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First Vice Chairman

Clifford E. Johnson
Second Vice Chairman

Karen M. Hollinshead
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Josie Crosby
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(Deceased 10/13/2009)

George Gomes
Commissioner

Eugene Myers
Commissioner

Sylderrial Pryor
Commissioner



Message from the District Manager

The North Charleston Sewer District is pleased to present our financial and operation report. The report gives a brief overview of our operation for the past year, information on our financial health, and our capital improvements. In an effort to reduce expenses where we can, the annual report will only be available for viewing on our web site, thus eliminating the costs of printing and distribution. During fiscal year 2009, the District was affected by the economic recession which decreased revenues across the board for a total decrease of 9%. Accordingly, the District reduced costs and froze open positions to offset this loss in revenues. During this economic downturn, the District had planned system and plant improvements as well as trunk line repair emergencies that could not be ignored. To fund the emergency trunk line repairs the District had to divert \$827,295 from planned capital improvements.

Transportation system improvements during the year were:

- The transfer of the navy base sewer system from the Redevelopment Authority.
- Rehabilitation of 20,400 LF of gravity lines.
- Rehabilitation of 7,200 LF of major trunk lines.
- Initial phase of the Popperdam force main rehabilitation.
- The Sumner Avenue engineering redesign was completed.
- Upgrades at the following pump stations were completed: Deerwood, Sunnyside, Centre Point, and Ladson III.

Plant Improvements during the year were:

- Completion of the new primary clarifier.
- Completion of the new aeration tank.
- Completion of the rehabilitation of two existing aeration tanks.
- Installation of new mechanical screens.

The projects at the Plant during fiscal year 2009 completed a three year construction period. These projects increase the plant's capacity and allow the plant to meet stricter permit limit. Due to the slow economy the budget prepared for fiscal year 2010 was a real challenge. The District's main efforts were to contain costs by eliminating or postponing many non-vital functions, yet 2009 capital projects added approximately \$400,000 in depreciation and operating costs. The 2010 volumetric sewer rates increased 4% to meet the additional cost of the new capital assets and to offset the economic recession's impact on revenue sources. To the average residential customer this increase is \$0.84 per month. We appreciate you taking the time to review this report and welcome your comments and suggestions. Do not hesitate to contact us with any question or comments at 843-764-3072.



Jimmy L. Green, District Manager

Kendall Johnson Retires

The District would like to recognize the retirement of Kendall Johnson our Assistant District Manager/Director of Operations. Kendall was a District employee for 15 ½ years and served in the capacity of Assistant District Manager/Director of Operations for 14 ½ of those years.

Kendall's first challenge at the District was to supervise the 1989 construction of the plant expansion that increased the plant capacity from 18 million gallons per day (MGD) to 27 MGD.

During the years as Assistant District Manager, Kendall directed the general operations of the transportation and treatment of wastewater and was very instrumental in the development and construction of capital improvements.

Treatment plant conversions that Kendall was involved with were: a surface aeration system to a diffused air aeration system, a belt and frame press dewatering system to a centrifuge system, a chlorine disinfection system to an ultraviolet disinfection system. Kendall headed up a second plant upgrade/expansion that improves the plant's capability to achieve complete nitrification and increased the plant's capacity by 5 MGD to 32 MDG.

Transportation system improvements that Kendall was involved with were: the standardization and upgrade of pump stations, the installation of emergency generators at all pump stations, the update of the regional 208 plan, the addition of transportation lines and pump stations to support area growth, and the rehabilitation of gravity lines less than 10 inches, major trunk lines, and force mains. Kendall implemented several new operational programs such as: the Capacity, Management, Operation and Maintenance (cMOM) program, the GIS mapping system, the maintenance software module, and the easement/right-of-way program.

Kendall monitored the transition of the National Pollutant Discharge Elimination System (NPDES) permit based on effluent or technology limits, to a permit based upon water quality or Total Maximum Daily Loads (TMDL). As part of this process, Kendall was involved in the review of the 3-dimensional model that is being used to set new permit limits.

Kendall was the District's representative on the Berkeley, Charleston, Dorchester Council of Governments (BCDCOG) Environmental Committee's technical advisory board, which advises the Environmental Committee on the affect that proposed actions may have on water and wastewater in the BCDCOG area.

Kendall's contributions to the District operations were many, as you can see from the accomplishments listed above. The District thanks Kendall for the expertise and energy he brought to the District every day. The District wishes Kendall a well deserved retirement that is long and fulfilling.



Financial and General Information

FINANCIAL INFORMATION - The financial information presented here is designed to present financial information from the annual audit in an understandable and easy-to-read format.

The North Charleston Sewer District operates on a fiscal year that runs from July 1st to June 30th. It is a stand-alone single fund entity that fully funds its operation through user charges. Since the Sewer District provides services primarily to citizens it is considered to be an enterprise fund which accounts for its operations like a private business.

The financial information presented draws from detailed information found in the June 30, 2009 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was audited by an independent auditing firm, receiving an unqualified (or clean) opinion. While the numbers come from an audited source, they are presented in an abridged, un-audited, non-GAAP format in order to be a more user-friendly summary.

GENERAL INFORMATION - North Charleston Sewer District, created by the SC General Assembly Act No. 1768 of 1972, is a special purpose district of the State of South Carolina. It provides sanitary sewer service and industrial pretreatment programs to the residential and commercial customers of the Sewer District. It operates a 27 million-gallons-per-day (MGD) wastewater treatment facility with 536 miles of sewer transportation lines and 58 pump stations throughout the 59.3 square mile service area.

2009-2010 BUDGET - The overall financial condition of the Sewer District is stable as indicated by the increase in net assets over the past year. The dramatic economic downturn in the local economy has affected all local businesses and industries which in turn has and will continue to affect the Sewer District's revenues throughout fiscal year 2010. The pending termination of the Sewer District's largest customer's wholesale contract has required the District to change long term planning.

The current budget, adopted June 22, 2009, includes expenses totaling \$23.1 million a 2.3% decrease over the prior year. Revenues are projected at \$23.7 million which includes a 4% volume rate increase to hold revenues even with the prior year. The following factors were considered in preparing the Sewer District's 2009-2010 budget:

- Sewer service revenues are expected to decrease due to reduced usage by businesses and industries.
- Connection fee revenues are expected to decrease due to slow housing starts.
- Interest rates are projected to be lower
- Depreciation expense will increase due to large construction projects coming on-line.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

North Charleston Sewer District
South Carolina

for the Fiscal Year Ended

June 30, 2008




President
Jeffrey L. Esser
Executive Director

Financial Awards

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

Outstanding Achievement in Popular Annual Financial Reporting for its popular reports for the fiscal years ended June 30, 2001, 2002, 2003, 2005, 2006, 2007 and 2008.

Certificate of Achievement for its annual financial reporting of the fiscal years ended June 30, 2001 through 2008.

Distinguished Budget Presentation for its annual appropriated budget for the past twelve fiscal years, starting July 1997

Balance Sheet

(In thousands)

The Balance Sheet may also be called the Statement of Net Assets.

The Balance Sheet is designed to provide a summary of the Sewer District's financial picture as of the end of the fiscal year. The net assets figure represents the amount owned versus the amount owed.

ASSETS

Cash – Physical cash held in demand deposits, primarily interest bearing, for the purpose of paying expenses.

Investments – Funds not required to pay immediate expenses that are, subject to legal restrictions, invested in a variety of instruments. As of June 30, 2009 funds were invested as follows:

Certificates of Deposits	78%
US Treasury Obligations	22%

Receivables – Amounts due to the District, but not yet paid at June 30, 2009. This is mainly sewer bills.

Other Assets – This is primarily inventory, prepaid expenses and bond costs to be amortized in the future.

Capital Assets – Investment in sewer transportation infrastructure, buildings, treatment plant and other machinery and equipment.

LIABILITIES

Due Employees and Vendors – Amount owed to individuals and companies who have supplied services or products and were not paid at June 30, 2009.

Unearned Revenue - Amounts received prior to the District providing services, therefore, the revenues were unearned at June 30, 2009.

Bonds Payables – Revenue bond principal and interest owed on bonds that were sold to finance sewer system improvements in past years.

	FY 2008	FY 2009
Assets		
Cash & Investments	32,468,348	25,377,526
Receivables	3,077,430	3,333,488
Other Assets	2,438,146	1,119,780
Capital Assets	<u>96,468,715</u>	<u>104,990,808</u>
Total Assets	134,452,639	134,821,602
Liabilities		
Due to employees & Vendors	4,607,796	1,888,773
Unearned Revenues	256,088	481,841
Bonds Payable	<u>33,410,571</u>	<u>31,127,399</u>
Total Liabilities	38,274,455	33,498,013
Net Assets		
Investment in Capital Assets, net of related debt	63,997,998	74,730,013
Restricted Assets	2,750,921	2,361,494
Unrestricted Assets	<u>29,429,265</u>	<u>24,232,082</u>
Total Net Assets	96,178,184	101,323,589

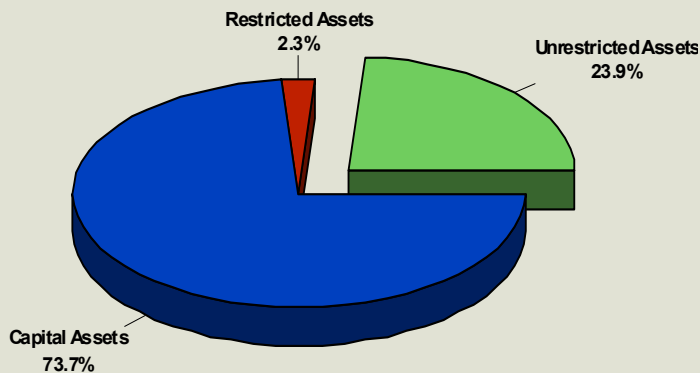
Balance Sheet

(In thousands)

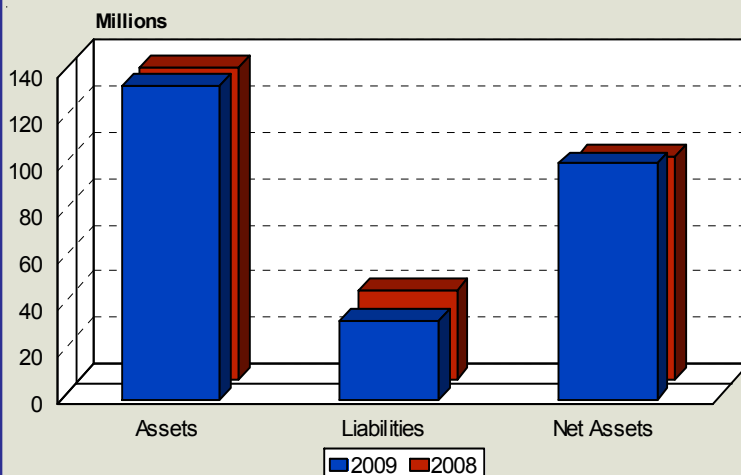
NET ASSETS

Capital Asset – The largest portion of the District's net assets (\$74.7 million) reflects its investment in capital assets (see list below), less outstanding debt used to acquire or build those assets. It should be noted these assets are needed to operate the District and they cannot be liquidated to pay bond payments or other expenses. Who would buy a sewer main?

North Charleston Sewer District Net Assets As of June 30, 2009 = \$101,323,589



North Charleston Sewer District Assets, Liabilities, Net Assets as of June 30, 2009



In Thousands
of dollars

Land	1,936
Buildings	8,564
Plant Machinery & Equipment	32,102
Office & Other Equipment	5,382
Sewer Systems	56,166
Vehicles & Related Equipment	276
Construction in Progress	564
Less Related Debt	<u>(30,260)</u>
Net Capital Assets	74,730

Restricted Net Assets - A small portion of the net assets (2.3%) are restricted due to requirements placed upon the Sewer District by bond issues. These assets can be used only in a manner consistent with the requirements of these bond agreements.

Unrestricted Net Assets - The remaining 23.9% of net assets, \$24.2 million, are unrestricted and can be used to pay an expense of the Sewer District.

DISTRICT REVENUES

The Sewer District receives over 94% of its fiscal year operational revenues from service charges. The Sewer District's revenues totaled \$22.9 million in 2008/2009 compared to 25.3 million in 2007/2008. The major differences between the two years is the permit and interest revenue. The economic recession affected construction permits issued and interest rates, which is reflective in the Sewer District's revenues.

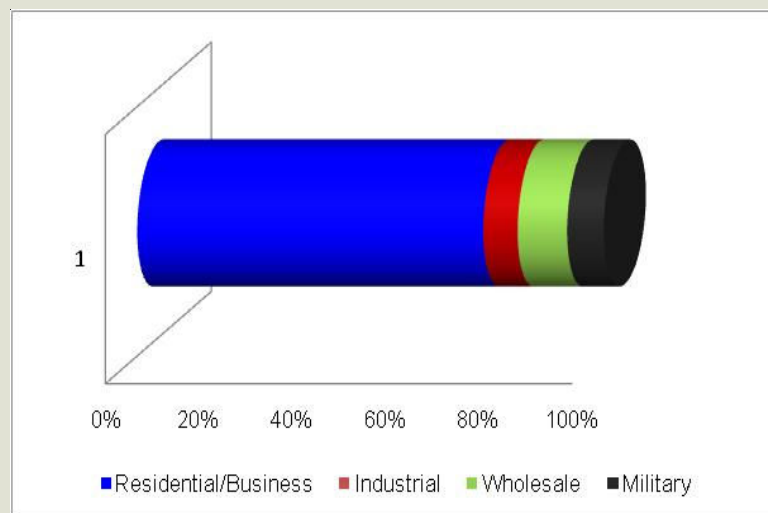
Sewer Service Charges – User charges for the treatment and transportation of wastewater. These charges are comprised of sewer charges, surcharges, operational and maintenance (O&M) fees, nightsoil (port-a-potty) fees, pretreatment fees and rate stabilizations fees.

Sewer Permit and Origin Fees – Permit fees are assessed for connecting into the Sewer District's system based on the number of Residential equivalent units (REUs) of wastewater the location is estimated to produce. Origin fees are a non-refundable fee to set-up a new account and to allow the customer to pay after service has been provided in lieu of a deposit.

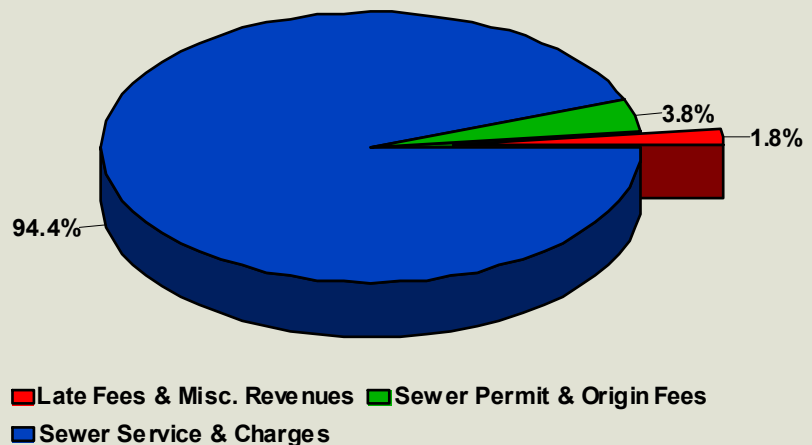
Late fees and Misc. Revenues –Late fees are assessed to customers who are late paying their bills. Other revenues received from the sale of: assets, scrap metals, and excess generator power make up miscellaneous revenues.

REVENUES	FY 2008	FY 2009
<i>Operating</i>		
Sewer Service Charges	\$21,534,767	\$21,237,948
Sewer Permit & Origin Fees	1,833,144	862,382
Late Fees & Misc. Revenues	350,407	399,734
<i>Non-Operating</i>		
Interest on Investments	1,517,856	493,214
Gain on Disposal of Assets	58,424	0
Total Revenues	25,294,598	22,993,278

Billable Flows by Customer Type



2009 Operating Revenues

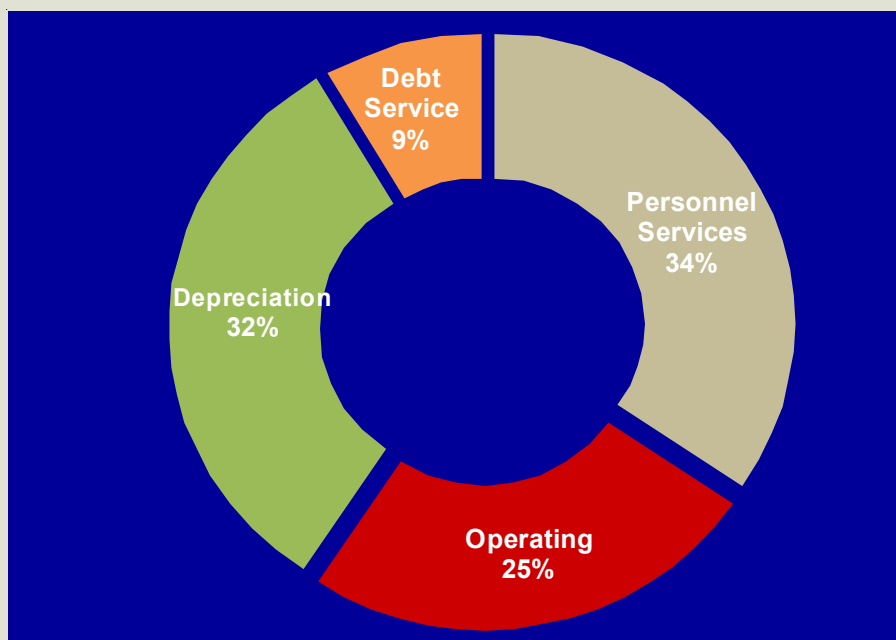


EXPENSES	FY 2008	FY 2009
<i>Operating</i>		
Administrative	\$2,800,600	\$3,084,303
Plant Operations	4,755,365	4,608,687
Systems Operations	5,066,231	5,356,399
Depreciation	6,069,495	7,073,466
<i>Non-Operating</i>		
Interest Expense (Bonds)	2,019,211	1,873,515
Loss on Disposal of Assets	0	105,120
Total Expenses	20,710,902	22,101,490

DISTRICT EXPENSES

The Sewer District is an enterprise fund which operates like a business in that the expenses of the fund are paid by user fees for the services. Expenses totaled 22.1 million in 2008/2009 compared to 20.7 million in 2007/2008 the major difference between the two years is the increase in depreciation expense. The increase in depreciation is due to the transfer of the navy base sewer systems and the completion of several large capital improvements. In accordance with Generally Accepted Accounting Principles (GAAP), capital purchases are not recorded as expenses instead depreciation expense is recorded over each asset's useful life.

North Charleston Sewer District 2009 Expenses



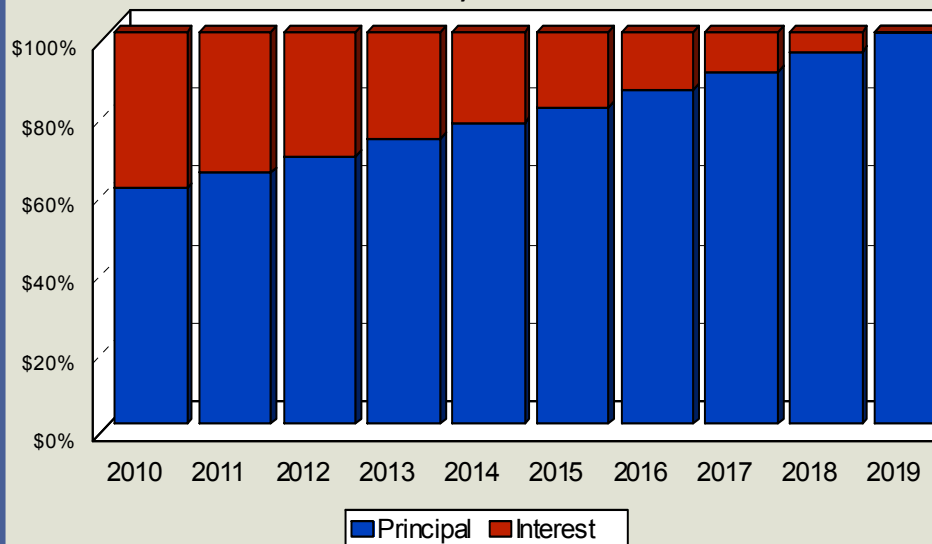
OUTSTANDING REVENUE BOND OBLIGATION DEBT

Revenue bonds are used to finance major capital projects and are backed by the pledge of sewer revenues. In accordance with the Sewer District's policy, bonds will only be used to fund capital improvements with a useful life of more than four years.

As of June 30, 2009 the Sewer District had four outstanding bonds for a total indebtedness of \$31,094,000 plus accrued interest of \$866,604. The Sewer District issued no new debt during fiscal year 2009. The rating agent Moody's has assigned an A2 rating to the revenue bonds while Standard & Poor's has assigned an AA+ rating. These ratings reflect the Sewer District's financial strength.

Year	Principal	Interest
2010	\$2,380,000	\$1,581,882
2011	2,536,000	1,420,631
2012	2,697,000	1,249,136
2013	2,868,000	1,066,759
2014	3,019,000	909,950
2015	3,171,000	745,190
2016	3,338,000	571,723
2017	3,509,000	385,716
2018	3,694,000	189,872
2019	3,882,000	0

North Charleston Sewer District
Debt Service Payments 2010-2019



2009 CAPITAL IMPROVEMENT PROJECTS

After three years of construction Plant upgrades were completed during fiscal year 2009. At the right is the new primary clarifier, which makes a total of four primary clarifiers at our Herbert Street facility. Below is the new aeration tank, which makes a total of three aeration tanks, also located at the Herbert Street facility.



These plant upgrades will improve the plant's capability to achieve complete nitrification, which is necessary to meet new limits for permits that are based on Total Maximum Daily Loads (TMDL). The upgrades will increase the plant capacity to support economic development and growth.



Replacement of aging infrastructure is a major issue for the Sewer District. With over 536 miles of sewer line this is very costly and lengthy endeavor. At right, is a picture of a force main line being replaced this past year. During fiscal year 2009, the Sewer District rehabilitated 20,400 LF of gravity line and 7,200 LF of major trunk lines at a total cost of \$4 million.



Community Information

SHOULD YOU REPLACE YOUR HOUSE SEWER LINE?

Just like your roof you should expect to replace your sewer lines if your house is over 25 years old or sooner if the line has been damaged. These are the lines from your house out to the public sewer lines and are the responsibility of the home owner. We find that the clay pipe and paper pipe used when these homes were built are deteriorating causing blocked lines and ground contamination. At times NCSO will smoke test a neighborhood to check for house lines that are not working properly. If we discover that your line is damaged you will be required to repair or replace your line. When you replace your line you must obtain a reconnection permit (currently no charge) and you will be provided the specifications that the new line must meet. Before the new line is covered NCSO must inspect the installation to verify that the line meets NCSO specification and will work properly.

SEWER EASEMENTS/RIGHT-OF-WAYS

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

HOW DO I GET SEWER SERVICE?

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

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

Community Information

DISPOSAL OF GREASE

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

With limited success, the District has used a biological process (grease eating bugs) and chemicals to attempt to control the grease at our pump stations. Although these measures help, the best method to handle grease is to prevent its introduction into the sewer system.

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

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

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

DON'T GO THERE!

Never enter the sewer system in your neighborhood.

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

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

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



***Compliance Excellence Awards
Calendar Year 2008***

***Awards were presented to 20 local industries
that demonstrated excellent compliance with
environmental regulations throughout the
prior calendar year.***

***The following industries received the
Excellence in Compliance Award:***

**BASF
Beazer East, Inc
Carolina Starches
Robert Bosch
CH2M-Hill
Charleston Air Force Base
Chevron
Daimler Vans Manufacturing
Hoover Investments
Industrial Container Services
Kinder Morgan Bulk Terminals
Montenay Charleston Resource
Recovery
National Starch
Rental Uniform Service
Salisbury Electrical Safety - Sleeves
SCE&G Plant Hagood
Trident Medical Center
US Water Recovery
Venture Aerobearings
Vought Aircraft**

**Directory (Extensions)
Main Number 764-3072**

Accounts Payable	2638
Accounts Receivable	2636
Administration	2648
Billing	2636
Customer Service	2640
Director of Finance	2646
Director of Operations	2652
Dispatch (Sewer Problems)	2455
District Manager	3290
Engineering	2656
Human Resources	3286/3287
Locates/Inspections	2430
Pretreatment	3280
Purchasing	2653/2644
Safety/Training	2647
CWS	727-6800
Summerville CPW	871-0810
Town of Lincolnville	873-3261