

**Independent Auditor's Report
on the Financial Statements**

Chester Metropolitan District

as of and for the years ended June 30, 2020 and 2019

SCOTT  COMPANY

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Chester Metropolitan District (the "District") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits, and pension information on pages 3 through 7 and 37 through 39, respectively, 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The schedule of certain expenses – budget and actual is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of certain expenses – budget and actual on pages 40 through 42 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of certain expenses – budget and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Scott and Company LLC

Columbia, South Carolina
December 14, 2020

Required Supplementary Information

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Chester Metropolitan District's (the "District") annual financial report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2020 and 2019. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$828,578 or 13 percent from \$6,342,554 to \$7,171,132. The increase was primarily due to increases in capital recovery fees as well as water service revenue mainly from increased rates.
- Operating expenses increased by \$38,637 or 0.5 percent from \$7,093,697 to \$7,132,334.
- Operating revenues increased \$487,576 or 6 percent from \$7,582,601 to \$8,070,177.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position presents the financial position of the District at the end of the fiscal year. Net position is the difference between the sum of the assets and deferred outflows of resources, and the sum of liabilities and deferred inflows of resources. There are three components of net position: net investment in capital assets, unrestricted assets, and restricted assets. Net position is one indicator of the current financial condition of the District, while the change in net position is an indicator that the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Position replaces the fund perspective with the entity-wide perspective. Revenues and expenses are categorized as operating or non-operating.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, and investing activities.

FINANCIAL ANALYSIS

STATEMENT OF NET POSITION:

Net position may serve over time as a useful indicator of an entity's financial position. During the fiscal year ended June 30, 2020, current and other assets increased by \$1,274,454 or 14 percent. Contributing to the increase was the increase of cash and cash equivalents for an overall increase in total assets and deferred outflows of resources of \$959,927 or 4 percent. Net capital assets decreased by \$292,441.

Total liabilities reflect a decrease of \$45,982 or 0.28 percent. Total liabilities and deferred inflows of resources increased by \$124,349. The increase is primarily attributable to the increase of OPEB (Other Post-Employment Benefits) liability. Net position restricted for other purposes decreased approximately \$460,000 largely due to the spending of restricted bond proceeds.

The following schedule is prepared from the District's Statements of Net Position, on an accrual basis of accounting, and presented as condensed statements.

Condensed Statements of Net Position
June 30,

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current and other assets	\$ 10,403,097	\$ 9,128,643	\$ 1,274,454	14%
Capital assets, net	<u>12,624,339</u>	<u>12,916,780</u>	<u>-292,441</u>	-2%
Total assets	<u>23,027,436</u>	<u>22,045,423</u>	<u>982,013</u>	4%
Deferred outflows of resources	<u>1,246,036</u>	<u>1,275,122</u>	<u>-29,086</u>	-2%
Total assets and deferred outflows of resources	<u>24,273,472</u>	<u>23,320,545</u>	<u>959,927</u>	4%
Current liabilities	1,260,073	1,243,735	16,338	1%
Non-current liabilities	<u>15,017,110</u>	<u>15,079,430</u>	<u>-62,320</u>	0%
Total liabilities	<u>16,277,183</u>	<u>16,323,165</u>	<u>-45,982</u>	0%
Deferred inflows of resources	<u>825,157</u>	<u>654,826</u>	<u>170,331</u>	26%
Total liabilities and deferred inflows of resources	<u>17,102,340</u>	<u>16,977,991</u>	<u>124,349</u>	1%
Net investment in capital assets	7,051,373	6,940,694	110,679	2%
Net position restricted for debt service	2,273	4,520	-2,247	-50%
Net position restricted for other purposes	720,215	1,180,910	-460,695	-39%
Unrestricted net position	<u>(602,729)</u>	<u>(1,783,570)</u>	<u>1,180,841</u>	66%
Total net position	<u>\$ 7,171,132</u>	<u>\$ 6,342,554</u>	<u>\$ 828,578</u>	13%

The Statement of Revenues, Expenses and Changes in Net Position presents and categorizes revenues earned and expenses incurred during the year by operating and non-operating. Generally, operating revenues and expenses are those received and used to carry out the mission of the District, although interest incomes from South Carolina are listed below as non-operating revenue.

The following schedule is prepared from the District's Statements of Revenues, Expenses and Changes in Net Position and presented as condensed statements.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the years ended June 30,**

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating revenues	\$ 8,070,177	\$ 7,582,601	\$ 487,576	6%
Non-operating revenues	79,042	104,866	-25,824	-25%
Total revenues	<u>8,149,219</u>	<u>7,687,467</u>	<u>461,752</u>	6%
Depreciation expense	947,064	938,456	8,608	1%
Other operating expenses	<u>6,185,270</u>	<u>6,155,241</u>	<u>30,029</u>	0%
Total operating expenses	7,132,334	7,093,697	38,637	0%
Interest expense	<u>188,307</u>	<u>199,732</u>	<u>-11,425</u>	-6%
Total expenses	<u>7,320,641</u>	<u>7,293,429</u>	<u>27,212</u>	0%
Increase in net position	<u>\$ 828,578</u>	<u>\$ 394,038</u>	<u>\$ 434,540</u>	110%

REVENUES

The District's total revenues increased \$461,752 or 6 percent as compared to fiscal year end June 30, 2019.

- Operating revenue, or revenue received from the day-to-day activities of the District, increased 6 percent over last fiscal year. The primary source of increased revenue came from monthly utility billings mainly from increased rates.
- Non-operating revenue decreased by \$25,824 or 25 percent. The District earned approximately 19% less in interest revenue over last fiscal year. The change is based on lower interest rates.

EXPENSES

The District's total expenses in 2020 increased by \$27,212 or 0.4% compared to fiscal year end June 30, 2019. Operating expenses are the expenses necessary to perform the normal business operations and include, (but are not limited to) salaries, benefits, costs of supplies and materials, utilities and depreciation. Operating expenses, excluding depreciation, increased \$30,029 or 0.5% over last fiscal year. Highlights of the fiscal year 2020 – 2019 comparison are provided below:

- Allowance for uncollectible accounts receivable was increased to more conservatively reflect the net value of accounts receivable. A corresponding expense of \$66,417 was recorded to increase the allowance. The estimate was based on the total value of delinquent accounts submitted to the South Carolina Set-off Debt collection program. The program allows the South Carolina Department of Revenue to assist with the collection of delinquent debts owed to claimant agencies.

CAPITAL ASSETS

The District's capital assets include land and land rights, construction in progress, structures and distribution lines, equipment, vehicles and buildings. Additions to the District's net capital assets during fiscal year 2020 totaled \$654,623 a decrease of \$410,709 compared to fiscal year 2019. The funding sources are listed below:

Proceeds from Bond Anticipation Note	\$	251,273
Operating Revenue		349,932
Capital Fee		53,418
		<u>53,418</u>
	\$	<u>654,623</u>

Additional information on the District's capital assets may be found in Note 4 in the Notes to the Financial Statements.

OUTSTANDING DEBT

The District uses a combination of debt and pay as you go financing to fund capital improvements.

As of June 30, 2020, the District had \$5,825,016 in outstanding debt compared to \$6,228,136 at June 30, 2019. The outstanding debt includes a \$5.6 million 2017 Series Revenue Bond and a \$210,016 premium on bonds payable. The bonds were issued to redeem the 2016 BAN, redeem the 2009 bond, and to defray costs of projects necessary to the operation of the District. The bond was refunded to reduce total debt service payments by approximately \$108,000 and to obtain an economic gain of approximately \$112,000. Under the most restrictive provisions of the revenue bond agreements, the District is required to maintain net earnings (as defined in the agreement) of at least one hundred twenty percent of the total annual principal and interest requirements for all series of bonds outstanding during the fiscal year. As of June 30, 2020, and June 30, 2019 the District was in compliance with this covenant with coverage ratios of 4.37 and 3.77, respectively. Utilities are encouraged to keep a coverage ratio of 1.5 or higher.

Additional information on the District's long-term debt may be found in Note 5 in the Notes to the Financial Statements.

ECONOMIC FACTORS

Walker's Mill, a new subdivision containing 305 residential lots, began construction in 2019. Construction on-site ceased in early 2020 due to the presence of rock making the project unfeasible for development at this time.

Knight's Bridge, a new subdivision containing 292 residential lots, began construction in mid-September 2020.

Nippon Electric Glass, a glass mat manufacturing facility, closed in February 2020. The closing of Nippon Electric Glass reduced our monthly water demand by 4 million gallons.

Roseburg Forest Products, Engineered Wood Division, began production in October 2020. Roseburg Forest Products manufactures engineered laminated wood beams and other engineered wood products.

Chart Industries, Inc., a global manufacturer of highly engineered cryogenic equipment, is constructing a facility in Chester County to provide repair, service, and leasing of cryogenic equipment. Chart Industries is located in the Chester County Research and Development Park along SC Route 99 near Great Falls. Construction will be completed in first quarter 2021.

A materials recycling company is constructing a new facility in Chester County in the Chester Technology Park near York Technical College. The facility is scheduled to open in 2021.

There has been continuous interest in Chester County from industrial clients and land developers during 2020. Chester Metropolitan District works closely with Chester County Economic Development to promote growth through utility services. We expect the interest from industrial clients and developers to continue through 2021.

ADDITIONAL FINANCIAL INFORMATION

Economic Factors and Next Year's Budget and Rates – The Board of Directors has adopted the District's budget for the year ended June 30, 2021. The approval of the budget provides funding for the District's operating and debt service costs for the year end June 30, 2020. The District's water rates are reviewed by management and the Board of Commissioners on an annual basis.

This financial report is designed to provide the District's customers and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in the report or wish to request additional information, please contact the Chester Metropolitan District at PO Box 550, Chester, South Carolina, 29706.

Basic Financial Statements

Chester Metropolitan District
Statements of Net Position
June 30,

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 8,147,828	\$ 6,384,961
Customer receivables, net of allowance of \$193,917 and \$127,500 for 2020 and 2019, respectively	324,174	453,940
Unbilled revenue	501,126	450,750
Due from related party	29,275	30,154
Other assets	-	40,815
Prepaid expenses	88,130	55,045
Inventories	321,532	281,553
Total current assets	9,412,065	7,697,218
Cash and cash equivalents, restricted	722,488	987,998
Investments – certificates of deposit, restricted	-	197,432
Cash surrender value of life insurance	268,544	245,995
Capital assets, net of accumulated depreciation	12,624,339	12,916,780
Total assets	23,027,436	22,045,423
Deferred outflows of resources:		
Contributions to retirement plan after measurement date	373,016	333,460
Difference between expected and actual retirement plan experience	3,434	8,739
Difference between projected and actual investment experience	44,235	76,899
Change in proportionate share of net pension liability	178,171	298,973
Change in actuarial assumptions on retirement plan	100,683	192,063
Contributions to OPEB after measurement date	360,407	329,068
Difference between expected and actual OPEB experience	15,774	18,134
Change in actuarial assumptions on OPEB	156,087	-
Deferred loss on bond refunding	14,229	17,786
Total deferred outflows of resources	1,246,036	1,275,122
Total assets and deferred outflows of resources	24,273,472	23,320,545

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
 Statements of Net Position (Continued)
 June 30,

	2020	2019
Liabilities:		
Current liabilities:		
Current maturities of revenue bonds payable	405,000	390,000
Accounts payable	245,964	287,768
Other liabilities	25,352	-
Accrued interest payable	14,502	15,477
Accrued payroll and related liabilities	159,550	150,375
Customer service deposits	285,407	280,628
Accrued compensated absences, current	124,298	119,487
Total current liabilities	1,260,073	1,243,735
Accrued compensated absences, net of current portion	133,327	125,619
Revenue bonds payable, net of current maturities	5,420,016	5,838,136
OPEB liability	4,467,456	4,274,689
Net pension liability	4,996,311	4,840,986
Total liabilities	16,277,183	16,323,165
Deferred inflows of resources:		
Difference between expected and actual retirement plan experience	35,891	28,488
Difference between expected and actual OPEB experience	245,568	-
Change in actuarial assumptions on OPEB	543,698	626,338
Total deferred inflows of resources	825,157	654,826
Total liabilities and deferred inflows of resources	17,102,340	16,977,991
Net position:		
Net investment in capital assets	7,051,373	6,940,694
Restricted for debt service	2,273	4,520
Restricted for capital expenditures	720,215	1,180,910
Unrestricted	(602,729)	(1,783,570)
Total net position	\$ 7,171,132	\$ 6,342,554

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
 Statements of Revenues, Expenses, and Changes in Net Position
 for the years ended June 30,

	2020	2019
Operating revenues:		
Water service	\$ 7,204,584	\$ 6,833,132
Residual management fees	-	78,576
Expense reimbursements, related party	238,492	220,937
Capital recovery fees	323,238	31,570
Penalties	60,919	76,927
Water connection fees	25,868	71,317
Miscellaneous	217,076	270,142
Total operating revenues	8,070,177	7,582,601
Operating expenses:		
Filter and sludge division	\$ 1,662,724	\$ 1,748,769
Distribution	1,081,564	1,319,333
Administration and general	2,725,099	2,331,169
Depreciation	947,064	938,456
Meters	361,602	411,508
Engineering	354,281	259,594
Loss on disposal of assets	-	84,868
Total operating expenses	7,132,334	7,093,697
Operating income	937,843	488,904
Non-operating income (expenses):		
Interest income	76,474	94,301
Interest expense	(188,307)	(199,732)
Unrealized gain on investment	2,568	10,565
Total non-operating expenses, net	(109,265)	(94,866)
Increase in net position	828,578	394,038
Net position, at beginning of year	6,342,554	5,948,516
Net position, at end of year	\$ 7,171,132	\$ 6,342,554

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
Statements of Cash Flows
for the years ended June 30,

	2020	2019
Cash flows from operating activities:		
Cash received from customers and others	\$ 7,831,979	\$ 7,551,803
Cash paid to employees	(2,446,207)	(2,346,850)
Cash paid to suppliers	(2,931,959)	(3,307,723)
Net cash provided by operating activities	2,453,813	1,897,230
Cash flows used in capital and related financing activities:		
Acquisition and construction of capital assets	(654,623)	(1,065,332)
Principal payments on revenue bonds	(390,000)	(380,000)
Interest paid	(188,307)	(199,732)
Net cash used in capital and related financing activities	(1,232,930)	(1,645,064)
Cash flows provided by investing activities:		
Sales of investments	197,432	2,701
Proceeds from sale of capital assets	-	12,287
Interest income	79,042	94,301
Net cash provided by investing activities	276,474	109,289
Net increase in cash and cash equivalents	1,497,357	361,455
Cash and cash equivalents at beginning of year	7,372,959	7,011,504
Cash and cash equivalents at end of year	\$ 8,870,316	\$ 7,372,959

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
Statements of Cash Flows (Continued)
for the years ended June 30,

	2020	2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 937,843	\$ 488,904
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	947,064	938,456
Amortization	3,557	3,557
Increase in cash surrender value of life insurance	(22,549)	(21,691)
Bad debt expense	66,417	39,954
Change in assets and liabilities:		
Customer receivables	63,349	(135,695)
Unbilled revenue	(50,376)	14,183
Due from related party	879	(16,598)
Other assets	40,815	73,316
Prepaid expenses	(33,085)	842
Inventories	(39,979)	23,746
Deferred outflows of resources	25,529	192,698
Accounts payable	(41,804)	6,157
Accrued interest payable	(975)	(950)
Accrued expenses	9,175	(55,862)
Due to related party	-	(63,857)
Compensated absences	12,519	21,692
Customer service deposits	4,779	(5,958)
Other liabilities	25,352	-
Bond premium	(13,120)	(13,132)
Net pension liability	155,325	75,279
OPEB liability	192,767	37,827
Deferred inflows of resources	170,331	209,494
Loss on disposal of capital assets	-	84,868
Total adjustments	1,515,970	1,408,326
Net cash provided by operating activities	\$ 2,453,813	\$ 1,897,230

A reconciliation of cash and cash equivalents reflected in the statements of cash flows to the statements of net position are as follows:

	Current assets	Restricted assets	Statements of Cash Flows
Cash and cash equivalents, June 30, 2018	\$ 5,140,378	\$ 1,871,126	\$ 7,011,504
Net increase (decrease)	1,244,583	(883,128)	361,455
Cash and cash equivalents, June 30, 2019	6,384,961	987,998	7,372,959
Net increase (decrease)	1,762,867	(265,510)	1,497,357
Cash and cash equivalents, June 30, 2020	\$ 8,147,828	\$ 722,488	\$ 8,870,316

The accompanying notes are an integral part of these financial statements.

Chester Metropolitan District
Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization and Basis of Accounting – Chester Metropolitan District (the “District”) was created in 1964 pursuant to Act Number 379 of the Acts of the General Assembly of the State of South Carolina. The District's principal purpose is to provide filtered water in substantial quantities in and throughout the area of Chester County.

The District operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. The District is directed by a governing board whose members (9) are appointed by the County and town governments serviced by the District.

The District uses the accrual basis of accounting and the economic resources measurement focus for reporting. The accrual basis of accounting recognizes revenue when earned, regardless of when received. Expenses are recorded when incurred, regardless of when paid.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Accounting Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the estimated useful lives of property and equipment and the actuarially calculated net pension and other post-employment benefit (“OPEB”) liabilities. Management is not aware of any condition that would affect those estimates in the near term.

Cash and Cash Equivalents – For purposes of reporting cash flows in the financial statements, all demand deposits and highly liquid debt instruments (including restricted assets) purchased with an initial maturity of three months or less are considered to be cash equivalents.

Customer Receivables – Customer receivables are obligations due under billing cycles and each customer is required to remit a deposit before service is activated. The District's accounts receivable are due from residential and industrial customers.

Allowance for Doubtful Accounts – An allowance for possible credit losses is recorded and reduces the carrying value of accounts receivable to its net realizable value. The amount of the reserve is based upon management's estimate of currently uncollectible accounts, historical trends, current economic trends, and other factors. Provisions to increase or decrease the allowance are charged to operations. Account balances are written off when collection efforts are deemed ineffective. The allowance for doubtful accounts was approximately \$193,900 and \$127,500 at June 30, 2020 and 2019, respectively.

Chester Metropolitan District
Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Investments – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. At June 30, 2020 and 2019, all of the District’s investments are bank certificates of deposit with maturities through 2027, that are valued with Level 1 inputs. Certificates of deposit are reported at cost plus interest earned which approximates fair value.

Unbilled Revenue – The District renders bills to customers on billing cycles that end on various days throughout the month. Unbilled revenue represents the portion of bills rendered during the month of July applicable to service provided in June.

Cash Surrender Value of Life Insurance - The District has a life insurance policy on its former executive director and it had a cash surrender value of approximately \$269,000 and \$246,000 at June 30, 2020 and 2019, respectively. The death benefit of the policy at June 30, 2020 and 2019, was approximately \$582,000 and \$567,000, respectively.

Inventories – Inventories consist principally of maintenance parts and supplies valued at average cost.

Restricted Assets Not Available for Current Operations – In accordance with revenue bond provisions and loan requirements, revenues have been set aside in special funds for specified purposes. The assets in these accounts are shown as restricted assets on the statements of net position.

Capital Assets – Property constructed or purchased is stated at cost. Contributed property is stated at estimated fair market value on the date received. Interest is capitalized on significant long-term construction projects and is depreciated over the useful life of the related asset. Depreciation is computed over the assets’ estimated useful lives using the straight-line method at the following rates: structures and distribution lines 2%-4%; buildings 3%-11%; equipment 10%-20%; and vehicles 20%.

When property, plant, and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the statements of revenues, expenses, and changes in net position.

Capitalization of Interest – The District capitalizes interest paid on bonds during the construction period of long-lived assets. The amount paid, reduced by interest earned on the unspent funds, is added to the construction in progress account.

Compensated Absences – Vacations accrue based on years of service with the District. Only full-time employees are eligible for paid vacations. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination.

Chester Metropolitan District
Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Deferred inflows/outflows of resources – GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* requires that the statement of net position provide separate sections for deferred inflows and outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Employer contributions made subsequent to the measurement date of the net pension liability and net OPEB liability are reported as deferred outflows of resources. The District's deferred outflows of resources are also determined by the difference between expected and actual liability experience, difference between projected and actual investment earnings, change in proportionate share of net pension liability, changes in actuarial assumptions on the retirement plan and OPEB, and loss on bond refunding.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources include the difference between expected and actual retirement plan and OPEB experience and changes in actuarial assumptions on the OPEB plan.

Net Position – The District reports the following classifications of net position:

Net investment in capital assets: This represents the District's total investment in capital assets, net of outstanding debt obligations, if any, related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position: Restricted net position consists of assets with constraints placed on the use of those assets either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position: Unrestricted net position represents the remainder of the District's liabilities in excess of assets excluding net position reported in other categories.

When the District incurs an expense that may be paid from unrestricted or restricted funds, the District first uses restricted funds as allowed by legal or contractual requirements.

Reclassifications – Certain 2019 amounts have been reclassified to conform with current year presentation. Specifically, approximately \$41,000 was reclassified from due from related party to other assets. There was no change to previously reported net position as a result of these reclassifications.

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's policy regarding custodial credit risk related to deposits is that management monitors the amounts deposited that have exceeded the FDIC insurance of \$250,000. Any overages are then collateralized with the financial institution to avoid exposure. The District deposits its funds in high quality and very large institutions, and also considers shifting funds from one financial institution to another when funds greatly exceed the FDIC insurance coverage.

Chester Metropolitan District
Notes to the Financial Statements

Note 2. Deposits and Investments (continued)

Deposits (continued)

The bank balances for deposits of the District at June 30, 2020 and 2019, were approximately \$8,774,000 and \$7,563,000, respectively. As of June 30, 2020, none of the District's bank balances were uninsured and uncollateralized. The District did not recognize any losses in either reporting period due to default by counterparties.

Restricted cash and investments includes approximately \$722,000 and \$1,185,000 at June 30, 2020 and 2019, respectively, held for debt service reserve funds.

Investments

The District is authorized, by the South Carolina Code of Laws, Title 6, Chapter 5, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements. During the year ended June 30, 2020, the District's investments were called.

The District's investments for the years ended June 30, 2020 and June 30, 2019 were held by a financial institution in the District's name. The fair values of the District's investments at June 30, 2020 and 2019 were approximately \$0 and \$197,000, respectively, and consisted of certificates of deposits.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of failure of counterparty, the District will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The District's policy regarding custodial credit risk for investments is that all investments are collateralized by highly stable and low risk debt securities. The District monitors its investments periodically to ensure that the collateral exceeds the market value of investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy regarding credit risk of investments is that it only uses high quality brokers and financial institutions to manage its investment portfolios. In addition, the District's investments are not subject to credit risk as they are fully collateralized. Therefore, the disclosure of quality ratings on rated debt investments is not applicable to the District.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy regarding concentration of credit risk of investments is that it only uses high quality brokers and financial institutions to manage its investment portfolios, as noted above.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The District does not have a formal policy related to interest rate risk as it applies to its investments.

Chester Metropolitan District
Notes to the Financial Statements

Note 2. Deposits and Investments (continued)

Investments (continued)

External Investment Pool – The District has funds invested in the South Carolina Local Government Investment Pool (the “Pool”). These funds total approximately \$3,161,000 and \$3,106,000 at June 30, 2020 and 2019, respectively, and are included in cash and cash equivalents on the statements of net position. The Pool is under the regulatory oversight of the South Carolina State Treasurer’s Office and the fair value of the District’s funds in the Pool is the same as the value of the Pool shares as allocated to the District.

More information pertaining to carrying amounts, fair value, credit and other risks as required by Governmental Accounting Standards Board Statement No. 40, *Deposits and Investments – Risk Disclosures*, of the State Treasurer’s investments are disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. The financial statements for the Pool can be obtained from <http://osa.sc.gov/Pages/default.aspx>.

The following schedule reconciles cash and investments as reported on the Statements of Net Position to the footnote disclosure provided for deposits and investments, as of June 30:

Statements of Net Position:	2020	2019
Cash and cash equivalents	\$ 8,147,828	\$ 6,384,961
Restricted assets:		
Cash and cash equivalents	722,488	987,998
Investments	-	197,432
Total cash and investments	\$ 8,870,316	\$ 7,570,391
Disclosure: Deposits and Investments	2020	2019
Carrying value of deposits:		
Held by a financial institution	\$ 5,709,603	\$ 4,266,973
SC State Treasurer	3,160,713	3,105,986
Investments, reported amount:		
Held by a financial institution	-	197,432
Total deposits and investments	\$ 8,870,316	\$ 7,570,391

Note 3. Assets Restricted by Revenue Bond Covenants

In connection with outstanding revenue bonds, (1) the District's net earnings (defined as the portion of revenues remaining after providing for the proper operation and maintenance of facilities) are pledged for payment of bond principal and interest, (2) a statutory lien on the District's facilities exists, and (3) the District is required to maintain Revenue Bond Debt Service Funds, a Depreciation and Contingent Fund (for improvements, betterments, and extensions of the water system).

The assets of the Revenue Bond Debt Service Funds (“Debt Service Funds”) and Revenue Bond Debt Service Reserve Funds (“Reserve Funds”) are to be used for the redemption of bonds and payment of interest on the bonds.

Chester Metropolitan District
Notes to the Financial Statements

Note 3. Assets Restricted by Revenue Bond Covenants (continued)

Additions to the Debt Service Funds are required from operating funds in amounts equal to the annual principal and interest payments. Additions to the Reserve Funds are from operating funds when the Reserve Funds assets are less than the sum of the largest annual debt service payment for each issue of revenue bonds outstanding. When the assets of the Reserve Funds exceed the requirements, the District is permitted to use the Reserve Funds investment income for principal and interest payments and thereby reduce the amount of operating funds required to be transferred to the Debt Service Fund.

Restricted funds and restricted net position at June 30 summarized by fund are:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents held by Trustee:		
Revenue bonds:		
2017 Debt Service Fund	\$ 2,273	\$ 4,520
Cash and investments in other financial institutions:		
Depreciation and Contingent Fund	-	209,453
Total assets restricted by revenue bond covenants	<u>2,273</u>	<u>213,973</u>
Unspent bond proceeds	-	252,050
Capital fee fund	<u>720,215</u>	<u>719,407</u>
Total restricted net position	<u>\$ 722,488</u>	<u>\$ 1,185,430</u>

Note 4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020, follows:

	<u>Balance, July 1, 2019</u>	<u>Additions</u>	<u>Disposals & Adjustments</u>	<u>Balance, June 30, 2020</u>
Capital assets not being depreciated:				
Land and land rights	\$ 1,152,921	\$ -	\$ 103,697	\$ 1,256,618
Construction in progress	671,085	300,475	(971,560)	-
Other capital assets:				
Structures and distribution lines	26,595,025	-	(290,705)	26,304,320
Equipment	3,090,364	200,805	(396,124)	2,895,045
Vehicles	428,050	127,203	168,840	724,093
Buildings and building improvements	3,899,440	974,804	-	4,874,244
	<u>35,836,885</u>	<u>1,603,287</u>	<u>(437,188)</u>	<u>36,054,320</u>
Less accumulated depreciation	<u>(22,920,105)</u>	<u>(947,064)</u>	<u>437,188</u>	<u>(23,429,981)</u>
Capital assets, net	<u>\$ 12,916,780</u>	<u>\$ 656,223</u>	<u>\$ (948,664)</u>	<u>\$ 12,624,339</u>

During 2020, management analyzed all items included in capital assets and determined that certain items should be reclassified to different categories. These reclassifications are included in the disposals and adjustments column above.

Chester Metropolitan District
Notes to the Financial Statements

Note 4. Capital Assets (continued)

A summary of changes in capital assets for the year ended June 30, 2019, follows:

	Balance, July 1, 2018	Additions	Disposals & Adjustments	Balance, June 30, 2019
Capital assets not being depreciated:				
Land and land rights	\$ 1,140,058	\$ -	\$ 12,863	\$ 1,152,921
Construction in progress	505,383	635,044	(469,342)	671,085
Other capital assets:				
Structures and distribution lines	26,903,517	-	(308,492)	26,595,025
Equipment	2,144,041	835,498	110,825	3,090,364
Vehicles	595,126	64,132	(231,208)	428,050
Buildings and building improvements	3,886,861	-	12,579	3,899,440
	<u>35,174,986</u>	<u>1,534,674</u>	<u>(872,775)</u>	<u>35,836,885</u>
Less accumulated depreciation	(22,287,927)	(938,456)	306,278	(22,920,105)
Capital assets, net	<u>\$ 12,887,059</u>	<u>\$ 596,218</u>	<u>\$ (566,497)</u>	<u>\$ 12,916,780</u>

During 2019, management analyzed all items included in capital assets and determined that certain items should be reclassified to different categories. These reclassifications are included in the disposals and adjustments column above.

Depreciation expense was approximately \$947,000 and \$938,000 for the years ended June 30, 2020 and 2019, respectively. The District did not have any interest capitalized at June 30, 2020 and 2019, in the above totals.

Note 5. Financing Arrangements

Revenue Bonds Payable

In March of 2017, the District issued the Waterworks System Improvement and Refunding Revenue Bonds, Series 2017 with a par amount of \$6,755,000. Premiums recorded during the fiscal year totaled approximately \$210,000. The proceeds of the bonds were used to defease the Series 2009 Bonds (\$2,517,122). The interest rate on the 2017 Series Bonds is 3.00 percent from 2017 through 2032, 3.25 percent in 2033 and 2034, and 3.50 percent in 2035 and 2036, with a term of 20 years maturing on June 1, 2036. The bonds were refunded to reduce total debt service payments by approximately \$108,000 and to obtain an economic gain of approximately \$112,000.

Optional Redemption. The Series 2017 Bonds maturing on or after June 1, 2028 are subject to redemption prior to maturity, at the option of the District on and after June 1, 2027, in whole or in part at any time, upon 30 days' notice, in such manner as will be determined by the District, and by lot (or by such depository transfer check procedure as is customary if the Book-Entry-Only System is still in effect) within a maturity at par, plus accrued interest to the redemption date.

Mandatory Redemption. The Series 2017 Bonds maturing on June 1, 2034 are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest to the redemption date, on June 1 of each of the following years in the respective principal amounts for each year specified below:

Chester Metropolitan District
Notes to the Financial Statements

Note 5. Financing Arrangements (continued)

Revenue Bonds Payable (continued)

Mandatory Redemption (continued)

Year	Amount
2033	\$350,000
2034*	\$360,000

* Final Maturity.

The Series 2017 Bonds maturing on June 1, 2036 are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest to the redemption date, on June 1 of each of the following years in the respective principal amounts for each year specified below:

Year	Amount
2035	\$375,000
2036*	\$385,000

* Final Maturity.

The amount of any mandatory sinking fund redemption will be reduced to the extent the Series 2017 Bonds of the applicable maturity have been purchased by the District or redeemed by the District pursuant to any optional redemption provisions, in such manner as the District will direct. The bonds are payable solely from and secured by a pledge of and lien upon the gross revenues of the District. The bond has an insurance policy that would pay the principal and interest due in the event of default. Insurance premiums may increase if default occurs.

Maturities of revenue bonds are summarized as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2021	\$ 174,025	\$ 405,000	\$ 579,025
2022	161,875	415,000	576,875
2023	149,425	430,000	579,425
2024	136,525	440,000	576,525
2025	123,325	275,000	398,325
2026-2030	487,325	1,510,000	1,997,325
2031-2035	244,225	1,380,000	1,624,225
2036	13,475	760,000	773,475
	\$ 1,490,200	\$ 5,615,000	\$ 7,105,200

Interest expense was approximately \$188,000 and \$200,000 for the years ended June 30, 2020 and 2019, respectively.

Per the bond agreement, annual net earnings must equal at least 120% of annual principal and interest requirements. Net earnings includes gross revenues less operation and maintenance expenses, excluding certain expenses as defined in the agreement. The District is in compliance with this debt covenant at June 30, 2020.

Chester Metropolitan District
Notes to the Financial Statements

Note 5. Financing Arrangements (continued)

Revenue Bonds Payable (continued)

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	Balance, July 1, 2019	Additions	Reductions	Balance, June 30, 2020	Due within one year
Series 2017 Revenue Bonds	\$ 6,005,000	\$ -	\$ 390,000	\$ 5,615,000	\$ 405,000
Premium on Bonds	223,136	-	13,120	210,016	13,126
Net Pension Liability	4,840,986	155,325	-	4,996,311	-
OPEB Liability, Compensated Absences	4,274,689	192,767	-	4,467,456	-
	245,106	101,235	88,716	257,625	124,298
	<u>\$ 15,588,917</u>	<u>\$ 449,327</u>	<u>\$ 491,836</u>	<u>\$ 15,546,408</u>	<u>\$ 542,424</u>

Note 6. Pension Plan

The South Carolina Public Employee Benefit Authority (“PEBA”), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with 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.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on 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 information is also included in the comprehensive annual financial report of the State.

Plan Descriptions

- The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

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, 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.
- The District does not participate in the State Optional Retirement Program (“State ORP”) or the Police Officers Retirement System (“PORS”).

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. A brief summary of the benefit terms for each system is presented below.

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

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the State Fiscal Accountability Authority for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the Authority may not provide for an increase of more than one-half of one percent in any one year.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

Contributions (continued)

If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Authority are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Authority shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required <u>employee</u> contribution rates are as follows:		
	Fiscal Year 2020	Fiscal Year 2019
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
Required <u>employer</u> contribution rates ¹ are as follows:		
SCRS		
Employer Class Two	15.41%	14.41%
Employer Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws		

Actuarial Assumptions and Methods

Actuarial valuations 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 as of June 30, 2015.

The June 30, 2019, total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on the actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ended June 30, 2019, using generally accepted actuarial principles.

The following provides a summary of the actuarial assumptions and methods used in the June 30, 2019, valuations for SCRS.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

	SCRS
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table ("2016 PRSC") was developed using the Systems' mortality experience. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the June 30, 2019 valuations for SCRS are as follows:

Former Job Class	Males	Females
Educators and Judges	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

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2019 and 2018, for SCRS are presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
SCRS - 2019	\$50,073,060,256	\$27,238,916,138	\$ 22,834,144,118	54.4%
SCRS - 2018	\$48,821,730,067	\$26,414,916,370	\$ 22,406,813,697	54.1%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements. The District's net pension liability at June 30, 2020 was \$4,996,311.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

The District's proportionate share of the net pension liability for SCRS is as follows for the years ended June 30, 2019 and 2018:

System	June 30, 2020	June 30, 2019	Change
SCRS	0.021881%	0.021605%	0.000276%

The District's change in proportionate share of the net pension liability and related deferred inflows and outflows of the resources will be amortized into pension expense over the respective average remaining service lives of the system.

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 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

The long term expected portfolio real rate of return based on the 2019 measurement date is shown below:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0	7.29%	2.55%
Private Equity	9.0	7.67	0.69
Equity Options Strategies	7.0	5.23	0.37
Real Assets	12.0		
Real Estate (Private)	8.0	5.59	0.45
Real Estate (REITs)	1.0	8.16	0.08
Infrastructure (Private)	2.0	5.03	0.10
Infrastructure (Public)	1.0	6.12	0.06
Opportunistic	8.0		
Global Tactical Asset Allocation	7.0	3.09	0.22
Other Opportunistic Strategies	1.0	3.82	0.04
Diversified Credit	15.0		
High Yield Bonds/Bank Loans	4.0	3.14	0.13
Emerging Markets Debt	4.0	3.31	0.13
Private Debt	7.0	5.49	0.38
Conservative Fixed Income	14.0		
Core Fixed Income	13.0	1.62	0.21
Cash and Short Duration (Net)	1.0	0.31	0.00
 Total Expected Real Return	 <u>100.0%</u>		 <u>5.41</u>
Inflation for Actuarial Purposes			<u>2.25</u>
Total Expected Nominal Return			<u>7.66%</u>

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

The long term expected portfolio real rate of return based on the 2018 measurement date is shown below:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina 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 total pension liability.

Sensitivity Analysis

The following table presents the Fund's proportional share of the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what the Fund's proportional share of the employers' net pension liability 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.

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

The sensitivity analyses for the measurement dates June 30, 2019 and June 30, 2018 are below:

2019 Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 6,294,306	\$ 4,996,311	\$ 3,913,059

2018 Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 6,185,889	\$ 4,840,986	\$ 3,879,520

Deferred Outflows (Inflows) of Resources

For the years ended June 30, 2020 and 2019, the District recognized pension expense of \$373,323 and \$334,924, respectively.

At June 30, 2020, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 373,016	\$ -
Differences in actual and expected retirement plan experience	3,434	(35,891)
Net differences between projected and actual earnings on plan investments	44,235	-
Change in actuarial assumptions	100,683	-
Change in proportionate share of net pension liability and differences between actual contributions and the District's proportionate share of contributions	178,171	-
	<u>\$ 699,539</u>	<u>\$ (35,891)</u>

Chester Metropolitan District
Notes to the Financial Statements

Note 6. Pension Plan (continued)

Deferred Outflows (Inflows) of Resources (continued)

At June 30, 2019, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 333,460	\$ -
Differences in actual and expected retirement plan experience	8,739	(28,488)
Net differences between projected and actual earnings on plan investments	76,899	-
Change in actuarial assumptions	192,063	-
Change in proportionate share of net pension liability and differences between actual contributions and the District's proportionate share of contributions	298,973	-
	\$ 910,134	\$ (28,488)

The District reported \$373,016 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the District's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2020. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2020 was 4.026 years for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2020	2021	\$ 254,788
2021	2022	(1,233)
2022	2023	19,721
2023	2024	17,356
		\$ 290,632

The District's contributions to SCRS for the fiscal years ended June 30, 2020, 2019 and 2018 were \$373,016, \$333,460, and \$300,951, respectively.

Chester Metropolitan District
Notes to the Financial Statements

Note 7. Related Parties

The Chester Wastewater Recovery ("CWR"), an independent organization, and the District previously shared common facilities until 2016. Billing and collections are performed jointly by the organizations with separate accounting records maintained for each organization. The District bills the CWR for a portion of the salaries of employees who perform services for both organizations, any CWR expenses paid by the District, and any portion of expenses associated with shared space and equipment. Expense reimbursements for the years ended June 30, 2020 and 2019 totaled approximately \$238,000 and \$221,000, respectively. At June 30, 2020 and 2019, the District had amounts due from the CWR of approximately \$29,000 and \$30,000, respectively. At June 30, 2020 and 2019 the District had no amounts due to the Sewer District. These related party amounts are due upon invoicing and are therefore current assets and liabilities in the accompanying statements of net position.

Note 8. Risk Management

The District pays premiums to the South Carolina State Insurance Reserve Fund ("IRF"), which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Theft of, damage to, or destruction of the assets;
2. Building contents and equipment;
3. Motor vehicles;
4. Torts;
5. Errors and omissions;
6. Natural disasters;

Worker's compensation claims are handled by the South Carolina State Accident Fund, whom the District also pays premiums to.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. The IRF's rates are determined actuarially.

Note 9. Other Post-Employment Benefits

The District contributes to the premium cost of retiree group health insurance in the State's retiree insurance program. The South Carolina Public Employee Benefit Authority ("PEBA") is a State agency responsible for the administration and management of South Carolina's employee insurance programs. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB). For reporting purposes, this OPEB plan is a single-employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

Funding Policy

Insurance and Retirement

The District contributes the employer portion of the premium cost for coverage of eligible employees and covered dependents in the State of South Carolina's Employee Insurance Plan. The District also currently contributes an additional \$16.70 toward the employee's portion of the premiums. The employer and employee's contribution are set by PEBA and not by the District.

Full-time and part-time employees are required to enter into the State Retirement System as a condition of their employment. The employee will contribute a portion of his gross salary per pay period into retirement plan with the District contributing an additional amount. The employee and employer shares are set by PEBA and not the District.

Retiree Group Health Insurance

Effective July 1, 2015, the District began contributing to the premium cost of retiree group health insurance in the state's retiree insurance program as set forth below. This policy may be altered or eliminated at any time in the District's discretion on notice to participating retirees. Eligibility to participate in the state's retiree insurance program is required and is determined by the PEBA and not by this or any of the District's policies. Eligibility to retire under the rules of the state retirement plan is also required and is determined by PEBA retirement system. In accordance with District policy, "years of consecutive full-time service to the District" means years of service to the Chester Metropolitan District. At retirement, if an employee has reached at least 10 years of service with the District, the District will accept up to 5 years of full-time service with a PEBA (SCRS & Employee Insurance Program ("EIP")) participating employer to apply towards District funding guidelines. In order for the service to count, the employee must have participated in PEBA's retirement and insurance program in the previous public employment.

Employees and Former Employees Hired Before May 2, 2008

Funded – for the following employees or former employees who meet the age and service requirements below, the District will pay 100% of the premium for retiree coverage and will pay towards any dependent coverage the equivalent of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium. The age and service requirements are as follows:

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

- Current employees who at the time of retirement will be at least 60 years of age, or on PEBA-approved disability retirement, and have at least ten years of consecutive full-time service to the District.
- Employees with 25 years of service with the District, who retire before age 60, will be eligible for funded insurance premiums at the time they would have reached 28 years of service or reached 60 years of age, whichever occurs first.
- Current employees who at the time of retirement have at least 28 years of consecutive full-time service to the District.
- Employee’s last 5 years of service must have been served consecutively in a full-time, benefits eligible position with the District.
 - Non-Funded – for all other current and former employees, the retiree will be responsible for the entire premium cost.
- Employees and Former Employees Hired On or After May 2, 2008
 - Funded – for current employees who at the time of retirement will have 25 years of consecutive full-time service to the District, the District will pay 100% of the premium for retiree coverage and will pay towards any dependent coverage the equivalent of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium.
 - Partially Funded – for current employees who at the time of retirement will have 15 years but fewer than 25 years of consecutive full-time service to the District, the District will pay towards the elected coverage the equivalent of 50% of the employer portion of the premium for active coverage. The retiree will be responsible for the remainder of the premium.
 - Non-Funded – for all current employees, the retiree will be responsible for the entire premium cost.

Membership

The following summarizes the data required regarding the membership used in the June 30, 2019 valuation of the Plan.

Inactive Employees or Beneficiaries Currently Receiving Benefits	9
Inactive Members Entitled To But Not Yet Receiving Benefits	0
Active Employees	42
Total Membership	51

Total OPEB Liability

The District’s total OPEB liability of \$4,467,456 was measured as of June 30, 2019, and was determined by an actuarial valuation of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

Inflation	2.25%
Real wage growth	0.75%
Wage inflation	3.00%
Salary increases, including wage inflation	3.00% - 7.00%
Municipal Bond Index Rate	
Prior Measurement Date	3.87%
Measurement Date	3.50%
Health Care Cost Trends	
Pre-Medicare	7.25% for 2019 decreasing to an ultimate rate of 4.75% by 2029
Medicare	5.38% for 2019 decreasing to an ultimate rate of 4.75% by 2023

The discount rate used to measure the Total OPEB Liability (“TOL”) was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly. Mortality rates were based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect the anticipated experience and provide margin for future improvements. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study adopted by SCRS and PORS. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were used in the June 30, 2017 valuation and were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability as of June 30, 2018	<u>\$ 4,274,689</u>
Changes for the year:	
Service cost	195,273
Interest	164,154
Difference between expected and actual experience	(274,664)
Changes of assumption or other inputs	174,581
Benefit payments and implicit subsidy credit	(66,577)
Net changes	<u>\$ 192,767</u>
Total OPEB Liability as of June 30, 2019	<u><u>\$ 4,467,456</u></u>

The total OPEB liability is based on an actuarial valuation performed as of the valuation date of June 30, 2019. An expected total OPEB liability is determined as of June 30, 2019, the measurement date, using standard roll forward techniques. The roll forward calculation begins with the total OPEB liability as of the prior measurement date, June 30, 2018, subtracts the expected benefit payments for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the service cost).

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. Recognition of deferred outflows/(inflows) of resources is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average remaining service life of the active and inactive Plan members at the beginning of the measurement period. The average remaining service life of active members is the average number of years the active members are expected to remain in covered employment. The average expected remaining service life of the inactive members is zero. The recognition period is the weighted average of these two amounts – not less than one year. The recognition period is 9.44 years.

There was a change in the total OPEB liability arising from the change in the discount rate from 3.87% on the prior measurement date to 3.50% on the measurement date. Therefore, the change in TOL resulting from the change in the Discount Rate is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 9.44 years, using the same approach applied to Plan experience as described in the prior paragraph.

Information regarding changes in benefit terms and changes to assumptions or other inputs should be noted. There were no changes to benefit items. The changes to assumptions or other inputs are as follows: changes in discount rate from 3.87% to 3.50% and changes in medical trend.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

Sensitivity of the Proportional Share of Total OPEB Liability to Changes in the Discount Rate			
	1.00% Decrease (2.50%)	Current Discount Rate (3.50%)	1.00% Increase (4.50%)
Total OPEB Liability	\$ 5,483,079	\$ 4,467,456	\$ 3,686,877

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Sensitivity of the Proportional Share of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates			
	1.00% Decrease	Current	1.00% Increase
Total OPEB Liability	\$ 3,591,102	\$ 4,467,456	\$ 5,660,845

Chester Metropolitan District
Notes to the Financial Statements

Note 9. Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$170,629. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	\$ 360,407	\$ -
Differences between expected and actual experience	15,774	245,568
Change of assumptions or other inputs	156,087	543,698
Total	\$ 532,268	\$ 789,266

Current year employer contributions of \$360,407 were recorded as deferred outflows for OPEB contributions subsequent to the measurement date at June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period	
Ending June 30,	
2019	\$ (90,882)
2020	(90,882)
2021	(90,882)
2022	(90,882)
2023	(90,882)
Thereafter	(162,995)
Total	\$ 617,405

Chester Metropolitan District
Notes to the Financial Statements

Note 10. Subsequent Events

The District has evaluated events and transactions occurring subsequent to the Statement of Net Position date of June 30, 2020, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 14, 2020, the date these financial statements were available to be issued, and except as noted below, there were no subsequent events that required disclosure in these financial statements.

The District's fiscal year ended after the initial impact of the outbreak of COVID-19. As a result of the pandemic, the District was unable to charge non-payment fees for an approximate 3 month period during the fourth quarter of fiscal year 2020. The District is currently charging all applicable fees and is operating as usual. The District has implemented cleaning and physical distancing practices to safeguard staff and customers. The District is adhering to Centers for Disease Control and Prevention recommendations and government directives. Sufficient information is not available to adequately evaluate the short-term or long-term impact to the District; however, these economic conditions may adversely impact the District's operations and future financial condition.

Required Supplementary Information

Chester Metropolitan District
Schedule of the Chester Metropolitan District's
Changes in Total OPEB Liability and Related Ratios –
Other Postemployment Benefits
As of June 30, 2020
Last Three Fiscal Years

	2020	2019	2018
Total OPEB Liability			
Service Cost at end of year	\$ 195,273	\$ 209,557	\$ 243,506
Interest	164,154	149,685	131,786
Difference between expected and actual experience	(274,664)	9,920	11,859
Changes of assumptions or other inputs	174,581	(266,287)	(496,481)
Benefit payments and implicit subsidy credit	(66,577)	(65,048)	(63,684)
Net change in Total OPEB Liability	<u>192,767</u>	<u>37,827</u>	<u>(173,014)</u>
Total OPEB Liability – beginning	<u>4,274,689</u>	<u>4,236,862</u>	<u>4,409,876</u>
Total OPEB Liability – ending	<u>\$ 4,467,456</u>	<u>\$ 4,274,689</u>	<u>\$ 4,236,862</u>
Covered-employee payroll	\$ 2,128,323	\$ 1,884,585	\$ 1,884,585
Total OPEB Liability as a percentage of covered-employee payroll	209.90%	226.82%	224.82%

Note that 10 years of information are required for this schedule, but is not available. The above information was determined as of June 30th of the preceding year.

There was a change in the total OPEB liability arising from the change in the discount rate from 3.87% on the prior measurement date to 3.50% on the measurement date.

The covered-employee payroll amounts above were determined as of the June 30, 2019 valuation date.

See independent auditor's report.

Chester Metropolitan District
 Schedule of the Chester Metropolitan District's
 Proportionate Share of the Net Pension Liability –
 South Carolina Retirement System
 As of June 30, 2020
 Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
The District's proportion of the net pension liability	0.021881%	0.021605%	0.021170%	0.019573%	0.018110%	0.017663%
The District's proportionate share of the net pension liability	\$ 4,996,311	\$ 4,840,986	\$ 4,765,707	\$ 4,180,764	\$ 3,434,649	\$ 3,040,983
The District's covered employee payroll	\$ 2,314,087	\$ 2,244,228	\$ 2,117,783	\$ 1,892,812	\$ 1,724,716	\$ 1,603,547
The District's proportionate share of the net pension liability as percentage of covered-employee payroll	215.91%	215.71%	225.03%	220.88%	199.14%	189.64%
Plan fiduciary net position as a percentage of the total pension liability	54.4%	54.1%	53.3%	52.9%		

Note: The amounts presented above were determined as of June 30th of the preceding year.

See independent auditor's report.

Chester Metropolitan District
Schedule of the Chester Metropolitan District's Contributions --
South Carolina Retirement System
As of June 30, 2020
Last Ten Fiscal Years

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 373,016	\$ 333,460	\$ 300,951	\$ 241,639	\$ 209,345
Contributions in relation to the contractually required contribution	373,016	333,460	300,951	241,639	209,345
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
The District's covered payroll	\$ 2,420,612	\$ 2,314,087	\$ 2,244,228	\$ 2,117,783	\$ 1,892,812
Contributions as a percentage of covered payroll	15.41%	14.41%	13.41%	11.41%	11.06%
Contractually required contribution	\$ 184,913	\$ 169,976	\$ 163,791	\$ 142,565	\$ 132,012
Contributions in relation to the contractually required contribution	184,913	169,976	163,791	142,565	132,012
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
The District's covered payroll	\$ 1,724,716	\$ 1,603,547	\$ 1,545,198	\$ 1,495,176	\$ 1,405,879
Contributions as a percentage of covered payroll	10.72%	10.60%	10.60%	9.535%	9.39%

See independent auditor's report.

Supplemental Information

Chester Metropolitan District
Supplemental Schedule of Certain Expenses - Budget and Actual
for the year ended June 30, 2020

	Budget	Actual	Variance (Favorable) Unfavorable
Administrative and general:			
Salaries	\$ 848,623	\$ 913,550	\$ 64,927
Payroll taxes	64,920	53,179	(11,741)
Fringe benefits	337,834	357,253	19,419
Supplies	24,800	29,379	4,579
Postage	2,000	3,577	1,577
Uniforms and boots	2,804	2,207	(597)
Contract services	224,947	161,614	(63,333)
Advertising and promotion	13,500	6,102	(7,398)
Legal	24,450	53,582	29,132
Audit	26,143	27,866	1,723
Utilities and telephone	87,224	74,199	(13,025)
Insurance	66,000	56,030	(9,970)
Travel and fuel	2,500	1,730	(770)
Repairs and maintenance	3,000	3,565	565
Bad debts	-	66,417	66,417
Dues, education, and drug testing	65,795	44,156	(21,639)
Bank service charges	75,556	62,574	(12,982)
Employee Appreciation	7,952	12,425	4,473
Crisis Fund	2,500	1,740	(760)
Tuition Assistance	10,000	3,202	(6,798)
Miscellaneous	-	2,592	2,592
Office furniture and equipment	101,824	92,192	(9,632)
Board expense	15,737	11,746	(3,991)
IT and Computer hardware	100,408	35,990	(64,418)
Contingency	50,000	101,794	51,794
Community Support	7,843	2,486	(5,357)
Pension Expense	-	373,323	373,323
OPEB Expense	-	170,629	170,629
	<u>\$ 2,166,360</u>	<u>\$ 2,725,099</u>	<u>\$ 558,739</u>
Filter and sludge division:			
Salaries	\$ 657,124	\$ 603,435	\$ (53,689)
Payroll taxes	50,270	38,818	(11,452)
Fringe benefits	193,043	164,359	(28,684)
Supplies	51,730	52,871	1,141
Chemicals	262,083	373,074	110,991
Uniforms and boots	7,146	4,185	(2,961)
Contract services	125,312	44,767	(80,545)
Hauling and tipping	70,000	59,126	(10,874)
Utilities and telephone	220,320	182,496	(37,824)
Postage	420	815	395
Repairs and maintenance	130,916	83,617	(47,299)
Travel and fuel	4,138	2,788	(1,350)
Dues, education, and drug testing	24,523	23,012	(1,511)
Machinery and equipment	113,548	16,390	(97,158)
Non-operating expenses	250	107	(143)
Testing, fees and permits	3,622	12,864	9,242
	<u>\$ 1,914,445</u>	<u>\$ 1,662,724</u>	<u>\$ (251,721)</u>

See independent auditor's report.

Chester Metropolitan District
Supplemental Schedule of Certain Expenses - Budget and Actual (Continued)
for the year ended June 30, 2020

	Budget	Actual	Variance (Favorable) Unfavorable
Distribution:			
Salaries	\$ 655,162	\$ 559,028	\$ (96,134)
Payroll taxes	50,120	35,827	(14,293)
Fringe benefits	192,578	164,988	(27,590)
Supplies and materials	172,452	121,820	(50,632)
Uniforms and boots	9,795	7,509	(2,286)
Contract services	29,272	28,602	(670)
Utilities and telephone	15,600	9,136	(6,464)
Repairs and maintenance	80,100	80,736	636
Buildings, vehicles	221,529	2,825	(218,704)
Travel and fuel	36,300	29,594	(6,706)
Dues, education and drug testing	6,192	5,339	(853)
Machinery and Equipment	49,899	29,911	(19,988)
Computer Hardware	-	438	438
Testing, fees and permits	2,600	5,811	3,211
	<u>\$ 1,521,599</u>	<u>\$ 1,081,564</u>	<u>\$ (440,035)</u>
Meters:			
Salaries	\$ 133,303	\$ 159,379	\$ 26,076
Payroll taxes	10,198	10,357	159
Fringe benefits	36,253	41,872	5,619
Supplies	8,000	8,896	896
Uniforms and boots	3,000	2,317	(683)
Utilities and telephone	7,000	6,507	(493)
Contract services	1,300	1,610	310
Repairs and maintenance	204,700	111,794	(92,906)
Miscellaneous	7,200	3,960	(3,240)
Meters	450,000	-	(450,000)
Equipment	43,524	4,843	(38,681)
Travel and fuel	7,500	9,263	1,763
Dues, education and drug testing	2,972	804	(2,168)
	<u>\$ 914,950</u>	<u>\$ 361,602</u>	<u>\$ (553,348)</u>

See independent auditor's report.

Chester Metropolitan District
Supplemental Schedule of Certain Expenses - Budget and Actual (Continued)
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance (Favorable) <u>Unfavorable</u>
Engineering:			
Salaries	\$ 256,540	\$ 239,560	\$ (16,980)
Payroll taxes	19,625	15,009	(4,616)
Fringe benefits	62,396	60,825	(1,571)
Uniforms and boots	1,645	1,615	(30)
Supplies	5,650	3,429	(2,221)
Contract services	8,205	8,146	(59)
Utilities and telephone	4,632	3,454	(1,178)
Repairs and maintenance	4,910	1,722	(3,188)
Vehicles	43,032	324	(42,708)
Equipment	5,500	2,532	(2,968)
Computer hardware	3,800	3,740	(60)
Travel and fuel	6,480	4,006	(2,474)
Dues, education and drug testing	7,145	9,919	2,774
	<u>\$ 429,559</u>	<u>\$ 354,281</u>	<u>\$ (75,278)</u>
Total for all Departments	<u>\$ 6,946,914</u>	<u>\$ 6,185,270</u>	<u>\$ (761,644)</u>

See independent auditor's report.