

Independent Auditor's Report  
on the Financial Statements of  
Chester Sewer District

*for the years ended June 30, 2016 and 2015*

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## Independent Auditor's Report

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To the Board of Commissioners  
Chester Sewer District  
Chester, South Carolina

We have audited the accompanying financial statements of the Chester Sewer District (the "District") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chester Sewer District, as of June 30, 2016 and 2015, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits and pension information on pages 3 through 10 and 33 through 35, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The schedule of certain expenses – budget and actual is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of certain expenses – budget and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of certain expenses – budget and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Scott and Company LLC*

Columbia, South Carolina  
February 27, 2017

## Required Supplementary Information

## **Management Discussion and Analysis (MD&A)**

The purpose of the Management's discussion and analysis (MD&A) is to introduce the basic financial statements and provide an analytical overview of the Chester Sewer District's (CSD) financial activities. The MD&A is the section of the CSD's financial statements in which management provides an overview of the previous year's operations and how the CSD performed. Management also provides a preview of the upcoming year by outlining future goals and approaches to new projects.

### **Administration and Finance**

The most significant event that occurred for the CSD was the retirement of long-time Executive Director William M. Medlin. Mr. Medlin served as the Director for the CSD for twenty-six (26) years. The CSD Board of Commissioners hired a distinct Executive Director separate from the Chester Metropolitan District (CMD) for the first time in both entities' history. That change has led to additional organizational and operational changes. Notable are the hiring of its own Finance Analyst – Manager (Joel Manning) and the lease of additional office space in Richburg, South Carolina. The CSD named Phillip A. Thompson-King as its Executive Director.

Historically, the CSD is unique in that a sizable sector of its day to day functions is provided via an intergovernmental/contract/service agreement with the CMD. Those functions are part of the following departments and functions.

- Office Space
- Finance/Bookkeeping
  - (Including financial records, auditing, budgeting, purchasing, cash receipts, payroll, debt service, accounts payables, accounts receivables cash management, general ledger services, purchase orders, performance measurements, performance reporting and clerical assistance)
- Customer Service
  - (Customer service provides billing, collections, handles customer inquiries, new service/accounts, termination of service/accounts, payments, cash receipts, delinquencies, disconnections and reconnections of service and clerical assistance)
- Human Resources/Risk Management
  - (Human resources recruits and retains the CSD workforce, orientation, handles safety and training, wage and salary management, employment law compliance, special events, employee and retiree benefits management and health insurance. In addition, to risk protection, loss control, safety program, management of insurance, property claims/liability safety)

The CSD's Finance Analyst – Manager will work with the CMD personnel to ensure equity, financial reporting, general ledger accounting, payroll activities, accounts payable activities, maintaining cash and investments information, data mining and compliance testing, etc.; to perform a variety of complex professional, administrative, technical accounting and finance functions involved in maintaining the fiscal records and systems of CSD; and to advise the Executive Director in the oversight of CSD financial affairs.

### **Maintenance & Collections**

It is noteworthy to mention that Chester County, South Carolina will become home to Giti Tire USA, the world's tenth largest tire manufacturer. Giti Tire is establishing its first North American manufacturing facility in Chester, and the company plans to invest \$560 million and create 1,700 new jobs over the next decade in order to meet the growing demand of the North American Market. The facility will combine manufacturing and production activities, and will produce both passenger and light truck tires. The CSD will provide wastewater collection and treatment for the site. Therefore in an effort to remain proactive, the CSD is pleased to report a support project that will install approximately 10,000 LF of 12-inch force main from the Giti Tire site to Highway 9, and approximately 16,800 LF of 20-inch force main along Highway 901 to the Lando-Manetta Wastewater Treatment Plant (WWTP). This project will serve not only the Giti Tire facility, but also any on-site support businesses which are expected to locate on the Giti Tire site and along Highway 9 as well. The CSD has contracted with AECOM for design and construction management services. In addition to this project, AECOM is designing a separate, simultaneous project which will see the expansion of the Lando-Manetta WWTP to complete the Lando/Richburg system upgrade and help support the anticipated new flows.

To this end, the Chester Sewer District applied and was awarded \$2,002,467 in funding under the US Economic Development Association (EDA) Public Works Program. The remaining project cost will be funded in a local match of \$2,000,000 from the Chester County One Cent (\$0.01) Sales Tax revenues coupled with a combination of Chester Sewer District reserve funds and bonds.

In addition, there is no wastewater service available on the Giti Tire site. Hence, wastewater service will be extended onsite to deliver service to Giti Tire and provide the ability to serve new industrial growth in the area. The onsite portion of the project includes; 3,085 LF of 10-inch gravity sewer, 700 LF of 15-inch gravity sewer, 3,000 LF of force main, 13 manholes, and a 0.5 MGD pump station. The South Carolina Rural Infrastructure Authority (RIA) has provided \$2,000,000 in grant funds, which by way of a Sub-Recipient Agreement, will be used to off-set the costs associated with this portion of the project.

Moreover, the CSD issued a wastewater system improvement revenue bond anticipation note (BAN) in the principal amount of \$5,000,000 in accordance with the provisions of Title 11, Chapter 17 of the Code of Laws of South Carolina, 1976, as amended (the "*BAN Act*"), and hereby adopts this Resolution in order to effect the same. The purpose for securing the BAN is to defray the costs associated with improving the CSD's wastewater system including improvements and upgrades to the Lando-Manetta Wastewater Treatment plant as well as construction and upgrades to its sewer collection system as it relates to the provision of service to Giti Tire.

Furthermore, these efforts undertaken provide the CSD with the ability to utilize grant funds instead of incurring substantial additional debt. This will assist the CSD in keeping both our system and rates stable without placing the CSD at a competitive disadvantage. Our appreciation is extended to the United States Department of Commerce's Economic Development Administration (EDA), Chester County, SC RIA, and the Catawba Regional Council of Governments (COG) for collaborating with the CSD to make the project happen.

Moreover, during the 2015-2016 fiscal year, the CSD has continued to work with various partners to provide wastewater service to Giti Tire USA. The following is a list of items and activities:

- We publicly opened and read bids at 2:00 PM on February 24, 2016 at the CSD office in the training room.
- We also received signed easements from Giti Tire USA for the installation of the Wastewater gravity and force main wastewater lines as well as an easement for the access road;

- All surveying has been completed;
- All plans are complete;
- All specifications are complete;
- All easements obtained;
- The DOT Permit has been issued;
- The Railroad Permit has been issued;
- Stormwater Permit – Issued;
- Wetlands Permit – Issued;
- DHEC Construction – Issued;
- The on-site portion was Advertised for Bids January 22, 2016;
- The CSD received Bids February 24, 2016;
- CSD Approval of Bid – Notice of Intent March 22, 2016;
- CSD issued the Notice of Award on April 8, 2016;
- The Construction Contract was Executed on May 31, 2016;
- The Contract Amount was \$1,637,998;
- The Pre-Construction Meeting was held on June 14, 2016;
- The Notice to Proceed was issued with an effective date of Monday, June 27, 2016;
- The Construction began on Monday, June 27, 2016;
- All right-of-way clearing is complete;
- The pump station wetwell has been installed;
- Gravity sewer materials have been delivered and awaiting installation; and
- The Contract Completion Date is projected as April 23, 2017.

The aforementioned update is intended as a summary, and not an all-inclusive listing of activities.

In conclusion, the CSD realizes that wastewater treatment is an important service provided by the CSD to residents, commercial businesses and industries in the Chester and Richburg areas. Without this service, economic development in Chester County would be greatly hindered. Therefore, we are pleased that this project will benefit residential, commercial and industrial customers and residents throughout the entire county.

#### **Lando/Manetta WWTP**

The Lando-Manetta Wastewater Treatment Plant (WWTP) experienced no significant changes in operations and added no substantial capital improvements during the 2015-2016 fiscal year. We obtained approval for a preliminary engineering report (PER) to expand the facility to 1.2 million gallons per day (MGD). The facility expansion and upgrades to the Lando-Manetta WWTP will position the CSD to better serve and benefit residential, commercial and industrial customers' growth in the Lando-Richburg service area along the I-77 highway 9 corridor. The expansion and upgrades to the Lando-Manetta WWTP is part of the overall project to serve Giti Tire. A portion of the cost associated with the expansion will be offset by \$345,000 FEMA Grant for the purchase and installation of two generators, one at the Lando-Manetta Wastewater Treatment facility and one at the Gaston Farm Pump Station. The South Carolina Emergency Management Division received notification from FEMA that grant application 4166-015 from the Chester Sewer District has been approved for a total of \$345,000. The Grant is a "75%/25% match reimbursement grant".

### **Rocky Creek WWTP**

The Rocky Creek WWTP experienced no significant changes in operations. However, Rocky Creek a series of miscellaneous repairs and equipment was invested at the Rocky Creek and Sandy River WWTP. The miscellaneous repairs and equipment replacements were as follows:

- Replaced the plant water pumps;
- Replaced drain valves and flap valves at the chlorine contact chambers; and
- Installed new 12 inch ductile iron bypass line on the influent force main.

### **Sandy River WWTP**

Like Rocky Creek WWTP, the Sandy River WWTP experienced no significant changes in operations. However, Sandy River WWTP a series of miscellaneous repairs and equipment replacement investments were made at the Sandy River WWTP. The miscellaneous repairs and equipment replacements were as follows:

- Replaced the plant water pumps;
- Replaced drain valves and flap valves at the chlorine contact chambers;
- Replaced the weirs, baffles, scum beach and flap valves at the clarifiers; and
- Installed new stainless steel channel gates at the chlorine contact chamber.

### **Industrial Pretreatment Program (IPP)**

For the first time, the CSD hired a full-time IPP Coordinator (Ms. Devon Beaty). This position directs the industrial pre-treatment program, performing such duties as contacting prospective clients, review permit applications and determine permit issuance and maintaining high-strength wastewater surcharge program.

The issued discharge permits to the following new industrial use customers:

- Jones-Hamilton; and
- Sun Fibers.

In addition, it is important to note that the ensuing new industrial use customers were announced during the fiscal year:

- Carolina Poly.

Moreover, Giti Tire USA should be online and operational by the end of the second quarter of calendar year 2017.

Finally, it is noteworthy to mention that the United States Department of Commerce's Economic Development Administration (EDA) awarded a \$2,912,165 grant to the Chester Sewer District (CSD) to assist in vital infrastructure improvements needed to create new jobs and attract significant investment to Chester County. EDA grants are awarded through a competitive process based upon the application's merit, the applicant's eligibility, and the availability of funds. 300 jobs created and \$100 million in private investment was leveraged for this EDA investment of funds to improvements to the CSD's wastewater infrastructure to support new businesses and expansion of existing industrial sites such as Carolina Poly (one of the largest polyethylene film manufacturers in the United States). The improvements will assist the region in its continuing to shift from the declining textile industry to more diverse manufacturing and distribution industries.

## **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016**

- The District's net position decreased by \$449,431 or 4.3% from \$10,573,618 to \$10,124,187.
- Operating revenues increased by \$294,030 or 8.6% from \$3,416,258 to \$3,710,288.
- Operating expenses increased by \$861,148 or 27.4% from \$3,144,193 to \$4,005,641.
- The District received proceeds of \$5,000,000 through issuance of a BAN during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS** - This report consists of the following four parts: Management's Discussion and Analysis, Financial Statements, Required Supplementary Information associated with the District's net pension liability, and Other Information. The Financial Statements include notes which explain in detail some of the information included in the financial statements.

**REQUIRED FINANCIAL STATEMENTS** - The Financial Statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, liabilities, deferred inflows and deferred outflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses, and Changes in Fund Net Position identify the District's revenues and expenses for the fiscal years ended June 30, 2016 and 2015. These statements provide information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the change in the cash and cash equivalents balance for each of the last two fiscal years.

**FINANCIAL ANALYSIS OF THE DISTRICT** - The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position, provide an indication of the District's financial condition. The District's net position reflects the difference between assets, liabilities, deferred inflows and deferred outflows of resources. An increase in net position over time typically indicates an improvement in financial condition.

Net Position – A summary of the District’s Statements of Net Position is presented below.

Table 1  
Condensed Statements of Net Position  
as of June 30,

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and non-capital assets	<b>\$ 7,289,409</b>	\$ 2,693,383	\$ 4,596,026	170.6%
Capital assets, net	<b>12,767,847</b>	12,726,085	41,762	0.3
Total assets	<b>20,057,256</b>	15,419,468	4,637,788	30.1
Deferred outflows of resources	<b>238,590</b>	129,656	108,934	84.0
Total assets and deferred outflows of resources	<b>20,295,846</b>	15,549,124	4,746,722	30.5
Long-term debt	<b>2,718,621</b>	2,962,941	(244,320)	(8.2)
Other liabilities	<b>7,314,975</b>	1,884,921	5,430,054	288.1
Total liabilities	<b>10,033,596</b>	4,847,862	5,185,734	107.0
Deferred inflows of resources	<b>138,063</b>	127,644	10,419	8.2
Total liabilities and deferred inflows of resources	<b>10,171,659</b>	4,975,506	5,196,153	104.4
Net investment in capital assets	<b>10,049,226</b>	9,763,144	286,082	2.9
Restricted for debt service	<b>23,047</b>	186,410	(163,363)	(87.6)
Unrestricted net position	<b>51,914</b>	624,064	(572,150)	(91.7)
<b>Total Net Position</b>	<b>\$ 10,124,187</b>	<b>\$ 10,573,618</b>	<b>\$ (449,431)</b>	<b>(4.3)</b>

As the table above indicates, total assets increased by \$4,637,788 from \$15,419,468 to \$20,057,256 during the fiscal year ended June 30, 2016. This is comprised of an increase of \$4,596,026 in current and non-capital assets and \$41,762 in capital assets. This increase is a result of the issuance of a \$5,000,000 bond anticipation note that will be used to fund sewer service expansion. Total liabilities and deferred inflows reflect an increase of \$5,196,153. This increase is the money borrowed to expand capacity beginning in fiscal year 2017.

Table 1 also indicates that total net position decreased by \$449,431 from \$10,573,618 to \$10,124,186. This decrease was primarily due to an increase in depreciation expense of \$110,398 from last year. Interest expense also increased \$31,245 from last year as our 2009 bond issue has variable payment amounts. The District did not receive Federal or State grants during 2015. We also incurred expenses related to our future expansion. Net investment in capital assets increased \$286,082 as the District purchased equipment and easements needed for expansion. Restricted net position decreased \$163,363 as we continue spending restricted cash on their respective projects. Unrestricted net position decreased \$572,150. This is a result of our expenses related to expansion.

Table 2  
Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position  
For the year ended June 30,

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	<b>\$ 3,710,288</b>	\$ 3,416,258	\$ 294,030	8.6%
Non-operating revenues	<b>7,644</b>	1,197	6,447	538.6
Contributed capital	<u>-</u>	<u>415,725</u>	<u>(415,725)</u>	(100.0)
Total revenues	<b><u>3,717,932</u></b>	<u>3,833,180</u>	<u>(115,248)</u>	(3.0)
Depreciation expense	<b>712,477</b>	602,079	110,398	18.4
Other operating expenses	<b>3,293,164</b>	750,750	2,542,414	29.5
Non-operating expenses	<b><u>161,722</u></b>	<u>130,477</u>	<u>31,245</u>	24.0
Total expenses	<b><u>4,167,363</u></b>	<u>3,274,970</u>	<u>892,393</u>	27.3
Change in net position	<b><u>\$ (449,431)</u></b>	<u>\$ 558,210</u>	<u>\$(1,007,641)</u>	(180.6)

The Statements of Revenues, Expenses, and Changes in Fund Net Position identify the various revenue and expense items which affect the change in net position. Table 2 indicates the District's total revenues decreased by \$115,248 or 3.0 percent to \$3,710,288 in the fiscal year June 30, 2016 from \$3,833,810 in the prior year. This is driven by a loss in non-operating revenues (Federal and State Aid) of \$415,725. There was also an increase in operational expenses related to the Districts planned growth and increased operational costs. The increase in expenditures is across all departments.

**CAPITAL ASSETS** – As of June 30, 2016, the District's investment in capital assets totaled \$12,767,847 which is an increase of \$41,762 or .4 percent, from the capital asset balance of \$12,726,085 at June 30, 2015. A comparison of the District's capital assets over the past two fiscal years is presented in Note 4 of the financial statements.

**LONG-TERM DEBT** – As of June 30, 2016, the District had \$2,718,621 in outstanding long-term debt compared to \$2,962,941 as of June 30, 2015. The decrease of \$244,320 is a result of the District making regularly scheduled debt repayments throughout the year. There was no new long-term debt issuance in 2016.

The District issued a \$5,000,000 bond anticipation note in fiscal year 2016 to cover any potential short falls between incurrence of costs and reimbursements from grants. This is a one year note bearing 1.09% interest and is to be repaid in June 2017.

Additional information on the District's long-term debt is provided in Notes 5 and 6 of the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES** – The Board of Directors has adopted the District's budget for the year ended June 30, 2017. The approval of the

budget provides funding for the District's operating and debt service costs for the year end June 30, 2017. The District's sewer rates are reviewed by management and the Board of Commissioners on an annual basis.

**ADDITIONAL FINANCIAL INFORMATION** – The District began providing the premium cost for employees to enroll in the state provided group retiree health insurance July 1, 2015. This falls under GASB Statement 45 (*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*). A separate footnote is included in this year's financial statements.

This financial report is designed to provide the District's customers and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in the report or wish to request additional information, please contact the Chester Sewer District at PO Box 279, Richburg, South Carolina, 29729.

# Basic Financial Statements

Chester Sewer District  
Statements of Net Position  
as of June 30,

	2016	2015
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 956,558	\$ 1,444,690
Cash and cash equivalents - restricted	5,000,000	-
Investments – certificates of deposit	276,997	271,942
Customer receivables, net of allowance of \$12,187 for 2016 and \$7,500 for 2015	339,453	221,823
Other receivables	280,338	172,836
Unbilled revenue	145,000	129,540
Prepaid expenses	21,087	21,873
Total current assets	7,019,433	2,262,704
Restricted assets not available for current operations:		
Cash and cash equivalents	269,976	430,679
Capital assets, net of accumulated depreciation	12,767,847	12,726,085
Total assets	20,057,256	15,419,468
<b>Deferred outflows of resources:</b>		
Deferred outflows of resources related to net pension liability	238,590	129,656
Total assets and deferred outflows of resources	\$ 20,295,846	\$ 15,549,124
<b>Liabilities and Net Position:</b>		
Current liabilities payable from restricted assets:		
Current maturities of long-term debt	\$ 245,690	\$ 243,141
Bond anticipation note payable	5,000,000	-
Current liabilities:		
Current maturities of capital leases	1,198	1,128
Accounts payable	21,898	39,776
Accrued expenses	244,021	24,651
Accrued interest payable	25,930	34,802
Compensated absences	96,158	36,591
Customer service deposits	126,016	130,665
Due to Chester Metropolitan District	104,674	104,401
Total current liabilities	5,865,585	615,155
Long-term debt, net of current portion	2,409,071	2,654,761
Capital lease payable, net of current portion	62,662	63,911
Net OPEB Obligation	87,246	-
Net pension liability	1,609,032	1,514,035
Total liabilities	10,033,596	4,847,862
<b>Deferred inflows of resources:</b>		
Deferred inflows of resources related to net pension liability	138,063	127,644
Total liabilities and deferred inflows of resources	10,171,659	4,975,506
<b>Net position:</b>		
Net investment in capital assets	10,049,226	9,763,144
Restricted for debt service	23,047	186,410
Unrestricted	51,914	624,064
Total net position	10,124,187	10,573,618
Total liabilities and net position	\$ 20,295,846	\$ 15,549,124

*The accompanying notes are an integral part of these financial statements.*

Chester Sewer District  
Statements of Revenues, Expenses, and Changes in Fund Net Position  
for the years ended June 30,

	2016	2015
<b>Operating revenues:</b>		
Sewer services	\$ 3,210,930	\$ 2,935,086
Residual management fees	349,176	327,623
Capital project fees	119,389	117,184
Penalties	17,398	13,822
Miscellaneous	13,395	22,543
Total operating revenues	3,710,288	3,416,258
<b>Operating expenses:</b>		
Administration	942,973	756,794
Sewer lines	723,991	583,527
Rocky Creek plant	552,573	482,930
Sandy River plant	471,581	357,171
Lando plant	280,296	173,508
Laboratory	54,091	56,533
Sludge disposal	161,542	131,951
Depreciation	712,477	602,079
Bond anticipation note issuance expense	18,871	-
OPEB expense	87,246	-
Total operating expenses	4,005,641	3,144,493
Operating (loss) income	(295,353)	271,765
<b>Non-operating income (expenses):</b>		
Interest revenue	3,005	1,197
Interest expense	(161,722)	(130,477)
Other income	4,639	-
Total non-operating expenses, net	(154,078)	(129,280)
<b>Contributed capital:</b>		
State grants	-	350,000
Federal grants	-	65,725
Total contributed capital	-	415,725
<b>Decrease in net position</b>	(449,431)	558,210
Net position, at beginning of year	10,573,618	10,015,408
Net position, at end of year	\$ 10,124,187	\$ 10,573,618

*The accompanying notes are an integral part of these financial statements.*

Chester Sewer District  
Statements of Cash Flows  
for the years ended June 30,

	2016	2015
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 3,465,046	\$ 3,372,767
Cash paid to suppliers and employees	(2,961,243)	(2,674,143)
Net cash provided by operating activities	503,803	698,624
<b>Cash flows used in capital and related financing activities:</b>		
Acquisition of capital assets	(754,239)	(1,649,774)
Contributed capital and miscellaneous income	-	602,900
Issuance of new debt - bond anticipation note	5,000,000	-
Payments on debt	(244,320)	(241,728)
Interest paid	(161,722)	(130,477)
Net cash provided by capital and related financing activities	3,839,719	(1,419,079)
<b>Cash flows from investing activities:</b>		
Interest and investment income	7,643	1,197
Net cash provided by investing activities	7,643	1,197
Net increase (decrease) in cash and cash equivalents	4,351,165	(719,258)
Cash and cash equivalents, beginning of year	1,875,369	2,594,627
Cash and cash equivalents, end of year	\$ 6,226,534	\$ 1,875,369
<b>Reconciliation of operating (loss) income to net cash provided by operating activities:</b>		
Operating (loss) income	\$ (295,353)	\$ 271,765
Adjustments to reconcile net operating (loss) income to net cash provided by operating activities:		
Depreciation	712,477	602,079
Loss on disposal of capital assets	-	495
Unrealized gain on investments	(5,055)	-
Change in assets and liabilities:		
Accounts, other receivables and unbilled revenue	(240,593)	(40,490)
Prepaid expenses	786	4,720
Deferred outflows of resources related to net pension liability	(108,934)	(44,904)
Accounts payable	(17,878)	(51,880)
Due to Chester Metropolitan District	273	(94,175)
Accrued expenses, compensated absences and customer service deposits	265,418	(12,840)
Net pension liability	94,997	(63,295)
Net OPEB obligation	87,246	-
Deferred inflows of resources related to net pension liability	10,419	127,644
Net cash provided by operating activities	\$ 503,803	\$ 698,624

A reconciliation of cash and cash equivalents reflected in the statements of cash flows to the statements of net position is as follows:

	Current Assets	Restricted Assets	Statements of Cash Flows
Cash and cash equivalents, June 30, 2015	\$ 1,444,690	\$ 430,679	\$ 1,875,369
Net (decrease) increase	4,511,868	(160,703)	4,351,165
Cash and cash equivalents, June 30, 2016	\$ 5,956,558	\$ 269,976	\$ 6,226,534

*The accompanying notes are an integral part of these financial statements.*

Chester Sewer District  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies**

**Organization and Basis of Accounting** – Chester Sewer District (the “District”) was created in 1964 pursuant to Act Number 480 of the Acts of the General Assembly of the State of South Carolina and is exempt from federal and state income taxation. The District’s principal purpose is to provide wastewater treatment in the City of Chester and various outlying communities.

The District operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. The District has no stockholders or equity holders and is directed by a governing board whose members are appointed by the legislature of South Carolina.

The District uses the accrual basis of accounting and the economic resources measurement focus for reporting. The accrual basis of accounting recognizes revenue when earned, regardless of when received. Expenses are recorded when incurred, regardless of when paid.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund’s principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Accounting Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates affecting these financial statements are the estimated useful lives of property and equipment and the actuarially calculated estimates of the net pension liability and net OPEB obligation. Management is not aware of any condition that would materially affect those estimates in the near term.

**Cash and Cash Equivalents** – For purposes of reporting cash flows in the financial statements, demand deposits and highly liquid debt instruments (including restricted assets) purchased with a maturity of three months or less are cash and cash equivalents.

Cash and cash equivalents represent cash on hand, cash on deposit in banks, and cash invested in various instruments by the State Treasurer as part of the South Carolina Local Government Investment Pool (the “Pool”). Because the Pool operates as a demand deposit account, amounts invested in the Pool are classified as cash and cash equivalents.

The restricted cash and cash equivalents represent amounts held by trustees as required by revenue bond covenants as well as the BAN funds.

**Customer Receivables** – Customer receivables are obligations due under billing cycles for wastewater service. Each customer is required to remit a deposit before service is activated. The District’s accounts receivable is due from residential and industrial customers.

Chester Sewer District  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Allowance for Doubtful Accounts** – An allowance for doubtful accounts is recorded for potential credit losses and reduces the carrying value of accounts receivable to its net realizable value. The amount of the reserve is based upon management’s estimate of currently uncollectible accounts, historical trends, current economic trends, and other factors. Provisions to increase the allowance are charged to operations. Account balances are written off when collection efforts are deemed ineffective.

**Investments** – At June 30, 2016 and 2015, all of the District’s investments are bank certificates of deposit with initial maturities of one year. They are reported at cost plus interest earned which approximates fair value.

**Unbilled Revenue** – The District renders bills to residential customers on billing cycles that end on various days throughout the month. Unbilled revenue represents the portion of bills rendered during the month of July applicable to service provided in June.

**Restricted Assets Not Available for Current Operations** – In accordance with revenue bond provisions and loan requirements, revenues have been set aside in special accounts for specified purposes. The assets in these accounts are shown as restricted assets on the balance sheets. When the District incurs an expense that may be paid from unrestricted or restricted funds, the District first uses restricted funds as allowed by legal or contractual requirements.

**Capital Assets** – Property constructed or purchased is stated at cost. Contributed property is stated at estimated fair market value on the date received. Interest is capitalized on significant long-term construction projects and is depreciated over the useful life of the related asset. Depreciation is computed over the asset’s estimated useful lives using the straight-line method at the following rates: sewer system – 40 to 50 years; buildings – 33 years; equipment 5 to 10 years; automobiles – 5 years and laboratory equipment – 20 to 25 years.

When property, plant, and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the statements of revenues, expenses, and changes in fund net position.

**Compensated Absences** – Vacations accrue based on years of service with the District. Only full-time employees are eligible for paid vacations. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination.

**Net Position** – The District reports the following classifications of net position:

***Net investment in capital assets:*** This represents the District’s total investment in capital assets, net of outstanding debt obligations, if any, related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

***Restricted net position:*** Restricted net position consists of assets with constraints placed on the use of those assets either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

Chester Sewer District  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Unrestricted net position:** Unrestricted net position represents the remainder of the District's liabilities in excess of assets excluding net position reported in other categories.

**Concentrations of Credit Risk** – Financial instruments that potentially expose the District to concentrations of credit risk consist principally of customer receivables. Management is not aware of any concentrations of customer receivables to classes of customers or industries that would be similarly affected by economic conditions; however, a substantial portion of customers' ability to honor their accounts is dependent on economic conditions in Chester, South Carolina and surrounding areas.

**Note 2. Deposits and Investments**

**Deposits**

**Custodial Credit Risk** - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's policy regarding custodial credit risk related to deposits is that management monitors the amounts deposited that have exceeded the FDIC insurance of \$250,000. The District collateralizes its deposits over the FDIC limit with the financial institution, when necessary. The District deposits its funds in high quality and very large institutions, and considers shifting funds from one financial institution to another when funds greatly exceed the FDIC insurance coverage.

Deposits include cash and cash equivalents on deposit in banks. At year end the bank balances of deposits for the District at June 30, 2016 and 2015, were approximately \$6,238,215 and \$1,444,690, respectively. At June 30, 2016, the District was not exposed to any custodial credit risk as all balances were insured and/or collateralized. The District did not recognize any losses in either reporting period due to default by counterparties.

Restricted cash includes approximately \$5,270,000 and \$431,000 at June 30, 2016 and 2015, respectively, held for debt service reserve funds as well as for capital projects.

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the District is not exposed to this risk.

**Investment Pool** – At June 30, 2016 and 2015, the District has deposits of approximately \$375,000 held as a part of the Pool. Deposit risk information relating to this investment pool may be obtained from the State of South Carolina's Comprehensive Annual Financial Report. Copies of this report may be obtained from the South Carolina Office of the Comptroller General, 1200 Senate Street, 305 Wade Hampton Office Building, Columbia, South Carolina 29201 or by visiting the Comptroller General's website at <http://www.cg.state.sc.us/>.

**Investments**

The District is authorized, by the South Carolina Code of Laws, Title 6, Chapter 5, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

Chester Sewer District  
Notes to Financial Statements

**Note 2. Deposits and Investments (continued)**

**Investments (continued)**

The District's investments at June 30, 2016 and 2015 are held by a financial institution in the District's name. The fair values of the District's investments at June 30, 2016 and 2015 were approximately \$277,000 and \$272,000, and consist of certificates of deposits with initial maturities of one year. All of the District's securities were fully collateralized.

**Custodial Credit Risk** - Custodial credit risk for investments is the risk that, in the event of failure of counterparty, the District will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The District's policy regarding custodial credit risk for investments is that all investments are collateralized by highly stable and low risk debt securities. The District monitors its investments periodically to ensure that the collateral exceeds the market value of investments.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy regarding credit risk of investments is that it only uses high quality brokers and financial institutions to manage its investment portfolios. In addition, the District's investments are not subject to credit risk as they are fully collateralized certificates of deposit. Therefore, the disclosure of quality ratings on rated debt investments is not applicable to the District.

**Concentration of Credit Risk** – Concentration of credit risk for investments is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy regarding concentration of credit risk of investments is that it only uses high quality brokers and financial institutions to manage its investment portfolios, as noted above.

The District's investments are invested at two financial institutions. These investments represent 100 percent of total investments with each institution 75 percent and 25 percent of the investments, respectively.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The District is not exposed to interest rate risk as it applies to debt investments.

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District does not maintain investments that are denominated in a currency other than the United States dollar; therefore, the District is not exposed to this risk.

Chester Sewer District  
Notes to Financial Statements

**Note 2. Deposits and Investments (continued)**

**Investments (continued)**

A reconciliation of the District's deposits and investments at June 30 on its statement of net position to this footnote disclosure is as follows:

Statement of Net Position:	<b>2016</b>	2015
Cash and cash equivalents	\$ <b>956,558</b>	\$ 1,444,690
Investments	<b>276,997</b>	271,942
Restricted assets:		
Cash and cash equivalents	<b>5,269,976</b>	430,679
Total cash and investments	<b>\$ 6,503,531</b>	\$ 2,147,311
Disclosure: Deposits	<b>2016</b>	2015
Carrying value of deposits:		
Held by a financial institution	\$ <b>5,851,046</b>	\$ 1,501,963
Held by State Treasurer's Office	<b>375,488</b>	373,406
Investments, reported amount:		
Held by a financial institution	<b>276,997</b>	271,942
Total deposits	<b>\$ 6,503,531</b>	\$ 2,147,311

**Note 3. Assets Restricted by Debt Covenants**

In connection with outstanding debt, (1) the District's net earnings (defined as the portion of revenues remaining after providing for the proper operation and maintenance of facilities) are pledged for payment of principal and interest, (2) a statutory lien on the District's facilities exists and (3) the District is required to maintain Debt Service Reserve Funds ("Reserve Funds") and a Depreciation and Contingent Fund (for improvements, betterments, and extensions of the sewer system).

The assets of the Revenue Bond Debt Service Fund ("Debt Service Funds") and Revenue Bond Debt Service Reserve Funds ("Reserve Funds") are to be used for the redemption of bonds and payment of interest on the bonds.

Additions to the Debt Service Funds are required from operating funds in amounts equal to the annual principal and interest payments. Additions to the Reserve Funds are required from operating funds when the Reserve Fund assets are less than the sum of the largest annual debt service payment for each debt outstanding. When the assets of the Reserve Funds exceed the requirements, the District is permitted to use the Reserve Funds investment income for principal and interest payments and thereby reduce the amount of operating funds required to be transferred to the Debt Service Fund.

Chester Sewer District  
Notes to Financial Statements

**Note 3. Assets Restricted by Debt Covenants (continued)**

Restricted funds at June 30 summarized by fund are:

	2016	2015
Cash and cash equivalents:		
BAN Proceeds Fund	\$ 5,000,000	\$ -
1998 Rocky Creek Upgrade II Loan Reserve Fund	95,535	95,005
2009 Bond Debt Service Fund	78,431	80,664
1998 Rocky Creek Upgrade II Loan Reserve Fund	15,207	15,198
Capital Project Fee	70,726	229,738
2014 Bond Debt Service Fund	10,077	10,074
Total assets restricted	\$ 5,269,976	\$ 430,679

**Note 4. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2016 follows:

	June 30, 2015	Additions	Retirements	Transfers	June 30, 2016
Capital assets not being depreciated:					
Land and land rights	\$ 164,488	\$ 50,265	\$ -	\$ -	\$ 214,753
Construction in progress	177,106	453,823	-	-	630,929
Other capital assets:					
Buildings	2,309,142	-	-	-	2,309,142
Sewer system	20,308,416	-	-	-	20,308,416
Equipment	4,621,260	151,060	-	-	4,772,320
Automobiles	597,526	99,095	-	-	696,621
Laboratory equipment	9,208	-	-	-	9,208
	28,187,146	754,243	-	-	28,941,389
Accumulated depreciation	(15,461,061)	(712,481)	-	-	(16,173,542)
Capital assets, net	\$ 12,726,085	\$ 41,762	\$ -	\$ -	\$ 12,767,847

Depreciation expense was approximately \$713,000 and \$602,000 for the years ended June 30, 2016 and 2015, respectively. Included in capital assets are assets purchased under capital leases with a net book value of approximately \$19,000 and \$22,000 at June 30, 2016 and 2015, respectively.

Chester Sewer District  
Notes to Financial Statements

**Note 5. Financing Arrangements**

*Long Term Debt* - A summary of the District's long-term debt at June 30 is as follows:

	2016	2015
2014 Revenue Bond: 3.42% interest. Fixed annual principal and interest payment of \$60,432, maturing April 2029.	\$ 625,767	\$ 663,507
2009 Revenue Bond: 4.65% interest. Variable monthly principal and interest payments ranging from \$75,000 - \$305,000, maturing in March 2024.	1,825,000	1,975,000
1998 Rocky Creek Wastewater Treatment Plant loan: State Revolving loan at 2.25% annual interest. Fixed payments are \$15,193 per quarter, maturing October 2019.	203,993	259,395
	2,654,760	2,897,902
Less: current portion	(245,690)	(243,141)
Total long-term debt	\$ 2,409,070	\$ 2,654,761

In 2014, the District issued the Wastewater System Improvement Revenue Bond in the amount of \$700,000, as described in the table above. The intent of the bond was to fund the Rocky Creek Upgrade project.

The District took advantage of the market conditions and restructured its debt through the commercial market in September of 2009. The District issued the \$2.6 million 2009 Series Bond and used the proceeds of this bond to pay off the 1979 Revenue Bond (5.00%), the 1992 Sandy River Loan (4.75%), the 1992 Rocky Creek loans (4.75%) and the 1989 Wachovia loan (4.79%) and to fund certain future capital projects. The interest rate on the 2009 Series Bond is 4.65% with a term of 15 years. As a result of this debt restructuring, significant cash saving and efficiencies have been recognized.

Also of note is that the District refinanced the 1998 Rocky Creek Wastewater Treatment Plant loan during 2012. The District's interest rate was reduced from 4% to 2.25% as a result of the refinancing.

The District issued a \$5,000,000 bond anticipation note in fiscal year 2016 to cover any potential short falls between incurrence of costs and reimbursements from grants. This is a one year note bearing 1.09% interest and is to be repaid in June 2017, and therefore, is a current liability.

Long-term debt repayments are due as follows:

	Interest	Principal	Total Debt Service
2017	\$ 110,378	\$ 245,690	\$ 356,068
2018	100,782	258,310	359,092
2019	90,647	266,005	356,652
2020	80,287	303,306	382,593
2021	66,861	294,651	361,512
2022-2026	137,465	1,117,232	1,254,697
2027-2029	11,728	169,568	181,296
	\$ 598,148	\$ 2,654,761	\$ 3,252,909

Chester Sewer District  
Notes to Financial Statements

**Note 5. Financing Arrangements (continued)**

Under the most restrictive provisions of the debt agreements, the District is required to maintain amounts equal to one year debt payments in separate cash accounts.

In 1978, the District entered into an agreement with the City of Chester to lease the municipal sewer and sewage disposal system through the year 2040. Lease terms provide for rental payments totaling \$5,000 per year including 6% interest. The District is also required to pay \$5,000 per year into an escrow account maintained under joint control of the Mayor of the City of Chester and the Executive Director of the District. The escrow funds are to be used for the sole purpose of making extensions and improvements to the sewer system only.

Minimum lease payments under this capital lease are as follows for the years ended June 30,

2017	\$ 5,000
2018	5,000
2019	5,000
2020	5,000
2021	5,000
2022-2026	25,000
2027-2031	25,000
2032-2036	25,000
2037-2041	26,767
Total minimum lease payments	126,767
Less, interest	<u>(62,907)</u>
Future minimum lease payments	63,860
Less: current portion	<u>(1,198)</u>
Long-term capital lease obligations	<u>\$ 62,622</u>

**Note 6. Changes in Revenue Bonds, Capital Lease Obligations, and Compensated Absences**

A summary of changes in revenue bonds, long-term debt, and capital lease obligations for the year ended June 30, 2016 are as follows:

	Balance, June 30, 2015	Additions	Repayments	Balance, June 30, 2016	Current Portion
2009 Revenue Bond	\$ 1,975,000	\$ -	\$ (150,000)	\$ 1,825,000	\$ 150,000
1998 Rocky Creek Wastewater Treatment Plant Loan	259,395	-	(55,402)	203,993	56,659
2014 Revenue Bond	663,507	-	(37,740)	625,767	39,031
Capital Lease Obligations	65,039	-	(1,179)	63,860	1,198
Compensated Absences	36,591	96,158	(36,591)	96,158	96,158
Total	<u>\$ 2,999,532</u>	<u>\$ 96,158</u>	<u>\$ (280,912)</u>	<u>\$ 2,814,778</u>	<u>\$ 343,046</u>

Chester Sewer District  
Notes to Financial Statements

**Note 7. Related Parties**

The Chester Metropolitan District (the “Metropolitan District”), an independent organization, and the District shared common facilities up until recently. Billing and collections are performed jointly by the organizations, with separate accounting records maintained for each organization. The District reimburses the Metropolitan District for a portion of the salary of employees who perform services for both organizations, and any portion of expenses associated with shared space and equipment, along with other expenses paid by the Metropolitan District that were incurred by the District. Expense reimbursements for years ended June 30, 2016 and 2015, were approximately \$392,000 and \$380,000, respectively. At June 30, 2016 and 2015, the District had amounts due to the Chester Metropolitan District of approximately \$105,000 and \$104,000, respectively. The District had a balance due from the Metropolitan District of approximately \$221,000 and \$111,000 at June 30, 2016 and 2015, included in the accompanying balance sheets as other receivables. These related party amounts are due upon invoicing and are therefore current assets and liabilities in the accompanying statements of net position.

**Note 8. Pension Plans**

The South Carolina Public Employee Benefit Authority (“PEBA”), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (reorganized into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. 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 comprehensive annual financial report of the state.

**Plan Descriptions**

The South Carolina Retirement System (“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 allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

*Membership*

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

Chester Sewer District  
Notes to Financial Statements

**Note 8. Pension Plans (continued)**

**Plan Descriptions (continued)**

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and 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.
- The District does not participate in the State Optional Retirement Program (“State ORP”) or the Police Officers Retirement System (“PORS”).

*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 for each system 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 one percent or five hundred dollars 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.

*Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the South Carolina Department of Administration for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year.

Chester Sewer District  
Notes to Financial Statements

**Note 8. Pension Plans (continued)**

**Plan Descriptions (continued)**

If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one- half of one percent per year.

Required <u>employee</u> contribution rates for fiscal year 2015-2016 are as follows:	
<b>SCRS</b>	
Employee Class Two	8.16% of earnable compensation
Employee Class Three	8.16% of earnable compensation
Required <u>employee</u> contribution rates for fiscal year 2014-2015 are as follows:	
<b>SCRS</b>	
Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation
Required <u>employer</u> contribution rates for fiscal year 2015-2016 are as follows:	
<b>SCRS</b>	
Employer Class Two	10.91% of earnable compensation
Employer Class Three	10.91% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
Required <u>employer</u> contribution rates for fiscal year 2014-2015 are as follows:	
<b>SCRS</b>	
Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015, and the next experience study is performed on data through June 30, 2016, is currently underway.

Chester Sewer District  
Notes to Financial Statements

**Note 8. Pension Plans (continued)**

**Actuarial Assumptions and Methods (continued)**

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and South Carolina Department of Administration which utilized membership data as of July 1, 2014. The total pension liability was rolled- forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS.

	<b>SCRS</b>
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.5% to 12.5% (Varies by Service) *
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

\* Includes inflation at 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the June 1, 2015, valuations for SCRS are as follows:

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

**Net Pension Liability**

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 (*Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*) less that System's fiduciary net position. As of June 30, the District's proportional share of the NPL amounts for SCRS is presented below:

Chester Sewer District  
Notes to Financial Statements

**Note 8. Pension Plans (continued)**

**Net Pension Liability (continued)**

System	Proportional Share of Net Pension Liability at June 30, 2016	Proportional Share of Net Pension Liability at June 30, 2015
SCRS	\$ 1,609,032	\$ 1,514,035

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The District's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB No. 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the years ending June 30, 2016 and 2015, the District's percentage of the SCRS net pension liability was 0.008484% and 0.0087940%, respectively. The District's change from prior year in proportionate share of net pension liability and related deferred outflows of resources will be amortized into pension expense over the respective average remaining service lives in the respective system.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent. 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 State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all 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 total pension liability.

*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the fourth quarter of 2013. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate form the basis for the target asset allocation as adopted by the RSIC for fiscal year 2015. The long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Chester Sewer District  
Notes to Financial Statements

**Note 8. Pension Plans (continued)**

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Short Term</b>	<b>5.0%</b>		
Cash	2.0	1.9%	0.04%
Short Duration	3.0	2.0	0.06
<b>Domestic Fixed Income</b>	<b>13.0</b>		
Core Fixed Income	7.0	2.7	0.19
Mixed Credit	6.0	3.8	0.23
<b>Global Fixed Income</b>	<b>9.0</b>		
Global Fixed Income	3.0	2.8	0.08
Emerging Markets Debt	6.0	5.1	0.31
<b>Global Public Equity</b>	<b>31.0</b>	<b>7.1</b>	<b>2.20</b>
<b>Global Tactical Asset Allocation</b>	<b>10.0</b>	<b>4.9</b>	<b>0.49</b>
<b>Alternatives</b>	<b>32.0</b>		
Hedge Funds (Low Beta)	8.0	4.3	0.34
Private Debt	7.0	9.9	0.69
Private Equity	9.0	9.9	0.89
Real Estate (Broad Market)	5.0	6.0	0.30
Commodities	3.0	5.9	0.18
Total Expected Real Return	100.0%		6.00
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.75%

*Sensitivity Analysis*

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

<b>Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate</b>			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS – 2016	\$ 2,028,529	\$ 1,609,032	\$ 1,257,439
SCRS – 2015	\$ 1,959,255	\$ 1,514,035	\$ 1,142,594

**Deferred Outflows (Inflows) of Resources**

For the year ended June 30, 2016, the District recognized pension expense of approximately \$103,000. At June 30, 2016, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

Chester Sewer District  
Notes to Financial Statements

**Note 8. Pension Plans (continued)**

**Deferred Outflows (Inflows) of Resources (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 106,858	\$ -
Differences in actual and expected retirement plan experience	131,732	-
Change in proportionate share of net pension liability	-	42,824
Net differences between projected and actual earnings on plan investments	-	95,239
	\$ 238,590	\$ 138,063

The District reported \$106,858 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the District's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2016. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2016 was 4.164 years for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2016	2017	\$ 1,016
2017	2018	1,016
2018	2019	1,016
2019	2020	3,283
Net Balance of Deferred Outflows / (Inflows) of Resources		\$ 6,331

**Note 9. Risk Management**

The District pays premiums to the State's Insurance Reserve Fund ("IRF") which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Theft of, damage to or destruction of assets;
2. Building contents and equipment;
3. Motor vehicles;
4. Torts;
5. Errors and omissions;
6. Natural disasters;
7. Workers' Compensation Claims

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property, equipment, and auto liability. The IRF's rates are determined actuarially.

The District obtains coverage through a commercial insurer for employee fidelity bond insurance for all of its employees for losses arising from theft or misappropriation.

Chester Sewer District  
Notes to Financial Statements

**Note 10. Other Post-Employment Benefits**

From an accrual perspective, the cost of Other Post-Employment healthcare Benefits (“OPEB”), like the cost of pension benefits, generally should be associated with the periods in which that cost occurs. Effective July 1, 2015, the District began contributing to the premium cost of retiree group health insurance in the state’s retiree insurance program. In adopting GASB Statement No. 45 during the year ended June 30, 2016, prospectively, the District recognized the Annual Required Contributions (“ARC”) associated with OPEB as an expense and the liability associated with the net OPEB obligation (“NOO”). The ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial accrued liability over a period of thirty years. As of July 1, 2012, South Carolina retirement benefits are under the authority of the South Carolina Public Employee Benefit Authority (PEBA).

**Funding Policy**

*Insurance and Retirement*

The District contributes the employer portion of the premium cost for coverage of eligible employees and covered dependents in the State of South Carolina’s Employee Insurance Plan. The District also currently contributes an additional \$16.70 toward the employee’s portion of the premiums. The employer and employee’s contribution are set by the South Carolina Public Employee Benefit Authority (“PEBA”) and not by the District.

Full-time and part-time employees are required to enter into the State Retirement System as a condition of their employment. The employee will contribute a portion of his gross salary per pay period into retirement plan with the District contributing an additional amount. The employee and employer shares are set by PEBA and not the District.

*Retiree Group Health Insurance*

Effective July 1, 2015, the District will contribute to the premium cost of retiree group health insurance in the state’s retiree insurance program as set forth below. This policy may be altered or eliminated at any time in the District’s discretion on notice to participating retirees. Eligibility to participate in the state’s retiree insurance program is required and is determined by the PEBA and not by this or any of the District’s policies. Eligibility to retire under the rules of the state retirement plan is also required and is determined by PEBA retirement system. In accordance with District policy, “years of consecutive full-time service to the District” means years of service to the Chester Sewer District. At retirement, if an employee has reached at least 10 years of service with the District, the District will accept up to 5 years of full-time service with a PEBA (SCRS & EIP) participating employer to apply towards District funding guidelines. In order for the service to count, the employee must have participated in PEBA’s retirement and insurance program in the previous public employment.

Chester Sewer District  
Notes to Financial Statements

**Note 10. Other Post-Employment Benefits (continued)**

*Employees and Former Employees Hired Before May 2, 2008*

Funded – for the following employees or former employees who meet the age and service requirements below, the District will pay 100% of the premium for retiree coverage and will pay towards any dependent coverage the equivalent of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium.

- Current employees who at the time of retirement will be at least 60 years of age, or on PEBA-approved disability retirement, and have at least ten years of consecutive full-time service to the District.
- Employees with 25 years of service with the District, who retire before age 60, will be eligible for funded insurance premiums at the time they would have reached 28 years of service or reached 60 years of age, whichever occurs first.
- Current employees who at the time of retirement have at least 28 years of consecutive full-time service to the District.
- Employee's last 5 years of service must have been served consecutively in a full-time, benefits eligible position with the District.
  - Non-Funded – for all other current and former employees, the retiree will be responsible for the entire premium cost.
- Employees and Former Employees Hired On or After May 2, 2008
  - Funded – for current employees who at the time of retirement will have 25 years of consecutive full-time service to the District, the District will pay 100% of the premium for retiree coverage and will pay towards any dependent coverage the equivalent of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium.
  - Partially Funded – for current employees who at the time of retirement will have 15 years but fewer than 25 years of consecutive full-time service to the District, the District will pay towards the elected coverage the equivalent of 50% of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium.
  - Non-Funded – for all current employees, the retiree will be responsible for the entire premium cost.

The District contributes \$16.70 monthly toward the employee's portion of the premium.

Chester Sewer District  
Notes to Financial Statements

**Note 10. Other Post-Employment Benefits (continued)**

**Annual OPEB costs and Net OPEB Obligation**

The District had an actuarial valuation performed for the plan as of June 30, 2015 to determine the funded status of the plan as of that date as well as the employer's Annual Required Contribution (ARC) for the fiscal year ended June 30, 2016. The District's annual OPEB cost of \$87,246 in the year ended June 30, 2016, is equal to the Annual OPEB obligation for the current year of \$110,024 less contributions made of \$22,778. The District's annual OPEB costs and the net OPEB obligation for the year ended June 30, 2016 were as follows:

	<b>2016</b>
Employer Normal Cost	<b>\$ 110,024</b>
Amortization of UAAL*	-
Annual Required Contribution (ARC)	<b>110,024</b>
ARC Adjustment	-
Interest on Net Obligation	-
Annual OPEB Cost – Current Year	<b>110,024</b>
Contributions made	<b>(22,778)</b>
Beginning Balance	-
Net OPEB Obligation end of year	<b>\$ 87,246</b>

\* Unfunded Actuarial Accrued Liabilities (UAAL) are being amortized over 30 years.

Funded status and Funding Progress of the plan as of June 30, 2016 was as follows:

Present Value of Future Benefits:	
Retirees & Beneficiaries	\$ 140,250
Vested Terminated Members	-
Active Members	1,452,024
Total Present Value of Future Benefits	\$ 1,592,274
Actuarial Accrued Liabilities	\$ 1,592,274
Actuarial Value of Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,592,274
Funded Ratio	0.00%
Covered payroll (active plan members)	\$ 662,615
UAAL as a percentage of covered payroll	240.30%

Chester Sewer District  
Notes to Financial Statements

**Note 10. Other Post-Employment Benefits (continued)**

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

In the June 30, 2015, actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent of payroll (assumed to increase 3%) required to fully amortize the UAAL over a 30-year period (closed). The actuarial assumptions included 4.25% and 4.50% rate of investment return for June 30, 2015 and June 30, 2014, respectively. The valuation assumes a 6% health care trend inflation rate for 2015 and 3.41% for 2016. The health care trend inflation rate for all years thereafter through 2016 are higher, with inflation rate stabilization anticipated at 4.30% for 2026 and later. The actuarial valuation assumption for the general inflation rate was 2.5% and 4.0% for 2016 and 2015, respectively. No trust fund was established so no separate audit report is available.

The District will implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

**Note 11. Subsequent Events**

The District has evaluated events and transactions occurring subsequent to the Statement of Net Position date of June 30, 2016, for items that should potentially be recognized or disclosed in these financial statements. The District discovered in November 2016 that the Fort Lawn industrial customer's payments have been given to the District in error. The Chester Metropolitan District is investigating to determine the amount owed. The evaluation was conducted through February 27, 2017, the date these financial statements were available to be issued, and except as noted above, there were no subsequent events that required disclosure in these financial statements.

## Required Supplementary Information

Chester Sewer District  
Schedule of Funding Progress and Employer Contributions -  
Other Postemployment Benefits  
Fiscal Year Ended June 30, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2016	\$ -	\$ 1,592,274	\$ 1,592,274	0%	\$ 662,615	240.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30,	Annual Required Contribution (ARC)	Actual Contribution	Net OPEB Liability	Percent of ARC Contributed
2016	\$ 110,124	\$ 22,778	\$ 87,246	20.68%

Chester Sewer District  
 Required Supplementary Information -  
 Proportionate Share of the Net Pension Liability –  
 South Carolina Retirement System  
 As of June 30, 2016  
 Last Two Fiscal Years

	2016	2015	2014
The District's proportion of the net pension liability	0.0084840%	0.0087940%	0.0087940%
The District's proportionate share of the net pension liability	\$ 1,609,032	\$ 1,514,035	\$ 1,577,330
The District's covered employee payroll	\$ 795,917	\$ 799,547	\$ 761,302
The District's proportionate share of the net pension liability as percentage of covered-employee payroll	202.16%	189.36%	207.19%
Plan fiduciary net position as a percentage of the total pension liability	57.00%	59.99%	56.40%

Note: The amounts presented above were determined as of June 30<sup>th</sup> of the preceding year.

Chester Sewer District  
Required Supplementary Information -  
Schedule of Contributions –  
South Carolina Retirement System  
As of June 30, 2016  
Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Contractually required contribution	\$ 106,858	\$ 86,755	\$ 84,752	\$ 80,698	\$ 67,372
Contributions in relation to the contractually required contribution	106,858	86,755	84,752	80,698	67,372
Contribution deficiency (excess)	<u>\$ -</u>				
The District's covered-employee payroll	\$ 966,000	\$ 795,917	\$ 799,547	\$ 761,302	\$ 706,576
Contributions as a percentage of covered-employee payroll	11.06%	10.90%	10.60%	10.60%	9.535%
	2011	2010	2009	2008	2007
Contractually required contribution	\$ 62,529	\$ 63,277	\$ 57,737	\$ 54,777	\$ 47,077
Contributions in relation to the contractually required contribution	62,529	63,277	57,737	54,777	47,077
Contribution deficiency (excess)	<u>\$ -</u>				
The District's covered-employee payroll	\$ 665,911	\$ 673,876	\$ 614,878	\$ 594,756	\$ 574,110
Contributions as a percentage of covered-employee payroll	9.39%	9.39%	9.39%	9.21%	8.20%

## Supplemental Information

Chester Sewer District  
Supplemental Schedule of Certain Expenses - Budget and Actual  
for the year ended June 30, 2016

	Budget	Actual	Variance (Favorable) Unfavorable
<b>Administrative &amp; General</b>			
Salaries	\$ 178,000	\$ 188,940	\$ 10,940
Fringe benefits and payroll taxes	44,815	73,358	28,543
Safety Training	500	396	(104)
Administrative contract	376,330	392,469	16,139
Legal and audit	80,000	90,250	10,250
Telephone	4,500	4,996	496
Insurance (equipment, tort, bond)	2,200	5,321	3,121
Gas and Oil	8,500	5,511	(2,989)
Travel	3,500	2,060	(1,440)
Supplies	6,000	12,809	6,809
City Lease (escrow portion)	5,000	5,000	-
Bad debts	15,000	8,223	(6,777)
Commission expense	2,000	791	(1,209)
Dues and Education	13,000	19,559	6,559
Contract Service	157,805	58,014	(99,791)
Repairs	904	8,510	7,606
Bank charges and miscellaneous	53,300	66,766	13,466
	<u>\$ 951,354</u>	<u>\$ 942,973</u>	<u>\$ (8,381)</u>
<b>Sewer Lines:</b>			
Salaries	\$ 386,092	\$ 369,984	\$ (16,108)
Fringe benefits and payroll taxes	113,850	105,483	(8,367)
Safety Training	2,300	2,018	(282)
Telephone	3,950	4,039	89
Insurance (equipment, tort and bond)	9,334	7,379	(1,955)
Uniforms and shoes	2,200	2,562	362
Power and water	5,285	10,046	4,761
Chemicals	5,000	-	(5,000)
Lift Station repair	6,000	1,239	(4,761)
Line Supplies and repair	7,800	42,561	34,761
Gas, oil maintenance	11,250	17,941	6,691
Equipment maintenance and fuel	13,250	23,371	10,121
Dues and Education	1,300	201	(1,099)
Contract Service	7,500	28,094	20,594
Miscellaneous	32,050	16,766	(15,284)
	<u>\$ 607,161</u>	<u>\$ 631,684</u>	<u>\$ 24,523</u>
<b>Lando/Richbourg Line Maintenance:</b>			
Salaries	\$ 35,524	\$ 37,471	\$ 1,947
Fringe benefits and payroll taxes	18,800	15,339	(3,461)
Telephone	3,800	4,550	750
Insurance (equipment, tort, and bond)	2,495	1,971	(524)
Power and water	21,650	21,195	(455)
Lift station repair	5,000	4,956	(44)
Gas, oil, maintenance	4,750	1,395	(3,355)
Supplies, repairs maintenance	2,450	961	(1,489)
Dues and education	700	-	(700)
Contract service	2,500	-	(2,500)
Engineering services	18,000	4,469	(13,531)
	<u>\$ 115,669</u>	<u>\$ 92,307</u>	<u>\$ (23,362)</u>

Chester Sewer District  
Supplemental Schedule of Certain Expenses - Budget and Actual (Continued)  
for the year ended June 30, 2016

	Budget	Actual	Variance (Favorable) Unfavorable
Rocky Creek Plant:			
Salaries	\$ 203,200	\$ 250,507	\$ 47,307
Fringe benefits	68,000	66,213	(1,787)
Safety training	1,850	1,617	(233)
Telephone	3,100	3,948	848
Insurance (equipment, tort bond)	10,250	8,315	(1,935)
Power and water	72,500	66,972	(5,528)
Chemicals	26,800	26,468	(332)
Gas, oil, and maintenance	21,680	12,746	(8,934)
Lab tests and permits	42,900	18,853	(24,047)
Supplies and repairs	11,600	17,296	5,696
Dues and education	600	313	(287)
Contract services	35,700	74,778	39,078
Miscellaneous	12,900	4,547	(8,353)
	<u>\$ 511,080</u>	<u>\$ 552,573</u>	<u>\$ 41,493</u>
Sandy River Plant:			
Salaries	\$ 89,460	\$ 157,744	\$ 68,284
Fringe benefits and payroll taxes	30,030	41,050	11,020
Safety training	800	720	(80)
Telephone	4,500	4,301	(199)
Insurance (equipment, tort, and bond)	6,760	5,302	(1,458)
Power and water	102,300	92,875	(9,425)
Chemicals	26,500	16,143	(10,357)
Gas, oil, maintenance	42,980	24,143	(18,837)
Lab tests and permits	22,800	17,353	(5,447)
Supplies and repairs	3,175	2,360	(815)
Dues and education	2,190	205	(1,985)
Contract services	62,000	107,063	45,063
Miscellaneous	11,000	2,322	(8,678)
	<u>\$ 404,495</u>	<u>\$ 471,581</u>	<u>\$ 67,086</u>
Lando Plant:			
Salaries	\$ 52,500	\$ 53,703	\$ 1,203
Fringe benefits and payroll taxes	18,800	26,980	8,180
Telephone	2,800	1,578	(1,222)
Insurance (equipment, tort, and bond)	3,845	4,485	640
Power and water	35,800	45,992	10,192
Chemicals	12,200	18,243	6,043
Gas, oil, maintenance	10,660	94,120	83,460
Lab tests and permits	8,144	14,227	6,083
Supplies and repairs	9,800	7,557	(2,243)
Dues and education	460	208	(252)
Contract services	8,000	9,417	1,417
Miscellaneous	5,700	3,786	(1,914)
	<u>\$ 168,709</u>	<u>\$ 280,296</u>	<u>\$ 111,587</u>

Chester Sewer District  
Supplemental Schedule of Certain Expenses - Budget and Actual (Continued)  
for the year ended June 30, 2016

	Budget	Actual	Variance (Favorable) Unfavorable
Pretreatment:			
Salaries and fringe benefits	\$ 56,820	\$ 7,481	\$ (49,339)
Supplies and repair	-	5,413	5,413
Lab tests	28,000	29,990	1,990
Contract Services	23,500	10,309	(13,191)
Lab insurance	-	84	84
Miscellaneous	3,500	814	(2,686)
	<u>\$ 111,820</u>	<u>\$ 54,091</u>	<u>\$ (57,729)</u>
Sludge Disposal:			
Insurance (equipment, tort, and bond)	\$ 850	\$ 680	\$ (170)
Gas, oil, maintenance	6,650	3,493	(3,157)
Supplies and equipment maintenance	32,600	3,931	(28,669)
Contract services	40,500	50,252	9,752
Chemicals	49,899	78,182	28,283
TCLP	2,000	935	(1,065)
Tipping fees	23,200	24,069	869
	<u>\$ 155,699</u>	<u>\$ 161,542</u>	<u>\$ 5,843</u>
Total for all Departments	<u>\$ 3,025,987</u>	<u>\$ 3,187,047</u>	<u>\$ 161,060</u>