

North Charleston Sewer District  
North Charleston, South Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended  
June 30, 2013

Prepared By:  
Accounting Department

Matt Clark  
Assistant District Manager of Administration

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**North Charleston Sewer District,  
North Charleston, South Carolina  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2013**

**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b>Page(s)</b>	
Title Page	i	
Table of Contents	iii-iv	
Letter of Transmittal	vii-x	
Certificate of Achievement	xi	
Organizational Chart	xii	
Principal Officials	xiii	
<b>FINANCIAL SECTION</b>		
Exhibit		
<b>Independent Auditors' Report</b>	3-4	
<b>Management's Discussion and Analysis</b>	5-10	
<b>Basic Financial Statements</b>		
1	Statement of Net Position	11-12
2	Statement of Revenues, Expenses and Changes in Net Position	13
3	Statement of Cash Flows	14-15
	Notes to Financial Statements	16-31
<b>Required Supplementary Information</b>		
4	Schedule of Funding Progress for the Postemployment Health Care Plan	33
<b>Supplementary Information</b>		
5	Supplementary Condensed Statements of Net Position	35
6	Supplementary Schedules of Revenues and Expenses Actual Compared to Budget	36
7	Actual Compared to Prior Year	37

**North Charleston Sewer District,  
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For the Year Ended June 30, 2013**

**TABLE OF CONTENTS**

<b>STATISTICAL SECTION</b>	<b>Page</b>
Table	
<b>Financial Trends</b>	
1 Net Position by Component, Last Ten Fiscal Years	41
2 Changes in Net Position, Last Ten Fiscal Years	42
3 Schedule of Revenues and Other Income, Last Ten Fiscal Years	43
<b>Revenue Capacity</b>	
4 Sewer User Charge Rates, Last Ten Fiscal Years	44
5 Top Ten Customers - Total Billed Amount	45
5 Top Ten Customers - Total Consumption Billed	45
6 Top Ten Customers - Total Amount Billed, Last Ten Fiscal Years	46
6 Top Ten Customers - Total Consumption Billed, Last Ten Fiscal Years	46
7 Schedule by Customer Type and Usage, Last Ten Fiscal Years	47
8 Property Tax Rates Direct and Overlapping Governments	48
9 Computation of Direct and Overlapping Debt GO Bonds	49
10 Assessed & Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	50
<b>Debt Capacity</b>	
11 Statement of Bonded Debt Limit	51
12 Sewer Fund Combined Debt Schedule, Last Ten Fiscal Years	52
13 Schedule of Revenue Bond Coverage, Last Ten Fiscal Years	53
<b>Demographic and Economic Information</b>	
14 Demographic and Economic Statistics for the City of North Charleston	54
15 Principal Employers, Current Year and Seven Years Ago	55
16 Budgeted Full-Time Equivalent District Positions by Division, Last Ten Fiscal Years	56
<b>Operating Information</b>	
17 Operating Performance Measures, Last Ten Fiscal Years	57
18 Schedule of Operation and Maintenance Expenses, Last Ten Fiscal Years	58
19 Capital Assets Statistics, Last Ten Fiscal Years	59

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# Introductory Section

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# North Charleston Sewer District

7225 STALL ROAD / P.O. BOX 63009  
ASSISTANT DISTRICT MANAGER OF ADMINISTRATION  
MATT CLARK

Telephone (843) 764-3072  
Fax (843) 764-2651

NORTH CHARLESTON, SC 29419  
ACCOUNTING DEPARTMENT

October 24, 2013

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, 2013.

## 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). Management's discussion and analysis (MD&A) that immediately follows the independent auditor's report and 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.

### 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 Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, 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.

### Independent Auditor

The Sewer District's financial statements have been audited by Riser, McLaurin & Gibbons, L.L.P., licensed certified public accountants and they have issued an unqualified ("clean") opinion on the North Charleston Sewer District's financial statements for the year ended June 30, 2013. The goal of the independent audit is to provide reasonable assurance that the financial statements 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. The independent auditor's report is located at the front of the financial section of this report.

## **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, Mary Trussell, administers the affairs of the Sewer District.

### **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.



## **Relevant Financial Policies**

The Sewer District operates under established policies for rate setting, cash management and financing. These policies serve to structure annual operating budgets as well as the five year capital improvement plan. The revenue bond resolution provides that rates shall be maintained at a level which will yield net earnings at least 125% of the annual principal and interest requirements in each fiscal year. The Sewer District strives to maintain a coverage ratio of 150% or higher.

The Sewer District continues several cost-saving initiatives to assure debt service coverages are met in the current economic environment. In fiscal year 2013, the Sewer District continued to unfund several positions, continued health insurance employee cost sharing, contracted for personnel services and minimized operational costs throughout the Sewer District's departments.

## **Local Economy**

Fiscal year 2013 saw continued improvement from the dramatic economic downturn experienced in fiscal years 2009 through 2011. Forecasts indicate that real economic growth and recovery will continue to be slow and may take several more years. Some of the good news was that unemployment in the area Charleston-North Charleston MSA continued to decrease during the fiscal year ending the year at 7.3% which is 0.8% less than the State unemployment rate.

## **Long-Term Financing 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.

The Sewer District used bond proceeds on hand to fund major transportation system rehabilitations. Funds on hand will be the funding source for equipment replacement and asset upgrades with a life of under ten years. Unrestricted net assets will decrease as these replacements and assets are constructed or purchased and Sewer District's investment in capital assets net of related debt will increase.

## **Major Initiatives**

In 2013, the Sewer District's effort was centered on operating more efficiently, continuing to address our large gravity lines that are beginning to show significant wear, and to support economic development by retrofitting our infrastructure to meet these needs.

The District rehabilitated 754 linear feet of 48" and 54" gravity lines. Major trunk line rehabilitations are scheduled for the next several fiscal years. Over 10,000 linear feet of major trunk line rehabilitations are scheduled during fiscal year 2014. Bonds issued in December 2011 will fund these major rehabilitations.

The Plant Division made the decision to close the incinerator and dispose of plant sludge at local landfills during the 2013 year. The decision was based on careful evaluation of recent EPA regulations to make incineration emissions more stringent.

The District worked with the South Carolina Department of Health and Environmental Control (DHEC) towards obtaining a new National Pollutant Discharge Elimination System (NPDES) discharge permit. The District anticipates DHEC to issue a draft permit in 2014.

To improve operations, the District reorganized in 2013. The Lines and Engineering department were moved into a newly created Capital Projects division. Several employee positions were modified but the total number of budgeted positions remained unchanged.

The Sewer District continues to analyze 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 2012.

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.

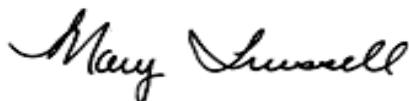
In addition, the Sewer District has received the GFOA Award for Distinguished Budget Presentation for the fifteen fiscal years, July 1, 1997 through 2012. In order to qualify for the Distinguished Budget Presentation Award, the Sewer District's budget document was judged to be proficient in several categories, 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 2012. 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,



Mary Trussell, CPA, CPFO  
District Manager



Matt Clark, CPA  
Assistant District Manager of Administration



Government Finance Officers Association

**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, 2012**

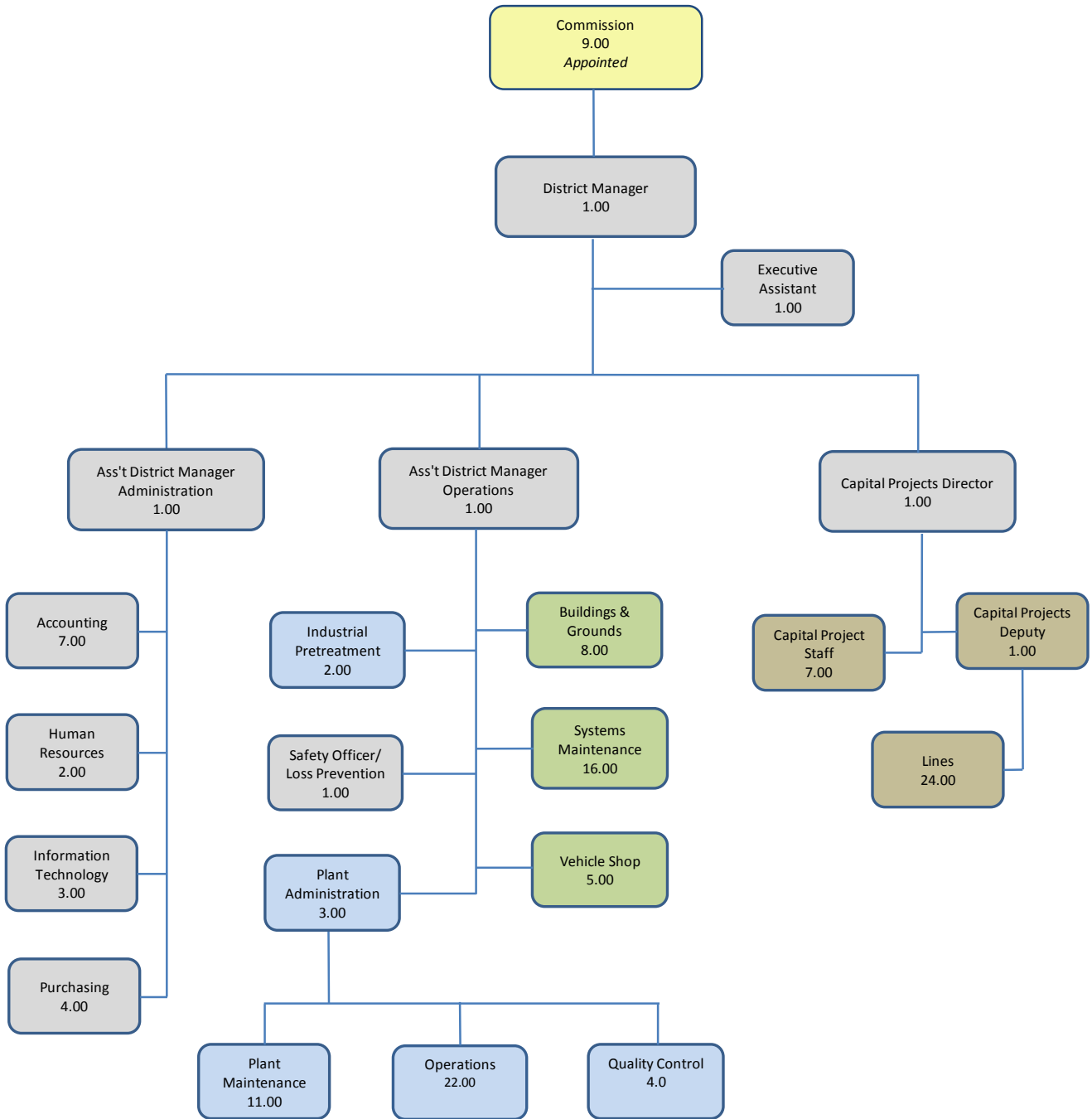
Executive Director/CEO

# North Charleston Sewer District

North Charleston, South Carolina

## Organizational Chart

Authorized Positions



# North Charleston Sewer District

North Charleston, South Carolina

## Principal Officials

June 30, 2013

### COMMISSIONERS

Number of  
Years  
In Office

Gary C. McJunkin	16 1/2	Chairman
George Gomes	12 1/2	First Vice Chairman
William R. Fuller	4	Second Vice Chairman
Sylderrial T. Pryor	6 1/2	Secretary
Melinda Chambers	4	Commissioner
Karen M. Hollinshead	28	Commissioner
Clifford E. Johnson	17 1/2	Commissioner
Eugene W. Myers	6 1/2	Commissioner

\*One position was vacant at 6/30/2013

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	31	16	District Manager (Retired 6/30/2013)
Mary M. Trussell, CPA, CPFO	23 ½	½	Deputy District Manager (District Manager effective 7/1/2013)
Gary Alford, PE	4	4	Assistant District Manager of Operations
Matt Clark, CPA	½	½	Assistant District Manager of Administration
Jarrod Jones, PE	8 ½	½	Capital Projects Director

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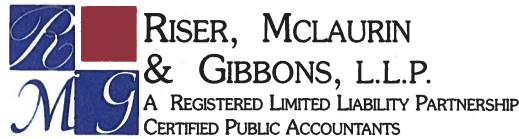
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# Financial Section

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RISER, MCLAURIN  
& GIBBONS, L.L.P.

A REGISTERED LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS

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BARRY E MCLAURIN, JR  
GLENN D GIBBONS  
WILLIAM D RISER  
CATHY JEAN SINEATH  
CHARLES W CARPENTER

---

HAROLD D RISER  
(1921-1993)

## 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, 2013, and the related notes to the financial statements which collectively comprise North Charleston Sewer District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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, 2013, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefits schedule of funding progress, on pages 5 through 10 and page 33 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Charleston Sewer District's basic financial statements. 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 supplementary information on pages 35 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements of North Charleston Sewer District. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

North Charleston, South Carolina  
October 24, 2013

*Risee, McLaurin & Gibbons, L.L.P.*

## **NORTH CHARLESTON SEWER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis (MD&A) of the North Charleston Sewer District (hereinafter referred to as the Sewer District) provides an overview and analysis of financial activities for the fiscal year ended June 30, 2013. This information is to be used in conjunction with the additional information furnished in the preceding letter of transmittal and with the audited financial statements.

### **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 Sewer District's financial condition remained stable during fiscal year 2013 showing a modest growth in net position. All bond covenants were met. The following are financial highlights for fiscal year 2013:

- Net position increased by \$2,447,093 or approximately 2.4% to \$106,172,654 as a result of current year operations compared to an increase of 0.7% for fiscal year 2012.
- Operating revenues increased by approximately 2.3% from \$23.37 million in fiscal year 2012 to \$23.91 million in fiscal year 2013 mainly due to increases in permit fees. Also contributing was a slight increase in consumption.
- Operating expenses before depreciation increased by approximately 2.1% in 2013 compared to an increase of 0.4% in 2012.
- Debt service coverage for 2013 increased to 307% from a coverage of 275% in 2012.

### **Overview of the Financial Statements**

The 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. However, the Sewer District does not use rate-regulated accounting principles applicable to private sector utilities since it is a governmental utility. The proprietary financial statements include three statements:

The *Statement of Net Position* presents all of the Sewer District's assets and liabilities, with the difference between the two reported as "net position". These assets and liabilities are designated as current or long-term. Net position is presented as amounts invested in capital assets (net of related debt), and unrestricted. Over time, increases or decreases in the Sewer District's net position 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 Net Position* provides information about the Sewer District at year-end, while the statement of *Revenues, Expenses and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the business activities over the course of the fiscal year. Revenues and expenses are distinguished as operating and non-operating. Information is provided about how net position changed during the year. The results of operations can be used to determine whether the Sewer District is recovering costs through user fees and charges.

The *Statement of Cash Flows* presents all of the Sewer District's cash receipts, cash payments, and net changes in cash and cash equivalents for the current year. This statement may be used to determine sources of cash, uses of cash, and changes in cash from operating, capital and related financing, and investing activities. This statement also includes a reconciliation to the operating income presented in the *Statement of Revenues, Expenses, and Changes in Net Position* 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 11-15 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 present information about the Sewer District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any. The notes to the financial statements can be found on pages 16-31 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 following comparative condensed statements provide summary information of the operations of the Sewer District.

**Table A-1**  
**North Charleston Sewer District**  
**Condensed Statement of Net Position**

	2013	2012
Current, Restricted and Non-Current Assets	50,480,855	49,349,309
Capital Assets (net of accumulated depreciation)	95,729,958	97,185,663
<i>Total Assets</i>	<b>146,210,813</b>	<b>146,534,972</b>
Long-term liabilities outstanding	32,797,724	36,629,096
Other liabilities	7,240,435	6,180,315
<i>Total Liabilities</i>	<b>40,038,159</b>	<b>42,809,411</b>
<b>Net Position</b>		
Invested in capital assets, net of related debt	72,901,787	72,772,002
Unrestricted	33,270,867	30,953,559
<i>Total net position</i>	<b>106,172,654</b>	<b>103,725,561</b>

**Table A-2**  
**North Charleston Sewer District**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	2013	2012
Operating Revenues		
Sewer Service Charges	22,506,309	22,293,095
Sewer Permit and Origin Fees	1,001,640	655,380
Late Fees	337,887	336,024
Miscellaneous Revenues	64,574	84,688
Non-Operating Revenues		
Interest on Investments	70,929	58,370
Gain on Disposal of Assets	13,157	0
<i>Total Revenues</i>	<b>23,994,496</b>	<b>23,427,557</b>
Operating Expenses		
Administrative	3,102,570	3,013,579
Plant Operations	4,871,195	4,761,580
Systems Operations	5,088,602	5,019,063
Depreciation	7,960,305	8,310,606
Non-Operating Expenses		
Interest Expense	1,018,144	1,214,943
Amortization of Deferred Bond Issue Costs	53,328	67,957
Loss on Disposal of Assets	0	396,486
<i>Total Expenses</i>	<b>22,094,144</b>	<b>22,784,214</b>
Excess Before Capital Contributions	1,900,352	643,343
Capital Contributions	546,741	63,020
Increase in Net Assets	2,447,093	706,363
Net Position-Beginning of Year	103,725,561	103,019,198
<b>Net Position-End of Year</b>	<b>106,172,654</b>	<b>103,725,561</b>

## General Trends and Significant Events

The area's economy continued to show improvement during fiscal year 2013. The Charleston - North Charleston MSA unemployment rate decreased 1.2% from 8.5% in 2012 to 7.3%. Sewer District permits increased approximately \$319,000 or 70% with residential construction accounting for most of the increase. Boeing Charleston announced plans to bring an additional 2,000 jobs and invest another \$1 billion by 2020. The City of North Charleston continues to be the top retail city in the state. Development continues in the Palmetto Commerce Parkway area with several new businesses/industries locating in this area during 2013.

## Financial Condition

The Sewer District's overall financial position improved during fiscal year 2013 as the net position grew 2.4%. The net position totaled \$103.73 million in fiscal year 2012 and \$106.17 million in fiscal year 2013. Current assets increased approximately 2% mainly from increases in cash provided by operations. Long-term liabilities decreased as principal payments were made during the year and no new long-term obligations were added.

The Sewer District's investment in capital assets (e.g. land, buildings, plant machinery and equipment, and sewer systems less any related outstanding debt used to acquire those assets) is approximately 69% of the total net position. These assets are used to provide services to our customers and are not available to be liquidated to pay debt liabilities. Debt liabilities must be paid from other sources.

## **Results of Operations**

### Operating Revenues

Sewer service revenue is the Sewer District's largest source of revenue. Sewer service revenue is obtained through user-charges for the transportation and treatment of wastewater. Sewer service charges are comprised of sewer charges, surcharges, operation and maintenance fees, night soil fees, pretreatment fees, and rate stabilization fees. This revenue source is expended for debt service, capital projects, operating expenses, plus funding the rate stabilization account.

The Sewer District had no volumetric rate changes from the previous year. Wholesale contract rates were adjusted by various percentages as specified by contract.

The Sewer District's sewer service revenues in fiscal year 2013 increased by \$213,214 or approximately 1% to \$22.5 million from \$22.29 million, as shown in Table A-2. The revenue increase was due to a combination of slight increases of the number of customers and consumption. Interest income increased by 21.5% due mainly to unspent bond proceeds on hand.

### Capital Contributions

Project reimbursement occurs when the Sewer District enters into a contract with a wholesale customer or other entities to construct or rehabilitated pump stations and or sewer systems that will be mutually beneficial. The contributions increased by \$483,721 from 2012 as additional projects were completed in fiscal year 2013.

### Expenses

The Sewer District operates and maintains the wastewater collection and treatment system that serves 59.3 square miles in Charleston County. The wastewater system includes 60 pump stations and a 27 million gallons per day treatment plant.

Total operating expenses decreased by 0.4% or \$82,156 from 2012 to 2013. The reduction was mainly due to a reduction of depreciation expense; where operating expenses before depreciation increased by 2%.

The Sewer District continues to closely monitor expenses to minimize cost increases and keep rates affordable.

**Rate Convent**

In the Bond Resolution, the Sewer District covenants state that it will, at all times, establish, levy, and maintain fees, rates, rentals and other charges sufficient to pay all current operating and maintenance of the system, to produce at least 125% of the annual principal and interest requirements, and to build up reserve for depreciation and any improvements, betterments, and extensions to the system. Additional covenants state that the System will not be pledged except as provided for in the bond resolution, that the Sewer District will keep property, tort, Workers Compensation and surety insurance, that the Sewer District will not furnish service free of charge, and that an annual budget shall be adopted.

**Capital Assets**

The District’s property, plant, and equipment as of June 30, 2013, totaled \$95,729,958 net of accumulated depreciation of \$122,963,248. Additions during 2013 totaled \$6,534,806 with reductions of \$666,152. 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 23 of this report.

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

- Rehabilitation of 754 linear feet of 48” and 54” gravity line.
- Rehabilitation of many manholes, various pumps and other transportation equipment throughout the Sewer District.
- 2 new Mack trucks and 2 trailers for handling sludge.
- Rehabilitation of various pumps, valves, and piping at the treatment plant.
- Sewer line rehabilitation in the following areas: Liberty Park, Navy Base, Mabeline road, Virginia Avenue.
- Rerouting of the Hawthorne force main.

**Table A-3  
North Charleston Sewer District Capital Assets  
(Net of Depreciation)**

	2013	2012	Change (\$)
Land	2,086,045	2,086,045	0
Automotive	515,346	159,592	355,754
Buildings	6,123,314	6,655,174	(531,860)
Plant Machinery & Equipment	23,901,121	26,010,578	(2,109,457)
Office Furniture	143,958	142,613	1,345
Other Sewer Equipment	5,537,024	6,077,413	(540,389)
Sewer Systems	52,090,663	52,741,032	(650,369)
Construction in Process	5,332,487	3,313,216	2,019,271
<b>Total</b>	<b>95,729,958</b>	<b>97,185,663</b>	<b>(1,455,705)</b>

## Debt Administration

At June 30, 2013 bond issues, net of applicable unamortized premiums, totaled \$36,297,805. In November 2011, Standard & Poor's assigned an AA+ and Moody's Investor Service assigned an Aa2 rating to the Sewer District General Obligation Bonds. In 2012 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 2012 tax year, the total assessed value of property in the Sewer District was \$507,070,638 and 8% of such amount is \$40,565,651. Currently the Sewer District has \$16,245,000 outstanding in general obligation debt which leaves \$24,320,651 of additional General Obligation debt which may be issued without a referendum. Additional information on the Sewer District's debt service can be found in the note IIID on pages 24-26 of this report.

## **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  
STATEMENT OF NET POSITION  
June 30, 2013

Exhibit 1  
Page 1 of 2

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	35,803,836
Investments and accrued interest		9,696,417
Accounts receivable, less allowance of \$280,080		3,375,978
Due from other accounts		359,905
Inventories of materials and supplies		561,618
Prepaid expenses		232,121
Total Current Assets		<u>50,029,875</u>

NONCURRENT ASSETS

Capital assets, less accumulated depreciation		95,729,958
Net Capital Assets		<u>95,729,958</u>

Other assets

Deferred bond issuance costs, net of amortization		450,980
Total Other Assets		<u>450,980</u>

Total Noncurrent Assets		<u>96,180,938</u>
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Total Assets	\$	<u><u>146,210,813</u></u>
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See accompanying notes to financial statements.

LIABILITIES AND NET POSITION

LIABILITIES

CURRENT LIABILITIES

Current portion of bonds payable	\$ 3,819,513
Accounts payable	2,140,404
Accrued interest	622,481
Accrued salaries	197,372
Accrued expenses	177,273
Compensated absences	53,603
Deferred revenue	229,789
Total Current Liabilities	<u>7,240,435</u>

LONG-TERM LIABILITIES

Bonds payable (net of current portion)	32,478,292
Compensated absences	319,432
Total Long-Term Liabilities	<u>32,797,724</u>
Total Liabilities	<u>40,038,159</u>

NET POSITION

Invested in capital assets, net of related debt	72,901,787
Unrestricted	33,270,867
Total Net Position	<u>106,172,654</u>

Total Liabilities and Net Position \$ 146,210,813

NORTH CHARLESTON SEWER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended June 30, 2013

Exhibit 2

OPERATING REVENUES	
Sewer service charges	\$ 22,506,309
Sewer permit and origin fees	1,001,640
Late fees	337,887
Miscellaneous revenues	64,574
Total Operating Revenues	<u>23,910,410</u>
OPERATING EXPENSES	
Administrative	3,102,570
Plant operations	4,871,195
System operations	5,088,602
Depreciation	7,960,305
Total Operating Expenses	<u>21,022,672</u>
Net Operating Income	<u>2,887,738</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest on investments	70,929
Interest expense	(1,018,144)
Amortization of deferred bond issuance costs	(53,328)
Gain on disposal of assets	13,157
Total Non-Operating Revenues (Expenses)	<u>(987,386)</u>
Income Before Capital Contributions	<u>1,900,352</u>
CAPITAL CONTRIBUTIONS	
Capital contributions received	546,741
	<u>546,741</u>
Increase In Net Position	2,447,093
TOTAL NET POSITION, beginning of year	<u>103,725,561</u>
TOTAL NET POSITION, end of year	<u>\$ 106,172,654</u>

See accompanying notes to financial statements.

NORTH CHARLESTON SEWER DISTRICT  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013

Exhibit 3  
Page 1 of 2

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Collections from customers	\$ 23,615,636
Cash paid to employees for services	(7,738,356)
Cash paid to suppliers for goods and services	(4,387,573)
Other operating revenues	<u>78,275</u>
<b>Net Cash Provided By Operating Activities</b>	<u>11,567,982</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from the sale of capital assets	43,363
Reimbursement of construction costs	100,000
Acquisition and construction of capital assets	(6,305,443)
Bond principal payments	(3,545,000)
Bond interest payments	<u>(1,168,966)</u>
<b>Net Cash Used For Capital And Related Financing Activities</b>	<u>(10,876,046)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Advances to North Charleston District	(8,853)
Repayments of advances by North Charleston District	8,237
Purchases of investment securities	(9,668,839)
Proceeds from sales and maturities of investments	7,632,447
Interest earned on investments	<u>60,899</u>
<b>Net Cash Provided By Investing Activities</b>	<u>(1,976,109)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,284,173)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>37,088,009</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 35,803,836</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:**

	Beginning of Year	End of Year
Unrestricted cash and cash equivalents	\$ 34,152,295	\$ 35,803,836
Restricted cash and cash equivalents	<u>2,935,714</u>	<u>-</u>
	<u>\$ 37,088,009</u>	<u>\$ 35,803,836</u>

See accompanying notes to financial statements.

NORTH CHARLESTON SEWER DISTRICT  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013

Exhibit 3  
Page 2 of 2

RECONCILIATION OF OPERATING INCOME TO  
CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income		\$ 2,887,738
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation		7,960,305
Provision for bad debts		170,662
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable		(274,022)
Other accounts receivable		(18,714)
Inventory		(48,006)
Prepaid expenses		37,282
Increase (decrease) in:		
Accounts payable		833,903
Accrued expenses and compensated absences		(24,988)
Deferred revenues		43,822
	Total Adjustments	8,680,244
Net Cash Provided By Operating Activities		\$ 11,567,982

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

Amortization of loss on defeasance of bonds		\$ 182,580
Amortization of bond issuance costs		53,328
Amortization of bond premium paid		(347,093)
Amount of deferred revenues recognized during the year as capital contributions received		\$ 157,962
Capital contributions recognized during the year, offset by increasing other accounts receivable		\$ 321,626

See accompanying notes to financial statements.

NORTH CHARLESTON SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**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.

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 are organized to provide explanations, including required disclosures, of the Sewer District's financial activities for the fiscal year ended June 30, 2013.

**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, 2013 the Commission consisted of the following members:

Gary C. McJunkin, Chairman  
George Gomes, First Vice Chair  
William Fuller, Second Vice Chair  
Sylderrial T. Pryor, Secretary  
Melinda Chambers, Commissioner  
Karen M. Hollinshead, Commissioner  
Clifford E. Johnson, Commissioner  
Eugene W. Myers, Commissioner  
\* One position was vacant at June 30, 2013

The Sewer District was managed by Jimmy L. Green through June 30, 2013 when he retired. Mary M. Trussell became the District Manager on July 1, 2013.

The Sewer District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the Sewer District is financially accountable. The Sewer District is not a participant in any joint venture and has not identified any entities which would be component units of the Sewer District.

NORTH CHARLESTON SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Continued

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 statement of net position, the statement of revenues, expenses and changes in fund net position, 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 statement of net position. Proprietary fund equity is segregated into capital assets net of related debt and unrestricted net position.

The Sewer District accounts for operations 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 Sewer District. This fund is used to account for the operating activities of the Sewer District's 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.

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 \$280,080 as of June 30, 2013.

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. Total interest cost incurred for the year totaled \$1,087,450. Interest capitalized was \$69,306 and interest expensed was \$1,018,144 for the year ended June 30, 2013.

*Bonds and Related Premiums, Discounts, and 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. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

*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, 2013 a liability of \$373,035 has been recorded for unused vacation. Specific years for payment of compensated absences classified as long-term liabilities are not determinable.

*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 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, reflects the original budget, as 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. The Sewer District held \$9,696,417 in certificates of deposit at various banks at June 30, 2013, which are classified as investments on the statement of net position. However, they are considered cash and cash equivalents for collateralization purposes.

Custodial Credit Risk – Deposits

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. In accordance with Sewer District's policy, 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, 2013, none of the Sewer District's total bank balance of \$21,836,546 was exposed to custodial credit risk as a result of it being uninsured and uncollateralized by the bank in which it was being held.

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.
6. South Carolina Local Government Investment Pool

NORTH CHARLESTON SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Continued

**III. DETAILED NOTES (Continued)**

The South Carolina Local Government Investment Pool (the Pool) is duly chartered and administered by the State Treasurer's Office. The Pool is a 2a7-like pool that was created by state legislation, which restricts the types of securities the Pool can purchase. Funds deposited into the South Carolina Local Government Investment Pool by legally qualified entities are used to purchase investment securities as follows:

- a. U.S. Government Securities (direct obligations)
- b. Federal Agency Securities
- c. Repurchase Agreements secured by US. Government Securities and/or Federal Agency Securities
- d. A1/P1 Commercial Paper (Moody's/S&P highest rating)

These securities are delivered to a third party financial institution for safekeeping in the name of the South Carolina State Treasurer for the purpose of having the Pool classified risk category "A" of GASB #3. Funds belonging to any entity that are on deposit with the Pool represent participation units in a portfolio comprised of the above referenced securities.

It is the policy of the State Treasurer's Office that no derivatives of U.S. Government Securities, Federal Agency Securities, or A1/P1 Commercial Paper be purchased by or for the South Carolina Local Government Investment Pool. It is also the policy of the State Treasurer's Office that the weighted average maturity of the Pool portfolio not exceed 60 days.

The Pool is an external investment pool. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. The fair value of the District's position in the Pool is the same as the value of its Pool shares.

At June 30, 2013, Sewer District's investments included funds invested in the South Carolina Local Government Investment Pool, which totaled \$23,821,134. These investments are specifically excluded from the categorization described above since the Sewer District has not issued securities, but rather it owns an undivided beneficial interest in the assets of the South Carolina Local Government Investment Pool.

The Sewer District has no regulatory oversight for the Pool, which is governed and administered by the South Carolina Office of the State Treasurer. The Pool is audited annually by the State Auditor's Office.

*Interest Rate Risk*

As a means of limiting its exposure to interest rate risk, the South Carolina Local Government Investment Pool diversifies its investments by security type and institution.

In accordance with its investment policy the Sewer District manages its exposure to declining interest rates by investing primarily in short-term securities.

NORTH CHARLESTON SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Continued

**III. DETAILED NOTES (Continued)**

As of June 30, 2013, the Sewer District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Percentage</u>
SC Local Gov't Investment Pool	2.0 month average	<u>\$ 23,821,134</u>	<u>100.0%</u>

*Credit Risk*

State laws limit the type of investments as stated above. As of June 30, 2013 the Sewer District's investments were invested in the SC Local Government Investment Pool. The SC Local Government Invest Pool investments are limited by state statute. No rating for the investment pool is available as it is unrated.

*Concentration of Credit Risk*

The Sewer District places no limit on the amount that it may invest in any one issuer. More than five percent of the Sewer District's investments are in the SC Local Government Investment Pool as summarized earlier in this disclosure.

*Custodial Credit Risk - Investments*

This type of risk defines whether the Sewer District will be able to recover the value of an investment or collateral security that is the possession of an outside party in the event of the failure of the counterparty to the transaction. 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. As of June 30, 2013, the Sewer District was not exposed to any custodial credit risk for its investments.

Note: While cash equivalents are classified on the statement of net position as cash and cash equivalents, some are considered investments for collateralization purposes.

NORTH CHARLESTON SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Continued

**III. DETAILED NOTES (Continued)**

**B. Capital Assets**

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

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 2,086,045	\$ -	\$ -	\$ 2,086,045
Construction in progress	3,313,216	3,486,070	(1,466,799)	5,332,487
Total capital assets not being depreciated	<u>5,399,261</u>	<u>3,486,070</u>	<u>(1,466,799)</u>	<u>7,418,532</u>
Capital assets, being depreciated:				
Sewer system	118,694,054	3,070,707	-	121,764,761
Buildings	27,783,787	142,998	-	27,926,785
Plant, machinery, and equipment	43,663,216	412,137	(28,310)	44,047,043
Vehicles and related equipment	1,752,102	436,240	(43,159)	2,145,183
Office furnishings	835,408	48,861	(29,221)	855,048
Other sewer equipment	14,696,724	404,592	(565,462)	14,535,854
Total capital assets being depreciated	<u>207,425,291</u>	<u>4,515,535</u>	<u>(666,152)</u>	<u>211,274,674</u>
Less accumulated depreciation for:				
Sewer system	65,953,022	3,721,076	-	69,674,098
Buildings	21,128,613	674,859	-	21,803,472
Plant, machinery, and equipment	17,652,638	2,521,281	27,997	20,145,922
Vehicles and related equipment	1,592,510	80,486	43,159	1,629,837
Office furnishings	692,795	47,516	29,221	711,090
Other sewer equipment	8,619,311	915,087	535,569	8,998,829
Total accumulated depreciation	<u>115,638,889</u>	<u>7,960,305</u>	<u>635,946</u>	<u>122,963,248</u>
Total capital assets being depreciated, net	<u>91,786,402</u>	<u>(3,444,770)</u>	<u>(30,206)</u>	<u>88,311,426</u>
Total capital assets, net	<u>\$ 97,185,663</u>	<u>\$ 41,300</u>	<u>\$ (1,497,005)</u>	<u>\$ 95,729,958</u>

**C. Due from Other Accounts**

The balance at June 30, 2013 consists of amounts due from:

Other local governments	\$ 333,339
Vendors and others	<u>26,566</u>
Total	<u>\$ 359,905</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, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Revenue Bonds:					
Issued February 15, 1992	\$ 2,845,000	\$ -	\$ (2,845,000)	\$ -	\$ -
Issued April 11, 2012	21,164,513	-	(339,085)	20,825,428	3,294,085
General Obligation Bonds:					
Issued Dec.20,2011	17,093,287	-	(708,008)	16,385,279	708,008
	41,102,800	-	(3,892,093)	37,210,707	4,002,093
Less deferred amounts on refundings/issue costs	(1,095,482)	-	182,580	(912,902)	(182,580)
Total bonds payable	40,007,318	-	(3,709,513)	36,297,805	3,819,513
Compensated absences	405,781	48,402	(81,148)	373,035	53,603
Total long-term liabilities	\$ 40,413,099	\$ 48,402	\$ (3,790,661)	\$ 36,670,840	\$ 3,873,116

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, 2013:

General Obligation Bonds:

Issued December 20, 2011, net of premium of \$140,279 payable in annual installments ranging from \$700,000 to \$1,010,000 plus interest varying from 2% to 5% through 2031. Original amount issued - \$16,945,000.	\$ 16,385,279
---	---------------

Revenue Bonds:

Issued April 11, 2012, net of premium of \$1,695,428 payable in annual installments ranging from \$2,955,000 to \$3,480,000 plus interest varying from 2% to 5% through 2018 (net of unamortized loss on early retirement of debt of \$912,902. Original amount issued - \$19,130,000	19,912,526
---	------------

Less bond payments currently due

36,297,805
3,819,513

Long-Term Bonds Payable

\$ 32,478,292
---------------

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, 2013.

NORTH CHARLESTON SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Continued

**III. DETAILED NOTES (Continued)**

The annual bond principal and interest requirements as of June 30, 2013 are as follows:

F/Y Ended	Principal	Interest	Total
2014	\$ 3,819,513	\$ 1,171,862	\$ 4,991,375
2015	3,879,513	1,053,412	4,932,925
2016	3,969,513	908,212	4,877,725
2017	4,089,513	758,213	4,847,726
2018	4,214,515	603,213	4,817,728
2019-2023	8,240,041	1,602,062	9,842,103
2024-2028	5,065,040	645,594	5,710,634
2029-2031	3,020,157	90,000	3,110,157
	<b>\$ 36,297,805</b>	<b>\$ 6,832,568</b>	<b>\$ 43,130,373</b>

Advance Refunding

On April 11, 2012 the Sewer District issued \$19,130,000 of Revenue Bonds, Series 2012, with an average interest rate of 4.106%. The bonds consist of serial bonds bearing various fixed rates ranging from 2% to 5% with annual maturities from July 2013 through July 2018.

The net proceeds of \$21,164,021 (after issuance costs of \$74,812, plus premiums of \$2,108,833 were used to advance refund various series of bonds with a total principal amount of \$20,636,000 and an average interest rate of 5.148%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the Sewer District's liabilities.

The advance refunding was done in order to reduce debt payments over the next six years and to take advantage of lower interest rates. The refunding decreased the Sewer District's total debt service payments by approximately \$2.9 million. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$2,491,050. The reacquisition price exceeded the net carrying value of the old debt by \$1,135,500. This amount is being netted against the new debt and amortized over the life of the new bonds. On July 2, 2012, the defeased bonds totaling \$16,935,000 were entirely paid off.

**E. Capital Contributions Received**

During the year ended June 30, 2013, the Sewer District entered into a Memorandum of Understanding with the City of North Charleston, whereby the City will reimburse the Sewer District for the cost of rehabilitating a section of 30-inch sewer line located in a private easement. The cost incurred through June 30, 2013 totals \$321,626, which is reflected on the Statement of Net Position as "Due From Other Accounts" and as capital contributions received on the Statement of Revenues, Expenses and Changes in Net Position.

During the prior year the Sewer District entered into a Memorandum of Understanding with the City of North Charleston and the County of Charleston whereby they would each reimburse the Sewer District 50% of the cost of a temporary sewer connection for a parcel located in the County. The reimbursable costs incurred on this project totaled \$100,000, which includes \$67,585 shown as capital contributions received during the year ended June 30, 2013 and \$32,415 in costs incurred in prior years that was reimbursed under this agreement during the year ended June 30, 2013.



NORTH CHARLESTON SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Continued

**III. DETAILED NOTES (Continued)**

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 was also included as capital contributions received in FY2009. 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, 2012, \$342,470 of the \$500,000 received from the RDA has been recognized as income by the Sewer District, and the remaining difference of \$157,530 was recognized as income during the year ended June 30, 2013.

**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, 2013, the Sewer District had capital improvement commitments totaling \$10,440,537.

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.

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. Since the review was completed SCDHEC has been reviewing permits and preparing to issue new permits. There was a problem that Act 106 of 1999 was written differently than Publicly Owned Treatment Works (POTW) entities understood was the intent of the Dissolved Oxygen standard. SCDHEC delayed issuing the new permits to give POTW's time to propose amendments through their representatives.

NORTH CHARLESTON SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Continued

**IV. OTHER INFORMATION (Continued)**

Amendment efforts during the 2009 legislative session were unsuccessful. During the 2010 legislative session a bill was introduced to amend the Dissolved Oxygen regulatory standard and the bill passed March 2010. This action will move forward SCDEHC's effort to issue new NPDES permits. It is anticipated that DHEC will issue a draft permit in the coming months.

**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 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.

**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, 2013 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 \$1,137 at June 30, 2013.

**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 Public

NORTH CHARLESTON SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Continued

**IV. OTHER INFORMATION (Continued)**

Employment Benefit Authority, 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 Public Employment Benefit Authority is issued and publicly available by writing the South Carolina Public Employment Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960 or by accessing their website at [www.retirement.sc.gov](http://www.retirement.sc.gov).

Funding Policy

Plan members are required to contribute 7% of their annual covered salary and the Sewer District is required to contribute at an actuarially determined rate. The SCRS FY2013 rate is 10.45% of annual covered payroll while the PORS FY2013 rate is 11.9% 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, 2013, 2012, and 2011 were \$523,825, \$473,591, and \$464,447, 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 Public Employment Benefit Authority, 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 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 eligibility age, which is currently age 65. The Sewer District will pay a fixed portion of the monthly premium (currently \$195 for health and \$17 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 114 covered members; 6 members are retirees receiving benefits and 108 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

NORTH CHARLESTON SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Continued

**IV. OTHER INFORMATION (Continued)**

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 \$329 to \$524 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, 2013, the Sewer District's annual OPEB cost (expense) of \$58,678 was equal to the ARC and the amount actually contributed. Contributions made include \$34,118 made by the Sewer District to the Plan and \$24,560 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 FY2013 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30,2011	\$ 42,800	100%	\$ -0-
June 30,2012	\$ 42,800	100%	\$ -0-
June 30,2013	\$ 58,678	100%	\$ -0-

At June 30, 2013, the actuarial accrued liability for benefits (AAL) was \$564,294 with \$161,497 in Plan assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$402,797. The funded ratio (actuarial value of plan assets/AAL) was 28.62 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$4,881,961, and the ratio of the UAAL to the covered payroll was 8.25 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NORTH CHARLESTON SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Continued

**IV. OTHER INFORMATION (Continued)**

Actuarial Methods and Assumptions

Projections 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 include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Projected Unit Credit Actuarial Cost Method was used in the July 1, 2011 valuation. The actuarial assumptions included a 5% investment rate of return. For all retirees the medical cost ultimate trend rate is 5% and is based on 2018 as the year of ultimate trend rate (which assumes an inflation rate of 3%). The actuarial valuation of the Plan's assets was equal to the market value of investment assets as of the measurement date. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of payroll. The remaining amortization period at June 30, 2013, was twenty-five 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 four plans: the Internal Revenue Code Section 457 plan; the Internal Revenue Service Code Section 401(k) plan; the Roth 401(k) plan, and the Roth 457 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 \$17,500 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) and Roth 457 plans offer employees the opportunity to contribute on an after-tax basis. Employee after-tax contributions for Roth 401(k) and Roth 457 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.

**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, 2013, a total of \$2,323,102 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 Commission decides to use them to minimize or level rate increases. The Commission has budgeted approximately \$2,244,000 of these funds to be spent during the year ending June 30, 2014. Currently, the Commission has authorized the use of these funds to offset the costs of stricter regulations and to rehabilitate long-life assets (i.e. major trunk line rehabilitations, new/upgraded pump stations).

**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	11.14%
July 1, 2009	\$ 48,700	\$ 364,300	\$ 315,600	13.37%	\$ 4,764,900	6.62%
July 1, 2011	\$112,974	\$ 564,294	\$ 451,320	20.02%	\$ 4,881,961	9.24%

**SUPPLEMENTARY  
INFORMATION**



NORTH CHARLESTON SEWER DISTRICT  
 SUPPLEMENTARY CONDENSED STATEMENT OF NET POSITION  
 June 30, 2013 and 2012

Exhibit 5

	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 35,803,836	\$ 34,152,295
Investments and accrued interest	9,696,417	7,649,995
Accounts receivable, net	3,375,978	3,272,618
Inventories and other current assets	1,153,644	834,379
Restricted assets:		
Cash and cash equivalents	-	2,935,714
Total Current Assets	50,029,875	48,845,001
Capital Assets		
Deferred Loan Costs, net	95,729,958	97,185,663
	450,980	504,308
	96,180,938	97,689,971
Total Assets	\$ 146,210,813	\$ 146,534,972
 <b>LIABILITIES AND NET POSITION</b>		
Liabilities		
Current liabilities		
Current portion of bonds and notes payable	\$ 3,819,513	\$ 3,709,323
Accounts payable	2,140,404	1,146,011
Accrued interest	622,481	448,801
Other accrued expenses	658,037	785,496
Liabilities payable from restricted assets:		
Accrued interest	-	90,684
Total Current Liabilities	7,240,435	6,180,315
Long-term liabilities		
Bonds, leases and notes payable	32,478,292	36,297,995
Compensated absences	319,432	331,101
Total Long-Term Liabilities	32,797,724	36,629,096
Net Position	106,172,654	103,725,561
Total Liabilities and Net Position	\$ 146,210,813	\$ 146,534,972

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, 2013

Exhibit 6

	Actual	Budget	Variance With Final Budget
<b>OPERATING REVENUES</b>			
Sewer service charges	\$ 22,506,309	\$ 22,384,531	\$ 121,778
Sewer permit and origin fees	1,001,640	517,700	483,940
Late fees	337,887	344,000	(6,113)
Miscellaneous revenues	64,574	59,130	5,444
Total Operating Revenues	23,910,410	23,305,361	605,049
<b>OPERATING EXPENSES</b>			
Administrative	2,931,908	3,077,924	146,016
Plant operations	4,871,195	5,364,079	492,884
System operations	5,088,602	5,814,337	725,735
Depreciation	7,960,305	7,900,000	(60,305)
Provision for bad debts	170,662	200,000	29,338
Total Operating Expenses	21,022,672	22,356,340	1,333,668
Net Operating Income	2,887,738	949,021	1,938,717
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest on investments	70,929	100,000	(29,071)
Interest expense	(1,018,144)	(1,100,787)	82,643
Amortization of deferred loan costs	(53,328)	(53,000)	(328)
Gain on disposal of assets	13,157	-	13,157
Total Non-Operating Revenues (Expenses)	(987,386)	(1,053,787)	66,401
Income Before Capital Contributions	1,900,352	(104,766)	2,005,118
<b>CAPITAL CONTRIBUTIONS</b>			
	546,741	315,114	231,627
INCREASE IN NET POSITION	\$ 2,447,093	\$ 210,348	\$ 2,236,745

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, 2013 and 2012

Exhibit 7

	2013	2012
<b>OPERATING REVENUES</b>		
Sewer service charges	\$ 22,506,309	\$ 22,293,095
Sewer permit and origin fees	1,001,640	655,380
Late fees	337,887	336,024
Miscellaneous revenues	64,574	84,688
<b>Total Operating Revenues</b>	<b>23,910,410</b>	<b>23,369,187</b>
<b>OPERATING EXPENSES</b>		
Administrative	3,102,570	3,013,579
Plant operations	4,871,195	4,761,580
System operations	5,088,602	5,019,063
Depreciation	7,960,305	8,310,606
<b>Total Operating Expenses</b>	<b>21,022,672</b>	<b>21,104,828</b>
<b>Net Operating Income</b>	<b>2,887,738</b>	<b>2,264,359</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest on investments	70,929	58,370
Interest expense	(1,018,144)	(1,214,943)
Amortization of deferred loan costs	(53,328)	(67,957)
Gain (loss) on disposal of assets	13,157	(396,486)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(987,386)</b>	<b>(1,621,016)</b>
<b>Income Before Capital Contributions</b>	<b>1,900,352</b>	<b>643,343</b>
<b>CAPITAL CONTRIBUTIONS</b>		
<b>INCREASE IN NET POSITION</b>	<b>\$ 2,447,093</b>	<b>\$ 706,363</b>

See independent auditors' report.

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# Statistical Section

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## **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.

### **Contents**

### **Page**

#### **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.

Net Position by Component	41
Changes in Net Position	42
Schedule of Revenues and Other Income	43

#### **Revenue Capacity**

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

Sewer User Charge Rates - Last Ten Fiscal Years	44
Top Ten Customers - 2013 Fiscal Year	45
Top Ten Customers - Last Ten Fiscal Years	46
Schedule by Customer Type and Usage - Last Ten Fiscal Years	47
Property Tax Rates Direct and Overlapping Governments	48
Computation of Direct and Overlapping Debt GO Bonds	49
Assessed & Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	50

#### **Debt Capacity**

These schedules present the District’s current level of outstanding debt and assess the current affordability of the debt and the Sewer District’s ability to issue additional debt in the future.

Statement of Bonded Debt Limit	51
Sewer Fund Combined Debt Schedule	52
Schedule of Revenue Bond Coverage	53

#### **Demographic and Economic Information**

These schedules present the demographic and economic indicators for the Sewer District.

Demographic and Economic Statistics	54
Principal Employers	55
Budgeted Full-Time Equivalent Positions by Division	56

#### **Operating Information**

These schedules present Sewer District service and infrastructure data.

Operating Performance Measures	57
Schedule of Operation and Maintenance Expenses	58
Capital Assets Statistics	59

**North Charleston Sewer District, North Charleston, SC**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010**	2011	2012	2013
<b>Net Position</b>										
Invested in capital assets, net of related debt	\$28,268,732	\$31,496,799	\$37,477,992	\$46,269,669	\$63,997,998	\$74,730,013	\$74,393,348	\$72,979,022	\$72,772,002	\$72,901,787
Restricted for debt service	355,078	366,241	388,072	417,449	2,750,921	2,361,494	3,005,973	3,179,306	0	0
Unrestricted	40,696,394	43,214,574	44,863,018	43,658,377	29,429,265	24,232,082	25,074,943	26,860,870	30,953,559	33,270,867
<b>Total Net Position</b>	<b>\$69,320,204</b>	<b>\$75,077,614</b>	<b>\$82,729,082</b>	<b>\$90,345,495</b>	<b>\$96,178,184</b>	<b>\$101,323,589</b>	<b>\$102,474,264</b>	<b>\$103,019,198</b>	<b>\$103,725,561</b>	<b>\$106,172,654</b>

\*\* restated

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Operating Revenues:</b>										
Sewer Service Charges	\$20,754,742	\$20,729,749	\$21,743,233	\$22,072,093	\$21,534,767	\$21,237,948	\$21,573,710	\$21,859,275	\$22,293,095	\$22,506,309
Sewer Permit & Origin Fees	1,527,492	1,257,037	1,943,332	1,812,260	1,833,144	862,382	1,028,725	761,856	655,380	1,001,640
Late Fees	295,489	311,945	304,402	302,057	306,144	340,750	334,582	337,279	336,024	337,887
Miscellaneous Revenues	52,970	53,483	93,581	57,381	44,263	58,984	76,365	69,508	84,688	64,574
<b>Total Operating Revenues</b>	<b>\$22,630,693</b>	<b>\$22,352,214</b>	<b>\$24,084,548</b>	<b>\$24,243,791</b>	<b>\$23,718,318</b>	<b>\$22,500,064</b>	<b>\$23,013,382</b>	<b>\$23,027,918</b>	<b>\$23,369,187</b>	<b>\$23,910,410</b>
<b>Operating Expenses:</b>										
Administrative	\$2,324,931	\$2,447,385	\$2,563,430	\$2,648,001	\$2,800,600	\$3,084,303	\$3,108,501	\$3,100,584	\$3,013,579	\$3,102,570
Plant Operations	3,846,789	4,135,319	4,170,691	4,440,200	4,755,365	4,608,687	4,515,427	4,737,361	4,761,580	4,871,195
System Operations	<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>	<u>4,833,051</u>	<u>4,901,382</u>	<u>5,019,063</u>	<u>5,088,602</u>
Total Operating Expenses before Depreciation	\$9,676,648	\$10,328,409	\$10,960,534	\$11,508,681	\$12,622,196	\$13,049,389	\$12,456,979	\$12,739,327	\$12,794,222	\$13,062,367
Depreciation	4,458,018	4,586,947	4,740,799	5,257,282	6,069,495	7,073,466	8,096,412	8,169,163	8,310,606	7,960,305
<b>Total Operating Expenses</b>	<b>\$14,134,666</b>	<b>\$14,915,356</b>	<b>\$15,701,333</b>	<b>\$16,765,963</b>	<b>\$18,691,691</b>	<b>\$20,122,855</b>	<b>\$20,553,391</b>	<b>\$20,908,490</b>	<b>\$21,104,828</b>	<b>\$21,022,672</b>
<b>Operating Income</b>	<b><u>\$8,496,027</u></b>	<b><u>\$7,436,858</u></b>	<b><u>\$8,383,215</u></b>	<b><u>\$7,477,828</u></b>	<b><u>\$5,026,627</u></b>	<b><u>\$2,377,209</u></b>	<b><u>\$2,459,991</u></b>	<b><u>\$2,119,428</u></b>	<b><u>\$2,264,359</u></b>	<b><u>\$2,887,738</u></b>
<b>Non Operating Revenues (Expenses):</b>										
Interest Income	\$539,681	\$819,123	\$1,518,470	\$2,082,153	\$1,517,856	\$493,214	\$226,566	\$136,463	\$58,370	\$70,929
Gain on Disposal of Assets	11,321	0	7,809	12,097	58,424	0	0	0	0	13,157
Grants/Capital/Non-Exchange/Other	476,627	66,784	91,373	168,936	1,248,993	4,253,617	1,769	9,922	63,020	546,741
Interest Expense	(2,681,105)	(2,507,458)	(2,293,446)	(2,078,370)	(1,972,980)	(1,827,284)	(1,676,817)	(1,516,481)	(1,214,943)	(1,018,144)
Amortization of Deferred Loan Costs	(57,897)	(57,897)	(55,953)	(46,231)	(46,231)	(46,231)	(58,502)	(58,502)	(67,957)	(53,328)
Loss on Disposal of Assets	0	0	0	0	0	(105,120)	(47,820)	(145,896)	(396,486)	0
<b>Net Non-Operating Revenues (Expenses)</b>	<b><u>(\$1,711,373)</u></b>	<b><u>(\$1,679,448)</u></b>	<b><u>(\$731,747)</u></b>	<b><u>\$138,585</u></b>	<b><u>\$806,062</u></b>	<b><u>\$2,768,196</u></b>	<b><u>(\$1,554,804)</u></b>	<b><u>(\$1,574,494)</u></b>	<b><u>(\$1,557,996)</u></b>	<b><u>(\$440,645)</u></b>
<b>Increase in net position</b>	<b><u>\$6,784,654</u></b>	<b><u>\$5,757,410</u></b>	<b><u>\$7,651,468</u></b>	<b><u>\$7,616,413</u></b>	<b><u>\$5,832,689</u></b>	<b><u>\$5,145,405</u></b>	<b><u>\$905,187</u></b>	<b><u>\$544,934</u></b>	<b><u>\$706,363</u></b>	<b><u>\$2,447,093</u></b>



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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Operating Revenues:</b>										
Sewer Service Charges	20,754,742	20,729,749	21,743,233	22,072,093	21,534,767	21,237,948	21,573,710	21,859,275	22,293,095	22,506,309
Sewer Permit & Origin Fees	1,527,492	1,257,037	1,943,332	1,812,260	1,833,144	862,382	1,028,725	761,856	655,380	1,001,640
Late Fees	295,489	311,945	304,402	302,057	306,144	340,750	334,582	337,279	336,024	337,887
Miscellaneous Revenues	52,970	53,483	93,581	57,381	44,263	58,984	76,365	69,508	84,688	64,574
<b>Total Operating Revenues</b>	<b>\$22,630,693</b>	<b>\$22,352,214</b>	<b>\$24,084,548</b>	<b>\$24,243,791</b>	<b>\$23,718,318</b>	<b>\$22,500,064</b>	<b>\$23,013,382</b>	<b>\$23,027,918</b>	<b>\$23,369,187</b>	<b>\$23,910,410</b>
<b>Non Operating Revenues</b>										
Interest Income	\$539,681	\$819,123	\$1,518,470	\$2,082,153	\$1,517,856	\$493,214	\$226,566	\$136,463	\$58,370	\$70,929
Gain on Disposal of Assets	11,321	0	7,809	12,097	58,424	0	0	0	0	13,157
Grants/Other/Non-Exchange	476,627	66,784	91,373	168,936	1,248,993	4,253,617	1,769	9,922	63,020	546,741
<b>Total Non Operating Revenues</b>	<b>\$1,027,629</b>	<b>\$885,907</b>	<b>\$1,617,652</b>	<b>\$2,263,186</b>	<b>\$2,825,273</b>	<b>\$4,746,831</b>	<b>\$228,335</b>	<b>\$146,385</b>	<b>\$121,390</b>	<b>\$630,827</b>
<b>Total Revenues</b>	<b>\$23,658,322</b>	<b>\$23,238,121</b>	<b>\$25,702,200</b>	<b>\$26,506,977</b>	<b>\$26,543,591</b>	<b>\$27,246,895</b>	<b>\$23,241,717</b>	<b>\$23,174,303</b>	<b>\$23,490,577</b>	<b>\$24,541,237</b>

Source: District audits and accounting records

Table 4

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

<b>Water Meters</b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Minimum Charge (includes first 3ccf)/month	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	22.37
Base Charge/month (no volume included)	9.79	9.79	9.79	9.79	9.79	9.79	9.85	9.85	9.85	9.95
Use Volume Charge per 1 ccf	3.37	3.37	3.37	3.37	3.47	3.61	3.83	4.06	4.06	4.14
Total Monthly Charge for Residential Customer using 10ccfs (7,500 gals)/month	43.49	43.49	43.49	43.49	44.49	45.89	48.15	50.45	50.45	51.35
Average Monthly Charge Change	0.00%	0.00%	0.00%	0.00%	2.30%	3.15%	4.92%	4.78%	0.00%	1.78%
<b>Sewer Meters</b>										
Minimum Charge (includes first 3ccf)/month	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	23.60
Base Charge/month (no volume included)	9.79	9.79	9.79	9.79	9.79	9.79	9.85	9.85	9.85	9.95
Use Volume Charge per 1 ccf	3.63	3.63	3.63	3.63	3.76	3.91	4.21	4.47	4.47	4.55
Total Monthly Charge for 10 ccfs (7,500 gals)	46.09	46.09	46.09	46.09	47.39	48.89	51.95	54.55	54.55	55.45
Average Monthly Charge Change	0.00%	0.00%	0.00%	0.00%	2.82%	3.17%	6.26%	5.00%	0.00%	1.65%

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 (2007-2014) 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.

**North Charleston Sewer District, North Charleston, SC**  
**Top Ten Customers**  
**Total Amount Billed**  
 June 30, 2013  
 (Unaudited)

Customer	Type of Business	Usage Charges	Surcharge Charges	Pretreatment Permit	Other * Charges	Total Amount Billed	Percentage of Total Revenues
Charleston Air Force Base	Military	\$551,301	\$0	\$33,550	\$0	\$584,851	2.38%
Berkeley County Water & Sewer	Water & Sewer Utility	395,656	0	0	0	395,656	1.61%
Rhodia, Inc. (Albright & Wilson)	Chemical Manufacturer	255,206	49,052	41,175	0	345,433	1.41%
Boeing	Aerospace	317,194	0	11,477	0	328,671	1.34%
Borden Dairy	Dairy	184,180	89,232	14,640	0	288,052	1.17%
Alsco	Uniform Rental	108,753	42,574	13,420	0	164,747	0.67%
Charleston Southern University	Education	155,709		0	699	156,408	0.64%
Leeds Park Assc. (G & I III)	Property Management	121,296	7,321	7,320	489	136,426	0.56%
Kapstone (Mead/Westvaco Corp)	Paper Products	132,319	0	0	239	132,558	0.54%
Trident Regional Hospital	Hospital	104,963	0	12,200	0	117,163	0.48%
<b>Total By Revenue Source</b>		<b>2,326,577</b>	<b>188,179</b>	<b>133,782</b>	<b>1,427</b>	<b>2,649,965</b>	<b>10.80%</b>

\*Includes late fees

**Total Consumption Billed**  
 In Hundred Cubic Feet (CCF)

Customer	Type of Business	Fiscal Year Consumption CCF	Percentage of Total Billable Consumption	Usage Charges
Charleston Air Force Base	Military	240,262	5.22%	\$551,301
Berkeley County Water & Sewer	Water & Sewer Utility	107,107	2.33%	\$395,656
Rhodia, Inc. (Albright & Wilson)	Chemical Manufacturer	57,014	1.24%	\$255,206
Boeing	Aerospace	78,098	1.70%	\$317,194
Borden Dairy	Dairy	41,177	0.89%	\$184,180
Alsco	Uniform Rental	24,303	0.53%	\$108,753
Charleston Southern University	Education	34,808	0.76%	\$155,709
Leeds Park Assc. (G & I III)	Property Management	27,109	0.59%	\$121,296
Kapstone (Mead/Westvaco Corp)	Paper Products	29,575	0.64%	\$132,319
Trident Regional Hospital	Hospital	23,455	0.51%	\$104,963
<b>Total</b>		<b>662,908</b>	<b>14.40%</b>	<b>\$2,326,577</b>

Source: District billing records.

**North Charleston Sewer District, North Charleston, SC**

Table 6

**Top Ten Customers  
Total Amount Billed  
Last Ten Fiscal Years  
(Unaudited)**

<b>Customer</b>	<b>\$ 2004</b>	<b>\$ 2005</b>	<b>\$ 2006</b>	<b>\$ 2007</b>	<b>\$ 2008</b>	<b>\$ 2009</b>	<b>\$ 2010</b>	<b>\$ 2011</b>	<b>\$ 2012</b>	<b>\$ 2013</b>
Alsco					\$174,418	\$143,614	\$108,378	\$139,156	\$134,785	\$164,747
Berkeley County Water & Sewer	\$205,794	\$229,473	\$241,432	\$250,906	\$223,932	\$239,905	\$356,111	\$350,322	\$349,658	\$395,656
Charleston Air Force Base	511,426	676,192	631,622	671,569	\$571,312	\$859,946	\$747,049	\$722,732	\$466,782	\$584,852
Charleston Naval Weapons/Joint Base	172,335	142,031	138,044	136,203	\$119,175	\$134,426	\$177,341	\$135,831		
Charleston Southern University						\$135,034	\$149,912	\$179,875	\$154,571	\$156,409
Coburg Dairy /Borden	494,940	300,745	403,783	441,408	\$362,974	\$339,337	\$327,874	\$496,320	\$497,214	\$288,053
Cummins Engine										
Leeds Park Assc '08(G & I III)			107,283	146,532	\$146,964	\$172,768	\$193,649	\$214,533	\$202,107	\$136,426
Dorchester County Water & Sewer	1,415,015	1,490,678	1,790,544	1,700,663	\$1,767,425	\$1,182,869	\$1,154,896			
Kapstone (Mead/Westvaco Corp)	181,505	128,103	120,412	152,215	\$153,064	\$155,845	\$175,007	\$288,408	\$221,143	\$132,558
National Linen Service	110,841	112,712								
Redevelopment Authority	865,769	903,356	1,085,569	832,149	\$663,613					
Rhodia, Inc. (Albright & Wilson)	513,470	595,578	559,306	445,134	\$419,661	\$380,866	\$322,692	\$264,021	\$306,085	\$345,433
Trident Regional Hospital	132,736	124,212	119,309	114,801				\$112,968	\$136,043	\$117,163
Boeing									\$371,396	\$328,671

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

<b>Customer</b>	<b>CCFs 2004</b>	<b>CCFs 2005</b>	<b>CCFs 2006</b>	<b>CCFs 2007</b>	<b>CCFs 2008</b>	<b>CCFs 2009</b>	<b>CCFs 2010</b>	<b>CCFs 2011</b>	<b>CCFs 2012</b>	<b>CCFs 2013</b>
Alsco					34,000	26,136	16,100	20,367	38,940	24,303
Berkeley County Water & Sewer	103,275	105,048	96,939	108,791	90,857	89,067	125,997	110,863	101,601	107,107
Charleston Air Force Base	395,926	394,952	371,135	365,919	320,309	320,154	293,027	215,994	169,791	240,262
Charleston Naval Weapons/Joint Base	47,162	38,948	37,678	37,359	32,798	35,692	45,173	32,217		
Charleston Southern University						35,914	38,355	42,855	34,556	34,808
Coburg Dairy	37,392	35,924	41,085	40,852	43,556	38,896	36,490	51,231	42,193	41,177
Cummins Engine										
Leeds Park Assc. '08 (G & I III)			26,824	36,087	35,821	43,616	45,866	48,833	43,298	27,109
Dorchester County Water & Sewer	654,610	644,011	696,040	676,327	692,946	393,418	381,484			
Kapstone (Mead/Westvaco Corp)	49,969	35,174	33,032	41,668	42,134	40,810	44,482	68,741	49,453	29,575
National Linen Service	22,712	22,804								
Redevelopment Authority	455,529	475,394	451,053	368,265	273,829					
Rhodia, Inc ( Albright & Wilson)	64,158	82,509	75,080	56,953	69,562	60,790	52,750	42,546	49,111	57,014
Trident Regional Hospital	33,609	31,274	29,978	28,423				23,937	27,895	23,455
Boeing									89,182	78,098

Table 7

**North Charleston Sewer District, North Charleston, SC  
Schedule by Customer Type and Usage  
Last Ten Fiscal Years**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Number of Customers*</b>										
Residential/Business	25,137	25,512	26,320	27,293	27,471	27,602	27,626	27,823	27,914	28,453
Industrial	33	34	35	37	34	44	39	39	41	41
Wholesale	3	3	3	3	3	2	2	1	1	1
Military	2	2	2	2	2	2	2	2	2	2
<b>Total</b>	25,175	25,551	26,360	27,335	27,510	27,650	27,669	27,865	27,958	28,497
<b>Volume of Wastewater CCFs</b>										
Residential/Business	3,763,334	3,706,304	3,784,985	3,955,495	3,926,198	4,018,555	3,949,564	3,854,848	3,739,235	3,712,645
Industrial	291,716	310,536	278,601	301,262	310,095	335,536	341,656	465,448	482,420	529,992
Wholesale	1,213,414	1,230,290	1,244,033	1,153,382	1,061,484	482,485	507,481	110,863	101,601	107,107
Military	443,088	433,900	408,814	403,279	323,043	355,846	340,000	251,070	196,756	262,513
<b>Total</b>	5,711,552	5,681,030	5,716,433	5,813,418	5,620,820	5,192,422	5,138,701	4,682,229	4,520,013	4,612,257

Source: District accounting office.

**North Charleston Sewer District, North Charleston, SC**  
**Property Tax Rates\*(a)**  
**Direct and Overlapping Governments**  
(Millage Rates Per Thousand)  
Last Ten Years  
(Unaudited)

Table 8

<b>Fiscal Year</b>	<b>North Charleston Sewer District (b)</b>	<b>Charleston County ©</b>	<b>School District ©</b>	<b>City of North Charleston ©</b>	<b>Other Tax Entities ©</b>	<b>Totals</b>
2003	0	61.2	109.7	92.8	9.3	273.0
2004	0	61.2	117.2	98.8	9.3	286.5
2005	0	61.2	121.4	102.8	9.3	294.7
2006	0	46.8	106.9	93.8	7.6	255.1
2007	0	46.8	106.4	92.8	7.6	253.6
2008	0	46.8	113.6	92.8	7.6	260.8
2009	0	46.8	122.6	92.8	7.6	269.8
2010	0	46.8	126.6	92.8	7.6	273.8
2011	0	46.8	126.6	92.8	7.6	273.8
2012	0	45.2	126.5	90.0	7.8	269.5
2013	0	46.0	126.5	94.0	7.8	274.3

Notes and Source:

\* The North Charleston Sewer District has several municipalities within its boundaries. This chart is applicable to 90% of the District's assessed properties.

(a) Charleston County Auditor's Office

(b) North Charleston Sewer District is currently paying all general obligation debt with sewer revenues.

The last tax levy by the North Charleston Sewer District was imposed in tax year 1981.

(c) Millage given is the total of operational millage and debt service millage.

**North Charleston Sewer District, North Charleston, SC**  
**Computation of Direct and Overlapping Debt**  
**General Obligation Bonds**

June 30, 2013  
(Unaudited)

<u>Jurisdiction</u>	<b>Net General Obligation Bonded Debt Outstanding</b>	<b>Percentage Applicable to NCSD</b>	<b>Amount Applicable to NCSD</b>
<b>Direct:</b>			
North Charleston Sewer District	16,245,000	100%	16,245,000
<b>Overlapping:</b>			
City of Charleston	52,035,000	2%	1,040,700
City of North Charleston	25,920,000	85%	22,032,000
Charleston County	540,345,000	98%	529,538,100
Charleston County Schools	260,135,000	98%	254,932,300
Charleston County Parks & Recreation Department	38,275,000	98%	37,509,500
Total	932,955,000		861,297,600

## Sources

North Charleston Sewer District  
City of North Charleston  
South Carolina Municipal Council

Table 10

**North Charleston Sewer District, North Charleston, SC**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
(Unaudited)

Fiscal Year Ended <u>30-Jun</u>	Real Property		Personal Property		Total		Ratio of Total Assessed to Total <u>Actual Value</u>
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2003	158,289,260	3,165,785,200	135,414,060	1,317,518,264	293,703,320	4,483,303,464	6.55%
2004	162,236,160	3,244,723,200	107,449,999	1,080,197,386	269,686,159	4,324,920,586	6.24%
2005	162,800,039	3,052,004,241	133,408,766	1,356,179,551	296,208,805	4,408,183,792	6.72%
2006	235,940,420	4,379,500,800	116,848,193	1,189,271,492	352,788,613	5,568,772,292	6.34%
2007	239,560,132	4,427,923,374	121,525,701	1,345,148,152	361,085,833	5,773,071,526	6.25%
2008	261,505,818	4,726,160,710	128,507,100	1,454,858,581	390,012,918	6,181,019,291	6.31%
2009	289,234,651	5,222,866,165	139,661,959	1,606,958,467	428,896,610	6,829,824,632	6.28%
2010	304,855,749	5,488,659,868	142,207,741	1,620,450,421	447,063,490	7,109,110,289	6.29%
2011	303,442,106	5,475,812,087	143,072,976	1,628,276,192	446,515,082	7,104,088,279	6.29%
2012	326,493,340	5,938,392,917	180,577,298	1,905,926,445	507,070,638	7,844,319,362	6.46%
2013**							

\*\* County Auditor unable to supply information at this time.



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

(Unaudited)

Calendar Year 2012 assessed valuation as determined by Charleston County Auditor's Office	\$	507,070,638
Statutory debt limit rate - Article X of S.C. Constitution		8%
Statutory Debt Limit		40,565,651
Less: General obligation indebtedness as of June 30, 2013		<u>(16,245,000)</u>
Legal Debt Margin	\$	<u><u>24,320,651</u></u>

Source: Charleston County Auditor's Office

**North Charleston Sewer District, North Charleston, SC**  
**Schedule of Combined Debt**  
**Accrual basis**  
(Unaudited)

Table 12

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Revenue Bonds	\$42,087,000	\$39,908,000	\$37,633,000	\$35,568,000	\$33,398,000	\$31,094,000	\$28,714,000	\$26,178,000	\$21,975,000	\$19,130,000
General Obligation Bonds	4,070,000	2,080,000	-	-	-	-	-	-	16,945,000	16,245,000
<b>Combined</b>	<b>\$46,157,000</b>	<b>\$41,988,000</b>	<b>\$37,633,000</b>	<b>\$35,568,000</b>	<b>\$33,398,000</b>	<b>\$31,094,000</b>	<b>\$28,714,000</b>	<b>\$26,178,000</b>	<b>\$38,920,000</b>	<b>\$35,375,000</b>
% of Personal Income	0.27%	0.22%	0.19%	0.16%	0.16%	0.13%	0.12%	0.11%	0.16%	0.14%
Per Capita	556.11	486.46	432.56	397.20	365.32	340.12	294.59	268.57	399.30	362.93

**North Charleston Sewer District, North Charleston, SC**  
**Schedule of Revenue Bond Coverage**  
**Last Ten Fiscal Years**  
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenues	\$22,630,693	\$22,352,214	\$24,084,548	\$24,243,791	\$23,718,318	\$22,500,064	\$23,013,382	\$23,027,918	\$23,369,187	\$23,910,410
Interest Income	539,681	819,123	1,518,470	2,082,153	1,517,856	493,214	226,566	136,463	58,370	70,929
Gain on Sale of Assets	11,321	0	7,809	12,097	58,424	0	0	0	0	13,157
Gross Revenues	\$23,181,695	\$23,171,337	\$25,610,827	\$26,338,041	\$25,294,598	\$22,993,278	\$23,239,948	\$23,164,381	\$23,427,557	\$23,994,496
Less: Operation and Maintenance Expenses *	9,676,648	10,328,409	10,960,534	11,508,681	12,622,196	13,049,389	12,456,979	12,739,327	12,794,222	13,062,367
<b>Amount Available for Debt Service</b>	<b>13,505,047</b>	<b>12,842,928</b>	<b>14,650,293</b>	<b>14,829,360</b>	<b>12,672,402</b>	<b>9,943,889</b>	<b>10,782,969</b>	<b>10,425,054</b>	<b>10,633,335</b>	<b>10,932,129</b>
Debt Service on Prior Lien & Revenue Bonds	4,318,848	4,377,418	4,361,838	4,050,852	4,049,708	4,037,207	3,961,882	3,956,630	3,869,410	3,555,750
Debt Coverage Ratio on Prior Lien and Revenue Bonds	3.13	2.93	3.36	3.66	3.13	2.46	2.72	2.63	2.75	3.07
Debt Service on General Obligation Bonds	2,129,015	2,123,175	2,124,200	0	0	0	0	0	290,857	1,241,213
Balance Available	\$7,057,184	\$6,342,335	\$8,164,255	\$10,778,508	\$8,622,694	\$5,906,682	\$6,821,087	\$6,468,424	\$6,473,068	\$6,135,166

\* Does not include depreciation

**North Charleston Sewer District, North Charleston, SC**  
**Demographic and Economic Statistics**  
For the City of North Charleston\*  
(Unaudited)

Table 14

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)
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	20,432,412	36,635	36.8	20,560	5.2%
2009	91,421	23,297,316	35,544	34.9	21,661	10.2%
2010	97,471	24,193,347	36,232	35.9	29,812	9.3%
2011	97,471	24,218,184	36,221	35.9	29,954	8.4%
2012	97,471	24,445,967	37,685	36	30,142	8.1%
2013	**	**	**	**	**	7.3%

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
- (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**

Table 15

**Principal Employers**

Current Year and Seven Years Ago

(Unaudited)

Employer	2013 (1)			2006 (2)*		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Boeing Commercial Airplanes	6,000	1	1.95%			
Trident Medical Center	2,500	2	0.81%	1800	2	1.36%
Charleston County -Executive Offices	2,100	3	0.68%	1900	1	1.44%
SAIC, Inc.	1,800	4	0.58%			
KapStone (Mead Westavaco Corporation)	1,405	5	0.46%	900	4	0.68%
Scientific Research Corporation SRC	1,371	6	0.44%	400	9	0.30%
Verizon Wireless	1,200	7	0.39%	700	6	0.53%
City of North Charleston	1,000	8	0.32%	850	5	0.64%
Detyens Shipyards	800	9	0.26%			
Trident Technical College	735	10	0.24%			
US Postal Service	**			1200	3	0.91%
Global Aeronautica				645	7	0.49%
American LaFrance				600	8	0.45%
Behr Heat Transfer Systems, Inc	375		0.12%	400	10	0.30%

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.

\* Ten years ago is not available

\*\* Data not available for North Charleston locations only

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

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

Table 16

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	6	6	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	0	0
Accounting	5	5	5	5	5	5	5	5	6	7
Information Technology	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2
Purchasing	4	4	4	4	4	4	4	4	4	4
<b>Administration</b>	<b>18.75</b>	<b>18.75</b>	<b>18.75</b>	<b>18.75</b>	<b>18.75</b>	<b>18.75</b>	<b>18.75</b>	<b>18.75</b>	<b>16.00</b>	<b>19.00</b>
Plant Administration	4	3	3	3	3	3	3	3	3	3
Plant Operations	22	22	22	22	22	22	18	18	18	18
Quality Control	4	4	4	4	4	4	4	4	4	4
Plant Maintenance	14	9	10	10	11	11	9	9	9	8
Pretreatment	2	2	2	2	2	2	2	2	2	2
<b>Plant</b>	<b>46.00</b>	<b>40.00</b>	<b>41.00</b>	<b>41.00</b>	<b>42.00</b>	<b>42.00</b>	<b>36.00</b>	<b>36.00</b>	<b>36.00</b>	<b>35.00</b>
System Administration	4	4	5	5	5	4	4	4	4	0
Systems Maintenance	9	15	16	16	16	15	12	12	12	12
Vehicle Shop	4	4	4	5	5	5	5	5	5	5
Buildings & Grounds	7	7	8	8	8	8	7	7	7	7
<b>Systems</b>	<b>24.00</b>	<b>30.00</b>	<b>33.00</b>	<b>34.00</b>	<b>34.00</b>	<b>32.00</b>	<b>28.00</b>	<b>28.00</b>	<b>28.00</b>	<b>24.00</b>
Capital projects	5	5	5	5	7	4	4	4	4	6
Lines	26	26	25	24	24	24	22	22	22	22
<b>Capital projects</b>	<b>31.00</b>	<b>31.00</b>	<b>30.00</b>	<b>29.00</b>	<b>31.00</b>	<b>28.00</b>	<b>26.00</b>	<b>26.00</b>	<b>26.00</b>	<b>28.00</b>
<b>Total</b>	<b>119.75</b>	<b>119.75</b>	<b>122.75</b>	<b>122.75</b>	<b>125.75</b>	<b>120.75</b>	<b>108.75</b>	<b>108.75</b>	<b>106.00</b>	<b>106.00</b>

Note: During 2005 - 2013 there were several department name changes, maintenance departments reorganized, and the operation's department changed shift hours and schedules.

\*\* The District reorganized for the fiscal 2014 year. The most notable changes include: transferring certain positions between departments, moving Engineering and Lines departments to the newly created Capital Projects Division, renaming the Engineering department to Capital Projects and creating a separate IT department.

n/a - not applicable, Information Technology department was created in fiscal year 2014

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

<i>Performance Measure</i>	(Unaudited)									
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
<b>Number of Customer Service Calls/Complaints</b>	<b>1,259</b>	<b>1,286</b>	<b>1,256</b>	<b>1,310</b>	<b>1,316</b>	<b>1,240</b>	<b>1,187</b>	<b>1,071</b>	<b>1,085</b>	<b>1,351</b>
<b>Number of NPDES Permit Violations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>0</b>
<b>Sanitary Sewer Overflow (SSO) Causes *</b>										
Number of Wet Weather Related Overflows	6	6	0	0	0	14	1	1	2	2
Number of Vandalism/Accident-Related Overflows	0	1	0	0	0	1	0	0	2	0
Number of Blockages *	11	5	3	1	4	2	1	0	2	2
Number of Cave-Ins *	1	1	0	0	2	0	3	1	0	0
Number of Pump Station Failures *	1	0	2	0	1	2	3	0	1	2
<b>Total Number of SSOs*</b>	<b>8</b>	<b>14</b>	<b>9</b>	<b>1</b>	<b>7</b>	<b>19</b>	<b>8</b>	<b>2</b>	<b>7</b>	<b>6</b>
<b>Average Daily Influent Flows (MGD)</b>	<b>13.68</b>	<b>12.55</b>	<b>12.1</b>	<b>12.4</b>	<b>13.22</b>	<b>13.58</b>	<b>14.93</b>	<b>12.39</b>	<b>11.2</b>	<b>14.2</b>
<b>Peak Flow Factor at Treatment Plant</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>1.4</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>
<b>Monthly Average Treatment Plant Flow Rate (gpcd)</b>	<b>120</b>	<b>151</b>	<b>105</b>	<b>155</b>	<b>143</b>	<b>142</b>	<b>158</b>	<b>107</b>	<b>97</b>	<b>123</b>
<b>Monthly Peak Treatment Plant Flow Rate (gpcd)</b>	<b>179</b>	<b>244</b>	<b>158</b>	<b>197</b>	<b>262</b>	<b>223</b>	<b>231</b>	<b>155</b>	<b>133</b>	<b>199</b>
<b>Number of By-Passes at Treatment Plant</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Volume of Treatment Plant By-Passes (gallons)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>WWTP Monthly Average Influent BOD (mg/l)</b>	<b>243</b>	<b>253</b>	<b>221</b>	<b>241</b>	<b>184</b>	<b>163</b>	<b>144</b>	<b>177</b>	<b>193</b>	<b>142</b>
<b>Sewer Sales for Fiscal Year (MGD)</b>	<b>11.70</b>	<b>11.62</b>	<b>11.71</b>	<b>11.91</b>	<b>11.52</b>	<b>10.64</b>	<b>10.76</b>	<b>9.60</b>	<b>9.26</b>	<b>9.45</b>

\* 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)

<b>Expense</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Compensation	\$4,056,555	\$4,163,904	\$4,224,323	\$4,481,676	\$4,717,527	\$5,295,322	\$5,213,664	\$5,185,488	\$5,091,401	\$5,075,723
Benefits	1,830,897	1,887,576	1,883,409	1,941,082	2,058,453	2,279,285	2,133,300	2,343,606	2,501,092	2,641,619
Incentives	9,207	11,336	12,137	12,453	15,612	10,068	12,147	8,480	9,505	12,712
Utilities	870,703	926,101	1,091,939	1,170,446	1,187,230	1,346,454	1,501,616	1,378,988	1,459,063	1,457,847
Insurances	141,541	194,602	210,802	233,308	197,444	237,630	241,248	229,876	224,971	230,673
Engineering	109,376	131,982	183,584	117,024	237,168	174,848	88,763	124,362	60,676	72,346
Legal	51,001	47,582	51,460	61,047	30,676	38,306	43,262	57,270	36,097	56,125
Financial	47,577	46,973	49,780	60,158	48,029	50,842	50,100	46,500	45,789	36,926
Other Contractual	162,154	160,354	250,604	536,754	286,190	474,766	109,463	147,939	202,517	296,770
Billing Agent	478,216	491,512	502,598	513,738	657,991	658,084	665,442	438,842	683,808	696,954
Bad Debt Expense	102,746	136,013	162,897	102,444	145,406	202,700	238,538	227,560	184,719	170,662
Office Expense	160,095	153,365	189,780	198,176	174,916	180,545	177,829	435,267	236,236	225,772
Training/Travel	45,402	66,049	64,301	63,027	74,009	58,056	49,838	46,525	50,082	46,822
Safety	62,199	64,433	56,558	71,571	72,287	61,043	55,907	52,878	62,903	60,682
Communications	7,991	6,715	11,817	45,193	53,584	63,689	65,096	58,610	61,713	55,153
Facility Upkeep	677,523	796,966	809,156	783,913	1,114,739	744,303	749,161	857,150	751,634	658,346
Disposal Fees	189,660	186,217	191,057	170,620	334,693	148,895	140,946	155,172	133,096	299,588
Vehicular	84,609	92,686	95,975	95,219	117,072	72,066	76,313	64,667	99,523	131,773
Fuel	113,770	221,596	260,629	237,459	302,389	263,831	263,634	295,499	321,928	229,536
Departmental	475,426	542,447	657,728	613,373	796,781	688,656	580,712	584,648	577,471	606,338
<b>Total</b>	<b>\$9,676,648</b>	<b>\$10,328,409</b>	<b>\$10,960,534</b>	<b>\$11,508,681</b>	<b>\$12,622,196</b>	<b>\$13,049,389</b>	<b>\$12,456,979</b>	<b>\$12,739,327</b>	<b>\$12,794,224</b>	<b>\$13,062,367</b>

Source: District accounting records.



**North Charleston Sewer District, North Charleston, SC**  
**Capital Assets Statistics**  
**Last Ten Years Fiscal Years**  
(Unaudited)

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Service Area in square miles	56.9	59.3	59.3	59.3	59.3	59.3	59.3	59.3	59.3	59.3
Miles of Sewer Lines*	419	419	427	436	443	445	447	448	475	480
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	49	52	52	52	58	59	59	59	60
Fleet										
Vehicles	58	55	53	48	50	50	49	50	50	51
Specialty	25	25	26	26	24	24	25	24	23	22

Source: District Engineering Department and District insurance policies.