CHESTER SEWER DISTRICT

RICHBURG, SOUTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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

Opinions

We have audited the accompanying financial statements of the enterprise fund of Chester Sewer District, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund of Chester Sewer District, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chester Sewer District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chester Sewer District's basic financial statements. The schedule of expenses – budget and actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenses – budget and actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 19, 2023, 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, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
December 19, 2023

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CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 ("FY 2023") and June 30, 2022 ("FY 2022"). 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, Operations Director
- Mr. Michael Hunter, Superintendent District Collections & Maintenance.

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Introduction

Revenues were less than budget due to decreased flows from industrial customers. Industrial customer Footprint US closed in March 2023. The closure resulted in budget loss of $48,000. This was offset by our largest customer Giti Tire increasing production. The District performed well despite increasing costs and beginning capital projects. Operating Gain decreased from last year by $126,000. This was due to beginning a sewer line replacement on Dawson Drive and the replacement of the Mesco Pumping station. This resulted in increased engineering and professional services. CWR also incurred increased legal fees due to industrial discharge issue that is in the process of being resolved. Depreciation continues to increase as we replace fully depreciated equipment with newer equipment. CWR did take advantage of the favorable interest rates at the local government investment pool and increased our deposits. Despite operational challenges CWR had an increase in net position of $576,000.

Fiscal Year 2023-2024 will provide challenges as we deal with inflation and growth. Like everyone else, the District is experiencing inflation as cost increases for fuel, chemicals (primarily chlorine), landfill fees as well as all other supplies and materials, thus, increasing our overall operating costs.

Chester County has also seen an increase in interest from developers and potential industrial customers, especially in the Richburg area. The District is taking action to stay ahead of any potential issues that might arise from rapid growth and transform those challenges into opportunities. Therefore, we are planning accordingly.

Administration and Finance

The District's Administration and Finance Department experienced no significant changes in operations and added no substantial capital improvements during the 2022-2023 fiscal year.

Wastewater Treatment

Lando-Manetta Wastewater Treatment Plant

The Lando-Manetta Wastewater Treatment Plant experienced no significant changes in operations and added no substantial capital improvements during the 2022-2023 fiscal year.

Rocky Creek Wastewater Treatment Plant

The Rocky Creek WWTP experienced no significant changes in operations and added no substantial capital improvements during the 2022-2023 fiscal year. The District did fill the two open operator positions.

Sandy River Wastewater Treatment Plant

The Sandy River WWTP experienced no significant changes in operations and added no substantial capital improvements during the 2022-2023 fiscal year.

Industrial Pretreatment Program (IPP)

Pretreatment continues to work with an industry to reduce chemical flows. This department is working with a Lithium battery manufacturer that has announced it will construct a manufacturing facility in the Richburg area to get the proper permitting complete. This department also responds to requests from other potential industrial prospects.

Maintenance & Collections

The Maintenance & Collections Department provided the District with onsite oversight of the replacement of a sewer line serving the Dawson Drive area of Chester. This project will allow for reduced maintenance on the line and enable CWR to better serve our customers. The project was funded with a combination of Community Development Block Grant (CDBG) in cooperation with Chester County and CWR capital reserve funds. When this project is complete it should eliminate some of the infiltration and inflow to the Wastewater Treatment plants.

Forward Looking Statements

The District has begun work on replacing Dawson Drive sewer line. Necessary easements and permits were acquired and the project is in process. This project should be completed in fiscal year 2023-2024.

Replacing the aging Mesco Pump station is also under way. This project should also be completed in fiscal year 2023-2024.

The District has temporarily stopped the supervisory and control data (SCADA) project. The system mapping has continued, and this is more than 85% complete. The SCADA project has been stopped as the District is looking to sign and agreement with the City of Rock Hill for sewer treatment. This will allow CWR to add capacity to serve the rapidly growing Richburg area more efficiently and cost effectively than increasing the size of the Lando Manetta WWTP. The connection, once completed will enable to district to take Lando-Manetta out of service. This will be an annual savings of approximately $300,000. It will also reduce the scope of the SCADA project.

The District has received $10,000,000 in grant funds from the ARPA funding. This grant is administered by the Rural Infrastructure Authority. The District also received $5,000,000 direct appropriation from the South Carolina General Assembly to help offset the anticipated $42,000,000 cost of constructing the sewer line to the area designated by the City of Rock Hill.

The District continues to explore ways to access additional funds for this project. Once completed, this line will be sufficiently sized to cover the anticipated demand for wastewater services in the Richburg area.

The District is also pursuing and Economic Development Authority grant to offset the cost of extending sewer to the new facility being constructed by the Albemarle Corporation for its new battery manufacturing facility.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 and 2022 are as follows:

- As of June 30, 2023, the District's net position totaled $21,846,398, of which $17,668,165 was net investment in capital assets and $6,686,766 was restricted. After accounting for its net pension liability and other postemployment benefit ("OPEB") liability, the District has an unrestricted net deficit of ($2,508,533). As of June 30, 2022, the District's net position totaled $21,270,764, of which $17,476,540 was net investment in capital assets and $6,369,201 was restricted. After accounting for its net pension liability and other postemployment benefit ("OPEB") liability, the District has an unrestricted net deficit of ($2,574,977).
- Prior to accounting for its 2023 net pension and OPEB liabilities, the District's unrestricted net position was $3,771,056 or approximately 77% of total operating expenses. After accounting for its net pension and OPEB liabilities, the unrestricted net deficit of ($2,508,533) was approximately (51%) of total operating expenses. At the end of 2022, prior to accounting for its pension and OPEB liabilities, the District's unrestricted net position was $3,792,591 or approximately 80% of total operating expenses. After accounting for its net pension and OPEB liabilities, the unrestricted net deficit of ($2,574,977) was approximately (54%) of total operating expenses.
- During 2023, charges for service totaled $5,523,591, compared to $5,484,860 in the prior year. The increase of $38,731 was due to rate increase as well. During 2022, charges for service totaled $5,484,860, compared to $5,199,551 in the prior year. The increase of $285,309 was due to rate increase as well as an increase in discharge from our industrial customers.
- 2023 total revenues of $6,426,279 were $1,612,715 less than total revenues of $8,038,994 in the prior year. The decrease was due primarily to less capital recovery fees being collected from large tract developers. 2022 total revenues of $8,038,994 were $787,680 more than total revenues of $7,251,314 in the prior year. The increase was due primarily to capital recovery fees being collected from large tract developers.
- 2023 total expenses of $5,850,645 were $757,740 more than total expenses of $5,092,905 in the prior year. The increase was due primarily to a return of previously collected capital recovery fees. 2022 total expenses of $5,092,905 were $37,574 less than total expenses of $5,130,479 in the prior year. The decrease was due primarily to decrease in contracted services related to construction of a new building.
- The District's total debt decreased by $202,229 (2%) during 2023 and decreased by $260,055 (2%) during 2022. The current year reductions were due to regularly scheduled principal payments partially offset by an increase in a financing lease and the prior year reductions were primarily due to regularly scheduled principal payments.
- The District's net capital assets decreased $323,493 (1%) during 2023. The decrease was due to depreciation expense of $1,087,229, partially offset by additions of $763,736. The District's net capital assets decreased $894,230 (4%) during 2022. The decrease was due to depreciation expense of $1,053,289, partially offset by additions of $159,059.

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023, 2022, and 2021.

Condensed Statement of Net Position

	June 30, 2023	June 30,2022	Dollar Change	Percentage Change	June 30,2021
Assets					
Current Assets	$ 22,669,652	$ 17,021,796	5,647,856	33.2%	$ 13,241,267
Capital Assets	21,907,328	22,292,557	(385,229)	-1.7%	23,186,787
Total Assets	44,576,980	39,314,353	5,262,627	13.4%	36,428,054
Deferred Outflow of Resources					
Deferred Charges	1,310,121	1,595,975	(285,854)	-17.9%	1,858,057
Liabilities					
Current Liabilities	834,985	816,872	18,113	2.2%	781,203
Long-Term Liabilities	10,615,778	10,859,149	(243,371)	-2.2%	11,121,612
Net Pension Liability	2,461,214	2,226,235	234,979	10.6%	2,557,260
OPEB Liability	3,439,083	4,411,392	(972,309)	-22.0%	5,013,877
Total Liabilities	17,351,060	18,313,648	(962,588)	-5.3%	19,473,952
Deferred Inflow of Resources					
Deferred Credits	1,689,413	487,484	1,201,929	246.6%	596,773
Unearned Revenue	5,000,000	-	5,000,000	100.0%	-
Net Position					
Net Investment in Capital Assets	17,668,395	17,476,540	191,855	1.1%	18,123,868
Restricted	6,686,766	6,369,201	317,565	5.0%	6,369,707
Unrestricted	(2,508,533)	(2,574,977)	66,444	-2.6%	(6,168,900)
Total Net Position	$ 21,846,628	$ 21,270,764	575,864	2.7%	$ 18,324,675

CONDENSED COMPARATIVE FINANCIAL DATA (CONTINUED)

See below for the changes in net position for fiscal years 2023, 2022 and 2021.

Condensed Statement of Changes in Net Position

	2023	2022	Dollar Change	Percent Change	2021
Revenues					
Operating Revenues	$ 5,523,591	5,484,860	38,731	0.7%	$ 5,199,551
Non-Operating Revenues	515,551	2,435,566	(1,920,015)	-78.8%	947,496
Grant Revenue	387,137	118,568	268,569	226.5%	1,104,267
Total Revenues	6,426,279	8,038,994	(1,612,715)	-20.1%	7,251,314
Expenses					
Operating Expenses*	3,824,547	3,688,931	135,616	3.7%	3,731,049
Non-Operating Expenses	944,251	350,686	593,565	169.3%	356,671
Depreciation Expense	1,081,617	1,053,288	28,329	2.7%	1,042,759
Total Expenses	5,850,415	5,092,905	757,510	14.9%	5,130,479
Change in Net Position	575,864	2,946,089	(2,370,225)	-80.5%	2,120,835
Beginning Net Position	21,270,764	18,324,675			16,203,840
Ending Net Position	$ 21,846,628	21,270,764	575,864	2.7%	$ 18,324,675

*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 $5,262,627 (13%) during fiscal year 2023 primarily due to an increase in current assets of $5,647,856 and a decrease in capital assets of $385,229 (2%). The increase in current assets is primarily due to the increase in cash and restricted cash. Total assets increased by $2,886,299 (8%) during fiscal year 2022 primarily due to an increase in current assets of $3,780,529 and a decrease in capital assets of $894,230 (4%). The increase in current assets is primarily due to the increase in cash and restricted cash.

Total liabilities decreased by $962,588 (5%) during fiscal year 2023 primarily due to a $972,309 decrease in OPEB liability and a decrease in long-term liabilities by $243,371 partially offset by a $234,979 increase in Net Pension liability. Total liabilities decreased by $1,160,304 (6%) during fiscal year 2022 primarily due to a $602,485 decrease in OPEB liability and a $331,025 decrease in Net Pension liability partially offset by a increase in current liabilities by $35,669.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

Financial Position (continued)

During 2023, net position increased by $575,864 (3%) as total revenues exceeded expenses by $575,864. The increase in net position was a result of an increase in the net amount invested in capital assets of $191,855 an increase in restricted net position of $317,565 and an increase in unrestricted net position of $66,444. The increase in the net investment in capital assets was attributable current year Construction in progress projects that are not subject to depreciation until completed and put into service. The increase in unrestricted net position was attributable to an increase in total revenues derived in large part from rising interest on investments. This offset an increase in total expenses related to projects and industrial user issues. The District's 2023 unrestricted balance without the net pension and OPEB liabilities would be $3,771,056. During 2022, net position increased by $2,946,089 (16%) as total revenues exceeded expenses by $2,946,089. The increase in net position was a result of a decrease in the net amount invested in capital assets of $647,328 a decrease in restricted net position of $506 and an increase in unrestricted net position of $3,593,923. The decrease in the net investment in capital assets was attributable current year depreciation less additions. The increase in unrestricted net position was attributable to an increase in total revenues and a decrease in total expenses. The District's 2022 unrestricted balance without the net pension and OPEB liabilities would be $3,792,591.

Operating Results

During fiscal year 2023, the District had an operating gain of $617,427 a decrease of $125,214 from the prior year gain of $742,641. Operating revenues increased by $38,731 or 1% during 2022. The increase was due to rate increases. Billable flow was down 13.0 million gallons from fiscal year 2022. This was offset very slightly by a 2.1-million-gallon increase from commercial and residential customers. Operating expenses increased by $135,616 or 4% during 2023 primarily due to decrease in contract services related to completed construction on new multi-purpose building and legal expenses relating to permit enforcement. During fiscal year 2022, the District had an operating gain of $742,641 an increase of $316,898 from the prior year gain of $425,743. Operating revenues increased by $285,309 or 6% during 2022. The increase was due to increased flow from Industrial customers. Flow from industrial customers increased by approximately 8 million gallons. Residential revenue also increased by $100,000. This was from increased flow from commercial customers. Operating expenses decreased by $42,118 or 1% during 2022 primarily due to decrease in contract services related to completed construction on new multi-purpose building.

Non-Operating Revenues

Non-operating revenues decreased by $1,920,015 or 79% during fiscal year 2023 primarily due changes in capital recovery fees. Non-operating revenues increased by $1,488,070 or 157% during fiscal year 2022 primarily due changes in capital recovery fees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023 and 2022, the District had $21,907,328 and $22,292,557 respectively, invested in capital assets, net of depreciation.

In 2023, the net decrease in the District's investment in capital assets was $385,29 (2%) primarily due to depreciation expense which were partially offset by capital additions. In 2022, the net decrease in the District's investment in capital assets was $894,230 (4%) primarily due to depreciation expense which were partially offset by capital 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, 2023	June 30,2022	June 30,2021
Land	$ 413,195	413,195	$ 401,333
Construction in Progress	625,610	14,033	14,033
Buildings	3,004,209	3,004,209	3,004,209
Sewer System	34,188,038	34,188,038	34,188,038
Equipment	4,894,349	4,870,538	4,781,498
Automobiles	879,630	818,630	793,992
Right to Use Asset	60,585	60,585	60,585
Less: Accumulated Depreciation	(22,158,288)	(21,076,671)	(20,056,901)
Totals	$ 21,907,328	22,292,557	$ 23,186,787

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, 2023	June 30,2022	June 30, 2021
2020 Revenue Bond	$ 10,240,000	10,465,000	$ 10,685,000
2020 Revenue Bond Premium	460,304	478,008	495,712
1978 Financing Lease	53,823	55,537	57,152
Administration Building Financing Lease	-	19,777	40,513
	$ 10,754,127	11,018,322	$ 11,278,377

The District made $264,195 in principal payments during 2023 and $260,055 in principal payments in 2022.

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 as well as potential industrial prospects looking to locate facilities in our service area.

FISCAL YEAR 2023-2024 BUDGET

The Board of Directors has adopted the District's budget for the year ended June 30, 2024. The approval of the budget provides funding for the District's operating and debt service costs for the year end June 30, 2024. 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, 2023 AND 2022

	ENTERPRISE FUND	
	2023	**2022**
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 8,796,662	$ 6,650,654
Restricted Cash and Cash Equivalents	12,693,865	9,538,288
Investments	210,271	210,238
Restricted Investments	111,154	49,699
Trade Receivables, Net	435,069	135,760
Other Receivables	-	8,750
Unbilled Revenue	219,408	351,468
Prepaid Expenses	28,643	40,392
Due from Chester Metropolitan District	174,580	36,547
Total Current Assets	22,669,652	17,021,796
Capital Assets:		
Non-Depreciable	1,038,805	427,228
Depreciable, Net	20,930,259	21,865,329
Total Assets	44,638,716	39,314,353
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges - Net Pension Liability	353,809	411,517
Deferred Charges - OPEB Liability	956,312	1,184,458
LIABILITIES		
Current Liabilities:		
Accounts Payable	192,030	231,511
Accrued Expenses	166,697	110,250
Accrued Interest Payable	25,600	26,163
Compensated Absences	98,470	86,452
Customer Deposits	115,368	116,870
Current Maturities of Financing Leases	23,755	21,491
Current Maturities of Long-Term Debt	235,000	225,000
Total Current Liabilities	856,920	817,737
OPEB Liability	3,439,083	4,411,392
Net Pension Liability	2,461,214	2,226,235
Compensated Absences, Net of Current Portion	98,471	86,453
Financing Leases, Net of Current Portion	92,034	53,823
Long-Term Debt, Net of Current Portion	10,465,304	10,718,008
Total Liabilities	17,413,026	18,313,648
DEFERRED INFLOWS OF RESOURCES		
Deferred Credits - Net Pension Liability	45,679	409,035
Deferred Credits - OPEB Liability	1,643,734	916,881
Unearned Revenue	5,000,000	-
NET POSITION		
Net Investment in Capital Assets	17,668,165	17,476,540
Restricted for Debt Service	111,154	49,699
Restricted for Capital Projects	6,575,612	6,319,502
Unrestricted	(2,508,533)	(2,574,977)
Total Net Position	**$ 21,846,398**	**$ 21,270,764**

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, 2023 AND 2022

	ENTERPRISE FUND	
	2023	**2022**
OPERATING REVENUES		
Sewer services	$ 5,494,600	$ 5,452,959
Pretreatment Fees	28,991	29,188
Penalties	-	2,713
Total Operating Revenues	**5,523,591**	**5,484,860**
OPERATING EXPENSES		
Administration	1,544,225	1,213,223
Sewer lines	787,723	889,593
Rocky Creek plant	504,694	559,654
Sandy River plant	411,337	551,201
Lando plant	323,308	278,272
Pretreatment	247,560	196,988
Depreciation	1,087,229	1,053,288
Total Operating Expenses	4,906,076	4,742,219
OPERATING GAIN/(LOSS)	**617,515**	**742,641**
NON-OPERATING REVENUES (EXPENSES)		
CAPITAL GRANTS- RESTRICTED:		
Federal grants	387,137	118,568
Total Capital Grants- Restricted	387,137	118,568
NON-OPERATING REVENUES		
Interest Income	468,743	32,385
Other Revenue	46,808	2,403,181
Total Non-Operating Revenues	515,551	2,435,566
NON-OPERATING EXPENSES		
Bond issuance expense	24,219	-
Interest Expense	344,350	350,686
Other Expenses	576,000	-
Total Non-Operating Expenses	944,569	350,686
Increase in Net Position	**575,634**	**2,946,089**
Net Position, Beginning of Year	21,270,764	18,324,675
Net Position, End Of Period	**$ 21,846,398**	**$ 21,270,764**

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, 2023 AND 2022

	ENTERPRISE FUND	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 5,356,342	$ 6,447,987
Cash Paid to Suppliers and Employees	945,408	(3,613,505)
Net Cash Provided By Operating Activities	6,301,750	2,834,482
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Other Revenue	46,808	2,403,181
Payments from Other Expenses	(576,000)	-
Total Cash Flows (Used In) Provided By Noncapital Financing Activities	(529,192)	2,403,181
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(703,317)	(35,929)
Contributed capital and miscellaneous income	-	(5,931)
Bond Issuances Costs	(24,219)	-
Proceeds From Debt	67,348	-
Proceeds From Grants	395,887	130,503
Principal Paid on Debt	(269,577)	(260,055)
Interest Paid on Debt	(344,350)	(350,686)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(878,228)	(522,098)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(61,488)	21
Interest on Investments	468,743	32,385
Net Cash Provided By Investing Activities	407,255	32,406
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,301,585	4,747,971
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16,188,942	11,440,971
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 21,490,527	$ 16,188,942

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, 2023 AND 2022

	ENTERPRISE FUND	
	2023	**2022**
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Gain (Loss)	$ 617,515	$ 742,641
Adjustments To Reconcile Operating Gain (Loss) To Net Cash Provided By Operating Activities:		
Depreciation Expense	1,087,229	1,053,288
Changes In Assets and Liabilities:		
Trade Receivables, Net	(299,309)	956,936
Unbilled Revenue	132,060	6,191
Unearned Revenue	5,000,000	-
Due from Chester Metropolitan District	(138,033)	4,251
Prepaid Expenses	11,749	(11,892)
Accounts Payable	(99,900)	(116,180)
Accrued Expense	55,884	34,631
Compensated Absenses	24,036	1,732
Customer Service Deposits	(1,502)	(4,120)
Net OPEB Liability	(972,309)	(602,485)
Net Pension Liability	234,979	(331,025)
Changes In Deferred Outflows/Inflows of Resources:		
Deferred Pension Charges - Net Pension Liability	57,708	33,936
Deferred Pension Charges - OPEB	228,146	228,146
Deferred Pension Credits - Net Pension Liability	(363,356)	246,004
Deferred Pension Credits - OPEB	726,853	592,428
Net Cash Provided By Operating Activities	$ 6,301,750	$ 2,834,482
Non-Cash Investing, Capital and Financing Activities:		
Acquisition of Capital Assets Not Yet Paid For	$ 60,419	$ 117,198

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)

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

Change in Accounting Principle

The District adopted GASB Statement No. 87 "*Leases*" ("GASB #87" or "Statement") for the year ended June 30, 2022. The objective of GASB #87 is to better meet the information needs of financial users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of GASB #87 has resulted in no impact to the District's net position but has resulted in the addition of a lease liability and corresponding intangible right-to-use lease asset on the District's proprietary fund financial statements of approximately $60,585.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

2. Capital Assets (Continued)

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

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

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

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

3. Unbilled Revenue

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

4. Allowance for Doubtful Accounts

An allowance for possible credit losses is recorded and reduces the carrying value of trade receivables to its net realizable value. The amount of the reserve is based upon management's estimates of currently uncollectible accounts, historical trends, current economic trends and other factors. Provisions to increase the allowance are charged to operations. Account balances are written off when collection efforts are deemed ineffective. The allowance for accounts receivable at June 30, 2023 and 2022 totaled approximately $232,000 and $265,000, 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, 2023, none of the District's bank balances of $4,081,504 (which had a carrying value of $4,060,810) were exposed to custodial credit risk.

Investments

As of June 30, 2023, 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	$ 17,639,988	17,639,988	-	-	$ -
Money Market Mutual Funds	Level 1	AAAm, Aaa-mf	111,154	111,154	-	-	-
Total			$ 17,751,142	17,751,142	-	-	$ -

^ 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, 2023, and 2022, none of the District's investments were exposed to custodial credit risk.

A reconciliation of the District's deposits and investments at June 30, 2023 on its statement of net position to this footnote disclosure is as follows:

Description	Amount
Carrying Amount of Deposits	$ 4,060,810
Fair Value of Investments	17,751,142
Total Deposits and Investments	$ 21,811,952
Statement of Net Position:	
Cash and Cash Equivalents	$ 12,213,131
Cash and Cash Equivalents, Restricted	9,277,396
Investments	210,271
Investments, Restricted	111,154
Total Cash, Cash Equivalents, and Investments	$ 21,811,952

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

B. Capital Assets

Capital asset activity for the District for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	$ 413,195	-	-	-	$ 413,195
Construction in Progress	14,033	611,577	-	-	625,610
Total Capital Assets, Not Being Depreciated	427,228	611,577	-	-	1,038,805
Capital Assets, Being Depreciated:					
Buildings	3,004,209	-	-	-	3,004,209
Sewer System	34,188,038	-	-	-	34,188,038
Equipment	4,870,538	23,811	-	-	4,894,349
Automobiles	818,630	61,000	-	-	879,630
Right to Use Asset	60,585	67,348	60,585	-	67,348
Total Capital Assets, Being Depreciated	42,942,000	152,159	60,585	-	43,033,574
Less: Accumulated Depreciation	21,076,671	1,087,229	60,585	-	22,103,315
Total Capital Assets, Being Depreciated, Net	21,865,329	(935,070)	-	-	20,930,259
Capital Assets, Net	$ 22,292,557	(323,493)	-	-	$ 21,969,064

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

B. Capital Assets (Continued)

Capital asset activity for the District for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	$ 401,333	11,862	-	-	$ 413,195
Construction in Progress	14,033	-	-	-	14,033
Total Capital Assets, Not Being Depreciated	415,366	11,862	-	-	427,228
Capital Assets, Being Depreciated:					
Buildings	3,004,209	-	-	-	3,004,209
Sewer System	34,188,038	-	-	-	34,188,038
Equipment	4,781,498	122,559	33,519	-	4,870,538
Automobiles	793,992	24,638	-	-	818,630
Right to Use Asset	60,585	-	-	-	60,585
Total Capital Assets, Being Depreciated	42,828,322	147,197	33,519	-	42,942,000
Less: Accumulated Depreciation	20,056,901	1,053,289	33,519	-	21,076,671
Total Capital Assets, Being Depreciated, Net	22,771,421	(906,092)	-	-	21,865,329
Capital Assets, Net	$ 23,186,787	(894,230)	-	-	$ 22,292,557

Included in capital assets are assets purchased under financing leases with a net book value of approximately $69,000 and $25,000 at June 30, 2023 and 2022, respectively.

C. Accrued Expenses

Accrued expenses consist primarily of employee related withholdings.

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

D. Long Term Obligations

A summary of long-term debt payable at June 30, 2023 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.	$ 10,700,304
Total Outstanding Principal	10,700,304
Less: Current Portion	235,000
Total Long- Term Debt Payable	$ 10,465,304

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, 2023:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2020 Revenue Bond	$ 10,465,000	-	225,000	10,240,000	$ 235,000
2020 Revenue Bond Premium	478,008	-	17,704	460,304	-
1978 Financing Lease	55,537	-	1,714	53,823	1,820
Administration Building Financing Lease	19,777	67,348	25,159	61,966	21,935
Total Debt	11,018,322	67,348	269,577	10,816,093	258,755
Compensated Absences	172,905	86,453	62,417	196,941	98,470
Total	$ 11,191,227	153,801	331,994	11,013,034	$ 357,225

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

	Revenue Bonds		Financing Lease		
Year Ending June 30	Principal	Interest	Principal	Interest	Total
2024	$ 235,000	353,000	$ 23,755	4,045	$ 615,800
2025	240,000	343,600	24,541	3,439	611,580
2026	255,000	331,600	19,474	3,166	609,240
2027	265,000	318,850	2,178	2,822	588,850
2028	280,000	305,600	2,312	2,688	590,600
2029-2033	1,610,000	1,322,800	13,886	11,114	2,957,800
2034-2038	1,935,000	994,500	18,730	6,270	2,954,500
2039-2043	2,250,000	681,900	10,913	813	2,943,626
2044-2048	2,600,000	324,000	-	-	2,924,000
2049	570,000	17,100	-	-	587,100
Total	$ 10,240,000	4,992,950	$ 115,789	34,357	$ 15,383,096

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, 2022:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2020 Revenue Bond	$ 10,685,000	-	220,000	10,465,000	$ 225,000
2020 Revenue Bond Premium	495,712	-	17,704	478,008	-
1978 Financing Lease	57,152	-	1,615	55,537	1,714
Administration Building Financing Lease	40,513	-	20,736	19,777	19,777
Total Debt	11,278,377	-	260,055	11,018,322	246,491
Compensated Absences	171,173	85,587	83,855	172,905	86,452
Total	$ 11,449,550	85,587	343,910	11,191,227	$ 332,943

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 retirement systems and benefit 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 pension 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.

The PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and required supplementary information for the System' Pension Trust Funds. The ACFR 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 ACFR of the state.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. The SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

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 first-term individuals elected to the South Carolina General Assembly. 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. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for the SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for the SCRS and 9.75 percent for the PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both the 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. 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. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for the SCRS and 21.24 percent for the PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The PEBA Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Plan Contributions (Continued)

Pension reform legislation modified the statute such that the employer contribution rates for the SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of the SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the Plans. Finally, under the revised statute, the contribution rates for the SCRS and PORS may not be decreased until the Plans are at least 85 percent funded.

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	
	2022	2023
Employer Contribution Rate:^		
Retirement*	16.41%	17.41%
Incidental Death Benefit	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%
	16.56%	17.56%
Employee Contribution Rate	9.00%	9.00%

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

The actual and required contributions to the SCRS were approximately $218,000, for the year ended June 30, 2023.

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.

The June 30, 2022 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, 2021. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 (measurement date) for the SCRS.

	SCRS
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return*	7.00%
Projected Salary Increases*	3.0% to 11.0% (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 2020 Public Retirees of South Carolina Mortality table ("2020 PRSC"), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Actuarial Assumptions and Methods (continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 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
Public Equity	**46.0%**	6.79%	3.12%
Bonds	**26.0%**	-0.35%	-0.09%
Private Equity	**9.0%**	8.75%	0.79%
Private Debt	**7.0%**	6.00%	0.42%
Real Assets	**12.0%**		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
Total Expected Real Rate of Return	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.04%

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, 2022, 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	$ 56,454,779,872	32,212,626,932	$ 24,242,152,940	57.1%

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

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

At June 30, 2023, the District reported a liability of approximately $2,461,000 for its proportionate share of the net pension liability for the SCRS. The NPL was measured as of June 30, 2022, and the TPL for the Plan used to calculate the NPL was determined based on the most recent actuarial valuation report of July 1, 2021 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, 2022 measurement date, the District's SCRS proportion was 0.010153 percent, which was an decrease of 0.000134 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of approximately $147,000 for the SCRS. At June 30, 2023, 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	$ 21,383	$ 10,726
Change in Assumptions	78,937	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,796	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	31,774	34,953
Employer Contributions Subsequent to the Measurement Date	217,919	-
Total SCRS	$ 353,809	$ 45,679

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

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

Approximately $218,000 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, 2024. 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
2024	$ 51,081
2025	39,524
2026	(64,581)
2027	64,187
Total	$ 90,211

Discount Rate

The discount rate used to measure the TPL was 7.00 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 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability of the SCRS	$ 3,155,580	2,461,214	$ 1,883,939

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by the PEBA is available in the separately issued Annual Comprehensive Financial Report containing financial statements and required supplementary information for the SCRS. The Annual Comprehensive Financial Report 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 $53,000 to the PEBA as of June 30, 2023, representing required employer and employee contributions for the months of May and June 2023 for the SCRS. This amount is included in Accrued Expenses on the financial statements and was paid in July 2023.

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, 2022, 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	17
Total Membership	23

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, 2022
Average Retirement Age	62
Acuarial Cost Method	Entry Age normal
Assets Backing OPEB Liability	None
Plan Asset Return	0.00%
Bond Yield	3.54%
Discount Rate	3.54%
Measurement Date	June 30, 2022
Prior Measurement Date	June 30, 2021
Prior Year Discount Rate	2.16%
Projected Salary Increases	3.00%
Amoritization Period	6.2
Percentage Participation	95.00%
Mortality Table	PUB 2010 Mortality Table

III. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB Plan investments is 3.54% at June 30, 2023, 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, 2023 and the OPEB liability and expense as of June 30, 2023 were calculated using the Entry Age normal as discussed above.

	OPEB Liability
Balance as of June 30, 2022	$ 4,411,392
Changes for the year:	
Service Cost	94,783
Interest	94,703
Difference Between Expected/Actual Experience	(4,764)
Changes of Assumptions or Other Inputs	(1,102,744)
Benefit Payments and Implicit Subsidy Credit	(54,287)
Net Changes	(972,309)
Balance as of June 30, 2023	$ 3,439,083

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

For the year ended June 30, 2023, the District recognized OPEB expense of approximately $37,000. The District deferred inflows of resources and deferred outflow of resources related to its OPEB Plan was approximately $1,644,000 and $956,000 respectively as of June 30, 2023.

Discount Rate

The discount rate (long-term expected rate of return on OPEB Plan investments) used to measure the OPEB liability was 3.54% as June 30, 2023, which is the municipal bond rate as the OPEB Plan does not have any investments in an irrevocable trust as defined by GASB 75.

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following table presents the sensitivity of the District's OPEB liability to changes in the discount rate, calculated using the discount rate of 3.54%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.54%) or 1% point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
OPEB Liability	$ 4,194,667	3,439,083	$ 2,861,736

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 7.00%, as well as what it would be if it were calculated using a medical cost trend rate that is 1% point lower (6.00%) or 1% point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Medical Cost Trend Rate (7.00%)	1% Increase (8.00%)
OPEB Liability	$ 2,806,049	3,439,083	$ 4,281,261

D. Subsequent Events

The District is not aware of any subsequent events as of December 19, 2023, 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, 2023 and 2022, were approximately $176,000 and $169,000, respectively. At June 30, 2023 and 2022, 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 $175,000 and $37,000 at June 30, 2023 and 2022, respectively, included in the accompanying balance sheets.

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 2023

	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
OPEB Liability:						
Service Cost	$ 94,783	137,523	84,137	78,577	85,163	$ 100,689
Interest	94,703	110,191	127,098	115,333	107,933	98,143
Differences Between Expected and Actual Experience	(4,764)	(708,362)	5,412	311,175	(304)	(5,908)
Changes of Assumptions	(1,102,744)	(85,802)	1,193,641	198,580	(200,258)	(386,913)
Benefit Payments, Including Refunds of Member Contributions	(54,287)	(56,035)	(55,119)	(49,799)	(38,701)	(30,879)
Net Change in Total OPEB Liability	(972,309)	(602,485)	1,355,169	653,866	(46,167)	(224,868)
OPEB Liability - Beginning of Year	4,411,392	5,013,877	3,658,708	3,004,842	3,051,009	3,275,877
OPEB Liability - End of Year (a)	$ 3,439,083	4,411,392	5,013,877	3,658,708	3,004,842	$ 3,051,009
Covered-Employee Payroll	$ 1,127,462	1,127,462	1,058,603	1,058,603	1,094,898	$ 1,094,898
OPEB Liability as a Percentage of Covered-Employee Payroll	305.03%	391.27%	473.63%	345.62%	274.44%	278.66%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30, 2022 (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 2.16% to 3.54%

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 TEN FISCAL YEARS

	Year Ended June 30,									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Authority's Proportion of the Net Pension Liability	0.010153%	0.010287%	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	$ 2,461,214	$ 2,226,235	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	$ 1,208,938	$ 1,162,849	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	203.58%	191.45%	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	57.06%	60.75%	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 7.25% to 7.00% for the year ended June 30, 2021

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 217,919	$ 200,200	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	217,919	200,200	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	$ 1,240,996	$ 1,208,939	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:	17.56%	16.56%	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 15.56% to 16.56% of eligible payroll for the year ended June 30, 2022.

SUPPLEMENTARY INFORMATION

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance
OPERATING EXPENSES			
Administrative & General Expenses:			
Salaries	421,100	341,998	79,102
FICA Tax	32,300	24,560	7,740
Retirement	78,200	37,321	40,879
Workman's Compensation	22,500	21,778	722
Uniforms & Shoes	250	346	(96)
Health and Insurance	63,300	30,820	32,480
Retiree Insurance	49,100	49,759	(659)
Dues & Meetings	17,000	18,312	(1,312)
Safety Training	15,000	26,598	(11,598)
Legal	70,000	93,295	(23,295)
Audit	23,000	17,500	5,500
Postage	500	670	(170)
Utilities	27,000	22,035	4,965
Project Engineering Expenses	160,000	205,704	(45,704)
Property Maintenance	5,000	4,702	298
Contract Services	205,000	346,200	(141,200)
CMD Admin Bill	177,000	176,403	597
Office Lease	22,500	(3,650)	26,150
Subscriptions	3,000	6,184	(3,184)
US Bank Trust Services	5,000	4,771	229
Office Supplies	13,000	6,253	6,747
Vehicle Repair & Maintenance	4,000	3,693	307
Equipment Fuel	6,500	6,661	(161)
Equipment Repair & Maintenance	-	344	(344)
Cleaning Services	7,600	7,200	400
Commission Meals and Expenses	3,000	2,872	128
City Lease	5,000	3,286	1,714
City Lease escrow	5,000	5,000	-
Property & Liability Insurance Expense	50,000	50,270	(270)
Bank Fees	-	(2,361)	2,361
Bad Debt Expense	-	1,727	(1,727)
Community Outreach	15,000	15,321	(321)
Capital Expense	-	6,169	(6,169)
Non Capitalized Assets	13,000	9,379	3,621
Miscellaneous Expense	9,500	3,105	6,395
Total Administrative & General Expenses	1,528,350	1,544,225	(15,875)

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance
Sewer Lines Expenses:			
Salaries	425,700	414,667	11,033
FICA Tax	32,600	30,593	2,007
Retirement	79,100	48,739	30,361
Health Insurance	129,500	65,696	63,804
Uniforms & Shoes	6,000	7,317	(1,317)
Dues	2,000	1,061	939
Education & Travel	11,500	11,838	(338)
Utilities	54,500	60,198	(5,698)
Rent	-	1,184	(1,184)
Property & Liability Insurance Expense	-	250	(250)
Engineering services	94,000	-	94,000
Contract Services	75,000	11,146	63,854
Outside Lab Testing	-	459	(459)
Permits	-	3,684	(3,684)
Property Maintenance	21,600	8,083	13,517
Line & Lift Station Chemicals	6,000	5,400	600
Supplies	15,000	17,895	(2,895)
Road Repair	6,000	11,356	(5,356)
Equipment Repair	23,500	20,091	3,409
Equipment Fuel	26,500	24,910	1,590
Auto and Equipment Repair & Maintenance	24,000	19,742	4,258
Non Capitalized Assets	25,000	23,414	1,586
Total Sewer Lines Expenses	1,057,500	787,723	269,777
Lando Plant Expenses:			
Salaries	130,300	117,615	12,685
FICA Tax	10,000	8,998	1,002
Retirement	24,200	15,392	8,808
Health Insurance	22,000	10,485	11,515
Uniforms & Shoes	1,500	753	747
Dues	-	90	(90)
Fines	-	4,800	(4,800)
Safety Training	1,500	1,472	28
Utilities	50,600	43,809	6,791
Vehicle Maintenance	-	59	(59)
Legal Services	1,000	1,870	(870)
Engineering Services	5,000	5,053	(53)
Property Maintenance	9,500	11,930	(2,430)

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance
Contract Service	20,000	10,662	9,338
Outside Lab Testing	24,500	41,776	(17,276)
Permits	2,500	3,854	(1,354)
Sludge Tip Fees	23,000	2,770	20,230
Plant Supplies	3,200	3,109	91
Plant Chemicals	35,000	22,303	12,697
Plant Repair	1,000	554	446
Equipment Fuel	2,300	3,096	(796)
Equipment Repair & Maintenance	12,500	11,978	522
Non Capitalized Assets	5,000	800	4,200
Miscellaneous	-	80	(80)
Total Lando Plant Expenses	384,600	323,308	61,292
Rocky Creek Plant Expenses:			
Salaries	197,700	172,611	25,089
FICA Taxes	15,200	12,379	2,821
Retirement	36,700	19,559	17,141
Health Insurance	35,700	19,646	16,054
Uniforms & Shoes	2,500	1,255	1,245
Dues	250	35	215
Travel and Training	4,000	2,760	1,240
Utilities	84,400	81,045	3,355
Vehicle Maintenance	5,000	1,833	3,167
Legal Services	5,000	211	4,789
Engineering Services	10,000	-	10,000
Property Maintenance	7,000	4,847	2,153
Contract Service	40,000	8,580	31,420
Outside Lab Testing	20,000	27,337	(7,337)
Permits	5,000	3,854	1,146
Sludge Tip Fees	23,000	5,215	17,785
Digester Cleaning	55,000	48,299	6,701
Supplies	7,000	4,202	2,798
Plant Chemicals	62,000	56,640	5,360
Plant Repair	15,000	7,840	7,160
Equipment Fuel	5,300	4,944	356
Equipment Repair	15,000	10,466	4,534

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance
Toxicity	25,000	-	25,000
Non Capitalized Assets	5,000	11,136	(6,136)
Total Rocky Creek Plant Expenses	$ 680,750	504,694	$ 176,056
Sandy River Plant Expenses:			
Salaries	166,700	161,789	4,911
FICA Taxes	12,800	12,080	720
Retirement	31,000	18,101	12,899
Health Insurance	28,332	18,614	9,718
Uniforms & Shoes	3,500	3,324	176
Dues	500	195	305
Travel and Training	5,000	2,999	2,001
Utilities	99,500	95,395	4,105
Vehicle Maintenance	2,000	704	1,296
Legal Services	500	-	500
Engineering Services	25,000	-	25,000
Property Maintenance	9,000	6,916	2,084
Contract Service	20,000	5,141	14,859
Outside Lab Testing	16,500	18,689	(2,189)
Permits	5,000	3,854	1,146
Sludge Tip Fees	25,000	8,936	16,064
Digester Cleaning	55,000	-	55,000
Supplies	5,000	3,087	1,913
Plant Chemicals	56,500	22,026	34,474
Plant Repair	10,000	677	9,323
Equipment Fuel	3,000	3,031	(31)
Equipment Repair	15,000	14,353	647
Non Capitalized Assets	5,000	11,426	(6,426)
Total Sandy River Plant Expenses	$ 599,832	411,337	$ 188,495
Pretreatment Expenses:			
Salaries	81,300	88,100	(6,800)
FICA Taxes	6,300	6,182	118
Retirement	15,100	9,559	5,541
Health Insurance	18,500	15,151	3,349

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance
Dues	500	30	470
Travel and Training	4,000	257	3,743
Utilities	1,500	1,202	298
Legal Services	4,500	19,758	(15,258)
Contract Services	15,000	5,310	9,690
Engineering Services	58,100	98,560	(40,460)
Supplies	500	23	477
Equipment Fuel	3,000	1,138	1,862
Equipment Repair	1,500	2,172	(672)
Non Capitalized Assets	500	-	500
Miscellaneous	2,500	118	2,382
Total Pretreatment Expenses	$ 212,800	247,560	$ (34,760)
Depreciation Expense	193,967	1,087,229	(893,262)
Total Operating Expenses	**$ 4,657,799**	**4,906,076**	**$ (248,277)**
NET OPERATING INCOME	**$ 875,001**	**617,515**	**$ (257,486)**

COMPLIANCE SECTION

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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, 2023 and 2022, 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 19, 2023.

Report on 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.

Report on 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*.

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 19, 2023