

September 2009 Unaudited Financial Summary

Presented during the October 29, 2009 Board Meeting

Ms. Evelyn Ferguson, Director of Customer Service, began the discussion on the September 2009 Financial Statements by reviewing the Customer and Department Reports. On the Customer Report, Ms. Ferguson highlighted that there were two small growth areas compared with the same period in 2008. First, West Ashley grew by 118 water accounts or 0.42% over the previous year. As a percentage, new development continued to show some gains on Daniel Island where 139 water accounts were added during the same period – a 4% increase. The overall number of water accounts billed increased from 106,071 to 106,162 representing a 0.09% increase. The retail wastewater accounts billed increased from 47,726 to 47,809 reflecting an increase of 83 accounts.

Ms. Ferguson next reviewed the Operational Department Report which indicated a decrease in the number of new service applications. The number of new service applications in September decreased by 49 to equal 80 total requests for water service – a 38% change. The year-to-date installations total 799 and are projected to be 1,039 for the year based on the current trend. This will be the lowest number of new water service installations since 1981 when 907 were installed. The water pumped into the system from the Hanahan Water Treatment Plant was 5% above last year's total.

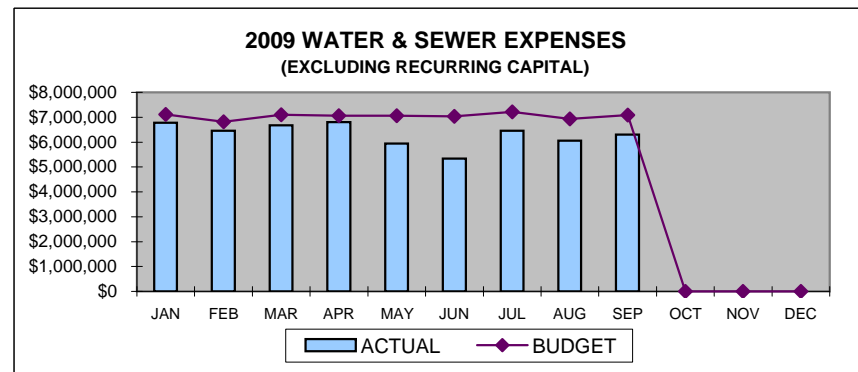
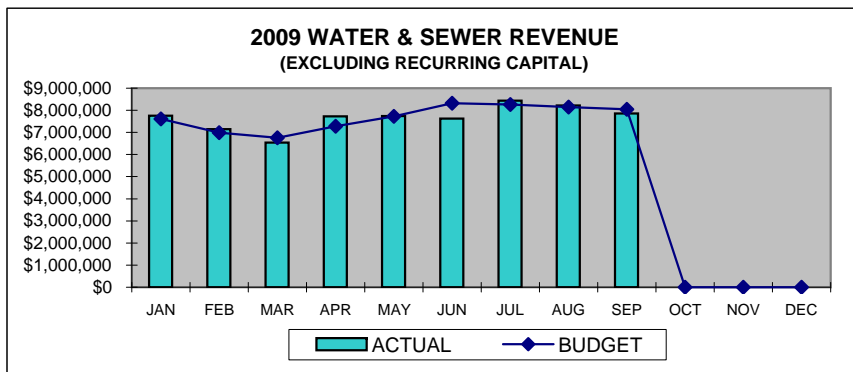
Mr. Wesley Ropp, CFO, then reviewed the Financial Report. The same period wholesale water sales decreased by 33% in September 2009 to equal \$483,883. The 2008 adjusted rate refunds to the East Cooper Purchased Capacity customers totaling \$250,453 are the reason for the decrease. Wholesale water sales to the St. John's Water Company, CWS's largest customer, totaled \$413,795 which increased by \$34,509 from 2008. Sales to Dorchester County, our second largest customer, totaled \$124,792 representing an 18% decrease as a result of changing several of their accounts to the municipal wholesale rate. Overall water sales are down by 6% when compared to the same period sales in 2008. Retail wastewater sales were 4% above the same period sales for 2008. Mr. Ropp noted that the year-to-date impact fee collections totaled \$1,396,628 compared to the annual budget of \$3,691,960.

The total income was under budget for the month by 2%. Water sales were under budget by 7% or \$287,311. Wastewater sales were under budget by 7% or \$258,004. Income from all sources was below the monthly revenue budget by \$177,892. Water and wastewater expenses were under budget by \$320,900 (14%) and \$218,959 (12%), respectively. Because of savings on CWS's variable rate debt, the debt service payments were \$245,574 under budget for the month. The Projected Earnings Test calculations, used by the rating agencies as a measure of financial performance, is currently at 157% for the year. This ratio exceeds our budget of 141%, but is lower than we have experienced in previous years.

**CHARLESTON WATER SYSTEM
STATEMENT OF REVENUE & EXPENSES
WATER & WASTEWATER UTILITY
FOR THE MONTH OF SEPTEMBER 2009**

10/28/2009

LINE #	COMBINED UTILITY	BUDGET	ACTUAL	BUDGET REMAINING
1	TREATED WATER SALES	\$4,354,203	\$4,066,892	(\$287,311)
2	WASTEWATER SALES	3,854,203	3,596,199	(258,004)
3	DIRECT EXPENSES (CHEMICALS/UTILITIES)	(707,441)	(680,860)	26,581
4	NET SALES REVENUE	<u>7,500,965</u>	<u>6,982,231</u>	<u>(518,734)</u>
5	OTHER UTILITY INCOME	412,466	782,492	370,026
6	DOD REVENUE	71,613	51,586	(20,027)
7	INVESTMENT INCOME - OPERATING FUNDS	53,962	44,805	(9,157)
8	TOTAL INCOME	8,039,006	7,861,114	(177,892)
9	CONTRIBUTED CAPITAL	754,306 (1)	754,306	0
10	COMBINED TOTAL INCOME	<u>8,793,312</u>	<u>8,615,420</u>	<u>(177,892)</u>
11	WATER O&M EXPENSE (2)	(2,363,125)	(2,042,225)	320,900
12	WASTEWATER O&M EXPENSE (2)	(1,755,083)	(1,536,124)	218,959
13	NET RECURRING ANNUAL CAPITAL IMPROVEMENTS	(2,906,787) (3)	(2,906,787) (4)	0
14	NET RECURRING RESERVE FUNDS	0	0	0
15	TOTAL O&M AND RECURRING CAPITAL	(7,024,995)	(6,485,136)	539,859
16	NET DEBT SERVICE	(2,967,483)	(2,721,909)	245,574
17	MONTHLY BALANCE FROM OPERATIONS	(1,199,166)	(591,625)	\$607,541

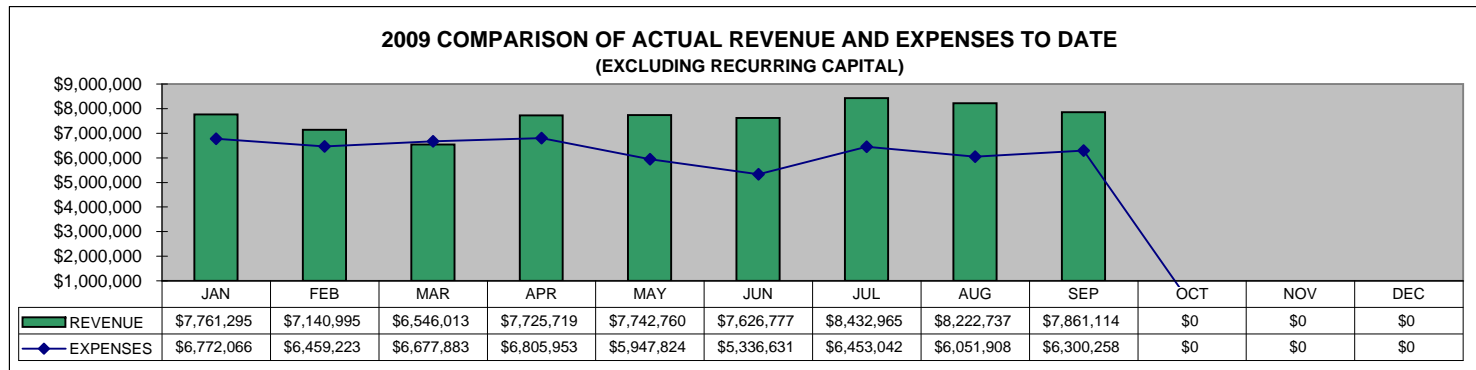


- (1) INCLUDES \$750,142 CONTRIBUTIONS & TAKEOVERS AND \$4,164 ENGINEER SERVICE FEES
- (2) INCLUDES \$91,250 (\$45,667 WATER & \$45,583 WASTEWATER) CONTRIBUTION TO THE CITY FOR THE CURRENT MONTH
- (3) INCLUDES \$750,142 CONTRIBUTIONS & TAKEOVERS AND \$4,164 ENGINEER SERVICE FEES AND \$1,478,180 RECURRING CARRYOVER
- (4) INCLUDES \$750,142 CONTRIBUTIONS & TAKEOVERS AND \$1,485,521 RESERVED FOR CAPITAL IMPROVEMENTS

**CHARLESTON WATER SYSTEM
STATEMENT OF REVENUE & EXPENSES
WATER & WASTEWATER UTILITY
YEAR TO DATE THROUGH SEPTEMBER 2009**

10/28/2009

LINE #	COMBINED UTILITY	BUDGET	ACTUAL	BUDGET REMAINING
1	TREATED WATER SALES	\$37,086,078	\$36,717,106	(\$368,972)
2	WASTEWATER SALES	32,424,422	31,039,464	(1,384,958)
3	DIRECT EXPENSES (CHEMICALS/UTILITIES)	(5,524,775)	(5,449,398)	75,377
4	NET SALES REVENUE	63,985,725	62,307,172	(1,678,553)
5	OTHER UTILITY INCOME	3,969,424	5,806,663	1,837,239
6	DOD REVENUE	603,936	552,729	(51,207)
7	INVESTMENT INCOME - OPERATING FUNDS	566,966	393,815	(173,151)
8	TOTAL INCOME	69,126,051	69,060,379	(65,672)
9	CONTRIBUTED CAPITAL	8,428,797 (1)	8,428,797	0
10	COMBINED TOTAL INCOME	77,554,848	77,489,176	(65,672)
11	WATER O&M EXPENSE (2)	(21,123,991)	(18,422,940)	2,701,051
12	WASTEWATER O&M EXPENSE (2)	(15,686,139)	(13,836,698)	1,849,441
13	NET RECURRING ANNUAL CAPITAL IMPROVEMENTS	(24,930,869) (3)	(24,930,869) (4)	0
14	NET RECURRING RESERVE FUNDS	0	0	0
15	TOTAL O&M AND RECURRING CAPITAL	(61,740,999)	(57,190,507)	4,550,492
16	NET DEBT SERVICE	(26,707,350)	(24,545,152)	2,162,198
17	BALANCE FROM OPERATIONS - YEAR TO DATE	(10,893,501)	(4,246,483)	6,647,018
18	NET BALANCE BROUGHT FORWARD FROM PREVIOUS YEARS	71,017,863	71,017,863	0
19	TRANSFERS TO OR FROM OTHER FUNDS	(15,000,000)	(15,000,000)	0
20	CUMULATIVE NET BALANCE AVAILABLE	\$45,124,362	\$51,771,380	\$6,647,018



- (1) INCLUDES \$8,383,309 CONTRIBUTIONS & TAKEOVERS AND \$45,488 ENGINEER SERVICE FEES
(2) INCLUDES \$730,000 (\$365,336 WATER & \$364,664 WASTEWATER) CONTRIBUTION TO THE CITY YEAR TO DATE
(3) INCLUDES \$8,383,309 CONTRIBUTIONS & TAKEOVERS AND \$45,488 ENGINEER SERVICE FEES AND \$10,931,217 RECURRING CARRYOVER
(4) INCLUDES \$7,633,167 CONTRIBUTIONS & TAKEOVERS AND \$10,000,248 RESERVED FOR CAPITAL IMPROVEMENTS

**CHARLESTON WATER SYSTEM
SUMMARY OF FUNDS
SEPTEMBER 2009**

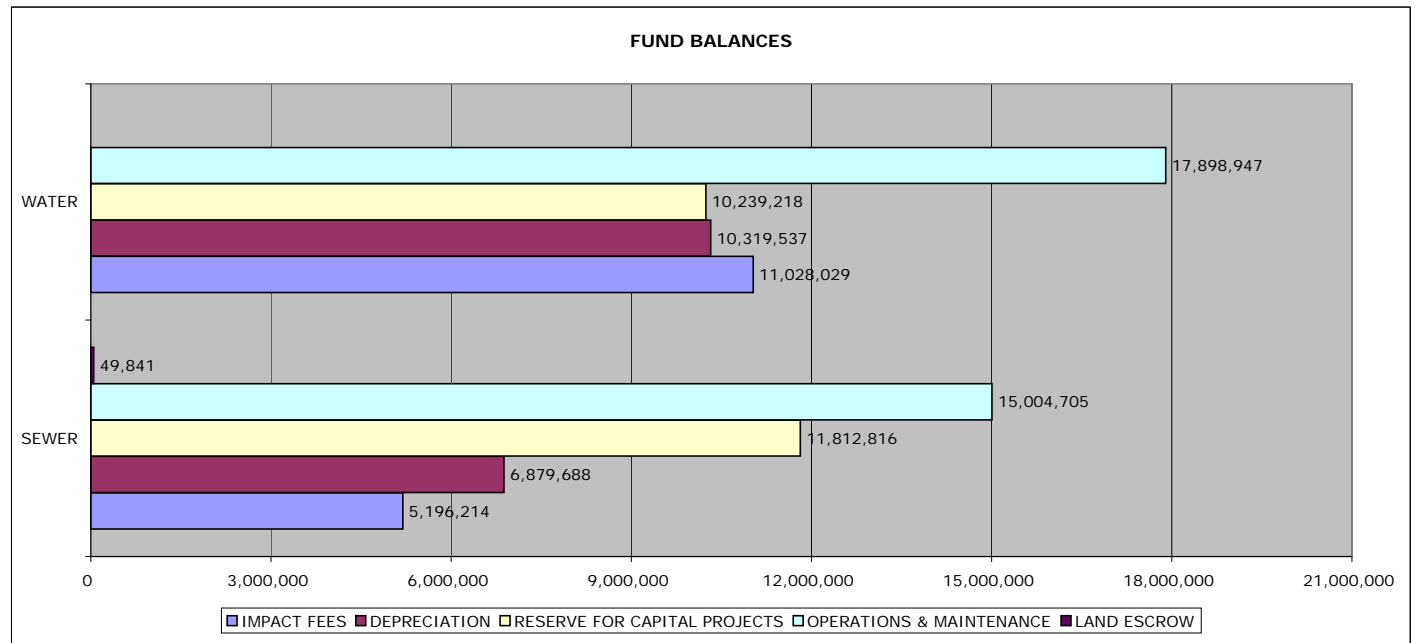
	CURRENT MONTH			YTD		
	WATER	WASTEWATER	TOTAL	WATER	WASTEWATER	TOTAL
IMPACT FEES						
BEGINNING BALANCE	\$15,438,010	\$15,129,355	\$30,567,365	\$15,122,826	\$15,464,886	\$30,587,712
IMPACT FEES RECEIVED	82,357	23,113	105,470	716,548	392,150	1,108,698
CHANGE IN USE FEES RECEIVED	0	30,981	30,981	0	287,930	287,930
INTEREST EARNINGS	8,162	8,161	16,323	69,155	71,644	140,799
TRANSFERS TO MAJOR CAPITAL PROGRAM	0	0	0	(380,000)	(1,025,000)	(1,405,000)
TOTAL	15,528,529	15,191,610	30,720,139	15,528,529	15,191,610	30,720,139
LESS RESERVE FOR APPROVED CAPITAL PROJECTS	(4,500,500)	(9,995,396)	(14,495,896)	(4,500,500)	(9,995,396)	(14,495,896)
SEPTEMBER 30, 2009 BALANCE	\$11,028,029	\$5,196,214	\$16,224,243	\$11,028,029	\$5,196,214	\$16,224,243

LAND ESCROW						
BEGINNING BALANCE	\$0	\$49,840	\$49,840	\$0	\$49,823	\$49,823
INTEREST EARNINGS	0	1	1	0	18	18
TRANSFERS TO MAJOR CAPITAL PROGRAM	0	0	0	0	0	0
SEPTEMBER 30, 2009 BALANCE	\$0	\$49,841	\$49,841	\$0	\$49,841	\$49,841

DEPRECIATION CONTINGENCY						
BEGINNING BALANCE	\$10,289,449	\$6,859,629	\$17,149,078	\$10,053,734	\$6,702,486	\$16,756,220
INTEREST EARNINGS	30,088	20,059	50,147	265,803	177,202	443,005
TRANSFERS TO MAJOR CAPITAL PROGRAM	0	0	0	0	0	0
SEPTEMBER 30, 2009 BALANCE	\$10,319,537	\$6,879,688	\$17,199,225	\$10,319,537	\$6,879,688	\$17,199,225

RESERVE FOR CAPITAL PROJECTS						
BEGINNING BALANCE	\$10,445,218	\$11,885,816	\$22,331,034	\$8,558,230	\$11,930,510	\$20,488,740
NET TRANSFER OF FUNDS TO/FROM PROJECTS	(206,000)	(73,000)	(279,000)	1,680,988	(117,694)	1,563,294
SEPTEMBER 30, 2009 BALANCE	\$10,239,218	\$11,812,816	\$22,052,034	\$10,239,218	\$11,812,816	\$22,052,034

OPERATIONS & MAINTENANCE						
BEGINNING BALANCE	\$40,690,629	\$30,327,234	\$71,017,863	\$40,690,629	\$30,327,234	\$71,017,863
CARRYOVER FOR RECURRING CAPITAL PROJECTS	(9,028,771)	(6,336,986)	(15,365,757)	(9,028,771)	(6,336,986)	(15,365,757)
ADJUSTED BALANCE	31,661,858	23,990,248	55,652,106	31,661,858	23,990,248	55,652,106
TRANSFERS TO CAPITAL PROGRAM	(7,500,000)	(7,500,000)	(15,000,000)	(7,500,000)	(7,500,000)	(15,000,000)
TOTAL	24,161,858	16,490,248	40,652,106	24,161,858	16,490,248	40,652,106
ALLOCATION FOR DEBT REDUCTION PROGRAM	(4,477,511)	(1,485,543)	(5,963,054)	(4,477,511)	(1,485,543)	(5,963,054)
2009 BUDGETED O&M DEFICITS	(1,785,400)	0	(1,785,400)	(1,785,400)	0	(1,785,400)
SEPTEMBER 30, 2009 BALANCE	\$17,898,947	\$15,004,705	\$32,903,652	\$17,898,947	\$15,004,705	\$32,903,652



**CHARLESTON WATER SYSTEM
MAJOR CAPITAL IMPROVEMENT PROGRAM
WATER UTILITY
SEPTEMBER 2009**

10/28/2009

LINE #	PROJECT NAME	ALLOCATED FUNDS	COST TO DATE	BALANCE
ACTIVE PROJECTS				
1	16" Hw/Ravenel Transmission Main Impv P1	3,480,000	1,984,421	1,495,579
2	America Street Water Main Replacement	2,466,336	1,590,042	876,294
3	ASF Feasability Study	203,800	199,830	3,970
4	Bee Street Water Main Relocation	400,000	0	400,000
5	Bees Ferry Road Tank Site	1,002,112	136,460	865,652
6	Cainhoy Water Mains - 2006	1,500,000	0	1,500,000
7	Church, Tradd, & Queen St Replacements	400,000	1,595	398,405
8	Daniel Island Water Mains - 2006	190,683	0	190,683
9	Daniel Island 30" Water Main Connector Second Feed	19,466,742	19,365,877	100,865
10	Dist Sys Model Time of Calibration Study	120,803	115,538	5,265
11	Hanahan Bldg Settlement Investigation	42,674	20,263	22,411
12	Hobson Inventory Bldg Roof Replacement	54,000	351	53,649
13	Hw/Ravenel Bps Improvements	145,000	144,249	751
14	Hw/Ravenel 1 Mg Elevated Storage Tank	100,000	1,460	98,540
15	HWTP Electrical System Upgrades	8,050,000	7,864,008	185,992
16	HWTP Filter Backwash Storage Tank	5,850,000	5,797,929	52,071
17	HWTP Diesel Fuel Distribution Improvements	150,393	131,206	19,187
18	HWTP Ph1 Filter and New Chemical Tank Farm	22,409,764	21,808,794	600,970
19	Hwy 171 @ James Island Creek Relocate	386,592	239,896	146,696
20	Hwy 78 & I 26 Main Relocation	1,170,001	1,110,390	59,611
21	Lower Folly Rd 12" Main Improvements	780,000	696,721	83,279
22	Lower King Street Water Main Replacement	981,261	969,665	11,596
23	Misc Main Replacements/Rehab - 2006	1,234,531	11,550	1,222,981
24	Palmetto Commerce Park 24" Trans Main P1	1,000,000	33,010	966,990
25	Pen Trunk Main Ph 1A- HWTP to Lincoln Ave	18,200,000	18,160,435	39,565
26	Pilot Testing	640,000	632,250	7,750
27	Pitt Street Water Main Replacement	1,362,680	993,409	369,271
28	Remount Road Water Main Relocation	993,947	910,734	83,213
29	Riverland Terrace Elev Tank & Dist Improvements	10,500,000	1,776,239	8,723,761
30	SCDOT Water Main Relocations	167,137	0	167,137
31	Stark Industrial Complex Replacement	1,153,981	135,192	1,018,789
32	Stono River 24" Main Replacement	5,734,301	5,683,208	51,093
33	Union Heights Water Main Rep - Phase 1	705,650	701,716	3,934
34	Wappoo Road Water Main Replacement	1,147,345	148,496	998,849
35	Water Transmission System Master Plan	536,300	534,178	2,122
36	Windemere Area Main Relocation	344,447	330,246	14,201
37	Total	<u>113,070,480</u>	<u>92,229,358</u>	<u>20,841,122</u>
CLOSED PROJECTS				
38	Oak Terrace Preserve Phase 1	105,927	105,927	0
39	30' Grimball Rd Transmission Main Impv	3,529,898	3,529,898	0
40	Total	<u>3,635,825</u>	<u>3,635,825</u>	<u>0</u>
RESERVE				
41	Reserve - Major Capital Water	10,239,218	0	10,239,218
42	Combined Total	<u>126,945,523</u>	<u>95,865,183</u>	<u>31,080,340</u>