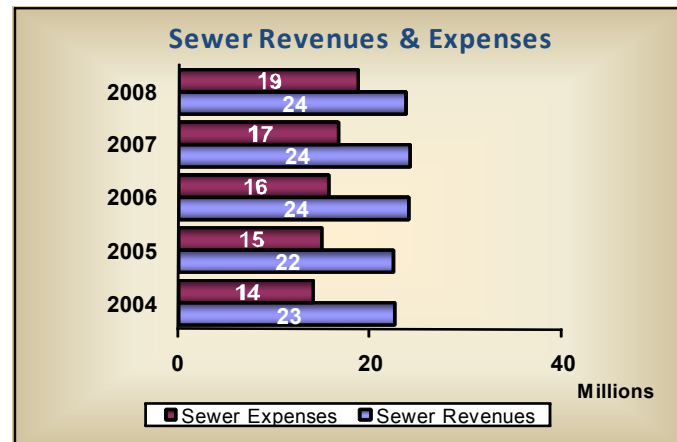


FINANCIAL OVERVIEW

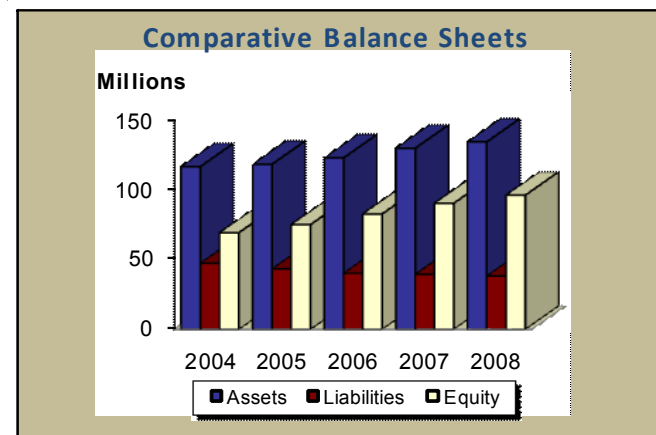


LONG-TERM DEBT decreased \$2,076,728 (6%) from the previous fiscal year. The District had \$32,470,717 in long-term debt outstanding as of June 30, 2008, compared to \$34,547,445 as of June 30, 2007. The District issued no new debt during fiscal year 2008. The rating agent Moody's has assigned an A2 rating to the District's revenue bonds, while Standard and Poor's has assigned an AA rating.

NET ASSETS (difference between assets and liabilities) increased 6.5% during fiscal year 2008, reflecting the capital reinvestments the District made during the year and the increases in funds set aside for plant and other upgrades, which will be required to meet regulations and permit parameters. The District appropriated \$12,742,420 of fund equity for fiscal year 2009 capital costs associated with the on-going implementation of new regulations.

ECONOMIC GROWTH in the Tri-County area is anticipated to outpace the state average growth rate yet be slower than the last couple of years, assuming no hurricanes or other catastrophies occur. During calendar year 2008, development announcements represent 1,060 jobs and 192 million dollars in development for the region. The net population of the Tri-County region grew more than 42,000 (8%) between 1990 and 2000 according to the US Census Bureau. From 2000 to 2006, the area's population growth is estimated to have been 54,145, a rate of more than 9.8 percent, or nearly twice as fast as the average annual rate of the previous decade. The region's current population of more than a half-million is predicted to grow to nearly 624,000 by 2010.

FUTURE OUTLOOK for the District is continued growth and redevelopment that will increase the demand for wastewater treatment, creating a need to continually review our transportation system design. The District will continue to assess the need for renewals and rehabilitations and schedule timely improvements to maintain the plant and the aging transportation system, while striving to minimize the effect on rates. The District has over \$33.7 million planned during the next five years for renewals, rehabilitations, and upgrades. The District anticipates funding 75% of these projects with funds on hand and the balance with revenue bonds.



Mary Trussell
Assistant District Manager/Director of Finance

Report Disclosure: The North Charleston Sewer District has a Comprehensive Annual Financial Report (CAFR) prepared annually in accordance with generally accepted accounting principles (GAAP) established by national accounting professional organizations. The CAFR contains more detailed financial information. The above charts summarize data from the District's CAFR and include all funds. The District's CAFR is prepared using the accrual basis of accounting. Anyone interested in viewing our Comprehensive Annual Financial Report (CAFR) may contact our Accounting Department. Copies are available at the Charleston County library and online at www.ncsd-sc.com. As you review this report, please feel free to share any questions or comments with us.

Time to Update Our Habits

Disposal of Grease



Households and businesses generate grease as a byproduct of cooking every day. How do they dispose of it? Evidence in our sewer system indicates that many households and businesses dispose of it by washing it down the drain. Grease disposed of in this manner will collect inside the sewer pipes (homeowner's lines and the District's lines) and will build up overtime, blocking lines and reducing the capacity of the sewer pipes and equipment. When lines are blocked the wastewater will backup close to the blockage, overflowing into your home, your streets, and community waterways.

This summer the District removed 2,329,600 cups (145,600 gallons) of grease from one of our pump stations. We have 52 pump stations throughout our District, which means that, if each pump station has the same amount of grease the District could have 121,139,200 cups limiting our wastewater capacity and reducing the efficiency of our pumping equipment. With limited success, the District has used a biological process (grease eating bugs) and chemicals to attempt to control the grease at our pump stations. Although these measures help, the best method to handle grease is to prevent its introduction into the sewer system.

To reduce the introduction of grease into the sewer lines, we need to **change to new methods of disposal**.

Sewer-system-friendly methods of disposing of grease are:

- Drain cooking grease and pan drippings into a can, bottle, or plastic container and dispose in the trash (or recycle if available)
- Scrape grease and food scraps into the trash
- Put turkey fryer oil and deep fat fryer oils into a can, bottle, or plastic container and dispose in the trash (or recycle if available)



North Charleston Sewer District
P.O. Box 63009
North Charleston, SC 29419

Don't Flush Prescription Drugs

Recent research has made the nation more aware of the environmental and health impacts of flushing unused medications into our sewer systems. Once the recommended disposal method, flushing has been replaced with other means of discarding medications. Addressing the environmental impact in small steps, environmental agencies, treatment facilities, and state and local governments are all researching new disposal and treatment methods. Several states have passed legislation to require pharmaceutical companies to fund take-back programs or provide mail-in returns. Other states are setting up hazardous waste disposal programs. We have not found any take-back programs in South Carolina. Citizens are encouraged to reduce the amount of drugs introduced into our local waters by following the most current guidelines shown below.



- Take unused, unneeded, or expired prescription drugs out of their original containers and throw these containers in the trash. Be sure to remove identifying information.
- Mix the prescription drugs with an undesirable substance, such as used coffee grounds or kitty litter, and put them in impermeable, non-descript containers, such as empty cans or sealable bags.
- Flush prescription drugs down the toilet **only if the label or accompanying patient information specifically instructs doing so**. Visit www.smarxtdisposal.net for more information.
- Continue to check with your pharmacists to see if new disposal methods are available.
- Ask community leaders and pharmaceutical companies for take-back programs.



[WWW.NCSD-SC.COM](http://www.ncsd-sc.com)

Inside This Issue

- Financial Overview
- Capital Improvement Pictures
- Easement/Right-of-way maintenance program
- Connection Information
- List of Awards

Members of the Commission

Mary R. Miller
Commission Chairman

Gary C. McJunkin
First Vice Chairman

Clifford E. Johnson
Second Vice Chairman

Karen M. Hollinshead
Secretary

Josie Crosby
Commissioner

George Gomes
Commissioner

Eugene Myers
Commissioner

Sylderrial Pryor
Commissioner

Janice M. Young
Commissioner

North Charleston Sewer District

Located at:

7225 Stall Road & 1000 Herbert Street
North Charleston Charleston
South Carolina

2008 ANNUAL REPORT TO THE COMMUNITY - FISCAL YEAR ENDED JUNE 30, 2008

Message from the District Manager

Our "2008 Annual Report to the Community" is a brief overview of our operations for the past year provided to keep our citizens abreast of District efforts. The report provides information on the financial health of our organization and on capital improvements. It also highlights our Engineering Department, habits for our customers to change, connection information, and lists of awards.

During fiscal year 2008, efforts have continued to update our older mapping systems to a new Geographical Information System (GIS). Using Global Positioning Systems (GPS) we have made great strides in documenting the exact locations of much of our transportation system, and we will continue these efforts for many years. For our customers this means that we will be able to respond more efficiently to your service requests.

Additional efforts made to improve the transportation system during the fiscal year include:

- ❖ Completion of significant rehabilitation work on our major trunk lines. Over 2,140 LF on the Ashley trunk line, 6,205 LF on the Cooper trunk line and 51,695 LF of gravity sewer lines were rehabilitated. The total cost for these 2008 rehabilitations was \$4,271,513. These rehabilitation efforts will continue in 2009 with an additional 5,800 LF of major trunk lines and 50,000 LF of gravity lines scheduled for rehabilitation.
- ❖ Removing over 145,600 gallons of grease, which is a major factor in sewer backups, from one of our pump stations (see article on the back page).
- ❖ Maintaining sewer easements and right-of-ways, which has progressed slowly in residential areas due to permitting requirements. Although unpopular with citizens in the clearing areas, it is required to meet sewer line access mandated by regulatory agencies.

At our treatment plant, construction on the new primary clarifier and the new aeration tank continued. These projects began in spring 2007 and are projected to be completed in fall of 2009. When completed these projects will increase the plant capacity and allow the plant to meet stricter permit limits at a budgeted cost of \$18,000,000. The mechanical screen project was awarded in spring of 2008 and will remove more debris than our current system. This would extend equipment life and improve treatment processes throughout the plant.

As you can see, the costs of rehabilitating our aging infrastructure and upgrading our plant are significant. To afford these construction items and to operate required upgrades, the District must increase cash flows. To meet these cash flows the District's 2009 volume sewer rates increased 3% for the first time in six years. The District has scheduled rate leveling increases of 2% for each of the next four years to keep up with the rising operating costs and high rehabilitation costs.



Jimmy L. Green
District Manager



Jarred Jones, Project Manager



Phillip Sexton, Ass't Project Manager



Lee Lewis, I & I Technician



Joey Wheeler, Inspector

Meet Our Engineering Department

The Engineering Department is involved in all aspects of the Sewer District's transportation system and is vital to the seamless merging of new development and the maintenance of existing systems. Some of the department's responsibilities are: 1) assisting customers and developers adding sewer infrastructure to undeveloped areas, 2) assisting with road upgrades by coordinating the relocation of existing sewer lines, 3) tracking the size of the transportation system to assure that new development connecting to the system will be accommodated, 4) planning and monitoring system upgrades and replacements, 5) inspecting new connections and expansions to maintain the integrity of the infrastructure, and 6) researching and tracking sewer flows to locate areas that require upgrades.

Currently the Engineering Department is involved in a multi-year project that will convert the paper records of our transportation system to modernized digital maps and documents. The old data is being updated with Global Positioning Systems (GPS) to provide more accurate locating capabilities.

Sewer availability, inspections, and locations are provided by the Engineering Department. Call our offices at 764-3072 to schedule these.

How do I get Sewer Service?

Existing Home that you have purchased - Simply call our agent for your area, Charleston Water Systems (CWS), Summerville CPW, Town of Lincolnville or our offices, to sign-up for service. The prior owner can probably tell you which office bills your location, if you have any problems please call our offices.

New Home - If you are buying from a developer or contractor they should have connected the home into the sewer and you should be able to simply call our agent CWS, Summerville CPW, the Town of Lincolnville or our offices. Before or at closing you should verify that the developer or contractor has paid connection fees. If you are building a new home on land that you own, you need to request an availability form from our Engineering Department (this should be done before you start building). They will look at our existing transportation lines and advise you as to the availability of service, the technical requirements, NCSD fees, and costs you as the owner are responsible for.

Sewer Easements/ Right-of-Ways

Many of our customers have sewer easements or right-of-ways adjacent to their property. When these lines were originally put in, the theory was that only minimal maintenance was required as the lines would last 50 to 60 years. However as time has passed and new cMOM (Capacity, Management, Operation & Maintenance) requirements have been implemented by South Carolina Department of Health & Environmental Control (SCDHEC), this theory has changed. Now the Sewer District is required to increase their maintenance of the easements and right-of-ways. These requirements have been phased-in over the last several years. What can a homeowner expect? If you have an easement or right-of-way adjacent to your property, you will sometimes see contractors clearing the easement areas (removing shrubs, trees, possibly fencing and trash).

Ongoing Construction Projects



Plant Upgrades
Primary Clarifier



Plant Upgrades
Aeration Tank



Trunk Line Rehabilitation
Slip Lining

COMPLIANCE EXCELLENCE AWARDS CALENDAR YEAR 2007

Awards were presented to 27 local industries that demonstrated excellent compliance with environmental regulations throughout the prior calendar year.

The following industries received the Excellence in Compliance Award:



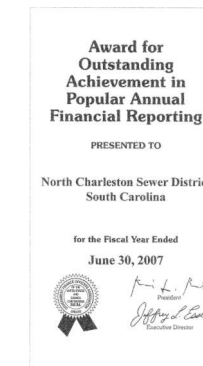
All Carolina Cranes & Equipment
American LaFrance
Beazer East, Inc.
Behr Heat Transfer
Brenntag Southeast
Carolina Starches
Charleston Air Force Base
Chevron
DaimlerChrysler Manufacturing International

Dana/Suttles
Detyens Shipyards/US Water Recovery
Force Protection
Hoover Investments
Industrial Container Services
Kinder Morgan Bulk Terminals
Leeds Park Associates
LS Starrett Evans Rule Division
Montenay Charleston Resource Recovery
National Starch

Robert Bosch Corporation
Rental Uniform Service
SCE&G Plant Hagood
Salisbury Electrical Safety - Charleston
St. Gobain Vetrotex/GS Roofing Products
Trident Medical Center
Vought Aircraft
W.R. Grace

FINANCIAL AWARDS

The District has received the following Government Finance Officers Association Awards:



1) Outstanding Achievement in Popular Annual Financial Reporting for its popular reports for the fiscal years ended June 30, 2001, 2002, 2003, 2005, 2006 and 2007.

2) Certificate of Achievement for its comprehensive annual financial reporting of the fiscal years ended June 30, 2001 through 2007, and

3) Distinguished Budget Presentation for its annual appropriated budget for the past eleven fiscal years, starting July 1997.

COMMUNITY AWARDS

TRIDENT UNITED WAY North Charleston Sewer District employees have donated to United Way for over twenty years. This year 34% of our employees participated.

Directory (Extensions)

Main Number 764-3072

Accounts Payable	2638
Accounts Receivable	2636
Administration	2648
Assistant District Manager	2652
Billing	2636
Customer Service	2640
Director of Finance	2646
Director of Operations	3285
Dispatch (Sewer Problems)	2455
District Manager	3290
Engineering	2656
Human Resources	3286/3287
Locates/Inspections	2430
Pretreatment	3280
Purchasing	2653/2644
Safety/Training	2647
CWS	727-6800

DON'T GO THERE!



Never enter the sewer system in your neighborhood.

Because of the decomposing organic substances, the air inside the sewer system is very different from the air outside. Deadly gases may be trapped inside, and there may not be enough oxygen to support life. If you enter the sewer system you may be seriously injured or die.

If you see a person or a pet in the sewer system needing emergency care do not attempt rescue; call 911. Fire department and emergency personnel are trained and equipped to safely perform this type of rescue.

If you have a non-emergency problem with the sewer system, call our office at 764-3072 for assistance. Our crews are available at all times, day or night.

General Information

North Charleston Sewer District, created by the SC General Assembly Act No. 1768 of 1972, is a special purpose district of the State of South Carolina. It provides sanitary sewer service and industrial pretreatment programs to the residential and commercial customers of the Sewer District. It operates a 27-million-gallons-per-day (MGD) wastewater treatment facility with 534 miles of sewer transportation lines and 52 pump stations throughout the 59.3 square mile service area.

Wastewater environmental controls are part of our responsibility. Specific limits governing these controls are stipulated by the South Carolina Department of Health and Environmental Control (SCDHEC) and are stated in our National Pollutant Discharge Elimination System (NPDES) permit.

Requiring our citizens to repair their own sewer lines (those located on private property) is one of the methods by which we enforce environmental compliance and reduce our operating costs. Faulty sewer lines allow rain and groundwater to seep into our system, thereby causing us to treat more wastewater than necessary. We have a continuing program by which we inspect sewer lines, identify bad ones, and repair or replace them. When our staff identifies private property sewer lines in need of repair, the owner will be notified.

Additional information and District forms are available on our website at www.ncsd-sc.com.