

North Charleston Sewer District
North Charleston, South Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2009

Prepared By:
Accounting Department

Mary Trussell
Assistant District Manager/Director of Finance

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**North Charleston Sewer District, South Carolina
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009**

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Comprehensive Annual Financial Report
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Introductory Section

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North Charleston Sewer District

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DIRECTOR OF FINANCE
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NORTH CHARLESTON, SC 29419
ACCOUNTING DEPARTMENT

November 3, 2009

To Commission Chairman, Members of the Commission and Citizens of the Sewer District:

As required by Section 10 of South Carolina Act No. 1768 of 1972, we are pleased to submit the North Charleston Sewer District (hereinafter referred to as the Sewer District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009.

INTRODUCTION TO THE REPORT

This report has been prepared in conformance with generally accepted accounting principles as prescribed in the pronouncement of the Governmental Accounting Standards Board (GASB). This report is presented in three sections. The Introductory Section, which is unaudited, includes this transmittal letter, a list of appointed Commissioners, and the Sewer District's organizational chart. The Financial Section includes the independent auditors' report of Riser, McLaurin, & Gibbons, L.L.P., management's discussion and analysis, the basic financial statements and notes, and other supplementary information. The Statistical Section, which is unaudited, includes selected financial and demographic information generally presented on a multi-year basis.

Responsibility

The enclosed data is accurate in all material respects and is reported in a manner designed to present fairly both the financial position and results of operations of all funds of the Sewer District. All disclosures necessary to enable the reader to gain an understanding of the Sewer District's financial activities have been included. This report is prepared by the Sewer District's Accounting Department. Responsibility for the accuracy of this presented data and the completeness and fairness of this presentation, including all disclosures, rests with the Sewer District and this office.

Basic Financial Statements

Basic financial statements presented in a CAFR for a stand-alone proprietary fund include the Balance Sheet, the Statement of Revenues, Expenses and Changes in Fund Net Assets, the Statement of Cash Flows and the notes to the financial statements. Notes to the financial statements disclose additional information such as the Sewer District's significant accounting policies, deposits and investments, capital assets, pensions and other post employment benefits, long-term liabilities, risk management, contingencies and litigation. Notes to the financial statements are an integral part of the basic financial statements and should be viewed as such. The management's discussion and analysis (MD&A), which precedes the basic financial statements, presents financial highlights, overall financial analysis, and economic outlook of the Sewer District. The various financial statements presented in the CAFR are discussed in more detail in the MD&A and Note I to the financial statements.

Independent Auditor

The Sewer District's financial statements have been audited by Riser, McLaurin & Gibbons, L.L.P., licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Sewer District for the fiscal year ended June 30, 2009 are free of material misstatement. The basic financial statements and the related notes reflect a complete summary of the financial activities and encompass all transactions of the Sewer District. They present the financial position, results of operations, and the cash flows for the completed fiscal year. They are "liftable" and may be issued separately from the Comprehensive Annual Financial Report, possibly for inclusion in official statements, bond offerings, or for distribution to users requiring less detailed information.

PROFILE OF THE SEWER DISTRICT

Governmental Structure

The Sewer District is a special purpose district created by the South Carolina General Assembly by Act No. 1768 of 1972. This Act dissolved the former North Charleston Consolidated Public Service District and created the North Charleston Sewer District. The Sewer District provides wastewater collection, treatment, and disposal of domestic and industrial wastewater. The Sewer District is governed by a body of nine Commissioners appointed by the Governor of the State of South Carolina. The Commission is empowered through enactment of resolutions: to establish, extend, enlarge, maintain, and operate sewer and water systems; to establish regulations, set rates and fees, issue bonds, and levy taxes.

A full-time District Manager, Jimmy L. Green, administers the affairs of the Sewer District. Mr. Green has served in such capacity since July 1, 1997.

Sewer District Location

The North Charleston Sewer District lies wholly within Charleston County, having as its southern boundary Mount Pleasant Street in the City of Charleston; as its eastern boundary the Cooper River and Berkeley County line; as its western boundary the Ashley River and the Dorchester County line; and as its northern boundary the Dorchester County and Berkeley County lines.

FINANCIAL INFORMATION

Accounting System

The Sewer District has a centrally-maintained computerized accounting system. Management of the Sewer District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

When the Sewer District is the recipient of federal, state, and/or local financial assistance, the Sewer District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations of these programs and to document the Sewer District's

compliance. This internal control structure is subject to periodic evaluation by the Sewer District's management.

Budgetary Controls

The Sewer District maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions. Activities of the Sewer Fund and an annual capital improvement plan are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenses cannot legally exceed the appropriated amount) is at the fund level. The Sewer District also maintains an encumbrance accounting system as one method of maintaining budgetary control. Starting fiscal year 2002, the Sewer District reappropriated the outstanding encumbrances as part of the following year's budget. Refer to the Supplementary Information Section within the CAFR for a comparison of actual revenues and expenses to budgeted revenues and expenses.

Cash Management

Cash temporarily idle during the year was invested in accordance with South Carolina law. All cash was invested in fully insured certificates of deposits, obligations of the US Treasury, and repurchase agreements secured by US obligations. The maturity of the investments generally ranges from 30 days to 18 months. The average yield on investments was 1.69%. Refer to Note IIIA to the financial statements for more information about the Sewer District's investments.

Risk Management

The Sewer District covers its exposure from losses related to tort claims, asset theft or damage, errors and omissions, and natural disaster through various insurance policies through the South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments.

In addition the Sewer District addresses the risk of job related injury or illness to its employees through the South Carolina State Accident Fund, a public entity risk pool operating for the benefit of state agencies and local governments. Various control techniques including employee accident prevention training have been implemented to minimize accident-related losses.

LOCAL ECONOMY

The Charleston regional economy has grown steadily the past several years yet weakened the first three quarters of 2008. During 2009 the local economy took a dramatic turn downward mirroring the national economy. It is projected that the economy will bottom out late in 2009 and then gradually regains some forward momentum in 2010. This recession is projected to be as severe as the recessions of 1973-1975 and 1981-82. The housing market in the area was anticipated to bottom out late in 2009, yet in May 2009 the housing inventories were shrinking and prices were holding steady. Labor intense businesses have been significantly affected by this recession and have decreased their workforces by record numbers. Unemployment in the area increased to 9.5% in June 2009, an increase of 4.1% over June 2008, yet is 2.6% below the State unemployment rate. Although there has been record unemployment, wages have not been slashed and personal income for those employed has held up well. Connection permits are projected to decrease in 2010, as new construction starts are expected to be slow. Sewer connection permits were down 41% from 2008 and were 23% lower than the 13 year average.

LONG-TERM FINANCIAL PLANNING

The Sewer District, through long range planning strives to give our citizens affordable rates while undertaking resource intensive sewer system maintenance and treatment process upgrades. The Sewer District uses rate model software to project future operating needs and rates which is then used to adjust operations and to determine financing methods. Annually the Sewer District prepares a Five-Year Capital Improvement Plan that addresses major rehabilitations to equipment and infrastructure, as well as, addresses new equipment needed to meet changes in permit regulations.

Currently, the Sewer District is budgeting to increase net assets to partially self-finance upgrades that will meet new permit requirements and undertake major transportation system rehabilitations. Funds on hand will be a funding source for these upcoming projects, as well as, future debt issuance. Unrestricted net assets will decrease as these projects are constructed and Sewer District's investment in capital assets net of debt will increase.

MAJOR INITIATIVES

For the past nine years the Sewer District has been involved in the process of upgrading the treatment plant to comply with new permitting methodology. This is an ongoing process due to continued studies and evaluations and accordingly the Sewer District anticipates current upgrades to continue for the next year with future upgrades needed to meet the new 2011 permit requirements. During fiscal year 2009, the new primary clarifier, the new additional aeration tank, the upgrade of existing aeration tanks, and a finer screening process were completed and were operational spring of 2009.

Since 2003, Capacity, Management, Operations and Maintenance (cMOM) guidelines have been provided by the Environmental Protection Agency (EPA). These guidelines required major changes to previous operational industrial standards which are costly and require lengthy processes to implement. The Sewer District began adding these guidelines in 2001 and estimates that guidelines that require a lengthy process will be fully implemented in the next four years. During fiscal year 2009, the District continued the rehabilitation of 20,400 LF of gravity sewer lines and 7,200 LF of major trunk lines, plus began the rehabilitation of the Popperdam force main.

The Sewer District is analyzing the area growth and development to evaluate infrastructure capacity needs. As needs are identified plans are made to address these needs and to add them to the Sewer District's long range planning.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sewer District for its comprehensive annual financial report for fiscal years 2001 through 2008.

In order to be awarded the 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.

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 eligibility for another certificate.

In addition, the Sewer District has received the GFOA Award for Distinguished Budget Presentation for the twelve fiscal years, July 1, 1997 through 2009. In order to qualify for the Distinguished Budget Presentation Award, the Sewer District's budget document was judged to be proficient in several categories, including policy documentation, financial planning, operations guide, and communications device.

The GFOA has awarded the Sewer District an Award for Outstanding Achievement in Popular Annual Financial Reporting for our Popular Annual Financial Report for the fiscal years ended June 30, 2001, 2002, 2003, and 2005 through 2009. The award is a prestigious national award recognizing conformance with the highest standard for preparation of state and local governmental popular reports.

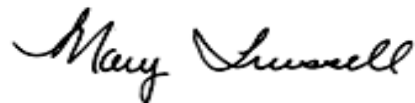
Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Accounting Department. Thank you's are also extended to the staff of Riser, McLaurin, & Gibbons, L.L.P., the external auditors, for their efforts in producing this CAFR.

Respectfully submitted,



Jimmy L. Green
District Manager



Mary Trussell
Assistant District Manager/Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Charleston Sewer
District, South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



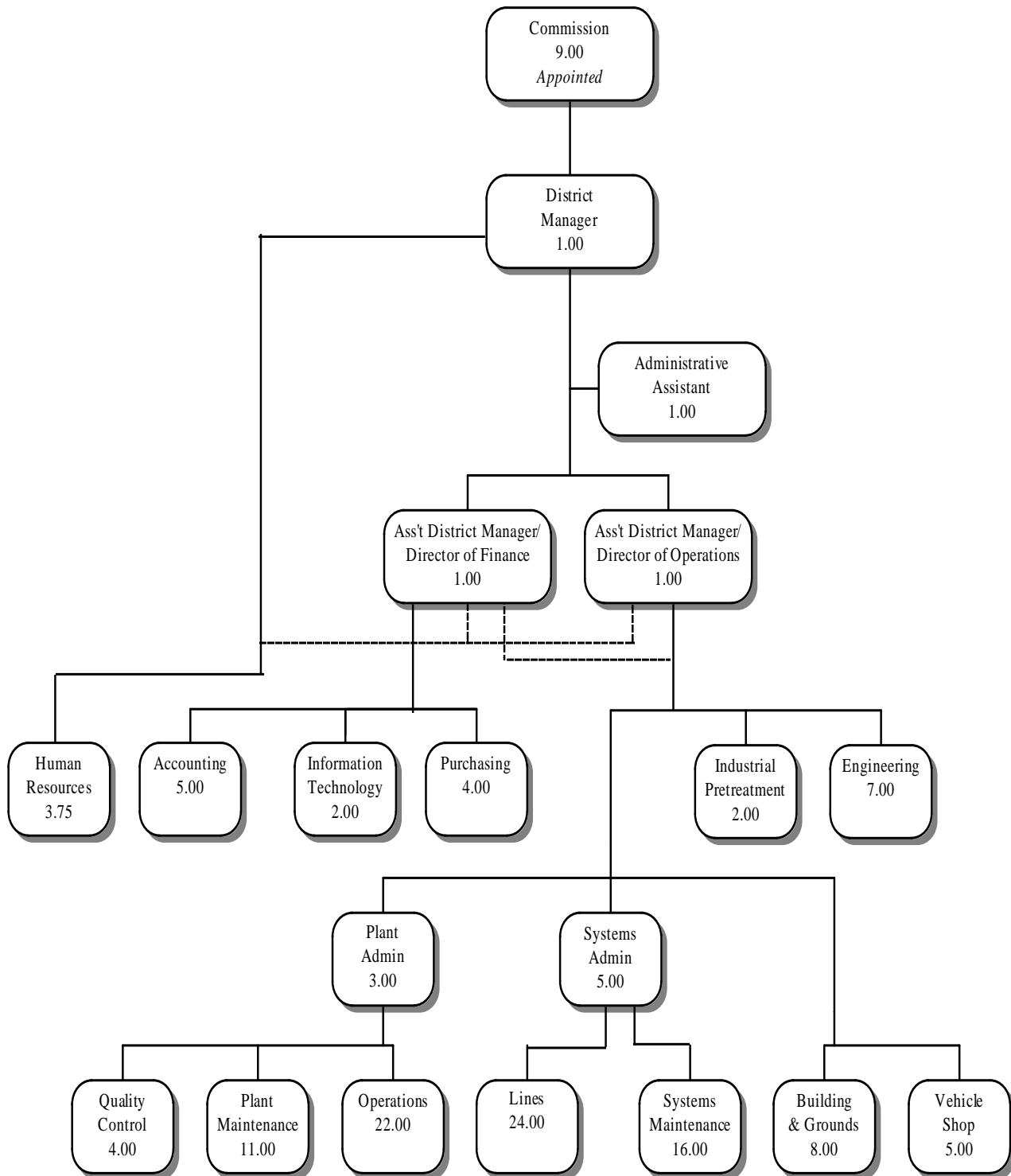
President

Executive Director

North Charleston Sewer District

North Charleston, South Carolina

Organizational Chart



North Charleston Sewer District
 North Charleston, South Carolina
Principal Officials
 June 30, 2009

COMMISSIONERS

	Number of Years <u>In Office</u>	
Mary R. Miller	36	Chairman
Gary C. McJunkin	12 1/2	First Vice Chairman
Clifford E. Johnson	13 1/2	Second Vice Chairman
Karen M. Hollinshead	24	Secretary
Josie R. Crosby (Deceased 10/13/09)	12 1/2	Commissioner
George Gomes	8 1/2	Commissioner
Eugene W. Myers	2 1/2	Commissioner
Sylderrial T. Pryor	2 1/2	Commissioner

The nine member Commission is appointed by the Governor of South Carolina for a two year term or until their replacement is appointed and qualified.

MANAGEMENT

	Number of Years <u>With NCSD</u>	Years In Current <u>Position</u>	
Jimmy L. Green	27	12	District Manager
James Kendall Johnson	15 ½	14 ½	Assistant District Manager/ Director of Operations
Mary M. Trussell	19 ½	7 ½	Assistant District Manager/ Director of Finance
Kathie H. Stuber	23	23	Director of Human Resources
Robin L. Hood	13	1 ½	Information Technology Systems Manager

Financial Section

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RISER, MCLAURIN
& GIBBONS, L.L.P.
A REGISTERED LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
North Charleston Sewer District
North Charleston, South Carolina

We have audited the accompanying financial statements of the business-type activities of North Charleston Sewer District, as of and for the year ended June 30, 2009, which collectively comprise North Charleston Sewer District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of North Charleston Sewer District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of North Charleston Sewer District, as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and other postemployment benefits schedule of funding progress on pages 5 through 9 and page 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Charleston Sewer District basic financial statements. The supplementary information on pages 32 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements of North Charleston Sewer District. Such information has been subjected to the auditing procedures applied in the audit of

the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

North Charleston, South Carolina
September 14, 2009

Riser, McLamin + Gibbons, L.L.P.

NORTH CHARLESTON SEWER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the North Charleston Sewer District (hereinafter referred to as the Sewer District) Comprehensive Annual Financial Report (CAFR) is provided for readers of the financial statements for the fiscal year ended June 30, 2009. This information is to be used in conjunction with the additional information furnished in the preceding letter of transmittal and with the financial statements that follow.

Financial Highlights

The CAFR includes all funds and accounts that are controlled by or are dependent on the North Charleston Sewer District. There are no other political subdivisions or entities, which should be included in the reporting entity of the Sewer District. The North Charleston Sewer District is a stand-alone enterprise fund that provides wastewater treatment to its citizens.

- The assets of the Sewer District exceeded its liabilities at the close of the most recent fiscal year by \$101,323,589 (net assets). Of this amount, \$24,232,082 was reported as unrestricted net assets, which represents the amount available to be used to meet ongoing obligations to citizens and creditors.
- The Sewer District's total net assets increased by \$5,145,405.
- The Sewer District's total debt decreased by \$2,209,922 during the fiscal year ended June 30, 2009.

Overview of the Financial Statements

The North Charleston Sewer District's basic financial statements include two components: 1) proprietary financial statements, and 2) notes to the financial statements. This report also contains required supplementary information and additional supplementary information to the basic financial statements.

Proprietary Fund Financial Statements

There are two types of proprietary funds that are used to account for business-type activities: enterprise and internal service. Since the Sewer District provides services primarily to citizens it is considered to be an enterprise fund. As a special purpose district that is solely accountable for its operations it is also considered a stand-alone enterprise fund and therefore the Sewer District financial statements are not included within another governmental unit's financial statements. As an enterprise fund the Sewer District imposes fees to the citizens to recover the costs of providing services (including capital costs). The proprietary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This method is similar to those used by most businesses and takes into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The proprietary financial statements include three statements:

The *Balance Sheet* presents all of the Sewer District's assets and liabilities, with the difference between the two reported as "net assets". These assets and liabilities are designated as current or long-term. Net assets are presented as amounts invested in capital assets (net of related debt), restricted for debt service, and the balance is reported as unrestricted. Over time, increases or decreases in the Sewer District's net assets may serve as a useful indicator of whether the financial position is improving or deteriorating as well as an indicator of the Sewer District's ability to meet future cost of mandated regulations.

The *Statement of Revenues, Expenses, and Changes in Fund Net Assets* presents all of the Sewer District's revenues and expenses. Revenues and expenses are distinguished as operating and non-operating.

The *Statement of Cash Flows* presents all of the Sewer District's cash inflows and outflows and summarizes them by (1) cash flows from operations, (2) noncapital financing activities, (3) capital and related financing activities, and (4) investing activities. This statement also includes a reconciliation to the operating income presented in the *Statement of Revenues, Expenses, and Changes in Fund Net Assets* which assists in the analysis of the Sewer District's ability to generate cash to meet future cash needs.

The proprietary financial statements can be found on pages 10-14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the proprietary financial statements. The notes to the financial statements can be found on pages 15-29 of this report.

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents required supplementary information and certain other supplementary information showing comparative budgetary and historical information. The Sewer District adopts an annual budget for the sewer fund and capital improvements.

Financial Analysis of the Government's Funds

The Sewer District is increasing unrestricted net assets for current and future large capital expenses that will be used to meet permit requirements. Unrestricted net assets of the Sewer District at the end of year equaled \$24,232,082. The total growth in net assets was \$5,145,405. Key factors increasing the net assets were:

- Major capital Assets (infrastructure and equipment) that were constructed and purchased.
- Significant capital contributions including the transfer of the navy base sewer system.
- Continued funding of the rate stabilization account.
- Connection Permits are allocated for future infrastructure additions and improvements.

North Charleston Sewer District's Net Assets

	2009	2008
Current, Restricted and Non-Current Assets	29,830,794	37,983,924
Capital Assets (net of accumulated depreciation)	104,990,808	96,468,715
<i>Total Assets</i>	134,821,602	134,452,639
Long-term liabilities outstanding	28,298,544	30,554,100
Other liabilities	5,199,469	7,720,355
<i>Total Liabilities</i>	33,498,013	38,274,455
Net Assets		
Invested in capital assets, net of related debt	74,730,013	63,997,998
Restricted	2,361,494	2,750,921
Unrestricted	24,232,082	29,429,265
Total net assets	101,323,589	96,178,184

The following items also had a significant impact in the net asset change:

- Sewer service revenues were below budget projections by \$1,474,734 due to a decrease in billable consumption. Consumption was down due to the affect the recession had on local residences, businesses, and industries. Also, repairs to our transportation system restricted flows received from a wholesale customer.
- Permit revenues were above projections by \$265,257 as construction did not slow as much as anticipated.
- Interest income was above budget projections by \$254,126 yet below prior year interest income by \$1,024,642. More funds were available to invest than was projected during budgeting.
- Operational expenses were below budget projections by \$2,458,307. Compared to fiscal year 2008, the Administrative division had a 10.1 % increase; the Plant division had a 3.1% decrease; and the Systems division had a 5.7% increase.
- Depreciation expenses increased \$1,003,971 during fiscal year 2009 due to upgrades coming on-line during the year.
- Non-Operating expenses decreased 2%, the loss on disposal of assets offset a 7.2% decrease in the debt service payment for interest expense.
- Capital Contributions from wholesale customers and the transfer of the navy base sewer system added \$4,253,617 of assets. Compared to fiscal year 2008, this is a \$3,004,624 increase in capital contributions.

North Charleston Sewer District's Changes in Net Assets

	2009	2008
Operating Revenues		
Sewer Service Charges	21,237,948	\$21,534,767
Sewer Permit and Origin Fees	862,382	1,833,144
Late Fees	340,750	306,144
Miscellaneous Revenues	58,984	44,263
Non-Operating Revenues		
Interest on Investments	493,214	1,517,856
Gain on Disposal of Assets	0	58,424
Total Revenues	22,993,278	25,294,598
Operating Expenses		
Administrative	3,084,303	2,800,600
Plant Operations	4,608,687	4,755,365
Systems Operations	5,356,399	5,066,231
Depreciation	7,073,466	6,069,495
Non-Operating Expenses		
Interest Expense	1,827,284	1,972,980
Amortization of Deferred Bond Issue Costs	46,231	46,231
Loss on Disposal of Assets	105,120	0
Total Expenses	22,101,490	20,710,902
Excess Before Capital Contributions	891,788	4,583,696
Capital Contributions	4,253,617	1,248,993
Increase in Net Assets	5,145,405	5,832,689
Net Assets-Beginning of Year	96,178,184	90,345,495
Net Assets-End of Year	101,323,589	96,178,184

Capital Assets

The District's property, plant, and equipment as of June 30, 2009, totaled \$104,990,808 net of accumulated depreciation of \$93,845,297. Additions during 2009 totaled \$15,713,364 with reductions of \$549,606. This investment in capital assets includes land, buildings, infrastructure, treatment and transportation machinery and equipment, office equipment, and vehicles. All capital assets are recorded at cost. Assets having a cost of \$1,000 (software \$5,000) or less and a life of 2 years or less are recorded as expenses. The assets that are expensed are tagged and subjected to all asset internal controls. Depreciation is calculated by using the straight-line method over the equipment's and infrastructures' estimated useful life. Depending on the specific assets, useful life ranges from three to fifty years. Additional information on the Sewer District's capital assets can be found in the note IIIB on page 21 of this report.

Major capital asset improvements during the current fiscal year included the following:

- Completion of the plant upgrade.
- Trunk line rehabilitations totaling over \$8.9 million were completed.
- Rehabilitation of various pumps and other transportation equipment throughout the Sewer District.
- Completion of the plant processing computer upgrade.
- Completion of sewer lines in the following unsewered area: Greenwood Street
- Completion of sewer line rehabilitation in the following areas: Rivers Ave., Colony North, and Midland Park Road.

North Charleston Sewer District Capital Assets (Net of Depreciation)

	2009	2008	Change (\$)
Land	1,936,045	1,933,463	2,582
Automotive	276,055	306,476	-30,421
Buildings	8,564,072	9,238,609	-674,537
Plant Machinery & Equipment	32,101,806	12,121,707	19,980,099
Office Furniture	84,272	166,034	-81,762
Other Sewer Equipment	5,298,567	5,139,997	158,570
Sewer Systems	56,165,860	46,815,171	9,350,689
Construction in Process	564,131	20,747,258	-20,183,127
Total	104,990,808	96,468,715	8,522,093

Debt Administration

At June 30, 2009, the District had a number of revenue bond debt issues outstanding. These issues, net of applicable unamortized discount and premium, totaled \$30,260,795.

The Sewer District issued no new debt during fiscal year 2009. In 2002 rating agents reevaluated the Sewer District with Moody's assigning an A2 rating to the revenue bonds and in 2009 Standard & Poor's assigned an AA+ rating to the revenue bonds.

The Sewer District is authorized to issue General Obligation Bonds under the applicable debt limitation provisions of Article X of the South Carolina Constitution. The Sewer District may incur general obligation debt with the authorization of a majority vote of the qualified electors by referendum without limitation as to the amount, or the Sewer District may incur general obligation debt without an election in an amount not exceeding 8% of the assessed value of all taxable property therein. As of the 2008 tax year, the total assessed value of

property in the Sewer District was \$428,896,610 and 8% of such amount is \$34,311,729. Currently the Sewer District has no outstanding general obligation debt. Additional information on the Sewer District's debt service can be found in the note IIID on pages 23-24 of this report.

Economic Factors and Next Year's Budget and Rates

The overall financial condition of the Sewer District is stable as indicated by the increase in net assets over the past year. The dramatic economic downturn in the local economy has affected all local businesses and industries which in turn has and will continue to affect the District's revenues throughout fiscal year 2010. The pending termination of the District's largest customer's wholesale contract has required the District to change long term planning. The following factors were considered in preparing the Sewer District's budget for the 2010 fiscal year:

- Sewer service revenues are expected to decrease due to reduced usage by business and industries.
- Connection fees revenues are expected to decrease due to slow housing starts.
- Interest rates are projected to be lower.
- Depreciation expense will increase due to large construction projects coming on-line.
- Potential revenue loss due to contract termination.

The budget for fiscal year 2010 continues to support the implementation of the TMDL based permit by funding the engineering and the on-going construction projects for nitrification. The Sewer District has appropriated \$7,139,700 of the unrestricted net assets for the 2010 fiscal year capital improvements costs associated with the ongoing TMDL permit implementation, major trunk line rehabilitations, gravity line rehabilitations, and pump station rehabilitations. This appropriation of unrestricted net assets is consistent with the Sewer District's long range planning for meeting new permit requirements, for funding cMOM costs and to pay-as-we-go for construction and major rehabilitation costs.

The Sewer District's volume rates for fiscal year 2010 increased 4% to support the operational costs associated with new plant facilities coming on-line, the loss of interest income, and the loss of revenue due to the economic downturn and the pending contract termination.

Requests for Information

This financial report is designed to provide a general overview of the Sewer District's finances for all those with an interest in the Sewer District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Charleston Sewer District, Office of the Finance Director, PO. Box 63009, North Charleston, South Carolina 29419.

NORTH CHARLESTON SEWER DISTRICT
BALANCE SHEET
June 30, 2009

Exhibit 1
Page 1 of 2

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	9,038,318
Investments and accrued interest		13,647,657
Accounts receivable, less allowance of \$244,836		2,991,721
Due from other accounts		340,091
Due from North Charleston District		1,676
Inventories of materials and supplies		491,253
Prepaid expenses		177,787
Restricted assets:		
Cash and cash equivalents, including amounts in hands of paying agent for bonds and interest coupons due		2,691,551
Total Current Assets		29,380,054

NONCURRENT ASSETS

Capital assets, less accumulated depreciation		104,990,808
Net Capital Assets		104,990,808
Other assets		
Deferred bond issuance costs, net of amortization		450,740
Total Other Assets		450,740
Total Noncurrent Assets		105,441,548
Total Assets	\$	134,821,602

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Current portion of bonds payable	\$ 2,285,063
Accounts payable	1,156,310
Accrued interest	535,263
Accrued salaries	141,831
Accrued expenses	190,409
Compensated absences	77,411
Deferred revenue	481,841
Liabilities payable from restricted assets:	
Accrued interest	331,341
Total Current Liabilities	<u>5,199,469</u>

LONG-TERM LIABILITIES

Bonds payable (net of current portion)	27,975,732
Compensated absences	322,812
Total Long-Term Liabilities	<u>28,298,544</u>
Total Liabilities	<u>33,498,013</u>

NET ASSETS

Invested in capital assets, net of related debt	74,730,013
Restricted for debt service	2,361,494
Unrestricted	24,232,082
Total Net Assets	<u>101,323,589</u>

Total Liabilities and Net Assets	<u>\$ 134,821,602</u>
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See accompanying notes to financial statements.

NORTH CHARLESTON SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended June 30, 2009

Exhibit 2

OPERATING REVENUES	
Sewer service charges	\$ 21,237,948
Sewer permit and origin fees	862,382
Late fees	340,750
Miscellaneous revenues	58,984
Total Operating Revenues	<u>22,500,064</u>
OPERATING EXPENSES	
Administrative	3,084,303
Plant operations	4,608,687
System operations	5,356,399
Depreciation	7,073,466
Total Operating Expenses	<u>20,122,855</u>
Net Operating Income	<u>2,377,209</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest on investments	493,214
Interest expense	(1,827,284)
Amortization of deferred bond issuance costs	(46,231)
Loss on disposal of assets	(105,120)
Total Non-Operating Revenues (Expenses)	<u>(1,485,421)</u>
Income Before Capital Contributions	<u>891,788</u>
CAPITAL CONTRIBUTIONS	
Capital contributions received	4,253,617
	<u>4,253,617</u>
Increase In Net Assets	5,145,405
TOTAL NET ASSETS, beginning of year	<u>96,178,184</u>
TOTAL NET ASSETS, end of year	<u>\$ 101,323,589</u>

See accompanying notes to financial statements.

NORTH CHARLESTON SEWER DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

Exhibit 3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collections from customers	\$ 22,868,648
Cash paid to employees for services	(7,512,676)
Cash paid to suppliers for goods and services	(5,628,880)
Other operating revenues	<u>58,984</u>
Net Cash Provided By Operating Activities	<u>9,786,076</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Bond principal payments	(2,304,000)
Bond interest payments	(1,806,456)
Acquisition and construction of capital assets	(14,692,357)
Proceeds from the sale of capital assets	12,685
Construction costs reimbursed by customers	<u>1,420,654</u>
Net Cash Used For Capital And Related Financing Activities	<u>(17,369,474)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Advances to North Charleston District	(6,476)
Repayments of advances by North Charleston District	5,838
Purchases of investment securities	(62,828,685)
Proceeds from sales and maturities of investments	69,487,894
Interest earned on investments	<u>624,949</u>
Net Cash Provided By Investing Activities	<u>7,283,520</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(299,878)
CASH AND CASH EQUIVALENTS, beginning of year	<u>12,029,747</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 11,729,869</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET:

	Beginning of Year	End of Year
Unrestricted cash and cash equivalents	\$ 9,131,628	\$ 9,038,318
Restricted cash and cash equivalents	<u>2,898,119</u>	<u>2,691,551</u>
	<u><u>\$ 12,029,747</u></u>	<u><u>\$ 11,729,869</u></u>

See accompanying notes to financial statements.

NORTH CHARLESTON SEWER DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

Exhibit 3
Page 2 of 2

RECONCILIATION OF OPERATING INCOME TO
CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income		\$ 2,377,209
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation		7,073,466
Provision for bad debts		44,273
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable		41,436
Other accounts receivable		50,746
Inventory		(13,937)
Prepaid expenses		7,153
Increase (decrease) in:		
Accounts payable		(44,393)
Accrued expenses and compensated absences		24,370
Deferred revenues		225,753
	Total Adjustments	<u>7,408,867</u>
Net Cash Provided By Operating Activities		<u>\$ 9,786,076</u>

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

Amortization of losses on defeasance of bonds		\$ 138,393
Amortization of bond discount		15,703
Amortization of bond issuance costs		46,231
Amortization of bond premium paid		(60,019)
Donation of sewer system received from RDA at estimated fair market value		3,720,007

See accompanying notes to financial statements.

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The financial statements of the North Charleston Sewer District (hereinafter referred to as the Sewer District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP), as applied to local government entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Sewer District applies all relevant GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Sewer District's financial activities for the fiscal year ended June 30, 2009.

B. Financial Reporting Entity

The North Charleston Sewer District was created August 4, 1972 under the provisions of Act 1768. The Sewer District operates under a Commission-Manager form of government and provides for the collection, treatment and disposal of sewage and industrial effluent within portions of Charleston, Berkeley and Dorchester counties. The Sewer District extends credit to its customers in the Sewer District for services provided on a monthly basis.

The nine member Commission is appointed by the Governor of South Carolina for a two year term or until their replacement is appointed and qualified. As of June 30, 2009 the Commission consisted of the following members:

Mary R. Miller, Chairman
Gary C. McJunkin, First Vice Chair
Clifford E. Johnson, Second Vice Chair
Karen M. Hollinshead, Secretary
Josie R. Crosby, Commissioner (deceased October 13, 2009)
George Gomes, Commissioner
Eugene W. Myers, Commissioner
Sylderrial T. Pryor, Commissioner

The Sewer District is managed by Jimmy L. Green.

In evaluating how to define the Sewer District, for financial reporting purposes, management has considered any potential component units over which the Sewer District exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Sewer District (as distinct from legal relationships). Based upon the application of the criteria set forth in GAAP, the North Charleston District, a legally separate entity was considered for inclusion in these financial statements and it was determined that

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the North Charleston District should not be combined with the Sewer District for financial reporting purposes. The accompanying basic financial statements of the North Charleston Sewer District include all funds that are controlled by or dependent on the Sewer District.

C. Fund Financial Statements

For governmental accounting purposes the Sewer District constitutes a single proprietary fund type known as an enterprise fund. Fund financial statements include the balance sheet, the statement of revenues, expenses and changes in fund net assets, and the statement of cash flows.

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into capital assets net of related debt, net assets restricted for debt service, and unrestricted net assets.

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the costs (expenses, including depreciation) of providing sewer services to the general public on a continuing basis are financed primarily through user charges.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Sewer District utilizes the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Sewer District's policy to use restricted resources first, then unrestricted resources as needed.

The Sewer District reports the following major enterprise fund:

The *Sewer Fund* is the only fund of the District. This fund is used to account for the operating activities of the Sewer District's utilities services.

E. Assets, Liabilities and Fund Net Assets

Cash and Investments

The Sewer District considers cash on hand, demand deposits, and short-term highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are stated at cost or amortized cost, which approximates fair value. Non-participating interest-earning investment contracts, such as bank certificates of deposit whose terms are not affected by changes in market rates, are stated at cost. Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less are stated at amortized cost, provided the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including U.S. Treasury and agency obligations and general obligations of the State of South Carolina or any of its political units. Carrying values include accrued interest. Generally, investments include certificates of deposit and U.S. Government backed securities with maturities of less than one year, but longer maturities are utilized when rates are more favorable. Cash deposits are reported at the carrying value, which reasonably approximates fair value.

Investments with fair values lower than cost at June 30, 2009 are stated at cost in the financial statements because the declines in fair value are considered to be temporary.

Concentration of Credit Risk and Accounts Receivable

The Sewer District provides credit in the normal course of operations to its customers within the North Charleston Sewer District boundaries. The Sewer District provides an allowance for doubtful accounts equal to management's estimate of losses that will be incurred in collection of all receivables based on historical trends and other information. It generally requires no collateral from its customers. However, a nonrefundable fee is collected in advance upon initial service to its customers. Credit losses, when realized, have been within the range of the Sewer District's expectations and, historically, have not been significant. The allowance for doubtful accounts netted with accounts receivable was \$244,836 as of June 30, 2009.

Inventory of Materials and Supplies

The inventory of materials and supplies is valued at the lower of cost or market, using the moving-average method. The cost of inventories is recorded as an expense when consumed rather than when purchased.

Capital Assets and Depreciation

The Sewer District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the basic financial statements. Donated assets are stated at fair value on the date donated. The Sewer District generally capitalizes assets with cost of \$1,000 or more as purchases occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives for depreciable assets range as follows:

<u>Property Class</u>	<u>Years</u>
Sewerage system	5 – 50
Buildings	4 – 50
Plant and related machinery and equipment	3 – 35
Vehicles and related equipment	3 – 15
Other equipment and furniture	3 – 20

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Capitalization

In some situations, interest costs are capitalized as a part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. When applicable, interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. Interest is not capitalized on assets acquired or constructed with gifts and grants (contributed capital) that are restricted by the donor or grantor to acquisition of those assets to the extent that funds are available from such grants and gifts. No interest was capitalized during the year ended June 30, 2009.

Deferred Debt Expense and Bond Discount/Premium

Bond issuance costs, bond discounts and premiums, and the difference between the reacquisition price and the net carrying value of proprietary refunded debt are capitalized and amortized over the terms of the respective bonds using methods which approximate the effective interest method.

Compensated Absences

The Sewer District allows employees to accumulate earned vacation benefits in varying amounts to specified maximums depending on tenure with the Sewer District. Upon proper notification of termination of employment, an employee will be paid for accrued vacation days. As of June 30, 2009 a liability of \$400,223 has been recorded for unused vacation. Specific years for payment of compensated absences classified as long-term liabilities are not determinable.

Restricted Assets and Restricted Net Assets

Some assets designated for debt service have been restricted due to requirements placed upon the Sewer District by bond issues. These assets can be used only in a manner consistent with the requirements of these bond agreements. Other debt service funds are not shown as restricted since the bond covenants are not as restrictive regarding specific funding requirements. Amounts that should be accumulated in restricted assets including any excess cash and investments accumulated are reported as restricted net assets.

Restrictions of net assets show amounts that are not appropriate for expenditure or amounts legally restricted for specific uses. The purpose of the net assets restriction is for future debt service requirements as previously mentioned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

Each year the Sewer District adopts an annual budget for the Enterprise Fund on a basis consistent with GAAP. During April/May of each year, the Sewer District manager and staff submit a tentative budget to the Commissioners for approval. Prior to July 1, the Commissioners approve the annual budget. All significant revisions must be approved by the Board of Commissioners. The budget, as reported in the supplementary information of the financial statements, is as originally passed and subsequently amended. An encumbrance policy is in effect, primarily to facilitate the capital budget process, whereby construction and other commitments unspent in the original period budgeted are reappropriated and honored during the subsequent year.

III. DETAILED NOTES

A. Deposits and Investments

Deposits

Deposits consist of demand deposits maintained with various financial institutions. Custodial credit risk is the risk that in the event of a bank failure, the Sewer District's deposits may not be returned to it. The Sewer District's deposits and certificates of deposits are typically covered by federal depository insurance (FDIC) or by collateral pledged by the financial institutions in which they are being held. As of June 30, 2009, none of the Sewer District's total bank balance of \$21,720,711 was exposed to custodial credit risk as a result of it being uninsured and uncollateralized by the bank in which it was being held. The Sewer District held \$14,648,602 in certificates of deposit at various banks at June 30, 2009, which are classified as investments on the balance sheet. However, they are considered cash and cash equivalents for collateralization purposes.

Investments

Sewer District investments are in accordance with South Carolina Code of Laws Section 6-5-10.

These state statutes authorize investments in the following:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
5. No load open and closed-end portfolios of certain investment companies with issues of the U.S. Government.

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

III. DETAILED NOTES (Continued)

As of June 30, 2009, the Sewer District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Percentage</u>
Federated Treasury Obligations	≤.50 month average	<u>3,680,054</u>	100%
	Total	<u>\$ 3,680,054</u>	

Credit Risk

State laws limit the type of investments as stated above. As of June 30, 2009, the Sewer District's investments were invested in U.S. treasury obligations, explicitly guaranteed by the U.S. government.

Concentration of Credit Risk

The Sewer District places no limit on the amount that it may invest in any one issuer. All of the Sewer District's investments at June 30, 2009 are in U.S. Treasury obligations, as summarized earlier in this disclosure.

The policies of the Sewer District and certain bond covenants require deposits and investments to be either fully insured or collateralized by obligations of Federal and State governmental units. Also, declines in fair value are considered to be temporary; therefore, no valuation allowance has been established for marketable securities.

Note: While cash equivalents are classified on the balance sheet as cash and cash equivalents, some are considered investments for collateralization purposes.

Summary

Investments treated as deposits for collateralization purposes	\$ 13,647,657
Cash and cash equivalents subject to investment collateralization treatment	3,680,054
Cash and cash equivalents treated as deposits for collateralization purposes	<u>8,049,815</u>
Total deposits and investments	<u>\$ 25,377,526</u>

Reflected on balance sheet as:

Cash and cash equivalents – unrestricted	\$ 9,038,318
Investments and accrued interest – unrestricted	13,647,657
Cash and cash equivalents – restricted	<u>2,691,551</u>

Total cash, cash equivalents and investments \$ 25,377,526

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

III. DETAILED NOTES (Continued)

B. Capital Assets

Changes in Capital Assets

The following is a summary of the changes in capital assets for the fiscal year:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 1,933,463	\$ 2,582	\$ -	\$ 1,936,045
Construction in progress	20,747,258	454,210	(20,637,337)	564,131
Total capital assets not being depreciated	<u>22,680,721</u>	<u>456,792</u>	<u>(20,637,337)</u>	<u>2,500,176</u>
Capital assets, being depreciated:				
Sewer system	98,901,159	12,659,871	-	111,561,030
Buildings	27,332,894	196,983	(49,358)	27,480,519
Plant, machinery, and equipment	21,180,820	21,901,556	(86,000)	42,996,376
Vehicles and related equipment	1,777,427	67,178	(87,267)	1,757,338
Office furnishings	982,775	10,081	(29,882)	962,974
Other sewer equipment	10,816,551	1,058,240	(297,099)	11,577,692
Total capital assets being depreciated	<u>160,991,626</u>	<u>35,893,909</u>	<u>(549,606)</u>	<u>196,335,929</u>
Less accumulated depreciation for:				
Sewer system	52,085,988	3,309,182	-	55,395,170
Buildings	18,094,285	849,549	27,387	18,916,447
Plant, machinery, and equipment	9,059,113	1,921,457	86,000	10,894,570
Vehicles and related equipment	1,470,951	97,599	87,267	1,481,283
Office furnishings	816,741	91,843	29,882	878,702
Other sewer equipment	5,676,554	803,836	201,265	6,279,125
Total accumulated depreciation	<u>87,203,632</u>	<u>7,073,466</u>	<u>431,801</u>	<u>93,845,297</u>
Total capital assets being depreciated, net	<u>73,787,994</u>	<u>28,820,443</u>	<u>(117,805)</u>	<u>102,490,632</u>
Total capital assets, net	<u>\$ 96,468,715</u>	<u>\$ 29,277,235</u>	<u>\$ (20,755,142)</u>	<u>\$ 104,990,808</u>

C. Due from Other Accounts

The balance at June 30, 2009 consists of amounts due from:

Other local governments	\$ 326,581
Vendors and others	<u>13,510</u>
Total	<u>\$ 340,091</u>

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

III. DETAILED NOTES (Continued)

D. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Revenue Bonds:					
Issued February 15, 1992	\$ 12,620,812	\$ -	\$ (2,272,028)	\$ 10,348,784	\$ 2,360,000
Issued February 25, 1999	3,753,894	-	(16,269)	3,737,625	20,000
Issued April 5, 2002	17,580,899	-	(60,018)	17,520,881	-
	<u>33,955,605</u>	-	<u>(2,348,315)</u>	<u>31,607,290</u>	<u>2,380,000</u>
Less deferred amounts on refundings/issue costs	(1,484,888)	-	138,393	(1,346,495)	(94,937)
Total bonds payable	<u>32,470,717</u>	-	<u>(2,209,922)</u>	<u>30,260,795</u>	<u>2,285,063</u>
Compensated absences	<u>365,283</u>	<u>84,710</u>	<u>(49,770)</u>	<u>400,223</u>	<u>77,411</u>
Total long-term liabilities	<u>\$ 32,836,000</u>	<u>\$ 84,710</u>	<u>\$ (2,259,692)</u>	<u>\$ 30,661,018</u>	<u>\$ 2,362,474</u>

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

III. DETAILED NOTES (Continued)

Bonds Payable

Bonds Payable consists of the following issued at June 30, 2009:

Revenue Bonds:

Issued February 15, 1992, net of discount of \$46,215 payable in annual installments ranging from \$1,515,000 to \$2,845,000 plus interest varying from 6.0% to 6.375% through 2012. Original amount issued - \$54,435,000.	\$ 10,348,784
Issued February 25, 1999, net of discount of \$26,375 payable in annual installments ranging from \$19,000 to \$682,000 plus interest at 4.38% through 2018 (net of unamortized loss on early retirement of debt of \$303,524). Original amount issued - \$5,408,000.	3,434,101
Issued April 5, 2002, net of premium of \$585,881 payable in annual installments ranging from \$180,000 to \$3,200,000 plus interest varying from 3.5% to 5.5% through 2018 (net of unamortized loss on early retirement of debt of \$1,042,971). Original amount issued - \$26,370,000	16,477,910 <hr style="width: 100%;"/> 30,260,795
Less bond payments currently due	<hr style="width: 100%;"/> 2,285,063 <hr style="width: 100%;"/>
Long-Term Bonds Payable	<hr style="width: 100%;"/> \$ 27,975,732 <hr style="width: 100%;"/>

The revenue bonds constitute special obligations of the Sewer District secured by a lien on and a pledge of the net revenues of the sewer system. The 1992 bond resolution provides that the revenues of the system must be adequate to:

- a) service the debt on the prior lien bonds;
- b) cover the operating and maintenance expenses of the system;
- c) provide 125% of the debt service on all other outstanding revenue bonds;
- d) maintain the debt service reserve fund;
- e) provide a reserve for depreciation, and
- f) comply with the terms of the resolution or any other charges, liens or encumbrances on the revenue of the system.

The Sewer District complied with this covenant for its fiscal year ended June 30, 2009.

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

III. DETAILED NOTES (Continued)

The annual bond principal and interest requirements as of June 30, 2009 are as follows:

F/Y Ended	Principal	Interest	Total
2010	\$ 2,285,063	\$ 1,581,882	\$ 3,866,945
2011	2,440,149	1,420,631	3,860,780
2012	2,600,174	1,249,136	3,849,310
2013	2,784,978	1,066,759	3,851,737
2014	2,937,895	909,950	3,847,845
2015-2019	17,212,536	1,892,501	19,105,037
	<u>\$ 30,260,795</u>	<u>\$ 8,120,859</u>	<u>\$ 38,381,654</u>

E. Capital Contributions Received

When certain types of capital improvements are made by the Sewer District, some of their wholesale customers are required by their contracts to contribute funds towards the costs of these capital improvements. During the year ended June 30, 2009, the Sewer District has recognized capital contributions of \$533,610 from three of its wholesale customers. At June 30, 2009, a total of \$322,950 of this amount was included in "Due from Other Accounts."

In July 2008, the Sewer District accepted ownership of the sewer system serving the Charleston Naval Complex and Naval Annex from the Charleston Naval Complex Redevelopment Authority (RDA) at a total value of \$3,720,007. This value approximated the fair market value of the sewer system (including pump stations, sewer lines, force mains, etc.), representing the original costs incurred by the RDA, less estimated depreciation on the donated assets, based on information provided by the RDA. This estimated value of \$3,720,007 is also included as capital contributions received. As part of this transfer of assets, the RDA also paid the Sewer District \$500,000 to cover resolution of the remaining real estate and legal issues involved with the transfer and to pay for the monthly pump station maintenance and contractual capital for FY2009. As of June 30, 2009, \$208,885 has been recognized as income by the Sewer District, while the difference of \$291,115 remains in Deferred Revenues until the remaining issues are resolved, most likely in FY2010.

IV. OTHER INFORMATION

A. Commitments and Contingencies

Construction Contracts

In the normal course of business, the Sewer District enters into agreements with contractors for the construction and expansion of the wastewater treatment facilities system. As of June 30, 2009, the Sewer District had capital improvement commitments totaling \$1,961,899 and other operations and maintenance commitments totaling \$52,704.

Litigation

Various unasserted claims and lawsuits are pending against the Sewer District. Although the outcome of these claims and lawsuits is not presently determinable, it is the opinion of legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Sewer District.

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

IV. OTHER INFORMATION (Continued)

Discharge Permit Pending

During January and February 2003 the South Carolina Department of Health and Environmental Control (DHEC) and the Sewer District reviewed and commented on several versions of a new National Pollutant Discharge Elimination System (NPDES) discharge permit. DHEC issued the final version of the permit on February 20, 2003. After careful review of the terms and conditions of the permit the Sewer District decided to appeal the permit in accordance with Regulation 61-72, Volume 25, S.C. Code of Laws, 1976 as amended.

The appeal has been a lengthy legal procedure which was concluded with a notification from the SC Supreme Court on October 18, 2007 that it declined to hear the Sewer District's flow appeal.

Since an appeal was filed, the entire reissued permit was automatically stayed and the previous permit continues in effect until the administrative review has been completed.

It is anticipated that DHEC will issue a draft permit the first quarter of calendar year 2011. This permit will require a significant reduction in the oxygen demanding loading discharged to the Cooper River. Additional improvements to the treatment plant will be required to comply. It is expected that the cost will be in the \$21 million dollar range.

B. Risk Management

The Sewer District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to manage these risks, the Sewer District is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Sewer District pays an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

As a benefit to its employees, the Sewer District provides health, life, accident, dental and other medical benefits to employees, retirees, and their dependents through commercial insurance companies. The Sewer District provides a portion of this cost as a fringe benefit to its employees. However, the employees and the commercial insurance companies share the risk of unpaid or denied claims, rather than the Sewer District.

In addition, the Sewer District insures the risk of job related injury or illness to its employees through the State Accident Fund, a public entity risk pool operating for the benefit of state agencies and local governments. The Sewer District pays an annual premium on a quarterly basis to the State Agency Fund for its workers compensation insurance coverage.

Given the lack of coverage available, the Sewer District has no coverage for potential losses from environmental damages, although they do have insurance coverage on their underground storage tanks through the State Insurance Reserve Fund. For all of the above risk management programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. For each of the insurance programs and public entity risk pools in which they participate, the Sewer District has effectively transferred all risk with no liability for unfunded claims.

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

IV. OTHER INFORMATION (Continued)

C. Related Party Transactions

The Commissioners and management of the Sewer District also serve as the Commissioners and management of the North Charleston District.

During the year ended June 30, 2009 the Sewer District made several noninterest bearing advances, due on demand, to the North Charleston District. As a result, the Sewer District had advances receivable from North Charleston District of \$1,676 at June 30, 2009.

D. Employee Retirement System and Plan

Plan Description

All regular employees of the Sewer District participate in either the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS), which are both cost-sharing, multiple-employer defined benefit pension plans administered by the South Carolina Retirement System, a Division of the State Budget and Control Board. The SCRS and PORS provide retirement and disability benefits, cost of living adjustments on an ad-hoc basis, group life insurance benefits, and survivor benefits to plan members and beneficiaries. The plans' provisions are established under Title 9 of the South Carolina Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960 or by accessing their website at www.retirement.sc.gov.

Funding Policy

Plan members are required to contribute 6.5% of their annual covered salary and the Sewer District is required to contribute at an actuarially determined rate. The current rate of SCRS is 9.24% of annual covered payroll while the PORS current rate is 10.65% of covered payroll. The contribution requirements of plan members and the Sewer District are established under authority of Title 9 of the South Carolina Code of Laws. The Sewer District's combined contributions to SCRS and PORS for the years ended June 30, 2009, 2008, and 2007 were \$479,793, \$423,753, and \$357,846, respectively, which equal 100% of the required contributions for each year.

The retirement liability under the SCRS and PORS as of July 1, 2007 was determined in accordance with Governmental Accounting Standards Board Statement Number 27, Accounting for Pensions by State and Local Governmental Employers. There was no effect on the pension liability recorded as a result of the implementation of GASB 27.

Trend information showing the progress of the System in accumulating sufficient assets to pay benefits when due is presented in its annual financial report. Copies of this report may be obtained from the South Carolina Retirement System, as indicated above.

E. Other Postemployment Benefits

Plan Description

The Sewer District provides postemployment health and/or dental care benefits, in accordance with Sewer District policy, for certain retirees in a defined benefit postemployment health care plan (the Plan). The benefits vary depending on the years of service of the retiree. For retirees with at least ten years but less than twenty years of Sewer District service, the Sewer District allows them to

NORTH CHARLESTON SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 Continued

IV. OTHER INFORMATION (Continued)

continue their health care and dental coverage if the retiree agrees to pay the entire cost, including subsequent increases, of their coverage. Retirees with twenty or more years of Sewer District service are eligible for partially funded individual health and/or dental insurance benefits from the time of their retirement until Medicare disability age, which is currently age 65. The Sewer District will pay a fixed portion of the monthly premium (currently \$160 for health and \$15 for dental). This amount will be adjusted annually based on trends for individual coverage for eligible retirees who agree to pay the remaining portion of the premium.

The plan has 112 covered members; 3 members are retirees receiving benefits and 109 are active participants.

The Plan is affiliated with the South Carolina Other Retirement Benefits Investment Trust (SC ORBET), an agent multiple-employer irrevocable trust administered by the Municipal Association of South Carolina. SC ORBET issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of SC, P.O. Box 12109, Columbia, SC 29211.

Funding Policy

The contribution requirements of Plan members and the Sewer District are established and may be amended by the Sewer District. Premiums paid by retirees range from \$160 to \$170 per month based on premiums in effect at the beginning of the Sewer District's fiscal year.

The Sewer District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 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 current ARC rate is 1.2% of the annual covered payroll.

Annual OPEB Cost and Funded Status and Progress

For the year ended June 30, 2009, the Sewer District's annual OPEB cost (expense) of \$54,000 was equal to the ARC and to the amount actually contributed. Contributions made include \$48,375 made by the Sewer District to the Plan and \$5,625 made by the Sewer District through payment of the active employees' explicit and implicit subsidized benefits.

The Sewer District implemented GASB Statement No. 45 for the year ended June 30, 2009. The Sewer District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for FY2009 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30,2009	\$ 54,000	100%	\$ -0-

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

IV. OTHER INFORMATION (Continued)

At June 30, 2009, the actuarial accrued liability for benefits (AAL) was \$482,000 with \$48,735 in Plan assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$433,265. The funded ratio (actuarial value of plan assets/AAL) was 10.1 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$4,325,000, and the ratio of the UAAL to the covered payroll was 100.2 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 is presented as required supplementary information following the notes to the financial statements.

Actuarial Methods and Assumptions

Calculations 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 at that point.

The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal Actuarial Cost Method was used in the July 1, 2007 valuation. The actuarial assumptions included a 7.5% investment rate of return. For all retirees the healthcare cost trends 2008 to 2009 will be a rate of 10.5%. The trends rate will decrease in 0.5% steps until it reaches 5% and then will remain level. The actuarial valuation of the Plan's assets was set at market value of investments as of the measurement date. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was twenty-nine years.

F. Deferred Compensation Plan

The Sewer District offers its employees a deferred compensation plan under a program administered by the South Carolina Deferred Compensation Commission. The multiple-employer deferred compensation plan offers employees the choice of three plans: the Internal Revenue Code Section 457 plan; the Internal Revenue Service Code Section 401(k) plan; and the Roth 401(k) plan. The Plan, available to all regular Sewer District employees, permits them to defer until future years up to 100% of annual gross earnings not to exceed \$16,500 for both the 457 plan and for the 401(k) plan with an additional \$5,500 catch-up provision for employees over age 50 with pre-tax contributions. The Roth 401(k) plan offers employees the opportunity to contribute on an after-tax basis. Employee after-tax contributions for Roth 401(k) participants must be combined with pre-tax contributions and cannot exceed these annual limits. The deferred compensation is not available to an employee until termination, retirement, disability, death, or approved hardship.

NORTH CHARLESTON SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

IV. OTHER INFORMATION (Continued)

G. Rate Stabilization Account

Effective July 1, 2001 the Sewer District implemented a rate stabilization account to minimize the impact of upgrading its wastewater treatment facilities and the related operation and maintenance costs to satisfy the requirements proposed by the South Carolina Department of Health and Environmental Control (SCDHEC). These proposed requirements are associated with new total daily maximum load quality limits for the Sewer District's pending wastewater discharge permit (see Note IV. A.). During the year ended June 30, 2009, a total of \$2,579,361 was collected directly attributable to the rate stabilization account. This entire amount is included as sewer service charges on the Statement of Revenues, Expenses, and Changes in Fund Net Assets. In accordance with the rate stabilization policy, these funds are being maintained until such time as the Commissioners decide to use them to fund future capital improvements to the sewer system. The Commission has budgeted approximately \$4,570,000 of these funds to be spent during the year ending June 30, 2010 to fund various capital improvement projects associated with its five-year capital plan including nitrification, cMOM capital program, and major trunk-line rehabilitations.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

NORTH CHARLESTON SEWER DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE POSTEMPLOYMENT
 HEALTH CARE PLAN

Exhibit 4

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
July 1, 2007	\$ -0-	\$ 482,000	\$ 482,000	0%	\$ 4,325,000	11%

**SUPPLEMENTARY
INFORMATION**

NORTH CHARLESTON SEWER DISTRICT
 SUPPLEMENTARY CONDENSED BALANCE SHEETS
 June 30, 2009 and 2008

Exhibit 5

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,038,318	\$ 9,131,628
Investments and accrued interest	13,647,657	20,180,771
Accounts receivable, net	2,991,721	3,077,430
Inventories and other current assets	1,010,807	1,941,175
Restricted assets:		
Cash and cash equivalents	2,691,551	2,898,119
Investments and accrued interest	-	257,830
Total Current Assets	29,380,054	37,486,953
Capital Assets	104,990,808	96,468,715
Deferred Loan Costs, net	450,740	496,971
	105,441,548	96,965,686
Total Assets	\$ 134,821,602	\$ 134,452,639
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Current portion of bonds and notes payable	\$ 2,285,063	\$ 2,209,924
Accounts payable	1,156,310	3,898,850
Accrued interest	535,263	535,679
Other accrued expenses	891,492	670,874
Liabilities payable from restricted assets:		
Accounts payable and other accrued expenses	-	853
Accrued interest	331,341	404,175
Total Current Liabilities	5,199,469	7,720,355
Long-term liabilities		
Bonds, leases and notes payable	27,975,732	30,260,793
Compensated absences	322,812	293,307
Total Long-Term Liabilities	28,298,544	30,554,100
Net Assets	101,323,589	96,178,184
Total Liabilities and Net Assets	\$ 134,821,602	\$ 134,452,639

See independent auditors' report.

NORTH CHARLESTON SEWER DISTRICT
SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
For The Fiscal Year Ended June 30, 2009

Exhibit 6

	Actual	Budget	Variance With Final Budget
OPERATING REVENUES			
Sewer service charges	\$ 21,185,112	\$ 22,573,054	\$ (1,387,942)
Sewer Permit and origin fees	862,382	608,200	254,182
Late fees	340,750	303,000	37,750
Outside contracts	52,836	23,247	29,589
Miscellaneous revenues	58,984	38,000	20,984
Total Operating Revenues	22,500,064	23,545,501	(1,045,437)
OPERATING EXPENSES			
Administrative	2,881,603	3,062,380	180,777
Plant operations	4,608,687	5,360,410	751,723
System operations	5,356,399	6,924,906	1,568,507
Depreciation	7,073,466	6,509,741	(563,725)
Provision for bad debts	202,700	160,000	(42,700)
Total Operating Expenses	20,122,855	22,017,437	1,894,582
Net Operating Income	2,377,209	1,528,064	849,145
NON-OPERATING REVENUES (EXPENSES)			
Interest on investments	493,214	239,088	254,126
Interest expense	(1,827,284)	(1,827,283)	(1)
Amortization of deferred loan costs	(46,231)	(46,231)	-
Loss on disposal of assets	(105,120)	-	(105,120)
Total Non-Operating Revenues (Expenses)	(1,485,421)	(1,634,426)	149,005
Income (Loss) Before Capital Contributions	891,788	(106,362)	998,150
CAPITAL CONTRIBUTIONS			
	4,253,617	-	4,253,617
INCREASE (DECREASE) IN NET ASSETS	\$ 5,145,405	\$ (106,362)	\$ 5,251,767

This schedule does not reflect budget or actual construction or capital expenditures.

See independent auditors' report.

NORTH CHARLESTON SEWER DISTRICT
 SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES
 ACTUAL COMPARED TO PRIOR YEAR
 For The Fiscal Years Ended June 30, 2009 and 2008

Exhibit 7

	2009	2008
OPERATING REVENUES		
Sewer service charges	\$ 21,237,948	\$ 21,534,767
Sewer permit and origin fees	862,382	1,833,144
Late fees	340,750	306,144
Miscellaneous revenues	58,984	44,263
Total Operating Revenues	22,500,064	23,718,318
OPERATING EXPENSES		
Administrative	3,084,303	2,800,600
Plant operations	4,608,687	4,755,365
System operations	5,356,399	5,066,231
Depreciation	7,073,466	6,069,495
Total Operating Expenses	20,122,855	18,691,691
Net Operating Income	2,377,209	5,026,627
NON-OPERATING REVENUES (EXPENSES)		
Interest on investments	493,214	1,517,856
Interest expense	(1,827,284)	(1,972,980)
Amortization of deferred loan costs	(46,231)	(46,231)
Gain (loss) on disposal of assets	(105,120)	58,424
Total Non-Operating Revenues (Expenses)	(1,485,421)	(442,931)
Income Before Capital Contributions	891,788	4,583,696
CAPITAL CONTRIBUTIONS	4,253,617	1,248,993
INCREASE IN NET ASSETS	\$ 5,145,405	\$ 5,832,689

See independent auditors' report.

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Statistical Section

Statistical Section

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

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Financial Trends

These schedules contain trend information to assist in understanding how the Sewer District’s financial performance and well-being have changed over time.

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Revenue Capacity

These schedules contain information to assist in understanding the Sewer District’s most significant revenue sources.

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Debt Capacity

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North Charleston Sewer District, North Charleston, SC
Net Assets by Component
Last Seven Fiscal Years
 (Unaudited)

	2003	2004	2005	2006	2007	2008	2009
Net Assets							
Invested in capital assets, net of related debt	\$23,548,977	\$28,268,732	\$31,496,799	\$37,477,992	\$46,269,669	\$63,997,998	\$74,730,013
Restricted for debt service	618,039	355,078	366,241	388,072	417,449	2,750,921	2,361,494
Unrestricted	38,368,534	40,696,394	43,214,574	44,863,018	43,658,377	29,429,265	24,232,082
Total Net Assets	\$62,535,550	\$69,320,204	\$75,077,614	\$82,729,082	\$90,345,495	\$96,178,184	\$101,323,589

Note: The District implemented GASB Statement 34 beginning in 2003.

North Charleston Sewer District, North Charleston, SC
Changes in Net Assets
Last Ten Fiscal Years
(Unaudited)

	2000	2001	2002
Operating Revenues:			
Sewer Service Charges	\$16,305,681	\$16,907,791	\$19,853,617
Sewer Permit & Origin Fees	922,915	1,007,911	887,266
Late Fees	288,180	283,029	266,034
Miscellaneous Revenues	68,116	55,272	86,317
Total Operating Revenues	\$17,584,892	\$18,254,003	\$21,093,234
Operating Expenses:			
Administrative	\$1,978,600	\$1,961,313	\$2,225,090
Plant Operations	3,438,628	3,472,173	3,565,857
System Operations	<u>2,264,915</u>	<u>2,618,370</u>	<u>2,903,609</u>
Total Operating Expenses before Depreciation	\$7,682,143	\$8,051,856	\$8,694,556
Depreciation	4,059,717	4,148,173	4,235,335
Total Operating Expenses	\$11,741,860	\$12,200,029	\$12,929,891
Operating Income (loss)	<u>\$5,843,032</u>	<u>\$6,053,974</u>	<u>\$8,163,343</u>
Non Operating Revenues (Expenses):			
Interest Income	\$1,412,897	\$1,583,360	\$773,201
Gain on Disposal of Assets	930	1,607	0
Grants/Capital/Non-Exchange/Other	0	0	0
Interest Expense	(3,698,092)	(3,505,139)	(3,237,312)
Amortization of Deferred Loan Costs	(52,958)	(52,958)	(51,857)
Loss on Defeasance of Bonds	0	0	0
Loss on Disposal of Assets	0	0	(127,097)
Net Non-Operating Revenues (Expenses)	<u>(\$2,337,223)</u>	<u>(\$1,973,130)</u>	<u>(\$2,643,065)</u>
Increase (decrease) in net assets	<u>\$3,505,809</u>	<u>\$4,080,844</u>	<u>\$5,520,278</u>

Table 2
(Page 2 of 2)

2003	2004	2005	2006	2007	2008	2009
\$21,944,935	\$20,754,742	\$20,729,749	\$21,743,233	\$22,072,093	\$21,534,767	\$21,237,948
1,013,765	1,527,492	1,257,037	1,943,332	1,812,260	1,833,144	862,382
295,520	295,489	311,945	304,402	302,057	306,144	340,750
55,400	52,970	53,483	93,581	57,381	44,263	58,984
\$23,309,620	\$22,630,693	\$22,352,214	\$24,084,548	\$24,243,791	\$23,718,318	\$22,500,064
\$2,310,529	\$2,324,931	\$2,447,385	\$2,563,430	\$2,648,001	\$2,800,600	\$3,084,303
3,801,572	3,846,789	4,135,319	4,170,691	4,440,200	4,755,365	4,608,687
<u>3,160,912</u>	<u>3,504,928</u>	<u>3,745,705</u>	<u>4,226,413</u>	<u>4,420,480</u>	<u>5,066,231</u>	<u>5,356,399</u>
\$9,273,013	\$9,676,648	\$10,328,409	\$10,960,534	\$11,508,681	\$12,622,196	\$13,049,389
4,321,947	4,458,018	4,586,947	4,740,799	5,257,282	6,069,495	7,073,466
\$13,594,960	\$14,134,666	\$14,915,356	\$15,701,333	\$16,765,963	\$18,691,691	\$20,122,855
<u>\$9,714,660</u>	<u>\$8,496,027</u>	<u>\$7,436,858</u>	<u>\$8,383,215</u>	<u>\$7,477,828</u>	<u>\$5,026,627</u>	<u>\$2,377,209</u>
\$602,401	\$539,681	\$819,123	\$1,518,470	\$2,082,153	\$1,517,856	\$493,214
3,347	11,321	0	7,809	12,097	58,424	0
331,263	476,627	66,784	91,373	168,936	1,248,993	4,253,617
(2,846,848)	(2,681,105)	(2,507,458)	(2,293,446)	(2,078,370)	(1,972,980)	(1,827,284)
(57,897)	(57,897)	(57,897)	(55,953)	(46,231)	(46,231)	(46,231)
0	0	0	0	0	0	0
0	0	0	0	0	0	(105,120)
<u>(\$1,967,734)</u>	<u>(\$1,711,373)</u>	<u>(\$1,679,448)</u>	<u>(\$731,747)</u>	<u>\$138,585</u>	<u>\$806,062</u>	<u>\$2,768,196</u>
<u>\$7,746,926</u>	<u>\$6,784,654</u>	<u>\$5,757,410</u>	<u>\$7,651,468</u>	<u>\$7,616,413</u>	<u>\$5,832,689</u>	<u>\$5,145,405</u>

North Charleston Sewer District, North Charleston, SC
Schedule of Revenues and Other Income
Last Ten Fiscal Years
 (Unaudited)

	2000	2001	2002	2003
Operating Revenues:				
Sewer Service Charges	\$16,305,681	\$16,907,791	\$19,853,617	21,944,935
Sewer Permit & Origin Fees	922,915	1,007,911	887,266	1,013,765
Late Fees	288,180	283,029	266,034	295,520
Miscellaneous Revenues	68,116	55,272	86,317	55,400
Total Operating Revenues	\$17,584,892	\$18,254,003	\$21,093,234	\$23,309,620
Non Operating Revenues				
Interest Income	\$1,412,897	\$1,583,360	\$773,201	\$602,401
Gain on Disposal of Assets	930	1,607	0	3,347
Grants/Other/Non-Exchange	0	0	0	331,263
Total Non Operating Revenues	\$1,413,827	\$1,584,967	\$773,201	\$937,011
Total Revenues	\$18,998,719	\$19,838,970	\$21,866,435	\$24,246,631

Source: District audits and accounting records

Table 3
(Page 2 of 2)

2004	2005	2006	2007	2008	2009
20,754,742	20,729,749	21,743,233	22,072,093	21,534,767	21,237,948
1,527,492	1,257,037	1,943,332	1,812,260	1,833,144	862,382
295,489	311,945	304,402	302,057	306,144	340,750
52,970	53,483	93,581	57,381	44,263	58,984
\$22,630,693	\$22,352,214	\$24,084,548	\$24,243,791	\$23,718,318	\$22,500,064
\$539,681	\$819,123	\$1,518,470	\$2,082,153	\$1,517,856	\$493,214
11,321	0	7,809	12,097	58,424	0
476,627	66,784	91,373	168,936	1,248,993	4,253,617
\$1,027,629	\$885,907	\$1,617,652	\$2,263,186	\$2,825,273	\$4,746,831
\$23,658,322	\$23,238,121	\$25,702,200	\$26,506,977	\$26,543,591	\$27,246,895

North Charleston Sewer District, North Charleston, SC
Sewer User Charge Rates
Last Ten Fiscal Years
(Unaudited)

Water Meters	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Minimum Charge (includes first 3ccf)/month	16.18	N/A	N/A	N/A
Base Charge/month (no volume included)		9.79	9.79	9.79
Use Volume Charge per 1 ccf	2.43	3.12	3.37	3.37
Total Monthly Charge for Residential Customer using 10ccfs (7,500 gals)/month	33.19	40.99	43.49	43.49
Average Monthly Charge Change	<u>0.00%</u>	<u>23.50%</u>	<u>6.10%</u>	<u>0.00%</u>

Sewer Meters				
Minimum Charge (includes first 3ccf)/month	17.81	17.81	N/A	N/A
Base Charge/month (no volume included)			9.79	9.79
Use Volume Charge per 1 ccf	2.67	2.67	3.38	3.63
Total Monthly Charge for 10 ccfs (7,500 gals)	36.50	36.50	43.59	46.09
Average Monthly Charge Change	<u>0.00%</u>	<u>0.00%</u>	<u>19.42%</u>	<u>5.74%</u>

Note: Water meters measure residential and business wastewater volumes. Rates for these meters are adjusted to take into account that only 90% of this water produces wastewater. Single unit residential homes are afforded a volume cap of 14 CCFs (1998-2006) 16 CCFs (2007-2009) as a fair way to recognize that water used in watering lawns and gardens does not return to the wastewater collection system. Industrial and Commercial customer's volume is based on the wastewater they return to the collection system. The volume is either measured at the point the wastewater enters the system or production deduct meters are used to calculate the volume. Sewer meter rates are used for industrial and commercial customer and the volume billed is considered 100% wastewater.

Table 4
(Page 2 of 2)

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
N/A	N/A	N/A	N/A	N/A	N/A
9.79	9.79	9.79	9.79	9.79	9.79
3.37	3.37	3.37	3.37	3.47	3.61
43.49	43.49	43.49	43.49	44.49	45.89
0.00%	0.00%	0.00%	0.00%	2.30%	3.15%

N/A	N/A	N/A	N/A	N/A	N/A
9.79	9.79	9.79	9.79	9.79	9.79
3.63	3.63	3.63	3.63	3.76	3.91
46.09	46.09	46.09	46.09	47.39	48.89
0.00%	0.00%	0.00%	0.00%	2.82%	3.17%

North Charleston Sewer District, North Charleston, SC
Top Ten Customers
Total Amount Billed
 June 30, 2009
 (Unaudited)

Customer	Type of Business	Usage Charges	Surcharge Charges
Dorchester County Water & Sewer	Water & Sewer Utility	\$1,182,869	
Charleston Air Force Base	Military	809,727	
Rhodia, Inc. (Albright & Wilson)	Chemical Manufacturer	228,322	103,134
Coburg Dairy	Dairy	146,149	177,377
Berkeley County Water & Sewer	Water & Sewer Utility	239,905	
Leeds Park Assc. (G & I III)	Property Management	163,896	967
Kapstone (Mead/Westvaco Corp)	Paper Products	153,561	
Alsco	Uniform Rental	98,217	29,585
Charleston Southern University	Education	135,034	
Charleston Naval Weapons	Military	134,205	
Total By Revenue Source		\$3,291,885	\$311,063

* Includes late fees

Top Ten Customers
Total Consumption Billed
 In Hundred Cubic Feet (CCF)

Customer	Type of Business	Fiscal Year Consumption CCF
Dorchester County Water & Sewer	Water & Sewer Utility	393,418
Charleston Air Force Base	Military	320,154
Rhodia, Inc (Albright & Wilson)	Chemical Manufacturer	60,790
Coburg Dairy	Dairy	38,896
Berkeley County Water & Sewer	Water & Sewer Utility	89,067
Leeds Park Assc. (G & I III)	Property Management	43,616
Kapstone (Mead/Westvaco Corp)	Paper Products	40,810
Alsco	Uniform Rental	26,136
Charleston Southern University	Education	35,914
Charleston Naval Weapons	Military	35,692
Total		1,084,493

* Includes late fees

Source: District billing records.

Table 5
(Page 2 of 2)

Pretreatment Permit	Other * Charges	Total Amount Billed	Percentage of Total Revenues
		\$1,182,869	5.42%
39,529	10,690	859,946	3.94%
49,410		380,866	1.74%
15,811		339,337	1.55%
		239,905	1.10%
7,905		172,768	0.79%
	2,284	155,845	0.71%
15,812		143,614	0.66%
		135,034	0.62%
	221	134,426	0.62%
\$128,467	\$13,195	\$3,744,610	17.14%

Percentage of Total Billable Consumption	Usage Charges
7.58%	\$1,182,869
6.17%	\$809,727
1.17%	\$228,322
0.75%	\$146,149
1.72%	\$239,905
0.84%	\$163,896
0.79%	\$153,561
0.50%	\$98,217
0.69%	\$135,034
0.69%	\$134,205
20.90%	\$3,291,885

**North Charleston Sewer District, North Charleston, SC
Top Ten Customers
Total Amount Billed
Last Ten Fiscal Years**

Customer	\$ 2000	\$ 2001	\$ 2002	\$ 2003
Alsco				
Berkeley County Water & Sewer	\$186,596	\$184,926	\$186,474	\$226,850
Charleston Air Force Base	602,275	599,462	618,832	603,160
Charleston Naval Base	743,354			
Charleston Naval Weapons	95,076	90,126	129,301	210,225
Charleston Southern University	136,834			
Coburg Dairy	326,284	320,946	305,285	512,561
Cummins Engine		153,377	111,963	
Leeds Park Assc '08(G & I III)				
Dorchester County Water & Sewer	542,780	979,505	1,253,604	1,481,161
Kapstone (Mead/Westvaco Corp)	105,733	125,863	134,254	165,356
National Linen Service	93,742	88,166		105,904
Redevelopment Authority		588,088	1,026,151	1,209,300
Rhodia, Inc. (Albright & Wilson)	744,537	699,117	655,742	1,087,280
Trident Regional Hospital			145,447	169,786

**Top Ten Customers
Total Consumption Billed
In Hundred Cubic Feet (CCF)
Last Ten Fiscal Years**

Customer	CCFs 2000	CCFs 2001	CCFs 2002	CCFs 2003
Alsco				
Berkeley County Water & Sewer	113,117	110,263	96,046	115,771
Charleston Air Force Base	557,861	514,909	493,730	485,262
Charleston Naval Base	479,692			
Charleston Naval Weapons	35,266	33,430	37,812	57,183
Charleston Southern University	48,835			
Coburg Dairy	33,910	35,861	33,886	37,728
Cummins Engine		50,883	30,864	
Leeds Park Assc. '08 (G & I III)				
Dorchester County Water & Sewer	280,584	666,077	678,896	692,905
Kapstone (Mead/Westvaco Corp)	39,520	46,563	39,970	45,533
National Linen Service	27,759	23,298		21,052
Redevelopment Authority		317,125	553,064	637,480
Rhodia, Inc (Albright & Wilson)	87,907	84,805	85,795	94,412
Trident Regional Hospital			40,221	43,964

Table 6
(Page 2 of 2)

\$	\$	\$	\$	\$	\$
2004	2005	2006	2007	2008	2009
\$205,794	\$229,473	\$241,432	\$250,906	\$174,418	\$143,614
511,426	676,192	631,622	671,569	\$571,312	\$859,946
172,335	142,031	138,044	136,203	\$119,175	\$134,426
494,940	300,745	403,783	441,408	\$362,974	\$135,034
		107,283	146,532	\$146,964	\$339,337
1,415,015	1,490,678	1,790,544	1,700,663	\$1,767,425	\$172,768
181,505	128,103	120,412	152,215	\$153,064	\$1,182,869
110,841	112,712				\$155,845
865,769	903,356	1,085,569	832,149	\$663,613	
513,470	595,578	559,306	445,134	\$419,661	\$380,866
132,736	124,212	119,309	114,801		
CCFs	CCFs	CCFs	CCFs	CCFs	CCFs
2004	2005	2006	2007	2008	2009
				34,000	26,136
103,275	105,048	96,939	108,791	90,857	89,067
395,926	394,952	371,135	365,919	320,309	320,154
47,162	38,948	37,678	37,359	32,798	35,692
37,392	35,924	41,085	40,852	43,556	35,914
		26,824	36,087	35,821	38,896
654,610	644,011	696,040	676,327	692,946	43,616
49,969	35,174	33,032	41,668	42,134	393,418
22,712	22,804				40,810
455,529	475,394	451,053	368,265	273,829	
64,158	82,509	75,080	56,953	69,562	60,790
33,609	31,274	29,978	28,423		

**North Charleston Sewer District, North Charleston, SC
 Schedule of Revenues by Customer Type
 Last Ten Fiscal Years**

	2000	2001	2002	2003
Number of Customers				
Residential/Business	23,916	24,019	24,262	24,384
Industrial	29	34	37	34
Wholesale	2	3	3	3
Military	3	2	2	2
Total	23,950	24,058	24,304	24,423
Volume of Wastewater CCFs				
Residential/Business	3,907,106	3,984,081	3,914,306	3,845,488
Industrial	339,923	366,258	318,250	352,860
Wholesale	393,701	852,962	1,173,095	1,446,156
Military	1,270,886	801,137	531,402	542,445
Total	5,911,616	6,004,438	5,937,053	6,186,949

Source: District accounting office.
 Not available for fiscal year 1999

Table 7
 (Page 2 of 2)

2004	2005	2006	2007	2008	2009
25,137	25,512	26,320	27,293	27,525	27,655
33	34	35	37	34	44
3	3	3	3	3	2
2	2	2	2	2	2
25,175	25,551	26,360	27,335	27,564	27,703
3,763,334	3,706,304	3,784,985	3,955,495	3,926,198	4,018,555
291,716	310,536	278,601	301,262	310,095	335,536
1,213,414	1,230,290	1,244,033	1,153,382	1,061,484	482,485
443,088	433,900	408,814	403,279	323,043	355,846
5,711,552	5,681,030	5,716,433	5,813,418	5,620,820	5,192,422

**North Charleston Sewer District, North Charleston, SC
Statement of Bonded Debt Limit**

(Unaudited)

Calendar Year 2008 assessed valuation as determined by Charleston County Auditor's Office	\$428,896,610
Statutory debt limit rate - Article X of S.C. Constitution	8%
Statutory Debt Limit	34,311,729
Less: General obligation indebtedness as of June 30, 2007	<u>0</u>
Legal Debt Margin	<u><u>\$34,311,729</u></u>

Source: Charleston County Auditor's Office

**North Charleston Sewer District, North Charleston, SC
Sewer Fund Combined Debt Schedule***

Accrual Basis
(Unaudited)

Fiscal Year	Revenue Bonds			Percentage of Personal Income (1)	Per Capita(1)
	Principal (2)	Interest	Total		
2009	2,304,000	1,733,206	4,037,206	0.02%	\$44
2010	2,380,000	1,581,882	3,961,882	0.02%	\$43
2011	2,536,000	1,420,630	3,956,630	0.02%	\$43
2012	2,697,000	1,249,138	3,946,138	0.02%	\$43
2013	2,868,000	1,066,760	3,934,760	0.02%	\$43
2014	3,019,000	909,950	3,928,950	0.02%	\$43
2015	3,171,000	745,190	3,916,190	0.02%	\$43
2016	3,338,000	571,724	3,909,724	0.02%	\$43
2017	3,509,000	385,716	3,894,716	0.02%	\$43
2018	3,694,000	189,872	3,883,872	0.02%	\$42
2019	3,882,000	0	3,882,000	0.02%	\$42
Total	\$33,398,000	\$9,854,068	\$43,252,068		

Note:

- (1) See Table 11 for personal income and population data. These ratios are calculated using personal income and population for 2007 -latest data available.
- (2) Unamortized discounts, premiums, and deferred losses are not netted from principal amounts.

North Charleston Sewer District, North Charleston, SC
Schedule of Revenue Bond Coverage
Last Ten Fiscal Years

	2000	2001	2002	2003	2004
Operating Revenues	\$17,584,892	\$18,254,003	\$21,093,234	\$23,309,620	\$22,630,693
Interest Income	1,412,897	1,583,360	773,201	602,401	539,681
Other Income	0	0	0	0	0
Gain on Sale of Assets	930	1,607	0	3,347	11,321
Gross Revenues	\$18,998,719	\$19,838,970	\$21,866,435	\$23,915,368	\$23,181,695
Less: Operation & Maintenance Expenses *	7,682,143	8,051,856	8,694,556	9,273,013	9,676,648
Amount Available for Debt Service	11,316,576	11,787,114	13,171,879	14,642,355	13,505,047
Debt Service on Prior Lien & Revenue Bonds	4,531,978	4,499,264	4,489,405	4,099,268	4,318,848
Debt Coverage Ratio on Prior Lien and Revenue Bonds	2.50	2.62	2.93	3.57	3.13
Debt Service on General Obligation Bonds	2,515,873	2,405,004	2,253,829	2,134,533	2,129,015
Balance Available	\$4,268,725	\$4,882,846	\$6,428,645	\$8,408,554	\$7,057,184

* Does not include depreciation

Table 10
(Page 2 of 2)

2005	2006	2007	2008	2009
\$22,352,214	\$24,084,548	\$24,243,791	\$23,718,318	\$22,500,064
819,123	1,518,470	2,082,153	1,517,856	493,214
0	0	0	0	0
0	7,809	12,097	58,424	0
\$23,171,337	\$25,610,827	\$26,338,041	\$25,294,598	\$22,993,278
10,328,409	10,960,534	11,508,681	12,622,196	13,049,389
12,842,928	14,650,293	14,829,360	12,672,402	9,943,889
4,377,418	4,361,838	4,050,852	4,049,708	4,037,207
2.93	3.36	3.66	3.13	2.46
2,123,175	2,124,200	0	0	0
\$6,342,335	\$8,164,255	\$10,778,508	\$8,622,694	\$5,906,682

**North Charleston Sewer District, North Charleston, SC
Demographic and Economic Statistics**

For the City of North Charleston*
(Unaudited)

Year	Population (1) (4)	Chas- N Chas MSA Personal Income In Thousands of \$(2)	Per Capita Personal Income(2)	Median Age(4)(5)	CNC School Enrollment(3)	Chas- N Chas MSA Unemployment Rate(6)
1999	79,705	12,861,262	25,548	33.2	18,575	3.1%
2000	80,067	13,933,215	25,309	34.7	18,717	3.1%
2001	80,299	14,533,655	26,170	34.4	17,568	4.3%
2002	80,700	15,140,862	27,035	35.5	18,018	4.6%
2003	80,700	15,853,966	27,797	35.2	17,861	5.3%
2004	83,000	16,990,888	29,120	35.3	20,072	5.3%
2005	86,313	18,671,000	31,026	35.8	19,183	5.8%
2006	87,000	19,901,000	32,246	36.0	16,636	5.6%
2007	89,547	21,601,958	34,133	36.9	17,901	4.6%
2008	91,421	**	**	**	20,560	5.2%
2009	91,421	**	**	**	20,339	10.2%

Note: Data sources include.

- (1) City of North Charleston - CNC estimated
- (2) U.S. Department of Commerce and U.S. Bureau of Economic Analysis
- (3) Charleston & Dorchester County School Dist.
- (4) U.S. Census and City of North Charleston (no archive data prior to 1998)
- (5) South Carolina Community Profiles
- (6) SC Employment Security Commission

* Largest Municipality within NCSD

** Data not available at this time

Chas- N Chas MSA- Charleston-North Charleston,SC Metropolitan Statistical Area

North Charleston Sewer District, North Charleston, SC
Principal Employers
Current Year and Eleven Years Ago

Employer	2008(1)			1997(2)		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Trident Medical Center	2000	2	0.68%	1600	1	1.2%
KapStone (Mead Westavaco Corporation)	1370	4	0.47%	1430	2	1.1%
Homemaker Industries	0			570	3	0.4%
Leggett & Pratt/Goer Manufacturing(1997)	3		0.00%	404	4	0.3%
L.S. Starrett/Evans Rule	0		0.00%	285	5	0.2%
RM Aerospace	0			250	6	0.2%
Cummins Engine	450	8	0.15%	250	7	0.2%
Charleston Southern University	341	10	0.12%	250	8	0.2%
Rhodia/Albright & Wilson	250		0.09%	239	9	0.2%
Coburg	200		0.07%	200	10	0.2%
Global Aeronautica * (Vought Aircraft/Alenia Aeronautical)	690	7	0.24%			
Verizon Wireless	1050	5	0.36%			
City of North Charleston	1001	6	0.34%			
Charleston County -Executive Offices	2100	1	0.72%			
Scientific Research Corporation SRC	250		0.09%			
Behr Heat Transfer Systems, Inc	200		0.07%			
Force Protection Inc.	1550	3	0.53%			
Detyens Shipyards	400	9	0.14%			

Note: By contract we serve the Charleston Air Force - number of employees is 7,300. The Sewer District's service area surrounds the base . Accordingly, many of their employees are Sewer District customers.

(1) Source: Charleston Metro Chamber of Commerce
Charleston Regional Business Journal

(2) Source: Trident Metro Chamber of Commerce

North Charleston Sewer District, North Charleston, SC
Budgeted Full-Time Equivalent District Positions by Division
Last Ten Fiscal Years
(Unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Manager & Staff	5	5	6	6	6	6	6	6	6	6
Human Resource	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Accounting	6	6	5	5	5	5	5	5	5	5
Purchasing	4	4	4	4	4	4	4	4	4	4
Administration	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75
Plant Administration	4	4	4	4	4	3	3	3	3	3
Plant Operations	26	26	26	22	22	22	22	22	22	22
Quality Control	4	4	4	4	4	4	4	4	4	4
Plant Maintenance	18	18	18	17	14	9	10	10	11	11
Pretreatment	1	1	2	2	2	2	2	2	2	2
Plant	53.00	54.00	54.00	49.00	46.00	40.00	41.00	41.00	42.00	42.00
System Administration	6	6	5	4	4	4	5	5	5	4
Engineering	5	5	5	5	5	5	5	5	7	4
Lines	26	26	26	25	26	26	25	24	24	24
Systems Maintenance	7	7	9	9	9	15	16	16	16	15
Vehicle Shop	3	3	4	4	4	4	4	5	5	5
Buildings & Grounds	6	6	8	8	7	7	8	8	8	8
Systems	53.00	57.00	57.00	55.00	55.00	61.00	63.00	63.00	65.00	60.00
Total	124.75	129.75	129.75	122.75	119.75	119.75	122.75	122.75	125.75	120.75

Note: During the ten years shown there has been several department name changes, the maintenance departments have been reorganized twice, and the operation's department changed shift hours and schedules.

Table 14
(Page 1 of 1)

North Charleston Sewer District, North Charleston, SC
Operating Performance Measures
Last Ten Fiscal Years

(Unaudited)

<i>Performance Measure</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Number of Customer Service Calls/Complaints	2,035	1,746	1,449	1,441	1,259	1,286	1,256	1,310	1,316	1,240
Number of NPDES Permit Violations	3	1	0	0	0	0	0	1	0	0
Sanitary Sewer Overflow (SSO) Causes *										
Number of Wet Weather Related Overflows	1	3	4	4	6	6	0	0	0	14
Number of Vandalism/Accident-Related Overflows	1	0	1	0	0	1	0	0	0	1
Number of Blockages *	6	15	3	6	11	5	3	1	4	2
Number of Cave-Ins *	0	0	0	2	1	1	0	0	2	0
Number of Pump Station Failures *	2	2	1	1	1	0	2	0	1	2
Total Number of SSOs*	13	19	11	12	8	14	9	1	7	19
Average Daily Influent Flows (MGD)	16.23	16.26	13.77	17.1	13.68	12.55	12.1	12.4	13.22	13.58
Peak Flow Factor at Treatment Plant	1.5	1.5	1.3	1.5	1.5	1.6	1.5	1.4	1.4	1.6
Monthly Avg. Treatment Plant Flow Rate (gpcd)	165	150	127	156	120	151	105	155	143	142
Monthly Peak Treatment Plant Flow Rate (gpcd)	251	215	171	272	179	244	158	197	262	223
Number of By-Passes at Treatment Plant	0	0	0	0	0	0	0	0	0	0
Volume of Treatment Plant By-Passes (gallons)	0	0	0	0	0	0	0	0	0	0
WWTP Monthly Average Influent BOD (mg/l)	253	252	254	220	243	253	221	241	184	163
Sewer Sales for Fiscal Year (MGD)	12.10	12.30	12.26	12.26	11.70	11.62	11.71	11.91	11.52	10.64

* A single event may create multiple SSOs
Source: District systems and plant records.

North Charleston Sewer District, North Charleston, SC
Schedule of Operation and Maintenance Expenses
Last Ten Fiscal Years
 (Unaudited)

Expense	2000	2001	2002	2003	2004
Compensation	\$3,087,876	\$3,406,886	\$3,617,944	\$3,756,563	\$4,056,555
Benefits	1,225,765	1,315,743	1,471,441	1,659,004	1,830,897
Incentives	7,373	6,573	5,515	11,433	9,207
Utilities	830,381	816,747	763,172	875,430	870,703
Insurances	162,299	182,780	136,204	137,323	141,541
Engineering	142,533	75,718	179,564	130,426	109,376
Legal	49,363	62,502	89,709	71,330	51,001
Financial	41,540	41,914	43,316	45,498	47,577
Other Contractual	68,800	83,529	135,085	168,022	162,154
Billing Agent	439,581	465,028	459,093	467,311	478,216
Bad Debt Allowance	126,118	95,307	158,348	163,551	102,746
Office Expense	156,619	153,314	179,049	165,234	160,095
Training/Travel	39,873	37,408	38,770	43,916	45,402
Safety	52,133	67,298	77,008	62,950	62,199
Communications	7,647	10,633	16,294	11,567	7,991
Facility Upkeep	502,388	580,233	695,274	660,850	677,523
Disposal Fees	236,609	177,109	89,453	209,657	189,660
Vehicular	52,337	69,464	82,325	77,087	84,609
Fuel	116,009	125,207	127,653	94,991	113,770
Departmental	336,899	278,463	329,339	460,870	475,426
Total	\$7,682,143	\$8,051,856	\$8,694,556	\$9,273,013	\$9,676,648

Source: District accounting records.

Table 15
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2005	2006	2007	2008	2009
\$4,163,904	\$4,224,323	\$4,481,676	\$4,717,527	\$5,295,322
1,887,576	1,883,409	1,941,082	2,058,453	2,279,285
11,336	12,137	12,453	15,612	10,068
926,101	1,091,939	1,170,446	1,187,230	1,346,454
194,602	210,802	233,308	197,444	237,630
131,982	183,584	117,024	237,168	174,848
47,582	51,460	61,047	30,676	38,306
46,973	49,780	60,158	48,029	50,842
160,354	250,604	536,754	286,190	474,766
491,512	502,598	513,738	657,991	658,084
136,013	162,897	102,444	145,406	202,700
153,365	189,780	198,176	174,916	180,545
66,049	64,301	63,027	74,009	58,056
64,433	56,558	71,571	72,287	61,043
6,715	11,817	45,193	53,584	63,689
796,966	809,156	783,913	1,114,739	744,303
186,217	191,057	170,620	334,693	148,895
92,686	95,975	95,219	117,072	72,066
221,596	260,629	237,459	302,389	263,831
542,447	657,728	613,373	796,781	688,656
\$10,328,409	\$10,960,534	\$11,508,681	\$12,622,196	\$13,049,389

Table 16
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North Charleston Sewer District, North Charleston, SC
Capital Assets Statistics
Last Ten Years
 (Unaudited)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Service Area in square miles	56.9	56.9	56.9	56.9	56.9	59.3	59.3	59.3	59.3	59.3
Miles of Sewer Lines	497	498	500	505	510	510	518	527	534	536
Treatment Capacity in MGD	27	27	27	27	27	27	27	27	27	27
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Pump Stations	47	47	47	47	47	49	52	52	52	58
Fleet										
Vehicles	49	50	55	60	58	55	53	48	50	50
Speciality	29	30	29	24	25	25	26	26	24	24

Source: District Engineering Department and District insurance policies.