

Popular Annual Financial Report



2010





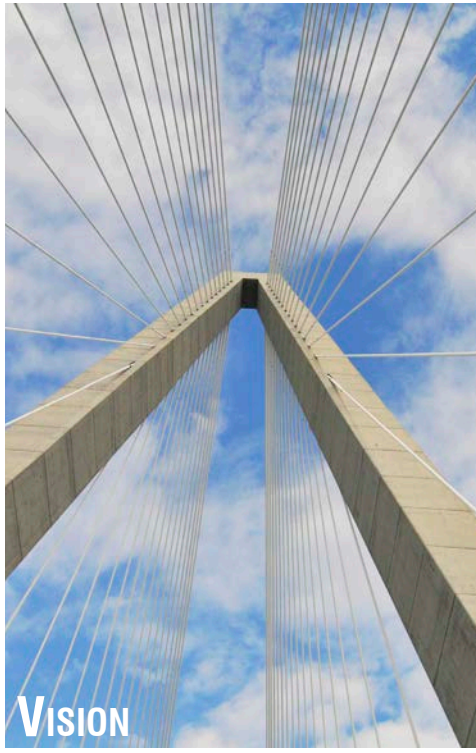
Charleston Water System serves 106,925 water accounts and 48,237 sewer accounts while maintaining over 1,727 miles of water distribution pipe and 762 miles of sewer collection lines.





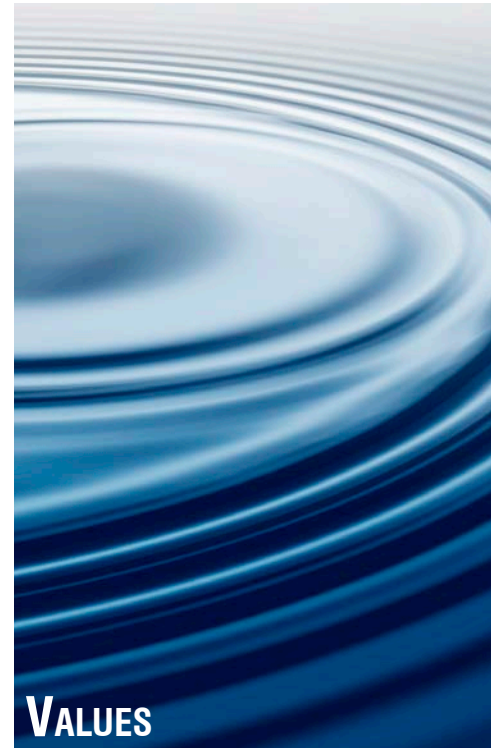
MISSION

- To protect public health and enhance the environment of our service community by providing clean water services of exceptional quality and value.



VISION

- To to become, by 2012, an organization worthy of a South Carolina Governor's Quality Award achieved through teamwork, customer focus, and performance excellence.



VALUES

- Teamwork, ethical behavior, integrity, accountability, customer service focus, open/honest communication, and innovation.WW

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PROFILE

The System

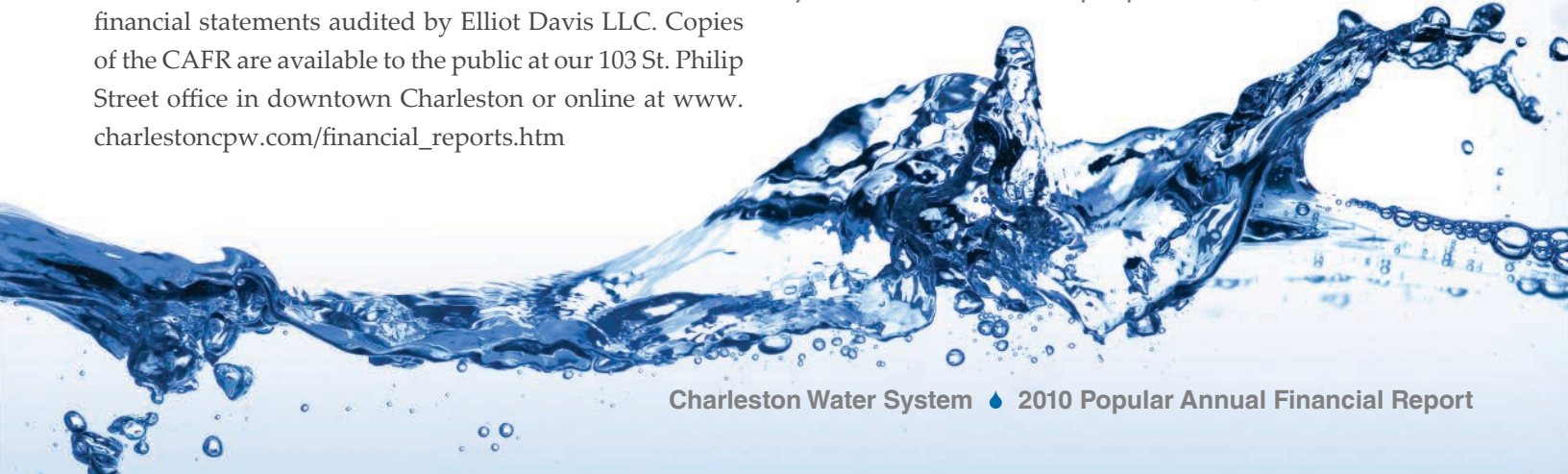
The history of the system dates back to the year 1917 when the City of Charleston purchased the assets of the Charleston Light and Water Company. Established by legislative act, the Commissioners of Public Works, also known as Charleston Water System, were charged with directing and managing the operation of the water system. In 1961, the Commissioners' responsibility expanded to include the operation of the city sewer system. Today, Charleston Water System serves 106,925 water accounts and 48,237 sewer accounts while maintaining over 1,727 miles of water distribution pipe and 762 miles of sewer collection lines. For the 2010 year the water treatment plant, located in Hanahan, pumped over 20 billion gallons of water to our customers while the Plum Island Wastewater Treatment Plant, located on James Island, treated 7.85 billion gallons of raw sewage. A board of five Commissioners governs Charleston Water system. Three are elected-at-large seats with the two ex-officio seats filled by the Mayor of Charleston and the city council member who is chairman of the Committee on Water Supply.

The Report

Charleston Water System is pleased to present this 2010 Popular Annual Financial Report (PAFR) as part of our continual effort to strengthen our focus on customer service. The PAFR is an unaudited summary of the financial activities of Charleston Water System which is a component unit of the City of Charleston. The information contained in this report was acquired from the 2010 Comprehensive Annual Financial Report (CAFR) but presented in a less technical format for easier reading. The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes financial statements audited by Elliot Davis LLC. Copies of the CAFR are available to the public at our 103 St. Philip Street office in downtown Charleston or online at www.charlestoncpw.com/financial_reports.htm



Located at the Hanahan Water Treatment Plant, the 1.5 million-gallon tank is Charleston Water System's newest elevated tank. It is used for backwashing and to maintain pressure in the distribution system in the event of loss of pumps.



BOARD MEMBERS AND OFFICERS



BOARD OF COMMISSIONERS

Left to right: Joseph P. Riley, Mayor; Louis L. Waring, Charleston City Council; Thomas Pritchard, Chairman; David Rivers, Commissioner; William E. Koopman, Commissioner



OFFICERS

Left to right: Andy Fairey, Chief Operating Officer; Dorothy Harrison, Chief Administrative Officer; Kin Hill, PE, Chief Executive Officer; Mark Cline, PE, Capital Projects Officer; Wesley Ropp, CMA, Chief Financial Officer



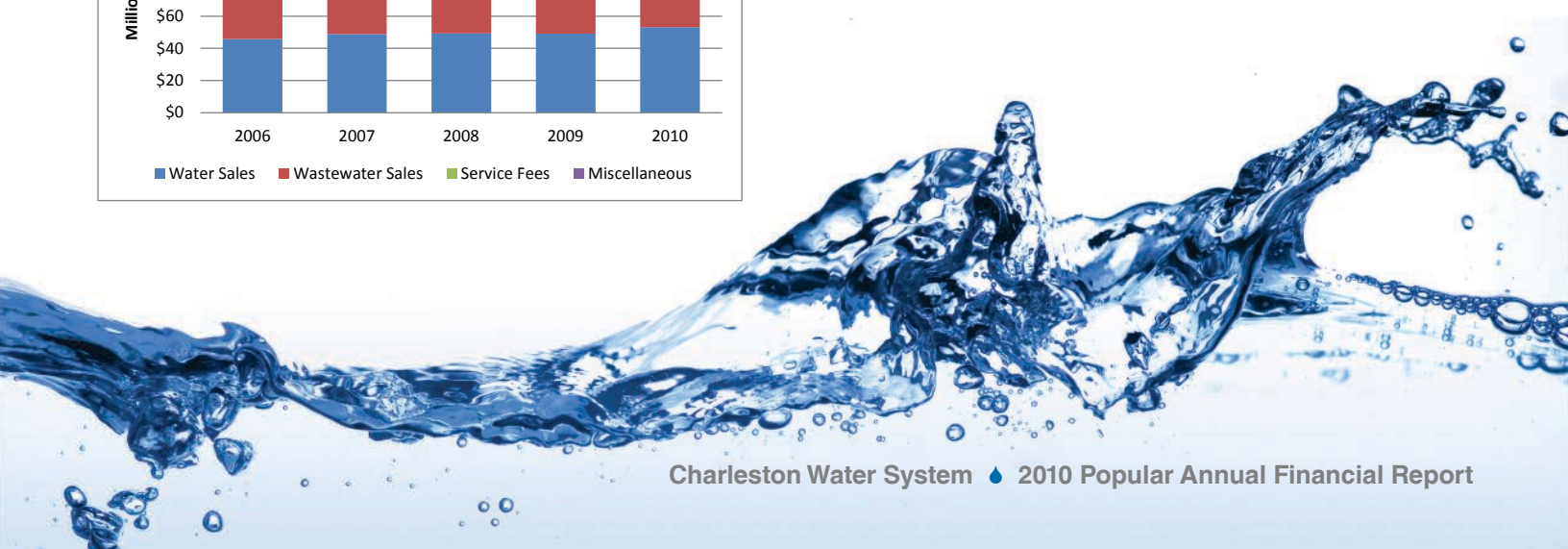
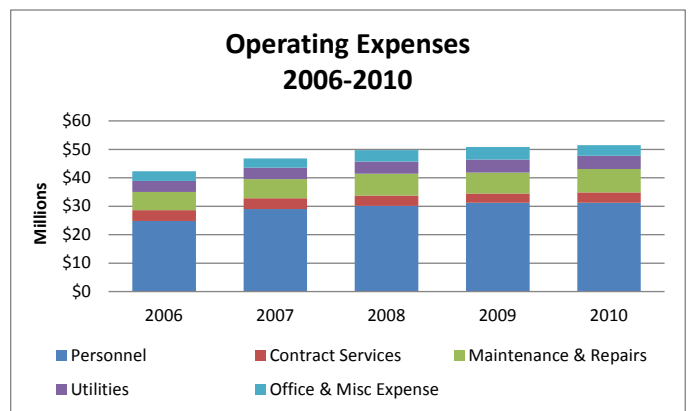
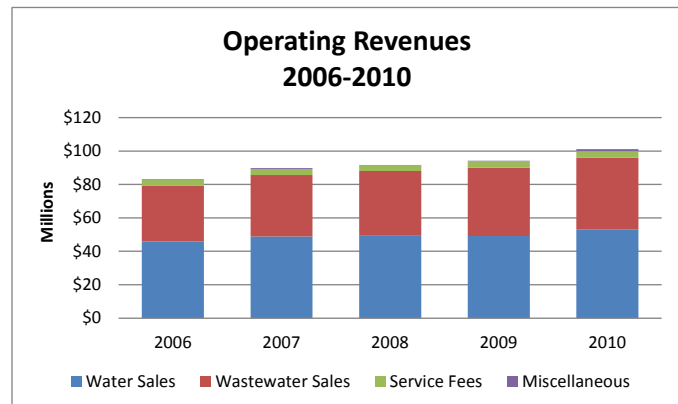
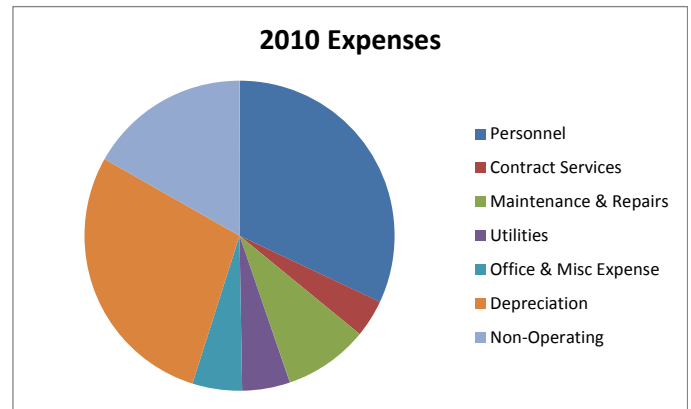
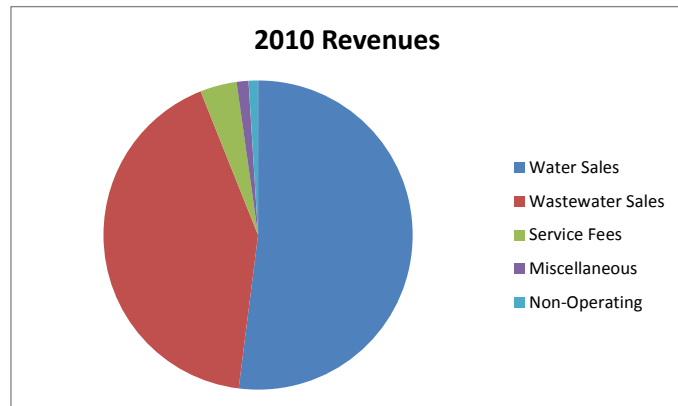
FINANCIAL ACTIVITY

Total Revenues - \$102,220,435

Sales revenue for both water and wastewater exceeded 2009 amounts. Water sales increased 8.3% and wastewater sales were up by 4.67%. Consumption was up only slightly so much of this additional revenue is attributable to two rate increases during the 2010 fiscal year. The first rate increase averaged 5% for both water and wastewater and was implemented on January 1, 2010. The second increase was effective on December 1, 2010 and averaged 4.5% and 5.5% for water and wastewater, respectively. Other operating revenues, which include miscellaneous items such as service, collection and late fees, increased by a little less than \$1 million due to an accounting reclassification of late fees, which had previously been included in water and wastewater sales. Investment income decreased significantly, 63.01%, over the prior year due to lower interest rates.

Total Expenses-\$93,189,200

Operating expenses rose by \$2.37 million or 3.16%. This was due primarily to increases in fuel costs and contract services. Charleston Water System worked diligently to control expenses while maintaining the appropriate level of maintenance during this financially challenging time. The hiring freeze implemented in 2009 continued throughout 2010. In addition, no merit increases were awarded to associates in 2010 to help minimize expenses. The non-operating expense, which essentially includes interest expense, remained flat with an increase of 1.51%.



Financial Status

For the 2010 fiscal year, the overall financial condition of Charleston Water System improved slightly as revenues exceeded expenses while many local and state economies continued to stagnate. Total Net Assets or Equity increased almost \$18 million in 2010.

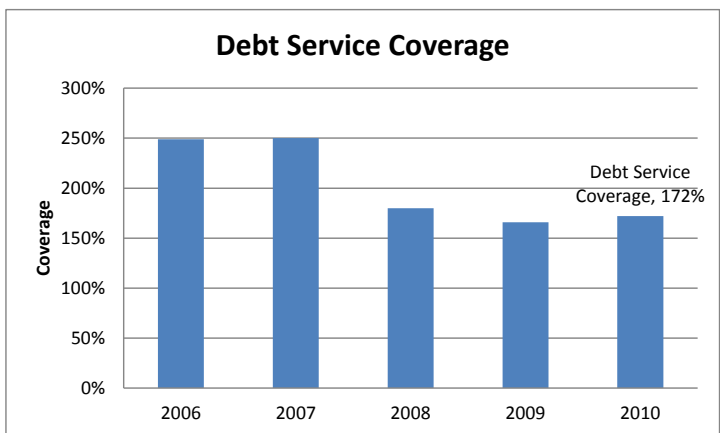
Long Term Debt

In November 2010, Charleston Water System issued refunding and revenue bonds in the amount of \$131,040,000. The refunding portion totaled \$41,820,000 with the remaining to be used for capital projects and costs associated with issuing debt. At the end of 2010 the amount of revenue bonds outstanding totaled \$562,307,384.

Debt Service Coverage

This ratio is a measurement that demonstrates an entity's ability to pay its annual debt service made up of both principal and interest. Charleston Water System's bond covenants require a debt service coverage of at least 120% but through our conservative approach to finances an internal benchmark of 140% has been long established. Debt Service coverage increased from 162% to 172% in 2010.

Abbreviated Balance Sheet			
Year	Total Assets	Total Liabilities	Total Net Assets
2006	\$1,062,244,708	541,041,721	\$521,202,987
2007	\$1,107,708,397	527,811,068	579,897,329
2008	\$1,126,553,139	516,838,344	609,714,795
2009	\$1,147,448,940	517,298,517	630,150,423
2010	\$1,252,720,872	604,761,830	647,959,042



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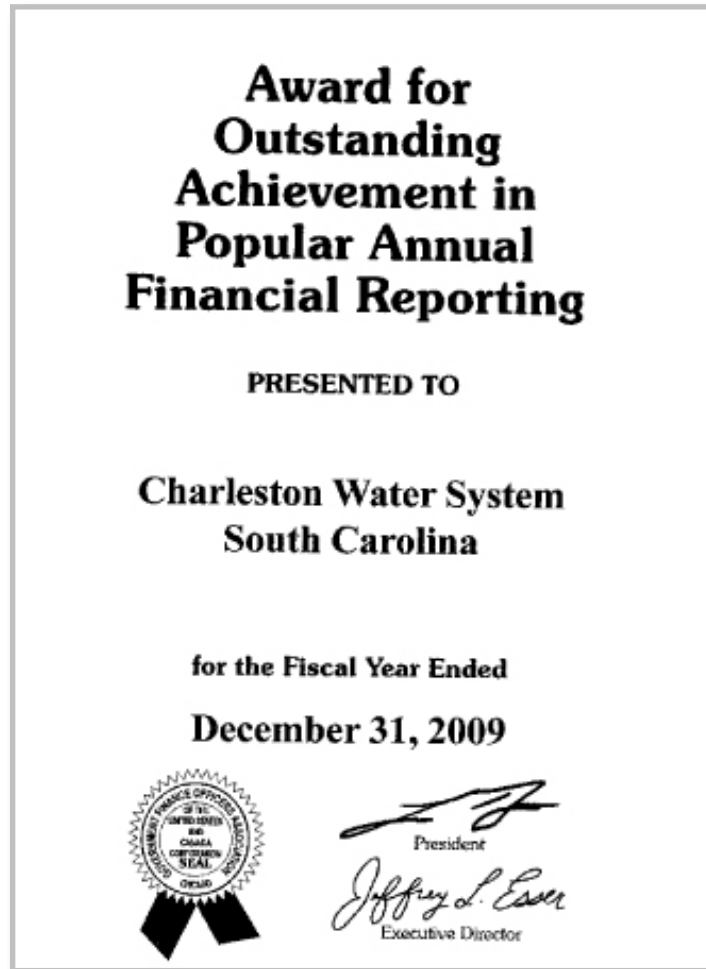
Bond Ratings

Despite a depressed financial environment, Charleston Water System attained a hallmark achievement in 2010 regarding our bond ratings. For the first time in our history we were awarded a AAA rating by Standard and Poor's. In addition, Moody's followed with an upgrade to Aa1 from Aa2, and Fitch followed suit with an upgrade from AA to AA+. These credit ratings are significant in that lower interest rates on future transactions will be available to Charleston Water System thereby lowering our cost of borrowing.

Bond Ratings			
Year	Standard & Poor's	Fitch	Moody's
2010	AAA	AA+	Aa1
2009	AA+	AA	Aa2
2008	AA	AA	Aa2
2007	AA	AA	Aa2
2006	AA	AA	Aa3
2005	AA-	N/A	Aa3

FINANCIAL AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Charleston Water System for its Popular Annual Financial Report for the fiscal year ended December 31, 2009. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.





CLEAN WATER FOR LIFE



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