

**2010 FINANCIAL REPORT FOR THE CATAWBA-WATEREE WATER MANAGEMENT GROUP –
February 8, 2011**

The Catawba-Wateree Water Management Group (CW-WMG) was incorporated in the State of North Carolina on December 5, 2007 and formerly adopted its Bylaws and other organizing documents on December 6, 2007.

Its application to the IRS requesting status as a 501(c)(3) tax-exempt charitable organization was approved by the IRS on April 30, 2008 and made effective back to December 5, 2007. The Corporation filed IRS Form 990 – Return of Organization Exempt from Income Tax – for the short year December 5 - December 31, 2007, although no taxes were due. By letter dated August 6, 2008, the IRS subsequently exempted the Corporation from having to file Form 990 in the future.

The Corporation received its tax-exempt status from the State of North Carolina on June 3, 2008. In 2010, it renewed its Charitable Solicitation License from North Carolina and its Certificate of Authorization from South Carolina, both of which will expire in 2011.

The Corporation's Bylaws require that, prior to April 1, its Board of Directors provides the Members an accounting of the funds expended during the previous calendar year. This report is the Board of Directors' annual financial report.

BALANCE SHEET
December 31, 2010

Assets

Current Assets

Cash	\$ 998,640
Interest Receivable (Note 1)	63
Prepaid Expenses (Note 2)	1,622
Other Assets, net (Note 3)	19,747

Total Current Assets	<u>\$1,020,072</u>
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Liabilities and Equity

Current Liabilities

Accounts Payable (Note 4)	\$ 34,013
Prepaid Member Dues (Note 5)	510,089

Total Current Liabilities	\$ 544,102
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Equity	475,970
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Total Liabilities and Equity	<u>\$1,020,072</u>
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STATEMENT OF INCOME AND EXPENSES

January 1, 2010 through December 31, 2010

Income

Member Dues

Dues – 2010 (Note 6) \$270,476

(Town of Long View, NC; City of Belmont, NC; City of Hickory, NC; City of Gastonia, NC; City of Mount Holly, NC; Lugoff-Elgin Water Authority, SC; City of Charlotte, NC; Town of Granite Falls, NC.)

Dues – 2011 (Note 6) 510,089

(Lugoff-Elgin Water Authority, SC; Chester Metropolitan District, SC; City of Morganton, NC; Town of Valdese, NC; City of Camden, SC; City of Statesville, NC; Lincoln County, NC; City of Gastonia, NC; City of Mount Holly, NC; Town of Long View, NC; Duke Energy Carolinas, LLC; City of Charlotte, NC; Union-Lancaster Catawba River Water Treatment Plant, NC/SC; City of Rock Hill, SC; City of Lenoir, NC.)

Total Member Dues 780,565

Other Income

Interest (Note 1) 1,123

Cost Sharing (Note 7) 28,668

Total Other Income 29,791

Total Income \$810,356

Costs and Expenses

Projects

USGS Groundwater Wells (Notes 4, 8) \$126,427

Water Supply Master Plan (Note 4) 72,750

Residential Irrigation Study (Note 7) 53,668

Demand-Side Management Benchmarking 22,347

Safe Yield Project (Note 9) 150,000

Sediment Monitoring Project (Note 4) 8,589

LIP Response Evaluation Project 23,688

Total Projects 457,469

Other Expenses

WMG Administration (Note 4) 78,615

Insurance 1,622

Legal and Other Professional Services (Note 10) 5,250

Amortization (Note 3) 2,468

Total Other Expenses 87,955

Total Costs and Expenses 545,424

Total Net Income

\$264,932

NOTES WITH STATEMENTS

Note 1: Interest Receivable includes interest income earned for December 2010 which is a Current Asset. This amount has also been added to the applicable item in the Income section.

Note 2: Prepaid Expenses includes insurance policy expense which is a Current Asset.

Note 3: Other Assets, Net includes original investment in Logo and Website Design (\$13,800) plus original investment in Organizational Set-up (\$10,884.13), less amortization expense (\$2,468 per year). This is the second year of a 10-year straight-line amortization schedule at 10% per year.

Note 4: Accounts Payable includes eight invoices totaling \$34,013 that were in-hand prior to the approval date of this report for services received in 2010, but which were un-paid on December 31, 2010. These invoice amounts have also been added to the applicable items in the Costs and Expenses section:

<u>Project / Service</u>	<u>Amount</u>
Project Management	\$18,743
Water Supply Master Plan	\$12,750
USGS Groundwater Project	\$16
Sediment Monitoring Project	\$2,504

Note 5: Prepaid Member Dues (i.e., Member Dues paid in 2010 for the 2011 year) are Current Liabilities.

Note 6: Annual dues amounts are established in the Corporation's Bylaws. Dues for any year are payable on or before January 31 of that year. Some Members submitted their 2010 dues in the 4th Quarter of 2009, and others submitted their 2010 dues in January 2010. Some Members also submitted their 2011 dues in the 4th Quarter of 2010.

Note 7: The Corporation is managing a Catawba River Basin Residential Irrigation Study and is sharing the cost of the study with Duke Energy Carolinas, LLC.

Note 8: Working with the Centralina Council of Governments (CCOG), the Corporation is supporting a four-year US Geological Survey (USGS) Joint Funding Agreement for the USGS to upgrade three existing groundwater wells and install seven new groundwater wells in the Catawba-Wateree River Basin. Although there are early termination provisions, the total four-year fixed cost of the project is \$692,300 of which the Corporation will contribute \$510,400 and the USGS will provide \$181,900 in cost-share funding. The USGS Joint Funding Agreement extends from March 1, 2008 to February 29, 2012. The amount shown also includes a small management fee for the CCOG.

Note 9: The Safe Yield Project is a tailored collaboration project that is being performed by the Water Research Foundation (WRF) in 2010 through 2012. The CW-WMG contributed \$150,000 to this project

in 2010 (through reimbursing Charlotte-Mecklenburg Utilities (CMU) for its \$150,000 contribution in 2010).

Note 10: Legal and Other Professional Services includes expenses for legal support, accounting support and license/registration fees.

SUMMARY OF ACCOUNTING POLICIES

Nature of Operation

The Corporation is engaged in identifying, funding and managing projects that will help ecologically preserve, extend, and enhance the capabilities of the Catawba and Wateree Rivers to provide water resources for human needs.

Method of Presentation

The Corporation's financial statement has been prepared on the accrual method of accounting.

Cash

The Corporation maintains its cash in bank deposits, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses on such accounts. The Company believes it is not exposed to any significant credit risk on cash or cash equivalents.

Fair Value of Financial Instruments

The Directors have estimated the fair values of cash, receivables, payables and accrued expenses to be approximately their respective carrying values reported on these statements because of their short maturities.