

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2023**

**Prepared By:
Accounting Department**

**Matt Clark
Chief Financial Officer**

NORTH CHARLESTON SEWER DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 – 4
Management’s Discussion and Analysis	5 – 11
Basic Financial Statements:	
Statement of Net Position	12 and 13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15 and 16
Notes to Financial Statements.....	17 – 45

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – South Carolina Retirement System.....	46
Schedule of Contributions – South Carolina Retirement System	47
Schedule of Changes in the Net OPEB Liability for the Post-Employment Health Care Plan	48
Schedule of Employer Contributions and Net OPEB Liabilities for the Post-Employment Healthcare Plan.....	49

OTHER SUPPLEMENTARY INFORMATION

Supplementary Condensed Schedules of Net Position.....	50
Supplementary Schedule of Revenues and Expenses – Actual Compared to Prior Year.....	51
Supplementary Schedule of Revenues and Expenses – Budget to Actual Comparison	52

NORTH CHARLESTON SEWER DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION

Page

FINANCIAL TRENDS

Net Position by Component – Last Ten Fiscal Years	53
Changes in Net Position – Last Ten Fiscal Years	54
Schedule of Revenues and Other Income – Last Ten Fiscal Years	55

REVENUE CAPACITY

Sewer User Charge Rates – Last Ten Fiscal years	56
Top Ten Customers – Total Amount Billed.....	57
Top Ten Customers – Total Consumption Billed.....	57
Top Customers – Total Amount Billed – Last Ten Fiscal Years	58
Top Customers – Total Consumption Billed – Last Ten Fiscal Years	58
Schedule by Customer Type and Usage – Last Ten Fiscal Years.....	59
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	60

DEBT CAPACITY

Statement of Bonded Debt Limit.....	61
Schedule of Combined Debt Accrual Basis – Last Ten Fiscal Years	62
Schedule of Revenue Bond Coverage – Last Ten Fiscal Years	63

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and Economic Statistics for the City of North Charleston.....	64
Principal Employers – Current Year and Ten Years ago.....	65
Budgeted Full-Time Equivalent Sewer District Positions by Division – Last Ten Fiscal Years.....	66

OPERATING INFORMATION

Operating Performance Measures – Last Ten Fiscal Years.....	67
Schedule of Operation and Maintenance Expenses – Last Ten Fiscal Years.....	68
Capital Assets Statistics – Last Ten Fiscal Years.....	69

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 <i>Government Auditing Standards</i>	70 and 71
Schedule of Findings and Responses	72

INTRODUCTORY SECTION



September 20, 2023

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) Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

INTRODUCTION TO THE REPORT

This report has been prepared in conformance with generally accepted accounting principles as prescribed in the pronouncement of the Governmental Accounting Standards Board (GASB). Management’s discussion and analysis (MD&A) that immediately follows the independent auditor’s report and precedes the basic financial statements, presents financial highlights, overall financial analysis, and economic outlook of the Sewer District. The various financial statements presented are discussed in more detail in the MD&A and Note 1 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 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, 2023. 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 “lifttable” and may

be issued separately from the Annual Comprehensive Financial Report, possibly for inclusion in official statements, bond offerings, or for distribution to users requiring less detailed information. The independent auditor's report is located at the front of the financial section of this report.

PROFILE OF THE SEWER DISTRICT

Governmental Structure

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

A full-time 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 generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

Budgetary Controls

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

Commercial and industrial billable sewer flows increased 2.5% from the previous year. New construction in the region remained strong throughout the year resulting in new connection permits totaling \$1.8 million. Unemployment remained low throughout the year creating a tight labor market for certain skilled positions.

The Sewer 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 Sewer District's service area and we anticipate suppliers and employees to locate within the Sewer 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 Force Main Rehabilitation (Noisette, Ingleside, Turkey Creek, Northwoods) Rehabilitation work was completed for the Northwoods and Turkey Creek force mains. This includes bypassing the existing 30" force mains and installing a new Cure-In-Place-Pipe liner in the existing lines. Current year expenditures totaled \$5 million.
- 24 inch Gravity Line Replacement (Former Navy Base site) The replacement of 200 linear feet of 24" gravity sanitary sewer line was completed. This required bypassing the existing line, demolishing the existing line, and replacing with new pipe on new pile supports. The construction site was restored ahead of the South Carolina Port Authority's NBIF project. Current year expenditures totaled \$1.4 million.
- Dorchester Terrace Line Replacement Phase 1 of the Dorchester Terrace Sewer Line Replacement Project was completed this past year. This involved digging and replacing approximately 850 linear feet of 8" and 10" gravity sanitary sewer pipe. Originally this pipe was installed in the 1940's and was experiencing failures. Current year expenditures totaled approximately \$900,000.

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 Annual Comprehensive Financial Report for fiscal years 2001 through 2022.

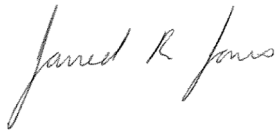
In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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 financial report.

Respectfully submitted,



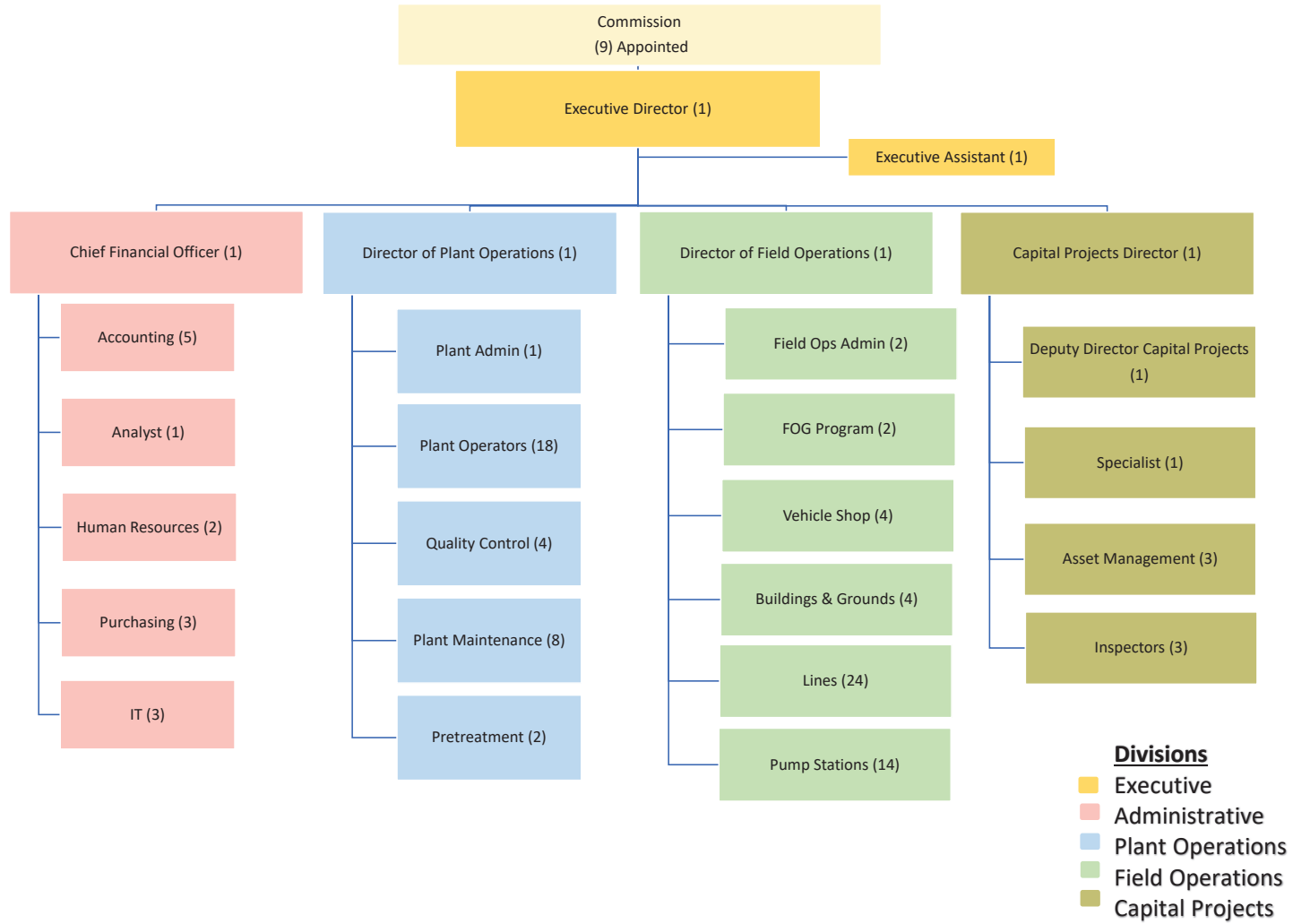
Jarred Jones, PE
District Manager



Matt Clark, CPA
Chief Financial Officer

NORTHCHARLESTON SEWER DISTRICT

ORGANIZATIONAL CHART JUNE 30, 2023



NORTH CHARLESTON SEWER DISTRICT

PRINCIPAL OFFICIALS JUNE 30, 2023

COMMISSIONERS

	Number of Years <u>In Office</u>	
George Gomes	23	Chairman
Melinda Chambers	14	First Vice Chairman
William R. Fuller	14	Second Vice Chairman
Sylderrial T. Pryor	17	Secretary
Clifford E. Johnson	28	Commissioner
Gary Thomas	9	Commissioner
Gerinda Doctor	8	Commissioner
Ken Speight	5	Commissioner
William Crosby	1	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	19	8	Executive Director
Matt Clark, CPA	11	11	Chief Financial Officer
Phillip Sexton, PE	16	8	Capital Projects Director
Chad Maurer	20	1	Director of Plant Operations
Chad Abrams	11	1	Director of Field Operations



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**North Charleston Sewer District
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **North Charleston Sewer District** (the "Sewer District"), as of and for the year ended June 30, 2023, 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.

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, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Sewer District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sewer District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sewer District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sewer District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the Management's Discussion and Analysis ("MD&A") (on pages 5 through 11), the Schedule of the Sewer District's Proportionate Share of the Net Pension Liability and Related Ratios (on page 45), the Schedule of the Sewer District's Pension Contributions (on page 46), the Schedule of Changes in the Net OPEB Liability for the Post-employment Health Care Plan (on page 47) and the Schedule of the Employer Contributions and Net OPEB Liabilities for the Post-employment Health Care Plan (on page 48) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 other supplementary information, as listed in the table of contents, on pages 49 – 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Sewer District. Such 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. The 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.

We have previously audited the Sewer District's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated September 8, 2022. Our report dated September 8, 2022 stated that the supplementary information for the year ended June 30, 2022, was subjected to the auditing procedures applied in the audit of the 2022 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, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023, 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 20, 2023

NORTH CHARLESTON SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

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, 2023. 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

This financial report 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 improved during fiscal year 2023. All bond covenants were met. Financial highlights for the year include:

- Net position increased by \$9.4 million, or 6%, to \$167 million as a result of current year operations compared to an increase of \$4.3 million, or 3%, for fiscal year 2022.
- Operating revenues totaled \$34.3 million, an increase of 5% compared to the previous year. The increase was attributable to a combination of increased billable flows, a 3% sewer rate increase and a 13% increase in new connection permit revenue.
- Operating expenses before depreciation increased 2% from the previous year. The increase was mainly attributable to increased utility rates and increases to the price of fuel and treatment chemicals.
- The debt service coverage ratio for the Sewer District's revenue bonds was 14.35%.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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:

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 costs 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-type 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-type 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 12 – 16 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 17 – 44 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The following comparative condensed statements provide summary information of the operations of the Sewer District.

Table A-1
Condensed Statement of Net Position

	<u>2023</u>	<u>2022</u>
Current and Non-Current Assets	\$ 63,959,458	\$ 62,017,540
Capital Assets (net of accumulated depreciation)	142,758,407	137,240,211
Total Assets	<u>206,717,865</u>	<u>199,257,751</u>
Deferred Outflows of Resources	<u>2,005,646</u>	<u>2,276,289</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 208,723,511</u>	<u>\$ 201,534,040</u>
Current liabilities	\$ 5,632,489	\$ 5,118,685
Long-term liabilities	35,724,093	36,819,994
Total Liabilities	<u>41,356,582</u>	<u>41,938,679</u>
Deferred Inflows of Resources	<u>765,479</u>	<u>2,351,722</u>
Net Position		
Net investment in capital assets	116,729,227	110,113,813
Unrestricted	49,872,223	47,129,826
Total Net Position	<u>166,601,450</u>	<u>157,243,639</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 208,723,511</u>	<u>\$ 201,534,040</u>

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

	2023	2022
Operating Revenues:		
Sewer Service Charges	\$ 31,589,311	\$ 30,240,153
Sewer Permit and Origin Fees	2,083,847	1,843,870
Other Operating Revenues	590,714	513,395
Non-Operating Revenues:		
Interest on Investments	1,209,641	-
Grant Revenue	603,600	-
Gain on Disposal of Assets	30,668	24,110
Total Revenues	36,107,781	32,621,528
Operating Expenses:		
Administrative	4,235,144	4,192,799
Plant Operations	6,961,200	6,493,402
Systems Operations	5,707,529	5,973,003
Capital Projects	911,582	818,241
Depreciation	10,411,136	10,277,991
Non-Operating Expenses:		
Net Investment Loss	-	1,234,303
Interest Expense	233,284	812,225
Total Expenses	28,459,875	29,801,964
Excess Before Capital Contributions	7,647,906	2,819,564
Capital Contributions	1,709,905	1,506,196
Increase in Net Position	9,357,811	4,325,760
Net Position, Beginning of year	157,243,639	152,917,879
Net Position, End of year	\$ 166,601,450	\$ 157,243,639

General Trends and Significant Events

Commercial sewer flows increased 2% from the previous year and residential flows remained stable, seeing a 0.5% increase. Low unemployment created a tight labor market for skilled positions and the Sewer District experienced hiring certain positions. New construction in the region remained strong throughout the year resulting in new connection permits totaling \$1.9 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Financial Condition

The Sewer District's overall financial position improved as the net position grew 6%, from \$157.2 million to \$166.6 million. Current assets increased 3%, or \$1.9 million, mainly attributable to increased cash from operations. Continued investments in capital resulted in an increase of \$5.5 million, or 4%, to capital assets. Current liabilities increased \$0.5 million, or 10%, mainly from year-end short-term payables. Long-term liabilities decreased \$1.1 million, or 3%, from debt payments. Offsetting some of the decrease was an increase to the South Carolina Retirement System pension liability.

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 70% 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 2023, 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 increased 3% for 2023. Wholesale contract rates were adjusted by various percentages as specified by contract.

Sewer service revenues increased \$1.3 million, or 4%, to \$31.6 million, as shown in Table A-2. The increase is from a combination of increased billable flows and the rate increase. Commercial flows experienced growth and residential flows remained stable.

Other sources of revenue:

- Fees for new connections and origins totaled \$2.1 million, an increase of \$240,000.
- Investment earnings experienced net income of \$1.2 million from rising interest rates.
- Capital contributions totaled \$1.7 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 57 pump stations and a 32 million gallons per day treatment plant.

Operating expenses before depreciation increased \$0.3 million, or 2%. The increase was mainly attributable to rising prices of fuel, chemicals, and utilities. Depreciation expense increased \$0.1 million, or 1%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Sewer District's property, plant, and equipment as of June 30, 2023, totaled \$142.8 million net of accumulated depreciation of \$201 million. Additions during 2023 totaled \$15.9 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 Note 4 on page 27 of this report.

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

- Large diameter force main rehabilitation (Noisette, Ingleside, Turkey Creek, Northwoods): \$5.0 million
- 24" gravity line replacement at the old Navy base: \$1.4 million
- Dorchester Terrace line replacement: \$0.9M

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

	2023	2022	Change
Land	\$ 2,409,405	\$ 2,409,405	\$ -
Automotive	2,218,992	2,044,766	174,226
Buildings	12,254,695	11,843,436	411,259
Plant Machinery & Equipment	19,490,255	19,615,457	(125,202)
Office/IT	670,182	520,286	149,896
Other Sewer Equipment	18,977,022	18,278,753	698,269
Sewer Systems	76,481,241	76,850,626	(369,385)
Construction in Process	10,256,615	5,677,482	4,579,133
Total	\$ 142,758,407	\$ 137,240,211	\$ 5,518,196

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Debt Administration

At June 30, 2023, bond issues, net of applicable unamortized premiums, totaled \$23.4 million. Standard & Poor's has assigned an AA+ rating to the Sewer District's revenue bonds. Moody's Investor Service assigned a 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. The Sewer District has \$7.8 million outstanding in general obligation debt which leaves \$52.6 million 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 Note 5 on pages 28 and 29 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:

North Charleston Sewer District
Attention: Chief Financial Officer
P.O. Box 63009
North Charleston, South Carolina 29419

BASIC FINANCIAL STATEMENTS

NORTH CHARLESTON SEWER DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2023

ASSETS

Current assets

Cash and cash equivalents	\$ 29,462,094
Investments	28,347,716
Accounts receivable (less allowance of \$165,903)	4,512,508
Due from other accounts	514,019
Inventory	677,254
Prepaid expenses	445,867
Total current assets	<u>63,959,458</u>

Non-current assets

Capital assets:	
Nondepreciable	12,666,020
Depreciable, net of accumulated depreciation	<u>130,092,387</u>
Total non-current assets	<u>142,758,407</u>
Total assets	<u>\$ 206,717,865</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	\$ 1,808,615
Other post-employment benefits	<u>197,031</u>
Total deferred outflows of resources	<u>\$ 2,005,646</u>

(Continued)

NORTH CHARLESTON SEWER DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2023

LIABILITIES

Current liabilities

Payable from current assets:

Current portion of bonds payable	\$ 1,350,000
Accounts payable	2,906,074
Accrued interest	498,813
Accrued salaries	240,236
Accrued expenses	158,945
Compensated absences	104,472
Unearned revenue	373,949
Total current liabilities	<u>5,632,489</u>

Non-current liabilities

Bonds payable	22,022,936
Net pension liability	12,918,100
Net OPEB liability	506,257
Compensated absences	276,800
Total non-current liabilities	<u>35,724,093</u>

Total liabilities \$ 41,356,582

DEFERRED INFLOWS OF RESOURCES

Pension	\$ 500,389
Other post-employment benefits	265,090

Total deferred inflows of resources \$ 765,479

NET POSITION

Net investment in capital assets	\$ 116,729,227
Unrestricted	<u>49,872,223</u>

Total net position \$ 166,601,450

See Notes to Financial Statements.

NORTH CHARLESTON SEWER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Operating revenues	
Sewer service charges	\$ 31,589,311
Sewer permit and origin fees	2,083,847
Late fees	548,048
Miscellaneous revenue	42,666
Total operating revenues	<u>34,263,872</u>
Operating expenses	
Administrative	4,235,144
Plant operations	6,961,200
System operations	5,707,529
Capital projects	911,582
Depreciation	10,411,136
Total operating expenses	<u>28,226,591</u>
Operating income	<u>6,037,281</u>
Non-operating revenues (expenses)	
Grant income	603,600
Interest expense	(233,284)
Interest income	1,209,641
Gain on disposal of assets	30,668
Total non-operating revenues, net	<u>1,610,625</u>
Income before contributions	<u>7,647,906</u>
Capital contributions	<u>1,709,905</u>
Change in net position	9,357,811
Total net position, beginning of year	<u>157,243,639</u>
Total net position, end of year	<u>\$ 166,601,450</u>

See Notes to Financial Statements.

NORTH CHARLESTON SEWER DISTRICT

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 33,586,324
Payments to suppliers	(7,571,078)
Payments to employees	(9,622,330)
Net cash provided by operating activities	<u>16,392,916</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(14,219,427)
Proceeds from sale of capital assets	30,668
Principal payments on revenue bonds payable	(1,320,000)
Interest paid on long-term borrowings	(1,050,624)
Proceeds from grants	603,600
Net cash used in capital and related financing activities	<u>(15,955,783)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(3,143,399)
Interest received on investments	1,209,641
Net cash used in investing activities	<u>(1,933,758)</u>

Net decrease in cash and cash equivalents (1,496,625)

Cash and cash equivalents, beginning of year 30,958,719

Cash and cash equivalents, end of year \$ 29,462,094

(Continued)

NORTH CHARLESTON SEWER DISTRICT

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$	6,037,281
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		10,411,136
Changes in assets and liabilities:		
Increase in accounts receivable		(35,579)
Increase in due from other accounts		(506,183)
Increase in inventory		(129,952)
Decrease in prepaid expenses		376,570
Decrease in deferred outflows of resources		270,643
Increase in accounts payable and accrued expenses		611,067
Increase in accrued salaries		40,476
Decrease in accrued compensated absences		(304)
Decrease in unearned revenue		(135,786)
Increase in net pension liability		963,205
Increase in net OPEB liability		76,585
Decrease in deferred inflows of resources		(1,586,243)
Net cash provided by operating activities	\$	<u>16,392,916</u>

SUPPLEMENTARY SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions	\$	<u>1,709,905</u>
-----------------------	----	------------------

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NORTH CHARLESTON SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

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, 2023.

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, 2023, 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
Gary N. Thomas, Sr., Commissioner
William Crosby, 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

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$165,903 as of June 30, 2023.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 asset that applies to a 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

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 results from the changes in the proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of the total plan employer contributions are specific to cost-sharing multiple employer defined benefit pension plans and represent the current period amortized portions of these deferred outflows. The third 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, three, and four above. The fourth item results from the differences between projected investment return on pension investments and actual return on those investments are deferred and amortized against pension expense over a five-year period.

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 net asset that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Three 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. The third item results from the differences between projected investment return on pension investments and actual return on those investments. All 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 are also two 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". The first 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. The second item, changes in actuarial assumption, is recorded as a deferred inflow of resources and is amortized into pension expense over the expected remaining service lives of plan members.

NOTES TO FINANCIAL STATEMENTS

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, 2023, a liability of \$381,272 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

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, 2023, 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

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, 2023, the Sewer District's investments included funds in the Pool, which totaled \$25,621,687. 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, 2023, the Sewer District had the following investments in the Pool:

Investment	Maturity	Percentage	Fair Value
South Carolina Government Investment Pool	43 days	100%	\$ 25,621,687

As of June 30, 2023, the Sewer District had the following investments in fixed income securities:

Investment	Level 1	Level 2	Level 3	Fair Value
Fixed income securities:				
U.S. treasury bonds	\$23,552,365	\$ -	\$ -	\$23,552,365
US Agency Bonds	-	944,537	-	944,537
U.S. government sponsored enterprise	-	3,850,814	-	3,850,814
Total fixed income securities	\$23,552,365	\$4,795,351	\$ -	\$28,347,716

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.

Credit Risk

State laws limit the type of investments as stated above. As of June 30, 2023, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023, 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, 2023 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	\$ 2,409,405	\$ -	\$ -	\$ -	\$ 2,409,405
Construction in progress	5,677,482	8,057,528	(3,478,395)	-	10,256,615
Total	<u>8,086,887</u>	<u>8,057,528</u>	<u>(3,478,395)</u>	<u>-</u>	<u>12,666,020</u>
Capital assets, being depreciated:					
Sewer system	185,678,915	3,719,916	362,052	-	189,760,883
Buildings	38,560,374	401,045	841,310	-	39,802,729
Plant, machinery and equipment	53,056,798	1,970,277	183,258	(20,274)	55,190,059
Vehicles and related equipment	4,808,745	575,727	-	(28,522)	5,355,950
Office furnishings	1,797,696	248,379	92,480	(7,506)	2,131,049
Other sewer equipment	35,934,181	956,460	1,999,295	(71,552)	38,818,384
Total	<u>319,836,709</u>	<u>7,871,804</u>	<u>3,478,395</u>	<u>(127,854)</u>	<u>331,059,054</u>
Less accumulated depreciation for:					
Sewer system	(108,828,289)	(4,451,353)	-	-	(113,279,642)
Buildings	(26,716,938)	(831,096)	-	-	(27,548,034)
Plant, machinery and equipment	(33,441,341)	(2,278,737)	-	20,274	(35,699,804)
Vehicles and related equipment	(2,763,979)	(401,501)	-	28,522	(3,136,958)
Office furnishings	(1,277,410)	(190,963)	-	7,506	(1,460,867)
Other sewer equipment	(17,655,428)	(2,257,486)	-	71,552	(19,841,362)
Total	<u>(190,683,385)</u>	<u>(10,411,136)</u>	<u>-</u>	<u>127,854</u>	<u>(200,966,667)</u>
Total capital assets, being depreciated, net	<u>129,153,324</u>	<u>(2,539,332)</u>	<u>3,478,395</u>	<u>-</u>	<u>130,092,387</u>
Total capital assets, net	<u>\$137,240,211</u>	<u>\$ 5,518,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$142,758,407</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, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 14,765,000	\$ -	\$ (520,000)	\$ 14,245,000	\$ 550,000
GO bonds	7,520,000	-	(800,000)	6,720,000	800,000
Premiums	3,192,276	-	(784,340)	2,407,936	-
Total bonds payable	25,477,276	-	(2,104,340)	23,372,936	1,350,000
Compensated absences	381,576	639,567	(639,871)	381,272	104,472
Net pension liability	11,954,895	2,622,700	(1,659,495)	12,918,100	-
Net OPEB liability	429,672	165,049	(88,464)	506,257	-
Total long-term liabilities	<u>\$ 38,243,419</u>	<u>\$ 3,427,316</u>	<u>\$ (4,492,170)</u>	<u>\$ 37,178,565</u>	<u>\$ 1,454,472</u>

Bonds Payable

General obligation bonds:

Issued January 28, 2021, net of premium of \$1,674,734 payable in annual installments ranging from \$800,000 to \$880,000 plus interest varying from 3% to 5% through 2031. The bonds had an original issue amount of \$8,320,000.

\$ 7,804,639

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.

15,568,297

23,372,936

Less current portion of bonds payable

(1,350,000)

Long-term bonds payable

\$ 22,022,936

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.

In January 2021, the Sewer District issued Series 2021 general obligation refunding bonds. The proceeds from this issuance were used for the purpose of defraying the cost of redeeming the Series 2011 bonds. With this issuance, the Series 2011 bonds were paid off in full. The refunding transaction resulted in a reduction in debt service of \$1,121,192.

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, 2023.

The annual bond principal and interest requirements as of June 30, 2023 are as follows:

<u>Fiscal Year Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,350,000	\$ 983,875	\$ 2,333,875
2025	1,385,000	915,750	2,300,750
2026	1,425,000	845,750	2,270,750
2027	1,465,000	773,750	2,238,750
2028	1,515,000	699,625	2,214,625
2029 – 2033	6,510,000	2,431,950	8,941,950
2034 – 2038	4,975,000	1,174,788	6,149,788
2039 and 2040	2,340,000	118,500	2,458,500
Total	<u>\$ 20,965,000</u>	<u>\$ 7,943,988</u>	<u>\$ 28,908,988</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, 2023, the Sewer District had capital improvement commitments totaling \$10,250,674.

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

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.

NOTES TO FINANCIAL STATEMENTS

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 an Annual Comprehensive Financial Report (“ACFR”) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through the Retirement Benefits' link on PEBA's website at 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 ACFR of the state.

Plan Description

The SCRS, a cost-sharing multiple-employer defined benefit pension plan, was established effective 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 employees of the state, its public school districts, and political subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

NOTES TO FINANCIAL STATEMENTS

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

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. The Retirement Funding and Administration Act of 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 both SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the 1% increase in the SCRS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by one percentage point each year until reaching 18.56% for SCRS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified statute such that the employer contribution rates for SCRS to be further increased, not to exceed one-half of 1% in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS may not be decreased until the plans are at least 85% funded. Required employee contributions rates for fiscal year 2023 were 9.00% for class Two and Three employees. Required employer contributions rates for fiscal year 2023 were 17.41% for class Two and Three employers.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan 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 regarding the net pension liability 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. An experience report on the Systems was most recently issued for the period ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The June 30, 2022, total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (“GRS”) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans’ fiscal year-end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

Inflation	2.25%
Salary increases	3.00% to 11.00% 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 2020 Public Retirees of South Carolina Mortality table (“2020 PRSC”), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

Long-Term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 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 following table. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the TPL includes a 4.75% real rate of return and a 2.25% inflation component.

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

<u>Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity	9.0%	8.75%	0.79%
Private Debt	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
	<u>100%</u>		
		Total expected real return	4.79%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	<u>7.04%</u>

Discount Rate

The discount rate used to measure the TPL was 7.00%. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

Discount Rate (Continued)

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2023:

<u>South Carolina Retirement System</u>			
<u>Sensitivity of the Net Position Liability to Changes in the Discount Rate</u>			
<u>Fiscal</u>	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
<u>Year</u>	<u>(6.00%)</u>	<u>Discount Rate</u>	<u>(8.00%)</u>
<u>2023</u>	<u>\$ 16,562,598</u>	<u>\$ 12,918,100</u>	<u>\$ 9,888,173</u>

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, 2023, for SCRS is presented below.

For the Sewer District's fiscal year ended June 30, 2023, the net pension liability for the SCRS is as follows:

Total pension liability	\$ 30,083,465
Plan fiduciary net position	<u>17,165,465</u>
Employer's net pension liability	<u><u>\$ 12,918,000</u></u>

Plan fiduciary net position as a percentage of the total pension liability	57.1%
---	-------

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

Pension Expense

For the year ended June 30, 2023, the Sewer District recognized its proportionate share of collective pension expense of \$1,084,007 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 (\$217,835) for a total of \$866,172.

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

At June 30, 2022, 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	\$ 112,234	\$ 56,297
Changes of assumptions	414,314	-
Net difference between projected and actual earnings on pension plan investments	19,922	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	157,634	444,092
Employer contributions subsequent to the measurement date	<u>1,104,511</u>	<u>-</u>
Total	<u>\$ 1,808,615</u>	<u>\$ 500,389</u>

Sewer District contributions subsequent to the measurement date of \$1,104,511 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, 2024.

NOTES TO FINANCIAL STATEMENTS

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, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>		
2024	\$	138,873
2025		126,022
2026		(398,077)
2027		336,897

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 \$298 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided (Continued)

At the December 31, 2020 valuation date, the Plan has 122 covered members; 6 members are retirees receiving benefits and 116 are active participants.

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 \$477 to \$1,767 per month based on premiums in effect at the beginning of the Sewer District's fiscal year.

Net OPEB Liability

At June 30, 2023, the Sewer District's net OPEB liability totaled \$506,257. The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, 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, 2022 measurement date is presented as follows:

Total OPEB liability	\$ 1,012,417
Plan fiduciary net position	<u>506,160</u>
Employer's net OPEB liability	<u><u>\$ 506,257</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	50.0%

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 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 9.50%, including inflation
Investment rate of return	4.75%, net of OPEB plan investment expenses, including inflation
Healthcare cost trend rates	
Pre-medicare	7.00% for 2021, decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.25% for 2021, decreasing to an ultimate rate of 4.50% by 2025

Mortality rates were based on the PUB-2010 Mortality Tables for Employees, with a 135% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The demographic actuarial assumptions used in the December 31, 2020 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, 2020 valuation were based on a review of recent Plan experience done concurrently with the December 31, 2020 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 timeframe. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

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:

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return
US Government Agency	58.00%	4.00%
US Govt MBS/CMO/CMBS	40.00%	5.60%
Cash and Short Duration (Net)	2.00%	3.90%
Total	100%	

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, 2020. In addition to the actuarial methods and assumptions of the December 31, 2020 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Discount Rate (Continued)

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.

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, 2022	\$ 971,166	\$ 541,494	\$ 429,672
Changes for the year:			
Service costs (includes interest)	32,273	-	32,273
Interest on TOL	45,384	-	45,384
Difference between expected and actual experience	(4,607)	-	(4,607)
Contributions - employer	-	83,857	(83,857)
Net investment income	-	(86,142)	86,142
Benefit payments and implicit subsidy credit	(31,799)	(31,799)	-
Administrative expenses	-	(1,250)	1,250
Net changes	41,251	(35,334)	76,585
Balances as of June 30, 2023	\$ 1,012,417	\$ 506,160	\$ 506,257

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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	\$ 610,871	\$ 506,257	\$ 411,376

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 (6.00% decreasing to 3.50%) or 1-percentage-point higher (8.00% decreasing to 5.50%) than the current healthcare cost trend rates:

	1% Decrease (6.00% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
Net OPEB Liability	\$ 368,590	\$ 506,257	\$ 670,686

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, 2023, the Sewer District recognized OPEB expense of \$40,986. At June 30, 2023, the Sewer District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,689	\$ 206,673
Change of assumptions or other inputs	17,863	58,417
Net difference between projected and actual earnings on pension plan investments	116,936	-
Employer contributions subsequent to the measurement date	60,543	-
Total	\$ 197,031	\$ 265,090

The \$60,543 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, 2024. 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,	
2024	\$ (13,010)
2025	(13,487)
2026	(13,669)
2027	(22,381)
2028	(42,622)
Thereafter	(23,433)

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

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, 2023, a total of \$1,448,116 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 not budgeted any of these funds to be spent during the year ending June 30, 2024. Currently, the Commission has authorized the use of these funds to offset the costs of stricter regulations and to rehabilitate long-life assets (i.e. major trunk line rehabilitations, new/upgraded pump stations).

REQUIRED SUPPLEMENTARY INFORMATION

NORTH CHARLESTON SEWER DISTRICT

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

Plan Year Ended June 30,	Sewer District's proportion of the net pension liability	Sewer District's proportionate share of the net pension liability	Sewer District's covered payroll	Sewer District's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.053288%	\$ 12,918,100	\$ 6,345,323	203.6%	57.1%
2021	0.055241%	11,954,895	6,244,506	191.4%	60.7%
2020	0.053857%	13,761,499	6,008,517	229.0%	50.7%
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>
2023	\$ 1,104,511	\$ 1,104,511	\$ -	\$ 6,289,922	17.56%
2022	1,050,786	1,050,786	-	6,345,323	16.56%
2021	971,645	971,645	-	6,244,506	15.56%
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 POST-EMPLOYMENT HEALTH CARE PLAN FOR THE PLAN YEAR ENDED JUNE 30,

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 32,273	\$ 39,184	\$ 38,043	\$ 41,327	\$ 40,123	\$ 38,954
Interest on total OPEB liability	45,384	52,376	49,974	54,427	52,575	49,690
Difference between actual and expected experience	(4,607)	(125,521)	(2,750)	(184,734)	(12,171)	4,467
Change of assumptions or other inputs	-	(78,389)	-	32,535	-	-
Benefit payments	(31,799)	(37,855)	(31,613)	(42,824)	(40,308)	(24,602)
Net change in total OPEB liability	41,251	(150,205)	53,654	(99,269)	40,219	68,509
Total OPEB liability - beginning	971,166	1,067,717	1,067,717	1,166,986	1,126,767	1,058,258
Total OPEB liability - ending (a)	1,012,417	917,512	1,121,371	1,067,717	1,166,986	1,126,767
Plan Fiduciary Net Position						
Contributions - employer	83,857	93,670	83,779	97,069	97,329	71,105
Net investment income	(86,142)	(17,420)	21,119	16,455	5,894	7,459
Benefit payments	(31,799)	(37,855)	(31,613)	(42,824)	(40,308)	(24,602)
Administrative expense	(1,250)	(5,442)	(5,170)	-	-	(11,124)
Net change in Plan Fiduciary Net Position	(35,334)	32,953	68,115	70,700	62,915	42,838
Total OPEB liability - beginning	541,494	508,541	440,426	369,726	306,811	263,973
Total OPEB liability - ending (b)	506,160	541,494	508,541	440,426	369,726	306,811
Net OPEB liability - ending (a) - (b)	\$ 506,257	\$ 376,018	\$ 612,830	\$ 627,291	\$ 797,260	\$ 819,956

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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
Actuarially Determined Employer Contribution ("ADEC")	\$ 75,766	\$ 80,338	\$ 84,869	\$ 89,575	\$ 94,245	\$ 83,388	
Contributions in relation to the ADEC	<u>83,857</u>	<u>93,670</u>	<u>83,779</u>	<u>97,069</u>	<u>97,329</u>	<u>71,105</u>	
Annual contribution deficiency (excess)	<u>\$ (8,091)</u>	<u>\$ (13,332)</u>	<u>\$ 1,090</u>	<u>\$ (7,494)</u>	<u>\$ (3,084)</u>	<u>\$ 12,283</u>	
Covered payroll	<u>\$ 6,289,922</u>	<u>\$ 6,345,323</u>	<u>\$ 6,244,505</u>	<u>\$ 6,008,516</u>	<u>\$ 5,894,162</u>	<u>\$ 5,920,559</u>	
Actual contributions as a percentage of covered payroll	1.33%	1.48%	1.34%	1.62%	1.65%	1.20%	
<u>Plan Year Ended December 31,</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability	\$ 1,012,417	\$ 971,166	\$ 1,121,371	\$ 1,067,717	\$ 1,166,986	\$ 1,126,767	\$ 1,058,258
Plan Fiduciary Net Position	<u>506,160</u>	<u>541,494</u>	<u>508,541</u>	<u>440,426</u>	<u>369,726</u>	<u>306,811</u>	<u>263,973</u>
Net OPEB Liability	<u>\$ 506,257</u>	<u>\$ 429,672</u>	<u>\$ 612,830</u>	<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	50.00%	55.76%	45.35%	41.25%	31.68%	27.23%	24.94%
Covered Payroll	<u>\$ 5,923,476</u>	<u>\$ 5,923,476</u>	<u>\$ 5,683,756</u>	<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	8.55%	7.25%	10.78%	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

NORTH CHARLESTON SEWER DISTRICT

SUPPLEMENTARY CONDENSED SCHEDULES OF NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	\$ 29,462,094	\$ 30,958,719
Investments	28,347,716	25,204,317
Accounts receivable, net	5,026,527	4,484,765
Inventory and other current assets	1,123,121	1,369,739
Total current assets	63,959,458	62,017,540
Capital assets		
Total capital assets	142,758,407	137,240,211
Deferred Outflows of Resources		
Pension	1,808,615	2,148,960
Other post-employment benefits	197,031	127,329
Total deferred outflows of resources	2,005,646	2,276,289
Total assets and deferred outflows of resources	\$ 208,723,511	\$ 201,534,040
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current liabilities		
Current portion of bonds payable	\$ 1,350,000	\$ 1,320,000
Accounts payable	2,906,074	2,186,908
Accrued interest	498,813	531,813
Other accrued expenses	877,602	1,079,964
Total current liabilities	5,632,489	5,118,685
Long-term liabilities		
Bonds payable	22,022,936	24,157,276
Net pension liability	12,918,100	11,954,895
Other post-employment benefits liability	506,257	429,672
Compensated absences	276,800	278,151
Total long-term liabilities	35,724,093	36,819,994
Deferred inflows of resources		
Pension	500,389	2,042,278
Other post-employment benefits	265,090	309,444
Total deferred inflows of resources	765,479	2,351,722
Net position		
Total liabilities, deferred inflows of resources and net position	166,601,450	157,243,639
Total liabilities, deferred inflows of resources and net position	\$ 208,723,511	\$ 201,534,040

NORTH CHARLESTON SEWER DISTRICT

SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES - ACTUAL COMPARED TO PRIOR YEAR FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating Revenues		
Sewer service charges	\$ 31,589,311	\$ 30,240,153
Sewer permit and origin fees	2,083,847	1,843,870
Late fees	548,048	446,571
Miscellaneous revenues	42,666	66,824
Total operating revenues	34,263,872	32,597,418
Operating Expenses		
Administrative	4,235,144	4,192,799
Plant operations	6,961,200	6,493,402
System operations	5,707,529	5,973,003
Capital projects	911,582	818,241
Depreciation	10,411,136	10,277,991
Total operating expenses	28,226,591	27,755,436
Net operating income	6,037,281	4,841,982
Non-Operating Revenues (Expenses)		
Grant income	603,600	-
Net Investment loss	-	(1,234,303)
Interest income	1,209,641	-
Interest expense	(233,284)	(812,225)
Gain on disposal of assets	30,668	24,110
Total non-operating revenue (expense), net	1,610,625	(2,022,418)
Income before capital contributions	7,647,906	2,819,564
Capital Contributions	1,709,905	1,506,196
Increase in net position	\$ 9,357,811	\$ 4,325,760

NORTH CHARLESTON SEWER DISTRICT

SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL COMPARISON FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Variance
Operating revenues			
Sewer service charges	\$ 31,469,698	\$ 31,589,311	\$ (119,613)
Sewer permit and origin fees	1,400,000	2,083,847	(683,847)
Late fees	425,000	548,048	(123,048)
Miscellaneous revenue	75,000	42,666	32,334
Total operating revenues	33,369,698	34,263,872	(894,174)
Operating expenses			
Administrative	5,294,012	4,235,144	1,058,868
Plant operations	7,706,082	6,961,200	744,882
System operations	7,436,113	5,707,529	1,728,584
Capital projects	1,032,130	911,582	120,548
Depreciation	9,916,261	10,411,136	(494,875)
Total operating expenses	31,384,598	28,226,591	3,158,007
Operating income	1,985,100	6,037,281	(4,052,181)
Non-operating revenues (expenses)			
Grant Revenue	500,000	603,600	103,600
Interest income	269,068	1,209,641	(940,573)
Interest expense	(746,226)	(233,284)	512,942
Gain on disposal of assets	-	30,668	(30,668)
Total non-operating revenues, net	22,842	1,610,625	(354,699)
Income before contributions	2,007,942	7,647,906	(4,406,880)
Capital contributions			
Developer contributions	-	1,709,905	(1,709,905)
Total capital contributions	-	1,709,905	(1,709,905)
Change in net position	\$ 2,007,942	\$ 9,357,811	\$ (6,116,785)

Notes to the Schedule:

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

STATISTICAL SECTION

NORTH CHARLESTON SEWER DISTRICT

STATISTICAL SECTION FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

This part of North Charleston Sewer District's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and supplementary information says about the Sewer District's overall financial health.

Contents

	<u>Page</u>
Financial Trends	53 – 55
<i>These schedules contain trend information to help the reader understand how the Sewer District's financial performance and well-being have changed over time.</i>	
Revenue Capacity	56 – 60
<i>These schedules contain information to help the reader assess the Sewer District's most significant local revenue sources.</i>	
Debt Capacity	61 – 63
<i>These schedules present information to help the reader assess the affordability of the Sewer District's current levels of outstanding debt and the Sewer District's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	64 – 66
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Sewer District's financial activities take place.</i>	
Operating Information	67 – 69
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Sewer District's financial report relates to the services the Sewer District provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Sewer District's financial reports for the relevant year.

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

Net Position by Component
Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Position										
Net investment in capital assets	\$ 76,931,734	\$ 80,836,620	\$ 81,549,401	\$ 85,122,289	\$ 87,691,503	\$ 95,854,711	\$ 100,333,423	\$ 108,706,711	\$ 110,113,813	\$ 116,729,227
Unrestricted	23,939,346	23,815,519	27,383,034	29,016,053	33,360,211	38,486,387	41,865,403	44,211,168	47,129,826	49,872,223
Total Net Position	<u>\$ 100,871,080</u>	<u>\$ 104,652,139</u>	<u>\$ 108,932,435</u>	<u>\$ 114,138,342</u>	<u>\$ 121,051,714</u>	<u>\$ 134,341,098</u>	<u>\$ 142,198,826</u>	<u>\$ 152,917,879</u>	<u>\$ 157,243,639</u>	<u>\$ 166,601,450</u>

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

	** 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues:										
Sewer Service Charges	\$ 23,954,989	\$ 24,640,306	\$ 26,218,785	\$ 27,376,746	\$ 28,278,090	\$ 28,596,143	\$ 29,273,029	\$ 29,037,527	\$ 30,240,153	\$ 31,589,311
Sewer Permit and Origin Fees	1,375,156	1,124,908	1,172,469	1,708,838	1,535,641	1,310,640	1,528,169	1,971,905	1,843,870	2,083,847
Late Fees	358,811	368,408	525,638	669,522	674,145	634,380	557,605	446,075	446,571	548,048
Miscellaneous Revenues	81,287	65,527	30,671	33,615	101,733	84,445	42,686	56,082	66,824	42,666
Total Operating Revenues	25,770,243	26,199,149	27,947,563	29,788,721	30,589,609	30,625,608	31,401,489	31,511,589	32,597,418	34,263,872
Operating Expenses:										
Administrative	3,358,418	3,555,910	3,739,670	3,712,111	3,790,458	3,769,600	4,160,011	4,217,375	4,192,799	4,235,144
Plant Operations	4,857,046	5,087,578	5,266,357	5,550,783	5,709,343	5,385,045	5,658,326	6,349,186	6,493,402	6,961,200
System Operations	2,964,662	2,983,988	3,448,782	1,155,390	1,117,244	1,039,223	1,060,523	1,053,291	5,973,003	5,707,529
Capital Projects**	2,260,153	2,302,359	2,271,203	4,804,597	4,828,013	4,766,323	5,470,002	6,111,653	818,241	911,582
Operating exp before Depreciation	13,440,279	13,929,835	14,726,012	15,222,881	15,445,058	14,960,191	16,348,862	17,731,505	17,477,445	17,815,455
Depreciation	7,358,760	7,607,927	7,892,032	8,019,963	8,340,534	8,659,171	9,060,228	9,316,261	10,277,991	10,411,136
Total Operating Expenses	20,799,039	21,537,762	22,618,044	23,242,844	23,785,592	23,619,362	25,409,090	27,047,766	27,755,436	28,226,591
Operating Income	4,971,204	4,661,387	5,329,519	6,545,877	6,804,017	7,006,246	5,992,399	4,463,823	4,841,982	6,037,281
Non-Operating Revenues (Exp):										
Net Investment Gain	68,309	99,553	216,878	371,504	595,563	1,077,745	840,846	115,399	(1,234,303)	1,209,641
Gain on Disposal of Assets	25,095	41,882	63,725	20,316	40,292	46,254	44,345	104,348	24,110	30,668
Grants and Capital Contributions	307,330	303,051	17,821	29,900	500,000	6,244,392	2,008,140	6,988,847	1,506,196	2,313,505
Interest Expense	(676,820)	(1,079,252)	(1,347,647)	(1,038,510)	(1,026,500)	(1,085,253)	(1,028,002)	(953,364)	(812,225)	(233,284)
Issuance Costs	-	(245,562)	-	-	-	-	-	-	-	-
Net Non-Operating Rev (Exp)	(276,086)	(880,328)	(1,049,223)	(616,790)	109,355	6,283,138	1,865,329	6,255,230	(516,222)	3,320,530
Increase in net position	\$ 4,695,118	\$ 3,781,059	\$ 4,280,296	\$ 5,929,087	\$ 6,913,372	\$ 13,289,384	\$ 7,857,728	\$ 10,719,053	\$ 4,325,760	\$ 9,357,811

** The Sewer District reorganized in fiscal year 2014 and formed the Capital Projects Divisor

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

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

	<u>** 2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Revenues										
Sewer Service Charges	\$ 23,954,989	\$ 24,640,306	\$ 26,218,785	\$ 27,376,746	\$ 28,278,090	\$ 28,596,143	\$ 29,273,029	\$ 29,037,527	\$ 30,240,153	\$ 31,589,311
Sewer Permit and Origin Fees	1,375,156	1,124,908	1,172,469	1,708,838	1,535,641	1,310,640	1,528,169	1,971,905	1,843,870	2,083,847
Late Fees	358,811	368,408	525,638	669,522	674,145	634,380	557,605	446,075	446,571	548,048
Miscellaneous Revenues	81,287	65,527	30,671	33,615	101,733	84,445	42,686	56,082	66,824	42,666
Total Operating Revenues	25,770,243	26,199,149	27,947,563	29,788,721	30,589,609	30,625,608	31,401,489	31,511,589	32,597,418	34,263,872
Non-Operating Revenues										
Interest Income	68,309	99,553	216,878	371,504	595,563	1,077,745	840,846	115,399	(1,234,303)	1,209,641
Gain on Disposal of Assets	25,095	41,882	63,725	20,316	40,292	46,254	44,345	104,348	24,110	30,668
Grants and Capital Contributions	307,330	303,051	17,821	29,900	500,000	6,244,392	2,008,140	6,988,847	1,506,196	2,313,505
Total Non-Operating Revenues	400,734	444,486	298,424	421,720	1,135,855	7,368,391	2,893,331	7,208,594	296,003	3,553,814
Total Revenues	<u>\$ 26,170,977</u>	<u>\$ 26,643,635</u>	<u>\$ 28,245,987</u>	<u>\$ 30,210,441</u>	<u>\$ 31,725,464</u>	<u>\$ 37,993,999</u>	<u>\$ 34,294,820</u>	<u>\$ 38,720,183</u>	<u>\$ 32,893,421</u>	<u>\$ 37,817,686</u>

Source: District audits and accounting records

**NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina**

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

Sewer rates based on water meter usage	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Minimum Charge (includes first 3 ccf)/month	22.37	22.73	23.64	24.11	24.59	24.59	25.08	25.08	25.58	26.37
Use Volume Charge per 1 ccf	4.14	4.26	4.43	4.52	4.61	4.61	4.7	4.70	4.80	4.95
Total Monthly Charge for Residential Customer using 6 ccfs/month	<u>34.79</u>	<u>35.51</u>	<u>36.93</u>	<u>37.67</u>	<u>38.42</u>	<u>38.42</u>	<u>39.18</u>	<u>39.18</u>	<u>39.98</u>	<u>41.22</u>
Average Monthly Charge Change	<u>1.8%</u>	<u>2.1%</u>	<u>4.0%</u>	<u>2.0%</u>	<u>2.0%</u>	<u>0.0%</u>	<u>2.0%</u>	<u>0.0%</u>	<u>2.0%</u>	<u>3.1%</u>

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

Top Ten Customers
Total Amount Billed
June 30, 2023
(Unaudited)

Customer	Type of Business	Usage Charges	Surcharge Charges	Pretreatment Permit	Total Amount Billed	Percentage of Operating Revenues
Charleston Air Force Base	Military	\$ 951,828	\$ -	\$ 18,910	\$ 970,738	2.83%
Boeing	Aerospace	642,833	-	27,183	670,016	1.96%
Ingredion	Manufacturing	120,392	533,345	9,077	662,814	1.93%
Berkeley County Water & Sewer	Water & Sewer Utility	528,034	-	-	528,034	1.54%
Lanxess Corporation	Manufacturing	285,974	137,577	45,384	468,935	1.37%
BASF Color	Manufacturing	212,152	-	41,602	253,754	0.74%
WestRock Paper Mill (Kapstone)	Manufacturing	216,377	-	-	216,377	0.63%
Charleston Southern University	Education	194,747	-	-	194,747	0.57%
Alsco	Rental	123,078	45,958	15,128	184,164	0.54%
CMMC, LLC	Maritime	177,764	-	-	177,764	0.52%
Total By Revenue Source		<u>\$ 3,453,179</u>	<u>\$ 716,880</u>	<u>\$ 157,284</u>	<u>\$ 4,327,343</u>	<u>12.63%</u>

Total Consumption Billed
In Hundred Cubic Feet (CCF)

Customer	Type of Business	Fiscal Year Consumption CCF	Percentage of Total Billable Consumption	Usage Charges
Charleston Air Force Base	Military	279,128	5.46%	\$ 951,828
Boeing	Aerospace	129,971	2.54%	642,833
Berkeley County Water & Sewer	Water & Sewer Utility	124,243	2.43%	528,034
Lanxess Corporation	Manufacturing	52,507	1.03%	528,034
BASF Color	Manufacturing	42,961	0.84%	212,152
WestRock Paper Mill (Kapstone)	Manufacturing	39,718	0.78%	216,377
Charleston Southern University	Education	35,738	0.70%	194,747
CMMC, LLC	Maritime	32,944	0.64%	177,764
Alsco	Rental	24,899	0.49%	123,078
Ingredion	Manufacturing	22,090	0.43%	120,392
Total		<u>784,199</u>	<u>15.34%</u>	<u>\$ 3,695,239</u>

Source: District billing records.

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

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

Customer	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
AlSCO	\$ 186,861	\$ 234,379	\$ 203,181	\$ 208,755	\$ 209,513	\$ 213,391	\$ 165,286	\$ -	\$ -	\$ 184,164
Berkeley County Water & Sewer	413,952	430,388	442,304	410,999	446,730	430,215	456,836	547,967	503,340	528,034
Boeing	387,796	469,409	507,316	714,342	739,602	739,748	746,217	649,968	650,618	670,016
Charleston Air Force Base	707,702	630,742	740,055	835,951	813,009	686,903	1,048,184	1,021,319	894,625	970,738
Charleston Naval Weapons/Joint Base	-	-	-	-	-	-	177,103	197,776	245,316	-
Charleston Southern University	-	-	-	-	-	-	-	-	175,273	194,747
CMMC, LLC	251,038	190,779	224,466	247,107	-	-	-	-	-	177,764
New Dairy South Carolina	283,901	271,027	293,488	266,025	372,981	417,191	404,001	392,922	369,887	-
Detyen's Shipyard Inc	167,174	207,861	240,890	-	191,592	195,928	-	-	-	-
Kapstone (Mead/Westvaco Corp)	191,582	186,131	186,931	-	258,705	480,903	400,740	191,698	-	216,377
Salisbury Electrical Supply	164,852	-	-	-	-	-	-	-	-	-
Lanxess Corp. (Solvay)	249,239	267,300	262,622	202,231	248,796	305,074	245,252	353,503	303,794	468,935
Trident Regional Hospital	-	167,836	-	237,378	201,317	-	-	-	-	-
BASF Corporation	-	-	230,124	306,544	362,927	376,146	371,705	370,228	331,892	253,754
Ingredion Inc.	-	-	-	225,543	-	273,848	522,243	374,270	441,345	662,814
Mercedes Benz Vans	-	-	-	-	-	-	-	223,963	197,536	-

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

Customer	CCFs 2014	CCFs 2015	CCFs 2016	CCFs 2017	CCFs 2018	CCFs 2019	CCFs 2020	CCFs 2021	CCFs 2022	CCFs 2023
AlSCO	26,876	32,236	26,799	25,584	26,061	25,123	18,208	-	-	24,899
Berkeley County Water & Sewer	111,330	111,058	112,041	102,040	108,770	104,645	109,606	131,407	118,524	124,243
Boeing	89,712	106,171	110,778	153,249	155,939	155,260	153,791	174,541	131,098	129,971
Charleston Air Force Base	268,005	233,150	285,922	240,804	244,118	242,771	286,937	270,963	249,178	279,128
Charleston Southern University	-	-	-	-	-	-	-	-	33,250	35,738
CMMC, LLC	55,153	40,677	46,069	49,684	-	-	-	-	-	32,944
New Dairy South Carolina	42,247	38,919	39,549	35,888	38,046	45,069	46,139	34,646	37,029	-
Detyen's Shipyard Inc	36,696	44,341	49,510	-	37,797	38,619	-	-	-	-
Kapstone (Mead/Westvaco Corp)	42,106	38,252	35,545	-	51,033	93,317	77,519	37,054	-	39,718
Salisbury Electrical Supply	34,104	-	-	-	-	-	-	-	-	-
Lanxess Corp. (Solvay)	39,877	41,740	38,474	28,544	36,571	42,512	34,399	45,914	38,095	52,507
Trident Regional Hospital	-	32,354	-	44,543	37,011	-	-	-	-	-
BASF Corporation	-	-	52,091	67,837	69,534	71,593	69,756	69,320	70,596	42,961
Ingredion Inc.	-	-	-	3,948	-	11,557	19,818	17,457	19,389	22,090
Charleston Naval Weapons/Joint Base	-	-	-	-	-	-	34,257	38,229	32,890	-
Mercedes Benz Vans	-	-	-	-	-	-	-	39,796	33,657	-

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

Schedule by Customer Type and Usage
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average Number of Customers:										
Residential	\$ 24,735	\$ 25,081	\$ 25,529	\$ 25,707	\$ 26,164	\$ 26,479	\$ 26,672	\$ 27,151	\$ 27,350	\$ 27,792
Commercial/Industry	4,242	4,390	4,448	4,631	4,645	4,638	4,717	4,797	4,852	4,907
Wholesale	1	1	1	1	1	1	1	1	1	1
Military	2	2	2	2	2	2	2	2	2	2
Total	\$ 28,980	\$ 29,474	\$ 29,980	\$ 30,341	\$ 30,812	\$ 31,120	\$ 31,392	\$ 31,951	\$ 32,205	\$ 32,702
Volume of Wastewater CCFs										
Residential	1,530,900	1,542,922	1,573,831	1,601,724	1,615,205	1,608,707	1,622,029	1,667,038	1,636,964	1,645,077
Commercial/Industry	2,811,393	2,816,223	2,857,399	2,951,060	2,988,458	3,025,447	2,919,930	2,813,800	2,955,250	3,028,552
Wholesale	111,330	111,058	112,041	102,040	108,770	104,645	109,606	131,407	118,524	126,271
Military	290,041	252,488	317,462	274,875	275,412	270,297	321,194	309,192	282,068	314,372
Total	4,743,664	4,722,691	4,860,733	4,929,699	4,987,845	5,009,096	4,972,759	4,921,437	4,992,806	5,114,272

Source: Sewer District accounting office.

**NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina**

**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	
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	480,432,189	8,770,544,650	205,590,007	2,255,585,824	686,022,196	11,026,130,474	6.22%
2021	504,713,709	9,214,171,150	208,275,257	3,341,739,829	712,988,966	12,555,910,979	5.68%
2022	545,782,630	9,945,755,667	209,660,033	2,380,612,640	755,442,663	12,326,368,307	6.13%
2023**							

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

**NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina**

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

Calendar Year 2022 assessed valuation as determined by Charleston County Auditor's Office	\$ 755,442,663
Statutory debt limit rate - Article X of South Carolina Constitution	8%
Statutory Debt Limit	60,435,413
Less: General obligation indebtedness as of June 30, 2023	(6,720,000)
Issuance premiums	(1,084,635)
Net G.O. bond indebtedness	<u>(7,804,635)</u>
Legal Debt Margin	<u>\$ 52,630,778</u>

Source: Charleston County Auditor's Office

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

Schedule of Combined Debt Accrual Basis
Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue Bonds	\$ 16,175,000	\$ 29,340,000	\$ 26,235,000	\$ 23,010,000	\$ 19,660,000	\$ 16,180,000	\$ 15,730,000	\$ 15,260,000	\$ 14,765,000	\$ 14,245,000
General Obligation Bonds	15,545,000	14,845,000	14,145,000	13,445,000	12,745,000	12,045,000	11,035,000	8,320,000	7,520,000	6,720,000
Combined	31,720,000	44,185,000	40,380,000	36,455,000	32,405,000	28,225,000	26,765,000	23,580,000	22,285,000	20,965,000
Premiums	1,488,641	3,637,759	3,186,739	2,735,718	2,284,699	2,172,764	2,060,826	3,463,676	3,192,276	2,407,936
Net of Premiums	<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>	<u>\$ 28,825,826</u>	<u>\$ 27,043,676</u>	<u>\$ 25,477,276</u>	\$ 23,372,936
% of Personal Income	0.11%	0.16%	0.14%	0.11%	0.10%	0.09%	0.08%	0.06%	0.06%	0.05%
Per Capita	319.15	447.99	408.12	353.51	309.73	271.41	250.66	231.14	214.55	198.92

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues	\$ 25,770,243	\$ 26,199,149	\$ 27,947,563	\$ 29,788,721	\$ 30,589,609	\$ 30,625,608	\$ 31,401,489	\$ 31,511,589	\$ 32,597,418	\$ 34,263,872
Investment Income (Loss)	68,309	99,553	216,878	371,504	595,563	1,077,745	840,846	115,399	(1,234,303)	1,209,641
Gain on Sale of Assets	25,095	41,882	63,725	20,316	40,292	46,254	44,345	104,348	24,110	30,668
Gross Revenues	25,863,647	26,340,584	28,228,166	30,180,541	31,225,464	31,749,607	32,286,680	31,731,336	31,387,225	35,504,181
Less: Operation and Maintenance Expenses *	13,440,279	13,929,835	14,726,012	15,222,881	15,445,058	14,960,191	16,348,862	17,731,505	17,477,445	17,815,455
Available for Debt Service	12,423,368	12,410,749	13,502,154	14,957,660	15,780,406	16,789,416	15,937,818	13,999,831	13,909,780	17,688,726
Debt Service on Rev. Bonds	3,555,750	3,636,200	3,621,425	4,485,122	4,386,475	4,379,975	4,355,975	1,229,975	1,230,100	1,232,975
Debt Coverage Ratio on Prior Lien and Revenue Bonds	3.49	3.41	3.73	3.33	3.60	3.83	3.66	11.38	11.31	14.35
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	1,353,713	1,140,900
Balance Available	<u>\$ 7,602,655</u>	<u>\$ 7,540,336</u>	<u>\$ 8,674,516</u>	<u>\$ 9,294,325</u>	<u>\$ 10,229,718</u>	<u>\$ 11,273,228</u>	<u>\$ 10,459,630</u>	<u>\$ 11,365,643</u>	<u>\$ 11,325,967</u>	<u>\$ 15,314,851</u>

* 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, South Carolina

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 ⁽¹⁾	Chas- N Chas MSA Unemployment Rate ⁽⁴⁾
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	42,607,758	53,119	25,282	3.0%
2020	117,000	45,345,687	55,321	25,550	9.0%
2021	118,750	49,396,282	60,754	25,175	3.9%
2022	117,500	**	**	25,100	2.9%
2023	118,600	**	**	**	2.9%

Note: Data sources include.

⁽¹⁾ City of North Charleston

⁽²⁾ U.S. Bureau of Economic Analysis

⁽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, South Carolina

Principal Employers
Current Year and Ten Years Ago
(Unaudited)

<u>Employer</u>	<u>2023 ⁽¹⁾</u>			<u>2014</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment ⁽²⁾</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment ⁽²⁾</u>
Boeing Commercial Airplanes	6,500	1	1.54%	6,500	1	2.03%
Trident Medical Center	3,100	2	0.74%	1,846	3	0.58%
Charleston County - Executive Offices	2,800	3	0.66%	2,100	2	0.66%
Mercedes-Benz Vans, LLC	1,600	4	0.38%	-		-
T-Mobile	1,200	5	0.28%	-		-
City of North Charleston	1,000	6	0.24%	1,145	6	0.36%
Scientific Research Corporation SRC	1,000	7	0.24%	-		-
WestRock Paper Mill	800	8	0.19%	1,299	5	0.41%
Cummins, inc	600	9	0.14%	691	10	0.22%
Ingevity	520	10	0.12%	-		-
SAIC, Inc.	-		-	1,500	4	0.47%
Detyens Shipyard	-		-	800	8	0.25%
Trident Technical College	-		-	700	9	0.22%
Verizon Wireless	-		-	1,000	7	0.31%

Note: We serve the Charleston Air Force by contract - number of employees is 25,000. The Sewer District's service area surrounds the base. Accordingly, many of their employees are Sewer District customers.

⁽¹⁾ **Source:** Charleston Regional Development Alliance and the 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, South Carolina

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration:	6	6	6	6	6	6	7	6	6	6
Human Resource	-	-	-	-	1	1	1	2	2	2
Accounting	7	7	7	7	7	6	5	5	5	5
Information Technology	2	3	3	3	3	3	3	3	5	5
Purchasing	4	4	4	4	4	4	3	3	3	3
Administration	19	20	20	20	21	20	19	19	21	21
Plant Administration:	3	3	4	4	4	3	3	3	2	2
Plant Operations	18	18	19	19	19	18	17	17	17	18
Quality Control	4	4	4	5	5	6	6	6	5	4
Plant Maintenance	8	8	8	7	7	8	9	9	8	8
Pretreatment	2	2	3	3	3	3	3	3	2	2
Plant Administration	35	35	38	38	38	38	38	38	34	34
Field Administration:	-	-	-	-	-	-	-	-	3	3
Vehicle Shop	5	5	4	4	4	4	4	4	4	4
Buildings & Grounds	7	7	7	7	7	7	6	6	6	4
FOG**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2	2
Lines	22	22	25	25	25	25	25	25	24	24
Systems Maintenance	12	12	14	14	14	15	15	15	14	14
Field Administration	46	46	50	50	50	51	50	50	53	51
Capital projects	6	7	7	7	7	7	8	8	8	8
Total	106	108	115	115	116	116	115	115	116	114

**Combined with Pretreatment until 2022

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

Operating Performance Measures
Last Ten Fiscal Years
(Unaudited)

Performance Measure	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of Customer Service Calls/Complaints	1,149	1,220	1,406	1,326	1,249	1,220	1,118	1,102	1,117	1,151
Number of NPDES Permit Violations	-	-	1	-	-	-	-	-	-	-
Sanitary Sewer Overflow (SSO) Causes *										
Number of Wet Weather Related Overflows	3	2	7	11	5	4	3	1	1	9
Number of Vandalism/Accident-Related Overflows	-	-	-	-	-	-	7	-	-	1
Number of Blockages *	1	1	-	1	1	1	1	2	2	1
Number of Cave-Ins *	-	-	-	-	-	1	-	1	1	1
Number of Pump Station Failures *	1	1	3	1	-	5	6	1	1	2
Total Number of SSOs*	5	4	10	13	6	11	17	5	5	14
Average Annual Effluent Flows (MGD)	17.62	18.46	20.03	17.70	20.23	16.82	18.90	17.49	15.77	17.65
Peak Flow Factor at Treatment Plant	1.5	1.6	1.6	1.5	1.4	1.5	1.6	1.5	1.5	1.7
Sewer Sales for Fiscal Year (MGD)	9.78	9.68	9.96	10.10	10.22	10.36	10.19	10.09	10.23	10.48

* A single event may create multiple SSOs

Source: Sewer District systems and plant records.

NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina

Schedule of Operation and Maintenance Expenses
Last Ten Fiscal Years
(Unaudited)

Expense	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Personnel	\$ 7,826,634	\$ 8,128,628	\$ 8,931,783	\$ 9,688,667	\$ 9,753,106	\$ 9,442,336	\$ 10,277,839	\$ 10,422,549	\$ 10,025,296	\$ 10,115,602
Utilities	1,507,757	1,665,742	1,777,043	1,621,775	1,696,192	1,335,256	1,446,764	1,511,149	1,539,450	1,722,189
Property Insurance	242,530	255,545	267,262	228,156	269,187	303,172	344,285	371,123	366,147	389,707
Contract Services	403,279	440,430	360,544	444,681	332,019	374,817	647,571	788,678	1,109,218	880,325
Billing Agent	713,099	726,308	733,372	752,975	745,782	779,385	804,606	826,697	823,391	843,027
IT and Office	306,287	370,449	368,152	331,988	390,901	375,809	355,224	371,096	318,667	357,160
Training	59,889	97,089	98,708	105,640	124,912	139,761	106,788	66,296	114,320	131,341
Repairs and Maint.	874,152	801,291	851,287	702,925	803,952	876,132	891,718	1,165,937	618,829	639,977
Disposal Fees	419,241	394,962	341,683	411,223	442,323	465,416	513,881	935,542	1,455,830	1,446,026
Supplies/Materials	863,363	844,509	799,106	788,182	732,711	703,276	701,068	951,206	910,250	1,100,459
Other	224,048	204,882	197,072	146,669	153,973	164,831	259,388	321,232	196,047	189,642
Total	\$ 13,440,279	\$ 13,929,835	\$ 14,726,012	\$ 15,222,881	\$ 15,445,058	\$ 14,960,191	\$ 16,349,132	\$ 17,731,505	\$ 17,477,445	\$ 17,815,455

Source: Sewer District accounting records.

**NORTH CHARLESTON SEWER DISTRICT
North Charleston, South Carolina**

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Service Area in square miles	59.3	59.3	59.3	59.3	59.3	59.3	59.3	59.3	59.3	59.3
Miles of Sewer Lines	483	483	483	483	500	500	500	500	500	500
Treatment Capacity in MGD	27	27	32	32	32	32	32	32	32	32
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Pump Stations	60	60	59	60	60	60	60	58	57	57
Fleet										
Vehicles	51	54	58	58	60	61	57	56	52	53
Specialty	17	17	17	17	18	18	18	17	17	18

Source: Sewer District Capital Projects Department and Sewer District insurance policies.

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*

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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the North Charleston Sewer District (the "Sewer District") as of and for the year ended June 30, 2023, 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 20, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Savannah, Georgia
September 20, 2023

NORTH CHARLESTON SEWER DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP

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, 2023, 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.