CHESTER SEWER DISTRICT

RICHBURG, SOUTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

Mr. Hal Stone, Secretary

Mrs. Edena H. Sanders, Member

Mrs Gloria O Crank, Member

Mr. Bill Bundy, Member

LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of enterprise fund of Chester Sewer District, as of and for the year ended June 30, 2025 and 2024, 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 financial position of the enterprise fund of Chester Sewer District, as of June 30, 2025 and 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 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 opinion.

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 opinion. 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.

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 October 24, 2025, 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
October 24, 2025

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

Overview

This Management's Discussion and Analysis ("MD&A") provides a concise review of the financial and operational performance of the Chester Sewer District, operating as Chester County Wastewater Recovery (the "District"), for the fiscal years ended June 30, 2025 ("FY 2025") and June 30, 2024 ("FY 2024"). It complements the audited financial statements by highlighting key financial trends, major projects, and strategic initiatives, while offering insight into the District's past performance and future priorities for sustainable growth and operational excellence.

Background

Established under Legislative Act No. 480 and amended by Act No. 1186 and subsequent amendments, the District plays a crucial role in the transportation, treatment, and disposal of wastewater within its service area in South Carolina. Wastewater treatment is vital for residents, businesses, and industries in Chester and Richburg; without these services, local industrial operations would face significant challenges. The District is a committed partner in the county's economic development efforts, striving to support sustainable growth.

The District's mission is to protect public health through efficient and reliable wastewater services, conserve resources, promote development, and return clean water to the environment. The District operates three wastewater treatment plants ("WWTPs") with a combined capacity of approximately 4.933 million gallons per day (MGD):

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 manages over 180 miles of collection lines and seventeen pump stations.

Governance and Management

The District is governed by a five-member Board of Commissioners appointed by the Governor upon recommendation from the local legislative delegation.

Current Board Members:

- **Mr. Tony Pope**, Chair
- **Mr. Halsted Stone**, Secretary
- **Mrs. Edena H. Sanders**, Member
- **Mrs. Gloria O. Crank**, Member
- **Mr. William Bundy**, Member

Management Team:

- **Mr. Phillip (Phil) A. Thompson-King**, Executive Director
- **Mr. Michael A. (Tony) Young**, Operations Director
- **Mr. Joel Manning**, Finance Analyst/Manager
- **Mr. Duane Wingo**, District Engineer
- **Mr. Michael Hunter**, Superintendent of District Collections & Maintenance

Financial Performance Highlights

Revenue and Expenditure Overview

The District's revenue from wastewater treatment services aligned closely with budget projections. A rise in residential customers, primarily driven by the Walkers Mill development, contributed to an increase in operating revenues of $225,000, attributed to a 3.9% revenue increase. The District had a rate adjustment of 5%. These adjustments are key to the District's long-term strategy to enhance sewer treatment services for both existing and new customers.

Operating expenses rose by $814,000, largely due to increased project engineering costs, contracted services costs, and personnel costs, which grew by $157,000, $101,000, and $139,000, respectively. These increases were mainly due to the Rock Hill Sewer connection. The District has incurred upfront costs of right of way acquisition and design engineering. The district also incurred costs for engineering in the pretreatment area concerning total dissolved solids limitation. The increase in personnel came from implementation of GASB 101 which changed the way sick time is accounted for. This is a non-cash expenditure.

Non-operating revenues decreased compared to last year, primarily to last year's $330,000 grant for the Mesco Pumping Station replacement and $368,000 grant from the Rural Infrastructure Authority for the Dawson Drive project. Additionally, slightly lowered interest rates contributed to a $318,000 decrease in interest revenue from investments in the Local Government Investment Pool. The District also experienced a decrease in Capital Recovery fees due to the timing and size of residential development projects. These fees will contribute to financing the expansion of sewer treatment capacity.

Looking Ahead - Future Outlook, Strategic Initiatives and Development Trends

Development interest remains strong across the service area, with major residential builders including D.R. Horton, Lennar, LGI Homes, Hooper Communities, and Dream Finders Homes—actively constructing or planning new projects for FY 2026–2027.

While inflation is stabilizing, competition for skilled labor continues to challenge staffing efforts.

Although Albemarle Corporation temporarily paused construction of its large-scale lithium conversion facility, commercial and industrial development interest within the region remains strong. The District continues to receive inquiries from additional industrial prospects and commercial developers.

Therefore, the District remains committed to proactively planning for growth and maintaining system capacity ahead of demand.

Administrative and Operational Updates

To support increasing development and infrastructure demands, the District hired its first in-house District Engineer, improving technical capacity, marking a significant administrative milestone.

Wastewater Treatment Facilities

All three WWTPs maintained stable operations throughout FY 2025. No significant capital improvements were required at:

- Lando-Manetta WWTP
- Rocky Creek WWTP
- Sandy River WWTP

Administrative and Operational Updates (Continued)

Industrial Pretreatment Program (IPP)

Following the departure of the long-serving IPP Coordinator, the District continued to support industrial users in optimizing discharge allocations and ensuring regulatory compliance. A major focus included ongoing collaboration with IKO Industries, which announced a $360 million investment to retrofit the former Nippon Electric Glass site and construct an additional Mat Tech facility. Operations are scheduled to begin in FY 2025–2026.

Maintenance & Collections

The District expanded its system responsibilities by assuming operation of two new pump stations:

- Knights Bridge (LGI Homes)
- Walkers Mill (Lennar)

Additional pump station transfers; such as those for the Stanton Subdivision and Richburg Meadows are anticipated in FY 2026–2027 as new developments progress toward completion.

Forward-Looking Statements, Major Capital Initiatives and Rock Hill Sewer Connection Project

The Rock Hill Sewer Connection Project represents one of the District's most significant long-term initiatives, designed to expand treatment capacity and support rapid growth along the Richburg and I-77 corridor.

Project Benefits

- Provides a more cost-effective alternative to expanding the Lando-Manetta WWTP
- Generates an estimated $300,000 in annual O&M savings
- Enhances regional economic development potential

Funding Secured: $27 million

- $10 million – South Carolina Infrastructure Investment Program (SCIIP)
- $7 million – State General Assembly Direct Appropriations
- $10 million – Federal Direct Appropriations (EPA-administered)

Total Project Cost

- Estimated at $53 million, funded through a combination of grants, prior revenue bond proceeds, and future financing through the Water Infrastructure Finance and Innovation Act (WIFIA) program

Project Scope

- Two 4.0 MGD regional pump stations (Lando-Manetta WWTP and York County)
- Approximately 47,400 linear feet (9 miles) of 20-inch force main

Administrative and Operational Updates (Continued)

Progress to Date

- Phase 1, Division 1: Construction underway for the regional pump station at Lando-Manetta (funded through the $10 million SCIIP grant)
- Phase 1, Division 2: Force main installation pending completion of easement acquisition and environmental reviews
- Subsequent phases will construct the intermediate pump station and final tie-in to the City of Rock Hill system

Albemarle Corporation Sewer Extension

The District was awarded a $2.6 million U.S. Economic Development Administration grant to extend sewer infrastructure to support Albemarle's planned battery materials manufacturing facility. Construction is anticipated to begin in Q3 of FY 2025–2026.

Conclusion

FY 2025 demonstrated the Chester Sewer District's financial resilience, operational stability, and strategic progress. Despite rising costs and the complexity of major infrastructure initiatives, the District successfully:

- Secured significant federal and state grant funding
- Advanced high-priority regional infrastructure projects, including planning for the interconnection with the City of Rock Hill
- Strengthened internal engineering and administrative capacity
- Supported ongoing residential, commercial, and industrial development

With careful financial management, strong regional partnerships, and a steadfast commitment to public health and sustainable economic development, Chester County Wastewater Recovery is well positioned to continue enhancing wastewater services, addressing future capacity needs, and supporting sustained growth throughout Chester County and the surrounding region.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2025 and 2024 are as follows:

- As of June 30, 2025, the District's net position totaled $25,010,607, of which $16,971,211 was net investment in capital assets and $6,351,863 was restricted. After accounting for its net pension liability and other postemployment benefit ("OPEB") liability, the District has an unrestricted net position of $1,687,533. As of June 30, 2024, the District's net position totaled $24,138,044, of which $17,920,116 was net investment in capital assets and $6,939,351 was restricted. After accounting for its net pension liability and other postemployment benefit ("OPEB") liability, the District has an unrestricted net deficit of ($721,423).
- Prior to accounting for its 2025 net pension and OPEB liabilities, the District's unrestricted net position was $7,668,796 or approximately 122% of total operating expenses. After accounting for its net pension and OPEB liabilities, the unrestricted net position of $1,687,533 was approximately 27% of total operating expenses. At the end of 2024, prior to accounting for its 2024 net pension and OPEB liabilities, the District's unrestricted net position was $5,417,280 or approximately 99% of total operating expenses. After accounting for its net pension and OPEB liabilities, the unrestricted net deficit of ($721,423) was approximately (13%) of total operating expenses.
- During 2025, charges for service totaled $6,025,301, compared to $5,799,858 in the prior year. The increase of $225,443 was due to rate increases and increases in residential customers. During 2024, charges for service totaled $5,799,858, compared to $5,523,591 in the prior year. The increase of $276,267 was due to rate increase as well as increases in residential customers.
- 2025 total revenues of $7,559,774 were $527,572 lower than total revenues of $8,087,346 in the prior year. The decrease was due primarily to the decrease in grant income. 2024 total revenues of $8,087,346 were $1,661,067 more than total revenues of $6,426,279 in the prior year. The increase was due primarily to an increase in interest income, Capital Recovery fees, and grant income.
- 2025 total expenses of $6,687,211 were $891,511 less than total expenses of $5,795,700 in the prior year. The increase was due primarily to increases in sewer line expenses. 2024 total expenses of $5,795,700 were $54,945 less than total expenses of $5,850,645 in the prior year. The decrease was due primarily to a decrease in other expenses mostly relating to refunding a developer their capital recovery fee for an abandoned development in 2023.
- The District's total debt decreased by $282,245 (2%) during 2025 and decreased by $276,459 (3%) during 2024. The current year reductions were due to regularly scheduled principal payments, and the prior year reductions were primarily due to regularly scheduled principal payments.
- The District's net capital assets decreased $292,440 (1%) during 2025. The decrease was due to depreciation expense of $1,115,315, partially offset by additions of $822,874. The District's net capital assets decreased $20,852 (1%) during 2024. The decrease was due to depreciation expense of $1,114,493, partially offset by additions of $1,093,641.

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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, 2025, 2024, and 2023.

Condensed Statement of Net Position

	June 30, 2025	June 30, 2024	Dollar Change	Percentage Change	June 30, 2023
Assets					
Current Assets	$ 27,428,390	24,840,889	2,587,501	10.4%	$ 22,669,652
Capital Assets	21,654,312	21,946,752	(292,440)	-1.3%	21,969,064
Total Assets	49,082,702	46,787,641	2,295,061	4.9%	44,638,716
Deferred Outflow of Resources					
Deferred Charges	874,967	1,076,947	(201,980)	-18.8%	1,310,121
Liabilities					
Current Liabilities	929,943	1,174,990	(245,047)	-20.9%	856,920
Long-Term Liabilities	10,160,889	10,335,904	(175,015)	-1.7%	10,655,809
Net Pension Liability	2,295,965	2,373,124	(77,159)	-3.3%	2,461,214
OPEB Liability	3,053,602	3,080,356	(26,754)	-0.9%	3,439,083
Total Liabilities	16,440,399	16,964,374	(523,975)	-3.1%	17,413,026
Deferred Inflow of Resources					
Deferred Credits	1,506,663	1,762,170	(255,507)	-14.5%	1,689,413
Unearned Revenue	7,000,000	5,000,000	2,000,000	100.0%	5,000,000
Net Position					
Net Investment in Capital Assets	16,971,211	17,920,116	(948,905)	-5.3%	17,668,165
Restricted	6,351,863	6,939,351	(587,488)	-8.5%	6,686,766
Unrestricted	1,687,533	(721,423)	2,408,956	-333.9%	(2,508,533)
Total Net Position	$ 25,010,607	24,138,044	872,563	3.6%	$ 21,846,398

CONDENSED COMPARATIVE FINANCIAL DATA (CONTINUED)

See below for the changes in net position for fiscal years 2025, 2024, and 2023.

Condensed Statement of Changes in Net Position

	2025	2024	Dollar Change	Percent Change	2023
Revenues					
Operating Revenues	$ 6,025,301	5,799,858	225,443	3.9%	$ 5,523,591
Non-Operating Revenues	1,534,473	1,589,625	(55,152)	-3.5%	515,551
Grant Revenue	-	697,863	(697,863)	-100.0%	387,137
Total Revenues	7,559,774	8,087,346	(527,572)	-6.5%	6,426,279
Expenses					
Operating Expenses*	5,160,377	4,347,653	812,724	18.7%	3,818,847
Non-Operating Expenses	411,519	333,554	77,965	23.4%	944,569
Depreciation Expense	1,115,315	1,114,493	822	0.1%	1,087,229
Total Expenses	6,687,211	5,795,700	891,511	15.4%	5,850,645
Change in Net Position	872,563	2,291,646	(1,419,083)	-61.9%	575,634
Beginning Net Position	24,138,044	21,846,398			21,270,764
Ending Net Position	$ 25,010,607	24,138,044	872,563	3.6%	$ 21,846,398

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

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Financial Position

Total assets increased by $2,295,061 (5%) during fiscal year 2025 primarily due to an increase in current assets of $2,587,501 and a decrease in capital assets of $292,440. The increase in current assets is primarily due to the increase in cash and restricted cash. Total assets increased by $2,148,925 (5%) during fiscal year 2024 primarily due to an increase in current assets of $2,171,237 and a decrease in capital assets of $22,312. The increase in current assets is primarily due to the increase in cash and restricted cash.

Total liabilities decreased by $523,975 (3%) during fiscal year 2025 primarily due to a decrease in current liabilities of $245,047 and a decrease in long-term debt of $175,015. Total liabilities decreased by $448,652 (3%) during fiscal year 2024 primarily due to a $358,727 decrease in OPEB liability and a decrease in long-term liabilities by $319,905 partially offset by an increase in current liabilities of $318,070.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

Financial Position (continued)

During 2025, net position increased by $872,563 (4%) as total revenues exceeded expenses by $872,563. The increase in net position was a result of an increase in unrestricted net position of $2,408,956, partially offset by a decrease in the net amount invested in capital assets of $948,905, and a decrease in restricted net position of $587,488. The District's 2025 unrestricted balance without the net pension and OPEB liabilities would be $7,668,796. During 2024, net position increased by $2,291,646 (10.5%) as total revenues exceeded expenses by $2,219,646. The increase in net position was a result of an increase in the net amount invested in capital assets of $251,951, an increase in restricted net position of $12,999 and an increase in unrestricted net position of $1,787,110. The increase in the net investment in capital assets was attributable to completion of the Mesco Pumping Station and Dawson Drive sewer line replacement. These assets were put into service in June 2024. These projects combined to add $1,497,000 to assets in this fiscal year. The increase in unrestricted net position was attributable to an increase in total revenues derived in large part from rising interest on investments and grant revenue. This offset an increase in total expenses related to projects and industrial user issues. The District's 2024 unrestricted balance without the net pension and OPEB liabilities would be $5,417,280.

Operating Results

During fiscal year 2025, the District had an operating loss of $250,391 a decrease of $588,103 from the prior year gain of $337,712. Operating revenues increased by $225,443 or 3.9% during 2025. The increase was due to rate increases and fees and increased flows. Industrial billable flow was up 3.4 million gallons from fiscal year 2024. This was combined with an increase in domestic discharge flow of 9.6 million gallons. Operating expenses increased by $812,724 or 18.7% during 2025 primarily due to increase contract services related to engineering expenses relating to two capital projects, a sewer line replacement and pumping station replacement, both part of the larger Rock Hill Sewer connection project. During fiscal year 2024, the District had an operating gain of $337,712 a decrease of $279,803 from the prior year gain of $617,515. Operating revenues increased by $276,267 or 5% during 2024. The increase was due to rate increases and fees. Industrial billable flow was down 29.0 million gallons from fiscal year 2023. This was offset very slightly by a 4.8-million-gallon increase from commercial and residential customers. Operating expenses increased by $523,106 or 14% during 2024 primarily due to increase contract services related to engineering expenses relating to two capital projects, a sewer line replacement and pumping station replacement.

Non-Operating Revenues

Non-operating revenues decreased by $55,152 or (3.5%) during fiscal year 2025 primarily due to a decrease in interest income, partially offset by an increase in other revenue. Non-operating revenues decreased by $1,074,074 or 208% during fiscal year 2024 primarily due to an decrease in interest income and other revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025 and 2024, the District had $21,654,312 and $21,946,752 respectively, invested in capital assets, net of depreciation.

In 2025, the net decrease in the District's investment in capital assets of $292,440 (1.3%) was primarily due to an increase in depreciation expense, partially offset by capital additions. In 2024, the net decrease in the District's investment in capital assets of $20,852 (1%) was primarily due to an increase in depreciation expense, 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, 2025	June 30, 2024	June 30, 2023
Land	$ 554,652	413,195	$ 413,195
Construction in Progress	184,511	141,890	625,610
Buildings	3,004,209	3,004,209	3,004,209
Sewer System	35,702,060	35,249,460	34,188,038
Equipment	4,782,952	4,717,586	4,894,349
Automobiles	957,325	836,495	879,630
Right to Use Asset	67,348	67,348	67,348
Less: Accumulated Depreciation	(23,598,745)	(22,483,430)	(22,103,315)
Totals	$ 21,654,312	21,946,753	$ 21,969,064

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, 2025	June 30, 2024	June 30, 2023
2020 Revenue Bond	$ 9,765,000	10,005,000	$ 10,240,000
2020 Revenue Bond Premium	424,896	442,600	460,304
1978 Financing Lease	50,071	52,003	53,823
Administration Building Financing Lease	17,422	40,031	61,966
	$ 10,257,389	10,539,634	$ 10,816,093

The District made $282,245 in principal payments during 2025 and $276,459 in principal payments in 2024.

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 Stanton 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 2025-2026 BUDGET

The Board of Directors has adopted the District's budget for the year ended June 30, 2026. The approval of the budget provides funding for the District's operating and debt service costs for the year end June 30, 2026. 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, 2025 AND 2024

	ENTERPRISE FUND	
	2025	**2024**
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 7,315,220	$ 7,154,738
Restricted Cash and Cash Equivalents	19,068,806	16,676,884
Restricted Investments	76,670	124,153
Trade Receivables, Net	576,034	416,078
Other Receivables	-	131,221
Unbilled Revenue	247,202	233,931
Prepaid Expenses	42,581	41,028
Due from Chester Metropolitan District	101,877	62,856
Total Current Assets	27,428,390	24,840,889
Capital Assets:		
Non-Depreciable	739,163	555,085
Depreciable, Net	20,915,149	21,391,667
Total Assets	49,082,702	46,787,641
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges - Net Pension Liability	365,641	342,411
Deferred Charges - OPEB Liability	509,326	734,536
LIABILITIES		
Current Liabilities:		
Accounts Payable	262,336	568,968
Accrued Expenses	151,545	107,295
Accrued Interest Payable	27,633	25,013
Compensated Absences	97,367	78,234
Customer Deposits	116,588	113,518
Current Maturities of Financing Leases	19,474	24,541
Current Maturities of Long-Term Debt	255,000	240,000
Total Current Liabilities	929,943	1,157,569
OPEB Liability	3,053,602	3,080,356
Net Pension Liability	2,295,965	2,373,124
Compensated Absences, Net of Current Portion	177,974	78,233
Financing Leases, Net of Current Portion	48,019	67,492
Long-Term Debt, Net of Current Portion	9,934,896	10,207,600
Total Liabilities	16,440,399	16,964,374
DEFERRED INFLOWS OF RESOURCES		
Deferred Credits - Net Pension Liability	137,966	81,945
Deferred Credits - OPEB Liability	1,368,697	1,680,225
Unearned Revenue	7,000,000	5,000,000
NET POSITION		
Net Investment in Capital Assets	16,971,211	17,920,116
Restricted for Debt Service	76,670	124,153
Restricted for Capital Projects	6,275,193	6,815,198
Unrestricted	1,687,533	(721,423)
Total Net Position	**$ 25,010,607**	**$ 24,138,044**

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, 2025 AND 2024

	ENTERPRISE FUND	
	2025	**2024**
OPERATING REVENUES		
Sewer services	$ 5,985,133	$ 5,765,291
Pretreatment Fees	28,572	28,191
Tap Installation Fees	-	4,376
Capital project fees	11,596	-
Penalties	-	2,000
Total Operating Revenues	**6,025,301**	**5,799,858**
OPERATING EXPENSES		
Administration	1,630,903	1,715,831
Sewer lines	1,805,036	1,160,910
Rocky Creek plant	532,618	466,807
Sandy River plant	565,370	430,565
Lando plant	412,719	340,895
Pretreatment	213,731	232,645
Depreciation	1,115,315	1,114,493
Total Operating Expenses	6,275,692	5,462,146
OPERATING GAIN/(LOSS)	**(250,391)**	**337,712**
NON-OPERATING REVENUES (EXPENSES)		
CAPITAL GRANTS- RESTRICTED:		
State grants	-	330,000
Federal grants	-	367,863
Total Capital Grants- Restricted	-	697,863
NON-OPERATING REVENUES		
Interest Income	812,448	1,130,540
Other Revenue	722,025	459,085
Total Non-Operating Revenues	1,534,473	1,589,625
NON-OPERATING EXPENSES		
(Gain) Loss on Sale of Capital Assets	82,131	(2,519)
Interest Expense	328,888	335,573
Other Expenses	500	500
Total Non-Operating Expenses	411,519	333,554
Increase in Net Position	**872,563**	**2,291,646**
Net Position, Beginning of Year	24,138,044	21,846,398
Net Position, End Of Period	**$ 25,010,607**	**$ 24,138,044**

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, 2025 AND 2024

	ENTERPRISE FUND	
	2025	**2024**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 5,852,074	$ 5,804,326
Cash Paid to Suppliers and Employees	(3,538,830)	(4,420,852)
Net Cash Provided By Operating Activities	2,313,244	1,383,474
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Other Revenue	722,025	459,085
Payments from Other Expenses	(500)	(500)
Total Cash Flows (Used In) Provided By Noncapital Financing Activities	721,525	458,585
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(780,253)	(785,905)
Proceeds From Grants	131,221	566,642
Gain on Sale of Capital Assets	(82,131)	2,519
Principal Paid on Debt	(282,245)	(276,459)
Interest Paid on Debt	(328,888)	(335,573)
Net Cash (Used In) Capital and Related Financing Activities	(1,342,296)	(828,776)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	47,483	197,272
Interest on Investments	812,448	1,130,540
Net Cash Provided By Investing Activities	859,931	1,327,812
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,552,404	2,341,095
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,831,622	21,490,527
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 26,384,026	$ 23,831,622

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, 2025 AND 2024

	ENTERPRISE FUND	
	2025	**2024**
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Gain (Loss)	$ (250,391)	$ 337,712
Adjustments To Reconcile Operating Gain (Loss) To Net Cash Provided By Operating Activities:		
Depreciation Expense	1,115,315	1,114,493
Changes In Assets and Liabilities:		
Trade Receivables, Net	(159,956)	18,991
Unbilled Revenue	(13,271)	(14,523)
Unearned Revenue	2,000,000	-
Due from Chester Metropolitan District	(39,021)	111,724
Prepaid Expenses	(1,553)	(12,385)
Accounts Payable	(349,253)	70,661
Accrued Expense	46,870	(59,989)
Compensated Absenses	118,874	(40,474)
Customer Service Deposits	3,070	(1,850)
Net OPEB Liability	(26,754)	(358,727)
Net Pension Liability	(77,159)	(88,090)
Changes In Deferred Outflows/Inflows of Resources:		
Deferred Pension Charges - Net Pension Liability	(23,230)	11,398
Deferred Pension Charges - OPEB	225,210	221,776
Deferred Pension Credits - Net Pension Liability	56,021	36,266
Deferred Pension Credits - OPEB	(311,528)	36,491
Net Cash Provided By Operating Activities	$ 2,313,244	$ 1,383,474
Non-Cash Investing, Capital and Financing Activities:		
Acquisition of Capital Assets Not Yet Paid For	$ 42,621	$ 306,277

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

Proprietary Fund types include the following fund:

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity

1. Cash, Cash Equivalents, and Investments

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

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

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

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

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

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

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

2. Capital Assets

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated acquisition values as of the date received. The District maintains a capitalization threshold of $5,000 and a group purchase threshold of $100,000. However, all land purchased will be capitalized regardless of cost.

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

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

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

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

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, 2025 and 2024 totaled approximately $205,000 and $206,000, respectively.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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 only. Sick leave is not paid out upon leaving the District. The District reports compensated absences in accordance with the provisions of GASB Statement No. 101 "*Compensated Absences*." The entire compensated absence liability and expense is reported on the statement of net position.

6. Accrued Liabilities and Long-Term Obligations

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Net Position

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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, 2025, none of the District's bank balances of $1,118,520 (which had a carrying value of $1,737,410) were exposed to custodial credit risk.

Investments

As of June 30, 2025, 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	$ 24,646,616	24,646,616	-	-	$ -
Money Market Mutual Funds	Level 1	AAAm, Aaa-mf	76,670	76,670	-	-	-
Total			$ 24,723,286	24,723,286	-	-	$ -

^ 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.

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

A. Deposits and Investments (Continued)

Investments (Continued)

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.

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, 2025, and 2024, none of the District's investments were exposed to custodial credit risk.

A reconciliation of the District's deposits and investments at June 30, 2025 on its statement of net position to this footnote disclosure is as follows:

Description	Amount
Carrying Amount of Deposits	$ 1,737,410
Fair Value of Investments	24,723,286
Total Deposits and Investments	$ 26,460,696
Statement of Net Position:	
Cash and Cash Equivalents	$ 7,315,220
Cash and Cash Equivalents, Restricted	19,068,806
Investments, Restricted	76,670
Total Cash, Cash Equivalents, and Investments	$ 26,460,696

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

B. Capital Assets

Capital asset activity for the District for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	$ 413,195	141,457	-	-	$ 554,652
Construction in Progress	141,890	42,621	-	-	184,511
Total Capital Assets, Not Being Depreciated	555,085	184,078	-	-	739,163
Capital Assets, Being Depreciated:					
Buildings	3,004,209	-	-	-	3,004,209
Sewer System	35,249,460	452,600	-	-	35,702,060
Equipment	4,717,586	65,366	-	-	4,782,952
Automobiles	836,495	120,830	-	-	957,325
Right to Use Asset	67,348	-	-	-	67,348
Total Capital Assets, Being Depreciated	43,875,098	638,796	-	-	44,513,894
Less: Accumulated Depreciation	22,483,430	1,115,315	-	-	23,598,745
Total Capital Assets, Being Depreciated, Net	21,391,668	(476,519)	-	-	20,915,149
Capital Assets, Net	$ 21,946,753	(292,441)	-	-	$ 21,654,312

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, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	$ 413,195	-	-	-	$ 413,195
Construction in Progress	625,610	324,830	-	(808,550)	141,890
Total Capital Assets, Not Being Depreciated	1,038,805	324,830	-	(808,550)	555,085
Capital Assets, Being Depreciated:					
Buildings	3,004,209	-	-	-	3,004,209
Sewer System	34,188,038	651,983	399,111	808,550	35,249,460
Equipment	4,894,349	88,501	265,264	-	4,717,586
Automobiles	879,630	28,327	71,462	-	836,495
Right to Use Asset	67,348	-	-	-	67,348
Total Capital Assets, Being Depreciated	43,033,574	768,811	735,837	808,550	43,875,098
Less: Accumulated Depreciation	22,103,315	1,114,493	734,378	-	22,483,430
Total Capital Assets, Being Depreciated, Net	20,930,259	(345,682)	1,459	808,550	21,391,668
Capital Assets, Net	$ 21,969,064	(20,852)	1,459	-	$ 21,946,753

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, 2025 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.	$ 10,189,896
Total Outstanding Principal	10,189,896
Less: Current Portion	255,000
Total Long- Term Debt Payable	$ 9,934,896

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, 2025:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2020 Revenue Bond	$ 10,005,000	-	240,000	9,765,000	$ 255,000
2020 Revenue Bond Premium	442,600	-	17,704	424,896	-
1978 Financing Lease	52,003	-	1,932	50,071	2,052
Administration Building Financing Lease	40,031	-	22,609	17,422	17,422
Total Debt	10,539,634	-	282,245	10,257,389	274,474
Compensated Absences	156,467	118,881	-	275,348	97,367
Total	$ 10,696,101	118,881	282,245	10,532,737	$ 371,841

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**
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	295,000	291,600	2,455	2,545	591,600
2030	310,000	276,850	2,607	2,393	591,850
2031-2035	1,740,000	1,188,450	15,652	9,348	2,953,450
2036-2040	2,060,000	872,850	21,112	3,888	2,957,850
2041-2045	2,385,000	544,950	1,703	22	2,931,675
2046-2049	2,175,000	165,600	-	-	2,340,600
Total	$ 9,765,000	4,296,350	67,493	26,872	$ 14,155,715

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, 2024:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2020 Revenue Bond	$ 10,240,000	-	235,000	10,005,000	$ 240,000
2020 Revenue Bond Premium	460,304	-	17,704	442,600	-
1978 Financing Lease	53,823	-	1,820	52,003	1,932
Administration Building Financing Lease	61,966	-	21,935	40,031	22,609
Total Debt	10,816,093	-	276,459	10,539,634	264,541
Compensated Absences	196,941	37,756	78,230	156,467	78,234
Total	$ 11,191,227	37,756	354,689	10,696,101	$ 342,775

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

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Plan Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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, the SCRS ("Plan") 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. Effective July 1, 2017, employee rates were increased and capped at 9.00 percent for the SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for the SCRS until reaching 18.56 percent. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

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 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 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 Plan. Finally, under the revised statute, the contribution rates for the SCRS may not be decreased until the Plan is at least 85 percent funded.

As noted earlier, both employees and the District are required to contribute to the Plan 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 year are as follows:

	SCRS Rates	
	2024	2025
Employer Contribution Rate: ^		
Retirement*	18.41%	18.41%
Incidental Death Benefit	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%
	18.56%	18.56%
Employee Contribution Rate ^	9.00%	9.00%

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

The actual and required contributions to the SCRS were approximately $246,000 and $250,000 for the years ended June 30, 2025 and 2024, respectively.

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Actuarial Assumptions and Methods

Actuarial valuations of the 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 GASB No. 67 valuation report prepared as of June 30, 2024 is based on the experience study report for the period ending June 30, 2019. A more recent experience report on the Systems was issued for the period ending June 30, 2024 and will be used for future valuations.

The June 30, 2024 and 2023 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, 2023 and July 1, 2022, respectively. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2024, using generally accepted actuarial principles. There was no legislation enacted during the 2024 or 2023 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, 2024 and 2023 (measurement date) for the SCRS.

	2024	2023
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)	3.0% to 11.0% (varies by service)
Benefit Adjustments	Lesser of 1% or $500 annually	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)

Assumption used in the determination of the June 30, 2024 and 2023 TPL are as follows:

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 2024 and 2023 fiscal years. 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. The expected returns and target asset allocations for the June 30, 2024 measurement date were as follows:

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	**46.0%**	6.23%	2.86%
Bonds	**26.0%**	2.60%	0.68%
Private Equity	**9.0%**	9.60%	0.86%
Private Debt	**7.0%**	6.90%	0.48%
Real Assets	**12.0%**		
Real Estate	9.0%	4.30%	0.39%
Infrastructure	3.0%	7.30%	0.22%
Total Expected Real Rate of Return	100.0%		5.49%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.74%

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, 2024, 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
June 30, 2024	$ 61,369,806,968	37,919,492,371	$ 23,450,314,597	61.8%
June 30, 2023	$ 58,464,402,454	34,286,961,942	$ 24,177,440,512	58.6%

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

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

At June 30, 2024 and 2023, the District reported a liability of approximately $2,296,000 and $2,373,000, respectively, for its proportionate share of the NPL for the SCRS. The NPL was measured as of June 30, 2024 and 2023, and the TPL for the Plan used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1st of the preceding year 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, 2024 measurement date, the District's SCRS proportion was 0.009791 percent, which was a decrease of 0.000024 from its proportion measured as of June 30, 2023. At the June 30, 2023 measurement date, the District's SCRS proportion was 0.009815 percent, which was a decrease of 0.000338 from its proportion measured as of June 30, 2022.

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

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

For the year ended June 30, 2025, the District recognized pension expense of approximately $205,000 for the SCRS. At June 30, 2025, 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	$ 75,454	$ 2,849
Change in Assumptions	40,477	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	88,464
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	-	46,653
Employer Contributions Subsequent to the Measurement Date	249,710	-
Total SCRS	$ 365,641	$ 137,966

For the year ended June 30, 2024, the District recognized pension expense of approximately $205,000 for the SCRS. At June 30, 2024, 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	$ 41,202	$ 6,581
Change in Assumptions	36,360	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,249
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	15,139	72,115
Employer Contributions Subsequent to the Measurement Date	249,710	-
Total SCRS	$ 342,411	$ 81,945

For the year ended June 30, 2025, approximately $246,000 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, 2026. For the year ended June 30, 2024, approximately $250,000 that were reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRS were recognized as a reduction of the NPL in the year ended June 30, 2025.

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

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

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,	2025	2024	Total
2025	$ -	$ 29,009	$ 29,009
2026	(61,097)	(72,076)	(133,173)
2027	65,907	55,214	121,121
2028	(3,614)	(1,391)	(5,005)
2029	(23,231)	-	(23,231)
Total	$ (22,035)	10,756	$ (11,279)

Discount Rate

For the years ended June 30, 2025 and 2024, 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 the 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 for the years ended June 30, 2025 and 2024, 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 - June 30, 2025	$ 2,975,311	2,295,965	$ 1,670,341
Districts's proportionate share of the net pension liability of the SCRS - June 30, 2024	$ 3,066,302	2,373,124	$ 1,796,978
Total	$ 6,041,613	4,669,089	$ 3,467,319

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by the PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for the SCRS. 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.

Payable to Plan

The District reported a payable of approximately $28,000 to the PEBA as of June 30, 2025, representing required employer and employee contributions for the month of June 2025 for the SCRS and PORS. This amount is included in Accrued Expenses on the financial statements and was paid in July 2025.

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.

III. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Plan Membership

As of June 30, 2024 and June, 30, 2023, the last actuarial valuation, the following employees were covered by the OPEB Plan's benefit terms:

Year Ended	June 30, 2024	June 30, 2023
Inactive Members or Beneficiaries Currently Receiving Benefit Payments	5	5
Active Members	18	18
Total Membership	23	23

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.

III. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Plan Benefits and Contributions (Continued)

- Employee's last 5 years of service must have been served consecutively in a full- time, benefits eligible position with the District.
- Non-Funded – for all other current and former employees, the retiree will be responsible for the entire premium cost.

Employees and Former Employees Hired On or After May 2, 2008

- Funded – for current employees who at the time of retirement will have 25 years of consecutive full-time service to the District, the District will pay 100% of the premium for retiree coverage and will pay towards any dependent coverage the equivalent of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium.
- Partially Funded – for current employees who at the time of retirement will have 15 years but fewer than 25 years of consecutive full-time service to the District, the District will pay towards the elected coverage the equivalent of 50% of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium.
- Non-Funded – for all current employees, the retiree will be responsible for the entire premium cost.

District Premiums Paid:

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

Actuarial Assumptions and Method

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

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

III. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions and Method (Continued)

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, 2024
Average Retirement Age	62
Actuarial Cost Method	Entry Age normal
Assets Backing OPEB Liability	None
Plan Asset Return	0.00%
Bond Yield	3.93%
Discount Rate	3.93%
Measurement Date	June 30, 2024
Prior Measurement Date	June 30, 2023
Prior Year Discount Rate	3.65%
Projected Salary Increases	3.00%
Amortization Period	6.7
Percentage Participation	95.00%
Mortality Table	PUB 2010 Mortality Table

The following table provides a summary of the significant actuarial assumptions and methods used in the June 30, 2023 actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	June 30, 2023
Average Retirement Age	62
Actuarial Cost Method	Entry Age normal
Assets Backing OPEB Liability	None
Plan Asset Return	0.00%
Bond Yield	3.65%
Discount Rate	3.65%
Measurement Date	June 30, 2023
Prior Measurement Date	June 30, 2022
Prior Year Discount Rate	3.54%
Projected Salary Increases	3.00%
Amortization Period	6.7
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 was 3.93% and 3.65% at June 30, 2025 and June 30, 2024, respectively, which were the municipal bond rates 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 for the year ended June 30, 2025 was measured as of June 30, 2024 and the OPEB liability and expense were calculated using the Entry Age normal as discussed above.

	OPEB Liability
Balance as of June 30, 2023	$ 3,080,356
Changes for the year:	
Service Cost	74,210
Interest	111,518
Difference Between Expected/Actual Experience	4,754
Changes of Assumptions or Other Inputs	(166,667)
Benefit Payments and Implicit Subsidy Credit	(50,569)
Net Changes	(26,754)
Balance as of June 30, 2024	$ 3,053,602

For the year ended June 30, 2025, the District recognized OPEB expense of approximately ($63,000). The District's deferred inflows of resources and deferred outflow of resources related to its OPEB Plan were approximately $1,369,000 and $509,000, respectively, as of June 30, 2025.

The District's OPEB liability for the year ended June 30, 2024 was measured as of June 30, 2023 and the OPEB liability and expense were calculated using the Entry Age normal as discussed above.

	OPEB Liability
Balance as of June 30, 2022	$ 3,439,083
Changes for the year:	
Service Cost	60,258
Interest	120,739
Difference Between Expected/Actual Experience	(489,981)
Changes of Assumptions or Other Inputs	7,482
Benefit Payments and Implicit Subsidy Credit	(57,225)
Net Changes	(358,727)
Balance as of June 30, 2023	$ 3,080,356

For the year ended June 30, 2024, the District recognized OPEB expense of approximately ($43,000). The District's deferred inflows of resources and deferred outflow of resources related to its OPEB Plan were approximately $1,680,000 and $735,000, respectively, as of June 30, 2024.

III. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Discount Rate

The discount rate (long-term expected rate of return on OPEB Plan investments) used to measure the OPEB liability was 3.93% and 3.65% as of June 30, 2024 and June 30, 2023, respectively, which were the municipal bond rates 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 3.93%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.93%) or 1% point higher (4.93%) than the current rate measured as of June 30, 2024:

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
OPEB Liability	$ 3,711,390	3,053,602	$ 2,548,721

The following table presents the sensitivity of the District's OPEB liability to changes in the discount rate, calculated using the discount rate of 3.65%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.65%) or 1% point higher (4.65%) than the rate measured as of June 30, 2023:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
OPEB Liability	$ 3,771,197	3,080,356	$ 2,552,857

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 rates measured as of June 30, 2024 and 2023, respectively:

	1% Decrease (6.00%)	Current Medical Cost Trend Rate (7.00%)	1% Increase (8.00%)
OPEB Liability as of June 30, 2024	$ 2,495,623	3,053,602	$ 3,794,594
OPEB Liability as of June 30, 2023	$ 2,520,149	3,080,356	$ 3,825,205

D. Subsequent Events

The District is not aware of any subsequent events as of October 24, 2025, the date these financials were available to be issued.

III. OTHER INFORMATION (CONTINUED)

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 along with other expenses paid by the Metropolitan District that were incurred by the District. Expense reimbursements for years ended June 30, 2025 and 2024, were approximately $214,000 and $177,000, respectively. At June 30, 2025 and 2024, 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 $102,000 and $63,000 at June 30, 2025 and 2024, respectively, included in the accompanying balance sheets.

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REQUIRED SUPPLEMENTARY INFORMATION

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULE

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

LAST EIGHT FISCAL YEARS

	Year Ended June 30, 2025	Year Ended June 30, 2024	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	$ 74,210	60,258	94,783	137,523	84,137	78,577	85,163	$ 100,689
Interest	111,518	120,739	94,703	110,191	127,098	115,333	107,933	98,143
Differences Between Expected and Actual Experience	4,754	(489,981)	(4,764)	(708,362)	5,412	311,175	(304)	(5,908)
Changes of Assumptions	(166,667)	7,482	(1,102,744)	(85,802)	1,193,641	198,580	(200,258)	(386,913)
Benefit Payments, Including Refunds of Member Contributions	(50,569)	(57,225)	(54,287)	(56,035)	(55,119)	(49,799)	(38,701)	(30,879)
Net Change in Total OPEB Liability	(26,754)	(358,727)	(972,309)	(602,485)	1,355,169	653,866	(46,167)	(224,868)
OPEB Liability - Beginning of Year	3,080,356	3,439,083	4,411,392	5,013,877	3,658,708	3,004,842	3,051,009	3,275,877
OPEB Liability - End of Year (a)	$ 3,053,602	3,080,356	3,439,083	4,411,392	5,013,877	3,658,708	3,004,842	$ 3,051,009
Covered-Employee Payroll	$ 1,274,606	1,274,606	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	239.57%	241.67%	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, 2024 (measurement date).
The District adopted GASB #75 during the year ended June 30, 2018. Information is not available for prior years.
Significant Changes of Assumptions: Discount Rate changed from 3.65% to 3.93% and change in medical trend.

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,									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Authority's Proportion of the Net Pension Liability	0.009791%	0.009815%	0.010153%	0.010287%	0.010008%	0.010196%	0.011335%	0.010556%	0.010114%	0.008484%
Authority's Proportionate Share of the Net Pension Liability	$ 2,295,965	$ 2,373,124	2,461,214	2,226,235	2,557,260	2,328,111	2,539,887	2,376,325	2,160,335	1,609,032
Authority's Covered Payroll	$ 1,345,421	$ 1,240,996	1,208,938	1,162,849	1,116,546	1,076,643	1,174,655	1,037,292	966,166	795,917
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	170.65%	191.23%	203.58%	191.45%	229.03%	216.24%	216.22%	229.09%	223.60%	202.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.79%	58.65%	57.06%	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%

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,									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	$ 245,995	$ 249,710	217,919	200,200	180,939	173,734	156,759	159,283	119,911	106,858
Contributions in Relation to the Contractually Required Contribution:										
Contributions from the District	245,995	249,710	217,919	200,200	180,939	173,734	156,759	149,265	119,911	106,858
Contributions from the State	-	-	-	-	-	-	-	10,018	-	-
Contribution Deficiency (Excess)	$ -	$ -	-	-	-	-	-	-	-	-
Authority's Covered Payroll	$ 1,325,403	$ 1,345,421	$ 1,240,996	$ 1,208,939	1,162,849	1,116,546	1,076,643	1,174,655	1,037,292	966,166
Contributions as a Percentage of Covered Payroll:	18.56%	18.56%	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%

Notes to Schedule:

The District implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

SUPPLEMENTARY INFORMATION

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance
OPERATING EXPENSES			
Administrative & General Expenses:			
Salaries	475,000	517,227	(42,227)
FICA Tax	36,000	27,319	8,681
Retirement	88,400	22,566	65,834
Workman's Compensation	21,000	4,027	16,973
Uniforms & Shoes	250	346	(96)
Health and Insurance	57,868	14,666	43,202
Retiree Insurance	55,200	(1,506)	56,706
Dues & Meetings	18,400	17,725	675
Safety Training	27,000	21,764	5,236
Legal	113,600	97,220	16,380
Audit	18,100	17,500	600
Postage	700	1,005	(305)
Utilities	22,425	28,374	(5,949)
Project Engineering Expenses	215,700	78,309	137,391
Property Maintenance	5,600	4,776	824
Contract Services	350,700	371,536	(20,836)
CMD Admin Bill	214,400	213,948	452
Office Lease	23,400	38,500	(15,100)
Subscriptions	6,400	12,834	(6,434)
US Bank Trust Services	5,000	4,771	229
Office Supplies	8,850	9,896	(1,046)
Vehicle Repair & Maintenance	4,000	6,118	(2,118)
Equipment Fuel	7,000	6,266	734
Equipment Repair & Maintenance	400	785	(385)
Cleaning Services	12,000	8,008	3,992
Commission Meals and Expenses	3,000	8,224	(5,224)
City Lease	5,000	3,068	1,932
City Lease escrow	5,000	5,000	-
Property & Liability Insurance Expense	53,100	64,473	(11,373)
Bank Fees	1,000	1,607	(607)
Bad Debt Expense	2,400	(1,933)	4,333
Community Outreach	15,900	19,647	(3,747)
Capital Expense	-	2,909	(2,909)
Non Capitalized Assets	4,688,000	3,928	4,684,072
Miscellaneous Expense	1,750	-	1,750
Total Administrative & General Expenses	6,562,543	1,630,903	4,931,640

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance
Sewer Lines Expenses:			
Salaries	427,000	438,470	(11,470)
FICA Tax	32,600	31,755	845
Retirement	79,500	77,904	1,596
Health Insurance	110,136	41,605	68,531
Retiree Insurance	-	28,787	(28,787)
Workman's Compensation	-	5,844	(5,844)
Uniforms & Shoes	7,750	10,734	(2,984)
Dues	2,000	2,307	(307)
Education & Travel	12,250	7,615	4,635
Utilities	62,000	67,397	(5,397)
Legal	-	15,165	(15,165)
Rent	1,850	-	1,850
Property & Liability Insurance Expense	-	574	(574)
Engineering services	700,000	689,613	10,387
Contract Services	12,000	102,029	(90,029)
Tap Installation	-	8,287	(8,287)
Permits	-	36,905	(36,905)
Property Maintenance	8,100	21,136	(13,036)
Line & Lift Station Chemicals	5,500	-	5,500
Supplies	18,000	30,338	(12,338)
Road Repair	11,500	15,976	(4,476)
Equipment Repair	20,700	16,886	3,814
Equipment Fuel	26,700	21,208	5,492
Auto and Equipment Repair & Maintenance	20,000	16,606	3,394
Spill Recovery	-	67,579	(67,579)
Non Capitalized Assets	24,000	40,210	(16,210)
Miscellaneous	-	10,106	(10,106)
Total Sewer Lines Expenses	1,581,586	1,805,036	(223,450)
Lando Plant Expenses:			
Salaries	109,000	139,652	(30,652)
FICA Tax	8,000	9,581	(1,581)
Retirement	19,900	32,308	(12,408)
Health Insurance	9,993	6,100	3,893
Workman's Compensation	-	1,886	(1,886)
Uniforms & Shoes	1,000	929	71
Dues	-	236	(236)
Safety Training	1,500	987	513
Safety Training	-	816	(816)
Utilities	45,175	50,892	(5,717)
Vehicle Maintenance	100	330	(230)
Legal Services	-	552	(552)

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance
Engineering Services	15,000	-	15,000
Property Maintenance	12,000	15,277	(3,277)
Contract Service	11,000	16,209	(5,209)
Outside Lab Testing	53,000	49,008	3,992
Office Lease	550	856	(306)
Permits	3,800	2,207	1,593
Sludge Tip Fees	3,000	13,634	(10,634)
Subscriptions	-	711	(711)
Plant Supplies	3,200	4,834	(1,634)
Plant Chemicals	25,900	49,429	(23,529)
Plant Repair	600	2,663	(2,063)
Equipment Fuel	3,100	2,219	881
Equipment Repair & Maintenance	12,000	9,152	2,848
Non Capitalized Assets	1,000	1,678	(678)
Miscellaneous	200	573	(373)
Total Lando Plant Expenses	339,018	412,719	(73,701)
Rocky Creek Plant Expenses:			
Salaries	151,000	170,360	(19,360)
FICA Taxes	12,000	12,527	(527)
Retirement	27,900	30,330	(2,430)
Health Insurance	47,803	8,110	39,693
Retiree Insurance	-	21,662	(21,662)
Workman's Compensation	-	2,210	(2,210)
Uniforms & Shoes	1,250	1,286	(36)
Dues	-	236	(236)
Travel and Training	2,620	1,872	748
Safety Training	-	816	(816)
Utilities	83,900	86,688	(2,788)
Vehicle Maintenance	2,000	1,330	670
Legal Services	-	89	(89)
Property Maintenance	5,000	5,376	(376)
Contract Service	11,000	7,250	3,750
Outside Lab Testing	30,000	38,067	(8,067)
Office Lease	550	-	550
Permits	3,900	2,207	1,693
Sludge Tip Fees	5,700	19,843	(14,143)
Subscriptions	-	1,724	(1,724)
Digester Cleaning	50,000	52,514	(2,514)
Supplies	4,500	409	4,091
Plant Chemicals	65,500	32,879	32,621
Plant Repair	8,000	10,638	(2,638)
Equipment Fuel	5,000	5,101	(101)

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance
Equipment Repair	11,000	16,521	(5,521)
Non Capitalized Assets	12,000	1,977	10,023
Miscellaneous	-	596	(596)
Total Rocky Creek Plant Expenses	$ 540,623	532,618	$ 8,005
Sandy River Plant Expenses:			
Salaries	311,000	183,582	127,418
FICA Taxes	24,000	16,279	7,721
Retirement	57,900	39,123	18,777
Health Insurance	43,900	13,777	30,123
Uniforms & Shoes	3,150	2,001	1,149
Workman's Compensation	-	3,655	(3,655)
Dues	-	290	(290)
Travel and Training	2,880	4,898	(2,018)
Safety Training	-	816	(816)
Utilities	98,000	119,758	(21,758)
Vehicle Maintenance	1,000	443	557
Engineering Services	-	189	(189)
Property Maintenance	7,000	9,666	(2,666)
Contract Service	6,000	5,847	153
Outside Lab Testing	20,900	19,962	938
Office Lease	550	-	550
Permits	3,900	2,207	1,693
Sludge Tip Fees	10,000	33,559	(23,559)
Subscriptions	-	2,083	(2,083)
Digester Cleaning	22,500	48,921	(26,421)
Supplies	4,000	4,875	(875)
Plant Chemicals	25,500	18,000	7,500
Plant Repair	12,500	18,327	(5,827)
Equipment Fuel	3,100	3,324	(224)
Equipment Repair	14,900	12,490	2,410
Road Repair	1,000	327	673
Non Capitalized Assets	12,000	543	11,457
Miscellaneous	-	428	(428)
Total Sandy River Plant Expenses	$ 685,680	565,370	$ 120,310
Pretreatment Expenses:			
Salaries	90,000	58,511	31,489
FICA Taxes	7,000	4,273	2,727
Retirement	16,500	10,400	6,100
Health Insurance	20,900	4,885	16,015
Workman's Compensation	-	1,184	(1,184)

(continued)

CHESTER SEWER DISTRICT
RICHBURG, SOUTH CAROLINA

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance
Internship Program	-	1,981	(1,981)
Travel and Training	1,050	244	806
Utilities	1,300	564	736
Legal Services	5,000	7,610	(2,610)
Contract Services	51,000	64,419	(13,419)
Office Lease	550	19	531
Engineering Services	-	54,766	(54,766)
Supplies	50	57	(7)
Equipment Fuel	1,200	952	248
Equipment Repair	2,000	3,866	(1,866)
Miscellaneous	200	-	200
Total Pretreatment Expenses	$ 196,750	213,731	$ (16,981)
Depreciation Expense	5,800	1,115,315	(1,109,515)
Total Operating Expenses	**$ 9,912,000**	**6,275,692**	**$ 3,636,308**
NET OPERATING INCOME	**$ (3,971,700)**	**(250,391)**	**$ 3,721,309**

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 year ended June 30, 2025 and 2024, 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 October 24, 2025.

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) as a basis for designing 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 or significant deficiencies may exist that were not 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 financial statements. 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

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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
October 24, 2025