAL YEAR 2010 FLOWS BY PLANT AND BASIN [1]

	Permitted	Average	Peak
Reedy River Basin			
Mauldin Road [2]	29.0	16.3	22.1
Lower Reedy	11.5	5.4	6.4
Basin Total	40.5	21.7	28.5
Saluda River Basin			
Marietta	0.7	0.4	0.6
Georges Creek	3.0	1.2	1.8
Grove Creek	2.0	1.0	1.3
Piedmont	1.2	0.2	0.3
Basin Total	6.9	2.8	4.0
Enoree River Basin			
Pelham	22.5	9.5	11.3
Gilder Creek	11.3	4.0	5.1
Durbin Creek	3.3	1.6	2.3
Basin Total	37.1	15.1	18.7
Total all basins	84.5	39.6	51.2

[1] Flows by plant and basin for previous nine years not considered relevant to current year report and therefore omitted

[2] The actual permitted wet weather flow of the Mauldin Road WWTP is 70 MGD and its permitted load allocation capacity is 40 MGD; however, the plant's biological nutrient removal process is only designed to treat daily flows of 29 MGD.

RENEWABLE WATER RESOURCES
MISCELLANEOUS STATISTICS
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
EAST OPERATIONS POWER USAGE										
Electric power	$ 1,139,057	$ 1,231,168	$ 1,127,835	$ 1,061,279	$ 1,164,450	$ 886,122	$ 994,531	$ 1,062,238	$ 955,504	$ 931,499
WEST OPERATIONS POWER USAGE										
Electric power	$ 1,616,801	$ 1,599,550	$ 1,404,115	$ 1,410,938	$ 1,280,498	$ 1,306,662	$ 883,778	$ 975,267	$ 842,934	$ 940,568
EAST OPERATIONS CHEMICAL USAGE (in tons)										
Chlorine	27	33	36	40	109	143	174	192	218	247
Polymer	34	64	50	49	43	33	41	68	33	16
Lime	677	622	671	698	848	765	1,321	933	866	1,061
Sulfur dioxide	-	9	13	18	40	63	159	218	251	393
WEST OPERATIONS CHEMICAL USAGE (in tons)										
Chlorine	108	56	90	113	745	339	133	163	150	180
Polymer	62	43	58	68	54	72	35	55	39	41
Kiln dust	-	-	-	-	-	-	-	-	1,699	11,826
Lime slurry	226	498	4,732	4,520	4,466	2,792	620	173	-	-
Lime	388	429	605	598	556	499	35	52	217	287
Sulfur dioxide	46	53	14	33	246	148	83	64	56	69

RENEWABLE WATER RESOURCES
PUMP STATIONS AND INDUSTRIAL USER STATISTICS
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
NUMBER OF PUMP STATIONS BY PLANT										
Durbin Creek	6	6	6	6	6	6	6	6	6	6
Georges Creek	13	13	14	14	15	14	7	-	-	-
Gilder Creek	3	3	3	3	3	3	3	3	3	3
Grove Creek	2	2	2	1	1	1	1	1	1	1
Lakeside	-	-	-	-	-	-	-	3	3	3
Lower Reedy	5	5	6	5	6	5	5	5	6	6
Marietta	3	3	3	4	3	3	3	3	3	3
Mauldin Road	8	8	9	8	8	8	8	8	8	8
Parker	-	-	-	-	-	-	-	1	1	1
Pelham	16	17	7	8	8	8	8	8	8	8
Piedmont	3	3	3	3	4	3	3	3	3	3
Saluda	-	-	-	-	-	-	7	7	7	7
Taylors	-	-	8	10	10	10	10	10	9	9
Totals	59	60	61	62	64	61	61	58	58	58
NUMBER OF INDUSTRIAL CUSTOMERS BY PLANT										
Durbin Creek	14	14	14	14	13	12	13	14	15	14
Georges Creek	1	1	1	2	2	2	2	-	-	-
Gilder Creek	9	9	7	8	8	8	7	10	10	9
Grove Creek	7	10	11	15	11	12	12	12	11	10
Lakeside	-	-	-	-	-	-	-	1	1	1
Lower Reedy	30	30	30	26	28	30	29	29	29	28
Marietta	1	1	1	1	1	1	1	1	1	1
Mauldin Road	28	28	28	27	28	29	32	32	34	38
Parker	-	-	-	-	-	-	-	2	2	2
Pelham	17	17	10	10	7	7	7	8	8	9
Piedmont	2	1	1	-	-	-	1	1	1	2
Saluda	-	-	-	-	-	-	-	-	-	-
Taylors	-	-	8	7	9	11	11	12	13	12
Totals	109	111	111	110	107	112	115	122	125	126

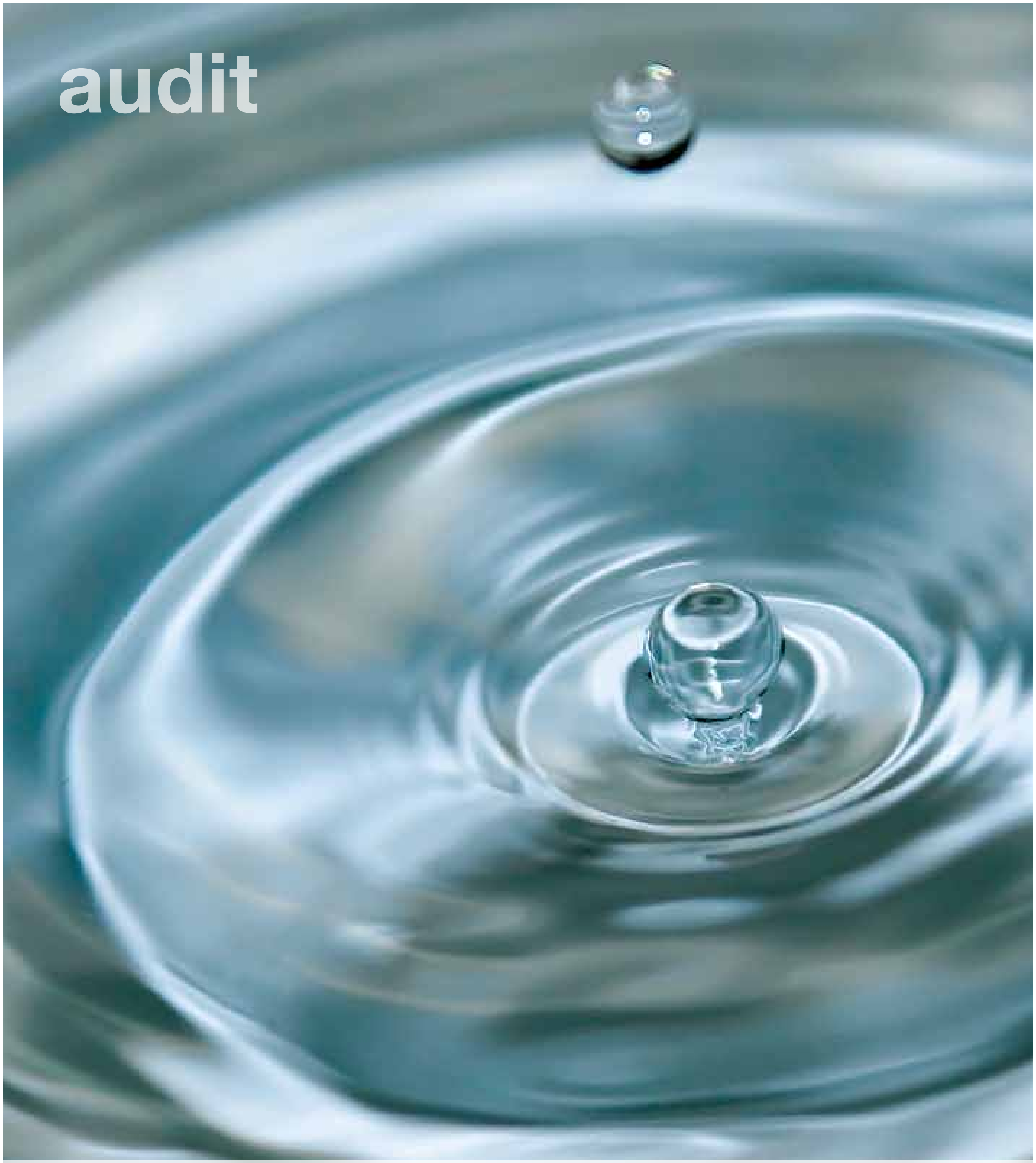
RENEWABLE WATER RESOURCES
SCHEDULE OF FUNDING SOURCES FOR CAPITAL PROJECTS
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Totals
FUNDING SOURCES FOR CAPITAL PROJECTS											
Bond proceeds	$ 3,139,084	$ 22,264,062	$ -	$ 59,917,562	$ 36,379,771	$ 13,094,710	$ 34,273,243	$ 11,134,541	$ 11,864,926	$ 21,231,302	$ 213,299,201
State revolving fund loan proceeds	3,640,849	6,420,017	17,937,953	12,338,255	10,201,437	14,925,217	31,269,646	21,338,398	13,132,656	5,173,794	136,378,222
Contributed capital	-	-	-	495,172	2,219,044	6,168,268	408,612	684,397	2,333,618	663,235	12,972,346
Federal payments	-	-	-	-	-	95,020	855,180	-	-	-	950,200
Internal reserves	1,195,542	542,036	49,195,900	11,037,376	4,826,614	26,709,772	1,789	995	12,632	339,891	93,862,547
Total capital project expense	$ 7,975,475	$ 29,226,115	$ 67,133,853	$ 83,788,365	$ 53,626,866	$ 60,992,987	$ 66,808,470	$ 33,158,331	$ 27,343,832	$ 27,408,222	$ 457,462,516

RENEWABLE WATER RESOURCES
SOLIDS GENERATED AND METHOD OF DISPOSAL (DRY TONS PER YEAR)
LAST TEN FISCAL YEARS ENDED JUNE 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
SOLIDS GENERATED BY PLANT										
Durbin Creek	239	127	170	314	283	282	165	177	385	250
Georges Creek	161	264	299	266	295	303	55	-	-	-
Gilder Creek	682	655	709	568	706	919	1,027	1,268	1,221	505
Grove Creek	147	117	229	214	233	192	197	168	186	175
Lakeside	-	-	-	-	-	-	-	145	103	130
Lower Reedy	764	1,240	1,266	1,458	1,442	1,255	1,258	1,226	1,291	265
Marietta	74	92	146	103	73	140	92	68	151	175
Mauldin Road	2,791	3,215	3,607	3,811	3,550	4,129	5,001	2,694	7,931	17,874
Parker	-	-	-	-	-	-	-	26	39	32
Pelham	1,166	1,999	1,247	1,061	969	1,338	1,201	1,058	1,121	584
Piedmont	71	39	30	29	23	52	70	40	45	32
Saluda	-	-	-	-	-	-	41	50	56	36
Taylors	-	423	433	922	589	917	907	965	911	908
Totals	6,095	8,171	8,136	8,746	8,163	9,527	10,014	7,885	13,440	20,966
DISPOSAL METHODS										
Landfill disposal	382	498	714	1,482	1,526	5,576	3,677	3,652	6,843	10,822
Land application/recycled	5,713	7,673	7,422	7,264	6,637	3,951	6,337	4,233	6,597	10,144
Totals	6,095	8,171	8,136	8,746	8,163	9,527	10,014	7,885	13,440	20,966

audit



Stakeholder Understanding and Support:

Actively involves community members in the decisions that will affect them.

Employee and Leadership Development:

Creates a desirable learning environment for employees fostering improvement, collaboration and leadership.

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REPORT 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
Renewable Water Resources
Greenville, South Carolina

We have audited the financial statements of Renewable Water Resources ("the Agency") as of and for the year ended June 30, 2010, and have issued our report thereon dated September 27, 2010. 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 Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

(Continued)

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Agency'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*.

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

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

Elliott Davis, LLC

Greenville, South Carolina
September 27, 2010

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Renewable Water Resources
Greenville, South Carolina

COMPLIANCE

We have audited the compliance of Renewable Water Resources ("the Agency") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2010. The Agency'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 Agency's management. Our responsibility is to express an opinion on the Agency'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. 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 Agency'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 Agency's compliance with those requirements.

In our opinion, Renewable Water Resources complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

(Continued)

INTERNAL CONTROL OVER COMPLIANCE

Management of the Agency 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 Agency's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

Greenville, South Carolina
September 27, 2010

Elliott Davis, LLC

RENEWABLE WATER RESOURCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issues:	Unqualified			
Internal control over financial reporting:				
• Material weakness(es) identified?	x	Yes		No
• Significant deficiency(ies) identified?		Yes	x	None reported
Noncompliance material to financial statements noted?		Yes	x	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		Yes	x	No
• Significant deficiency(ies) identified? reported		Yes	x	None
Type of auditor's report issued on compliance for major programs:	Unqualified			
• Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		Yes	x	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Environmental Protection Agency-Capitalization Grant for State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs	$	300,000		
• Auditee qualified as low-risk auditee?	x	Yes		No

(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2010-1

Criteria: Proper accounting for revenue recognition requires that revenue be recognized when services are provided.

Condition: The Agency has historically recorded revenues when services are billed, rather than when services are provided, reporting the same number of billing cycles in each year.

Cause and effect: The Agency's service revenue is billed by a third party. The billing cycles are staggered by customer throughout the year. In the current year, the Agency's staff determined an error in amounts recorded as receivables relating to unbilled service revenues at year end. A combination of increases in rates and service volume has contributed to the amount of the error. The Agency's staff determined receivables were understated by approximately $6.6 million as of June 30, 2009.

Recommendation: The Agency has restated net assets as of June 30, 2009 to correctly reflect the revenues that were earned under generally accepted accounting principles.

Views of responsible officials and planned corrective actions:

> "The Agency does not feel that it has or has had a material weakness in internal controls over financial reporting. The Agency had not previously recorded an unbilled services accrual based upon services provided since moving to the full accrual method of accounting in fiscal year 1990. Instead, the Agency erred on the side of conservatism and consistency, and reported the same billing cycles in each fiscal year. The majority of the unbilled services accrual results from revenue that is billed by a third party. The third party generates quarterly bills on a weekly basis according to billing cycles. In fiscal year 2010, the Agency determined a new methodology for estimating the unbilled portion of services rendered and going forward will reverse the prior year unbilled services accrual and record the current year unbilled services accrual to ensure revenues and receivables are presented in the appropriate period. In addition, in fiscal year 2010 the Agency calculated and accrued all service revenues and associated receivables based upon services rendered. In fiscal year 2010, the Agency decided to restate its financial statements to ensure transparency and avoid the risk of misstatement. The Agency further mitigates risks of misstatement by auditing third party billing and collection registers and reconciling balance sheet accounts monthly.
>
> The Agency does not feel that the financial statements were materially misstated nor does the Agency feel that the financial statements, as restated would change the reader's opinion of the Agency or investing decisions. To illustrate this point, on the following page the Agency has calculated the impact of the unbilled services accrual from 2009 to 2001 on the Statements of Revenues, Expenses and Changes in Net Assets and the cumulative impact on the Balance Sheets. For the nine years presented, the impact of the accrual on total revenues, as originally reported and as restated, was less than 0.9% and averaged 0.4%. The cumulative impact of the accrual on total assets, as originally reported and as restated, was highest in 2001 at 1.5% and averaged 1.3%. In addition, the cumulative impact of the accrual on net assets, as originally stated and restated, averaged 2.9% and 2.8%, respectively, and peaked at 3.2% in fiscal year 2001. The impact of the unbilled services accrual results in an increase in both revenue and net assets. In light of the above figures, the Agency deems the audit findings as a disagreement in professional judgment."

(Continued)

RENEWABLE WATER RESOURCES
IMPACT OF UNBILLED SERVICES ACCRUAL
LAST NINE FISCAL YEARS ENDED JUNE 30,

	2009	2008	2007	2006	2005	2004	2003	2002	2001	Average
Total operating revenues, as originally reported	$ 64,951,146	$ 65,920,961	$ 64,316,362	$ 63,682,342	$ 58,256,292	$ 54,613,471	$ 49,893,412	$ 45,954,862	$ 43,475,929	
Accrual for unbilled services	64,313	252,609	131,858	216,943	266,714	484,790	111,377	185,626	263,582	
Total operating revenues, restated	**$ 65,015,459**	**$ 66,173,570**	**$ 64,448,220**	**$ 63,899,285**	**$ 58,523,006**	**$ 55,098,261**	**$ 50,004,789**	**$ 46,140,488**	**$ 43,739,511**	
Accrual as a % of total operating revenues, originally reported	0.10%	0.38%	0.21%	0.34%	0.46%	0.89%	0.22%	0.40%	0.61%	0.40%
Accrual as a % of total operating revenues, as restated	0.10%	0.38%	0.20%	0.34%	0.46%	0.88%	0.22%	0.40%	0.60%	0.40%
Total assets, as originally reported	$ 590,385,253	$ 562,247,473	$ 550,930,157	$ 534,727,435	$ 513,945,725	$ 392,915,480	$ 358,520,020	$ 339,484,945	$ 322,988,881	
Cumulative accrual for unbilled services	6,632,682	6,568,369	6,315,760	6,183,901	5,966,958	5,700,244	5,215,454	5,104,078	4,918,451	
Total assets, as restated	**$ 597,017,935**	**$ 568,815,842**	**$ 557,245,917**	**$ 540,911,336**	**$ 519,912,683**	**$ 398,615,724**	**$ 363,735,474**	**$ 344,589,023**	**$ 327,907,332**	
Accrual as a % of total assets, as originally reported	1.12%	1.17%	1.15%	1.16%	1.16%	1.45%	1.45%	1.50%	1.52%	1.30%
Accrual as a % of total assets, as restated	1.11%	1.15%	1.13%	1.14%	1.15%	1.43%	1.43%	1.48%	1.50%	1.28%
Total net assets, as originally reported	$ 250,367,122	$ 246,601,482	$ 239,368,805	$ 225,992,472	$ 208,643,540	$ 190,220,150	$ 176,414,909	$ 164,006,913	$ 151,862,935	
Cumulative accrual for unbilled services	6,632,682	6,568,369	6,315,760	6,183,901	5,966,958	5,700,244	5,215,454	5,104,078	4,918,451	
Total net assets, as restated	**$ 256,999,804**	**$ 253,169,851**	**$ 245,684,565**	**$ 232,176,373**	**$ 214,610,498**	**$ 195,920,394**	**$ 181,630,363**	**$ 169,110,991**	**$ 156,781,386**	
Accrual as a % of total net assets, as originally reported	2.65%	2.66%	2.64%	2.74%	2.86%	3.00%	2.96%	3.11%	3.24%	2.87%
Accrual as a % of total net assets, as restated	2.58%	2.59%	2.57%	2.66%	2.78%	2.91%	2.87%	3.02%	3.14%	2.79%

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

None.

RENEWABLE WATER RESOURCES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

	Federal CFDA number	Pass-through grantor's number	Federal disbursements/ expenditures	State disbursements/ expenditures	Total
Environmental Protection Agency: Passed through South Carolina Department of Health and Environmental Control:					
Capitalization Grant for State Revolving Funds	66.458	SRF-370-47	$ 1,492,354	$ 1,578,712	$ 3,071,066
ARRA - Capitalization Grant for State Revolving Funds	66.458	SRF-370-50	1,496,822	-	1,496,822
Capitalization Grant for State Revolving Funds	66.458	SRF-370-52	-	333,078	333,078
ARRA - Capitalization Grant for State Revolving Funds	66.458	SRF-370-52	364,990	-	364,990
			$ 3,354,166*	$ 1,911,790	$ 5,265,956

* 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of financial statements.

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