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

for the years ended June 30, 2017 and 2016

Contents

Page

Independent Auditor's Report 1-2

Required Supplementary Information - Management's Discussion and Analysis 3-12

Basic Financial Statements:
Statements of Net Position 13
Statements of Revenues, Expenses, and Changes in Fund Net Position 14
Statements of Cash Flows 15
Notes to Financial Statements 16-35

Other Information:
Schedule of Certain Expenses – Budget and Actual 36-39

Required Supplementary Information:

Schedules of Funding Progress and Employer Contributions
Other Postemployment Benefits 40

Proportionate Share of the Net Pension
Liability – South Carolina Retirement System 41

Schedule of Contributions – South Carolina Retirement System 42

Schedule of Expenditures of Federal Awards 43

Notes to Schedule of Expenditures of Federal Awards 44

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* 45-46

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance 47-49

Schedule of Findings and Questioned Costs 50-51

Summary Schedule of Prior Audit Findings 52

Corrective Action Plan 53-54

SCOTT COMPANY

Independent Auditor's Report

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 year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information presented has been derived from the District's 2016 audited financial statements and our report dated February 27, 2017, expressed an unmodified opinion on those financial statements.

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, 2017, and the changes in its financial position, and its cash flows for the year 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 benefit information, and pension information on pages 3 through 12 and 40 through 42, 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 9, 2018, on our consideration of the 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 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 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 District's internal control over financial reporting and compliance.

Scott and Company LLC

Columbia, South Carolina
January 9, 2018

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 CSD's financial statements in which management provides an overview of the previous year's operations and how the CSD performed. The management also provides a preview of the upcoming year by outlining future goals and approaches to new projects.

The Chester Sewer District (CSD) is a special purpose district created by **Legislative Act No. 480 as amended by Act No. 1186 (and subsequent Amendments thereto) of the Acts of the State of South Carolina for 1964.** The CSD was created for the purpose of transporting, treating and disposing of wastewater originating within the CSD Service Area. In September 2016, the CSD Board of Commissioners passed a resolution to allow the CSD to operate as Chester County Wastewater Recovery (CWR). CWR is a more accurate name detailing the actual function of the organization. Therefore, the CSD is "doing business as" (DBA) CWR. Throughout this Discussion, "CSD", "CWR", and the "District" can be used interchangeably.

Wastewater treatment is an important service provided by the CWR to residents, businesses and industries in the Chester and Richburg areas. Without this service, industrial operations in the Chester County area would be greatly hindered. That is why CWR is a strong supporter and partner of the economic development efforts in the county.

The CWR's mission is to protect public health by providing efficient and reliable wastewater services to conserve resources, promote growth and development, and return clean water to the environment.

CWR owns and operates three (3) wastewater treatment plants (WWTP) with a combined capacity of approximately four million, three hundred thousand gallons (or 4.296 million). They are as follows: 1) Lando/Manetta WWTP - Designed Capacity of 0.800 MGD; 2) Rocky Creek WWTP- Designed Capacity of 1.36 MGD; 3) Sandy River WWTP - Designed Capacity of 2.136 MGD. In addition, CWR operates and maintains over 160 miles of collection lines and fourteen (14) pump stations.

CWR's governing body is a Board of Commissioners appointed by the Governor upon the recommendation of the local legislative delegation. These individuals are the policy makers for CWR.

The current Board Members are as follows:

- Mr. Anthony (Tony) Pope, Chairman
- Mrs. Edena H. Sanders, Secretary
- Mrs. Gloria O. Crank, Member

The following is a listing of the current managerial staff charged with implementing the policy:

- Phillip (Phil) A. Thompson-King, Executive Director
- Joel Manning, Finance Analyst/Manager
- Devon B. Beaty, Industrial Pretreatment Coordinator
- Patrick D. Timms, Superintendent, Lando-Manetta & Rocky Creek WWTPs
- Michael A. (Tony) Young, Superintendent, Sandy River WWTP
- David Garris, Superintendent CWR Collections & Maintenance.

Administration and Finance

The most significant event that occurred for CWR Administration and Finance is the continuation of the review and right-sizing of the intergovernmental/contract/service agreement with the Chester Metropolitan District (CMD). Historically, the CWR has maintained a unique relationship with CMD because a sizable sector of its day to day functions were provided via an intergovernmental/contract/service agreement with the CMD. Those functions are part of the following departments:

- Office Space
- Finance/Bookkeeping
    - (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
    - (Billing, collections, customer inquiries, new service/accounts, termination of service/accounts, payments, cash receipts, delinquencies, disconnections and reconnections of service)
- Human Resources/Risk Management
    - (Workforce recruitment and retention, orientation, safety and training, wage and salary management, employment law compliance, employee and retiree benefits management and health insurance. In addition, risk protection, loss prevention, management of insurance, property claims/liability)

In 2016, CWR hired its own distinct Finance Analyst/Manager to transition the aforementioned Finance/Bookkeeping functions previously performed by CMD personnel, as well as performing a variety of complex professional, administrative, technical accounting and finance functions involved in maintaining the fiscal records and systems of CWR; and to advise the Executive Director in the oversight of CWR financial affairs.

Maintenance & Collections

The most significant event that occurred was the construction completion of Giti Tire USA, the world's tenth largest tire manufacturer. Giti Tire established its first North American manufacturing facility in Chester. 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. CWR will provide wastewater collection and treatment for the site. Therefore, in an effort to remain proactive, CWR is pleased to report the participation in a support project that installed 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. CWR 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 for and was awarded $2,002,467 in funding under the US Economic Development Association (EDA) Public Works Program. The remaining project cost was funded from a local match of $2,000,000.00 from the Chester County One Cent ($0.01) Sales Tax Revenue, coupled with a combination of Chester Sewer District reserve funds and bonds.

In addition, wastewater infrastructure had to be constructed and installed on the Giti Tire site. 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 $2,000,000.00 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, CWR 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 CWR's wastewater system including improvements and upgrades to its sewer collection system as it relates to the provision of service to Giti Tire.

Furthermore, these efforts undertaken provide CWR with the ability to utilize grant funds instead of incurring substantial additional debt. This will assist the CWR in keeping both our system and rates stable without placing CWR 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 CWR to make the project happen.

In conclusion, CWR realizes that wastewater treatment is an important service provided to residents, commercial businesses and industries in the Chester and Richburg areas. Without this service, economic development in Chester County would be greatly hindered.

Lando/Manetta WWTP

The Lando-Manetta Wastewater Treatment Plant (WWTP) experienced no significant changes in operations and added no substantial capital improvements during the 2016-2017 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 CWR 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 was required to replace two pieces of critical equipment. The replaced equipment was follows:

- Replaced the facility's influent pump station's electrical control panel; and
- Replaced an influent pump.

Unfortunately, Rocky Creek WWTP also experienced some regulatory challenges with Whole Effluent Toxicity that resulted in a Consent Order being issued by the South Carolina Department of Health and Environmental Control (SCDHEC) with a civil penalty in the amount of four thousand five hundred dollars ($4,500.00).

Sandy River WWTP

The Sandy River WWTP experienced no significant changes in operations and added no substantial capital improvements during the 2016-2017 fiscal year.

Industrial Pretreatment Program (IPP)

The Industrial Pretreatment department experienced no significant changes in operations and added no substantial capital improvements during the 2016-2017 fiscal year. However, there were substantial events that occurred. They were:

The issuance of discharge permits to the following new industrial use customers:

- Carolina Poly; and
- Giti Tire USA.

Both of the aforementioned industries started operations during the 2016-2017 fiscal year. In addition, it is important to note that the ensuing new industrial use customer was announced during the fiscal year:

- Roseburg Forrest Products.

To conclude the MD&A, it is noteworthy to mention that CWR is the recipient of The United States Department of Commerce's Economic Development Administration (EDA) grant in the amount of $2,912,165 to assist in vital infrastructure improvements needed to create new jobs and attract significant investment to Chester County.

To this end, CWR plans to construct a 21-inch gravity wastewater, a 36-inch gravity wastewater, an 18-inch gravity wastewater, 56 manholes, a 1,000 gallon per minute (gpm) pump station, a 10-inch force main, and an 8-inch gravity wastewater.

The proposed project includes approximately 7,000 feet of 21-inch gravity wastewater line, 260 feet of 36-inch gravity wastewater line, 4,450 feet of 18-inch gravity wastewater line, 56 manholes, a 1,000 gallon per minute wastewater pump station, 5,850 feet of 10-inch force main, and 8,050 feet of an 8-inch gravity wastewater line. The force main and gravity wastewater line will be constructed on easements that have been acquired by CWR. The land for the pump station has also been acquired.

The project will also provide wastewater service to three certified industrial sites and two non-certified industrial sites, which should aid in the development of these parcels. The wastewater lines are sized to accommodate the existing flow as well as future flow.

Boise Cascade, one of the largest producers of plywood and engineered wood products in North America, has expanded their existing operations in Chester County. The company has invested $23.5 million in the facility and created 52 new jobs.

Pittsburg Paints and Glass (PPG) invested $20 million to upgrade its fiber glass manufacturing facility in Chester. The facility employs 150 people and manufactures direct-draw fiber glass products used in filament winding, pultrusion, long-fiber thermoplastics and wind energy applications. PPG also announced the sale of its fiberglass operations to Nippon Electric Glass Co. Ltd. (NEG), a leading manufacturer of fiberglass. NEG acquired PPG's manufacturing facilities in Chester, South Carolina, and Lexington and Shelby, North Carolina.

Similarly, Carolina Poly, one of the largest polyethylene film manufactures in the U.S., has established a South Carolina operation and invested $100 million in their new facility in Chester, South Carolina. The new facility is slated to create 300 new jobs.

Additionally, on July 11th, 2017, Oregon-based Roseburg Forest Products announced that they will expand its operations with the construction of a new engineered wood products plant in Chester. The groundbreaking of the planned state-of-the-art manufacturing facility is expected in early 2018, with an anticipated operation start-up of mid-2019. The plant will create 145 full-time jobs

and invest $200 million in a proposed wood products plant on 206-acres off Highway 9 in Chester County.

The estimated cost of the wastewater project is $6,241,942. CWR plans to fund this project by utilizing $500,000 of SC Rural Infrastructure Authority (RIA) grant funds and $2,912,165 of EDA funds. The remaining funds will be from CWR via a bond.

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 enable improvements to CWR's wastewater infrastructure to support new businesses and expansion of existing industrial sites such as Carolina Poly. 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 2017

- The District's net position increased by $4,528,907 or 44.7% from $10,124,187 to $14,653,094.
- Operating revenues increased by $349,850 or 9.4% from $3,710,288 to $4,060,138.
- Operating expenses increased by $256,418 or 6.4% from $4,005,641 to $4,262,059.

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 OPEB, and Other Information which includes the required single audit reporting. 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 and liabilities 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, 2017 and 2016. 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,

	2017	2016	Dollar Change	Percent Change	2015
Current and non-capital assets	**$ 6,803,751**	$ 7,289,409	$ (485,658)	(6.7%)	$ 2,693,383
Capital assets, net	**17,067,807**	12,767,847	4,299,960	33.7	12,726,085
Total assets	**23,871,558**	20,057,256	3,814,302	19.0	15,419,468
Deferred outflows of resources	**552,794**	238,590	314,204	131.7	129,656
Total assets and deferred outflows of resources	**24,424,352**	20,295,846	4,128,506	20.3	15,549,124
Long-term debt	**2,471,798**	2,718,621	(246,823)	(9.1)	2,962,941
Other liabilities	**7,267,802**	7,314,975	(47,173)	(0.6)	1,884,921
Total liabilities	**9,739,600**	10,033,596	(293,996)	(2.9)	4,847,862
Deferred inflows of resources	**31,658**	138,063	(106,405)	(77.1)	127,644
Total liabilities and deferred inflows of resources	**9,771,258**	10,171,659	(400,401)	(3.9)	4,975,506
Net investment in capital assets	**14,596,009**	10,049,226	4,546,783	45.2	9,763,144
Restricted for debt service	**151,843**	23,047	128,796	558.8	186,410
Unrestricted net position	**(94,758)**	51,914	(146,672)	(282.5)	624,064
Total Net Position	**$ 14,653,094**	$ 10,124,187	$ 4,528,907	44.7	$ 10,573,618

As the table above indicates, total assets increased by $3,814,302 from $20,057,256 to $23,871,558 during the fiscal year ended June 30, 2017. This is comprised of an increase of $4,299,960 in capital assets and a decrease of $(485,658) in current assets. This is a result of completing the Giti Tire project and putting those assets into service and a defeasance of $1,000,000 in our Bond Anticipation on June 27, 2017 that decreased our restricted cash position. Total liabilities and deferred inflows reflects a decrease of $400,401. This decrease is due to the defeasance of the BAN as we did not need as much short term borrowing in fiscal year 2017 as well as making regular debt principal payments.

Table 1 also indicates that total net position increased by $4,528,907 from $10,124,187 to $14,653,904. This increase was largely due to an increase in capital assets of $4,299,960 from last year. We received approximately $1.8 million in federal grants from the Economic Development agency and approximately $1.6 million in State Grants from the Rural Infrastructure Authority to assist in the construction of the pump station and corresponding collection lines from Giti Tire. We also received approximately $1.6 million in local option sales tax from Chester county to assist in the Giti project. Restricted net position increased $128,796 due to restricted cash decreasing less than outstanding debt decreased. Unrestricted net position decreased $146,672. This is mostly a result of increased net pension and OPEB liability which increased $551,303 and $82,214 respectively.

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

	2017	2016	Dollar Change	Percent Change	2015
Operating revenues	**$ 4,060,138**	$ 3,710,288	$ 349,850	9.4%	$ 3,416,258
Non-operating revenues	**14,344**	7,644	6,700	87.7	1,197
Contributed capital	**4,949,126**	-	4,949,126	100.0	415,725
Total revenues	**9,023,608**	3,717,932	5,305,676	142.7	3,833,180
Depreciation expense	**749,051**	712,477	36,574	5.1	602,079
Other operating expenses	**3,513,008**	3,293,164	219,844	6.7	2,542,414
Non-operating expenses	**232,642**	161,722	70,920	43.9	130,477
Total expenses	**4,494,701**	4,167,363	327,338	7.9	3,274,970
Change in net position	**$ 4,528,907**	$ (449,431)	$ 4,978,338	1,107.7	$ 558,210

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 increased by $5,305,676 or 142.7 percent to $9,023,608 in the fiscal year June 30, 2017 from $3,717,932 in the prior year. This is driven by $4,949,126 in federal and state grants and contributions from a 1% local option sales tax. The increase in expenditures is across all departments. We did incur some one-time project management fees that are included in operating expenses.

Capital Assets – As of June 30, 2017, the District's investment in capital assets totaled $17,067,807 which is an increase of $4,299,960 or 33.7 percent from the capital asset balance of $12,767,847 at June 30, 2016. 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, 2017, the District had $2,471,798 in outstanding long-term debt compared to $2,718,621 as of June 30, 2016. The decrease of $246,823 is a result of the District making regularly scheduled debt repayments throughout the year. There was no new long-term debt issuance in 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, 2018. The approval of the budget provides funding for the District's operating and debt service costs for the year end June 30, 2018. The District's sewer rated are reviewed by management and the Board of Commissioners on an annual basis.

Additional Financial Information – 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,

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	**$ 1,112,571**	$ 956,558
Cash and cash equivalents, restricted	**4,000,000**	5,000,000
Investments – certificates of deposit	**279,159**	276,997
Customer receivables, net of allowance of $69,307 for 2017 and $12,187 for 2016	**337,022**	339,453
Federal grant receivable	**105,000**	-
Other receivables	**164,259**	59,811
Unbilled revenue	**289,074**	145,000
Prepaid expenses	**13,350**	21,087
Due from Chester Metropolitan District	**91,891**	220,527
Total current assets	**6,392,326**	7,019,433
Restricted assets not available for current operations:		
Cash and cash equivalents	**411,425**	269,976
Capital assets, net of accumulated depreciation	**17,067,807**	12,767,847
Total assets	**23,871,558**	20,057,256
Deferred outflows of resources:		
Deferred outflows of resources related to net pension liability	**552,794**	238,590
Total deferred outflows of resources	**552,794**	238,590
Total assets and deferred outflows of resources	**$ 24,424,352**	$ 20,295,846
Liabilities and Net Position:		
Current liabilities payable from restricted assets:		
Current maturities of long-term debt	**$ 258,310**	$ 245,690
Bond anticipation note payable	**4,000,000**	5,000,000
Current liabilities:		
Current maturities of capital leases	**1,272**	1,198
Accounts payable	**42,643**	21,898
Accrued expenses	**367,718**	244,021
Accrued interest payable	**30,108**	25,930
Compensated absences	**101,371**	96,158
Customer service deposits	**125,726**	126,016
Due to Chester Metropolitan District	**270,441**	104,674
Total current liabilities	**5,197,589**	5,865,585
Long-term debt, net of current portion	**2,150,762**	2,409,071
Capital lease payable, net of current portion	**61,454**	62,662
Net OPEB Obligation	**169,460**	87,246
Net pension liabillity	**2,160,335**	1,609,032
Total liabilities	**9,739,600**	10,033,596
Deferred inflows of resources:		
Deferred inflows of resources related to net pension liability	**31,658**	138,063
Total deferred inflows of resources	**31,658**	138,063
Total liabilities and deferred inflows of resources	**9,771,258**	10,171,659
Net position:		
Net investment in capital assets	**14,596,009**	10,049,226
Restricted for debt service	**151,843**	23,047
Unrestricted	**(94,758)**	51,914
Total net position	**$ 14,653,094**	$ 10,124,187

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,

	2017	2016
Operating revenues:		
Sewer services	**$ 3,525,982**	$ 3,210,930
Residuals management fees	**385,170**	349,176
Capital project fees	**128,074**	119,389
Penalties	**20,912**	17,398
Miscellaneous	**-**	13,395
Total operating revenues	**4,060,138**	3,710,288
Operating expenses:		
Administration	**1,002,194**	942,973
Sewer lines	**738,873**	723,991
Rocky Creek plant	**765,418**	552,573
Sandy River plant	**398,430**	471,581
Lando plant	**167,961**	280,296
Laboratory	**144,201**	54,091
Sludge disposal	**132,944**	161,542
Depreciation	**749,051**	712,477
Bond issuance expense	**18,996**	18,871
OPEB expense	**82,214**	87,246
Loss on disposal of capital assets	**61,777**	-
Total operating expenses	**4,262,059**	4,005,641
Operating loss	**(201,921)**	(295,353)
Non-operating income (expenses):		
Interest revenue	**7,185**	3,005
Interest expense	**(172,925)**	(161,722)
Transfer to other government	**(59,717)**	-
Other (expense) income	**7,159**	4,639
Total non-operating expenses, net	**(218,298)**	(154,078)
Contributed capital:		
Local option sales tax	**1,599,509**	-
State grants	**1,586,089**	-
Federal grants	**1,763,528**	-
Total contributed capital	**4,949,126**	-
Increase (decrease) in net position	**4,528,907**	(449,431)
Net position, at beginning of year	**10,124,187**	10,573,618
Net position, at end of year	**$ 14,653,094**	$ 10,124,187

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

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

	2017	2016
Cash flows from operating activities:		
Cash received from customers	**$ 3,837,683**	$ 3,465,046
Cash paid to suppliers and employees	**(2,913,438)**	(2,961,243)
Net cash provided by operating activities	**924,245**	503,803
Cash flows used in capital and related financing activities:		
Acquisition of capital assets	**(5,110,788)**	(754,239)
Contributed capital and miscellaneous income	**4,956,285**	-
Issuance of bond anticipation note	**4,000,000**	5,000,000
Transfers to other governments	**(59,717)**	-
Payments on debt	**(5,246,823)**	(244,320)
Interest paid	**(172,925)**	(161,722)
Net cash used in capital and related financing activities	**(1,633,968)**	3,839,719
Cash flows from investing activities:		
Interest income	**7,185**	7,643
Net cash provided by investing activities	**7,185**	7,643
Net decrease in cash and cash equivalents	**(702,538)**	4,351,165
Cash and cash equivalents, beginning of year	**6,226,534**	1,875,369
Cash and cash equivalents, end of year	**$ 5,523,996**	$ 6,226,534
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	**$ (201,921)**	$ (295,353)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation and amortization	**749,051**	712,477
Unrealized gain on investments	**(2,162)**	(5,055)
Loss on disposal of capital assets	**61,777**	-
Change in assets and liabilities:		
Accounts receivable, other receivables and unbilled revenue	**(351,091)**	(349,934)
Due from Chester Metropolitan District	**128,636**	109,341
Prepaid expenses	**7,737**	786
Deferred outflows of resources	**(314,204)**	(108,934)
Accounts payable	**20,745**	(17,878)
Due to Chester Metropolitan District	**165,767**	273
Accrued expenses, compensated absences and customer service deposits	**132,798**	265,418
Net pension liability	**551,303**	94,997
Net OPEB obligation	**82,214**	87,246
Deferred inflows of resources	**(106,405)**	10,419
Net cash provided by operating activities	**$ 924,245**	$ 503,803

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, 2016	$ 5,956,558	$ 269,976	$ 6,226,534
Net decrease	(843,987)	141,449	(702,538)
Cash and cash equivalents, June 30, 2017	**$ 5,112,571**	**$ 411,425**	**$ 5,523,996**

The accompanying notes are an integral part of these 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.

In September 2016, the District's Board of Commissioners passed a resolution to allow the District to operate as Chester County Wastewater Recovery (CWR). CWR is a more accurate name detailing the actual function of the organization. Therefore, the District is "doing business as" (DBA) CWR.

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 Government 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.

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.

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. The allowance for doubtful accounts was approximately $69,000 and $12,000 at June 30, 2017 and 2016, respectively.

Investments – At June 30, 2017 and 2016, 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 Pension Liability – The net pension liability is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the respective pension plan's fiduciary net position.

Deferred Outflows of Resources – The Statement of Net Position reports a separate section for deferred outflows of resources which represents a consumption of net position that applies to future period(s), and thus will be recognized as an outflow of resources (expense) until then.

Deferred Inflows of Resources – The Statement of Net Position reports a separate section for deferred inflows of resources which represents an acquisition of net position that applies to future period(s), and thus will not be recognized as an inflow of resources (revenue) until then.

Note 1. Summary of Significant Accounting Policies (continued)

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.

***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.

The District implemented GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, as of and for the year ended June 30, 2017. The objective of GASB 76 is to identify the hierarchy of GAAP. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no impact to the net position or change in net position as a result of implementing this standard.

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, 2017 and 2016, were approximately $5,600,000 and $6,200,000, respectively. At June 30, 2017, 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.

Note 2. Deposits and Investments (continued)

Deposits (continued)

Custodial Credit Risk (continued) – Restricted cash includes approximately $4,400,000 and $5,300,000 at June 30, 2017 and 2016, respectively, held for debt service reserve funds.

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, 2017 and 2016, the District has deposits of approximately $379,000 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.

The District's investments at June 30, 2017 and 2016 that were not with the State Treasurer's Office but are held by a financial institution in the District's name. The fair values of the District's investments at June 30, 2017 and 2016 were approximately $279,000 and $277,000, respectively, 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.

Note 2. Deposits and Investments (continued)

Investments (continued)

Concentration of Credit Risk (continued) – 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.

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 does not have a formal policy related to interest rate risk as it applies to its investments. The District has two certificates of deposit with maturity dates of January 23, 2018 and May 23, 2018.

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.

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

Statement of Net Position:	**2017**	2016
Cash and cash equivalents	**$ 1,112,571**	$ 956,558
Investments	**279,159**	276,997
Restricted assets:		
Cash and cash equivalents	**4,411,425**	5,269,976
Total cash and investments	**$ 5,803,155**	$ 6,503,531

Disclosure: Deposits	**2017**	2016
Carrying value of deposits:		
Held by a financial institution	**$ 5,145,012**	$ 5,851,046
Held by State Treasurer's Office	**378,984**	375,488
Investments, reported amount:		
Held by a financial institution	**279,159**	276,997
Total deposits	**$ 5,803,155**	$ 6,503,531

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).

Note 3. Assets Restricted by Debt Covenants (continued)

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.

Restricted funds at June 30 summarized by fund are:

	2017	2016
Cash and cash equivalents held by Trustee:		
BAN Proceeds Fund	**$ 4,000,000**	$ 5,000,000
1998 Rocky Creek Upgrade II Loan Reserve Fund	**96,424**	95,535
2009 Bond Debt Service Fund	**99,429**	78,431
1998 Rocky Creek Upgrade II Loan Reserve Fund	**15,247**	15,207
Capital Project Fee	**190,204**	70,726
2014 Bond Debt Service Fund	**10,121**	10,077
Total assets restricted by revenue bond covenants	**$ 4,411,425**	$ 5,269,976

Note 4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	June 30, 2016	Additions	Retirements	Transfers	**June 30, 2017**
Capital assets not being depreciated:					
Land and land rights	$ 214,753	$ 10,000	$ -	$ 16,580	**$ 241,333**
Construction in progress	630,929	-	(52,906)	(578,023)	**-**
Other capital assets:					
Buildings	2,309,142	-	(50,711)	-	**2,258,431**
Sewer system	20,308,416	5,020,792	(133,563)	666,717	**25,862,362**
Equipment	4,772,320	64,446	(243,837)	(129,274)	**4,463,655**
Automobiles	696,621	15,550	(4,677)	24,000	**731,494**
Laboratory equipment	9,208	-	(9,208)	-	**-**
	28,941,389	5,110,788	(494,902)	-	**33,557,275**
Accumulated depreciation	(16,173,542)	(749,051)	433,125	-	**(16,489,468)**
Capital assets, net	$ 12,767,847	$ 4,361,737	$ (61,777)	$ -	**$ 17,067,807**

Depreciation expense was approximately $749,000 and $713,000 for the years ended June 30, 2017 and 2016, respectively. Included in capital assets are assets purchased under capital leases with a net book value of approximately $17,000 and $19,000 at June 30, 2017 and 2016, respectively. The District had outstanding construction commitments of approximately $392,500 at June 30, 2017, of which FEMA will cost share 75% up to approximately $258,750.

Note 5. Financing Arrangements

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

	2017	2016
2014 Revenue Bond: 3.42% interest. Fixed annual principal and interest payment of $60,432, maturing April 2029.	**$ 586,736**	$ 625,767
2009 Revenue Bond: 4.65% interest. Variable monthly principal and interest payments ranging from $75,000 - $305,000, maturing in March 2024.	**1,675,000**	1,825,000
1998 Rocky Creek Wastewater Treatment Plan loan: State Revolving loan at 2.25% annual interest. Fixed payments are $15,193 per quarter, maturing October 2019.	**147,336**	203,993
	2,409,072	2,654,760
Less: current portion	**(258,310)**	(245,690)
Total long-term debt	**$ 2,150,762**	$ 2,409,070

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 2011 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 Creak 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

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.

Short Term Debt

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 was a one year note bearing interest at 1.09% and was repaid in June 2017.

The District issued a $4,000,000 bond anticipation note in fiscal year 2017 to cover any potential short falls between incurrence of costs and reimbursements from grants. This was a one year note bearing interest at 1.43% and is to be repaid on June 28, 2018.

Note 5. Financing Arrangements (continued)

Long-term debt repayments are due as follows:

	Interest	Principal	Total Debt Service
2018	$ 103,230	$ 258,310	$ 361,540
2019	91,981	268,997	360,978
2020	80,515	300,315	380,830
2021	67,862	294,651	362,513
2022	54,710	316,178	370,888
2023-2027	88,558	855,686	944,244
2028-2029	5,929	114,935	120,864
	$ 492,785	$ 2,409,072	$ 2,901,857

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. The District is in compliance with its debt covenants.

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,

2018	$ 5,000
2019	5,000
2020	5,000
2021	5,000
2022	5,000
2023-2027	25,000
2028-2032	25,000
2033-2037	25,000
2038-2041	17,000
Total minimum lease payments	117,000
Less, interest	(54,274)
Future minimum lease payments	62,726
Less: current portion	(1,272)
Long-term capital lease obligations	$ 61,454

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, 2017 are as follows:

	Balance, June 30, 2016	Additions	Repayments	**Balance, June 30, 2017**	Current Portion
2009 Revenue Bond	$ 1,825,000	$ −	$ (150,000)	**$ 1,675,000**	$ 160,000
1998 Rocky Creek Wastewater Treatment Plant Loan	203,993	−	(56,657)	**147,336**	57,944
2014 Revenue Bond	625,767	−	(39,031)	**586,736**	40,366
Capital Lease Obligations	63,860	−	(1,134)	**62,726**	1,272
Compensated Absences	96,158	78,788	(73,575)	**101,371**	101,371
Total	$ 2,814,778	$ 78,788	$ (320,397)	**$ 2,573,169**	$ 360,953

Note 7. Related Parties

Chester Metropolitan District (the "Metropolitan District"), an independent organization, and the District share common facilities. 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, 2017 and 2016, were approximately $167,000 and $392,000, respectively. At June 30, 2017 and 2016, the District had amounts due to the Chester Metropolitan District of approximately $270,000 and $105,000, respectively. The District had a balance due from the Metropolitan District of approximately $92,000 and $221,000 at June 30, 2017 and 2016, respectively, included in the accompanying balance sheets as other receivables.

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 generally accepted accounting principles ("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.

Note 8. Pension Plans (continued)

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, 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 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.

• 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.

Note 8. Pension Plans (continued)

Plan Descriptions (continued)

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. 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. 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 employee contribution rates for fiscal year 2016-2017 are as follows:

SCRS

Employee Class Two	8.66% of earnable compensation
Employee Class Three	8.66% of earnable compensation

Required employee contribution rates for fiscal year 2015-2016 are as follows:

SCRS

Employee Class Two	8.16% of earnable compensation
Employee Class Three	8.16% of earnable compensation

Required employer contribution rates for fiscal year 2016-2017 are as follows:

SCRS

Employer Class Two	11.41% of earnable compensation
Employer Class Three	11.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

Required employer contribution rates for fiscal year 2015-2016 are as follows:

SCRS

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

Note 8. Pension Plans (continued)

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 periodic 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 System study was most recently issued as of July 1, 2015.

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2016. The net pension liability of each defined benefit pension plan was therefore determined by the System's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. 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.

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

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.

Former Job Class	Males	Females
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 and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Note 8. Pension Plans (continued)

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.

System	Total Pension Liability	Plan Fiduciary Net Position	District's Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
SCRS	$45,356,214,752	$23,996,362,354	$ 2,160,335	52.9%

As of June 30, the District's proportional share of the NPL amounts for SCRS is presented below:

System	Proportional Share of Net Pension Liability 2017	Proportional Share of Net Pension Liability 2016
SCRS	$ 2,160,335	$ 1,609,032

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, 2017 and 2016, the District's percentage of the SCRS net pension liability was 0.010114% and 0.008484%, respectively.

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 third quarter 2012. 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 RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, 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.

Note 8. Pension Plans (continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Conservative Fixed Income	**12.0%**		
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Core Fixed Income	10.0%	1.72	0.17
Diversified Credit	**17.0%**		
Mixed Credit	5.0%	3.52	0.17
Emerging Markets Debt	5.0%	4.91	0.25
Private Debt	7.0%	4.47	0.31
Opportunistic	**20.0%**		
GTAA/Risk Parity	10.0%	3.90	0.39
HR (Low Beta)	10.0%	3.87	0.39
Real Assets	**8.0%**		
Real Estate	5.0%	4.32	0.22
Commodities	3.0%	4.53	0.13
Global Equity	**43.0%**		
Global Public Equity	34.0%	6.52	2.22
Private Equity	9.0%	9.30	0.84
Total Expected Real Return	100.0%		5.10
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			**7.85%**

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.

Sensitivity Analysis

The following table presents the District's net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's 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.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	$ 2,700,419	$ 2,160,335	$ 1,728,268

Note 8. Pension Plans (continued)

For the year ended June 30, 2017, the District recognized pension expense of $143,875. At June 30, 2017, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportionate share of net pension liability	$ 228,735	$ 29,312
Contributions after measurement date	119,911	-
Differences between actual and expected retirement plan experience	22,394	2,346
Net differences between projected and actual earnings on plan investments	181,754	-
	$ 552,794	$ 31,658

The District reported $119,911 as deferred outflows of resources related to contributions subsequent to the measurement date which 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, 2017. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2017 was 4.164 years for SCRS.

Measurement Period Ending June 30,	**Fiscal Year Ending June 30,**	**SCRS**
2017	2018	$ 123,108
2018	2019	111,402
2019	2020	145,453
2020	2021	21,262
Net Balance of Deferred Outflows / (Inflows) of Resources		$ 401,225

The District's contributions to SCRS for the fiscal years ended June 30, 2017, 2016, and 2015 were $119,911, $106,858, and $86,755, respectively.

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.

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 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 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.

Note 10. Other Post-Employment Benefits (continued)

Retiree Group Health Insurance

Effective July 1, 2015, the District began contributing 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.

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.

Note 10. Other Post-Employment Benefits (continued)

- 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.

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, 2017. The District's annual OPEB cost of $87,246 in the year ended June 30, 2017, 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, 2017 were as follows:

	2017
Employer Normal Cost	$ 113,050
Amortization of UAAL*	(3,447)
Annual Required Contribution (ARC)	109,603
ARC Adjustment	-
Interest on Net Obligation	3,490
Annual OPEB Cost – Current Year	113,093
Contributions made	(30,879)
Beginning Balance	87,246
Net OPEB Obligation end of year	$ 169,460

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

Note 10. Other Post-Employment Benefits (continued)

Funded status and Funding Progress of the plan as of June 30, 2017 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%

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 2018. 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, 2017, for items that should potentially be recognized or disclosed in these financial statements. The District refunded the $4 million BAN in October 2017 and paid the remaining balance of the 1998 Rocky Creek Wastewater Treatment Plant Loan in November 2017. The original issuance of this loan was $893,273.

Other than described above, the District is not aware of any subsequent events as of January 9, 2018, the date these financials were available to be issued.

Supplemental Information

Chester Sewer District
Supplemental Schedule of Certain Expenses - Budget and Actual
for the year ended June 30, 2017

	Budget	Actual	Variance (Favorable) Unfavorable
Administrative & General:			
Salaries	$ 220,000	$ 222,643	$ 2,643
FICA Tax	16,825	13,407	(3,418)
Retirement	25,080	21,211	(3,869)
Workmans Compensation	43,344	21,302	(22,042)
Health and Insurance	27,012	23,126	(3,886)
Retiree Insurance	22,116	46,734	24,618
Dues & Meetings	15,000	16,794	1,794
Education	6,500	11,469	4,969
Drug Testing	2,200	1,399	(801)
Safety Training	1,200	666	(534)
Emergency Response	500	-	(500)
Legal	45,000	75,837	30,837
Bond Issue Expense	10,000	-	(10,000)
Audit	20,500	17,217	(3,283)
Telephones	8,600	6,449	(2,151)
Project Engineering Expenses	25,000	11,148	(13,852)
MIS Contract Services	25,500	-	(25,500)
Property Maintenance	1,500	13,332	11,832
Service Contracts	8,100	8,237	137
Contract Services	25,000	97,203	72,203
CMD Admin Bill	250,000	167,287	(82,713)
Office Lease	18,000	16,637	(1,363)
Newsletter	3,000	-	(3,000)
US Bank Trust Services	4,740	6,531	1,791
Office Supplies	7,000	11,481	4,481
Company Appreciation Dinner	4,200	705	(3,495)
Hillarity Supplies	1,500	-	(1,500)
Vehicle Repair & Maint	6,500	4,509	(1,991)
Gas	5,500	5,643	143
Travel Reimbursment	2,500	-	(2,500)
Commission Meals and Expenses	1,500	384	(1,116)
City Lease	5,000	-	(5,000)
City Lease escrow	5,000	5,000	-
Property & Liability Insurance Expense	-	55,964	55,964
Bad Debt Expense	-	57,120	57,120
Non Capitalized Assets	-	31,177	31,177
Miscellaneous Expense	15,000	31,582	16,582
	$ 878,417	$ 1,002,194	$ 123,777

Chester Sewer District
Supplemental Schedule of Certain Expenses - Budget and Actual (continued)
for the year ended June 30, 2017

	Budget	Actual	Variance (Favorable) Unfavorable
Sewer Lines:			
Salaries	$ 342,119	$ 352,404	$ 10,285
FICA Tax	29,309	25,934	(3,375)
Retirement	43,676	82,164	38,488
Overtime	41,000	-	(41,000)
Health Insurance	43,705	29,221	(14,484)
Unifoms & Shoes	2,800	2,624	(176)
Dues	455	360	(95)
Education & Travel	1,200	1,919	719
Safety Training	2,300	1,445	(855)
Power	33,700	30,953	(2,747)
Phones	8,800	9,334	534
Water	1,030	803	(227)
Engineering services	30,000	117,457	87,457
Contract Services	21,500	6,892	(14,608)
Property Maintenance	500	2,714	2,214
Line & Lift Station Chemicals	200	5,248	5,048
Supplies	33,000	13,675	(19,325)
Road Repair	7,800	968	(6,832)
Equipment Repair	20,000	32,382	12,382
Equipmet Fuel	12,000	10,773	(1,227)
Auto Repair & Maint	4,000	8,592	4,592
Miscellaneous	1,000	3,011	2,011
	$ 680,094	$ 738,873	$ 58,779
Lando Plant:			
Power	$ 41,000	$ 42,515	$ 1,515
Telephones	1,500	1,611	111
Water	5,000	2,764	(2,236)
Legal Services	5,000	2,913	(2,087)
Engineering Services	24,000	62,804	38,804
Property Maintenance	6,000	6,121	121
Contract Service	3,500	3,612	112
Outside Lab Testing	13,000	11,059	(1,941)
Permits	1,800	3,055	1,255
Permit Compliance Assistance	1,000	-	(1,000)
Lab Supplies & Chemicals	4,800	2,459	(2,341)
Plant Supplies	3,000	2,873	(127)
Plant Chemicals	20,000	21,725	1,725
Plant Repair	3,200	314	(2,886)
Equipment Repair & Maint	6,000	3,156	(2,844)
Miscellaneous	500	980	480
	$ 139,300	$ 167,961	$ 28,661

Chester Sewer District
Supplemental Schedule of Certain Expenses - Budget and Actual (Continued)
for the year ended June 30, 2017

	Budget	Actual	Variance (Favorable) Unfavorable
Rocky Creek Plant:			
Salaries	$ 289,296	$ 288,097	$ (1,199)
FICA Taxes	22,131	20,509	(1,622)
Retirement	32,980	57,612	24,632
Health Insurance	34,344	30,200	(4,144)
Uniforms & Shoes	3,700	1,625	(2,075)
Dues	500	205	(295)
Education	1,200	1,574	374
Safety Training	2,000	922	(1,078)
Power	75,000	57,857	(17,143)
Telephone	3,900	3,663	(237)
Water	600	3,800	3,200
Legal Services	5,000	6,236	1,236
Engineering Services	8,500	49,387	40,887
Property Maintenance	5,600	4,943	(657)
Contract Service	15,700	70,462	54,762
Outside Lab Testing	30,000	79,056	49,056
Permits	1,800	3,610	1,810
Permit Compliance Assistance	1,000	-	(1,000)
Lab Supplies & Chemicals	4,800	4,367	(433)
Supplies	5,800	5,395	(405)
Plant Chemicals	30,000	38,021	8,021
Plant Repair	5,000	8,448	3,448
Equipment Repair	4,300	12,127	7,827
Gas	4,000	3,635	(365)
Truck Repair	3,000	2,527	(473)
Miscellaneous	500	11,140	10,640
	$ 590,651	$ 765,418	$ 174,767
Sandy River Plant:			
Salaries	$ 171,613	$ 172,567	$ 954
FICA Taxes	13,128	13,005	(123)
Retirement	19,564	34,776	15,212
Health Insurance	18,456	16,494	(1,962)
Uniforms & Shoes	2,500	1,656	(844)
Dues	225	70	(155)
Education	2,000	-	(2,000)
Safety Training	2,000	588	(1,412)
Power	102,000	79,473	(22,527)
Telephones	4,200	3,927	(273)
Water	300	556	256
Engineering Services	5,000	-	(5,000)
Legal Services	5,000	-	(5,000)
Property Maintenance	7,200	6,457	(743)
Contract Services	5,000	5,685	685
Outside Lab Testing	15,000	16,809	1,809
Permits	2,500	2,255	(245)
Permit Compliance Assistance	1,000	-	(1,000)
Lab Supplies and Chemicals	3,500	1,605	(1,895)
Supplies	2,500	2,925	425
Plant Chemicals	16,000	24,437	8,437
Plant Repair	5,000	1,712	(3,288)
Equipment Repair & Maint	5,000	6,102	1,102
Lift Station Repair & Maint	2,500	2,497	(3)
Gas	1,800	2,191	391
Truck Repair	950	1,361	411
Travel Reimbursement	1,000	1,044	44
Miscellaneous	500	238	(262)
	$ 415,436	$ 398,430	$ (17,006)

Chester Sewer District
Supplemental Schedule of Certain Expenses - Budget and Actual (Continued)
for the year ended June 30, 2017

	Budget	Actual	Variance (Favorable) Unfavorable
Pretreatment:			
Salaries	$ 57,311	$ 58,439	$ 1,128
FICA Taxes	4,385	4,382	(3)
Retirement	6,534	11,497	4,963
Health Insurance	4,540	4,569	29
Education/Travel	5,000	8,917	3,917
Legal	7,500	6,785	(715)
Engineering Services	7,500	6,139	(1,361)
Pretreatment Software	3,600	-	(3,600)
Lab Test	40,000	36,963	(3,037)
Supplies	5,000	6,510	1,510
	$ 141,370	$ 144,201	$ 2,831
Sludge Disposal:			
Sludge Tipping Fee - RC	$ 16,500	$ 16,500	$ -
Sludge Tipping Fee - SR	10,000	10,830	830
Contract Services - RC	32,000	32,000	-
Contract Services - SR	9,000	16,774	7,774
Digester Cleaning - LR	4,800	1,700	(3,100)
Digester Cleaning - RC	37,000	-	(37,000)
Digester Cleaning - SR	37,000	-	(37,000)
TCLP	2,000	-	(2,000)
Supplies	300	126	(174)
Chemicals - RC	65,000	51,237	(13,763)
Chemicals - SR	3,000	-	(3,000)
Press Building Repairs	500	618	118
Press Repairs	500	-	(500)
Equipment Repairs	250	1,125	875
Gas	500	-	(500)
Truck Repairs	4,000	2,034	(1,966)
	$ 222,350	$ 132,944	$ (89,406)
Total for all Departments	$ 3,067,618	$ 3,350,021	$ 282,403

Chester Sewer District
Schedules of Funding Progress and Employer Contributions -
Other Postemployment Benefits
Fiscal Year Ended June 30, 2017

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)
6/30/2016	$ −	$ 1,592,274	$ 1,592,274	0%	$ 795,917
6/30/2017	$ −	$ 1,592,274	$ 1,592,274	0%	$ 979,450

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%
2017	$ 113,050	$ 30,879	$ 169,460	27.30%

See independent auditor's report.

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

	2017	2016	2015	2014
The District's proportion of the net pension liability	0.010114%	0.0084840%	0.0087940%	0.0087940%
The District's proportionate share of the net pension liability	$ 2,160,335	$ 1,609,032	$ 1,514,035	$ 1,577,330
The District's covered employee payroll	$ 966,166	$ 795,917	$ 799,547	$ 761,302
The District's proportionate share of the net pension liability as percentage of covered-employee payroll	223.60%	202.16%	189.36%	207.19%
Plan fiduciary net position as a percentage of the total pension liability	52.90%	57.00%	59.99%	56.40%

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

See independent auditor's report.

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

	2017	2016	2015	2014	2013
Contractually required contribution	$ 119,911	$ 106,858	$ 86,755	$ 84,752	$ 80,698
Contributions in relation to the contractually required contribution	119,911	106,858	86,755	84,752	80,698
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
The District's covered-employee payroll	$ 1,037,292	$ 966,166	$ 795,917	$ 799,547	$ 761,302
Contributions as a percentage of covered-employee payroll	11.56%	11.06%	10.90%	10.60%	10.60%

	2012	2011	2010	2009	2008
Contractually required contribution	$ 67,372	$ 62,529	$ 63,277	$ 57,737	$ 54,777
Contributions in relation to the contractually required contribution	67,372	$ 62,529	63,277	57,737	54,777
Contribution deficiency (excess)	$ -		$ -	$ -	$ -
The District's covered-employee payroll	$ 706,576	$ 665,911	$ 673,876	$ 614,878	$ 594,756
Contributions as a percentage of covered-employee payroll	9.535%	9.39%	9.39%	9.39%	9.21%

See independent auditor's report.

CHESTER SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL EXPENDITURES	EXPENDITURES TO SUB-RECIPIENTS
U.S. Economic Development Administration				
Direct Program:				
Public Works Program	11.300		$ 1,763,528	$ -
Total Direct Program			1,763,528	-
Total U.S. Economic Development Administration			1,763,528	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,763,528	$ -

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

CHESTER SEWER DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Chester Sewer District (the "District") under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position or changes in net assets of the District.

The financial information shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by the District during its fiscal year July 1, 2016 through June 30, 2017. This information is presented on the accrual basis of accounting.

Note B - Summary of Significant Accounting Policies

1 – The financial information shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by Chester Sewer District during its fiscal year July 1, 2016 through June 30, 2017. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

2 – The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance as the District is not eligible for indirect cost reimbursement as the major program is a construction grant.

Note C - Matching Costs

Matching costs, i.e. the non-federal share of certain program costs, are not included in the accompanying schedule.

SCOTT COMPANY

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
Chester Sewer District
Chester, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Chester Sewer District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and issued our report thereon dated January 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
January 9, 2018

SCOTT COMPANY

Independent Auditor's Report on Compliance for Each Major Program, and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Chester Sewer District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. *Code of Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, which we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
January 9, 2018

CHESTER SEWER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Section I—Summary of Auditor's Results

Financial Statements:

We have issued unmodified opinions dated January 9, 2018 on the financial statements of the Chester Sewer District.

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None Reported
- Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? Yes

We have issued an unmodified opinion dated January 9, 2018 on the Chester Sewer District's compliance for its major programs.

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major programs:

CFDA Number	Name of Federal Program
11.300	Public Works Program

Dollar threshold used to be distinguished between Type A and Type B Programs: $750,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings:

None

CHESTER SEWER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Section III - Federal Award Findings and Questioned Costs:

Condition Considered to be a Significant Deficiency

2017-001: Untimely filing of Federal Financial Reports (Economic Development Administration – Public Works Program 11.300)

Condition:

One of the District's required semi-annual financial reports was not filed by the required deadline.

Cause:

The District did not timely receive information from the administrative agency contracted to assist the District in administering the grant.

Effect:

The District is not in compliance with Federal compliance requirements.

Criteria:

Required financial reports must be timely filed to ensure compliance with Federal laws and regulations.

Recommendation:

We recommend increased monitoring and communication with the administrative agency related to compliance with Federal programs.

CHESTER SEWER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

Summary Schedule of Prior Audit Findings:

None

3261 Lancaster Hwy
P.O. Box 279
Richburg, SC 29729
Office: (803) 377-3541

January 9, 2018

Scott and Company LLC
1441 Main Street, Suite 800
Columbia, SC 29201

Re: Financial Statement Comments and Findings

The following correspondence is presented in an effort to address the item contained in the Financial Statement's Comments and Findings. We also hope it will provide an approach toward resolving the reporting issue identified and demonstrates that the Chester Sewer District (d/b/a) County Wastewater Recovery (CWR) commitment to proactivity with regards to its performance. For continuity, CWR offers its response in the same order as discussed in your communication.

Scott and Company LLC, Financial Statement Comments and Findings

2017-001: Untimely filing of Federal Financial Reports (Economic Development Administration – Public Works Program 11.300)

Condition:
One of the District's required semi-annual financial reports was not filed by the required deadline.

Cause:
The District did not timely receive information from the administrative agency contracted to assist the District in administering the grant.

Effect:
The District is not in compliance with Federal compliance requirements.

Criteria:
Required financial reports must be timely filed to ensure compliance with Federal laws and regulations.

Recommendation:
We recommend the District have increased communications with the contract administration agency related to compliance in an effort to mitigate a reoccurrence of this event and to ensure compliance with Federal programs.

CWR's Reply:

CWR contracts with the Catawba Regional Council of Government (COG) for Grant Administrative Services as it relates to the United States Department of Commerce Economic Development Administration (EDA). The scope of the aforementioned services are as follows:

1. Project administration to include preparation of semi-annual reports, assistance with draw down request and any other documentation which may be required by EDA.
2. Working with the project engineer and local officials to help ensure that all EDA requirements are met during the bidding and construction phase of the project.
3. Preparing all close-out documents as required by EDA.

Finding Corrective Action Plan:

CWR Management agrees with the finding. Therefore, as a corrective action, going forward CWR will perform as follows:

- We will have increased communications with the COG to mitigate a reoccurrence of this event. CWR will hold monthly project reviews with all agencies involved with the project to mitigate a reoccurrence of this event.

- CWR Management will also conduct internal project reviews the week after the grant reporting period close to allow time for proper preparation and review of required filings.

- CWR Management will also use and update electronic calendars with all submission dates as insurance against forgetting timelines for filings.

Nevertheless, CWR is aware of its ultimate responsibility for EDA grant compliance and accepts full responsibility.

If you require additional information, please call me at (803) 377-3541.

Respectfully submitted,
Chester County Wastewater Recovery

Phillip A. Thompson-King
Executive Director

Cc: CWR Board of Commissioners
Joel Manning, Finance Analyst/Manager
File