# CHESTER SEWER DISTRICT

## RICHBURG, SOUTH CAROLINA

## FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**TABLE OF CONTENTS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**


| | Reference | Page |
|---|---|---|
| Table of Contents | | i |
| Board of Commissioners | | ii |
| **FINANCIAL SECTION** | | |
| Independent Auditor's Report | | 1 |
| Management's Discussion and Analysis | | 3 |
| **Basic Financial Statements:** | | |
| Statements of Net Position | | 14 |
| Statements of Revenues, Expenses, and Changes in Net Position | | 15 |
| Statements of Cash Flows | | 16 |
| Notes to the Financial Statements | | 18 |
| **Required Supplementary Information:** | | |
| Other Postemployment Benefit Plan Schedule | | |
| Schedule of Changes in the Authority's OPEB Liability and Related Ratios | | 44 |
| Pension Plan Schedules | | |
| Schedule of Authority's Proportionate Share of the Net Pension Liability - South Carolina Retirement System | | 45 |
| Schedule of Authority's Contributions - South Carolina Retirement System | | 46 |
| **Supplementary Information:** | | |
| Schedule of Expenses - Budget and Actual | Supplemental Schedule I | 48 |
| **COMPLIANCE SECTION** | | |
| Schedule of Expenditures of Federal Awards | | 55 |
| Notes to the Schedule of Expenditures of Federal Awards | | 56 |
| Independent Auditor's Report - 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 | | 57 |
| Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | | 59 |
| Schedule of Findings and Questioned Costs | | 61 |
| Schedule of Findings and Responses | | 62 |

(This page intentionally left blank.)

**CHESTER SEWER DISTRICT**

Richburg, South Carolina

A Special Purpose District

created by the

South Carolina Legislature in 1964

**BOARD OF COMMISSIONERS**

**Mr. Anthony (Tony) Pope, Chairman**

**Mrs. Edena H. Sanders, Secretary**

**Mrs Gloria O Crank, Member**

LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the enterprise fund of Chester Sewer District (the "District"), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2019, and the respective changes in its financial position and, its cash flows thereof 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 and budgetary comparison information, as listed in the table of contents, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are 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* 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 12, 2019 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.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
November 12, 2019

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

This discussion and analysis of Chester Sewer District d/b/a Chester County Wastewater Recovery's (the "District") financial performance provides an overview of the District's financial activities for the years ended June 30, 2019 ("2019") and June 30, 2018 ("2018"). 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 District's financial activities. The MD&A is the section of the District's financial statements in which management provides an overview of the previous year's operations and how the District performed. The management also provides a preview of the upcoming year by outlining future goals and approaches to new projects.

The District 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 District was created for the purpose of transporting, treating and disposing of wastewater originating within the District Service Area.

Wastewater treatment is an important service provided by the District 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 the District is a strong supporter and partner of the economic development efforts in the county.

**The District'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.**

The District owns and operates three (3) wastewater treatment plants ("WWTP") with a combined capacity of approximately four million, nine hundred thirty-three thousand gallons (or 4.933 million). They are as follows: 1) Lando/Manetta WWTP - Designed Capacity of 1.2 MGD; 2) Rocky Creek WWTP- Designed Capacity of 1.6 MGD; 3) Sandy River WWTP - Designed Capacity of 2.113 MGD. In addition, the District operates and maintains over 180 miles of collection lines and fifteen (15) pump stations.

The District'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 the District.

The current Board Members are as follows:

- Mr. Tony Pope, Chairman
- Mrs. Edena H. Sanders, Secretary
- Mrs. Gloria O. Crank, Member
- Bill Bundy, Member
- Hal Stone, 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
- Michael A. (Tony) Young, Superintendent, Wastewater Treatment Plants
- Michael Hunter, Superintendent District Collections & Maintenance.

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

## Administration and Finance

The most significant event that occurred for the District Administration and Finance was starting billing and collections for customers with sewer meters. Sewer meter customers are the larger industrial customers. This allowed us to reduce the time we waited on payment from 60 to 30 days. This is important as our sewer meter customers make up 30 – 35% of our total revenue. We issued a Request for Proposal for Information Technology services. Cyber Solutions was selected. This will give us flexibility and stability as we plan for future growth. This will also save us approximately $14,000 per year in savings.

## Maintenance & Collections

CWR completed the Highway #9 wastewater project. The project consisted of the following:

- 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;
- 1,000 gallon per minute wastewater pump station;
- 5,850 feet of 10-inch force main; and
- 9,881 feet of an 8-inch gravity wastewater line.

The force main and gravity wastewater line was constructed on easements that have been acquired by CWR and in the existing SCDOT right-of-way (ROW) along Highway 9, west of the Carolina Poly property. The land for the pump station has also been acquired.

As a residual benefit, the project provides wastewater infrastructure to three certified industrial sites which includes Roseburg Forest Products site. On July 11th, 2017, the Oregon-based Roseburg Forest Products announced who is expanding their operations with the construction of a new engineered wood products plant in Chester. The state-of-the-art manufacturing facility is scheduled to open in the fourth quarter on 2019. The plant will create 148 full-time jobs.

This project supported growth and development of the community and has proven to have a tangible impact on the quality of life in Chester. Since the wastewater lines are sized to accommodate the existing flow as well as future flow, the project will open the door to new opportunities.

The District also acquired a Building and 4 acres on Highway #9 that will serve as the Maintenance & Collections office and storage. This building and space will allow flexibility and present room and opportunity for future growth. We previously rented space from the Chester Metropolitan District.

## Wastewater Treatment

Michael (Tony) Young is now the Superintendent of all three (3) the District's Wastewater Treatment Plants.

## Lando-Manetta WWTP

The Lando-Manetta Wastewater Treatment Plant experienced no significant changes in operations and added no substantial capital improvements during the 2018-2019 fiscal year.

## Rocky Creek WWTP

The Highway #9 extension that was completed will direct flow to the Rocky Creek WWTP. Rocky Creek continues to operate under a Consent Order issued by the South Carolina Department of Health and Environmental Control (SCDHEC) for a Whole Effluent Toxicity issue. We are working diligently to identify and solve the issue. It is important to note that we have passed the vast majority of the recent toxicity tests.

## Sandy River WWTP

The Sandy River WWTP added no substantial capital improvements during the 2018-2019 fiscal year. However, we obtained a South Carolina Rural Infrastructure Authority (RIA) Basic Infrastructure Grant. The grant will offset the replacement of the facility's grit collector system and clarifiers.

## Industrial Pretreatment Program (IPP)

The Industrial Pretreatment department experienced no significant changes in operations and added no substantial capital improvements during the 2018-2019 fiscal year.

## Forward Looking Statements

Roseburg Forest Products will open a state-of-the-art manufacturing facility which is scheduled to open in the fourth quarter in 2019. The facility represents a $200,000,000 investment and will create 148 full-time jobs. In addition, Faddis Concrete Products announced it is locating an existing building and investing $6,700,000 and creating 60 jobs. During this fiscal year, Carolina Poly also announced a $25,000,000 plant expansion which will create an additional 75 jobs. Likewise, both Jones-Hamilton (4 new jobs) and Boise Cascade ($17,500,000.00 investment) announced expansions, job creation, and investments.

Two new subdivisions, Knights Bridge and Walkers Ridge, were announced in Fiscal year 2018-2019. Construction is scheduled to begin in the fourth quarter of 2019 (Knights Bridge) and the second quarter of 2020 (Walkers Ridge). These two subdivisions will bring a total of 645 new residences once build-out is complete.

The District intends to take advantage of favorable interest rates to issue approximately $11 million dollars in debt in Fiscal year end 2020. We intend to retire two outstanding debt issuances; 2009 issuance with a principal balance outstanding of $1,350,000 and a 2014 issuance with a principal balance of $500,000. It will also refund the District's portion ($2.5 million) of a $6 million short term borrowing that was issued to cover construction costs of the Highway #9 extension. The remaining funds will go towards replacing a portion of sewer lines on Dawson Drive, constructing a building to house our maintenance equipment, upgrading and replacing the grit structure and clarifiers at Sandy River WWTP, extending lines from Lizzie Melton to Rodman road and upgrading an 8 inch force main to a 12 inch force main that will serve an industrial mega-site.

## FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 and 2018 are as follows:

- As of June 30, 2019, the District's net position totaled $15,606,367, of which $16,335,576 was net investment in capital assets and $132,846 of the total was restricted as to its use. After accounting for its net pension liability and other postemployment benefit ("OPEB") liability, the District has an unrestricted net deficit of ($862,055). As of June 30, 2018, the District's net position totaled $12,397,544, of which $14,999,513 was net investment in capital assets and $110,427 of the total was restricted as to its use. After accounting for its net pension and OPEB liabilities, the District had an unrestricted net deficit of ($2,712,396).
- Prior to accounting for its 2019 net pension and OPEB liabilities, the District's unrestricted net position was $4,622,957 or approximately 93% of total operating expenses. After accounting for its net pension and OPEB liabilities, the unrestricted net deficit of ($862,055) was approximately (18%) of total operating expenses. At the end of 2018, prior to accounting for its net pension and OPEB liabilities, the District's unrestricted net position was $2,481,286 or approximately 54% of total operating expenses. After accounting for its 2018 net pension and OPEB liabilities, the unrestricted net deficit of ($2,712,396) was approximately (59%) of total operating expenses.
- During 2019, charges for service totaled $5,096,125, compared to $4,431,709 in the prior year. The increase of $664,416 was a combination of a sewer rate increase and increased flow from our Industrial customers. During 2018, charges for service totaled $4,431,709, compared to $4,060,138 in the prior year. The increase of $371,571 was a combination of sewer rate increase and increased flow from Industrial customers.
- 2019 total revenues of $7,859,824 were $2,212,472 more than total revenues of $5,647,352 in the prior year. The increase was due primarily to receiving more sewer revenue and higher federal grants in 2019. Total revenues of $5,647,352 were $3,376,256 less than total revenues of $9,023,608 in the prior year. The decrease was due primarily to receiving less local option sales tax and federal and state grants in 2018.
- 2019 total expenses of $4,651,001 were $145,484 less than total expenses of $4,796,485 in the prior year. The decrease was due primarily to a decrease in the sewer line departmental expenses. 2018 total expenses of $4,796,485 were $301,784 more than total expenses of $4,494,701 in the prior year. The increase was due primarily to an increase in the sewer line departmental expenses.
- The District's total debt decreased by $208,095 (10%) during 2019 and decreased by $348,973 (14%) during 2018. The decrease in the current year and prior year were both due to regularly scheduled principal payments.
- The District's net capital assets increased $ 3,845,447 (21%) during 2019. The increase was due to additions of $4,729,309, partially offset by depreciation expense of $883,862. The District's net capital assets increased $1,212,291 (7%) during 2018. The increase was due to additions of $2,096,217, partially offset by depreciation expense of $867,045.

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts –*Financial Section,* which includes management's discussion and analysis of the financial statements, the required supplementary information and other supplementary information, and the *Compliance Section* including single audit.

The financial statements report information about the District using the full accrual basis of accounting in a manner similar to those used by private sector companies. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; and notes to the financial statements.

The District accounts for its activities using a *proprietary (enterprise) fund*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The *statement of net position* provides information about the types and amounts of resources and obligations at year-end and distinguishes between current and non-current, or long-term, assets, deferred outflows, liabilities and deferred inflows, with the difference being reported as total net position. Over time, a change in net position is one indicator of whether the financial position of the District is improving.

The *statement of revenues, expenses, and changes in net position* presents the results of activities over the course of the fiscal year. Information is provided about how net position changed during the year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user charges and fees and to determine its profitability and credit worthiness.

The *statement of cash flows* provides information about the District's cash receipts, cash payments and changes in cash resulting from operations, investments, and non-capital financing activities as well as capital and related financing activities. From the statement of cash flow, the reader can obtain information on the sources and uses of cash and the change in the cash balance from the beginning of the current fiscal year.

Notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

The financial statements can be found as listed in the table of contents.

The District adopts an annual appropriated budget. A budgetary comparison schedule has been provided in the supplementary information to demonstrate compliance with their budgets. The District made no budget amendments during the year so the original and final budgets are the same. These statements can be found as listed in the table of contents.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

| Major Features of the Chester Sewer District's Financial Statements | |
|---|---|
| | Enterprise Fund |
| Scope | Activities the District operates similar to private businesses, in the District's case, the water and sewer operations. |
| Required financial statements | ▪ Statement of net position<br>▪ Statement of revenues, expenses, and changes in net position<br>▪ Statement of cash flows |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus |
| Type of asset/liability Information | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of inflow/outflow Information | All revenues and expenses during year, regardless of when cash is received or paid |

## CONDENSED COMPARATIVE FINANCIAL DATA

See below for a summary of the District's net position as of June 30, 2019, 2018, and 2017.

**Condensed Statement of Net Position**

| | June 30, 2019 | June 30,2018 | Dollar Change | Percentage Change | June 30,2017 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current Assets | $ 8,624,118 | $ 8,627,100 | (2,982) | 0.0% | 6,803,751 |
| Capital Assets | 22,125,545 | 18,280,098 | 3,845,447 | 21.0% | 17,067,807 |
| Total Assets | 30,749,663 | 26,907,198 | 3,842,465 | 14.3% | 23,871,558 |
| **Deferred Outflow of Resources** | | | | | |
| Deferred Pension Charged | 548,214 | 594,941 | (46,727) | -7.9% | 552,794 |
| **Liabilities** | | | | | |
| Current Liabilities | 8,018,161 | 7,401,242 | 616,919 | 8.3% | 5,197,589 |
| Long-Term Liabilities | 1,640,123 | 1,914,730 | (274,607) | -14.3% | 2,212,216 |
| Net Pension Liability | 2,539,887 | 2,376,325 | 163,562 | 6.9% | 2,160,335 |
| OPEB Liability | 3,004,842 | 3,051,009 | (46,167) | -1.5% | 169,460 |
| Total Liabilities | 15,203,013 | 14,743,306 | 459,707 | 3.1% | 9,739,600 |
| **Deferred Inflow of Resources** | | | | | |
| Deferred Credits | 488,497 | 361,289 | 127,208 | 35.2% | 31,658 |
| **Net Position** | | | | | |
| Net Investment in Capital Assets | 16,335,576 | 14,999,513 | 1,336,063 | 8.9% | 14,596,009 |
| Restricted | 132,846 | 110,427 | 22,419 | 20.3% | 151,843 |
| Unrestricted | (862,055) | (2,712,396) | 1,850,341 | -68.2% | (94,758) |
| Total Net Position | $ 15,606,367 | $ 12,397,544 | 3,208,823 | 25.9% | 14,653,094 |

## CONDENSED COMPARATIVE FINANCIAL DATA (CONTINUED)

See below for the changes in net position for fiscal years 2019, 2018 and 2017.

**Condensed Statement of Changes in Net Position**

| | 2019 | 2018 | Dollar Change | Percent Change | 2017 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Operating Revenues | $ 5,096,125 | 4,431,709 | 664,416 | 15.0% | $ 4,060,138 |
| Non-Operating Revenues | 137,341 | 94,753 | 42,588 | 44.9% | 14,344 |
| Grant Revenue | 2,626,358 | 1,120,890 | 1,505,468 | 134.3% | 4,949,126 |
| Total Revenues | 7,859,824 | 5,647,352 | 2,212,472 | 39.2% | 9,023,608 |
| **Expenses** | | | | | |
| Operating Expenses* | 3,542,801 | 3,771,481 | (228,680) | -6.1% | 3,513,008 |
| Non-Operating Expenses | 224,338 | 157,959 | 66,379 | 42.0% | 232,642 |
| Depreciation Expense | 883,862 | 867,045 | 16,817 | 1.9% | 749,051 |
| Total Expenses | 4,651,001 | 4,796,485 | (145,484) | -3.0% | 4,494,701 |
| **Change in Net Position** | 3,208,823 | 850,867 | 2,357,956 | 277.1% | 4,528,907 |
| Beginning Net Position | 12,397,544 | 14,653,094 | | | 10,124,187 |
| Cumulative Change in Accounting Principle - GASB #75 | | (3,106,417) | | | - |
| Restated Beginning Net Position | 12,397,544 | 11,546,677 | 850,867 | 7.4% | 10,124,187 |
| **Ending Net Position** | $ 15,606,367 | 12,397,544 | 3,208,823 | 25.9% | $ 14,653,094 |

*Depreciation Expense is separated out from Operating Expenses compared to the Statement of Revenues and Expenses

## ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

### Financial Position

Total assets increased by $3,842,465 (14%) during fiscal year 2019 primarily due to an increase in capital assets of $3,845,447 (current year additions of $4,729,309, partially offset by depreciation expense of $883,862). Total assets increased by $3,035,640 (13%) during fiscal year 2018 primarily due to an increase in cash of $1,384,882 (primarily due to the 2019 Revenue Bond Anticipation Note proceeds), higher grants receivable of $660,463, and an increase in capital assets of $1,212,291 (current year additions, partially offset by depreciation expense).

Total liabilities increased by $459,707 (3%) during fiscal year 2019 primarily due to a $616,919 increase in current liabilities related to a contractor payment for a construction project that finished in June 2019. Total liabilities increased by $5,003,706 (51%) during fiscal year 2018 primarily due to a $2,203,653 increase in current liabilities as the District issued the 2018 Revenue Bond Anticipation Note and a $2,881,549 increase in the OPEB liability due to the implementation of GASB #75.

## ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

### Financial Position (continued)

During 2019, net position increased by $3,208,823 (26%) as total revenues exceeded expenses by $3,196,011. The increase in net position was a result of an increase in the net amount invested in capital assets of $1,336,063, an increase in restricted net position of $22,419 and an increase in unrestricted net position of $1,850,341. The increase in the net investment in capital assets was attributable to current year additions less depreciation. The increase in unrestricted net position was attributable to an increase in operating revenues and a decrease in operating expenses. The District's 2019 unrestricted balance without the net pension and OPEB liabilities would be $4,622,957. During 2018, net position decreased by $2,255,550 (15%) as total revenues exceeded expenses by $850,867, which was more than offset by the implementation of GASB 75 and recognition of the OPEB liability. The decrease in net position was a result of an increase in the net amount invested in capital assets of $403,504, a decrease in restricted net position of $41,416 and a decrease in unrestricted net position of $2,617,638. The increase in the net investment in capital assets was attributable to current year additions less depreciation. The District's 2019 unrestricted balance without the net pension and OPEB liabilities would be $2,481,286.

### Operating Results

During fiscal year 2019, the District had an operating gain of $669,462, an increase of $867,279 from the prior year loss of $206,817. Operating revenues increased by $664,416 or 15% during 2019. The increase was due to a $418,383 decrease in residuals management fee revenues and a $1,185,219 increase in sewer service revenue primarily due to an increase in sewer rates and increased flow from our Industrial customers. Operating expenses decreased by $228,680 or 6% during 2019 primarily due to decreased sewer line departmental expenses. During fiscal year 2018, the District had an operating loss of $206,817, a decrease of $4,896 from the prior year loss of $201,921. Operating revenues increased by $371,571 or 9% during 2019. The increase was due to a $33,213 increase in residuals management fee revenues and a $348,233 increase in sewer service revenue primarily due to an increase in sewer rates. Operating expenses increased by $376,467 or 9% during 2019 primarily due to increased sewer line departmental expenses.

### Non-Operating Revenues

Non-operating revenues increased by $42,588 or 45% during fiscal year 2019 primarily due changes in sales and utility tax credits. Non-operating revenues increased by $80,409 or 5611% during fiscal year 2018 primarily due changes in sales and utility tax credits.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2019 and 2018, the District had $22,215,545 and $18,280,098 respectively, invested in capital assets, net of depreciation.

In 2019, the net increase in the District's investment in capital assets was $3,845,447 (21%) as additions exceeded depreciation expense. In 2018, the net increase in the District's investment in capital assets was $403,504 (3%) as additions exceeded depreciation expense.

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

### Capital Assets (Continued)

At fiscal year end, the District's capital assets consisted of:

| Capital Assets | June 30, 2019 | June 30,2018 | June 30,2017 |
|---|---|---|---|
| Land | $ 401,333 | $ 241,333 | 241,333 |
| Construction in Progress | 77,594 | 1,618,239 | - |
| Buildings | 2,513,431 | 2,258,431 | 2,258,431 |
| Sewer System | 32,037,679 | 26,306,137 | 25,862,362 |
| Equipment | 4,591,480 | 4,468,068 | 4,463,655 |
| Automobiles | 680,952 | 680,952 | 731,494 |
| Less: Accumulated Depreciation | (18,176,924) | (17,293,062) | (16,489,468) |
| Totals | $ 22,125,545 | $ 18,280,098 | 17,067,807 |

More detailed information about the District's capital assets in included in Note II.B of the Notes to the Financial Statements.

### Debt

At fiscal year-end, the District's debt consisted of:

| Debt | June 30, 2019 | June 30,2018 | June 30, 2017 |
|---|---|---|---|
| 2014 Revenue Bond | $ 504,624 | $ 546,370 | 586,736 |
| 2009 Revenue Bond | 1,350,000 | 1,515,000 | 1,675,000 |
| 1998 Rocky Creek Wastewater Loan | - | - | 147,336 |
| 1978 Capital Lease | 60,106 | 61,455 | 62,726 |
| | $ 1,914,730 | $ 2,122,825 | 2,471,798 |

The District made $208,095 in principal payments during 2019 and $348,973 in principal payments in 2018.

***2019 Revenue Bond Anticipation Note***

In February 2019, the District issued the 2019 Revenue Bond Anticipation Note and are using these proceeds to cover any potential shortfall between incurrence of costs and reimbursements from grants. This short-term issuance matures in March 2020 and will be repaid with a combination of grant proceeds, fund balance and long term debt.

More detailed information about the District's debt and other long-term liabilities is presented in Note II.D to the financial statements.

## ECONOMIC FACTORS

The District continues to see growth in residential, commercial and industrial customers. One new industrial customer has announced it will locate in Chester and an existing industrial customer will expand. We have had conversations with two developers concerning residential construction. There is an approved plan for Apartments on Edgeland road.

## FISCAL YEAR 2019-2020 BUDGET

The Board of Directors has adopted the District's budget for the year ended June 30, 2020. The approval of the budget provides funding for the District's operating and debt service costs for the year end June 30, 2020. The District's sewer rates are reviewed by management and the Board of Commissioners on an annual basis.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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**
**RICHBURG, SOUTH CAROLINA**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2019 AND 2018**

| | ENTERPRISE FUND | |
|---|---|---|
| | **2019** | **2018** |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ 3,712,942 | $ 1,644,160 |
| Restricted Cash and Cash Equivalents | 3,309,505 | 5,264,718 |
| Investments | 207,035 | 207,035 |
| Restricted Investments | 132,846 | 110,427 |
| Trade Receivables, Net | 220,895 | 267,539 |
| Federal Grant Receivables | 585,194 | 765,463 |
| Other Receivables | 129,825 | 77,584 |
| Unbilled Revenue | 291,705 | 279,084 |
| Prepaid Expenses | 25,398 | 10,698 |
| Due from Chester Metropolitan District | 8,773 | 392 |
| Total Current Assets | 8,624,118 | 8,627,100 |
| Capital Assets: | | |
| Non-Depreciable | 478,927 | 1,859,572 |
| Depreciable, Net | 21,646,618 | 16,420,526 |
| Total Assets | 30,749,663 | 26,907,198 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Charges - Net Pension Liability | 548,214 | 594,941 |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts Payable | 1,270,330 | 594,857 |
| Accrued Expenses | 138,916 | 262,988 |
| Accrued Interest Payable | 76,201 | 69,397 |
| Compensated Absences | 137,662 | 141,304 |
| Customer Deposits | 120,445 | 124,601 |
| Current Maturities of Capital Leases | 1,433 | 1,349 |
| Current Maturities of Long-Term Debt | 273,174 | 206,746 |
| Bond Anticipation Note Payable | 6,000,000 | 6,000,000 |
| Total Current Liabilities | 8,018,161 | 7,401,242 |
| OPEB Liability | 3,004,842 | 3,051,009 |
| Net Pension Liability | 2,539,887 | 2,376,325 |
| Capital Leases, Net of Current Portion | 58,673 | 60,106 |
| Long-Term Debt, Net of Current Portion | 1,581,450 | 1,854,624 |
| Total Liabilities | 15,203,013 | 14,743,306 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Credits - Net Pension Liability | 17,168 | 17,084 |
| Deferred Credits - OPEB Liability | 471,329 | 344,205 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | 16,335,576 | 14,999,513 |
| Restricted for Debt Service | 132,846 | 110,427 |
| Unrestricted | (862,055) | (2,712,396) |
| **Total Net Position** | **$ 15,606,367** | **$ 12,397,544** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

| | ENTERPRISE FUND | |
|---|---|---|
| | **2019** | **2018** |
| **OPERATING REVENUES** | | |
| Sewer services | $ 5,059,435 | $ 3,874,215 |
| Residuals management fees | - | 418,383 |
| Capital project fees | 36,690 | 139,111 |
| **Total Operating Revenues** | **5,096,125** | **4,431,709** |
| **OPERATING EXPENSES** | | |
| Administration | 1,088,850 | 1,084,559 |
| Sewer lines | 905,237 | 1,035,428 |
| Rocky Creek plant | 579,172 | 648,821 |
| Sandy River plant | 545,938 | 519,670 |
| Lando plant | 257,248 | 285,944 |
| Pretreatment | 145,356 | 187,059 |
| Depreciation | 883,862 | 867,045 |
| Bond issuance expense | 21,000 | 10,000 |
| **Total Operating Expenses** | 4,426,663 | 4,638,526 |
| **OPERATING GAIN/(LOSS)** | **669,462** | **(206,817)** |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| **CAPITAL GRANTS- RESTRICTED:** | | |
| Local option sales tax | - | 76,333 |
| State grants | 324,759 | 20,343 |
| Federal grants | 2,301,599 | 1,024,214 |
| **Total Capital Grants- Restricted** | 2,626,358 | 1,120,890 |
| **NON-OPERATING REVENUES** | | |
| Interest Income | 36,791 | 8,639 |
| Other Revenue | 100,550 | 72,575 |
| Gain on Sale of Capital Assets | - | 13,539 |
| **Total Non-Operating Revenues** | 137,341 | 94,753 |
| **NON-OPERATING EXPENSES** | | |
| Interest Expense | 224,338 | 157,959 |
| **Total Non-Operating Expenses** | 224,338 | 157,959 |
| **Increase in Net Position** | **3,208,823** | **850,867** |
| Net Position, Beginning of Year | 12,397,544 | 11,546,677 |
| **Net Position, End Of Period** | **$ 15,606,367** | **$ 12,397,544** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

| | ENTERPRISE FUND | |
|---|---|---|
| | **2019** | **2018** |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash Received from Customers | $ 5,130,148 | $ 4,511,182 |
| Cash Paid to Supplies and Employees | (3,838,614) | (3,545,619) |
| **Net Cash Provided By Operating Activities** | 1,291,534 | 965,563 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | |
| Proceeds from Other Revenue | 100,550 | 72,575 |
| **Total Cash Flows Provided By Noncapital Financing Activities** | 100,550 | 72,575 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Acquisition and Construction of Capital Assets | (3,614,840) | (1,677,301) |
| Issuance of Revenue Bond Anticipation Note | 6,000,000 | 6,000,000 |
| Proceeds From Grants | 2,754,386 | 547,102 |
| Gain on Sale of Capital Assets | - | 13,539 |
| Principal Paid on Debt | (6,208,095) | (4,348,973) |
| Interest Paid on Debt | (224,338) | (157,959) |
| **Net Cash Provided By (Used In) Capital and Related Financing Activities** | (1,292,887) | 376,408 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of Investments | (22,419) | (38,303) |
| Interest on Investments | 36,791 | 8,639 |
| **Net Cash Provided By (Used In) Investing Activities** | 14,372 | (29,664) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 113,569 | 1,384,882 |
| RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 6,908,878 | 5,523,996 |
| **RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR** | $ 7,022,447 | $ 6,908,878 |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

| | ENTERPRISE FUND | |
|---|---|---|
| | **2019** | **2018** |
| **RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Operating Gain (Loss) | $ 669,462 | $ (206,817) |
| Adjustments To Reconcile Operating Gain (Loss) To Net Cash Provided By Operating Activities: | | |
| Depreciation Expense | 883,862 | 867,045 |
| Changes In Assets and Liabilities: | | |
| Trade Receivables, Net | 46,644 | 69,483 |
| Unbilled Revenue | (12,621) | 9,990 |
| Due from Chester Metropolitan District | (8,381) | 91,499 |
| Prepaid Expenses | (14,700) | 2,652 |
| Accounts Payable | (438,996) | 150,179 |
| Due to Chester Metropolitan District | - | (270,441) |
| Accrued Expense | (117,268) | (65,441) |
| Compensated Absenses | (3,642) | 39,933 |
| Customer Service Deposits | (4,156) | (1,125) |
| Net OPEB Liability | (46,167) | (224,868) |
| Net Pension Liability | 163,562 | 215,990 |
| Changes In Deferred Outflows/Inflows of Resources: | | |
| Deferred Pension Charges - Net Pension Liability | 46,727 | (42,147) |
| Deferred Pension Credits - Net Pension Liability | 84 | (14,574) |
| Deferred Pension Credits - OPEB | 127,124 | 344,205 |
| **Net Cash Provided By Operating Activities** | $ 1,291,534 | $ 965,563 |
| **Non-Cash Investing, Capital and Financing Activities:** | | |
| Acquisition of Capital Assets Not Yet Paid For | $ 1,114,469 | $ 402,035 |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

**Chester Sewer District, South Carolina** (the "District") was created in 1964 pursuant to Act Number 480 of the Acts of the General Assembly of the State of South Carolina and is exempt from federal and state income taxation. The District's principal purpose is to provide wastewater treatment in the City of Chester and various outlying communities. The District has no stockholders or equity holders and is directed by a governing board whose members are appointed by the Government of South Carolina.

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 financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units ("GAAP"). The Government Accounting Standards Boards ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

All activities for which the District's Board of Commissioners exercises oversight responsibility have been incorporated into the financial statements to form the reporting entity. The District's financial statements include the accounts of all District operations. The District does not have any component units.

### B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. The District has only one fund, which is listed below.

***Proprietary Fund Types*** are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Proprietary Fund types include the following fund:

The ***Enterprise Fund, a major fund,*** is used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is necessary for management accountability. The Enterprise Fund is the District's only fund and is used to account for the sewer operations of the District. The principal operating revenues of the Enterprise Fund are charges to customers for sewer services. Operating expenses for the Enterprise Fund include the cost of sales and servcies, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Enterprise Fund is a budgeted fund.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

***Change in Accounting Principle***

The District adopted GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" ("Statement") for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits ("OPEB"). It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the District's financial obligations to current and former employees for past services rendered.

In particular, this Statement requires the District to recognize an OPEB liability (and any related deferred outflows/inflows of resources, if material) along with a more comprehensive measure of OPEB expense for the defined benefit postemployment healthcare plan of the District, a single-employer defined benefit OPEB plan ("OPEB Plan"), on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

The adoption of this Statement resulted in the restatement of the District's net position as of July 1, 2017 to reflect the reporting of an OPEB liability for its OPEB Plan in accordance with the provisions of this Statement. Net position of the District's financial statements as of July 1, 2017 was decreased by approximately $3,106,000, reflecting the cumulative change in accounting principle related to the adoption of this Statement. See Note III.C for more information regarding the District's OPEB Plan.

### C. Assets, Liabilities, and Equity

#### *1. Cash, Cash Equivalents, and Investments*

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Local Government Investment Pool (the "Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the Pool are reported as investments.

The District's investment policy is designed to operate within existing statutes that authorize the District to invest in the following:

(a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

(b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, and Equity (Continued)

#### *1. Cash, Cash Equivalents, and Investments (Continued)*

(d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

(e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

(f) Repurchase agreements when collateralized by securities as set forth in this section.

(g) No-load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The District's cash investment objectives are preservation of capital, liquidity and yield. The District reports its cash, cash equivalents, and investments at fair value which is normally determined by quoted market prices (except as noted).

The District is required to maintain debt service funds under the terms of the 2009 and 2014 Revenue Bonds notes and provisions outlined in the revenue bonds. The District also has unspent Bond Anticipation Note proceeds which are restricted based on the terms of the note. These debt service funds are shown as restricted investments and the unspent bond proceed funds are shown as restricted cash and cash equivalents in the Statements of Net Position.

The District currently or in the past year has used the following investments:

- South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72 "*Fair Value Measurement and Application*", investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of $1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, and Equity (Continued)

#### *2. Capital Assets*

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated acquisition values as of the date received. The District maintains a capitalization threshold of $5,000. However, all land purchased will be capitalized regardless of cost.

The District's infrastructure assets have been reported separately under the caption Sewer System. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is capitalized.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are completed and placed in service, at which time the complete costs of the project are transferred to the appropriate fixed asset category.

Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| ASSET CATEGORY | USEFUL LIFE RANGE |
|---|---|
| Land | Not Depreciated |
| Construction in Progress | Not Depreciated |
| Sewer System | 40-50 Years |
| Buildings and Improvements | 33 Years |
| Equipment | 5-10 Years |
| Automobiles | 5 Years |
| Laboratory Equipment | 20-25 Years |

#### *3. Unbilled Revenue*

The District renders bills to residential and commercial customer on billing cycles that end on various days throughout the month. Unbilled revenue represents the portion of residential and commercial bills rendered during the month of July for services that were provided in June.

#### *4. Allowance for Doubtful Accounts*

An allowance for possible credit losses is recorded and reduces the carrying value of trade receivables to its net realizable value. The amount of the reserve is based upon management's estimates 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 accounts receivable at June 30, 2019 and 2018 totaled approximately $261,000 and $102,000, respectively.

#### *5. Compensated Absences*

District employees accumulate paid vacation and sick leave in varying amounts based on their years of service. If the employee is terminated without cause or resigns with proper notice, or retires, the employee is paid for accumulated vacation.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, and Equity (Continued)

#### *6. Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations payable from the District are reported in the Statements of Net Position.

#### *7. Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has two types of deferred outflows of resources: (1) The District reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System. (2) The District reports *deferred OPEB charges* in in its Statements of Net Position in connection with the Chester Sewer District Defined Benefit OPEB Plan. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has two types of deferred inflows of resources: (1) The District reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System. (2) The District reports *deferred OPEB credits* in its Statements of Net Position in connection with the Chester Sewer District Defined Benefit OPEB Plan. The *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

#### *8. Net Position*

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the statement of net position. Net position is classified as net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### *9. Pensions and Other Postemployment Benefits*

In government-wide financial statements, pensions and other postemployment benefits ("OPEB") are required to be recognized and disclosed using the accrual basis of accounting (see Note III.A and Note III.C and the required supplementary information immediately following the notes to the financial statements for more information). The District recognizes net pension and OPEB liabilities for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the District's fiscal year-end.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, and Equity (Continued)

#### *9. Pensions and Other Postemployment Benefits (continued)*

Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

#### *10. Fair Value*

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The District believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, and Equity (Continued)

#### *11. Use of Accounting Estimates*

The preparation of the financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, expenditures or expenses during the reporting period. Actual results could differ from those estimates. 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.

## II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

### A. Deposits and Investments

#### *Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District's policy regarding custodial credit risk related to deposits is that management monitors the amounts deposited that have exceeded the FDIC insurance limit of $250,000. 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. As of June 30, 2019, none of the District's bank balances of $4,080,834 (which had a carrying value of $4,067,711) were exposed to custodial credit risk.

#### *Investments*

As of June 30, 2019, the District had the following non-security investments:

| Investment Type | Fair Value Level [(1)] | Credit Rating ^ | Fair Value | Investment Maturities in Years | | | |
|---|---|---|---|---|---|---|---|
| | | | | < 1 yr | 1 - 3 yrs | 3 - 5 yrs | > 5 yrs |
| LGIP | N/A | NR | $ 3,161,671 | 3,161,671 | - | - | $ - |
| Money Market Mutual Funds | Level 1 | AAAm, Aaa-mf | 132,846 | 132,846 | - | - | - |
| Total | | | $ 3,294,517 | 3,294,517 | - | - | $ - |

^ If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

(1) See Note I.C.10 for details of the District's fair value hierarchy.

NR – Not rated.

N/A - Not Applicable.

**Interest Rate Risk:** The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**Credit Risk for Investments:** The Credit risk for investments is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The Pool is an unrated non-security investment.

## II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### A. Deposits and Investments (Continued)

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its 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. As of June 30, 2019, and 2018, none of the District's investments were exposed to custodial credit risk.

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

| Description | Amount |
|---|---|
| Carrying Amount of Deposits | $ 4,067,711 |
| Fair Value of Investments | 3,294,517 |
| Total Deposits and Investments | $ 7,362,228 |
| Statement of Net Position: | |
| Cash and Cash Equivalents | $ 3,712,942 |
| Cash and Cash Equivalents, Restricted | 3,309,505 |
| Investments | 207,035 |
| Investments, Restricted | 132,846 |
| Total Cash, Cash Equivalents, and Investments | $ 7,362,328 |

## II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### B. Capital Assets

Capital asset activity for the District for the year ended June 30, 2019, was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | $ 241,333 | 160,000 | - | - | $ 401,333 |
| Construction in Progress | 1,618,239 | 4,190,897 | - | (5,731,542) | 77,594 |
| Total Capital Assets, Not Being Depreciated | 1,859,572 | 4,350,897 | - | (5,731,542) | 478,927 |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings | 2,258,431 | 255,000 | - | - | 2,513,431 |
| Sewer System | 26,306,137 | - | - | 5,731,542 | 32,037,679 |
| Equipment | 4,468,068 | 123,412 | - | - | 4,591,480 |
| Automobiles | 680,952 | - | - | - | 680,952 |
| Total Capital Assets, Being Depreciated | 33,713,588 | 378,412 | - | 5,731,542 | 39,823,542 |
| Less: Accumulated Depreciation | 17,293,062 | 883,862 | - | - | 18,176,924 |
| Total Capital Assets, Being Depreciated, Net | 16,420,526 | (505,450) | - | 5,731,542 | 21,646,618 |
| Capital Assets, Net | $ 18,280,098 | 3,845,447 | - | - | $ 22,125,545 |

Capital asset activity for the District for the year ended June 30, 2018, was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | $ 241,333 | - | - | - | $ 241,333 |
| Construction in Progress | - | 1,618,239 | - | - | 1,618,239 |
| Total Capital Assets, Not Being Depreciated | 241,333 | 1,618,239 | - | - | 1,859,572 |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings | 2,258,431 | - | - | - | 2,258,431 |
| Sewer System | 25,862,362 | 443,775 | - | - | 26,306,137 |
| Equipment | 4,463,655 | 4,413 | - | - | 4,468,068 |
| Automobiles | 731,494 | 29,790 | 80,332 | - | 680,952 |
| Total Capital Assets, Being Depreciated | 33,315,942 | 477,978 | 80,332 | - | 33,713,588 |
| Less: Accumulated Depreciation | 16,489,468 | 867,045 | 63,451 | - | 17,293,062 |
| Total Capital Assets, Being Depreciated, Net | 16,826,474 | (389,067) | 16,881 | - | 16,420,526 |
| Capital Assets, Net | $ 17,067,807 | 1,229,172 | 16,881 | - | $ 18,280,098 |

## II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### B. Capital Assets (Continued)

Included in capital assets are assets purchased under capital leases with a net book value of approximately $14,000 and $15,000 at June 30, 2019 and 2018, respectively.

### C. Accrued Expenses

Accrued expenses consist primarily of employee related withholdings.

### D. Long Term Obligations

A summary of long-term debt payable at June 30, 2019 is as follows:

| | |
|---|---|
| 2014 Revenue Bond<br>Interest at 4.65% with monthly payments ranging from $75,000 to $305,000 through March 2024. 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. | $ 504,624 |
| 2009 Revenue Bond<br>Interest at 3.42% with annual principal and interest payments of $60,432 through April 2029. Proceeds were used to upgrade the Rocky Creak Wastewater Treatment Plant. | 1,350,000 |
| Total Outstanding Principal | 1,854,624 |
| Less: Current Portion | 273,174 |
| Total Long- Term Debt Payable | $ 1,581,450 |

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.

## II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### D. Long Term Obligations (Continued)

The following is a summary of changes in District long-term obligations for the year ended June 30, 2019:

| Long-Term Obligation | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| 2014 Revenue Bond | $ 546,370 | - | 41,746 | 504,624 | $ 43,174 |
| 2009 Revenue Bond | 1,515,000 | - | 165,000 | 1,350,000 | 230,000 |
| 1978 Capital Lease | 61,455 | - | 1,349 | 60,106 | 1,433 |
| Total Debt | 2,122,825 | - | 208,095 | 1,914,730 | 274,607 |
| Compensated Absences | 141,304 | 70,652 | 74,294 | 137,662 | 68,831 |
| Total | $ 2,264,129 | 70,652 | 282,389 | 2,052,392 | $ 343,438 |

The annual debt service requirements to maturity for bonds and capital leases were as follows:

| | Revenue Bonds | | Capital Lease | | |
|---|---|---|---|---|---|
| **Year Ending June 30** | **Principal** | **Interest** | **Principal** | **Interest** | **Total** |
| 2020 | $ 273,174 | 80,033 | $ 1,433 | 3,567 | $ 358,207 |
| 2021 | 294,651 | 67,862 | 1,521 | 3,479 | 367,513 |
| 2022 | 316,178 | 54,710 | 1,615 | 3,385 | 375,888 |
| 2023 | 342,757 | 40,575 | 1,714 | 3,286 | 388,332 |
| 2024 | 354,390 | 25,224 | 1,820 | 3,180 | 384,614 |
| 2025-2029 | 273,474 | 28,687 | 10,930 | 14,070 | 327,161 |
| 2030-2034 | - | - | 14,743 | 10,257 | 25,000 |
| 2035-2039 | - | - | 19,886 | 5,114 | 25,000 |
| 2040-2041 | - | - | 6,444 | 279 | 6,723 |
| Total | $ 1,854,624 | 297,091 | $ 60,106 | 46,617 | $ 2,258,438 |

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

## II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### D. Long Term Obligations (Continued)

The following is a summary of changes in District long-term obligations for the year ended June 30, 2018:

| Long-Term Obligation | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| 2014 Revenue Bond | $ 586,736 | - | 40,366 | 546,370 | $ 41,746 |
| 2009 Revenue Bond | 1,675,000 | - | 160,000 | 1,515,000 | 165,000 |
| 1998 Rocky Creek Wastewater Loan | 147,336 | - | 147,336 | - | - |
| 1978 Capital Lease | 62,726 | - | 1,271 | 61,455 | 1,349 |
| Total Debt | 2,471,798 | - | 348,973 | 2,122,825 | 208,095 |
| Compensated Absences | 101,371 | 115,961 | 76,028 | 141,304 | 141,304 |
| Total | $ 2,573,169 | 115,961 | 425,001 | 2,264,129 | $ 349,399 |

### E. Short Term Debt

The District issued a $6,000,000 bond anticipation note in fiscal year 2018 to cover any potential short falls between incurrence of costs and reimbursements from grants. This was a one year note bearing interest at 2.14% and was repaid on March 8, 2019.

The District issued a $6,000,000 bond anticipation note in fiscal year 2019 to cover any potential short falls between incurrence of costs and reimbursements from grants. This was a one year note bearing interest at 2.62% and is to be repaid on March 8, 2019.

| Short Term Obligation | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| 2018 Bond Anticipation Note | $ 6,000,000 | | 6,000,000 | $ - |
| 2019 Bond Anticipation Note | - | 6,000,000 | | 6,000,000 |
| Total Debt | $ 6,000,000 | 6,000,000 | 6,000,000 | $ 6,000,000 |

## III. OTHER INFORMATION (CONTINUED)

### A. Retirement Plan

#### State Retirement Plan

The District participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA, created on July 1, 2012 and governed by an 11-member Board of Directors ("PEBA Board"), is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, the PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission ("RSIC") and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the 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. The 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 Description*

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. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

*Plan 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.

## III. OTHER INFORMATION (CONTINUED)

### A. Retirement Plan (Continued)

*Plan 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/current annual salary. A brief summary of benefit terms for each system is presented below.

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

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

*Plan Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the PEBA Board, are insufficient to maintain the period set in statute, the PEBA Board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for the SCRS and 21.24 percent for the PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization period.

## III. OTHER INFORMATION (CONTINUED)

### A. Retirement Plan (Continued)

*Plan Contributions (Continued)*

As noted earlier, both employees and the District are required to contribute to the Plans at rates established and as amended by the PEBA. The District's contributions are actuarially determined but are communicated to and paid by the District as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

| | SCRS Rates | | |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| Employer Contribution Rate:^ | | | |
| Retirement | 11.41% | 13.41% | 14.41% |
| Incidental Death Benefit | 0.15% | 0.15% | 0.15% |
| Accidental Death Contributions | 0.00% | 0.00% | 0.00% |
| | 11.56% | 13.56% | 14.56% |
| Employee Contribution Rate | 8.66% | 9.00% | 9.00% |

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The required contributions and percentages of amounts contributed by the District to the Plan for the past three years were as follows:

| Year Ended June 30, | SCRS Contributions | |
|---|---|---|
| | Required | % Contributed |
| 2019 | $ 156,759 | 100% |
| 2018 | 159,283 | 100% |
| 2017 | $ 119,911 | 100% |

Eligible payrolls of the District covered under the Plan for the past three years were as follows:

| Year Ended June 30, | SCRS Payroll |
|---|---|
| 2019 | $ 1,076,643 |
| 2018 | 1,174,655 |
| 2017 | $ 1,037,292 |

## III. OTHER INFORMATION (CONTINUED)

### A. Retirement Plan (Continued)

*Actuarial Assumptions and Methods*

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2018 total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), and are based on an actuarial valuation performed as of July 1, 2017. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2016 valuations for the SCRS.

| | SCRS |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Investment Rate of Return* | 7.25% |
| Projected Salary Increases* | 3.0% to 12.5% (varies by service) |
| Benefit Adjustments | Lesser of 1% or $500 annually |

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table ("2016 PRSC"), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

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

## III. OTHER INFORMATION (CONTINUED)

### A. Retirement Plan (Continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long-Term Expected Portfolio Real Rate of Return |
|---|---|---|---|
| **Global Equity** | **47.0%** | | |
| Global Public Equity | 33.0% | 6.99% | 2.31% |
| Private Equity | 9.0% | 8.73% | 0.79% |
| Equity Options Strategies | 5.0% | 5.52% | 0.28% |
| **Real Assets** | **10.0%** | | |
| Real Estate (Private) | 6.0% | 3.54% | 0.21% |
| Real Estate (REITs) | 2.0% | 5.46% | 0.11% |
| Infrastructure | 2.0% | 5.09% | 0.10% |
| **Opportunistic** | **13.0%** | | |
| GTAA/Risk Parity | 8.0% | 3.75% | 0.30% |
| Hedge Funds (non-PA) | 2.0% | 3.45% | 0.07% |
| Other Opportunistic Strategies | 3.0% | 3.75% | 0.11% |
| **Diversified Credit** | **18.0%** | | |
| Mixed Credit | 6.0% | 3.05% | 0.18% |
| Emerging Markets Debt | 5.0% | 3.94% | 0.20% |
| Private Debt | 7.0% | 3.89% | 0.27% |
| **Conservative Fixed Income** | **12.0%** | | |
| Core Fixed Income | 10.0% | 0.94% | 0.09% |
| Cash and Short Duration (Net) | 2.0% | 0.34% | 0.01% |
| Total Expected Real Return | 100.0% | | 5.03% |
| Inflation for Actuarial Purposes | | | 2.25% |
| Total Expected Nominal Return | | | 7.28% |

## III. OTHER INFORMATION (CONTINUED)

### A. Retirement Plan (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions*

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, for the SCRS, are presented in the following table:

| System | Total Pension Liability | Plan Fiduciary Net Position | Employers' Net Pension Liability (Asset) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|
| SCRS | $ 48,821,730,067 | 26,414,916,370 | $ 22,406,813,697 | 54.1% |

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

The TPL is calculated by the Systems' actuary, and each Plan fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At June 30, 2019, the District reported a liability of approximately $2,376,000 for its proportionate share of the net pension liability for the SCRS. The NPL was measured as of June 30, 2018, and the TPL for the Plan used to calculate the NPL was determined based on the most recent actuarial valuation report of July 1, 2017 that was projected forward to the measurement date. The District's proportion of the NPL was based on a projection of the District's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2018 measurement date, the District's SCRS proportion was 0.011335 percent, which was an increase of 0.000779 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of approximately $367,000 for the SCRS. At June 30, 2019, the District reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| **SCRS** | | |
| Differences Between Expected and Actual Experience | $ 4,585 | $ 14,947 |
| Change in Assumptions | 100,768 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 40,346 | - |
| Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions | 245,756 | 2,221 |
| Employer Contributions Subsequent to the Measurement Date | 156,759 | - |
| Total SCRS | $ 548,214 | $ 17,168 |

## III. OTHER INFORMATION (CONTINUED)

### A. Retirement Plan (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

Approximately $157,000 that were reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRS, will be recognized as a reduction of the NPL in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

| Year Ended June 30, | SCRS |
|---|---|
| 2020 | $ 230,536 |
| 2021 | 132,518 |
| 2022 | 12,311 |
| 2023 | (1,078) |
| Total | $ 374,287 |

*Discount Rate*

The discount rate used to measure the TPL was 7.25 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 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 TPL.

*Sensitivity Analysis*

The following table presents the sensitivity of the District's proportionate share of the net pension liability of the Plan to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

| System | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| District's proportionate share of the net pension liability of the SCRS | $ 3,245,504 | 2,539,887 | $ 2,035,438 |

*Plans Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plan administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS. The CAFR is publicly available through the Retirement Benefits' link on the 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.

## III. OTHER INFORMATION (CONTINUED)

### A. Retirement Plan (Continued)

*Payable to Plan*

The District reported a payable of approximately $50,000 to the PEBA as of June 30, 2019, representing required employer and employee contributions for the months of May and June 2019 for the SCRS. This amount is included in Accrued Expenses on the financial statements and was paid in July 2019.

### B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District continues to carry commercial insurance for property and casualty insurance.

The District maintains a fully insured program for health insurance coverage for all employees. The District is required to pay monthly premiums; all claims are paid by the insurance company.

There has been no reduction in insurance coverage compared to the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### C. Other Postemployment Benefit Plan

*Plan Description*

The District administers a defined benefit postemployment healthcare plan, a single-employer defined benefit other postemployment benefit plan ("OPEB Plan"). This plan provides medical and dental insurance for retirees and dependents. 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. No assets are accumulated in a trust as defined by GAAP. The OPEB Plan does not issue a stand-alone financial report.

*Plan Membership*

As of June 30, 2018, the last actuarial valuation, the following employees were covered by the OPEB Plan's benefit terms:

| | |
|---|---|
| Inactive Members or Beneficiaries Currently Receiving Benefit Payments | 5 |
| Active Members | 19 |
| Total Membership | 24 |

## III. OTHER INFORMATION (CONTINUED)

### C. Other Postemployment Benefit Plan (Continued)

*Plan Benefits and Contributions*

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.

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.

## III. OTHER INFORMATION (CONTINUED)

### C. Other Postemployment Benefit Plan (Continued)

*Plan Benefits and Contributions (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.

**District Premiums Paid:**

| | | |
|---|---|---|
| Funded | 100% | Retiree and Dependent Premiums |
| Partially Funded | 50% | Retiree Premiums |
| Non-Funded | 0% | The Retiree is responsible for the entire premium |

*Actuarial Assumptions and Method*

Actuarial valuations of the OPEB Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its 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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

| | |
|---|---|
| Actuarial Valuation Date | July 1, 2017 |
| Average Retirement Age | 62 |
| Acuarial Cost Method | Entry Age normal |
| Assets Backing OPEB Liability | None |
| Plan Asset Return | 0.00% |
| Bond Yield | 3.87% |
| Discount Rate | 3.87% |
| Measurement Date | June 30, 2018 |
| Prior Measurement Date | June 30, 2017 |
| Prior Year Discount Rate | 3.56% |
| Projected Salary Increases | 3.00% |
| Amoritization Period | 8 |
| Percentage Participation | 95.00% |
| Mortality Table | RP-2014 Mortality Table |

## III. OTHER INFORMATION (CONTINUED)

### C. Other Postemployment Benefit Plan (Continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on OPEB Plan investments is 3.87% at June 30, 2019, which is the municipal bond rate as the OPEB Plan does not have any investments in an irrevocable trust, as defined by GASB 75.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB*

The District's OPEB liability was measured as of June 30, 2018 and the OPEB liability and expense as of June 30, 2019 were calculated using the Entry Age normal as discussed above.

| | OPEB Liability |
|---|---|
| Balance as of June 30, 2018 | $ 3,051,009 |
| Changes for the year: | |
| Service Cost | 85,163 |
| Interest | 107,933 |
| Difference Between Expected/Actual Experience | (304) |
| Changes of Assumptions or Other Inputs | (200,258) |
| Benefit Payments and Implicit Subsidy Credit | (38,701) |
| Net Changes | (46,167) |
| Balance as of June 30, 2019 | $ 3,004,842 |

*OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB*

For the year ended June 30, 2019, the District recognized OPEB expense of approximately $120,000. The District deferred inflows of resources related to its OPEB Plan was approximately $471,000 as of June 30.

*Discount Rate*

The discount rate (long-term expected rate of return on OPEB Plan investments) used to measure the OPEB liability was 3.87% as June 30, 2019, which is the municipal bond rate as the OPEB Plan does not have any investments in an irrevocable trust as defined by GASB 75.

*Sensitivity of the OPEB Liability to Changes in the Discount Rate*

The following table presents the sensitivity of the District's OPEB liability to changes in the discount rate, calculated using the discount rate of 3.87%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.87%) or 1% point higher (4.87%) than the current rate:

| | 1% Decrease (2.87%) | Current Discount Rate (3.87%) | 1% Increase (4.87%) |
|---|---|---|---|
| OPEB Liability | $ 3,717,700 | 3,004,842 | $ 2,462,005 |

## III. OTHER INFORMATION (CONTINUED)

### C. Other Postemployment Benefit Plan (Continued)

*Sensitivity of the OPEB Liability to Changes in the Medical Cost Trend Rate*

The following table presents the sensitivity of the District's OPEB liability to changes in the medical cost trend rate, calculated using the medical cost trend rate of 7.50%, as well as what it would be if it were calculated using a medical cost trend rate that is 1% point lower (6.50%) or 1% point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Medical Cost Trend Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| OPEB Liability | $ 2,391,578 | 3,004,842 | $ 3,837,249 |

### D. Subsequent Events

The District is not aware of any subsequent events as of November 12, 2019, the date these financials were available to be issued.

### F. 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, 2019 and 2018, were approximately $184,000 and $202,000, respectively. At June 30, 2019 and 2018, the District had amounts due to the Chester Metropolitan District of approximately $0 and $0, respectively included in the accompanying balance sheet. The District had a balance due from the Metropolitan District of approximately $9,000 and $1,000 at June 30, 2019 and 2018, respectively, included in the accompanying balance sheets.

(This page intentionally left blank.)

# REQUIRED SUPPLEMENTARY INFORMATION

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULE**

**SCHEDULE OF CHANGES IN THE AUTHORITY'S OPEB LIABILITY AND RELATED RATIOS**

**FISCAL YEAR 2019**

| | Year Ended June 30, 2019 | Year Ended June 30, 2018 |
|---|---|---|
| OPEB Liability: | | |
| Service Cost | $ 85,163 | $ 100,689 |
| Interest | 107,933 | 98,143 |
| Differences Between Expected and Actual Experience | (304) | (5,908) |
| Changes of Assumptions | (200,258) | (386,913) |
| Benefit Payments, Including Refunds of Member Contributions | (38,701) | (30,879) |
| Net Change in Total OPEB Liability | (46,167) | (224,868) |
| OPEB Liability - Beginning of Year | 3,051,009 | 3,275,877 |
| OPEB Liability - End of Year (a) | $ 3,004,842 | $ 3,051,009 |
| Covered-Employee Payroll | $ 1,094,898 | $ 1,094,898 |
| OPEB Liability as a Percentage of Covered-Employee Payroll | 274.44% | 278.66% |

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30, 2018 (measurement date).
The District adopted GASB #75 during the year ended June 30, 2018. Information is not available for prior years.
Significant Changes of Assumptions: Discount Rate changed from 3.56% to 3.87%

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST SIX FISCAL YEARS**

| | Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| Authority's Proportion of the Net Pension Liability | 0.011335% | 0.010556% | 0.010114% | 0.008484% | 0.008794% | 0.008794% |
| Authority's Proportionate Share of the Net Pension Liability | $ 2,539,887 | $ 2,376,325 | 2,160,335 | 1,609,032 | 1,514,035 | $ 1,577,330 |
| Authority's Covered Payroll | $ 1,174,655 | $ 1,037,292 | 966,166 | 795,917 | 799,547 | $ 761,302 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 216.22% | 229.09% | 223.60% | 202.16% | 189.36% | 207.19% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 54.10% | 53.34% | 52.91% | 56.99% | 59.92% | 56.39% |

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.
The District implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.
The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF AUTHORITY'S CONTRIBUTIONS**
**SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST SIX FISCAL YEARS**

| | Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| Contractually Required Contribution | $ 156,759 | $ 159,283 | 119,911 | 106,858 | 86,755 | $ 84,752 |
| Contributions in Relation to the Contractually Required Contribution: | | | | | | |
| Contributions from the District | 156,759 | 149,265 | 119,911 | 106,858 | 86,755 | 84,752 |
| Contributions from the State | - | 10,018 | - | - | - | - |
| Contribution Deficiency (Excess) | $ - | - | - | - | - | $ - |
| Authority's Covered Payroll | $ 1,076,643 | $ 1,174,655 | 1,037,292 | 966,166 | 795,917 | $ 799,547 |
| Contributions as a Percentage of Covered Payroll: | 14.56% | 13.56% | 11.56% | 11.06% | 10.90% | 10.60% |

**Notes to Schedule:**

The District implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.
The contractually required contribution rate was increased from 13.56% to 14.56% of eligible payroll for the year ended June 30, 2019.

# SUPPLEMENTARY INFORMATION

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**SCHEDULE OF EXPENSES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

| | Budget | Actual | Variance |
|---|---|---|---|
| **OPERATING EXPENSES** | | | |
| **Administrative & General Expenses:** | | | |
| Salaries | 223,000 | 235,794 | (12,794) |
| FICA Tax | 18,000 | 17,008 | 992 |
| Retirement | 29,000 | 77,621 | (48,621) |
| Workman's Compensation | 5,300 | 6,857 | (1,557) |
| Uniforms & Shoes | 300 | 498 | (198) |
| Health and Insurance | 28,800 | 47,139 | (18,339) |
| Retiree Insurance | - | (434) | 434 |
| Dues & Meetings | 19,000 | 19,461 | (461) |
| Safety Training | 15,700 | 17,415 | (1,715) |
| Legal | 58,000 | 41,715 | 16,285 |
| Bond Issue Expense | 5,000 | 21,000 | (16,000) |
| Audit | 21,000 | 12,971 | 8,029 |
| Postage | 2,000 | 1,014 | 986 |
| Utilities | 15,600 | 22,429 | (6,829) |
| Project Engineering Expenses | 81,500 | 80,506 | 994 |
| Property Maintenance | 7,000 | 6,701 | 299 |
| Contract Services | 142,500 | 152,419 | (9,919) |
| CMD Admin Bill | 196,000 | 184,338 | 11,662 |
| Office Lease | 24,500 | 19,239 | 5,261 |
| Copier Lease | 6,500 | 2,537 | 3,963 |
| Subscriptions | 1,000 | 2,503 | (1,503) |
| US Bank Trust Services | 4,700 | 4,877 | (177) |
| Office Supplies | 12,500 | 10,375 | 2,125 |
| Company Appreciation Dinner | 6,000 | 37 | 5,963 |
| Vehicle Repair & Maintenance | 4,000 | 7,079 | (3,079) |
| Equipment Fuel | 5,000 | 2,685 | 2,315 |
| Cleaning Services | 6,600 | 7,000 | (400) |
| Commission Meals and Expenses | 2,000 | 3,491 | (1,491) |
| City Lease | 5,000 | 3,651 | 1,349 |
| City Lease escrow | 5,000 | 5,000 | - |
| Property & Liability Insurance Expense | 6,600 | 6,734 | (134) |
| Bank Fees | 60,000 | 60,000 | - |
| Bad Debt Expense | 1,100 | 4,418 | (3,318) |
| Contigency | 25,000 | - | 25,000 |
| Community Outreach | 15,000 | 14,758 | 242 |
| Capital Expense | 395,000 | - | 395,000 |
| Non Capitalized Assets | 500 | 5,062 | (4,562) |
| Miscellaneous Expense | 4,000 | 5,952 | (1,952) |
| **Total Administrative & General Expenses** | 1,457,700 | 1,109,850 | 347,850 |

(continued)

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**SCHEDULE OF EXPENSES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

| | Budget | Actual | Variance |
|---|---|---|---|
| **Sewer Lines Expenses:** | | | |
| Salaries | 445,000 | 345,768 | 99,232 |
| FICA Tax | 35,000 | 25,344 | 9,656 |
| Retirement | 58,000 | 115,683 | (57,683) |
| Health Insurance | 35,400 | 51,370 | (15,970) |
| Retiree Insurance | 18,100 | 29,894 | (11,794) |
| Workman's Compensation | 12,300 | 13,588 | (1,288) |
| Uniforms & Shoes | 3,500 | 3,671 | (171) |
| Dues | 100 | 707 | (607) |
| Education & Travel | 2,500 | 1,937 | 563 |
| Safety Training | 4,000 | 5,023 | (1,023) |
| Utilities | 38,000 | 41,323 | (3,323) |
| Legal | 300 | - | 300 |
| Rent | 14,200 | 8,232 | 5,968 |
| Property & Liability Insurance Expense | 29,900 | 5,670 | 24,230 |
| Engineering services | 135,000 | 122,791 | 12,209 |
| Contract Services | 13,800 | 4,500 | 9,300 |
| Property Maintenance | 3,800 | 2,086 | 1,714 |
| Line & Lift Station Chemicals | 8,700 | 8,104 | 596 |
| Supplies | 39,200 | 7,799 | 31,401 |
| Road Repair | 2,200 | 6,674 | (4,474) |
| Equipment Repair | 59,900 | 22,099 | 37,801 |
| Equipment Fuel | 12,000 | 18,285 | (6,285) |
| Auto and Equipment Repair & Maintenance | 32,400 | 15,549 | 16,851 |
| Spill Recovery | 4,700 | 293 | 4,407 |
| Non Capitalized Assets | 10,000 | 46,136 | (36,136) |
| Miscellaneous | 4,000 | 2,711 | 1,289 |
| **Total Sewer Lines Expenses** | 1,022,000 | 905,237 | 116,763 |
| **Lando Plant Expenses:** | | | |
| Salaries | 97,000 | 80,839 | 16,161 |
| FICA Tax | 9,000 | 7,751 | 1,249 |
| Retirement | 13,000 | 28,000 | (15,000) |
| Health Insurance | 7,300 | 9,635 | (2,335) |
| Workman's Compensation | 1,800 | 2,397 | (597) |
| Uniforms & Shoes | 500 | 965 | (465) |
| Dues | 200 | 140 | 60 |
| Safety Training | 900 | - | 900 |
| Safety Training | 500 | 834 | (334) |
| Utilities | 45,100 | 50,297 | (5,197) |
| Property & Liability Insurance Expense | 2,100 | 1,396 | 704 |
| Vehicle Maintenance | 1,000 | 104 | 896 |
| Legal Services | 1,000 | - | 1,000 |
| Engineering Services | 25,000 | - | 25,000 |
| Property Maintenance | 6,000 | 7,289 | (1,289) |

(continued)

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**SCHEDULE OF EXPENSES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

| | Budget | Actual | Variance |
|---|---|---|---|
| Contract Service | 13,800 | 10,864 | 2,936 |
| Outside Lab Testing | 13,000 | 16,430 | (3,430) |
| Permits | 1,800 | 2,330 | (530) |
| Lab Supplies & Chemicals | 4,800 | 310 | 4,490 |
| Sludge Tip Fees | 9,900 | 8,569 | 1,331 |
| Plant Supplies | 3,000 | 936 | 2,064 |
| Plant Chemicals | 24,500 | 17,618 | 6,882 |
| Plant Repair | - | 1,076 | (1,076) |
| Equipment Fuel | 1,000 | 1,909 | (909) |
| Equipment Repair & Maintenance | 7,000 | 3,937 | 3,063 |
| Toxicity | - | 2,080 | (2,080) |
| Non Capitalized Assets | - | 1,186 | (1,186) |
| Miscellaneous | 500 | 356 | 144 |
| **Total Lando Plant Expenses** | 289,700 | 257,248 | 32,452 |
| **Rocky Creek Plant Expenses:** | | | |
| Salaries | 230,000 | 174,309 | 55,691 |
| FICA Taxes | 17,000 | 11,131 | 5,869 |
| Retirement | 31,000 | 57,568 | (26,568) |
| Health Insurance | 29,400 | 41,114 | (11,714) |
| Retiree Insurance | 9,200 | 17,351 | (8,151) |
| Workman's Compensation | 7,000 | 5,725 | 1,275 |
| Uniforms & Shoes | 3,000 | 1,892 | 1,108 |
| Dues | 1,000 | 185 | 815 |
| Travel and Training | 3,600 | 1,158 | 2,442 |
| Safety Training | 1,500 | 2,431 | (931) |
| Utilities | 71,100 | 76,913 | (5,813) |
| Vehicle Maintenance | 2,200 | 2,347 | (147) |
| Legal Services | 4,000 | 2,876 | 1,124 |
| Property & Liability Insurance Expense | 7,500 | 4,463 | 3,037 |
| Engineering Services | 10,000 | - | 10,000 |
| Property Maintenance | 5,600 | 4,971 | 629 |
| Contract Service | 39,500 | 45,436 | (5,936) |
| Outside Lab Testing | 20,000 | 19,744 | 256 |
| Permits | 3,200 | 12,000 | (8,800) |
| Lab Supplies & Chemicals | 4,800 | 1,657 | 3,143 |
| Sludge Tip Fees | 20,500 | 9,807 | 10,693 |
| Digester Cleaning | 39,500 | - | 39,500 |
| Supplies | 6,900 | 3,916 | 2,984 |
| Plant Chemicals | 70,000 | 33,805 | 36,195 |
| Plant Repair | 5,000 | 19,159 | (14,159) |
| Equipment Fuel | 3,000 | 2,463 | 537 |
| Equipment Repair | 10,500 | 3,717 | 6,783 |

(continued)

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**SCHEDULE OF EXPENSES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

| | Budget | Actual | Variance |
|---|---|---|---|
| Toxicity | 75,000 | 11,575 | 63,425 |
| Non Capitalized Assets | 1,300 | 11,056 | (9,756) |
| Miscellaneous | 200 | 403 | (203) |
| **Total Rocky Creek Plant Expenses** | $ 732,500 | 579,172 | $ 153,328 |
| **Sandy River Plant Expenses:** | | | |
| Salaries | 192,000 | 189,214 | 2,786 |
| FICA Taxes | 15,000 | 13,748 | 1,252 |
| Retirement | 26,000 | 63,187 | (37,187) |
| Health Insurance | 19,700 | 33,582 | (13,882) |
| Uniforms & Shoes | 3,000 | 1,702 | 1,298 |
| Workman's Compensation | 5,300 | 6,073 | (773) |
| Dues | 1,000 | 225 | 775 |
| Travel and Training | 6,500 | 2,607 | 3,893 |
| Safety Training | 2,000 | 2,512 | (512) |
| Utilities | 105,500 | 95,624 | 9,876 |
| Vehicle Maintenance | 4,300 | 1,961 | 2,339 |
| Legal Services | 4,000 | 255 | 3,745 |
| Property & Liability Insurance Expense | 5,600 | 2,480 | 3,120 |
| Engineering Services | 5,000 | 160 | 4,840 |
| Property Maintenance | 7,500 | 7,561 | (61) |
| Contract Service | 42,500 | 28,611 | 13,889 |
| Outside Lab Testing | 15,000 | 14,480 | 520 |
| Permits | 2,400 | 4,594 | (2,194) |
| Lab Supplies & Chemicals | 5,000 | 1,002 | 3,998 |
| Sludge Tip Fees | 28,600 | 12,593 | 16,007 |
| Digester Cleaning | 39,500 | - | 39,500 |
| Supplies | 3,000 | 3,267 | (267) |
| Plant Chemicals | 37,000 | 20,012 | 16,988 |
| Plant Repair | 10,000 | 17,987 | (7,987) |
| Equipment Fuel | 2,500 | 2,624 | (124) |
| Equipment Repair | 10,000 | 16,866 | (6,866) |
| Road Repair | 3,000 | - | 3,000 |
| Toxicity | - | 2,063 | (2,063) |
| Non Capitalized Assets | 1,500 | 365 | 1,135 |
| Miscellaneous | 500 | 583 | (83) |
| **Total Sandy River Plant Expenses** | $ 602,900 | 545,938 | $ 56,962 |
| **Pretreatment Expenses:** | | | |
| Salaries | 65,000 | 62,807 | 2,193 |
| FICA Taxes | 5,900 | 4,885 | 1,015 |
| Retirement | 8,000 | 21,192 | (13,192) |
| Health Insurance | 5,000 | 9,009 | (4,009) |
| Workman's Compensation | 2,000 | 1,185 | 815 |
| Uniforms & Shoes | - | 177 | (177) |

(continued)

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**SCHEDULE OF EXPENSES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

| | Budget | Actual | Variance |
|---|---|---|---|
| Dues | 500 | 185 | 315 |
| Travel and Training | 6,500 | 2,542 | 3,958 |
| Utilities | 1,500 | 1,204 | 296 |
| Legal Services | 5,500 | 680 | 4,820 |
| Engineering Services | 77,000 | 36,910 | 40,090 |
| Supplies | 1,500 | 366 | 1,134 |
| Equipment Fuel | 1,500 | 1,042 | 458 |
| Equipment Repair | 1,500 | 213 | 1,287 |
| Non Capitalized Assets | - | 179 | (179) |
| Miscellaneous | 4,200 | 2,780 | 1,420 |
| **Total Pretreatment Expenses** | $ 185,600 | 145,356 | $ 40,244 |
| **Total Operating Expenses** | **$ 4,290,400** | **3,542,801** | **$ 747,599** |
| **NET OPERATING INCOME** | **$ 726,085** | **1,553,324** | **$ 827,239** |

(This page intentionally left blank.)

# COMPLIANCE SECTION

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2019**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass Through Grantor's Number | Total Federal Expenditures |
|---|---|---|---|
| **U.S. Economic Development Administration** | | | |
| Public Works Program | 11.300 | 04-01-7150 | $ 2,301,599 |
| **Grand Total** | | | **$ 2,301,599** |

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2019**

---

## A. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the Chester Sewer District (the "District") for the year ended June 30, 2019. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

## B. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the District's financial statements.

## C. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal award expenditures are reported in the District's financial statements as expenses in the Proprietary funds for all federal programs.

## D. MATCHING COSTS

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

## E. SUB-RECIPIENTS

There were no federal expenditures provided to sub-recipients presented in the accompanying Schedule.

## F. INDIRECT COST RATE

The District was not eligible to for any indirect cost under the Uniform Guidance.

LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

# 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 financial statements of the enterprise fund of the District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2019.

**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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
November 12, 2019

LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

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 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, 2019. 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 the audit 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). 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, 2019.

***Other Matters***

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

**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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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, material weaknesses may exist that have not been identified.

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.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
November 12, 2019

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2019**

## Section I - Summary of Auditor's Results

***Financial Statements***

Type of auditor's report issued: Unmodified

| | | | |
|---|---|---|---|
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | ____ Yes | X No | |
| Significant deficiencies identified that are not considered to be material weaknesses? | ____ Yes | X None Reported | |
| Noncompliance material to financial statements noted? | ____ Yes | X No | |

***Federal Awards***

| | | | |
|---|---|---|---|
| Internal control over major programs: | | | |
| Material weakness(es) identified? | ____ Yes | X No | |
| Significant deficiencies identified that are not considered to be material weaknesses? | ____ Yes | X None Reported | |

Type of auditor's report issued on compliance for major programs: Unmodified

| | | |
|---|---|---|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)? | ____ Yes | X No |

Identification of major programs:

| *CFDA Number(s)* | *Name of Federal Program or Cluster* |
|---|---|
| 11.300 | Public Works Program |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 | |
| Auditee qualified as low-risk auditee? | X Yes | ____ No |

**CHESTER SEWER DISTRICT**
**RICHBURG, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2019**

**NONE NOTED**