

North Charleston Sewer District  
North Charleston, South Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended  
June 30, 2020

Prepared By:  
Accounting Department

Matt Clark  
Chief Financial Officer



**NORTH CHARLESTON SEWER DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**TABLE OF CONTENTS**

Page

**INTRODUCTORY SECTION**

Letter of Transmittal .....	i – iv
Organizational Chart.....	v
Principal Officials.....	vi
GFOA Certificate of Achievement .....	vii

**FINANCIAL SECTION**

Independent Auditor’s Report .....	1 – 3
Management’s Discussion and Analysis.....	4 – 10
<b>Basic Financial Statements:</b>	
Statement of Net Position .....	11 and 12
Statement of Revenues, Expenses and Changes in Net Position .....	13
Statement of Cash Flows .....	14 and 15
Notes to Financial Statements.....	16 – 43

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – South Carolina Retirement System.....	44
Schedule of Contributions – South Carolina Retirement System .....	45
Schedule of Changes in the Net OPEB Liability for the Post-Employment Health Care Plan .....	46
Schedule of Employer Contributions and Net OPEB Liabilities for the Post-Employment Healthcare Plan.....	47

**OTHER SUPPLEMENTARY INFORMATION**

Supplementary Condensed Statements of Net Position .....	48
Supplementary Schedule of Revenues and Expenses – Actual Compared to Prior Year.....	49
Supplementary Schedule of Revenues and Expenses – Budget to Actual Comparison .....	50

**NORTH CHARLESTON SEWER DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**TABLE OF CONTENTS (CONTINUED)**

**STATISTICAL SECTION**

Page

**FINANCIAL TRENDS**

Net Position by Component – Last Ten Fiscal Years .....	51
Changes in Net Position – Last Ten Fiscal Years .....	52
Schedule of Revenues and Other Income – Last Ten Fiscal Years .....	53

**REVENUE CAPACITY**

Sewer User Charge Rates – Last Ten Fiscal years .....	54
Top Ten Customers – Total Amount Billed.....	55
Top Ten Customers – Total Consumption Billed.....	55
Top Customers – Total Amount Billed – Last Ten Fiscal Years .....	56
Top Customers – Total Consumption Billed – Last Ten Fiscal Years .....	56
Schedule by Customer Type and Usage – Last Ten Fiscal Years.....	57
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years .....	58

**DEBT CAPACITY**

Statement of Bonded Debt Limit.....	59
Schedule of Combined Debt – Last Ten Fiscal Years .....	60
Schedule of Revenue Bond Coverage – Last Ten Fiscal Years .....	61

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

Demographic and Economic Statistics for the City of North Charleston.....	62
Principal Employers – Current Year and Ten Years ago.....	63
Budgeted Full-Time Equivalent District Positions by Division – Last Ten Fiscal Years .....	64

**OPERATING INFORMATION**

Operating Performance Measures – Last Ten Fiscal Years.....	65
Schedule of Operation and Maintenance Expenses – Last Ten Fiscal Years.....	66
Capital Assets Statistics – Last Ten Fiscal Years.....	67

**COMPLIANCE SECTION**

**Independent Auditor’s Report on Internal Control Over**

**Financial Reporting and on Compliance and Other Matters**

**Based on an Audit of Financial Statements Performed in**

**Accordance with *Government Auditing Standards*..... 68 and 69**

**Schedule of Findings and Responses .....70**



September 24, 2020

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, 2020.

### **INTRODUCTION TO THE REPORT**

This report has been prepared in conformance with generally accepted accounting principles (“GAAP”) 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 Mauldin & Jenkins, LLC, licensed certified public accountants and they have issued an unmodified ("clean") opinion on the Sewer District's financial statements for the year ended June 30, 2020. 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 CAFR, 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 Executive Director, Jarred Jones, administers the affairs of the Sewer District.

### **Sewer District Location**

The 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 GAAP. 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.

## **Local Economy**

The Charleston - North Charleston metropolitan area's economy grew during the first six months of FY20 but was significantly slowed during the second half of the year by the Covid-19 pandemic. The unemployment rate increased from 2.6% in March 2020 to over 12% in April 2020. Certain industries and local businesses temporarily closed or reduced production this spring. By June, most of the industries had returned to full production. The unemployment rate showed signs of improvement and was down to 9% in June 2020. New building permits continued throughout the crisis, a sign that developers expect a swift recovery when the pandemic subsides.

The District benefits from a broad and diverse customer base that includes the United States Airforce, Boeing and Mercedes-Benz. The Volvo Car Corporation has a new manufacturing plant just outside the District's service area and we anticipate suppliers and employees to locate within the District.

## **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. Rate models are updated annually to project future operating needs and to determine financing methods. The Sewer District prepares a Seven-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.

## **Major Initiatives**

- Large diameter transportation line rehabilitation for the Langley Interceptor was mostly complete by June 30, 2020. The work spanned from the Ingleside pump station junction box to the Northwoods pump station and will total \$2.8M. This project was funded with the last of the 2014 revenue bond proceeds along with cash on hand.

- Rehabilitation and upgrades were performed at Filbin Creek and Pepperhill pump stations. The projects totaled \$1.7M and \$1.2M, respectively. The rehabilitation of the Filbin Creek station was completed during the fiscal year and the Pepperhill station work will be completed in early fiscal year 2021. The Filbin project rehabilitated the concrete structures and upgraded various electrical components. The Pepperhill project combined two aged pump stations into one new and increased flow capacity.
- Progress was made towards offsite monitoring of the treatment plant process. The plant's operating software and servers were upgraded, cameras and sensors installed, and internet bandwidth increased. Testing is underway along with an external IT security audit.

## 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 CAFR for fiscal years 2001 through 2018. The District anticipates receiving the award for the 2019 fiscal year. The review program has been delayed from the Covid-19 pandemic.

In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

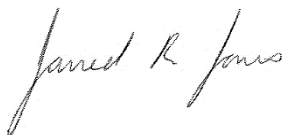
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Sewer District has received the GFOA Award for Distinguished Budget Presentation every year since 1998. 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.

## 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 Mauldin & Jenkins, LLC, the external auditors, for their efforts in producing this CAFR.

Respectfully submitted,



Jarred Jones, PE  
District Manager



Matt Clark, CPA  
Chief Financial Officer

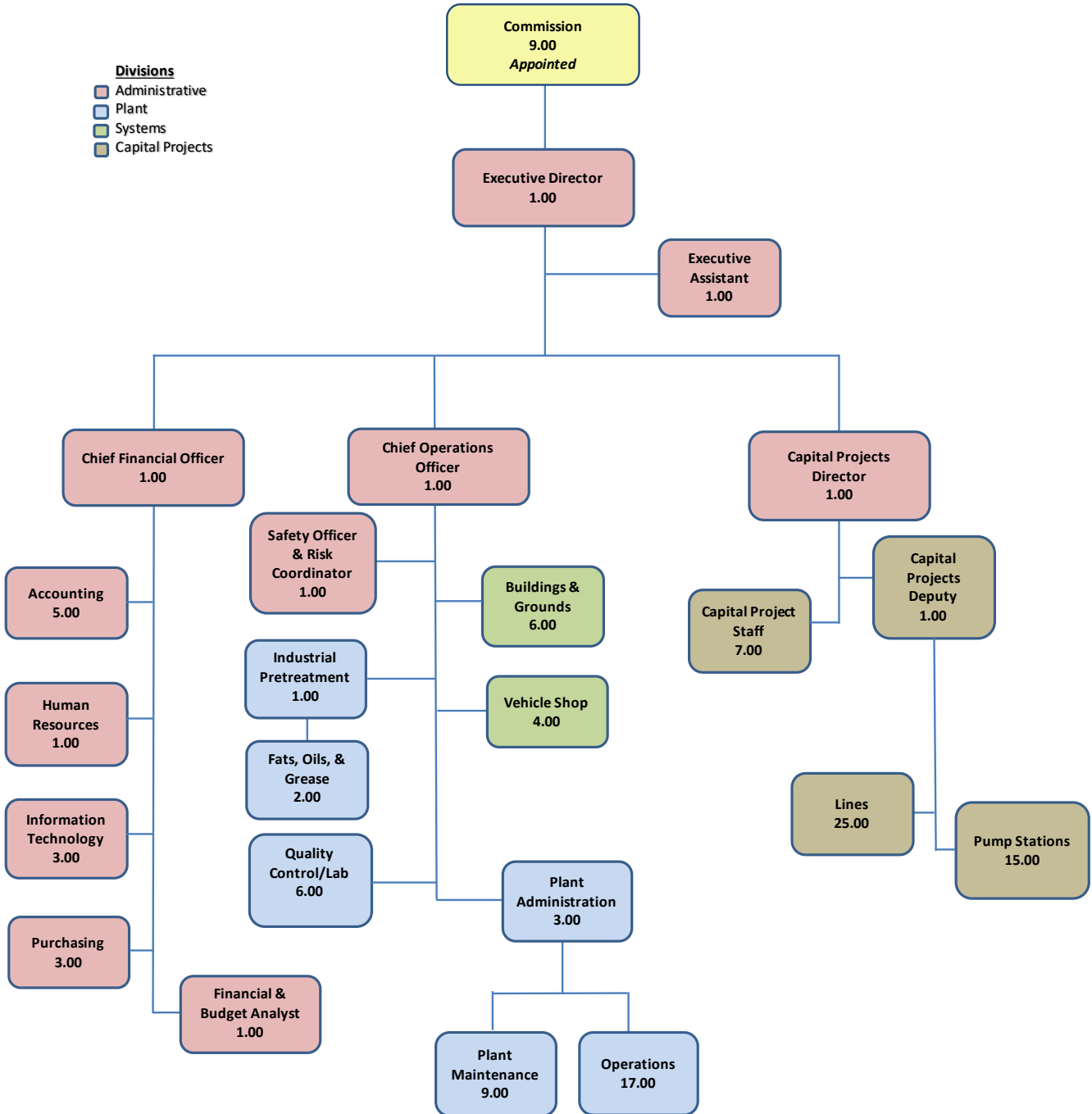


# North Charleston Sewer District

North Charleston, South Carolina

## Organizational Chart

Authorized Positions



# North Charleston Sewer District

North Charleston, South Carolina

## Principal Officials

June 30, 2020

### COMMISSIONERS

	Number of Years <u>In Office</u>	
George Gomes	20	Chairman
Melinda Chambers	11	First Vice Chairman
William R. Fuller	11	Second Vice Chairman
Sylderrial T. Pryor	14	Secretary
Clifford E. Johnson	25	Commissioner
Eugene W. Myers	14	Commissioner
Gary Thomas	6	Commissioner
Gerinda Doctor	5	Commissioner
Ken Speight	2	Commissioner

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

### MANAGEMENT

	Number of Years <u>With NCSD</u>	Years In Current <u>Position</u>	
Jarred Jones, PE	16	5	Executive Director
Matt Clark, CPA	8	8	Chief Financial Officer
Phillip Sexton, PE	13	5	Capital Projects Director
Don Seilinger	31	2	Chief Operating Officer



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, 2019

*Christopher P. Morill*

Executive Director/CEO



## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **North Charleston Sewer District** (the "Sewer District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 ("GAAP"); 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sewer District as of June 30, 2020, and the changes in financial position and cash flows for the year then ended in accordance with GAAP.

**Other Matters***Required Supplementary Information*

GAAP requires that the Management's Discussion and Analysis ("M&DA") (on pages 4 through 10), the Schedule of the Sewer District's Proportionate Share of the Net Pension Liability (on page 44), the Schedule of the Sewer District's Pension Contributions (on page 45), the Schedule of the Changes in the Sewer District's Net OPEB Liability (on page 46) and the Schedule of the Employers Contributions and Net OPEB Liabilities (on page 47) 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 ("GASB") 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 opinions on the financial statements that collectively comprise the 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 other supplementary information on pages 48 through 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the 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 as a whole.



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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.

We have previously audited the Sewer District's June 30, 2019, financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated October 21, 2019. Our report dated October 21, 2019, stated that the supplementary information for the year ended June 30, 2019, was subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those 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, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of the Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sewer District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sewer District's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Savannah, Georgia  
September 24, 2020



# NORTH CHARLESTON SEWER DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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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, 2020. 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 Comprehensive Annual Financial Report ("CAFR") includes all funds and accounts that are controlled by or are dependent on the Sewer District. There are no other political subdivisions or entities, which should be included in the reporting entity. The 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 2020. All bond covenants were met. The following are financial highlights for fiscal year 2020:

- Net position increased by approximately \$7.9 million or 6% to \$142.2 million as a result of current year operations compared to an increase of \$13.3 million or 11% for fiscal year 2019.
- Operating revenues totaled \$31.4M for 2020 which is an increase of 2.5% from 2019. There was a 2% volumetric rate increase for 2020.
- Operating expenses before depreciation increased 9% from 2019. The increase was mainly attributable to Personnel increases from health insurance premiums, pension expense and compensation.
- Debt service coverage for the District's revenue bonds for 2020 was 12.96% compared to a coverage of 3.85% in 2019. The increased coverage is a result of the District paying off the 2012 revenue bonds in 2019.

### 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's 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:

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Proprietary Fund Financial Statements (Continued)

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 net investment in capital assets, 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 – 43 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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  
Condensed Statement of Net Position**

	<b>2020</b>	2019
Current, and Non-Current Assets	<b>\$ 58,763,299</b>	\$ 55,083,162
Capital Assets (net of accumulated depreciation)	<b>129,159,252</b>	126,252,475
<i>Total Assets</i>	<b>187,922,551</b>	181,335,637
Deferred Outflows of Resources	<b>1,444,490</b>	1,881,183
<b>Total Assets and Deferred Outflows</b>	<b>\$ 189,367,041</b>	\$ 183,216,820
Current liabilities	<b>\$ 5,537,119</b>	\$ 5,715,557
Long-term liabilities	<b>41,029,922</b>	42,829,519
Total Liabilities	<b>46,567,041</b>	48,545,076
Deferred Inflows of Resources	<b>601,174</b>	330,646
Net Position		
Net investment in capital assets	<b>100,333,423</b>	95,854,711
Unrestricted	<b>41,865,403</b>	38,486,387
Total Net Position	<b>142,198,826</b>	134,341,098
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 189,367,041</b>	\$ 183,216,820

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

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

	2020	2019
Operating Revenues		
Sewer Service Charges	\$ 29,273,029	\$ 28,596,143
Sewer Permit and Origin Fees	1,528,169	1,310,640
Other operating revenues	600,291	718,825
Non-Operating Revenues		
Interest on investments	840,846	1,077,745
Gain on disposal of assets	44,345	46,254
<b>Total Revenues</b>	<b>32,286,680</b>	<b>31,749,607</b>
Operating Expenses		
Administrative	4,160,011	3,769,600
Plant Operations	5,658,326	5,385,045
Systems Operations	1,060,523	1,039,223
Capital Projects	5,470,002	4,766,323
Depreciation	9,060,228	8,659,171
Non-Operating Expenses		
Interest expense	1,028,002	1,085,253
<b>Total Expenses</b>	<b>26,437,092</b>	<b>24,704,615</b>
Excess Before Capital Contributions	5,849,588	7,044,992
Capital Contributions	2,008,140	6,244,392
Increase in Net Position	7,857,728	13,289,384
<b>Net Position, Beginning of year</b>	<b>134,341,098</b>	121,051,714
<b>Net Position End of year</b>	<b>\$ 142,198,826</b>	<b>\$ 134,341,098</b>

#### General Trends and Significant Events

The Charleston - North Charleston metropolitan area grew during the first half of the year, but with the onset of the Covid-19 pandemic experienced a decline for the final 4 months of the fiscal year. Unemployment ended at 9% compared to 3% in the prior year. Several industries and businesses temporarily paused operations during the April and May of 2020 but most had resumed by June. For the District, residential flows have remained stable throughout the year. Commercial/Industry flows declined approximately 10% during the final 4 months of the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

#### Financial Condition

The Sewer District's overall financial position improved as the net position grew approximately 6% from \$134.3 million to \$142.2 million. Current assets increased 6.7% or \$3.7 million mainly attributable to increased cash from operations. New capital additions resulted in an increase of \$2.9 million or 2.3% to capital assets. Current liabilities decreased \$0.2 million or 3% from a reduction of short-term payables. Long-term liabilities decreased \$1.9 million, or 4.2% from payments made to debt.

The Sewer District's net 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 71% 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

#### Revenues

Sewer service revenue is the largest source of revenue and is 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.

For FY 2020, the volumetric billing structure remained unchanged. A minimum monthly bill of 3 CCFs (100 cubic feet) is charged regardless of whether the entire 3 CCFs is used. This structure was developed to help cover some of the fixed infrastructure costs required to provide sewer service. Sewer rates remained unchanged for 2019. Wholesale contract rates were adjusted by various percentages as specified by contract.

Sewer service revenues in fiscal year 2020 increased by \$677,000 or approximately 2.4% to \$29.3 million, as shown in Table A-2. The increase was due to a combination of a 2% volumetric rate increase and billable consumption increases.

Other sources of revenue:

- Fees for new connections and origins totaled \$1.5M, an increase of \$218,000.
- Interest on investments decreased \$237,000 as interest rates fell during the year.
- Capital contributions totaled \$2.0 million related to transportation lines from new developments.

#### 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 32 million gallons per day treatment plant.

Operating expenses before depreciation increased \$1.4 million or 9%. The increase was mainly attributable to Personnel increases from health insurance premiums, pension expense and compensation. Depreciation expense increased \$401,000 or 4.6% as capital additions outpaced depreciation expense.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### RESULTS OF OPERATIONS (CONTINUED)

#### Rate Covenants

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 a 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, 2020, totaled \$129.2 million net of accumulated depreciation of \$173.2 million. Additions during 2020 totaled \$12.0 million. 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 \$5,000 or less and a life of two 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 4 on page 26 of this report.

Major capital assets and projects during the current fiscal year included the following:

- Langley Interceptor CIPP rehabilitation (Ingleside and Northwoods trunklines)
- Filbin Creek pump station upgrade
- Pepperhill pump station upgrade
- Frontage Rd. pump station abandonment
- Rehabilitation of treatment plant clarifier arms, catwalk and piping



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### RESULTS OF OPERATIONS (CONTINUED)

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

	2020	2019	Change
Land	\$ 2,401,084	\$ 2,401,084	\$ -
Automotive	1,929,285	1,876,367	52,919
Buildings	9,601,492	8,524,587	1,076,904
Plant Machinery & Equipment	19,466,039	19,996,404	(530,364)
Office/IT	439,397	457,657	(18,259)
Other Sewer Equipment	13,860,422	13,064,468	795,955
Sewer Systems	74,114,352	72,382,561	1,731,788
Construction in Process	7,347,181	7,549,347	(202,166)
<b>Total</b>	<b>\$ 129,159,252</b>	<b>\$ 126,252,475</b>	<b>\$ 2,906,777</b>

#### Debt Administration

At June 30, 2020, bond issues, net of applicable unamortized premiums, totaled \$28,825,829. Standard & Poor's has assigned an AA+ rating to the District's revenue bonds. Moody's Investor Service assigned credit rating of Aa1 to the Sewer District's General Obligation 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 2019 tax year, the total assessed value of property in the Sewer District was \$617,264,318 and 8% of such amount is \$49,381,145. Currently, the Sewer District has \$11,119,226 outstanding in general obligation debt which leaves \$38,261,919 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 5 on pages 27 and 28 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, Attention: Chief Financial Officer, P.O. Box 63009, North Charleston, South Carolina 29419.

# NORTH CHARLESTON SEWER DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2020

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### ASSETS

#### Current assets

Cash and cash equivalents	\$ 50,393,916
Investments	3,112,054
Accounts receivable (less allowance of \$126,917)	4,579,585
Due from other accounts	18,695
Inventory	434,421
Prepaid expenses	224,628

Total current assets	<u>58,763,299</u>
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#### Non-current assets

Capital assets:	
Nondepreciable	9,748,265
Depreciable, net of accumulated depreciation	<u>119,410,987</u>
Total non-current assets	<u>129,159,252</u>

Total assets	<u><u>\$ 187,922,551</u></u>
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### DEFERRED OUTFLOWS OF RESOURCES

Pension	\$ 1,334,661
Other post-employment benefits	<u>109,829</u>

Total deferred outflows of resources	<u><u>\$ 1,444,490</u></u>
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See Notes to Financial Statements.

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**LIABILITIES****Current liabilities**

Payable from current assets:

Current portion of bonds payable	\$ 1,480,000
Accounts payable	2,564,417
Accrued interest	557,344
Accrued salaries	151,128
Accrued expenses	245,701
Compensated absences	104,707
Unearned revenue	433,822
Total current liabilities	<u>5,537,119</u>

**Non-current liabilities**

Bonds payable	27,345,829
Net pension liability	12,745,419
Net OPEB liability	627,291
Compensated absences	311,383
Total non-current liabilities	<u>41,029,922</u>

Total liabilities	<u>\$ 46,567,041</u>
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**DEFERRED INFLOWS OF RESOURCES**

Pension	\$ 427,618
Other post-employment benefits	<u>173,556</u>
Total deferred inflows of resources	<u>\$ 601,174</u>

**NET POSITION**

Net investment in capital assets	\$ 100,333,423
Unrestricted	<u>41,865,403</u>
Total net position	<u>\$ 142,198,826</u>

# NORTH CHARLESTON SEWER DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Operating revenues</b>	
Sewer service charges	\$ 29,273,029
Sewer permit and origin fees	1,528,169
Late fees	557,605
Miscellaneous revenue	42,686
Total operating revenues	<u>31,401,489</u>
<b>Operating expenses</b>	
Administrative	4,160,011
Plant operations	5,658,326
System operations	1,060,523
Capital projects	5,470,002
Depreciation	9,060,228
Total operating expenses	<u>25,409,090</u>
Operating income	<u>5,992,399</u>
<b>Non-operating revenues (expenses)</b>	
Interest income	840,846
Interest expense	(1,028,002)
Gain on disposal of assets	44,345
Total non-operating expenses, net	<u>(142,811)</u>
Income before contributions	<u>5,849,588</u>
Capital contributions	<u>2,008,140</u>
Change in net position	7,857,728
Total net position, beginning of year	<u>134,341,098</u>
Total net position, end of year	<u>\$ 142,198,826</u>

See Notes to Financial Statements.

# NORTH CHARLESTON SEWER DISTRICT

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 31,229,807
Payments to suppliers	(6,415,782)
Payments to employees	(9,711,285)
Net cash provided by operating activities	<u>15,102,740</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(9,958,865)
Proceeds from sale of capital assets	44,345
Principal payments on revenue bonds payable	(1,460,000)
Interest paid on long-term borrowings	(1,174,187)
Net cash used in capital and related financing activities	<u>(12,548,707)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Selling of investments	5,895,683
Interest received on investments	840,846
Net cash provided by investing activities	<u>6,736,529</u>

Net increase in cash and cash equivalents 9,290,562

Cash and cash equivalents, beginning of year 41,103,354

Cash and cash equivalents, end of year \$ 50,393,916

**(Continued)**

# NORTH CHARLESTON SEWER DISTRICT

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 5,992,399
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	9,060,228
Changes in assets and liabilities:	
Increase in accounts receivable	(245,198)
Increase in due from other accounts	(2,095)
Increase in inventory	(33,924)
Increase in prepaid expenses	(4,041)
Decrease in deferred outflows of resources	436,693
Decrease in accounts payable and accrued expenses	(308,822)
Increase in accrued salaries	40,933
Increase in accrued compensated absences	46,648
Increase in unearned revenue	75,611
Decrease in net pension liability	(56,251)
Decrease in net OPEB liability	(169,969)
Increase in deferred inflows of resources	270,528
Net cash provided by operating activities	<u>\$ 15,102,740</u>

### SUPPLEMENTARY SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions	<u>\$ 2,008,140</u>
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See Notes to Financial Statements.

## **NOTES TO FINANCIAL STATEMENTS**

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# NORTH CHARLESTON SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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 these notes. 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, 2020.

The 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, 2020, the Commission consisted of the following members:

George Gomes, Chairman  
Melinda Chambers, First Vice Chairman  
William R. Fuller, Second Vice Chairman  
Sylderrial T. Pryor, Secretary  
Ken Speight, Commissioner  
Gerinda Doctor, Commissioner  
Clifford E. Johnson, Commissioner  
Eugene W. Myers, Commissioner  
Gary N. Thomas, Sr., Commissioner

The Sewer District is managed by Jarred Jones, Executive Director.

The Sewer District follows the standards promulgated by the GASB to define the reporting entity. The financial statements include all operations of 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.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **B. Fund Accounting**

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 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 net investment in capital assets 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.

#### **C. Measurement Focus and Basis of Accounting**

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 non-operating 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 non-operating 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 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### E. Cash and Cash Equivalents 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.

Investments are stated at 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.

#### F. Customer Accounts Receivable

The Sewer District provides credit in the normal course of operations to its customers within the 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 non-refundable 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 \$126,917 as of June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. Inventories

The inventory of materials and supplies is valued at cost. The cost of inventories is recorded as an expense when consumed rather than when purchased.

#### H. Prepaid Expenses

Certain payments to vendors reflect expenses applicable to future accounting periods and are recorded as prepaid expenses. Prepaid expenses are accounted for using the consumption method.

#### I. Capital Assets

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 reported at acquisition value on the date donated. The Sewer District generally capitalizes assets with cost of \$5,000 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>Asset Classification</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

#### J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. There are five items related to the Sewer District's retirement plans' net pension liability, which qualify for reporting in this category and are combined in the Statement of Net Position under the heading "Pension".

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Deferred Outflows/Inflows of Resources (Continued)

The first item, experience differences, results from periodic studies by the actuary of the retirement plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience differences are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The second item, differences between projected investments return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are amortized against pension expense over the remaining lives of the plan members. The fourth item, changes in actuarial assumption, is recorded as a deferred outflow of resources and is amortized into pension expense over the expected remaining service lives of plan members. Additionally, any contributions made by the Sewer District to the pension plan before year-end but subsequent to the measurement date of the Sewer District's net pension liability are reported as deferred outflows of resources. There are also four items related to the Sewer District's retirement plans' net other post-employment benefits liability, which qualifies for reporting in this category and is combined in the Statement of Net Position under the heading "Other Post-Employment Benefits". These items are the same as items one, two, four, and five above.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Two items relating to the Sewer District's retirement plan qualify for reporting in this category and are combined in the Statement of Net Position under the heading "Pension". The first item, experience differences, results from periodic studies by the actuary of the retirement plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed. The second item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. Both of these items are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining lives of the plan members. There is also one item related to the Sewer District's retirement plans' net other post-employment benefits liability, which qualifies for reporting in this category and is combined in the Statement of Net Position under the heading "Other post-employment benefits". This item, experience differences, results from periodic studies by the actuary of the plan, which adjusts the net OPEB liability for actual experience for certain trend information that was previously assumed.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. 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, when applicable, are reported as expenses as they are incurred.

#### L. Post-Employment Benefits Other than Pensions (“OPEB”)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Sewer District's Post-Employment Health Care Plan (the “Plan”) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### M. Compensated Absences

The Sewer District allows employees to accumulate earned paid time off (“PTO”) 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 PTO days. As of June 30, 2020, a liability of \$416,090 has been recorded for unused PTO. Specific years for payment of compensated absences classified as long-term liabilities are not determinable.

#### N. Net Position

Net position is classified and displayed in two components within the Statement of Net Position. These two classifications are as follows:

- a. Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Unrestricted net position consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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 re-appropriated and honored during the subsequent year.

### **NOTE 3. DEPOSITS AND INVESTMENTS**

#### **Deposits**

Deposits consist of demand deposits maintained with various financial institutions.

#### **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 the Sewer District's policy, deposits and certificates of deposits are typically covered by the Federal Depository Insurance Corporation ("FDIC") or by collateral pledged by the financial institutions in which they are being held. As of June 30, 2020, none of the Sewer District's bank balance 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 FDIC;
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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

#### South Carolina Local Government Investment Pool

The South Carolina Local Government Investment Pool (the "Pool") is duly chartered and administered by the State Treasurer's Office. The Pool was created by state legislation, which restricts the types of securities the Pool can purchase. Funds deposited into the 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 Statement No. 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 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 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. The fair value of the Sewer District's position in the Pool is the same as the value of its Pool shares.

At June 30, 2020, the Sewer District's investments included funds in the Pool, which totaled \$39,542,439. 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 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

#### South Carolina Local Government Investment Pool (Continued)

As of June 30, 2020, the Sewer District had the following investments in the Pool:

<u>Investment</u>	<u>Maturity</u>	<u>Percentage</u>	<u>Fair Value</u>
South Carolina Government Investment Pool	57.81 days	100%	\$ 39,542,439

As of June 30, 2020, the Sewer District had the following investments in fixed income securities:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income securities:				
U.S. treasury bonds	\$ 2,088,124	\$ -	\$ -	\$ 2,088,124
U.S. agency bonds	-	1,023,930	-	1,023,930
Total fixed income securities	<u>\$ 2,088,124</u>	<u>\$ 1,023,930</u>	<u>\$ -</u>	<u>\$ 3,112,054</u>

Debt, equity and mutual fund securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Sewer District has no investments classified in Level 3.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

#### **Credit Risk**

State laws limit the type of investments as stated above. As of June 30, 2020, the Sewer District's investments were invested in the Pool and fixed income securities. The Pool investments are limited by state statute. No rating for the investment pool is available as it is unrated.

#### **Interest Rate Risk**

As a means of limiting its exposure to interest rate risk, the 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.

#### **Concentration of Credit Risk**

The Sewer District places no limit on the amount that it may invest in any one issuer. More than 5% of the Sewer District's investments are in the Pool as summarized earlier in this disclosure.

#### **Concentration of 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, 2020, the Sewer District was not exposed to custodial credit risk for its investments.

While cash equivalents are classified on the Statement of Net Position as cash and cash equivalents, some are considered investments for collateralization purposes.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 2,401,084	\$ -	\$ -	\$ -	\$ 2,401,084
Construction in progress	7,549,347	5,895,617	(6,097,783)	-	7,347,181
Total	<u>9,950,431</u>	<u>5,895,617</u>	<u>(6,097,783)</u>	<u>-</u>	<u>9,748,265</u>
Capital assets, being depreciated:					
Sewer system	167,447,135	2,223,733	4,233,244	-	173,904,112
Buildings	33,213,779	667,984	1,094,178	-	34,975,941
Plant, machinery, and equipment	47,565,096	1,039,895	302,489	(15,191)	48,892,289
Vehicles and related equipment	4,206,879	357,339	-	(197,050)	4,367,168
Office furnishings	1,556,316	78,383	23,159	-	1,657,858
Other sewer equipment	26,752,122	1,704,054	444,713	(37,430)	28,863,459
Total	<u>280,741,327</u>	<u>6,071,388</u>	<u>6,097,783</u>	<u>(249,671)</u>	<u>292,660,827</u>
Less accumulated depreciation for:					
Sewer system	(95,064,574)	(4,725,186)	-	-	(99,789,760)
Buildings	(24,689,192)	(685,257)	-	-	(25,374,449)
Plant, machinery, and equipment	(27,568,692)	(1,872,749)	-	15,191	(29,426,250)
Vehicles and related equipment	(2,330,512)	(304,421)	-	197,050	(2,437,883)
Office furnishings	(1,098,659)	(119,802)	-	-	(1,218,461)
Other sewer equipment	(13,687,654)	(1,352,813)	-	37,430	(15,003,037)
Total	<u>(164,439,283)</u>	<u>(9,060,228)</u>	<u>-</u>	<u>249,671</u>	<u>(173,249,840)</u>
Total capital assets, being depreciated, net	<u>116,302,044</u>	<u>(2,988,840)</u>	<u>6,097,783</u>	<u>-</u>	<u>119,410,987</u>
Total capital assets, net	<u>\$ 126,252,475</u>	<u>\$ 2,906,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,159,252</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM OBLIGATIONS

The following is a summary of the Sewer District's long-term obligations activity for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds:	\$ 16,180,000	\$ -	\$ (450,000)	\$ 15,730,000	\$ 470,000
GO bonds	12,045,000	-	(1,010,000)	11,035,000	1,010,000
Premiums	<u>2,172,764</u>	<u>-</u>	<u>(111,935)</u>	<u>2,060,829</u>	<u>-</u>
Total bonds payable	30,397,764	-	(1,571,935)	28,825,829	1,480,000
Compensated absences:	369,442	606,412	(559,764)	416,090	104,707
Net pension liability	12,801,670	1,449,331	(1,505,582)	12,745,419	-
Net OPEB liability	<u>797,260</u>	<u>128,289</u>	<u>(298,258)</u>	<u>627,291</u>	<u>-</u>
Total long-term liabilities	<u>\$ 44,366,136</u>	<u>\$ 2,184,032</u>	<u>\$ (3,935,539)</u>	<u>\$ 42,614,629</u>	<u>\$ 1,584,707</u>

### Bonds Payable

General obligation bonds:

Issued December 20, 2011, net of premium of \$108,247 payable in annual installments ranging from \$700,000 to \$1,010,000 plus interest varying from 2% to 5% through 2031. The bonds had an original issue amount of \$16,945,000.

\$ 11,119,226

Revenue bonds:

Issued November 19, 2014, net of premium of \$2,288,384 payable in annual installments ranging from \$450,000 to \$1,200,000 plus interest varying from 3.5% to 5.0% through 2039. The bonds had an original issue amount of \$16,180,000.

17,706,603

28,825,829

Less current portion of bonds payable

(1,480,000)

Long-term bonds payable

\$ 27,345,829

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 sewer system must be adequate to: a) service the debt on the prior lien bonds; b) cover the operating and maintenance expenses of the sewer 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 sewer system.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

#### Bonds Payable (Continued)

The Sewer District complied with this covenant for its fiscal year ended June 30, 2020.

The annual bond principal and interest requirements as of June 30, 2020, are as follows:

<u>Fiscal Year Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,480,000	\$ 1,102,938	\$ 2,582,938
2022	1,495,000	1,028,313	2,523,313
2023	1,520,000	962,938	2,482,938
2024	1,550,000	896,188	2,446,188
2025	1,585,000	828,063	2,413,063
2026 – 2030	8,365,000	3,235,775	11,600,775
2031 – 2035	5,305,000	1,867,500	7,172,500
2036 – 2040	5,465,000	684,463	6,149,463
Total	<u>\$ 26,765,000</u>	<u>\$ 10,606,178</u>	<u>\$ 37,371,178</u>

### NOTE 6. 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, 2020, the Sewer District had capital improvement commitments totaling \$6,482,065.

#### 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.

#### Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Sewer District does not anticipate any expenditures which may be disallowed by the grantor, although the Sewer District expects disallowed amounts, if any, to be immaterial. Management has not been informed of any significant matters of noncompliance with grant provisions.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. 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.

The Sewer District maintains workers compensation insurance through a commercial insurance provider to protect its employees from the risk of job related injury or illness.

Given the lack of coverage available, the Sewer District has no coverage for potential losses from environmental damages. 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.

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, 2020, the Sewer District made several non-interest bearing advances, due on demand, to the North Charleston District. As a result, the Sewer District had advances receivable from North Charleston District of \$8,829 at June 30, 2020, which is included in Due from other accounts in the Statement of Net Position.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN

#### Overview

The South Carolina Public Employee Benefit Authority (“PEBA”), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the South Carolina Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ (“SCRS”) five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (“Commission” as the governing body, “RSIC” as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the systems and additions to/deductions from the systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and, therefore, retirement trust fund financial information is also included in the CAFR of the state.

#### Plan Description

The SCRS, a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

#### Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements of the system is described below:

***South Carolina Retirement System (“SCRS”)*** – Generally, all employees of covered employers are required to participate in and contribute to the SCRS as a condition of employment. This plan covers general employees, teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

#### Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms is presented below.

SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

#### Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85%. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85%. Required employee contributions rates for fiscal year 2020 were 9.00% for class Two and Three employees. Required employer contributions rates for fiscal year 2020 were 15.41% for class Two and Three employers.

#### Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

#### Actuarial Assumptions and Methods (Continued)

The June 30, 2019, total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans’ fiscal year-end, June 30, 2019, using generally accepted actuarial principles.

Assumptions and methods used in the July 1, 2018, valuation for the system are as follows:

Inflation	2.25%
Salary increases	3.00% to 12.5% (varies by service)
Investment rate of return	7.25%

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality Table (“2016 PRSC”), was developed using the systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the July 1, 2018 valuation for SCRS are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

#### Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the TPL includes a 5.00% real rate of return and a 2.25% inflation component.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

#### Long-Term Expected Rate of Return (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>51.0%</b>		
Global public equity	35.0%	7.29%	2.55%
Private equity	9.0%	7.67%	0.69%
Equity options securities	7.0%	5.23%	0.37%
<b>Real assets</b>	<b>12.0%</b>		
Real estate (private)	8.0%	5.59%	0.45%
Real estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (private)	2.0%	5.03%	0.10%
Infrastructure (public)	1.0%	6.12%	0.06%
<b>Opportunistic</b>	<b>8.0%</b>		
Global tactical asset allocation	7.0%	3.09%	0.22%
Other opportunistic strategies	1.0%	3.82%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High yield bonds/ bank loans	4.0%	3.14%	0.13%
Emerging markets	4.0%	3.31%	0.13%
Private debt	7.0%	5.49%	0.38%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core fixed income	13.0%	1.62%	0.21%
Cash and short duration (net)	2.0%	0.31%	0.00%
	<u>100%</u>		
		Total expected real return	5.41%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	<u>7.66%</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

#### Discount Rate

The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the system's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2020:

<u>South Carolina Retirement System</u>			
<u>Sensitivity of the Net Position Liability to Changes in the Discount Rate</u>			
<u>Fiscal Year</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
2020	\$ 16,056,454	\$ 12,745,419	\$ 9,982,013

#### Net Pension Liability

The NPL is calculated separately for each retirement system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that system's fiduciary net position. The Sewer District's proportionate share of the collective NPL total, as of June 30, 2020, for SCRS is presented below.

For the Sewer District's fiscal year ended June 30, 2020, the net pension liability for the SCRS is as follows:

Total pension liability	\$	27,949,365
Plan fiduciary net position		15,203,946
Employer's net pension liability	\$	12,745,419
Plan fiduciary net position as a percentage of the total pension liability		54.4%

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

#### Net Pension Liability (Continued)

The TPL is calculated by the systems' actuary, and each plan's fiduciary net position is reported in the systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the systems' notes to the financial statements and required supplementary information. Liability calculations performed by the systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

#### Pension Expense

For the year ended June 30, 2020, the Sewer District recognized its proportionate share of collective pension expense of \$1,454,536 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of (\$5,205) for a total of \$1,449,331.

#### Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Sewer District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>South Carolina Retirement System</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,761	\$ 91,561
Changes of assumptions	256,839	-
Net difference between projected and actual earnings on pension plan investments	112,840	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,296	336,057
Employer contributions subsequent to the measurement date	<u>934,925</u>	<u>-</u>
Total	<u>\$ 1,334,661</u>	<u>\$ 427,618</u>

Sewer District contributions subsequent to the measurement date of \$934,925 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

#### Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As of June 30, 2020, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2021	\$	180,108
2022		(188,680)
2023		(60,807)
2024		41,497

### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS

#### Plan Description

The Sewer District provides post-employment health and/or dental care benefits, in accordance with Sewer District policy, for certain retirees in a single-employer defined benefit post-employment health care plan (the "Plan"). The Plan is administered by and affiliated with the South Carolina Other Retirement Benefits Employer Trust ("SC ORBET"), an agent multiple-employer irrevocable trust administered by the Municipal Association of South Carolina. SC ORBET issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services Municipal Association of South Carolina, P.O. Box 12109, Columbia, SC 29211.

#### Benefits Provided

Benefits vary depending on the years of service of the retiree. For retirees with at least ten years but less than 20 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 20 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 \$267 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.

At the December 31, 2018 valuation date, the Plan has 120 covered members; 8 members are retirees receiving benefits and 112 are active participants.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### 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 \$383 to \$1,344 per month based on premiums in effect at the beginning of the Sewer District's fiscal year.

#### Net OPEB Liability

At June 30, 2020, the Sewer District's net OPEB liability totaled \$627,291. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date, utilizing the Entry Age Normal actuarial cost method. The net OPEB liability is equal to the total OPEB liability minus the Fiduciary Net Position. That result as of the December 31, 2019 measurement date is presented as follows:

Total OPEB liability	\$ 1,067,717
Plan fiduciary net position	<u>440,426</u>
Employer's net OPEB liability	<u>\$ 627,291</u>
Plan fiduciary net position as a percentage of the total OPEB liability	41.2%

#### Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	3.00% to 7.00%, including inflation
Investment rate of return	4.75%, net of OPEB plan investment expenses, including inflation
Healthcare cost trend rates	
Pre-medicare	7.25% for 2019, decreasing to an ultimate rate of 4.75% by 2029
Medicare	5.38% for 2019, decreasing to an ultimate rate of 4.75% by 2023

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### Actuarial Assumptions (Continued)

Mortality rates were based on the RP-2014 Mortality Table for Employees, with a 95% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The demographic actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study adopted by the SC ORBET.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of Plan participation, rates of Plan election, etc.) used in the December 31, 2018 valuation were based on a review of recent Plan experience done concurrently with the December 31, 2018 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer time-frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	94.0%
Cash and cash equivalents	<u>6.0%</u>
Total	<u><u>100%</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### Discount Rate

The discount rate used to measure the total OPEB liability ("TOL") as of the measurement date was 4.75%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of December 31, 2018. In addition to the actuarial methods and assumptions of the December 31, 2018 actual valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- In all future years, the employer continues to contribute the full Actuarially Determined Employer Contribution ("ADEC") through deposit to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefit payments from its own resources for all periods in the projection.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's Fiduciary Net Position ("FNP") was projected to not be depleted.

The FNP projections are based upon the Plan's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing Plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will be depleted, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2019	\$ 1,166,986	\$ 369,726	\$ 797,260
Changes for the year:			
Service costs (includes interest)	41,327	-	41,327
Interest on TOL	54,427	-	54,427
Difference between expected and actual experience	(184,734)	-	(184,734)
Change in assumptions	32,535	-	32,535
Contributions - employer	-	97,069	(97,069)
Net investment income	-	16,455	(16,455)
Benefit payments and implicit subsidy credit	(42,824)	(42,824)	-
Net changes	(99,269)	70,700	(169,969)
Balances as of June 30, 2020	\$ 1,067,717	\$ 440,426	\$ 627,291

#### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Sewer District as well as what the Sewer District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.75%) or 1-percentage-point higher (5.75%) than the current discount rate:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB Liability	\$ 742,936	\$ 627,291	\$ 523,190

The following presents the net OPEB liability of the Sewer District as well as what the Sewer District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.25% decreasing to 3.75%) or 1-percentage-point higher (8.25% decreasing to 5.75%) than the current healthcare cost trend rates:

	1% Decrease (6.25% decreasing to 3.75%)	Current Healthcare Cost Trend Rates (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
Net OPEB Liability	\$ 485,590	\$ 627,291	\$ 797,427

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Sewer District recognized OPEB expense of \$62,624. At June 30, 2020, the Sewer District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,078	\$ 173,556
Change of assumptions or other inputs	28,867	
Net difference between projected and actual earnings on pension plan investments	10,280	-
Employer contributions subsequent to the measurement date	67,604	-
<b>Total</b>	<b>\$ 109,829</b>	<b>\$ 173,556</b>

The \$67,604 of deferred outflows of resources resulting from the Sewer District's contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2021	\$ (14,295)
2022	(14,294)
2023	(15,478)
2024	(17,481)
2025	(17,957)
Thereafter	(51,826)

#### OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued SC ORBET financial report.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 10. 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 \$18,000 for both the 457 plan and for the 401(k) plan with an additional \$6,000 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.

### **NOTE 11. RATE STABILIZATION ACCOUNT**

The rate stabilization account was established by the General Bond Resolution and was first funded in the fiscal year 2002 budget. By funding the stabilization account, cost burdens associated with new regulations or additional capital needs can be spread across more years, thereby minimizing or leveling rate increases and fluctuations to the system's customers. During the year ended June 30, 2020, a total of \$3,053,610 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 Net Position. 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 \$4,260,000 of these funds to be spent during the year ending June 30, 2021. 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).

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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# NORTH CHARLESTON SEWER DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS – SOUTH CAROLINA RETIREMENT SYSTEM FOR THE PLAN YEAR ENDED JUNE 30,

---

<u>Plan Year Ended June 30,</u>	<u>District's proportion of the net pension liability</u>	<u>District's proportionate share of the net pension liability</u>	<u>District's covered payroll</u>	<u>District's share of the net pension liability as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2019	0.055817%	\$ 12,745,419	5,894,162	216.2%	54.4%
2018	0.057133%	12,801,670	5,920,559	216.2%	53.3%
2017	0.057147%	12,864,709	5,765,986	223.1%	53.3%
2016	0.059565%	12,722,996	5,768,096	220.6%	52.9%
2015	0.055483%	10,522,618	5,202,197	202.3%	57.0%
2014	0.055912%	9,626,448	5,202,197	185.0%	59.9%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

# NORTH CHARLESTON SEWER DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS – SOUTH CAROLINA RETIREMENT SYSTEM FOR THE FISCAL YEAR ENDED JUNE 30,

---

<u>Fiscal Year Ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2020	\$ 934,925	\$ 934,925	\$ -	\$ 6,008,517	15.56%
2019	858,190	858,190	-	5,894,162	14.56%
2018	743,991	743,991	-	5,920,559	12.57%
2017	666,548	666,548	-	5,765,986	11.56%
2016	637,951	637,951	-	5,768,096	11.06%
2015	567,039	567,039	-	5,202,197	10.90%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

The assumptions used in the above schedules are disclosed in Note 8 to the financial statements.

# NORTH CHARLESTON SEWER DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY FOR THE POSTEMPLOYMENT HEALTH CARE PLAN FOR THE PLAN YEAR ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>			
Service cost	\$ 41,327	\$ 40,123	\$ 38,954
Interest on total OPEB liability	54,427	52,575	49,690
Difference between actual and expected experience	(184,734)	(12,171)	4,467
Change of assumptions or other inputs	32,535	-	-
Benefit payments	<u>(42,824)</u>	<u>(40,308)</u>	<u>(24,602)</u>
<b>Net change in total OPEB liability</b>	(99,269)	40,219	68,509
<b>Total OPEB liability - beginning</b>	<u>1,166,986</u>	<u>1,126,767</u>	<u>1,058,258</u>
<b>Total OPEB liability - ending (a)</b>	<u>1,067,717</u>	<u>1,166,986</u>	<u>1,126,767</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	97,069	97,329	71,105
Net investment income	16,455	5,894	7,459
Benefit payments	(42,824)	(40,308)	(24,602)
Administrative expense	<u>-</u>	<u>-</u>	<u>(11,124)</u>
<b>Net change in Plan Fiduciary Net Position</b>	70,700	62,915	42,838
<b>Total OPEB liability - beginning</b>	<u>369,726</u>	<u>306,811</u>	<u>263,973</u>
<b>Total OPEB liability - ending (b)</b>	<u>440,426</u>	<u>369,726</u>	<u>306,811</u>
<b>Net OPEB liability - ending (a) - (b)</b>	<u>\$ 627,291</u>	<u>\$ 797,260</u>	<u>\$ 819,956</u>

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.



# NORTH CHARLESTON SEWER DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NET OPEB LIABILITIES FOR THE POST-EMPLOYMENT HEALTHCARE PLAN FOR THE FISCAL YEAR ENDED JUNE 30,

<u>Fiscal Year Ended June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
Actuarially Determined Employer Contribution ("ADEC")	\$ 89,575	\$ 94,245	\$ 83,388	
Contributions in relation to the ADEC	<u>97,069</u>	<u>97,329</u>	<u>71,105</u>	
Annual contribution deficiency (excess)	<u>\$ (7,494)</u>	<u>\$ (3,084)</u>	<u>\$ 12,283</u>	
Covered payroll	<u>\$ 6,008,516</u>	<u>\$ 5,894,162</u>	<u>\$ 5,920,559</u>	
Actual contributions as a percentage of covered payroll	1.62%	1.65%	1.20%	
<u>Plan Year Ended December 31,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability	\$ 1,067,717	\$ 1,166,986	\$ 1,126,767	\$ 1,058,258
Plan Fiduciary Net Position	<u>440,426</u>	<u>369,726</u>	<u>306,811</u>	<u>263,973</u>
Net OPEB Liability	<u>\$ 627,291</u>	<u>\$ 797,260</u>	<u>\$ 819,956</u>	<u>\$ 794,285</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	41.25%	31.68%	27.23%	24.94%
Covered Payroll	<u>\$ 5,683,756</u>	<u>\$ 5,523,125</u>	<u>\$ 5,523,125</u>	<u>\$ 5,523,125</u>
Net OPEB Liability as a Percentage of Covered Payroll	11.04%	14.43%	14.85%	14.38%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

The assumptions used in the above schedules are disclosed in Note 9 to the financial statements.



## **OTHER SUPPLEMENTARY INFORMATION**

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# NORTH CHARLESTON SEWER DISTRICT

## SUPPLEMENTARY CONDENSED STATEMENTS OF NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 50,393,916	\$ 41,103,354
Investments	3,112,054	9,007,737
Accounts receivable, net	4,598,280	4,350,987
Inventory and other current assets	659,049	621,084
Total current assets	58,763,299	55,083,162
<b>Capital assets</b>	129,159,252	126,252,475
Total capital assets	129,159,252	126,252,475
<b>Deferred Outflows of Resources</b>		
Pension	1,334,661	1,797,435
Other post-employment benefits	109,829	83,748
Total deferred outflows of resources	1,444,490	1,881,183
Total assets and deferred outflows of resources	\$ 189,367,041	\$ 183,216,820
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Liabilities</b>		
Current liabilities		
Current portion of bonds payable	\$ 1,480,000	\$ 1,460,000
Accounts payable	2,564,417	2,901,233
Accrued interest	557,344	591,594
Other accrued expenses	935,358	762,730
Total current liabilities	5,537,119	5,715,557
Long-term liabilities		
Bonds payable	27,345,829	28,937,764
Net pension liability	12,745,419	12,801,670
Other post-employment benefits liability	627,291	797,260
Compensated absences	311,383	292,825
Total long-term liabilities	41,029,922	42,829,519
<b>Deferred inflows of resources</b>		
Pension	427,618	319,736
Other post-employment benefits	173,556	10,910
Total deferred inflows of resources	601,174	330,646
<b>Net position</b>	142,198,826	134,341,098
Total liabilities, deferred inflows of resources and net position	\$ 189,367,041	\$ 183,216,820

# NORTH CHARLESTON SEWER DISTRICT

## SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES - ACTUAL COMPARED TO PRIOR YEAR FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>Operating Revenues</b>		
Sewer service charges	\$ 29,273,029	\$ 28,596,143
Sewer permit and origin fees	1,528,169	1,310,640
Late fees	557,605	634,380
Miscellaneous revenues	42,686	84,445
Total operating revenues	31,401,489	30,625,608
 <b>Operating Expenses</b>		
Administrative	4,160,011	3,769,600
Plant operations	5,658,326	5,385,045
System operations	1,060,523	1,039,223
Capital projects	5,470,002	4,766,323
Depreciation	9,060,228	8,659,171
Total operating expenses	25,409,090	23,619,362
Net operating income	5,992,399	7,006,246
 <b>Non-Operating Revenues (Expenses)</b>		
Interest income	840,846	1,077,745
Interest expense	(1,028,002)	(1,085,253)
Gain on disposal of assets	44,345	46,254
Total non-operating revenues (expenses), net	(142,811)	38,746
Income before capital contributions	5,849,588	7,044,992
 <b>Capital Contributions</b>	2,008,140	6,244,392
Increase in net position	\$ 7,857,728	\$ 13,289,384

# NORTH CHARLESTON SEWER DISTRICT

## SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL COMPARISON FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating revenues</b>			
Sewer service charges	\$ 29,129,378	\$ 29,273,029	\$ (143,651)
Sewer permit and origin fees	1,205,900	1,528,169	(322,269)
Late fees	675,600	557,605	117,995
Miscellaneous revenue	31,000	42,686	(11,686)
Total operating revenues	<u>31,041,878</u>	<u>31,401,489</u>	<u>(359,611)</u>
<b>Operating expenses</b>			
Administrative	4,612,870	4,160,011	452,859
Plant operations	6,523,508	5,658,326	865,182
System operations	1,263,885	1,060,523	203,362
Capital projects	6,506,013	5,470,002	1,036,011
Depreciation	8,641,856	9,060,228	(418,372)
Total operating expenses	<u>27,548,132</u>	<u>25,409,090</u>	<u>2,139,042</u>
Operating income	<u>3,493,746</u>	<u>5,992,399</u>	<u>(2,498,653)</u>
<b>Non-operating revenues (expenses)</b>			
Interest income	960,000	840,846	119,154
Interest expense	(1,008,313)	(1,028,002)	(19,689)
Gain on disposal of assets	-	44,345	(44,345)
Total non-operating revenues (expenses), net	<u>(48,313)</u>	<u>(142,811)</u>	<u>55,120</u>
Income before contributions	<u>3,445,433</u>	<u>5,849,588</u>	<u>(2,443,533)</u>
<b>Capital contributions</b>			
Capital grants	-	2,008,140	(2,008,140)
Total capital contributions	<u>-</u>	<u>2,008,140</u>	<u>(2,008,140)</u>
Change in net position	<u>\$ 3,445,433</u>	<u>\$ 7,857,728</u>	<u>\$ (4,451,673)</u>

**Notes to the Schedule:**

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

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## **STATISTICAL SECTION**

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# NORTH CHARLESTON SEWER DISTRICT

## STATISTICAL SECTION FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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### TABLE OF CONTENTS

<u>Table</u>	<u>Page</u>
<b>Financial Trends</b>	
1 Net Position by Component – Last Ten Fiscal Years .....	51
2 Changes in Net Position – Last Ten Fiscal Years .....	52
3 Schedule of Revenues and Other Income – Last Ten Fiscal Years.....	53
<b>Revenue Capacity</b>	
4 Sewer User Charge Rates – Last Ten Fiscal Years .....	54
5 Top Ten Customers – Total Billed Amount .....	55
5 Top Ten Customers – Total Consumption Billed .....	55
6 Top Customers – Total Amount Billed – Last Ten Fiscal Years .....	56
6 Top Customers – Total Consumption Billed – Last Ten Fiscal Years .....	56
7 Schedule by Customer Type and Usage – Last Ten Fiscal Years .....	57
8 Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years .....	58
<b>Debt Capacity</b>	
9 Statement of Bonded Debt Limit .....	59
10 Schedule of Combined Debt Accrual Basis – Last Ten Fiscal Years .....	60
11 Schedule of Revenue Bond Coverage – Last Ten Fiscal Years .....	61
<b>Demographic and Economic Information</b>	
12 Demographic and Economic Statistics for the City of North Charleston .....	62
13 Principal Employers – Current Year and Nine Years Ago .....	63
14 Budgeted Full–Time Equivalent District Positions by Division – Last Ten Fiscal Years.....	64
<b>Operating Information</b>	
15 Operating Performance Measures – Last Ten Fiscal Years.....	65
16 Schedule of Operation and Maintenance Expenses – Last Ten Fiscal Years .....	66
17 Capital Assets Statistics – Last Ten Fiscal Years.....	67

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Net Position by Component  
Last Ten Fiscal Years  
(Unaudited)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Net Position</b>										
Net investment in capital assets	\$ 72,979,022	\$ 72,772,002	\$ 72,901,787	\$ 76,931,734	\$ 80,836,620	\$ 81,549,401	\$ 85,122,289	\$ 87,691,503	\$ 95,854,711	<b>\$ 100,333,423</b>
Restricted debt service	3,179,306	-	-	-	-	-	-	-	-	-
Unrestricted	26,860,870	30,953,559	32,819,887	23,939,346	23,815,519	27,383,034	29,016,053	33,360,211	38,486,387	<b>41,865,403</b>
<b>Total Net Position</b>	<b>\$ 103,019,198</b>	<b>\$ 103,725,561</b>	<b>\$ 105,721,674</b>	<b>\$ 100,871,080</b>	<b>\$ 104,652,139</b>	<b>\$ 108,932,435</b>	<b>\$ 114,138,342</b>	<b>\$ 121,051,714</b>	<b>\$ 134,341,098</b>	<b>\$ 142,198,826</b>

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Changes in Net Position  
Last Ten Fiscal Years  
(Unaudited)**

	2011	2012	2013	** 2014	2015	2016	2017	2018	2019	2020
<b>Operating Revenues:</b>										
Sewer Service Charges	\$21,859,275	\$22,293,095	\$22,506,309	\$23,954,989	\$24,640,306	\$26,218,785	\$27,376,746	\$28,278,090	\$28,596,143	\$ 29,273,029
Sewer Permit & Origin Fees	761,856	655,380	1,001,640	1,375,156	1,124,908	1,172,469	1,708,838	1,535,641	1,310,640	1,528,169
Late Fees	337,279	336,024	337,887	358,811	368,408	525,638	669,522	674,145	634,380	557,605
Miscellaneous Revenues	69,508	84,688	64,574	81,287	65,527	30,671	33,615	101,733	84,445	42,686
<b>Total Operating Revenues</b>	<b>23,027,918</b>	<b>23,369,187</b>	<b>23,910,410</b>	<b>25,770,243</b>	<b>26,199,149</b>	<b>27,947,563</b>	<b>29,788,721</b>	<b>30,589,609</b>	<b>30,625,608</b>	<b>31,401,489</b>
<b>Operating Expenses:</b>										
Administrative	3,100,584	3,013,579	3,102,570	3,358,418	3,555,910	3,739,670	3,712,111	3,790,458	3,769,600	4,160,011
Plant Operations	4,737,361	4,761,580	4,871,195	4,857,046	5,087,578	5,266,357	5,550,783	5,709,343	5,385,045	5,658,326
System Operations	4,901,382	5,019,063	5,088,602	2,964,662	2,983,988	3,448,782	1,155,390	1,117,244	1,039,223	1,060,523
Capital Projects**	-	-	-	2,260,153	2,302,359	2,271,203	4,804,597	4,828,013	4,766,323	5,470,002
Operating exp before Depreciation	12,739,327	12,794,222	13,062,367	13,440,279	13,929,835	14,726,012	15,222,881	15,445,058	14,960,191	16,348,862
Depreciation	8,169,163	8,310,606	7,960,305	7,358,760	7,607,927	7,892,032	8,019,963	8,340,534	8,659,171	9,060,228
<b>Total Operating Expenses</b>	<b>20,908,490</b>	<b>21,104,828</b>	<b>21,022,672</b>	<b>20,799,039</b>	<b>21,537,762</b>	<b>22,618,044</b>	<b>23,242,844</b>	<b>23,785,592</b>	<b>23,619,362</b>	<b>25,409,090</b>
<b>Operating Income</b>	<b>2,119,428</b>	<b>2,264,359</b>	<b>2,887,738</b>	<b>4,971,204</b>	<b>4,661,387</b>	<b>5,329,519</b>	<b>6,545,877</b>	<b>6,804,017</b>	<b>7,006,246</b>	<b>5,992,399</b>
<b>Non Operating Revenues (Exp):</b>										
Interest Income	136,463	58,370	70,929	68,309	99,553	216,878	371,504	595,563	1,077,745	840,846
Gain on Disposal of Assets	-	-	13,157	25,095	41,882	63,725	20,316	40,292	46,254	44,345
Grants & capital contributions	9,922	63,020	546,741	307,330	303,051	17,821	29,900	500,000	6,244,392	2,008,140
Interest Expense	(1,516,481)	(1,214,943)	(1,018,144)	(676,820)	(1,079,252)	(1,347,647)	(1,038,510)	(1,026,500)	(1,085,253)	(1,028,002)
Issuance Costs	(58,502)	(67,957)	-	-	(245,562)	-	-	-	-	-
Loss on Disposal of Assets	(145,896)	(396,486)	-	-	-	-	-	-	-	-
<b>Net Non Operating Rev (Exp)</b>	<b>(1,574,494)</b>	<b>(1,557,996)</b>	<b>(387,317)</b>	<b>(276,086)</b>	<b>(880,328)</b>	<b>(1,049,223)</b>	<b>(616,790)</b>	<b>109,355</b>	<b>6,283,138</b>	<b>1,865,329</b>
Increase in net position	\$ 544,934	\$ 706,363	\$ 2,500,421	\$ 4,695,118	\$ 3,781,059	\$ 4,280,296	\$ 5,929,087	\$ 6,913,372	\$13,289,384	\$ 7,857,728

\*\* The Sewer District reorganized in FY 2014 and formed the Capital Projects Division

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Schedule of Revenues and Other Income  
Last Ten Fiscal Years  
(Unaudited)**

	2011	2012	2013	** 2014	2015	2015	2017	2018	2019	2020
<b>Operating Revenues:</b>										
Sewer Service Charges	\$ 21,859,275	\$ 22,293,095	\$ 22,506,309	\$ 23,954,989	\$ 24,640,306	\$ 26,218,785	\$ 27,376,746	\$ 28,278,090	\$ 28,596,143	\$ 29,273,029
Sewer Permit & Origin Fees	761,856	655,380	1,001,640	1,375,156	1,124,908	1,172,469	1,708,838	1,535,641	1,310,640	1,528,169
Late Fees	337,279	336,024	337,887	358,811	368,408	525,638	669,522	674,145	634,380	557,605
Miscellaneous Revenues	69,508	84,688	64,574	81,287	65,527	30,671	33,615	101,733	84,445	42,686
<b>Total Operating Revenues</b>	<b>23,027,918</b>	<b>23,369,187</b>	<b>23,910,410</b>	<b>25,770,243</b>	<b>26,199,149</b>	<b>27,947,563</b>	<b>29,788,721</b>	<b>30,589,609</b>	<b>30,625,608</b>	<b>31,401,489</b>
<b>Non Operating Revenues</b>										
Interest Income	136,463	58,370	70,929	68,309	99,553	216,878	371,504	595,563	1,077,745	840,846
Gain on Disposal of Assets	-	-	13,157	25,095	41,882	63,725	20,316	40,292	46,254	44,345
Other & Capital Contributions	9,922	63,020	546,741	307,330	303,051	17,821	29,900	500,000	6,244,392	2,008,140
<b>Total Non Operating Revenues</b>	<b>146,385</b>	<b>121,390</b>	<b>630,827</b>	<b>400,734</b>	<b>444,486</b>	<b>298,424</b>	<b>421,720</b>	<b>1,135,855</b>	<b>7,368,391</b>	<b>2,893,331</b>
<b>Total Revenues</b>	<b>\$ 23,174,303</b>	<b>\$ 23,490,577</b>	<b>\$ 24,541,237</b>	<b>\$ 26,170,977</b>	<b>\$ 26,643,635</b>	<b>\$ 28,245,987</b>	<b>\$ 30,210,441</b>	<b>\$ 31,725,464</b>	<b>\$ 37,993,999</b>	<b>\$ 34,294,820</b>

\*\* The Sewer District reorganized in FY 2014 and formed the Capital Projects Division

Source: District audits and accounting records

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Sewer User Charge Rates  
Last Ten Fiscal Years  
(Unaudited)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Water Meters</b>										
Minimum Charge (includes first 3ccf)/month	N/A	N/A	N/A	22.37	22.73	23.64	24.11	24.59	24.59	<b>25.08</b>
Base Charge/month (no volume included)	9.85	9.85	9.85	N/A	N/A	N/A	N/A	N/A	N/A	<b>N/A</b>
Use Volume Charge per 1 ccf	3.83	4.06	4.06	4.14	4.26	4.43	4.52	4.61	4.61	<b>4.70</b>
Total Monthly Charge for Residential Customer using 10ccfs (7,500 gals)/month	48.15	50.45	50.45	51.35	52.55	54.65	55.75	56.86	56.86	<b>57.98</b>
Average Monthly Charge Change	<u>4.9%</u>	<u>4.8%</u>	<u>0.0%</u>	<u>1.8%</u>	<u>2.3%</u>	<u>4.0%</u>	<u>2.0%</u>	<u>2.0%</u>	<u>0.0%</u>	<u>2.0%</u>
<b>Sewer Meters</b>										
Minimum Charge (includes first 3ccf)/month	N/A	N/A	N/A	23.60	24.02	24.96	25.46	25.97	25.97	<b>26.49</b>
Base Charge/month (no volume included)	9.85	9.85	9.85	N/A	N/A	N/A	N/A	N/A	N/A	<b>N/A</b>
Use Volume Charge per 1 ccf	4.21	4.47	4.47	4.55	4.69	4.87	4.97	5.07	5.07	<b>5.17</b>
Total Monthly Charge for 10 ccfs (7,500 gals)	51.95	54.55	54.55	55.45	56.85	59.05	60.25	61.46	61.46	<b>62.68</b>
Average Monthly Charge Change	<u>6.3%</u>	<u>5.0%</u>	<u>0.0%</u>	<u>1.6%</u>	<u>2.5%</u>	<u>3.9%</u>	<u>2.0%</u>	<u>2.0%</u>	<u>0.0%</u>	<u>2.0%</u>

Note: Water meters measure residential and business wastewater volumes. Rates for these meters are adjusted to take into account that only 90% of this water produces wastewater. Single unit residential homes are afforded a volume cap of 16 CCFs 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 customers and the volume billed is considered 100% wastewater.

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Top Ten Customers  
Total Amount Billed  
June 30, 2020  
(Unaudited)**

<u>Customer</u>	<u>Type of Business</u>	<u>Usage Charges</u>	<u>Surcharge Charges</u>	<u>Pretreatment Permit</u>	<u>Total Amount Billed</u>	<u>Percentage of Operating Revenues</u>
Charleston Air Force Base	Military	\$ 1,028,054	\$ -	\$ 20,130	\$ 1,048,184	3.34%
Boeing	Aerospace	723,722	-	22,495	746,217	2.38%
Ingredion	Manufacturing	102,538	410,420	9,285	522,243	1.66%
Berkeley County Water & Sewer	Water & Sewer Utility	456,836	-	-	456,836	1.45%
Borden Dairy Company of SC	Dairy	238,502	142,953	22,546	404,001	1.29%
Kapstone	Manufacturing	400,740	-	-	400,740	1.28%
BASF Corporation	Manufacturing	327,419	-	44,286	371,705	1.18%
Lanxess Corporation	Manufacturing	177,822	19,118	48,312	245,252	0.78%
Joint Base Charleston-Navy	Military	177,103	-	-	177,103	0.56%
Alsco	Uniform Rental	94,177	55,005	16,104	165,286	0.53%
Total By Revenue Source		<u>\$ 3,726,913</u>	<u>\$ 627,496</u>	<u>\$ 183,158</u>	<u>\$ 4,537,567</u>	<u>14.45%</u>

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

<u>Customer</u>	<u>Type of Business</u>	<u>Fiscal Year Consumption CCF</u>	<u>Percentage of Total Billable Consumption</u>	<u>Usage Charges</u>
Charleston Air Force Base	Military	286,937	5.77%	\$ 1,028,054
Boeing	Aerospace	153,791	3.09%	723,722
Berkeley County Water & Sewer	Water & Sewer Utility	109,606	2.20%	456,836
Kapstone	Manufacturing	77,519	1.56%	400,740
BASF Corporation	Manufacturing	69,756	1.40%	327,419
Borden Dairy	Dairy	46,139	0.93%	238,502
Lanxess Corporation	Manufacturing	34,399	0.69%	177,822
Joint Base Charleston-Navy	Military	34,257	0.69%	177,103
Ingredion	Manufacturing	19,818	0.40%	102,538
Alsco	Uniform Rental	18,208	0.37%	94,177
Total		<u>850,430</u>	<u>17.10%</u>	<u>\$ 3,726,913</u>

Source: District billing records.

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

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

<b>Customer</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Alsco	\$ 139,156	\$ -	\$ 164,747	\$ 186,861	\$ 234,379	\$ 203,181	\$ 208,755	\$ 209,513	\$ 213,391	\$ 165,286
Berkeley County Water & Sewer	350,322	349,658	395,656	413,952	430,388	442,304	410,999	446,730	430,215	456,836
Boeing	-	371,396	328,671	387,796	469,409	507,316	714,342	739,602	739,748	746,217
Charleston Air Force Base	722,732	466,782	584,852	707,702	630,742	740,055	835,951	813,009	686,903	1,048,184
Charleston Naval Weapons/Joint Base	-	-	-	-	-	-	-	-	-	177,103
Charleston Southern University	179,875	-	156,409	-	-	-	-	-	-	-
CMMC, LLC	178,454	198,617	252,700	251,038	190,779	224,466	247,107	-	-	-
Borden Dairy	496,320	497,214	288,053	283,901	271,027	293,488	266,025	372,981	417,191	404,001
Detyen's Shipyard Inc	-	168,963	198,448	167,174	207,861	240,890	-	191,592	195,928	-
Kapstone (Mead/Westvaco Corp)	288,408	221,143	-	191,582	186,131	186,931	-	258,705	480,903	400,740
Leeds Park Assc '08(G & I III)	214,533	202,107	-	-	-	-	-	-	-	-
Salisbury Electrical Supply	141,966	166,171	150,511	164,852	-	-	-	-	-	-
Lanxess Corp. (Solvay)	264,021	306,085	345,433	249,239	267,300	262,622	202,231	248,796	305,074	245,252
Trident Regional Hospital	-	-	-	-	167,836	-	237,378	201,317	-	-
BASF Corporation	-	-	-	-	-	230,124	306,544	362,927	376,146	371,705
Ingredion Inc.	-	-	-	-	-	-	225,543	-	273,848	522,243

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

<b>Customer</b>	<b>CCFs 2011</b>	<b>CCFs 2012</b>	<b>CCFs 2013</b>	<b>CCFs 2014</b>	<b>CCFs 2015</b>	<b>CCFs 2016</b>	<b>CCFs 2017</b>	<b>CCFs 2018</b>	<b>CCFs 2019</b>	<b>CCFs 2020</b>
Alsco	\$ 20,367	\$ -	\$ 24,303	\$ 26,876	\$ 32,236	\$ 26,799	\$ 25,584	\$ 26,061	\$ 25,123	\$ 18,208
Berkeley County Water & Sewer	110,863	101,601	107,107	111,330	111,058	112,041	102,040	108,770	104,645	109,606
Boeing	-	89,182	78,098	89,712	106,171	110,778	153,249	155,939	155,260	153,791
Charleston Air Force Base	215,994	169,791	240,262	268,005	233,150	285,922	240,804	244,118	242,771	286,937
Charleston Southern University	42,855	-	34,808	-	-	-	-	-	-	-
CMMC, LLC	42,630	44,504	56,532	55,153	40,677	46,069	49,684	-	-	-
Borden Dairy	51,231	42,193	41,177	42,247	38,919	39,549	35,888	38,046	45,069	46,139
Detyen's Shipyard Inc	-	37,906	44,395	36,696	44,341	49,510	-	37,797	38,619	-
Kapstone (Mead/Westvaco Corp)	68,741	49,453	-	42,106	38,252	35,545	-	51,033	93,317	77,519
Leeds Park Assc. '08 (G & I III)	48,833	43,298	-	-	-	-	-	-	-	-
Salisbury Electrical Supply	33,760	37,275	33,671	34,104	-	-	-	-	-	-
Lanxess Corp. (Solvay)	42,546	49,111	57,014	39,877	41,740	38,474	28,544	36,571	42,512	34,399
Trident Regional Hospital	-	-	-	-	32,354	-	44,543	37,011	-	-
BASF Corporation	-	-	-	-	-	52,091	67,837	69,534	71,593	69,756
Ingredion Inc.	-	-	-	-	-	-	3,948	-	11,557	19,818
Charleston Naval Weapons/Joint Base	-	-	-	-	-	-	-	-	-	34,257



**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Schedule by Customer Type and Usage  
Last Ten Fiscal Years**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Average Number of Customers:</b>										
Residential**	\$ -	\$ -	\$ 24,296	\$ 24,735	\$ 25,081	\$ 25,529	\$ 25,707	\$ 26,164	\$ 26,479	\$ 26,672
Commercial/Industry**	-	-	4,198	4,242	4,390	4,448	4,631	4,645	4,638	4,717
Residential/Commercial**	27,823	27,913	-	-	-	-	-	-	-	-
Industrial**	39	42	-	-	-	-	-	-	-	-
Wholesale	1	1	1	1	1	1	1	1	1	1
Military	2	2	2	2	2	2	2	2	2	2
<b>Total</b>	<b>\$ 27,865</b>	<b>\$ 27,958</b>	<b>\$ 28,497</b>	<b>\$ 28,980</b>	<b>\$ 29,474</b>	<b>\$ 29,980</b>	<b>\$ 30,341</b>	<b>\$ 30,812</b>	<b>\$ 31,120</b>	<b>\$ 31,392</b>
<b>Volume of Wastewater CCFs</b>										
Residential**	\$ -	\$ -	\$1,527,134	\$1,530,900	\$1,542,922	\$1,573,831	\$1,601,724	\$1,615,205	\$1,608,707	\$1,622,029
Commercial/Industry**	-	-	2,715,503	2,811,393	2,816,223	2,857,399	2,951,060	2,988,458	3,025,447	2,919,930
Residential/Commercial**	3,854,848	3,739,235	-	-	-	-	-	-	-	-
Industrial**	465,448	482,420	-	-	-	-	-	-	-	-
Wholesale	110,863	101,601	107,107	111,330	111,058	112,041	102,040	108,770	104,645	109,606
Military	251,070	196,756	262,513	290,041	252,488	317,462	274,875	275,412	270,297	321,194
<b>Total</b>	<b>\$4,682,229</b>	<b>\$4,520,012</b>	<b>\$4,612,257</b>	<b>\$4,743,664</b>	<b>\$4,722,691</b>	<b>\$4,860,733</b>	<b>\$4,929,699</b>	<b>\$4,987,845</b>	<b>\$5,009,096</b>	<b>\$4,972,759</b>

\*\* Customer categories changed in 2017 for display purposes. Data for new groupings not available prior to 2013.

Source: District accounting office.

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year Ended June 30,	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
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	314,363,088	5,737,976,717	180,577,298	1,905,926,445	494,940,386	7,643,903,162	6.47%
2013	313,382,490	5,720,327,750	193,439,495	2,489,172,591	506,821,985	8,209,500,341	6.17%
2014	319,637,623	5,837,002,800	162,535,654	1,740,354,352	482,173,277	7,577,357,152	6.36%
2015	343,107,611	6,226,434,932	171,078,927	1,859,262,799	514,186,538	8,085,697,731	6.36%
2016	348,798,700	6,338,567,167	188,338,991	2,051,873,003	537,137,691	8,390,440,170	6.40%
2017	366,149,438	6,670,803,800	189,914,879	2,079,784,561	556,064,317	8,750,588,361	6.35%
2018	391,872,580	7,138,049,417	197,336,258	2,166,651,910	589,208,838	9,304,701,327	6.33%
2019	415,346,426	7,573,792,350	201,917,892	2,201,619,306	617,264,318	9,775,411,656	6.31%
2020**							

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

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Statement of Bonded Debt Limit  
(Unaudited)**

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Calendar Year 2019 assessed valuation as determined by Charleston County Auditor's Office	\$ 617,264,318
Statutory debt limit rate - Article X of S.C. Constitution	8%
Statutory Debt Limit	49,381,145
Less: General obligation indebtedness as of June 30, 2020	(11,035,000)
Issuance premiums	(84,226)
Net G.O. bond indebtedness	<u>(11,119,226)</u>
Legal Debt Margin	<u><u>\$ 38,261,919</u></u>

Source: Charleston County Auditor's Office

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Schedule of Combined Debt  
Accrual basis  
(Unaudited)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	<b>2020</b>
Revenue Bonds	\$ 26,178,000	\$ 21,975,000	\$ 19,130,000	\$ 16,175,000	\$ 29,340,000	\$ 26,235,000	\$ 23,010,000	\$ 19,660,000	\$ 16,180,000	<b>\$ 15,730,000</b>
General Obligation Bonds	-	16,945,000	16,245,000	15,545,000	14,845,000	14,145,000	13,445,000	12,745,000	12,045,000	<b>11,035,000</b>
Combined	<u>26,178,000</u>	<u>38,920,000</u>	<u>35,375,000</u>	<u>31,720,000</u>	<u>44,185,000</u>	<u>40,380,000</u>	<u>36,455,000</u>	<u>32,405,000</u>	<u>28,225,000</u>	<b><u>26,765,000</u></b>
Premiums	427,291	2,182,800	1,835,707	1,488,641	3,637,759	3,186,739	2,735,718	2,284,699	2,172,764	<b>2,060,826</b>
Net of Premiums	<u>\$ 26,605,291</u>	<u>\$ 41,102,800</u>	<u>\$ 37,210,707</u>	<u>\$ 33,208,641</u>	<u>\$ 47,822,759</u>	<u>\$ 43,566,739</u>	<u>\$ 39,190,718</u>	<u>\$ 34,689,699</u>	<u>\$ 30,397,764</u>	<b><u>\$ 28,825,826</u></b>
% of Personal Income	0.10%	0.14%	0.13%	0.11%	0.16%	0.14%	0.11%	0.10%	0.09%	<b>0.08%</b>
Per Capita	272.96	412.15	364.85	319.15	447.99	408.12	353.51	309.73	271.41	<b>250.66</b>

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Schedule of Revenue Bond Coverage  
Last Ten Fiscal Years  
(Unaudited)**

	2011	2012	2013	** 2014	2015	2016	2017	2018	2019	2020
Operating Revenues	\$ 23,027,918	\$ 23,369,187	\$ 23,910,410	\$ 25,770,243	\$ 26,199,149	\$ 27,947,563	\$ 29,788,721	\$ 30,589,609	\$ 30,625,608	\$ 31,401,489
Interest Income	136,463	58,370	70,929	68,309	99,553	216,878	371,504	595,563	1,077,745	840,846
Gain on Sale of Assets	-	-	13,157	25,095	41,882	63,725	20,316	40,292	46,254	44,345
Gross Revenues	23,164,381	23,427,557	23,994,496	25,863,647	26,340,584	28,228,166	30,180,541	31,225,464	31,749,607	32,286,680
Less: Operation and Maintenance Expenses *	12,739,327	12,794,222	13,062,367	13,440,279	13,929,835	14,726,012	15,222,881	15,445,058	14,960,191	16,348,862
<b>Available for Debt Service</b>	<b>10,425,054</b>	<b>10,633,335</b>	<b>10,932,129</b>	<b>12,423,368</b>	<b>12,410,749</b>	<b>13,502,154</b>	<b>14,957,660</b>	<b>15,780,406</b>	<b>16,789,416</b>	<b>15,937,818</b>
Debt Service on Rev. Bonds	3,956,630	3,869,410	3,555,750	3,636,200	3,621,425	4,485,122	4,386,475	4,379,975	4,355,975	1,229,975
Debt Coverage Ratio on Prior Lien and Revenue Bonds	2.63	2.75	3.07	3.42	3.43	3.01	3.41	3.60	3.85	12.96
Debt Service on General Obligation Bonds	-	-	1,264,963	1,234,213	1,206,213	1,178,213	1,164,213	1,136,213	1,122,213	1,404,213
Balance Available	\$ 6,468,424	\$ 6,763,925	\$ 6,111,416	\$ 7,552,955	\$ 7,583,111	\$ 7,838,819	\$ 9,406,972	\$ 10,264,219	\$ 11,311,228	\$ 13,303,630

\* Does not include depreciation

Note: Pledged revenues for revenue bond debt include all fees, charges and all other income derived from the operation of the Sewer System.

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Demographic and Economic Statistics  
For the City of North Charleston\*  
(Unaudited)**

Year	Population(1)	Chas- N Chas MSA Personal Income In Thousands of \$(2)	Per Capita Personal Income(2)	CNC School Enrollment(3)	Chas- N Chas MSA Unemployment Rate(4)
2011	99,727	\$ 26,414,707	\$ 38,818	22,538	9.4%
2012	102,163	28,991,994	39,444	22,640	8.5%
2013	104,268	28,817,474	39,853	23,513	7.3%
2014	107,017	31,352,998	42,038	23,902	5.1%
2015	109,044	33,692,169	44,038	24,273	5.8%
2016	109,732	35,362,506	46,439	24,625	4.9%
2017	110,861	37,800,241	47,183	24,850	4.2%
2018	112,000	40,137,052	50,958	25,164	3.1%
2019	115,000	**	**	25,282	3.0%
<b>2020</b>	**	**	**	**	<b>9.0%</b>

Note: Data sources include.

(1) City of North Charleston

(2) U.S. Bureau of Economic Analysis

(3) Charleston & Dorchester County School Dist.

(4) SC Department of Employment and Workforce

\* Largest Municipality within NCSD

\*\* Data not available at this time

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

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Principal Employers  
Current Year and Ten Years Ago  
(Unaudited)**

Employer	2020 (1)			2010		
	Employees	Rank	Percentage of Total Employment (2)	Employees	Rank	Percentage of Total Employment (2)
Boeing Commercial Airplanes	6,800	1	1.71%	3,000	1	1.01%
Trident Medical Center	2,700	2	0.68%	2,500	2	0.84%
Charleston County -Executive Offices	2,700	3	0.68%	2,150	3	0.72%
Mercedes-Benz Vans, LLC	1,600	4	0.40%			
Scientific Research Corporation SRC	1,500	5	0.38%	650	10	0.22%
T-Mobile	1,200	6	0.30%			
City of North Charleston	1,200	7	0.30%	1,125	6	0.38%
Mahle Behr Charleston, Inc.	900	8	0.23%			
WestRock Paper Mill (Kapstone)	800	9	0.20%	1,200	5	0.40%
US Department of State CGFS	800	10	0.20%			
Trident Technical College				650	9	0.22%
Force Protection Inc.				1,300	4	0.44%
Cummins Turbo Technologies				700	8	0.23%
Verizon Wireless				1,050	7	0.35%

**Note:** We serve the Charleston Air Force by contract - number of employees is 22,000. The Sewer District's service area surrounds the base. Accordingly, many of their employees are Sewer District customers.

(1) Source: Charleston Metro Chamber of Commerce and City of North Charleston

(2) Total employment represents total for Charleston MSA area per US Department of Labor - Bureau of Labor Statistics. Total employment not available for North Charleston, SC location only.

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Budgeted Full-Time Equivalent District Positions by Division  
Last Ten Fiscal Years  
(Unaudited)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Administration	6	6	6	6	6	6	6	6	6	7
Human Resource	3.75	3.75	0	0	0	0	0	1	1	1
Accounting	5	5	6	7	7	7	7	7	6	5
Information Technology	n/a	n/a	n/a	2	3	3	3	3	3	3
Purchasing	4	4	4	4	4	4	4	4	4	3
<b>Administration</b>	<u>18.75</u>	<u>18.75</u>	<u>16</u>	<u>19</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>21</u>	<u>20</u>	<u>19</u>
Plant Administration	3	3	3	3	3	4	4	4	3	3
Plant Operations	18	18	18	18	18	19	19	19	18	17
Quality Control	4	4	4	4	4	4	5	5	6	6
Plant Maintenance	9	9	9	8	8	8	7	7	8	9
Pretreatment/FOG	2	2	2	2	2	3	3	3	3	3
<b>Plant</b>	<u>36</u>	<u>36</u>	<u>36</u>	<u>35</u>	<u>35</u>	<u>38</u>	<u>38</u>	<u>38</u>	<u>38</u>	<u>38</u>
System Administration	4	4	4	0	0	0	0	0	0	0
Vehicle Shop	5	5	5	5	5	4	4	4	4	4
Buildings & Grounds	7	7	7	7	7	7	7	7	7	6
<b>Systems</b>	<u>16</u>	<u>16</u>	<u>16</u>	<u>12</u>	<u>12</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>
Capital projects	4	4	4	6	7	7	7	7	7	8
Lines	22	22	22	22	22	25	25	25	25	25
Systems Maintenance	12	12	12	12	12	14	14	14	15	15
<b>Capital projects</b>	<u>38</u>	<u>38</u>	<u>38</u>	<u>40</u>	<u>41</u>	<u>46</u>	<u>46</u>	<u>46</u>	<u>47</u>	<u>48</u>
<b>Total</b>	<u>108.75</u>	<u>108.75</u>	<u>106</u>	<u>106</u>	<u>108</u>	<u>115</u>	<u>115</u>	<u>116</u>	<u>116</u>	<u>115</u>

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  
(Unaudited)**

<b>Performance Measure</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Number of Customer Service Calls/Complaints</b>	1,071	1,085	1,351	1,149	1,220	1,406	1,326	1,249	1,220	<b>1,118</b>
<b>Number of NPDES Permit Violations</b>	-	4	-	-	-	1	-	-	-	-
<b>Sanitary Sewer Overflow (SSO) Causes *</b>										
Number of Wet Weather Related Overflows	1	2	2	3	2	7	11	5	4	<b>3</b>
Number of Vandalism/Accident-Related Overflows	-	2	-	-	-	-	-	-	-	<b>7</b>
Number of Blockages *	-	2	2	1	1	-	1	1	1	<b>1</b>
Number of Cave-Ins *	1	-	-	-	-	-	-	-	1	-
Number of Pump Station Failures *	-	1	2	1	1	3	1	-	5	<b>6</b>
<b>Total Number of SSOs*</b>	<b>2</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>13</b>	<b>6</b>	<b>11</b>	<b>17</b>
<b>Average Annual Effluent Flows (MGD)</b>	14.63	13.47	17.44	17.62	18.46	20.03	17.70	20.23	16.82	<b>18.90</b>
<b>Peak Flow Factor at Treatment Plant</b>	1.5	1.4	1.6	1.5	1.6	1.6	1.5	1.4	1.5	<b>1.6</b>
<b>Monthly Average Treatment Plant Flow Rate (gpcd)</b>	101	90	112	110	115	123	107	124	110	<b>118</b>
<b>Monthly Peak Treatment Plant Flow Rate (gpcd)</b>	146	123	181	161	179	198	162	171	164	<b>189</b>
<b>Number of By-Passes at Treatment Plant</b>	-	-	-	-	-	-	-	-	-	-
<b>Volume of Treatment Plant By-Passes (gallons)</b>	-	-	-	-	-	-	-	-	-	-
<b>WWTP Monthly Average Influent BOD (mg/l)</b>	177	193	142	140	145	152	176	144	191	<b>188</b>
<b>Sewer Sales for Fiscal Year (MGD)</b>	9.60	9.26	9.45	9.78	9.68	9.96	10.10	10.22	10.36	<b>10.19</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>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Personnel	\$ 7,537,574	\$ 7,601,998	\$ 7,730,054	\$ 7,826,634	\$ 8,128,628	\$ 8,931,783	\$ 9,688,667	\$ 9,753,106	\$ 9,442,336	\$ 10,277,839
Utilities	1,378,988	1,459,063	1,457,847	1,507,757	1,665,742	1,777,043	1,621,775	1,696,192	1,335,256	1,446,764
Property Insurance	229,876	224,971	230,673	242,530	255,545	267,262	228,156	269,187	303,172	344,285
Contract Services	338,233	307,792	426,244	403,279	440,430	360,544	444,681	332,019	374,817	647,571
Billing Agent	438,842	683,808	696,954	713,099	726,308	733,372	752,975	745,782	779,385	804,606
IT & Office	493,877	297,949	280,925	306,287	370,449	368,152	331,988	390,901	375,809	355,224
Training	46,525	50,082	46,822	59,889	97,089	98,708	105,640	124,912	139,761	106,788
Repairs & Maint.	921,817	851,157	790,119	874,152	801,291	851,287	702,925	803,952	876,132	891,718
Disposal Fees	155,172	133,096	299,588	419,241	394,962	341,683	411,223	442,323	465,416	513,881
Supplies/Materials	933,025	962,302	896,556	863,363	844,509	799,106	788,182	732,711	703,276	701,068
Other	265,398	222,004	206,585	224,048	204,882	197,072	146,669	153,973	164,831	259,388
<b>Total</b>	<b>\$ 12,739,327</b>	<b>\$ 12,794,222</b>	<b>\$ 13,062,367</b>	<b>\$ 13,440,279</b>	<b>\$ 13,929,835</b>	<b>\$ 14,726,012</b>	<b>\$ 15,222,881</b>	<b>\$ 15,445,058</b>	<b>\$ 14,960,191</b>	<b>\$ 16,349,132</b>

Source: District accounting records.

**NORTH CHARLESTON SEWER DISTRICT  
NORTH CHARLESTON, SC**

**Capital Assets Statistics  
Last Ten Years Fiscal Years  
(Unaudited)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Service Area in square miles	59.3	59.3	59.3	59.3	59.3	59.3	59.3	59.3	59.3	<b>59.3</b>
Miles of Sewer Lines	523	538	531	531	531	531	531	548	548	<b>550</b>
Treatment Capacity in MGD	27	27	27	27	27	32	32	32	32	<b>32</b>
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	<b>1</b>
Pump Stations	59	59	60	60	60	59	60	60	60	<b>60</b>
Fleet										
Vehicles	50	50	51	51	54	58	58	60	61	<b>57</b>
Specialty	18	17	16	17	17	17	17	18	18	<b>18</b>

Source: District Capital Projects Department and District insurance policies.

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## **COMPLIANCE SECTION**

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Charleston Sewer District (the "Sewer District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Sewer District's basic financial statements, and have issued our report thereon dated September 24, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Sewer District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sewer District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sewer District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Savannah, Georgia  
September 24, 2020

# NORTH CHARLESTON SEWER DISTRICT

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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### SECTION I SUMMARY OF AUDIT RESULTS

#### **Financial Statements**

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Yes  No

Significant deficiencies identified not considered  
to be material weaknesses?

Yes  None Reported

Noncompliance material to financial statements noted?

Yes  No

#### **Federal Awards**

Not applicable as a single audit was not performed for the year ended June 30, 2020, due to the Sewer District not expending \$750,000 or more of federal funds.

### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

### SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

### SECTION IV SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None reported.