

CITY OF CHESTER, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2021

CITY OF CHESTER, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2021

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council
City of Chester
Chester, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Chester, South Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Chester, South Carolina, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund on pages 4–11 and 50–51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chester, South Carolina basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, on our consideration of the City of Chester, South Carolina'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 solely 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 the effectiveness of the City of Chester, South Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chester, South Carolina's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
June 15, 2022

CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2021

This section of The City of Chester's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The liabilities of the City of Chester exceeded its assets at the close of the most recent fiscal year by \$3,838,340.
- As of the close of the fiscal year, the City of Chester's governmental funds reported combined ending fund balances of \$1,637,073.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$642,168.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, a section that presents combining and individual fund statements and schedules for major and non-major governmental funds and fiduciary funds and a compliance section. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships – like the collection of taxes for the Chester Fire District – in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2021
(Continued)

Figure A-1. Major Features of the City of Chester's Government-wide and Fund Financial Statements

Government-wide		Fund Statements	
Government-wide Statements	Scope	Government Funds	Fiduciary Funds
Statement of net position	Entire City government (except fiduciary funds)	Balance sheet	Statement of fiduciary net position, Statement of changes in fiduciary net position
Statement of activities		Statement of revenues, expenditures, and changes in fund balances	of changes in fiduciary net position
Accrual accounting and economic resources focus		Modified accrual accounting and current financial resources focus	Accrual accounting economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter.	All assets and liabilities, both short and long-term
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2021
(Continued)

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City consist of one category:

- **Governmental activities** – Most of the City's basic services are included here, such as public safety, parks and recreation, and general administration. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and bond covenants.
- The City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants (like aid from the U.S. Department of Housing and Urban Development).

The City has two kinds of funds:

- **Governmental funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- **Fiduciary funds**—The City is the trustee, or fiduciary, for the Chester Fire District's funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of

CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2021
(Continued)

changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's net position at the end of the current fiscal year was \$(3,838,340). Looking at the net position and net expenses of governmental activities separately reflects that net position from governmental activities make up 100.0 % of total net position. The following table is a summary of the City's net position for 2021 compared to 2020.

Table 1
City of Chester's Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current and Other Assets	\$ 2,307,436	\$ 1,820,443	\$ 486,993
Capital Assets	3,769,418	3,912,439	(143,021)
Deferred Outflows	<u>1,455,429</u>	<u>1,454,070</u>	<u>1,359</u>
Total Assets and Deferred Outflows	<u><u>7,532,283</u></u>	<u><u>7,186,952</u></u>	<u><u>345,331</u></u>
Long Term Debt Outstanding	9,458,731	10,247,690	(788,959)
Other Liabilities	411,508	626,486	(214,978)
Deferred Inflows	<u>1,500,384</u>	<u>691,835</u>	<u>808,549</u>
Total Liabilities and Deferred Inflows	<u><u>11,370,623</u></u>	<u><u>11,566,011</u></u>	<u><u>(195,388)</u></u>
Net Investment in Capital Assets	3,769,418	3,912,439	(143,021)
Restricted	47,023	39,160	7,863
Unrestricted	<u>(7,654,781)</u>	<u>(8,330,658)</u>	<u>675,877</u>
Total Net Position	<u><u>\$ (3,838,340)</u></u>	<u><u>\$ (4,379,059)</u></u>	<u><u>\$ 540,719</u></u>

CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2021
(Continued)

Change in Net Position. The following table is a summary of the City's change in net position for 2021 compared to 2020.

Table 2
City of Chester's Changes in Net Position

	<u>Governmental</u> <u>Activities</u>		
Revenues:	<u>2021</u>	<u>2020</u>	<u>Change</u>
Program Fees:			
Fees, Fines and Charges for Services	\$ 3,664,736	\$ 3,633,324	\$ 31,412
Operating Grants	349,246	214,270	134,976
Capital Grants	-	200,481	(200,481)
General Revenues:			
Property Taxes	2,646,495	2,414,167	232,328
Miscellaneous	18,079	30,156	(12,077)
Unrestricted Investment Earnings	6,504	5,066	1,438
Intergovernmental Revenues	251,981	243,184	8,797
Transfer - Fiduciary Fund	44,194	7,225	36,969
Total Revenues	<u>6,981,235</u>	<u>6,747,873</u>	<u>233,362</u>
Expenses:			
General Government	1,295,830	1,724,618	428,788
Public Safety	3,865,328	4,358,888	493,560
Public Works	865,050	932,490	67,440
Culture and Recreation	444,710	575,989	131,279
Interest and Other Charges	36	182	146
Total Expenses	<u>6,470,954</u>	<u>7,592,167</u>	<u>1,121,213</u>
Change in Net Position	510,281	(844,294)	1,354,575
Net Position, Beginning of Year, as restated	<u>(4,348,621)</u>	<u>(3,534,765)</u>	<u>(813,856)</u>
Net Position, End of Year	<u>\$ (3,838,340)</u>	<u>\$ (4,379,059)</u>	<u>\$ 540,719</u>
Governmental Activities			

Governmental activities increased the City's net position by \$510,281. The increase in net position is attributable to an increase in revenue and a decrease in expenditures.

CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2021
(Continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As of the end of the fiscal year, governmental funds had a combined fund balance of \$1,637,073 which is an increase of \$561,481 over last year. Of this balance, the General fund makes up \$642,168 roughly 38.5%. The General fund is the main operating fund for the City.

The Special Revenue fund makes up \$994,905 of the governmental fund balance. The special revenue funds are funds that are setup to account for specific revenues that are legally restricted to expenditure for a particular purpose. Funds such as community development, drug fund, summer feeding and grants make up these funds.

The Debt Service fund makes up \$0 of the governmental fund balance. The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

The Capital Projects funds makes up \$0 of the governmental fund balance. The Capital Projects fund is used to record transactions for acquiring new buildings, equipment for new buildings and major equipment additions, including remodeling of, or additions to, existing facilities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are due to transfers and budget amendments made by City Administration. These transfers and budget amendments were made for various reasons including line item costs overruns, salary increases, supplemental appropriations, capital expenditures, etc. After considering these budget adjustments, actual revenues were \$871,266 under the budgeted amount. Actual expenses for the general fund were \$1,325,285 under budget, and other financing sources and uses were \$17,432 over budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the City of Chester had invested \$3,769,418 (net of accumulated depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and sewer lines. More detailed information about the City's capital assets is presented in Note 8 to the financial statements.

CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2021
(Continued)

The City's capital assets are financed through a variety of sources including general obligation debt, lease purchases, revenue bonds, grants and property taxes.

Table 3
City of Chester's Capital Assets

	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>	<u>Change</u>
Land	\$ 36,000	\$ 36,000	\$ -
Construction in Progress	933,969	896,016	37,953
Building and Improvements	4,608,000	4,608,000	-
Machinery, Equipment and Vehicles	3,884,493	3,859,220	25,273
Infrastructure	224,094	224,094	-
Accumulated Depreciation	<u>(5,917,138)</u>	<u>(5,710,891)</u>	<u>(206,247)</u>
Total Net Capital Assets	\$ 3,769,418	\$ 3,912,439	\$ (143,021)

Long-term Liabilities

At year-end, the City had \$9,458,731 in capital leases, compensated absences, OPEB, and pension liability outstanding - as shown in Table 4. More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

Limitations on Debt

The State of South Carolina Code of Laws, as amended, limits the amount of general obligation debt the City can issue to no more than 8 percent of the assessed value of all taxable property within the City without the approval of a referendum presented to the citizens of the City of Chester. The current 8% debt limitation based on assessed value of \$8,342,391 for the City is \$667,391 of which the City has \$667,391 available.

CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2021
(Continued)

Table 4
City of Chester's Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Capital Lease	\$ 199	\$ 3,554
Compensated Absences	215,449	176,538
Net OPEB Obligation	4,188,474	4,188,474
Net Pension Liability	5,054,609	5,879,124
Total Long-term Liabilities	\$ 9,458,731	\$ 10,247,690

NEXT YEAR'S BUDGETS AND RATES

The 2021-2022 original budget for the City of Chester General Fund is \$7,478,934.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Chester Finance Office, 100 West End Street, Chester, South Carolina 29706.

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT NET POSITION
June 30, 2021

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 602,549
Restricted Cash	543,893
Notes Receivables, Net	502,053
Taxes Receivable, Net	170,923
Other Receivables	392,492
Capital Lease Receivable	67,058
Prepaid Expenses	28,468
Capital Assets:	
Land	36,000
Construction in Process	933,969
Buildings and Improvements	4,608,000
Infrastructure	224,094
Machinery, Equipment and Vehicles	3,884,493
Less: Accumulated Depreciation	<u>(5,917,138)</u>
Total Capital Assets, Net of Depreciation	<u>3,769,418</u>
Deferred Outflows of Resources	
Prepaid OPEB Cost	879,667
Prepaid Pension Cost	<u>575,762</u>
Total Deferred Outflows of Resources	<u>1,455,429</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT NET POSITION
June 30, 2021
(Continued)

	Governmental Activities
Liabilities	
Accounts Payable and Accrued Liabilities	\$ 337,891
Due to Fiduciary Funds	73,617
Long-Term Liabilities:	
Due Within One Year:	
Capital Lease	199
Due in More Than One Year:	
Compensated Absences	215,449
Net OPEB Obligation	4,188,474
Net Pension Liability	5,054,609
Total Liabilities	<u>9,870,239</u>
Deferred Inflows of Resources	
Unavailable Revenue - Capital Lease	67,058
Unavailable Revenue - Grants	38,784
Unavailable Revenue - Pension	1,394,542
Total Deferred Inflows of Resources	<u>1,500,384</u>
Net Position	
Net Investment in Capital Assets	3,769,418
Restricted for:	
Capital Projects	36,558
Victims Assistance	10,465
Unrestricted	<u>(7,654,781)</u>
Total Net Position	<u>\$ (3,838,340)</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Function/Programs		Program Revenues				Not (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
Governmental Activities	\$ 1,295,830	\$ 1,139,522	\$ 239,176	\$ -	\$ 82,868	\$ 82,868	
General Government	3,865,328	2,035,402	15,070	-	(1,814,856)	(1,814,856)	
Public Safety	865,050	490,222	-	-	(374,828)	(374,828)	
Culture and Recreation	444,710	(410)	95,000	-	(350,120)	(350,120)	
Interest and Other Charges	36	-	-	-	(36)	(36)	
Total Governmental Activities	6,470,954	3,664,736	349,246	-	(2,456,972)	(2,456,972)	
Total Primary Government	\$ 6,470,954	\$ 3,664,736	\$ 349,246	\$ -	(2,456,972)	(2,456,972)	
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes							
Sales and Use Tax					1,029,317	1,029,317	
Payments in Lieu of Taxes					29,255	29,255	
Miscellaneous					18,079	18,079	
Unrestricted Investment Earnings					6,504	6,504	
Intergovernmental Revenue					251,981	251,981	
Insurance Proceeds					44,194	44,194	
Total General Revenues	2,967,253				2,967,253	2,967,253	
Change in Net Position	510,281				510,281	510,281	
Net Position, Beginning of Year, as restated	(4,348,621)				(4,348,621)	(4,348,621)	
Net Position, End of Year	\$ (3,838,340)				\$ (3,838,340)	(3,838,340)	

The notes to the financial statements are an integral part of these statements.

CITY OF CHESTER, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	McAlicy Project Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 602,549	\$ -	\$ -	\$ -	\$ 602,549
Restricted Cash	-	-	243,161	300,732	543,893
Receivables:					
Property Taxes, Net	170,923	-	-	-	170,923
Intergovernmental	129,796	-	-	-	129,796
Other	243,093	-	-	19,603	262,696
Notes Receivable, net	-	485,973	-	16,080	502,053
Due From Other Funds	22,375	-	-	4,649	27,024
Capital Lease Receivable	67,058	-	-	-	67,058
Prepaid Expenses	28,468	-	-	-	28,468
Total Assets	<u>\$ 1,264,262</u>	<u>\$ 485,973</u>	<u>\$ 243,161</u>	<u>\$ 341,064</u>	<u>\$ 2,334,460</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 323,757	\$ -	\$ 340	\$ 13,794	\$ 337,891
Due to Other Funds	78,265	-	-	22,375	100,640
Total Liabilities	<u>402,022</u>	<u>-</u>	<u>340</u>	<u>36,169</u>	<u>438,531</u>
Deferred Inflows					
Unavailable Revenues - Property Taxes	153,014	-	-	-	153,014
Unavailable Revenues - Grants	-	-	-	38,784	38,784
Unavailable Revenues - Capital Lease	67,058	-	-	-	67,058
Total Deferred Inflows	<u>220,072</u>	<u>-</u>	<u>-</u>	<u>38,784</u>	<u>258,856</u>
Fund Balances					
Nonspendable for Prepaids	28,468	-	-	-	28,468
Restricted for:					
Capital Projects	-	-	-	36,558	36,558
Victims Assistance	-	-	-	10,465	10,465
Assigned	-	485,973	242,821	219,088	947,882
Unassigned	613,700	-	-	-	613,700
Total Fund Balances	<u>642,168</u>	<u>485,973</u>	<u>242,821</u>	<u>266,111</u>	<u>1,637,073</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,264,262</u>	<u>\$ 485,973</u>	<u>\$ 243,161</u>	<u>\$ 341,064</u>	<u>\$ 2,334,460</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CHESTER, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2021

Total Fund Balance - Governmental Funds	\$ 1,637,073
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$9,686,556 and the accumulated depreciation is \$5,917,138	3,769,418
Receivables will be collected this year, but are not available soon enough to pay for current period's expenditures and, therefore, are deferred in the funds: Property Taxes	153,013
Long-term City's Net Other Post-employment Benefit ("OPEB") Obligation resulting from underfunded annual required contributions to its OPEB Plan is not reported as a liability in the governmental funds.	(4,188,474)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Pension Liability	(5,054,609)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of: Capital Lease - Current Compensated Absences	(199) (215,449)
Deferred outflows and inflows or resources related to pension are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pension (from pension schedule)	575,762
Deferred outflows of resources related to OPEB	879,667
Deferred inflows of resources related to pensions (from pension schedule)	<u>(1,394,542)</u>
Total Net Position - Governmental Activities	<u><u>\$ (3,838,340)</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021

	General Fund	McAlley Project Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 2,574,493	\$ -	\$ -	\$ -	\$ 2,574,493
Licenses, Permits and Fees	1,177,249	-	-	-	1,177,249
Intergovernmental Revenues	159,211	-	92,770	-	251,981
Charges for Services	2,404,772	-	-	5,000	2,409,772
Fines and Forfeits	71,037	-	-	3,746	74,783
Miscellaneous	175,906	1,275	-	247,337	424,518
Total Revenues	6,562,668	1,275	92,770	256,083	6,912,796
Expenditures					
Current:					
General Government	1,264,089	-	7,530	-	1,271,619
Public Safety	3,710,933	-	-	5,881	3,716,814
Public Works	824,883	-	-	-	824,883
Cultural and Recreation	207,376	-	-	222,823	430,199
Capital Outlay	104,409	-	-	-	104,409
Debt Service:					
Principal	-	-	-	3,355	3,355
Interest	-	-	-	36	36
Total Expenditures	6,111,690	-	7,530	232,093	6,351,315
Excess (Deficiency) of Revenues Over (Under) Expenditures	450,978	1,275	85,240	23,988	561,481
Other Financing Sources (Uses)					
Transfers In From Other Funds	-	-	-	14,391	14,391
Transfers Out to Other Funds	(14,391)	-	-	-	(14,391)
Total Other Financing Sources (Uses)	(14,391)	-	-	14,391	-
Net Change in Fund Balance	436,587	1,275	85,240	38,379	561,481
Fund Balance, Beginning of Year, as restated	205,581	484,698	157,581	227,732	1,075,592
Fund Balance, End of Year	\$ 642,168	\$ 485,973	\$ 242,821	\$ 266,111	\$ 1,637,073

The notes to the financial statements are an integral part of these statements.

CITY OF CHESTER, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Total Net Change In Fund Balance - Governmental Funds	\$ 561,481
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation of \$249,193 exceeds capital outlay of \$109,733 for the period.	(139,460)
Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	3,355
Because some revenues will not be collected for several months after the City's fiscal year ends they are not considered "available" revenues and are deferred in the governmental funds.	
Property Taxes	72,002
In Statement of Activities, certain operating expenses - compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used exceeded the amount earned by this amount.	(38,911)
Governmental funds report City pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
City pension contributions	452,888
Cost of benefits earned net of employee contributions (pension expense from benefit schedule)	<u>(397,513)</u>
	<u>55,375</u>
Change in Net Position of Governmental Activities	<u>\$ 513,842</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

Assets	Agency Funds	Trust Funds
Cash and Cash Equivalents	\$ 113,791	\$ 91,667
Taxes Receivable, Net	137,125	-
Accounts Receivable - Other	1,067,698	-
Due from General Fund		73,617
Capital Assets	<u>52,530</u>	<u>-</u>
Total Assets	<u>\$ 1,371,144</u>	<u>\$ 165,284</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Due to Other Taxing Authorities	\$ 1,259,443	\$ -
Notes Payable	<u>26,458</u>	<u>-</u>
Total Liabilities	<u>1,285,901</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	<u>85,243</u>	<u>-</u>
Net Position		
Held in Trust	<u>-</u>	<u>165,284</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,371,144</u>	<u>\$ 165,284</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CHESTER, SOUTH CAROLINA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 TRUST FUNDS
 For the Fiscal Year Ended June 30, 2021

	Evergreen Cemetery	Land Sale	Total
Additions			
Interest	\$ 1,516	\$ -	\$ 1,516
Total Additions	<u>1,516</u>	<u>-</u>	<u>1,516</u>
Deductions			
Disbursement of Sales Proceeds	-	-	-
Transfer to General Fund	-	-	-
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>
Change to Fiduciary Net Position	1,516	-	1,516
Net Position, Beginning of Year	<u>163,768</u>	<u>-</u>	<u>163,768</u>
Net Position, End of Year	<u>\$ 165,284</u>	<u>\$ -</u>	<u>\$ 165,284</u>

The notes to the financial statements are an integral part of these statements.
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CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1.

Summary of Significant Accounting Policies

The City of Chester is a municipality in the State of South Carolina that was initially incorporated on December 18, 1840. The City operates under the Council-Mayor form of government as provided by the Home Rule Act of 1975. The City provides the following services: general administrative services, public safety, public works, and culture and recreation.

The financial statements of the City of Chester have been prepared in conformity with accounting principles generally accepted in the United States of America, (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of the City's accounting policies.

A. Reporting Entity

In evaluating how to define City of Chester, South Carolina, for financial reporting purposes, management has considered all potential component units. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, The City has determined that no other governmental organizations operating within its city limits are deemed component units of the City.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the City, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Program revenues include charges paid by the recipients of goods or services offered by the program and grant and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The statement of activities presents a comparison between direct and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect cost.

Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its asset, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the City are described below

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, the McAuley Project Fund, and the Hospitality Fund are the City's major governmental funds.

General Fund

The *General Fund*, a major fund, is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. Operational expenditures for general government, public safety, public works, cultural and recreation and other departments of the City are paid through the General Fund.

Special Revenue Fund

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund

The *Debt Service Fund* is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related cost of the City.

Capital Projects Fund

The *Capital Projects Fund* is used to account for resources for the acquisition or construction of specific capital projects or items.

Fiduciary Funds

Fiduciary Fund reporting focuses on net position and changes in net position. The Fiduciary Funds consist of Agency Funds and Trust Funds.

Agency Funds

Agency Funds are used to account for assets held by the City in a trustee capacity by the City and do not involve measurement of results of operations. The City has one Agency Funds as follows:

Fire District Fund. The Fire District Fund accounts for the property taxes that the City collects for the Chester fire district.

Trust Funds

Trust Funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City utilizes the following Trust Funds.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

Evergreen Cemetery. The Evergreen Cemetery Trust Fund is used to account for the financial resources held by the City for operation of the Evergreen Cemetery.

Land Sale. The Land Sale Trust Fund is used to account for the financial resources held by the City that may be claimed by certain members of the public as a result of the Treasurer's tax sale activities.

C. Measurement Focus and Basis of Accounting

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide statement of net position and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Items such as property taxes are considered to be susceptible to

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

D. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and amounts in demand deposits.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for Investment Pools*. Investment policies of the City must operate within existing state statutes of the State of South Carolina, which authorizes what the City may and may not invest in.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, franchise fees, state shared revenue and grants. Property taxes receivables are carried at cost less an allowance for uncollectible.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as franchise fees, state shared revenue and grants if they are both measurable and available. Non-exchange transactions collectible but not available, such as property taxes, are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government wide financial statements in accordance with the accrual basis. All trade and property tax receivables are recorded net of any allowances for uncollectible.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

G. Prepaid Items

Prepaid items consist of payments made to vendors for services that will benefit periods beyond June 30, 2021.

H. Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to July 1, 2002. The City maintains a capitalization policy of \$1,000 for its capital assets and an estimated useful life in excess of three years. Infrastructure utilizes a capitalization policy of \$5,000 and an estimated useful life in excess of three years. The cost 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 construction is not capitalized for general capital assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land Improvements	15 years
Buildings	30-50 years
Building Improvements	15 years
Furniture and Equipment	3-10 years
Vehicles	5 years
Machinery and Equipment	5-10 years
Infrastructure	40 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

I. Short-term Inter-fund Receivables/Payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial balance sheet. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

J. Compensated Absences

The City reports Compensated Absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The City's policies regarding vacation and sick leave are based on years of service, with a total of 12 to 24 days of vacation and 12 days of sick leave per year accumulated by each employee. However, employees are not paid for the accumulated sick leave upon retirement or other termination and, therefore, no liability has been accrued in the financial statements for accumulated sick leave. Each employee may accumulate a maximum of 30 days for vacation. The entire compensated absence liability for unused vacation is reported on the government-wide financial statements.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

K. Deferred Outflows of Resources

In addition to assets, The City reports deferred outflows of resources in a separate section of its government wide statements. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period. The City only has two deferred outflows: the first is prepaid cost relate to the GASB 75 OPEB liability. The second item is prepaid cost related to the GASB 68 pension liability.

L. Deferred Inflows of Resources

In addition to liabilities, The City reports deferred inflows of resources in a separate section of its government wide and governmental fund statements. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period. The City has two types of items which occur because governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes, grant revenue, and capital leases are reported in the governmental fund balance sheet. The second item is future pension revenues related to the GASB 68 pension liability.

M. Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in Governmental Fund operations or Proprietary Fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as a liability in the government-wide statements. Bond issuance costs are expensed in the fund, in the year incurred. The long-term debt consists primarily of bonds payable, capital leases, accrued compensated absences, OPEB and pension liability.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

N. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in capital assets. This consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

- b. Restricted net position. This consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. Unrestricted net position. All other net position that do not meet the definition of “restricted” or “net investment in capital assets” are classified as unrestricted.

The City classifies governmental fund balances as follows:

- Non-spendable—Includes amounts that inherently cannot be spent either because they are not in a spendable form (i.e., prepaids, inventories, long-term loan receivables, etc.) or because they are legally or contractually required to be maintained intact (i.e., principal on an endowment, etc.).
- Restricted—Includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.
- Committed—Includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by City Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned—Includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed, designated by Council before the end of the reporting period.
- Unassigned—Includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City generally uses restricted amounts first when both restricted and unrestricted (committed, assigned and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

O. Capital Contributions

Contributions of capital on government-wide and enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds or from grants or outside contributions of resources restricted to capital acquisition and construction.

P. Inter-fund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in the governmental funds and non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) and additions to/deductions from SCRS's and PORS's fiduciary net position have been determined on the same basis as they are reported by SCRS and PORS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Deposits and Investments

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City does not have a deposit policy for custodial credit risk. As of June 30, 2021, \$508,159 of the City's bank balance of \$1,639,018 which has a carrying value of \$1,146,442 was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank not in the City's name	<u>\$ 508,169</u>
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CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

Investments

As of June 30, 2021, the City had the following investment and maturity, which is included in cash and cash equivalents:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturity</u> <u>Less Than 1 Yr.</u>
SC Pooled Investment Fund	Unrated	\$222,680	\$222,680

South Carolina Pooled Investment Fund – The South Carolina Pooled Investment Fund (the “Pool”) are invested with the South Carolina State Treasurer’s Office, which established the 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/county treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a-7 like pool which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but has a policy that it will operate in a manner consistent with the SEC’s rule 2a-7 of the Investment company Act of 1940. In accordance with GASB Statement No. 31, “*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*”, investments are carried at fair value determined annually based upon 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.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 City does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2021, none of the City’s investments were exposed to custodial credit risk.

Concentration of Credit Risk for Investments – The City places no limit on the amount invested in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Note 3.

Property Taxes

Chester County assesses and levies property taxes in accordance with applicable laws of the State of South Carolina, for the City of Chester. Real property and personal property of every description owned and used in the City, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as a part of the budget adoption process.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

Real property and all personal property other than vehicles are assessed for property tax purposes on January 1 of each year. All taxable property is assessed in proportion to its value on that date. The basis for value of taxable property within the City is taken from the records of the Chester County Auditor. Taxes are levied in October and are due and payable at that time. Property taxes are due by January 15, and penalties are imposed as follows: 3% prior to February 1, an additional 7% prior to March 15, and an additional 5% after March 15.

A summary of outstanding property taxes at June 30, 2021, is presented below.

		<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>
	General	Agency	Total
	<u>Fund</u>	<u>Fund</u>	
Taxes Receivable	\$ 284,872	\$ 274,251	\$ 559,123
Less: Allowance for Doubtful Accounts	(113,949)	(137,126)	(251,075)
Net Taxes Receivable	\$ 170,923	\$ 137,125	\$ 308,048

Note 4. Other Receivables

Other governmental receivables at June 30, 2021, consist of intergovernmental revenues and franchise fees.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Note 5. Capital Lease Receivable

On March 6, 1978, the City of Chester entered into an operating lease agreement with the Chester Sewer District to lease the municipal sewer and sewage disposal systems to the District through the year 2040. The lease agreement provides for rental payments of \$5,000 per year. The District is responsible for operating the sewer systems, billing and collecting sewer payments. The District is also required to pay \$5,000 per year into an escrow fund to be maintained under the joint control of the Mayor of the City of Chester and the Executive Director of the District. The lease agreement does not address the disposition of these escrow funds upon termination of the lease. These escrow funds are recorded in the special revenue fund of the City and the sole purpose of those funds is for making extensions and improvements to the system.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
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Note 6. Notes Receivable

Notes receivable in the special revenue funds are composed of two types of loans from Community Block Grants. The first notes receivable is for various loans to individuals for improvements to their residences and businesses totaling \$59,855. An allowance for doubtful accounts has been setup in the amount of \$43,775, due to lack of payments received over the past years.

The second group of notes receivable is for two loans made to the McAliley Limited Partnership for improvements done to a Section 8 housing apartment complex in the City of Chester. The first loan dated October 26, 1998, consists of two loans, one in the amount of \$150,000 and the other in the amount of \$58,000, for a total of \$208,000. The \$150,000 loan carries an interest rate of 2.0% per annum, with yearly principal and interest payments starting July 1, 2030. The loan payments are contingent on the Apartment Project having sufficient cash flows in excess of 116% of their first mortgage debt service requirements. If cash flows do not meet the criteria, the payment is deferred, at a rate of 2.0% per annum, for one year. The \$58,000 portion of the outstanding balance shall bear no interest with lump sum principal payment due December 31, 2041.

The second loan, dated January 19, 1999, is in the amount of \$235,000. This note shall bear no interest and yearly principal of \$23,500 start July 1, 2013 thru July 1, 2040.

The outstanding balance, including deferred amounts, is \$485,973.

Note 7. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2021, (all of which are expected to be received or paid within one year), consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 22,375	\$ 78,265
Special Revenue Fund	4,649	22,375
Agency Fund	<u>73,616</u>	<u>-</u>
Totals	\$ <u>100,640</u>	\$ <u>100,640</u>

The General Fund receivable is a result of various transactions and supporting programs for the Special Revenue Fund and the Agency Fund.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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(Continued)

Note 8.

Capital Assets

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

Governmental Activities
Capital Assets, Non-Depreciable:

	Beginning	Additions	Disposals	Transfers	Ending
Land	\$ 36,000	\$ -	\$ -	-	\$ 36,000
Construction in Progress	896,016	37,953	-	-	933,969
<i>Capital Assets, Depreciable:</i>					
Buildings and Improvements	4,608,000	-	-	-	4,608,000
Infrastructure	224,094	-	-	-	224,094
Machinery, Equipment and Vehicles	3,859,220	71,780	46,507	-	3,884,493
Totals	<u>9,623,330</u>	<u>109,733</u>	<u>46,507</u>	<u>-</u>	<u>9,686,556</u>
Less Accumulated Depreciation					
Buildings and Improvements	(2,063,349)	(122,182)	-	-	(2,185,531)
Infrastructure	(74,485)	(7,470)	-	-	(81,955)
Machinery, Equipment and Vehicles	<u>(3,573,057)</u>	<u>(119,541)</u>	<u>(42,946)</u>	<u>-</u>	<u>(3,649,552)</u>
Totals	<u>(5,710,891)</u>	<u>(249,193)</u>	<u>(42,946)</u>	<u>-</u>	<u>(5,917,138)</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,912,439</u>	<u>\$ (139,460)</u>	<u>\$ 3,561</u>	<u>\$ -</u>	<u>\$ 3,769,418</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 50,377
Public Safety	148,821
Public Works	32,831
Cultural and Recreation	<u>17,164</u>
	<u>\$ 249,193</u>

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

Construction in progress and construction commitments – governmental activities consisted of the following at June 30, 2021:

	Expenditures To Date	Total Contract	Contract Payments Remaining
West End Activity Center	107,716	107,716	\$ -
Public Works Facility	6,682	6,682	-
Sidewalks	54,496	54,496	-
Overflow Parking Lot	5,338	5,338	-
Backlot and Amphitheater	31,195	31,195	-
Housing Authority	29,778	29,778	-
Police Substation	30,641	30,641	-
Public Works Debris Site	408,781	408,781	-
Joe Collins Stadium	21,630	21,630	-
Master Plan	6,000	6,000	-
City Hall Renovations	231,712	231,712	-
Total	<u>\$ 933,969</u>	<u>\$ 933,969</u>	<u>\$ -</u>

Note 9. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2021, are as follows:

Accounts Payable	\$ 139,251
Accrued Payroll, Withholdings, Fringe and Benefits	198,640
Total Accounts Payable and Accrued Expenses - Governmental Activities	<u>\$ 337,891</u>

Note 10. Long-term Debt

Governmental Activities:

As of June 30, 2021, the governmental long-term debt consisted of capital leases and compensated absences.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

Capital Lease Payable

The City entered into a capital lease arrangement with First Citizens Bank to purchase various equipment. The lease is payable in yearly installments. As of June 30, 2021, the City had an outstanding balance of \$199.

The following is a schedule of the future minimum lease payments under capital lease, and the Present value of the net minimum lease payments at June 30, 2021.

Fiscal Year Ending	
June 30	
2022	\$ 199
Total minimum lease payments	199
Less: Amounts representing interest	<u>(37)</u>
	<u>\$ 162</u>

Note 11.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2021.

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
<i>Governmental Activities</i>					
Capital Lease Payable	\$ 3,554	\$ -	\$ 3,355	\$ 199	\$ 199
Compensated Absences	176,538	215,449	176,538	215,449	-
Net Pension Liability	5,879,124	-	824,515	5,054,609	-
Net OPEB Liability	<u>4,188,474</u>	<u>-</u>	<u>-</u>	<u>4,188,474</u>	<u>-</u>
	<u>\$ 10,247,690</u>	<u>\$ 215,449</u>	<u>\$ 1,004,408</u>	<u>\$ 9,458,731</u>	<u>\$ 199</u>

Note 12.

Restricted Cash

Certain resources, which have been set aside for Grants, drug seizure, fire equipment, sewer escrow, hospitality, summer feeding and victim assistance expenditures are classified as restricted cash on the Special Revenue Fund and Capital Projects Fund's balance sheet because their use is limited. The amount of restricted cash held by the Special Revenue Fund amounted to \$543,893 as of June 30, 2021.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

Note 13. Debt Limitations

The amount of legal debt margin as of June 30, 2021, is computed as follows:

Total Assessed Value	<u>\$ 8,342,391</u>
Debt Limit 8% of Assessed Value	667,391
Amount of Debt Applicable to Limit	<u>-</u>
Legal Debt Margin	<u>\$ 667,391</u>

Note 14. Employee Retirement Plans

The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the State of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program as well as the State's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined pension plans. PEBA has an 11-member Board of Directors, 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 expenses, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial report of the state information is also included in the comprehensive annual financial report of the state.

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NOTES TO FINANCIAL STATEMENTS
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Plan Description- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers and employees of the state, and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government, and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts, and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina, (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

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

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

State ORP – As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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 credible service equals at least 90 years. Both Class Two and 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.

PORS - 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 55 or with 25 years of service regardless of age. 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 at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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NOTES TO FINANCIAL STATEMENTS
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(Continued)

The 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.

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

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates are as follows:

SCRS	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%

PORS	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contributions are as follows:

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NOTES TO FINANCIAL STATEMENTS
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(Continued)

SCRS	<u>Fiscal Year 2021</u>		<u>Fiscal Year 2020</u>	
Employer Class Two	15.41%		15.41%	
Employer Class Three	15.41%	-	15.41%	
Employer Incidental Death Benefit	0.15%		0.15%	
PORS				
	<u>Fiscal Year 2021</u>		<u>Fiscal Year 2020</u>	
Employer Class Two	17.84%		17.84%	
Employer Class Three	17.84%		17.84%	
Employer Incidental Death Benefit	0.20%		0.20%	
Employer Accidental Death Program	0.20%		0.20%	

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 during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019, for first use in July 1, 2021, actuarial valuation.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate TPL as of June 30, 2020.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation of 2.25%		

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

Assumptions used in the determination of the June 30, 2020, TPL are as follows:

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NOTES TO FINANCIAL STATEMENTS
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(Continued)

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

Net Pension Liability of the Plan- The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals as of June 30, 2020, for SCRS and PORS are as follows:

System	Total Pension Liability	Plan		Employers		Plan Fiduciary	
		Fiduciary Net Position	Liability (Asset)	Net Pension Liability (Asset)	Net Pension Liability (Asset)	Net Position as % of the Total Pension Liability	Net Position as % of the Total Pension Liability
SCRS	\$ 51,844,187,763	\$ 26,292,418,682	\$ 25,551,769,081			50.7%	
PORS	\$ 8,046,386,629	\$ 4,730,174,642	\$ 3,316,211,987			58.8%	

The TPL is calculated by the Systems' actuary and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding the expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used set in statute and used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

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NOTES TO FINANCIAL STATEMENTS
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Asset Class	Target Asset Allocation (%)	Expected Arithmetic Rate of Return (%)	Long Term Expected Portfolio Real Rate of Return (%)
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Option Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Conservative Fixed Income	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash & Short Term Duration (Net)	1.0%	0.56%	0.00%
Total Expected Return	100.0%		5.80%
Inflation of Actuarial Purposes			2.25%
			8.05%

Discount rate- The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis- The following table presents the proportionate share of the NPL of the plans calculated using the discount rate of 7.25 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate				
System	6.25%	7.25%	8.25%	
SCRS	\$ 2,141,653	\$ 1,728,007	\$ 1,382,608	
PORS	\$ 4,403,861	\$ 3,326,602	\$ 2,461,632	

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions— At June 30, 2021, the City reported a liability of \$5,054,609 for its proportionate share of the NPL. The NPL was measured as of June 30, 2020, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The City's proportion of the NPL was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended June 30, 2021, the City recognized pension benefit of \$55,375 for its participation in the SCRS and PORS Plans. The expenses amount includes actual employer contributions, changes in deferred outflows and/or inflows of resource related to changes in employers' proportionate share of the collective NPL, and differences between actual employer contributions and proportionate share of total plan employer contributions as reported by PEBA for the year ended June 30, 2020.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 90,635	\$ 21,177
Assumption Changes	42,712	-
Net difference between projected and actual investment earnings	467,746	-
Changes in proportion and differences between City contributions and proportionate share of contributions	22,403	1,373,365
City contributions subsequent to measurement date	(47,734)	-
Total	\$ 575,762	\$ 1,394,542

The amount of \$47,734 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in the pension expense as follows:

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Year Ended June 30:	<u>SCRS</u>	<u>PORS</u>	<u>Combined</u>
2021	\$ (305,684)	\$ (93,061)	\$ (398,745)
2022	(174,464)	(96,458)	(270,922)
2023	(100,849)	(86,866)	(187,715)
2024	<u>32,435</u>	<u>53,901</u>	<u>86,336</u>
Total	<u>\$ (548,562)</u>	<u>\$ (222,484)</u>	<u>\$ (771,046)</u>

Payables to the Pension Plan- The City reported a payable to the SCRS and PORS as of June 30, 2021, in the amount of \$53,472, which represents the employer and employee contributions for June 2021 paid in July and August of 2021. This amount has been included in accounts payable and accrued liabilities on the financial statements.

Note 15. Post-Employment Health Care Benefits

Plan Description: The City sponsors a single-employer medical insurance subsidy benefit plan (the "OPEB Plan") that provides payments on behalf of eligible retirees to be used toward the purchase of subsidization or medical insurance provided under the City's group plan. Employees become eligible when the employee qualifies for the SCRS or PORS and has earned all years of service, with the City regardless of age, if hired prior to June 18, 2004. Information regarding SCRS and PORS eligibility may be found in the Comprehensive Annual Financial Report as identified in Note 13. The OPEB Plan may be changed by City Council at its discretion; the benefit and contribution requirements of the City and plan members are established and amended by City Council. These contributions are neither guaranteed nor mandatory. City Council has retained the right to unilaterally modify its payments toward retiree health care benefits at any time.

As of June 30, 2020, the measurement date, there were 29 covered participants; 11 members are retirees receiving benefits and 18 are active participants and dependents.

Funding Policy: Any employee who retires and meets the requirements for retirement in the SCRS is eligible to participate in the City of Chester Retiree Benefit Program. The SCRS program allows retirement at the earlier of 28 years of service, age 55 with 25 years of service, or age 60 with 8 years of service. Retirees participate in the same health care plan as the active employees (with the additional option of a Medicare Supplement Plan for post-65 retirees). The employees currently have one pre-65 health care plan provided by Blue Cross Blue Shield of South Carolina. Retirees are required to share in the cost of coverage. The amount of cost sharing is determined at the beginning of each year. For 2020, eligible retirees are required to pay \$250 per month toward the cost of pre-65 coverage. Post-65 coverage is provided under a Medicare Supplement Policy provided by Blue Cross Blue Shield of South Carolina, with an optional Medicare Part D supplement. For 2020, eligible retirees are required to pay \$65 per month toward the cost of post-65 coverage.

The City's annual other postemployment benefits ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75.

CITY OF CHESTER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021
(Continued)

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer 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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table summarizes the key actuarial assumptions and cost method:

Actuarial Valuation Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Inflation:	2.25%
Investment Rate of Return:	4.0% Annual Return Net of Both Administrative and Investment Related Expenses
Single discount Rate:	2.21% as of June 30, 2020
Demographic Assumptions:	Based on the Experience Study Performed for City of Chester
Mortality:	The Rates used for July, 1, 2018, SCRS Valuation
Health Cost Trend:	Initial Trend Starting at 6.50% and Gradually Decreasing to an Ultimate Trend rate of 4.15% over a period of 13 years
Aging Factors:	Based on Plan Specific Experience
Retiree Participation:	100% of Retirees who are Eligible for Funded Premiums

Single Discount Rate: The single discount rate of 2.21 was used to measure the total OPEB liability. The accounting policy is to set the Single Discount Rate equal to the prevailing rate for 20-year tax exempt general obligation municipal bonds with and average rating of AA/Aa or higher.

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB:
The net OPEB liability ("NOL") is calculated separately and represents the system's Total OPEB liability determined in accordance with GASB No. 74 less its fiduciary net position.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

NOL totals as of the June 30, 2021, measurement date are presented in the following table:

		Total OPEB
Total OPEB Liability	Total Covered Payroll	Liability as a Percentage of Covered Payroll
\$ 4,188,474	\$ 568,098	737.28%

As of June 30, 2020, the City reported a liability of approximately \$4,188,474 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability was determined based on the most recent actuarial valuation report as of July 1, 2019. For the year ended June 30, 2020, the City recognized OPEB expense of \$351,066. At June 30, 2020, the City reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	\$ 39,773	\$ -
Assumption Changes	839,894	-
Net difference between projected and actual investment earnings	-	-
Total	<u>\$ 879,667</u>	<u>\$ -</u>

Collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
	Resources	Resources
2021	\$ 232,295	\$ -
2022	232,295	-
2023	232,295	-
2024	182,782	-
2025	-	-
Thereafter	-	-
Total	<u>\$ 879,667</u>	<u>\$ -</u>

The following table presents the sensitivity of the City's net OPEB liability to changes in the discount rate, calculated using the discount rate of 2.21%, as well as what the OPEB liability would be if it were calculated using a discount rate 1% lower or 1% higher:

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

Current			
	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 5,074,584	\$ 4,188,474	\$ 3,494,682

Sensitivity of the OPEB Liability to Changes in HealthCare cost Trend Rate: The following table presents the total OPEB liability as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than current healthcare cost trend rates:

Current			
	1% Decrease	Trend Rates	1% Increase
Total OPEB Liability	\$ 3,435,570	\$ 4,188,474	\$ 5,165,761

Note 16. Commitments and Contingencies

The City has committed to provide fire service protection within the Chester Fire District for a fee of \$1,957,687 for the fiscal year ended June 30, 2021.

In the normal course of business, the City enters into agreements with contractors for construction projects. As of June 30, 2021, open contracts and project budgets for construction totaled \$933,969 of which \$933,969 has been recorded as construction in progress.

Various claims and lawsuits are pending against the City. As of the issuance of the financial statements, it is not known whether any unfavorable outcomes are likely, however, it appears that should there be any unfavorable outcomes, some cause of action may not be covered by insurance.

Note 17. Insurance and Risk Management

The City is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, injuries to employees and natural disasters. The City maintains insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured loss to the City.

Settled claims have not exceeded this coverage in any of the past three years. There are no significant reductions in insurance coverage in the prior year.

The City paid insurance premiums to the South Carolina Counties Property and Liability Trust totaling \$199,469 to cover risks that may occur in normal operations. These risks include loss of real property and contents, motor vehicles, errors and omissions, general liability and theft and dishonesty. The City paid insurance premiums to the South Carolina Counties Workers' Compensation Trust totaling \$168,640 for workers' compensation coverage.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(Continued)

The City elected to be self-insured for unemployment claims. The City reimburses the South Carolina Employment Security Commission for legitimate claims paid to former employees. Historically, claims have been minimal and the City expects this to continue. The liability from future claims is indeterminable and, as such, no liability has been accrued in the financial statements.

Note 18. Intergovernmental Revenues

The City receives funds from both the State of South Carolina and the federal government for various grants and projects. The majority of these funds are accounted for in the General Fund with the major exception being grants which are accounted for in the Special Revenue Funds.

Note 19. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2021, consist of the following:

<i>General Fund</i>	
Transfer to Special Revenue Fund	\$ (11,000)
Transfer to Debt Service Fund	(3,391)
Net Total Transfer To	<u>(14,391)</u>
<i>Special Revenue Fund</i>	
Transfer from General Fund	11,000
Net Total Transfer from	<u>11,000</u>
<i>Debt Service Fund</i>	
Transfer from General Fund	3,391
Net Total Transfer from	<u>3,391</u>
Net Total Transfers between Funds	<u>\$ -</u>

General Fund

Transfers to: Funds were transferred from the General Fund into the Special Revenue Fund to fund special capital project costs. Funds were transferred from the General Fund into the Debt Service Fund to fund the general obligation payment.

Special Revenue Fund

Transfers from: Funds were transferred into the Special Revenue Fund from the General Fund to fund special capital project costs.

Debt Service Fund

Transfers from: Funds were transferred from the General Fund and Special Revenue Fund into the Debt Service Fund to supplement debt payments for debt payments for general obligation bond and capital leases.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2021
(Continued)

Note 20. Operating Lease Commitment

The City has an operating lease with Sharp Business System Services for computers and related equipment, maintenance and managed network services. The lease term is for 5 years starting June 2019. Either party may terminate the rental agreement at any time. Rent is payable on a monthly basis with yearly totals in the amount of \$189,960.

The City has two operating leases with Enterprise FM Trust and Enterprise Fleet Management for vehicles and vehicle services. The lease terms are six years starting March 15, 2018. Either party may terminate the rental agreement at any time. Rent is payable on a monthly basis with yearly totals in the amount of \$73,305.

Note 21. Prior Period Adjustment

Governmental

Net Position, beginning of the year, as previously stated \$ (4,379,059)

Increase resulting from overstatement of expenditure accruals
in June 30, 2020 30,438

Net Position, beginning of the year, as restated \$ (4,348,621)

General Fund

Fund Balance, beginning of the year, as previously stated \$ 175,143

Increase resulting from overstatement of expenditure accruals
in June 30, 2020 30,438

Fund Balance, beginning of the year, as restated \$ 205,581

Note 22. Subsequent Events

The City has evaluated subsequent events through July 13, 2021, which is the date the financial statements were available to be issued. During this period, the City did have one material subsequent events that required recognition in the City's disclosures to the financial statements at June 30, 2021.

SUPPLEMENTAL INFORMATION

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CITY OF CHESTER, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2021

Revenues	Final Budget	Actual	Variance Positive (Negative)
Taxes			
Property Taxes - Net	\$ 1,000,000	\$ 979,432	\$ (20,568)
Vehicle Taxes - Net	145,000	173,900	28,900
Delinquent Taxes - Net	132,500	126,465	(6,035)
Fee In Lieu of Taxes	21,200	29,255	8,055
Local Option Sales Tax	865,020	1,029,317	164,297
Homestead Exemption	205,000	201,557	(3,443)
Manufacturer Reimbursement	1,000	-	(1,000)
Inventory Replacement	35,000	34,567	(433)
Total Taxes	2,404,720	2,574,493	169,773
Licenses, Fees and Permits			
Business Licenses	864,000	825,208	(38,792)
Franchise Fees	285,000	260,571	(24,429)
Cemetery	21,800	21,150	(650)
Public Works	2,525	1,426	(1,099)
Building Permits	14,500	32,593	18,093
Sewer	5,000	36,301	31,301
Total Licenses, Fees and Permits	1,192,825	1,177,249	(15,576)
Intergovernmental Revenue			
Aid to Subdivisions	130,000	135,484	5,484
Accommodations Tax	30,000	23,727	(6,273)
Total Intergovernmental Revenue	160,000	159,211	(789)
Charges for Services			
Recreation	36,050	(410)	(36,460)
Solid Waste Fees	453,825	447,495	(6,330)
Chester Fire District Contract	1,957,687	1,957,687	-
Total Charges for Services	2,447,562	2,404,772	(42,790)

CITY OF CHESTER, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Fines and Forfeitures			
Police Fines and Fees	\$ 106,000	\$ 70,973	\$ (35,027)
Interest Earned	700	64	(636)
Total Fines and Forfeitures	<u>106,700</u>	<u>71,037</u>	<u>(35,663)</u>
Miscellaneous			
Grants	200,000	110,070	(89,930)
Other	<u>922,127</u>	<u>65,836</u>	<u>(856,291)</u>
Total Miscellaneous	<u>1,122,127</u>	<u>175,906</u>	<u>(946,221)</u>
Total Revenues	<u>7,433,934</u>	<u>6,562,668</u>	<u>(871,266)</u>
Expenditures:			
Current			
General Government	1,281,730	1,264,089	17,641
Public Safety	4,083,994	3,710,933	373,061
Public Works	837,640	824,883	12,757
Cultural and Recreation	345,210	207,376	137,834
Capital Outlay	105,000	104,409	591
Debt Service			
Principal	750,000	-	750,000
Interest	<u>33,401</u>	<u>-</u>	<u>33,401</u>
Total Expenditures	<u>7,436,975</u>	<u>6,111,690</u>	<u>1,325,285</u>
Excess of Revenues Over Expenditures	<u>(3,041)</u>	<u>450,978</u>	<u>454,019</u>
Other Financing Sources (Uses):			
Transfers Out from Other Funds	<u>3,041</u>	<u>(14,391)</u>	<u>(17,432)</u>
Total Other Financing Sources (Uses)	<u>3,041</u>	<u>(14,391)</u>	<u>(17,432)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>436,587</u>	<u>\$ 436,587</u>
Fund Balance, Beginning of Year, as restated		<u>205,581</u>	
Fund Balance, End of Year		<u>\$ 642,168</u>	

CITY OF CHESTER, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,404,720	\$ 2,404,720	\$ 2,574,493	\$ 169,773
Licenses, Fees and Permits	1,192,825	1,192,825	1,177,249	(15,576)
Intergovernmental Revenues	160,000	160,000	159,211	(789)
Charges for Services	2,447,562	2,447,562	2,404,772	(42,790)
Fines and Forfeitures	106,700	106,700	71,037	(35,663)
Miscellaneous	<u>1,122,127</u>	<u>1,122,127</u>	<u>175,906</u>	<u>(946,221)</u>
Total Revenues	7,433,934	7,433,934	6,562,668	(871,266)
Expenditures				
Current:				
General Government	1,281,730	1,281,730	1,264,089	17,641
Public Safety	4,083,994	4,083,994	3,710,933	373,061
Public Works	837,640	837,640	824,883	12,757
Cultural and Recreation	345,210	345,210	207,376	137,834
Capital Outlay	105,000	105,000	104,409	591
Debt Service:				
Principal	750,000	750,000	-	750,000
Interest	<u>33,401</u>	<u>33,401</u>	<u>-</u>	<u>33,401</u>
Total Expenditures	7,436,975	7,436,975	6,111,690	1,325,285
Excess of Revenues Over Expenditures	<u>(3,041)</u>	<u>(3,041)</u>	<u>450,978</u>	<u>454,019</u>
Other Financing Sources (Uses)				
Transfers Out from Other Funds	3,041	3,041	(14,391)	(17,432)
Total Other Financing Sources (Uses)	<u>3,041</u>	<u>3,041</u>	<u>(14,391)</u>	<u>(17,432)</u>
Net Change in Fund Balance	-	-	436,587	436,587
Fund Balance, Beginning of Year, as restated	205,581	205,581	205,581	-
Fund Balance, End of Year	<u>205,581</u>	<u>205,581</u>	<u>642,168</u>	<u>436,587</u>

CITY OF CHESTER, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2021

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

	2020	2019	2018
Total OPEB Liability			
Service Cost at end of year	\$ 58,767	\$ 50,884	\$ 48,988
Interest on the Total OPEB Liability	107,708	107,955	103,729
Changes of benefit terms	-	-	-
Difference between expected and actual experience	50,240	-	-
Changes of assumptions or other inputs	918,226	167,084	(6,085)
Benefit payments*	(47,704)	(35,364)	(38,643)
Net change in Total OPEB Liability	1,087,237	290,559	107,989
Total OPEB Liability - beginning	\$ 3,101,237	\$ 2,810,678	\$ 2,702,689
Total OPEB Liability - ending (a)	\$ 4,188,474	\$ 3,101,237	\$ 2,810,678

Plan Fiduciary Net Position

Contributions - employer**	\$ -	\$ -	\$ -
Contributions - non-employer	-	-	-
Contributions - active member	-	-	-
Net investment income	-	-	-
Benefit Payments*	-	-	-
Administrative expense	-	-	-
Other	-	-	-

Net Change in Plan Fiduciary Net Position	\$ -	\$ -	\$ -
Plan Fiduciary Net Position - beginning	\$ -	\$ -	\$ -
Plan Fiduciary Net Position - ending (b)	\$ -	\$ -	\$ -
Net OPEB Liability - ending (a) - (b)	\$ 4,188,474	\$ 3,101,237	\$ 2,810,678

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available. The Discount rate used for year ended June 30, 2020, was 2.21%.

CITY OF CHESTER, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2021

SCHEDULE OF THE NET OPEB LIABILITY

	2020	2019	2018
Total OPEB Liability	\$ 4,188,474	\$ 3,101,237	\$ 2,810,678
Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability	\$ 4,188,474	\$ 3,101,237	\$ 2,810,678
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%	0.00%	0.00%
Covered Payroll*	\$ 568,098	\$ 633,700	\$ 633,700
Net OPEB Liability as a percentage of covered payroll	737.28%	489.39%	443.53%

CITY OF CHESTER, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
SCHEDULE OF CITY'S CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
SCRS							
City's proportion of the net pension liability (asset)	1728017	\$ 2,136,937	2,342,769	2,983,013	1,788,635	1,788,635	1,697,056
City's proportionate share of the net pension liability (asset)	0.006763%	0.093670%	0.010456%	0.013231%	0.009719%	0.009431%	0.009828%
City's covered employee payroll	655,111	953,113	996,338	1,083,492	1,246,564	939,829	883,950
City's proportionate share of the net pension liability (asset)							
as a percentage of its covered-employee payroll	263.77%	224.42%	235.14%	275.31%	143.48%	190.31%	190.99%
Plan fiduciary net position as a percentage of net pension liability	53.35%	53.35%	53.10%	53.30%	52.90%	57.00%	59.90%
PORS							
City's proportion of the net pension liability (asset)	3326602	\$ 3,740,187	3,762,802	3,599,756	3,565,041	3,078,713	2,813,146
City's proportionate share of the net pension liability (asset)	0.100313%	0.130503%	0.132793%	0.131403%	0.140559%	0.141260%	0.147080%
City's covered employee payroll	1,956,072	1,982,896	1,888,823	1,838,004	1,769,517	1,791,831	1,750,294
City's proportionate share of the net pension liability (asset)							
as a percentage of its covered-employee payroll	172.71%	188.62%	190.21%	195.84%	201.47%	171.82%	160.84%
Plan fiduciary net position as a percentage of net pension liability	93.29%	93.29%	60.60%	60.90%	60.40%	64.60%	67.50%

This schedule is present to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SCHEDULE OF THE CITY'S CONTRIBUTIONS

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	452,888	506,623	461,650	406,528	387,134	350,143	322,914
Contributions in relation to contractually required contribution	452,888	506,623	461,650	406,528	387,134	350,143	322,914
Contribution deficiency (excess)	-	-	-	-	-	-	-
City's covered-employee payroll	2,581,183	2,936,009	2,885,161	2,921,576	3,016,081	2,731,660	2,655,884
Contributions as a percentage of covered-employee payroll	17.55%	17.08%	16.00%	13.91%	12.84%	12.82%	12.25%

This schedule is present to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CITY OF CHESTER, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2021

Note 1.

Budgets and Budgetary Accounting

Budgets, except for the Special Revenue Fund, are adopted on a basis consistent with generally accepted accounting principles. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental schedules for the General Fund. Unused appropriations for all annually budgeted funds lapse at the end of the year.

Note 2.

Legal Compliance -- Budgets

The City Administrator submits a proposed operating budget for the fiscal year to the City Council. The operating budget includes proposed expenditures and the means of financing them. Prior to July 1, the budget is legally enacted through passage of an ordinance. The City Administrator is authorized to transfer budgeted amounts within departments as necessary to achieve the goals of the budget. Any revisions that alter the total expenditures of any fund must be approved by City Council. Budgeted amounts reflected in the accompanying financial statements are the final authorized amounts as revised during the year.

The City has not presented budget information for the Special Revenue Fund, since budgetary control is maintained on an individual grant basis. Since grant periods may differ from the City's fiscal year, a comparison of budgetary information for the total Special Revenue Fund would not be meaningful and has not been presented in the accompanying financial statements.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**CITY OF CHESTER, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
COMBINED BALANCE SHEET
June 30, 2021**

Assets	Liabilities, Deferred Inflows or Resources and Fund Balance										
	Restricted Cash	Receivable - Other	Notes Receivable, net	Due from Other Funds	Total Assets	Liabilities	Due to Other Funds	Total Liabilities	Deferred Inflows	Fund Balance	Total Liabilities, Deferred Inflows of Resources and Fund Balance
Community Development Project	\$ -	\$ -	16,080	-	\$ 16,080	\$ -	-	-	-	16,080	\$ 16,080
McAuley Project	\$ -	\$ -	485,973	-	\$ 485,973	\$ -	-	-	-	485,973	\$ 485,973
Grant Project	\$ 8,372	\$ -	-	4,649	\$ 13,021	\$ -	-	-	-	13,021	\$ 13,021
Drug Fund	\$ 33,481	\$ -	-	-	\$ 33,481	\$ -	-	-	-	33,481	\$ 33,481
Equipment Replacement	\$ 36,558	\$ -	-	-	\$ 36,558	\$ -	-	-	-	36,558	\$ 36,558
Sewer Escrow	\$ 156,306	\$ -	-	-	\$ 156,306	\$ -	-	-	-	156,306	\$ 156,306
Hospitality Tax	\$ 243,161	\$ -	-	-	\$ 243,161	\$ 340	-	340	-	242,821	\$ 243,161
Summer Feeding	\$ 55,550	\$ -	19,403	-	\$ 74,953	\$ 13,794	22,375	36,169	38,784	-	\$ 74,953
Special Projects	\$ -	\$ 200	-	-	\$ 200	\$ -	-	-	-	200	\$ 200
Victim Assistance	\$ 10,465	\$ -	-	-	\$ 10,465	\$ -	-	-	-	10,465	\$ 10,465
Total	\$ 543,893	\$ 19,603	502,053	4,649	\$ 1,070,198	\$ 14,134	22,375	36,509	38,784	994,905	\$ 1,070,198

**CITY OF CHESTER, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
COMBINED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2021**

	Revenues:										
	Community Development	McAliley Project	Grant Projects	Drug Fund	Pre Equipment Replacement	Sewer Escrow	Hospitality Tax	Summer Feeding	Special Projects	Victim Assistance	Total
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,770	\$ -	\$ -	\$ -	\$ 92,770
Charges for Services	-	-	-	-	-	5,000	-	-	-	-	5,000
Fines and Forfeits	-	-	-	3,746	-	-	-	-	-	-	3,746
Other	-	-	16,353	-	4,867	298	-	222,823	-	2,996	248,612
Total Revenues	-	1,275	16,353	3,746	4,867	5,298	92,770	222,823	-	2,996	350,128
Expenditures:											
General Government	-	-	-	-	-	-	7,530	-	-	-	7,530
Public Safety	-	-	5,000	881	-	-	-	-	-	-	5,881
Cultural and Recreation	-	-	-	-	-	-	-	222,823	-	-	222,823
Total Expenditures	-	-	5,000	881	-	-	7,530	222,823	-	-	236,234
Excess of Revenues Over Expenditures	-	1,275	11,353	2,865	4,867	5,298	85,240	-	-	2,996	113,894
Other Financing Sources (Uses):											
Transfer from General Fund	-	-	-	-	-	11,000	-	-	-	-	11,000
Total Other Financing Sources (Uses)	-	-	-	-	-	11,000	-	-	-	-	11,000
Net Change in Fund Balance	-	1,275	11,353	2,865	4,867	16,298	85,240	-	-	2,996	124,894
Fund Balance, Beginning of Year	16,080	484,698	1,668	30,616	31,691	140,008	157,581	-	-	7,469	870,011
Fund Balance, End of Year	\$ 16,080	\$ 485,973	\$ 13,021	\$ 33,481	\$ 36,558	\$ 156,306	\$ 242,821	\$ -	\$ 200	\$ 10,465	\$ 994,905

CITY OF CHESTER, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
(per ACT 96)

For the Fiscal Year Ended June 30, 2021

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT		General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:					
Court fines and assessments collected		-	-	76,172	76,172
Court fines and assessments remitted to State Treasurer		-	-	42,602	42,602
Total Court Fines and Assessments retained				33,570	33,570
Surcharges and Assessments retained for victim services:					
Surcharges collected and retained		-	-	1,640	1,640
Assessments retained		-	-	3,692	3,692
Total (Surcharges and Assessments retained for victim services)				5,332	5,332

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC):

VICTIM SERVICE FUNDS COLLECTED		Municipal	County	Total
Carryforward from Previous Year - Beginning Balance		1,338	-	1,338
Victim Service Revenue:				
Victim Service Fines Retained by Town/County Treasurer		-	-	-
Victim Service Assessments Retained by Town/County Treasurer		3,692	-	3,692
Victim Service Surcharges Retained by Town/County Treasurer		1,640	-	1,640
Interest Earned		-	-	-
Grant Funds Received		-	-	-
Grant from:		-	-	-
General Funds Transferred to Victim Service Fund		799	-	799
Contribution Received from Victim Service Contracts:				
(1) Town of		-	-	-
(2) Town of		-	-	-
(3) Town of		-	-	-
Total Funds Allocated to Victim Service Fund - Beginning Balance (A)		7,469		7,469
Expenditures for Victim Service Program:				
Salaries and Benefits		-	-	-
Operating Expenditures		-	-	-
Victim Service Contract(s):				
(1) Safe Passage		-	-	-
(2) Chester County		-	-	-
Victim Service Donation(s):				
(1) Domestic Violence Shelter		-	-	-
(2) Rape Crisis Center		-	-	-
(3) Other local direct crime victims service agency		-	-	-
Transferred to General Fund		-	-	-
Total Expenditures from Victim Service Fund/Program (B)				
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)		-	-	-
Less: Prior Year Fund Deficit Repayment		-	-	-
Carryforward Funds - End of Year		7,469		7,469

CITY OF CHESTER, SOUTH CAROLINA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2021

Revenues	
Taxes	\$ -
Total Revenues	<u> -</u>
Expenditures	
Principal Retirement	3,355
Interest and Other Charges	<u> 36</u>
Total Expenditures	<u> 3,391</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u> (3,391)</u>
Other Financing Sources (Uses)	
Transfer from General Fund	<u> 3,391</u>
Total Other Financing Sources	<u> 3,391</u>
Net Change in Fund Balance	-
Fund Balance, Beginning of Year	<u> -</u>
Fund Balance, End of Year	<u><u> -</u></u>



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

Honorable Members of the City Council
City of Chester
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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chester, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Chester, South Carolina's basic financial statements, and have issued our report thereon dated June 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Chester, South Carolina'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 the City of Chester, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Chester, South Carolina's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chester, South Carolina'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 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
June 15, 2022