CHESTER SEWER DISTRICT

RICHBURG, SOUTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

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CHESTER SEWER DISTRICT

Richburg, South Carolina

A Special Purpose District

created by the

South Carolina Legislature in 1964

BOARD OF COMMISSIONERS

Mr. Tony Pope, Chairman

Mrs. Edena H. Sanders, Secretary

Mrs Gloria O Crank, Member

Mr. Bill Bundy, Member

Mr. Hal Stone, 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, as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Chester Sewer District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Chester Sewer District, as of June 30, 2021 and 2020, and the respective changes in its financial position and, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Chester Sewer 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 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 December 17, 2021 on our consideration of Chester Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Chester Sewer District's internal control over financial reporting and compliance.

Love Bailey & Associates

Love Bailey & Associates, LLC
Laurens, South Carolina
December 17, 2021

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 ("FY 2021") and June 30, 2020 ("FY 2020"). 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
- Mr. Bill Bundy, Member
- Mr. Hal Stone, Member

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

- Mr. Phillip (Phil) A. Thompson-King, Executive Director
- Mr. Joel Manning, Finance Analyst/Manager
- Mrs. Devon B. Beaty-Bagley, Industrial Pretreatment Coordinator
- Mr. Michael A. (Tony) Young, Superintendent, Wastewater Treatment Plants
- Mr. Michael Hunter, Superintendent District Collections & Maintenance.

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Introduction

Like most entities and organizations, the impact of the COVID-19 pandemic was felt. As a result, our financial operations performance was down slightly, due to the COVID-19 pandemic, coupled with the announcement and subsequent closure of one industry, Nippon Electric Glass, and the COVID Pandemic related operational challenges for several of our industrial customers.

Nevertheless, it is important to note that the District's overall performance remains very strong. The District has continued to build on its proactive pursuits and acquisition of grant funding as well as the strength of capital recovery fee receipts. Hence, our organization has truly performed remarkably well which has allowed the District to successfully meet the needs of its customers, stay compliant with its various permits, meet its financial obligations, and remain true to its mission. Therefore, it is evident the steps taken, and policies of previous years prepared the District to sustain the impact of the ongoing pandemic.

All said, a vibrant 2020-2021 fiscal year performance was due to preparation and hard work by the entire team and the Board's proactive policies.

Administration and Finance

The District's Administration and Finance Department experienced no significant changes in operations and added no substantial capital improvements during the 2020-2021 fiscal year.

Wastewater Treatment

Lando-Manetta WWTP

The Lando-Manetta Wastewater Treatment Plant experienced no significant changes in operations and added no substantial capital improvements during the 2020-2021 fiscal year. The Lando-Manetta WWTP has applied for the renewal of its National Pollutant Discharge Elimination System (NPDES) Permit.

Rocky Creek WWTP

The Rocky Creek WWTP experienced no significant changes in operations and added no substantial capital improvements during the 2020-2021 fiscal year. The Rocky Creek WWTP successfully completed the renewal of its NPDES Permit. Rocky Creek also satisfied the conditions of the former Consent Order issued by the South Carolina Department of Health and Environmental Control (SCDHEC) for past Whole Effluent Toxicity violations. And, accordingly, the Order was successfully closed.

Sandy River

Capital projects were undertaken at the Sandy River Wastewater Treatment Plant (WWTP). The District invested in the rehabilitation of the two Sandy River WWTP clarifiers. The forty (40) plus years old units were at the end of their useful life.

The District also replaced the forty (40) plus years old existing grit system with a vortex grit removal system. The grit removal system was designed to accommodate additional upgrades to the WWTP that are planned and under consideration.

The rehabilitation of these clarifiers as well as the replacement of the grit removal system will allow Sandy River WWTP to continue to maintain reliable treatment of wastewater at full capacities.

The cost of the project was $1,057,528.58 with $500,000.00 of the funds coming from South Carolina Rural Infrastructure Authority (SC RIA) as a Basic Infrastructure Grant.

Industrial Pretreatment Program (IPP)

The Industrial Pretreatment department experienced the announcement and subsequent closure of one industry, Nippon Electric Glass. No other significant changes in operations and no substantial capital improvements were added during the 2020-2021 fiscal year for the department.

Maintenance & Collections

Haddon House Pump Station (PS)

The District constructed a new pump station adjacent to the existing Haddon House PS. The new pump station will have a larger wetwell and higher capacity pumps in order to provide greater capacity for the existing industries served as well as potential future industrial growth from L&C Tract J and potential future expansion by the existing industries. A generator was also included for the new PS in order to provide backup power during energy disruptions. The existing Haddon House PS wetwell was retained to provide additional storage capacity. The backup power source will help mitigate overflows during outages, thereby, protecting the environment. It also provides economic resiliency by providing reliable wastewater service to existing industrial customers.

The cost of the project was $476,000.00. The project was completely funded with Grants; a SC RIA Economic Infrastructure Grant RIA ($439,840.00) combined with South Carolina Emergency Management Division's (SCEMD) Federal Emergency Management Administration (FEMA) ($85,604.00) Grant Funds.

Joe Caldwell Road PS

The District added an Emergency Generator to the Joe Caldwell Pump Station. The Emergency Generator was installed to provide an auxiliary energy source during power outages. The backup power source will help mitigate overflows during outages, thereby, protecting the environment. It also provides economic resiliency by providing reliable wastewater service to existing industrial customers. The cost of the project was $90,442.00 and completely Grant Funded by the South Carolina Emergency Management Division's (SCEMD) Federal Emergency Management Administration (FEMA) Grant Funds.

Gaston Farm Road PS

The District was required to relocate the Emergency Generator outside of the five-hundred (500) year floodplain. The cost of the project was $ 77,059.00 and completely Grant Funded by the South Carolina Emergency Management Division's (SCEMD) Federal Emergency Management Administration (FEMA) Grant Funds.

Maintenance Shop

The District built a maintenance shop on the approximately four (4) acres site the District acquired in Fiscal year 2019-2020. The shop includes a maintenance workshop, two truck bays, a shed, two offices, a training/meeting room, break area, two shower rooms, and four restrooms. The cost was $659,000.00 and was funded with revenue bond proceeds.

Forward Looking Statements

Two new subdivisions, Knights Bridge and Walkers Mills, announced in Fiscal year 2018-2019 are currently under construction. These two subdivisions will bring a total of 600 new residential customers once build-out is complete. Other developments are under consideration with imminent announcements forthcoming.

The District has worked with Chester County to obtain a $750,000.00 Community Development Block grant to replace a large portion of the existing wastewater line on and near Dawson Drive. The nearly eighty (80) year old line is compromised and at the end of its useful life cycle. We will begin this project in Fiscal year 2021-2022.

In addition, we are exploring grant funding opportunities to replace the aged and undersized Mesco Pump Station as well as regional opportunities to gain additional treatment capacity.

The District is also having an ongoing Staffing Optimization Evaluation performed to ensure proper staffing to meet the future needs.

Moreover, CWR will add a supervisory control and data acquisition (SCADA) system with programmable logic controllers, which interface with plant processes and machinery to assist in operations.

As well, the District will invest in a more robust data management system as well as a geographic information system (GIS) mapping system that provides the ability to capture and analyze spatial and geographic data and applications. The aforementioned efforts will provide essential tools and help with continuity and succession planning.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 and 2020 are as follows:

- As of June 30, 2021, the District's net position totaled $18,326,634, of which $18,125,827 was net investment in capital assets and $6,369,707 was restricted. After accounting for its net pension liability and other postemployment benefit ("OPEB") liability, the District has an unrestricted net deficit of ($6,168,900). As of June 30, 2020, the District's net position totaled $16,203,840, of which $17,292,747 was net investment in capital assets and $7,231,723 was restricted. After accounting for its net pension liability and other postemployment benefit ("OPEB") liability, the District has an unrestricted net deficit of ($8,320,630).
- Prior to accounting for its 2021 net pension and OPEB liabilities, the District's unrestricted net position was $31,664 or approximately 1% of total operating expenses. After accounting for its net pension and OPEB liabilities, the unrestricted net deficit of ($6,168,900) was approximately (129%) of total operating expenses. At the end of 2020 net pension and OPEB liabilities, the District's unrestricted net deficit was ($2,533,930) or approximately (56%) of total operating expenses. After accounting for its net pension and OPEB liabilities, the unrestricted net deficit of ($8,320,630) was approximately (183%) of total operating expenses.
- During 2021, charges for service totaled $5,199,551, compared to $5,450,999 in the prior year. The decrease of $251,448 was due to permanent closure of an industrial customer (Nippon Electric Glass) and Covid related shut downs at other industries. During 2020, charges for service totaled $5,450,999, compared to $5,096,125 in the prior year. The increase of $354,874 was a combination of a sewer rate increase and increased flow from our Industrial customers.
- 2021 total revenues of $7,251,314 were $1,411,162 more than total revenues of $5,840,152 in the prior year. The increase was due primarily to higher state and federal grants and other revenue in 2021. 2020 total revenues of $5,840,152 were $2,019,672 less than total revenues of $7,859,824 in the prior year. The increase was due primarily to higher federal grants in 2019.
- 2021 total expenses of $5,128,520 were $114,159 less than total expenses of $5,242,679 in the prior year. The decrease was due primarily to a decrease in bond issuance expenses. 2020 total expenses of $5,242,679 were $591,678 less than total expenses of $4,651,001 in the prior year. The decrease was due primarily to a decrease in the wastewater treatment departmental expenses.
- The District's total debt decreased by $229,225 (2%) during 2021 and increased by $9,552,359 (498%) during 2020. The current year reductions were due to regularly scheduled principal payments and the prior year increase was due to a Bond Issuance.
- The District's net capital assets increased $1,510,276 (2%) during 2021. The increase was due to additions of $2,531,004, partially offset by depreciation expense of $1,020,728. The District's net capital assets decreased $487,589 (2%) during 2020. The decrease was due to depreciation expense of $986,415, partially offset by additions of $498,826.

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 ▪ Statement of revenues, expenses, and changes in net position ▪ 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, 2021, 2020, and 2019.

Condensed Statement of Net Position

	June 30, 2021	June 30,2020	Dollar Change	Percentage Change	June 30,2019
Assets					
Current Assets	$ 13,241,267	$ 12,383,064	858,203	6.9%	$ 8,624,118
Capital Assets	23,148,233	21,637,957	1,510,276	7.0%	22,125,545
Total Assets	36,389,500	34,021,021	2,368,479	7.0%	30,749,663
Deferred Outflow of Resources					
Deferred Charges	1,858,057	796,892	1,061,165	133.2%	548,214
Liabilities					
Current Liabilities	760,467	690,455	70,012	10.1%	8,018,161
Long-Term Liabilities	11,101,835	11,340,026	(238,191)	-2.1%	1,640,123
Net Pension Liability	2,557,260	2,328,111	229,149	9.8%	2,539,887
OPEB Liability	5,013,877	3,658,708	1,355,169	37.0%	3,004,842
Total Liabilities	19,433,439	18,017,300	1,416,139	7.9%	15,203,013
Deferred Inflow of Resources					
Deferred Credits	487,484	596,773	(109,289)	-18.3%	488,497
Net Position					
Net Investment in Capital Assets	18,125,827	17,292,747	833,080	4.8%	16,335,576
Restricted	6,369,707	7,231,723	(862,016)	-11.9%	3,372,076
Unrestricted	(6,168,900)	(8,320,630)	2,151,730	-25.9%	(4,101,285)
Total Net Position	$ 18,326,634	$ 16,203,840	2,122,794	13.1%	$ 15,606,367

CONDENSED COMPARATIVE FINANCIAL DATA (CONTINUED)

See below for the changes in net position for fiscal years 2021, 2020 and 2019.

Condensed Statement of Changes in Net Position

	2021	2020	Dollar Change	Percent Change	2019
Revenues					
Operating Revenues	$ 5,199,551	5,450,999	(251,448)	-4.6%	$ 5,096,125
Non-Operating Revenues	947,496	129,986	817,510	628.9%	137,341
Grant Revenue	1,104,267	259,167	845,100	326.1%	2,626,358
Total Revenues	7,251,314	5,840,152	1,411,162	24.2%	7,859,824
Expenses					
Operating Expenses*	3,751,121	3,558,563	192,558	5.4%	3,542,801
Non-Operating Expenses	356,671	697,701	(341,030)	-48.9%	224,338
Depreciation Expense	1,020,728	986,415	34,313	3.5%	883,862
Total Expenses	5,128,520	5,242,679	(114,159)	-2.2%	4,651,001
Change in Net Position	2,122,794	597,473	1,525,321	255.3%	3,208,823
Beginning Net Position	16,203,840	15,606,367			12,397,544
Ending Net Position	$ 18,326,634	16,203,840	2,122,794	13.1%	$ 15,606,367

*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 $2,368,479 (7%) during fiscal year 2021 primarily due to an increase in current assets of $858,203 and an increase in capital assets of $1,510,276 (7%). The increase in current assets is primarily due to the increase in accounts receivable. Total assets increased by $3,271,358 (11%) during fiscal year 2020 primarily due to an increase in current assets of $3,758,946 partially offset by a net decrease in capital assets of $487,588 (2%). The increase in current assets is primarily due to the increase in unspent bond proceeds in restricted cash related to the new bond issuance by the District.

Total liabilities increased by $1,416,139 (8%) during fiscal year 2021 primarily due to a $1,355,169 increase in OPEB liability partially offset by a decrease in long-term liabilities by $238,191. Total liabilities increased by $2,814,286 (19%) during fiscal year 2020 primarily due to a $9,615,445 increase in long-term liabilities (due to a new bond issuance) partially offset by a decrease in current liabilities by $7,243,249.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

Financial Position (continued)

During 2021, net position increased by $2,122,794 (13%) as total revenues exceeded expenses by $2,122,794. The increase in net position was a result of an increase in the net amount invested in capital assets of $833,080 a decrease in restricted net position of $862,016 and an increase in unrestricted net position of $2,151,730. The increase in the net investment in capital assets was attributable current year additions less depreciation. The decrease in restricted net assets is attributable to the use of bond proceeds in the current year. The increase in unrestricted net position was attributable to an increase in total revenues and a decrease in total expenses and the change in restricted net position. The District's 2020 unrestricted balance without the net pension and OPEB liabilities would be $31,664. During 2020, net position increased by $597,473 (4%) as total revenues exceeded expenses by $597,473. The increase in net position was a result of an increase in the net amount invested in capital assets of $957,171 an increase in restricted net position of $3,859,647 and a decrease in unrestricted net position of $4,219,345. The increase in the net investment in capital assets was attributable current year additions less depreciation. The increase in restricted net assets is attributable to an increase in unspent bond proceeds related to a new bond issuance. The decrease in unrestricted net position was attributable to a decrease in total revenues and an increase in total expenses and the change in restricted net position. The District's 2020 unrestricted balance without the net pension and OPEB liabilities would be ($2,533,930).

Operating Results

During fiscal year 2021, the District had an operating gain of $427,702 a decrease of $478,319 from the prior year gain of $906,021. Operating revenues decreased by $251,448 or 5% during 2021. The decrease was due to shutdowns related to Covid. Operating expenses increased by $192,558 or 5% during 2021 primarily due to increases in landfill fees, chemicals and fuel. During fiscal year 2020, the District had an operating gain of $906,021 an increase of $215,559 from the prior year gain of $690,462. Operating revenues increased by $354,874 or 7% during 2020. The increase was due to a $354,874 increase in wastewater treatment charges due to an increase in sewer rates and increased flow from our Industrial customers. Operating expenses increased by $139,315 or 3% during 2020 primarily due to increased depreciation expense.

Non-Operating Revenues

Non-operating revenues increased by $817,510 or 629% during fiscal year 2021 primarily due changes in capital recovery fees. Non-operating revenues decreased by $7,355 or 5% during fiscal year 2020 primarily due changes in sales and utility tax credits.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021 and 2020, the District had $23,148,233 and $21,637,957 respectively, invested in capital assets, net of depreciation.

In 2021, the net increase in the District's investment in capital assets was $1,510,277 (2%) primarily due to capital additions which were partially offset by depreciation expense. In 2020, the net increase in the District's investment in capital assets was $3,219,427 (20%) unspent bond proceeds were partially offset by depreciation expense exceeding additions.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

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

Capital Assets	June 30, 2021	June 30,2020	June 30,2019
Land	$ 401,333	401,333	$ 401,333
Construction in Progress	14,033	483,632	77,594
Buildings	3,004,209	2,451,251	2,513,431
Sewer System	34,188,038	31,950,659	32,037,679
Equipment	4,781,498	4,659,115	4,591,480
Automobiles	793,992	706,109	680,952
Less: Accumulated Depreciation	(20,034,870)	(19,014,142)	(18,176,924)
Totals	$ 23,148,233	21,637,957	$ 22,125,545

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, 2021	June 30,2020	June 30, 2019
2020 Revenue Bond	$ 10,685,000	10,895,000	$ -
2020 Revenue Bond Premium	495,712	513,416	-
2014 Revenue Bond	-	-	504,624
2009 Revenue Bond	-	-	1,350,000
1978 Capital Lease	57,152	58,673	60,106
	$ 11,237,864	11,467,089	$ 1,914,730

The District made $229,225 in principal payments during 2021 and $2,118,761 in principal payments in 2020.

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. Industrial customers are continuing with expansion plans. The Knights Bridge subdivision has started clearing land. We continue to have conversations with developers concerning residential construction.

FISCAL YEAR 2021-2022 BUDGET

The Board of Directors has adopted the District's budget for the year ended June 30, 2022. The approval of the budget provides funding for the District's operating and debt service costs for the year end June 30, 2022. 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, 2021 AND 2020

	ENTERPRISE FUND	
	2021	**2020**
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 5,121,034	$ 4,417,641
Restricted Cash and Cash Equivalents	6,319,937	7,192,349
Investments	210,188	207,035
Restricted Investments	49,770	49,449
Trade Receivables, Net	1,092,696	88,008
Other Receivables	20,685	2,912
Unbilled Revenue	357,659	357,659
Prepaid Expenses	28,500	30,869
Due from Chester Metropolitan District	40,798	37,142
Total Current Assets	13,241,267	12,383,064
Capital Assets:		
Non-Depreciable	415,366	884,965
Depreciable, Net	22,732,867	20,752,992
Total Assets	36,389,500	34,021,021
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges - Net Pension Liability	445,453	355,195
Deferred Charges - OPEB Liability	1,412,604	441,697
LIABILITIES		
Current Liabilities:		
Accounts Payable	230,493	158,677
Accrued Expenses	75,069	87,506
Accrued Interest Payable	26,713	27,238
Compensated Absences	85,587	84,458
Customer Deposits	120,990	121,055
Current Maturities of Capital Leases	1,615	1,521
Current Maturities of Long-Term Debt	220,000	210,000
Total Current Liabilities	760,467	690,455
OPEB Liability	5,013,877	3,658,708
Net Pension Liability	2,557,260	2,328,111
Compensated Absences, Net of Current Portion	85,586	84,458
Capital Leases, Net of Current Portion	55,537	57,152
Long-Term Debt, Net of Current Portion	10,960,712	11,198,416
Total Liabilities	19,433,439	18,017,300
DEFERRED INFLOWS OF RESOURCES		
Deferred Credits - Net Pension Liability	163,031	198,882
Deferred Credits - OPEB Liability	324,453	397,891
NET POSITION		
Net Investment in Capital Assets	18,125,827	17,292,747
Restricted for Debt Service	49,770	49,449
Restricted for Capital Projects	6,319,937	7,182,274
Unrestricted	(6,168,900)	(8,320,630)
Total Net Position	**$ 18,326,634**	**$ 16,203,840**

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, 2021 AND 2020

	ENTERPRISE FUND	
	2021	**2020**
OPERATING REVENUES		
Sewer services	$ 5,163,326	$ 5,426,689
Pretreatment Fees	27,477	24,310
Penalties	8,748	-
Total Operating Revenues	**5,199,551**	**5,450,999**
OPERATING EXPENSES		
Administration	1,326,255	1,099,248
Sewer lines	884,517	885,251
Rocky Creek plant	523,640	552,265
Sandy River plant	547,914	561,737
Lando plant	279,458	287,142
Pretreatment	189,337	172,920
Depreciation	1,020,728	986,415
Total Operating Expenses	4,771,849	4,544,978
OPERATING GAIN/(LOSS)	**427,702**	**906,021**
NON-OPERATING REVENUES (EXPENSES)		
CAPITAL GRANTS- RESTRICTED:		
State grants	798,568	140,772
Federal grants	305,699	118,395
Total Capital Grants- Restricted	1,104,267	259,167
NON-OPERATING REVENUES		
Interest Income	22,900	109,448
Other Revenue	924,596	20,538
Total Non-Operating Revenues	947,496	129,986
NON-OPERATING EXPENSES		
Loss on Sale of Capital Assets	-	30,953
Bond issuance expense	-	371,684
Interest Expense	356,671	295,064
Total Non-Operating Expenses	356,671	697,701
Increase in Net Position	**2,122,794**	**597,473**
Net Position, Beginning of Year	16,203,840	15,606,367
Net Position, End Of Period	**$ 18,326,634**	**$ 16,203,840**

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, 2021 AND 2020

	ENTERPRISE FUND	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 4,194,863	$ 5,517,932
Cash Paid to Supplies and Employees	(3,381,978)	(4,531,272)
Net Cash Provided By Operating Activities	812,885	986,660
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Other Revenue	924,596	20,538
Total Cash Flows Provided By Noncapital Financing Activities	924,596	20,538
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(2,426,524)	(469,385)
Bond Issuances Costs	-	(371,684)
Proceeds From Debt	-	11,671,120
Proceeds From Grants	1,086,494	971,274
Principal Paid on Debt	(229,225)	(8,118,761)
Interest Paid on Debt	(356,671)	(295,064)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(1,925,926)	3,387,500
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(3,474)	83,397
Interest on Investments	22,900	109,448
Net Cash Provided By Investing Activities	19,426	192,845
NET INCREASE IN CASH AND CASH EQUIVALENTS	(169,019)	4,587,543
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,609,990	7,022,447
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,440,971	$ 11,609,990

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, 2021 AND 2020

	ENTERPRISE FUND	
	2021	**2020**
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Gain (Loss)	$ 427,702	$ 906,021
Adjustments To Reconcile Operating Gain (Loss) To Net Cash Provided By Operating Activities:		
Depreciation Expense	1,020,728	986,415
Changes In Assets and Liabilities:		
Trade Receivables, Net	(1,004,688)	132,887
Unbilled Revenue	-	(65,954)
Due from Chester Metropolitan District	(3,656)	(28,369)
Prepaid Expenses	2,369	(5,471)
Accounts Payable	(32,664)	(1,172,048)
Accrued Expense	(12,962)	(100,373)
Compensated Absenses	2,257	31,254
Customer Service Deposits	(65)	610
Net OPEB Liability	1,355,169	653,866
Net Pension Liability	229,149	(211,776)
Changes In Deferred Outflows/Inflows of Resources:		
Deferred Pension Charges - Net Pension Liability	(90,258)	193,019
Deferred Pension Charges - OPEB	(970,907)	(441,697)
Deferred Pension Credits - Net Pension Liability	(35,851)	181,714
Deferred Pension Credits - OPEB	(73,438)	(73,438)
Net Cash Provided By Operating Activities	$ 812,885	$ 986,660
Non-Cash Investing, Capital and Financing Activities:		
Acquisition of Capital Assets Not Yet Paid For	$ 104,480	$ 60,395

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 services, 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)

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.

(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).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

The District is required to maintain debt service funds under the terms of the 2020 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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

2. Capital Assets (Continued)

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, 2021 and 2020 totaled approximately $271,000 and $282,000, 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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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, 2021, none of the District's bank balances of $2,310,543 (which had a carrying value of $2,302,617) were exposed to custodial credit risk.

Investments

As of June 30, 2021, 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	$ 9,348,542	9,348,542	-	-	$ -
Money Market Mutual Funds	Level 1	AAAm, Aaa-mf	49,770	49,770	-	-	-
Total			$ 9,398,312	9,398,312	-	-	$ -

^ 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, 2021, and 2020, 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	$ 2,302,617
Fair Value of Investments	9,398,312
Total Deposits and Investments	$ 11,700,929
Statement of Net Position:	
Cash and Cash Equivalents	$ 5,121,034
Cash and Cash Equivalents, Restricted	6,319,937
Investments	210,188
Investments, Restricted	49,770
Total Cash, Cash Equivalents, and Investments	$ 11,700,929

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

B. Capital Assets

Capital asset activity for the District for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	$ 401,333	-	-	-	$ 401,333
Construction in Progress	483,632	2,418,233	-	(2,887,832)	14,033
Total Capital Assets, Not Being Depreciated	884,965	2,418,233	-	(2,887,832)	415,366
Capital Assets, Being Depreciated:					
Buildings	2,451,251	-	-	552,958	3,004,209
Sewer System	31,950,659	-	-	2,237,379	34,188,038
Equipment	4,659,115	24,888	-	97,495	4,781,498
Automobiles	706,109	87,883	-	-	793,992
Total Capital Assets, Being Depreciated	39,767,134	112,771	-	2,887,832	42,767,737
Less: Accumulated Depreciation	19,014,142	1,020,728	-	-	20,034,870
Total Capital Assets, Being Depreciated, Net	20,752,992	(907,957)	-	2,887,832	22,732,867
Capital Assets, Net	$ 21,637,957	1,510,276	-	-	$ 23,148,233

Capital asset activity for the District for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	$ 401,333	-	-	-	$ 401,333
Construction in Progress	77,594	406,038	-	-	483,632
Total Capital Assets, Not Being Depreciated	478,927	406,038	-	-	884,965
Capital Assets, Being Depreciated:					
Buildings	2,513,431	-	62,180	-	2,451,251
Sewer System	32,037,679	-	87,020	-	31,950,659
Equipment	4,591,480	98,584	30,949	-	4,659,115
Automobiles	680,952	25,157	-	-	706,109
Total Capital Assets, Being Depreciated	39,823,542	123,741	180,149	-	39,767,134
Less: Accumulated Depreciation	18,176,924	986,414	149,196	-	19,014,142
Total Capital Assets, Being Depreciated, Net	21,646,618	(862,673)	30,953	-	20,752,992
Capital Assets, Net	$ 22,125,545	(456,635)	30,953	-	$ 21,637,957

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 $10,000 and $12,000 at June 30, 2021 and 2020, 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, 2021 is as follows:

2020 Revenue Bond Interest at 3.22% with semi-annual principal and interest payments ranging from $397,000 to $579,000 through June 2049. The District took advantage of the market conditions and restructured its debt through the commercial market in December of 2019. The District issued the $11.14 million 2020 Series Bond and used the proceeds of this bond to pay off the 2014 Revenue Bond (4.65%), the 2009 Revenue Bond (3.42%), and the 2019 Bond Anticipation Note and to fund certain future capital projects. The District also recieved a Bond Premium when issuing and is amortizing it over the life of the Bond.	$ 11,180,712
Total Outstanding Principal	11,180,712
Less: Current Portion	220,000
Total Long- Term Debt Payable	$ 10,960,712

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, 2021:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2020 Revenue Bond	$ 10,895,000	-	210,000	10,685,000	$ 220,000
2020 Revenue Bond Premium	513,416	-	17,704	495,712	-
1978 Capital Lease	58,673	-	1,521	57,152	1,615
Total Debt	11,467,089	-	229,225	11,237,864	221,615
Compensated Absences	168,916	84,458	82,201	171,173	85,587
Total	$ 11,636,005	84,458	311,426	11,409,037	$ 307,202

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
2022	$ 220,000	368,600	$ 1,615	3,385	$ 593,600
2023	225,000	362,000	1,714	3,286	592,000
2024	235,000	353,000	1,820	3,180	593,000
2025	240,000	343,600	1,932	3,068	588,600
2026	255,000	331,600	2,052	2,948	591,600
2027-2031	1,470,000	1,457,350	12,320	12,680	2,952,350
2032-2036	1,810,000	1,122,600	16,617	8,383	2,957,600
2037-2041	2,120,000	811,050	19,082	2,642	2,952,774
2042-2046	2,455,000	473,400	-	-	2,928,400
2047-2049	1,655,000	100,350	-	-	1,755,350
Total	$ 10,685,000	5,723,550	$ 57,152	39,572	$ 16,505,274

Under the most restrictive provisions of the debt agreements, the District is required to establish a debt service fund held by a trustee and make monthly deposits into the account in amounts so that the aggregate amount of the fund is equal to the principal and interest due and payable on the bond payment date. 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, 2020:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2020 Revenue Bond	$ -	11,140,000	245,000	10,895,000	$ 210,000
2020 Revenue Bond Premium	-	531,120	17,704	513,416	-
2014 Revenue Bond	504,624	-	504,624	-	-
2009 Revenue Bond	1,350,000	-	1,350,000	-	-
1978 Capital Lease	60,106	-	1,433	58,673	1,521
Total Debt	1,914,730	11,671,120	2,118,761	11,467,089	211,521
Compensated Absences	137,662	68,831	37,577	168,916	84,458
Total	$ 2,052,392	11,739,951	2,156,338	11,636,005	$ 295,979

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan

State Retirement Plan

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

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

Plan Description

The PEBA issues a Comprehensive Annual Financial Report containing financial statements and required supplementary information for the System' Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through 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 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

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS ("Plans") contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the PEBA Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent.

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Plan Contributions (Continued)

If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, 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 85 percent.

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		
	2019	2020	2021
Employer Contribution Rate:^			
Retirement*	14.41%	15.41%	15.41%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	14.56%	15.56%	15.56%
Employee Contribution Rate	9.00%	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	SCRS Contributions	
June 30,	Required	% Contributed
2021	$ 180,939	100%
2020	173,734	100%
2019	$ 156,759	100%

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

Year Ended June 30,	SCRS Payroll
2021	$ 1,162,849
2020	1,116,546
2019	$ 1,076,643

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 for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation (previous report was issued for the period ending June 30, 2015).

The June 30, 2020 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, and are based on an actuarial valuation performed as of July 1, 2019. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020 (measurement date) 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 20 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 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.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**51.0%**		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	**12.0%**		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	**8.0%**		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	**15.0%**		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	**14.0%**		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Rate of Return	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

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, 2020, 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	$ 51,844,187,763	26,292,418,682	$ 25,551,769,081	50.7%

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, 2021, the District reported a liability of approximately $2,557,000 for its proportionate share of the net pension liability for the SCRS. The NPL was measured as of June 30, 2020, and the TPL for the Plan used to calculate the NPL was determined based on the most recent actuarial valuation report of July 1, 2019 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, 2020 measurement date, the District's SCRS proportion was 0.010008 percent, which was an decrease of 0.000188 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of approximately $284,000 for the SCRS. At June 30, 2021, 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	$ 29,507	$ 9,670
Change in Assumptions	3,133	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	188,108	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	43,766	153,361
Employer Contributions Subsequent to the Measurement Date	180,939	-
Total SCRS	$ 445,453	$ 163,031

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

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

Approximately $181,000 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, 2022. 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
2022	$ 8,075
2023	(8,137)
2024	53,545
2025	48,000
Total	$ 101,483

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 NPL 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	$ 3,169,410	2,557,260	$ 2,046,107

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 $22,000 to the PEBA as of June 30, 2021, representing required employer and employee contributions for the months of June 2021 for the SCRS. This amount is included in Accrued Expenses on the financial statements and was paid in July 2021.

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, 2019, the last actuarial valuation, the following employees were covered by the OPEB Plan's benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	6
Active Members	18
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	40%	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	June 30, 2019
Average Retirement Age	62
Acuarial Cost Method	Entry Age normal
Assets Backing OPEB Liability	None
Plan Asset Return	0.00%
Bond Yield	2.21%
Discount Rate	2.21%
Measurement Date	June 30, 2020
Prior Measurement Date	June 30, 2019
Prior Year Discount Rate	3.50%
Projected Salary Increases	3.00%
Amoritization Period	7.5
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 2.21% at June 30, 2021, 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, 2020 and the OPEB liability and expense as of June 30, 2021 were calculated using the Entry Age normal as discussed above.

	OPEB Liability
Balance as of June 30, 2020	$ 3,658,708
Changes for the year:	
Service Cost	84,137
Interest	127,098
Difference Between Expected/Actual Experience	5,412
Changes of Assumptions or Other Inputs	1,193,641
Benefit Payments and Implicit Subsidy Credit	(55,119)
Net Changes	1,355,169
Balance as of June 30, 2021	$ 5,013,877

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

For the year ended June 30, 2021, the District recognized OPEB expense of approximately $366,000. The District deferred inflows of resources and deferred outflow of resources related to its OPEB Plan was approximately $324,000 and $1,413,000 respectively 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 2.21% as June 30, 2021, 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 2.21%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (1.21%) or 1% point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
OPEB Liability	$ 6,298,182	5,013,877	$ 4,052,310

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 7.25%, as well as what it would be if it were calculated using a medical cost trend rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Medical Cost Trend Rate (7.25%)	1% Increase (8.25%)
OPEB Liability	$ 3,947,891	5,013,877	$ 6,478,205

D. Subsequent Events

The District is not aware of any subsequent events as of December 17, 2021, the date these financials were available to be issued.

E. Related Parties

Chester Metropolitan District (the "Metropolitan District") is an independent organization. Billing and collections are performed jointly by Metropolitan District and the District, 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, 2021 and 2020, were approximately $155,000 and $171,000, respectively. At June 30, 2021 and 2020, 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 $41,000 and $37,000 at June 30, 2021 and 2020, respectively, included in the accompanying balance sheets.

F. Other Items

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. Management is actively monitoring the impact from this health crisis on its financial condition, liquidity, operations, workforce and constituents.

As local and federal governments recommend or mandate restrictions on business and travel in an effort to curb the COVID-19 outbreak by changing consumer behavior, the District expects such restrictions to negatively impact revenues. Such restrictions are currently expected to be temporary; however, there is considerable uncertainty about their duration. Given the daily evolution of the COVID-19 outbreak, the District cannot estimate the duration or gravity of its impact at this time. If the pandemic continues for a long period of time, it may have a material adverse effect on the District's results of operations, net position/fund balance and liquidity in 2021.

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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 2021

	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
OPEB Liability:				
Service Cost	$ 84,137	78,577	85,163	$ 100,689
Interest	127,098	115,333	107,933	98,143
Differences Between Expected and Actual Experience	5,412	311,175	(304)	(5,908)
Changes of Assumptions	1,193,641	198,580	(200,258)	(386,913)
Benefit Payments, Including Refunds of Member Contributions	(55,119)	(49,799)	(38,701)	(30,879)
Net Change in Total OPEB Liability	1,355,169	653,866	(46,167)	(224,868)
OPEB Liability - Beginning of Year	3,658,708	3,004,842	3,051,009	3,275,877
OPEB Liability - End of Year (a)	$ 5,013,877	3,658,708	3,004,842	$ 3,051,009
Covered-Employee Payroll	$ 1,058,603	1,058,603	1,094,898	$ 1,094,898
OPEB Liability as a Percentage of Covered-Employee Payroll	473.63%	345.62%	274.44%	278.66%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30, 2020 (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 3.5% to 2.21%

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 SEVEN FISCAL YEARS

	Year Ended June 30,							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Authority's Proportion of the Net Pension Liability	0.010008%	0.010196%	0.011335%	0.010556%	0.010114%	0.008484%	0.008794%	0.008794%
Authority's Proportionate Share of the Net Pension Liability	$ 2,557,260	$ 2,328,111	2,539,887	2,376,325	2,160,335	1,609,032	1,514,035	$ 1,577,330
Authority's Covered Payroll	$ 1,116,546	$ 1,076,643	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	229.03%	216.24%	216.22%	229.09%	223.60%	202.16%	189.36%	207.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.71%	54.40%	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 SEVEN FISCAL YEARS

	Year Ended June 30,							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 173,734	$ 173,734	$ 156,759	$ 159,283	119,911	106,858	86,755	$ 84,752
Contributions in Relation to the Contractually Required Contribution:								
Contributions from the District	173,734	173,734	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	$ 1,116,546	$ 1,116,546	$ 1,076,643	$ 1,174,655	1,037,292	966,166	795,917	$ 799,547
Contributions as a Percentage of Covered Payroll:	15.56%	15.56%	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 14.56% to 15.56% of eligible payroll for the year ended June 30, 2020

SUPPLEMENTARY INFORMATION

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance
OPERATING EXPENSES			
Administrative & General Expenses:			
Salaries	377,300	270,349	106,951
FICA Tax	30,000	20,328	9,672
Retirement	65,000	64,184	816
Workman's Compensation	29,000	10,666	18,334
Uniforms & Shoes	500	811	(311)
Health and Insurance	47,000	126,078	(79,078)
Dues & Meetings	18,000	11,270	6,730
Safety Training	15,000	5,247	9,753
Legal	40,000	80,202	(40,202)
Audit	23,000	17,500	5,500
Postage	1,500	776	724
Utilities	18,300	21,619	(3,319)
Project Engineering Expenses	65,000	134,288	(69,288)
Property Maintenance	5,000	3,606	1,394
Contract Services	171,000	223,851	(52,851)
CMD Admin Bill	160,000	155,163	4,837
Office Lease	21,000	20,550	450
Subscriptions	1,500	4,004	(2,504)
US Bank Trust Services	2,500	2,583	(83)
Office Supplies	20,000	11,055	8,945
Vehicle Repair & Maintenance	2,500	1,298	1,202
Equipment Fuel	6,800	2,274	4,526
Cleaning Services	7,600	7,200	400
Commission Meals and Expenses	2,500	975	1,525
City Lease	5,000	3,479	1,521
City Lease escrow	5,000	5,000	-
Property & Liability Insurance Expense	10,000	20,485	(10,485)
Bank Fees	6,000	2,441	3,559
Bad Debt Expense	-	4,935	(4,935)
Community Outreach	20,000	9,891	10,109
Non Capitalized Assets	4,000	22,778	(18,778)
Miscellaneous Expense	16,600	13,326	3,274
Total Administrative & General Expenses	5,071,700	1,326,255	3,745,445

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance
Sewer Lines Expenses:			
Salaries	420,000	383,818	36,182
FICA Tax	33,000	27,729	5,271
Retirement	70,000	91,927	(21,927)
Health Insurance	45,000	122,843	(77,843)
Workman's Compensation	-	3,939	(3,939)
Uniforms & Shoes	6,000	4,423	1,577
Dues	1,000	1,112	(112)
Education & Travel	7,000	5,903	1,097
Utilities	57,500	49,966	7,534
Legal	1,500	85	1,415
Property & Liability Insurance Expense	15,000	5,711	9,289
Engineering services	68,000	54,681	13,319
Contract Services	100,000	35,298	64,702
Outside Lab Testing	-	512	(512)
Permits	-	3,236	(3,236)
Property Maintenance	18,300	13,910	4,390
Line & Lift Station Chemicals	6,000	5,435	565
Supplies	9,700	10,220	(520)
Road Repair	6,000	7,610	(1,610)
Equipment Repair	23,500	12,391	11,109
Equipment Fuel	23,500	15,673	7,827
Auto and Equipment Repair & Maintenance	24,000	6,145	17,855
Spill Recovery	-	515	(515)
Non Capitalized Assets	25,000	19,764	5,236
Miscellaneous	-	1,671	(1,671)
Total Sewer Lines Expenses	960,000	884,517	75,483
Lando Plant Expenses:			
Salaries	65,000	80,786	(15,786)
FICA Tax	5,000	8,206	(3,206)
Retirement	11,000	25,403	(14,403)
Health Insurance	6,500	23,020	(16,520)
Workman's Compensation	-	281	(281)
Uniforms & Shoes	1,500	384	1,116
Dues	-	120	(120)
Safety Training	2,000	1,064	936
Utilities	50,500	44,185	6,315
Property & Liability Insurance Expense	3,000	-	3,000
Vehicle Maintenance	500	-	500
Legal Services	1,000	2,823	(1,823)
Engineering Services	-	1,066	(1,066)
Property Maintenance	9,500	8,213	1,287

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance
Contract Service	15,000	10,462	4,538
Outside Lab Testing	20,000	25,090	(5,090)
Permits	7,000	3,463	3,537
Lab Supplies & Chemicals	-	1,171	(1,171)
Sludge Tip Fees	-	2,481	(2,481)
Plant Supplies	1,500	1,527	(27)
Plant Chemicals	43,000	20,725	22,275
Plant Repair	2,000	2,531	(531)
Equipment Fuel	1,000	1,498	(498)
Equipment Repair & Maintenance	10,000	9,347	653
Non Capitalized Assets	9,000	5,501	3,499
Miscellaneous	-	99	(99)
Total Lando Plant Expenses	264,000	279,458	(15,458)
Rocky Creek Plant Expenses:			
Salaries	190,000	170,428	19,572
FICA Taxes	15,000	10,285	4,715
Retirement	32,000	35,173	(3,173)
Health Insurance	25,000	85,431	(60,431)
Retiree Insurance	-	-	-
Workman's Compensation	-	1,407	(1,407)
Uniforms & Shoes	2,500	1,816	684
Dues	500	45	455
Travel and Training	4,000	2,430	1,570
Safety Training	-	90	(90)
Utilities	89,000	69,782	19,218
Vehicle Maintenance	5,500	523	4,977
Legal Services	6,000	975	5,025
Property & Liability Insurance Expense	11,500	11,487	13
Engineering Services	5,000	-	5,000
Property Maintenance	7,400	5,075	2,325
Contract Service	50,000	13,585	36,415
Outside Lab Testing	20,000	19,185	815
Permits	8,000	7,331	669
Lab Supplies & Chemicals	-	551	(551)
Sludge Tip Fees	20,000	3,659	16,341
Digester Cleaning	55,000	-	55,000
Supplies	5,000	3,512	1,488
Plant Chemicals	62,000	41,055	20,945
Plant Repair	20,000	4,243	15,757
Equipment Fuel	2,500	1,939	561
Equipment Repair	20,000	5,656	14,344

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance
Toxicity	25,000	13,813	11,187
Non Capitalized Assets	5,000	13,518	(8,518)
Miscellaneous	-	646	(646)
Total Rocky Creek Plant Expenses	$ 685,900	523,640	$ 162,260
Sandy River Plant Expenses:			
Salaries	220,000	208,998	11,002
FICA Taxes	17,000	15,233	1,767
Retirement	37,000	49,707	(12,707)
Health Insurance	21,000	57,134	(36,134)
Uniforms & Shoes	3,500	1,800	1,700
Workman's Compensation	-	1,688	(1,688)
Dues	500	45	455
Travel and Training	5,000	2,580	2,420
Safety Training	-	30	(30)
Utilities	99,500	92,448	7,052
Vehicle Maintenance	2,000	1,964	36
Legal Services	1,000	-	1,000
Property & Liability Insurance Expense	5,500	9,190	(3,690)
Engineering Services	45,000	21,234	23,766
Property Maintenance	9,000	6,658	2,342
Contract Service	35,000	7,663	27,337
Outside Lab Testing	16,000	10,536	5,464
Permits	5,000	2,331	2,669
Lab Supplies & Chemicals	-	2,470	(2,470)
Sludge Tip Fees	40,000	6,130	33,870
Digester Cleaning	55,000	27	54,973
Supplies	5,000	2,432	2,568
Plant Chemicals	51,000	23,339	27,661
Plant Repair	10,000	8,566	1,434
Equipment Fuel	3,000	2,401	599
Equipment Repair	15,000	5,980	9,020
Non Capitalized Assets	5,000	4,651	349
Miscellaneous	-	21	(21)
Total Sandy River Plant Expenses	$ 706,000	547,914	$ 158,086
Pretreatment Expenses:			
Salaries	70,000	75,412	(5,412)
FICA Taxes	5,500	5,644	(144)
Retirement	11,700	18,047	(6,347)
Health Insurance	5,500	30,309	(24,809)
Workman's Compensation	-	422	(422)

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance
Dues	500	30	470
Travel and Training	4,000	468	3,532
Utilities	1,500	1,453	47
Legal Services	3,000	1,430	1,570
Contract Services	1,000	-	1,000
Engineering Services	43,000	52,913	(9,913)
Supplies	1,000	105	895
Equipment Fuel	2,000	737	1,263
Equipment Repair	1,500	342	1,158
Non Capitalized Assets	500	-	500
Miscellaneous	6,000	2,025	3,975
Total Pretreatment Expenses	$ 156,700	189,337	$ (32,637)
Depreciation Expense	-	1,020,728	(1,020,728)
Total Operating Expenses	**$ 7,844,300**	**4,771,849**	**$ 3,072,451**
NET OPERATING INCOME	**$ (3,000,600)**	**427,702**	**$ 3,428,302**

COMPLIANCE SECTION

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 Chester Sewer District, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Chester Sewer District's basic financial statements, and have issued our report thereon dated December 17, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

218 W. Laurens Street Laurens, SC 29360 Phone: 864.984.2698 Fax: 864.984.2874 lovebaileycpa.com

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
December 17, 2021