

CITY OF CHESTER, SOUTH CAROLINA

**Financial Statements
(and Auditors' Report Thereon)**

For the Year Ended June 30, 2010

CITY OF CHESTER, SOUTH CAROLINA

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CITY OF CHESTER, SOUTH CAROLINA

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chester, South Carolina's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Chester, South Carolina as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Chester, South Carolina. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Camp, Moring & Cannon, LLC

Columbia, South Carolina
December 1, 2010

CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

INTRODUCTION

This narrative overview gives an analysis of the financial activities of the City of Chester, South Carolina (the City) for the fiscal year ended June 30, 2010. Our purpose is to inform our citizens of the effect of our City's operations and to present our financial position. We ask our citizens to consider the information presented here in conjunction with the financial statements taken as a whole.

FINANCIAL HIGHLIGHTS

The local economy has experienced a severe recession over the last year that is continuing to date. Unemployment in Chester County has been as high as 21% during the last year. Anticipated decreasing revenues have resulted in a strain on the City's financial condition. In spite of poor economic times, overall revenues remained consistent with the prior year. Decreases to business licenses revenue, state aid revenues, charges for services and interest income were offset by increases to grant revenues and property tax collections. During the year ended June 30, 2010, the City's management required department heads to reduce their non-personnel expenditure budgets by 10% in response to projected decreases in revenue. Expenses were decreased by 5.2 % from the prior year. In spite of poor economic conditions, the City has successfully maintained a high level of services provided to the citizens of the City of Chester.

Other key financial aspects were as follows:

- **Net Assets:** The City's governmental activities assets exceeded its liabilities at June 30, 2010 by \$4,577,011, a decrease of \$135,885 in net assets during the year. Of this amount, \$1,456,943 is unrestricted net assets. This means that these funds may be used to meet the City's ongoing obligations.
- **Debt:** The City issued a general obligation bond for \$400,000 during the year and made a principal payment of \$35,250 resulting in a balance of \$364,750. The City also has accrued compensated absences of \$84,295.
- **Change in Net Assets:** The City's net assets of its governmental activities were decreased over the course of this year's operations. Net assets of the governmental activities decreased \$135,885. Revenues and expenses decreased over the prior year resulting in an overall decrease to net assets in the current year. The prior year, there was a \$142,492 increase in net assets.
- **General Fund:** Our principal operating fund is the General Fund. In fiscal year 2009-10, General Fund revenues and other financing sources, which primarily consisted of property taxes, state aid and various charges for services, fines and fees were \$4,932,169, a decrease from FY2008-09. Expenditures and Other Financing Sources and Uses in the General Fund were \$4,976,874, a decrease from FY2008-09. This resulted in a decrease to the fund balance for the year of \$44,705. The resulting decrease in fund balance was caused by one time expenditures related to a transfer to the special revenue fund for fire equipment replacement of \$65,140. There was actually a positive excess of revenues over expenditures from normal operations of \$20,435.
- **Business-type Activities:** There was no business-type activity for the City for the year ended June 30, 2010.
- **General Fund Budget:** The general fund approved budgeted revenues reflect that actual revenues for the year were more than projections by \$81,815. General fund actual expenditures were more than the final approved expenditure budget by \$49,293. Expenditures were greater than projections caused by one time expenditures related to a transfer to the special revenue fund for fire equipment replacement of \$65,140. Expenditures from normal operations were actually \$16,847 less than the approved expenditure budget.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements (General, Special Revenue, Debt Service, Capital Projects, Proprietary and Fiduciary) and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City:

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. These statements outline functions of the City that are principally supported by property taxes, state aid, intergovernmental grants and various charges for services, fines and fees. The governmental activities of the City include general government, public safety, public works, environment & housing, health & welfare, judicial, cultural & recreation and non-departmental allocations expenditures. The government-wide financial statements can be found on pages 9 and 11 of this report and consist of the following two statements:

1. Statement of Net Assets: The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
2. Statement of Activities: The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary and fiduciary.

1. Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on page 10 & 12. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service and Other Government Funds, all of which are considered to be major funds as defined by GASB Number 34. The basic governmental fund financial statements can be found on pages 13 - 14 of this report.
2. Proprietary Funds: Proprietary (Enterprise) funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that of monitoring the cost of such programs for public policy. The City has no proprietary funds and therefore no statements for such funds are presented in the financial statements.
3. Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City and are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that of the proprietary funds. The basic fiduciary fund financial statement can be found on page 16 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 32 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual expenditure budget for the General Fund. A budgetary comparison statement has been provided for the General Fund as required supplementary information. The required supplementary information can be found beginning on page 33 of this report.

Other supplementary information includes combining statements of funds that present more detailed views of governmental, fiduciary and proprietary funds. Additionally, certain individual statements are provided which may interest the reader.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$4,577,011 as of June 30, 2010.

A portion of the City's net assets (45%) or \$2,049,875 reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its City of Chester residents; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City had \$364,750 of such debt as of June 30, 2010.

Additionally, 23% of the City's net assets or \$1,070,193 is restricted as to its uses by grantor/donors and therefore not available for general use by the City.

\$1,456,943 or 23% of net assets is unrestricted. This means that these funds may be used to meet the City's ongoing general obligations.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the City's net assets for the fiscal year ended June 30, 2010 with comparative data for fiscal year ended June 30, 2009:

	Governmental Activities	
	FY2009-10	FY2008-09
Current and other assets	\$ 3,407,061	\$ 3,040,909
Capital assets, net	<u>2,414,625</u>	<u>2,321,813</u>
Total assets	<u>5,821,686</u>	<u>5,362,722</u>
Current liabilities	795,629	567,404
Long term debt outstanding	<u>449,046</u>	<u>94,841</u>
Total liabilities	<u>1,244,675</u>	<u>662,245</u>
Net assets:		
Invested in capital assets - net of related debt	2,049,875	2,321,813
Restricted for general government	1,070,193	873,275
Unrestricted	<u>1,456,943</u>	<u>1,505,389</u>
Total net assets	<u>\$ 4,577,011</u>	<u>\$ 4,700,477</u>

Changes in net assets: The City's total revenues for the fiscal year ended June 30, 2010, were \$5,188,713. The total cost of all programs and services was \$5,324,598. Therefore, the change in net assets was a decrease of \$135,885. The following table presents a summary of the activity that resulted in changes in net assets for the fiscal year ended June 30, 2010 with comparative summary of the activity for the fiscal year ended June 30, 2009:

	Governmental Activities			
	FY2009-10	FY2008-09	Net Change	% Net Change
Revenues:				
Program revenues:				
Charges for services	\$ 1,991,870	\$ 2,049,797	\$ (57,927)	-2.83%
Operating grants/contributions	25,597	41,710	(16,113)	-38.63%
Capital grants/contributions	138,567	417,317	(278,750)	-66.80%
General revenues:				
Property taxes	1,231,003	1,163,341	67,662	5.82%
Accommodations tax	19,218	19,548	(330)	-1.69%
Interest/investment income	15,234	27,046	(11,812)	-43.67%
Intergovernmental	988,962	1,044,036	(55,074)	-5.28%
Franchise fees	216,553	183,661	32,892	17.91%
Business licences	561,709	613,801	(52,092)	-8.49%
Total revenues	<u>5,188,713</u>	<u>5,560,257</u>	<u>(371,544)</u>	<u>-6.68%</u>
Expenses:				
General government	1,042,542	1,030,609	11,933	1.16%
Public safety	3,091,821	3,152,966	(61,145)	-1.94%
Public works	910,183	931,344	(21,161)	-2.27%
Cultural and recreation	275,302	302,647	(27,345)	-9.04%
Interest and fiscal charges	4,750	199	4,551	2286.93%
Total expenses	<u>5,324,598</u>	<u>5,417,765</u>	<u>(93,167)</u>	<u>-1.72%</u>
Increase (decrease) in net assets	<u>\$ (135,885)</u>	<u>\$ 142,492</u>	<u>\$ (278,377)</u>	<u>179.94%</u>

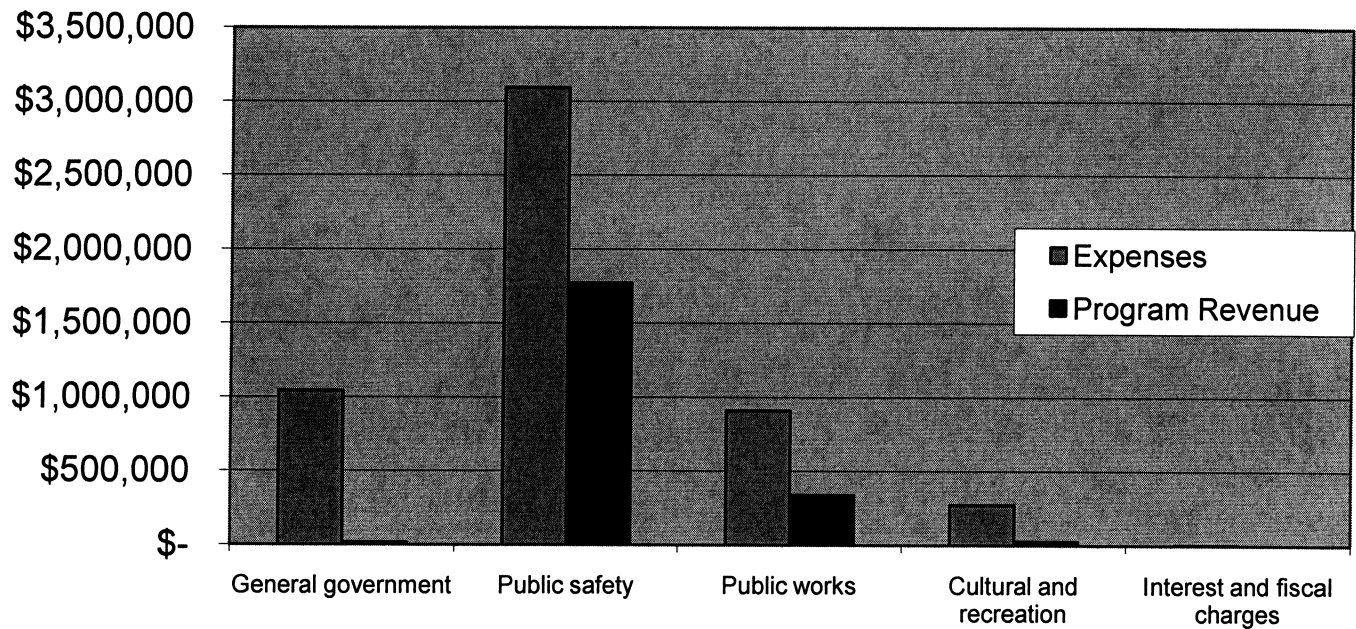
Governmental activities: The following table presents the cost of the five major functional activities: general government, public safety, public works, cultural and recreation and interest and fiscal charges. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	Expenses		Program Revenue		Net Revenues (Expenses) and Changes in Net Assets	
	FY2009-10	FY2008-09	FY2009-10	FY2008-09	FY2009-10	FY2008-09
General government	\$ 1,042,542	\$ 1,030,609	\$ 17,416	\$ 26,246	\$(1,025,126)	\$(1,004,363)
Public safety	3,091,821	3,152,966	1,770,166	2,052,031	(1,321,655)	(1,100,935)
Public works	910,183	931,344	340,847	405,727	(569,336)	(525,617)
Cultural and recreation	275,302	302,647	27,605	24,820	(247,697)	(277,827)
Interest and fiscal charges	4,750	199	-	-	(4,750)	(199)
Total expenses	<u>\$ 5,324,598</u>	<u>\$ 5,417,765</u>	<u>\$ 2,156,034</u>	<u>\$ 2,508,824</u>	<u>\$(3,168,564)</u>	<u>\$(2,908,941)</u>

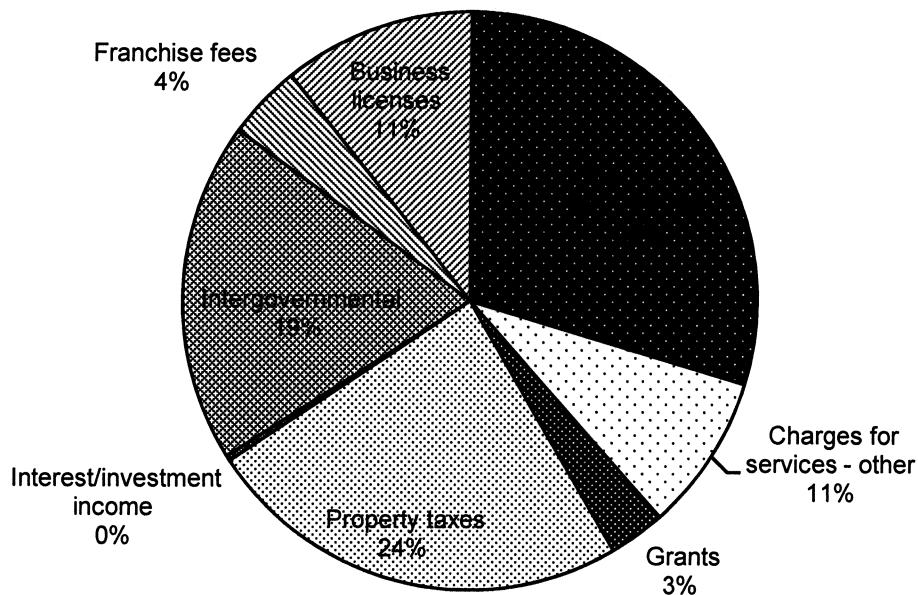
- The cost of all governmental activities this year was \$5,324,598 a decrease of \$93,167 from the prior year.
- Net cost of governmental activities was \$(3,168,564) which was financed by general revenues. General revenues consist primarily of property taxes of \$1,250,221, state aid of \$988,962 and franchise fees, business licenses and interest of \$793,496, totaling \$3,032,679.

**CITY OF CHESTER, SOUTH CAROLINA
MANAGEMENTS ANALYSIS AND DISCUSSION
For The Year Ended June 30, 2009**

**Expenses and Program Revenues -
Governmental Activities**



Revenue by Source - Governmental Activities



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: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$2,543,294. \$1,473,101 or 58% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion. The remaining fund balance of \$1,070,193 is reserved or designated to indicate that it is not available for spending because it has already been committed to specific special and capital projects.

- The General Fund is the principal operating fund of the City. The decrease in fund balance in the General Fund for the fiscal year was \$44,705.
- The general fund approved budget revenues reflect that actual revenues for the year were over projections by \$81,815.
- General fund actual expenditures were greater than the expenditure budget by \$48,293.

Proprietary Fund: Proprietary Funds are used to account for operations that are financial and operated in a manner similar to private business enterprises. The City has no Proprietary Funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: As of June 30, 2010, the City had \$2,414,625 in capital assets – net of accumulated depreciation, including land, buildings and improvements, vehicles, computers, and other equipment. Capital asset purchases for the year totaled \$325,129. Total depreciation expense for the year was \$232,317.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2010 with comparative balance for the fiscal year ended June 30, 2009:

	Governmental Activities		Net Increase
	FY2009-10	FY2008-09	Over Prior Year
Land	\$ 36,000	\$ 36,000	\$ -
Buildings	2,121,283	1,977,073	144,210
Infrastructure - sidewalks	42,204	42,204	-
Improvements other than buildings	351,914	351,914	-
Construction in progress	7,000	-	7,000
Machinery and equipment	3,006,602	2,832,683	173,919
	5,565,003	5,239,874	325,129
Less accumulated depreciation	3,150,378	2,918,061	232,317
	<u>\$ 2,414,625</u>	<u>\$ 2,321,813</u>	<u>\$ 92,812</u>

Additional information on the City's capital assets can be found in Note 7 on page 28 of this report.

Debt Administration: At June 30, 2010, the City long term debt of \$364,750. The City also has compensated absences of \$84,295,

State statutes currently limit the amount of general obligation debt a City may issue to 8 percent of its total property taxes assessed valuation. The current debt limitation for the City is approximately \$600,000. Additional information on the City's long-term debt can be found in Note 8 on page 29 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Chester is located in the north central portion of South Carolina and is a near equal distance between Columbia and Charlotte along the I-77 corridor.

The City of Chester is in the mist of a recession as is the entire nation. The unemployment rate for Chester County is approximately 21%. Generally poor economic conditions are expected to continue to impact the City, particularly as are related to intergovernmental aid from the State of South Carolina and specifically, local option sales taxes. Current state projections could reflect a 10% decrease for the year 2009-10. State aid was reduced to FY2005-2006 levels for the year ending June 30, 2010 and this trend is expected to continue.

Some small businesses and a textile manufacturing plants operated by Springs Mill have discontinued operations in recent years. Census information reflects that the population in the City continues to decrease each year. These factors can only have a negative impact on the City's tax base.

South Carolina State government has eliminated or reduced programs that have required City government to assume some of the services. State government has funded programs with non-recurring funds that have caused a financial crisis that will continue for a number of years. We expect more State programs to be shifted to City government.

The City has applied for and will continue to increase its efforts toward acquiring Federal government grants and awards. The current administration in Washington has enacted a significant economic bailout program. To date, the City has been awarded some of this federal grant money but it has been less than anticipated. Furthermore, this funding assumes that the City will continue to fund theses services once the grants end, putting further strain on the City's future resources.

Prospects for significant economic development in the immediate future are not optimistic.

These detrimental economic factors will greatly challenge the City's management to continue to offer a high level of service without raising taxes. City Council will be forced to make some very difficult decisions in the coming years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Director, City of Chester, 100 West End Street, Chester, South Carolina 29706 (Telephone # 803-581-2123).

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,087,314
Receivables (net of allowance for uncollectibles):	
Property taxes	592,336
Intergovernmental	320,699
Other	110,968
Notes receivable, net	224,080
Capital lease receivable	71,664
Capital assets:	
Land	36,000
Buildings and improvements	2,121,283
Improvements, other than buildings	351,914
Infrastructure - sidewalks	42,204
Machinery and equipment	3,006,602
Construction in progress	7,000
Accumulated depreciation	<u>(3,150,378)</u>
 Total Assets	 <u>5,821,686</u>
LIABILITIES	
Accounts payable	96,831
Accrued expenses	149,799
Deferred revenue	548,999
Noncurrent liabilities:	
Due within one year	54,377
Due after one year	<u>394,669</u>
 Total Liabilities	 <u>1,244,675</u>
NET ASSETS	
Invested in capital assets - net of related debt	2,049,875
Restricted for general government	1,070,193
Unrestricted	<u>1,456,943</u>
 Total Net Assets	 <u><u>\$ 4,577,011</u></u>

See independent auditors' report and accompanying notes to the financial statements.

CITY OF CHESTER, SOUTH CAROLINA
RECONCILIATION OF TOTAL
GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2010

Total fund balances - governmental funds, June 30, 2010 (page 13)	\$ 2,543,294
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	5,565,003
Accumulated depreciation	(3,150,378)
Some revenue will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:	
Property taxes	68,137
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(364,750)
Compensated absences	(84,295)
Total net assets - governmental activities, June 30, 2010 (page 9)	<u>\$ 4,577,011</u>

See independent auditors' report and the accompanying notes to the financial statements.

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Revenues			Net Revenue (Expense) and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT					
Governmental Activities					
General government	\$ 1,042,542	\$ 11,236	\$ 6,180	\$ -	\$ (1,025,126)
Public safety	3,091,821	1,622,222	9,377	138,567	(1,321,655)
Public works	910,183	334,988	5,859	-	(569,336)
Cultural and recreation	275,302	23,424	4,181	-	(247,697)
Interest and fiscal charges	4,750	-	-	-	(4,750)
Total Governmental	5,324,598	1,991,870	25,597	138,567	(3,168,564)
Business-Type Activities					
None	-	-	-	-	-
Total Primary Government	\$ 5,324,598	\$ 1,991,870	\$ 25,597	\$ 138,567	(3,168,564)
General Revenues					
Property taxes levied for:					
General purposes					1,231,003
Accommodations tax					19,218
Interest/investment income					15,234
Intergovernmental					988,962
Franchise fees					216,553
Business licences					561,709
Total general revenues					3,032,679
Changes in net assets					(135,885)
Net Assets, beginning					4,712,896
Net Assets, ending					\$ 4,577,011

See independent auditors' report and the accompanying notes to the financial statements.

CITY OF CHESTER, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Change in fund balances - governmental funds, June 30, 2010 (page 14)	\$ 152,212
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. In the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	325,150
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as expenditures in governmental funds.	(232,318)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of new long-term debt	(400,000)
Principal payments on long-term debt	35,250
Compensated absences	10,545
Some property tax will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues in the governmental funds.	(26,724)
Change in net assets - governmental activities, June 30, 2010 (page 11)	\$ (135,885)

See independent auditors' report and the accompanying notes to the financial statements.

CITY OF CHESTER, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010

	General Fund	Other Governmental Funds	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,372,647	\$ 458,267	\$ 256,403	\$ 2,087,317
Receivables (net of allowance for uncollectibles):				
Taxes	592,336	-	-	592,336
Intergovernmental	320,699	-	-	320,699
Other	107,713	3,255	-	110,968
Notes receivable, net	-	224,080	-	224,080
Due from other funds	-	148,006	-	148,006
Capital lease receivable	71,664	-	-	71,664
	<u>71,664</u>	<u>-</u>	<u>-</u>	<u>71,664</u>
 Total Assets	 <u>\$ 2,465,059</u>	 <u>\$ 833,608</u>	 <u>\$ 256,403</u>	 <u>\$ 3,555,070</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 78,185	\$ 755	\$ 17,890	\$ 96,830
Accrued expenses	149,799	-	-	149,799
Deferred revenue	617,141	-	-	617,141
Due to other funds	146,833	1,173	-	148,006
	<u>146,833</u>	<u>1,173</u>	<u>-</u>	<u>148,006</u>
 Total Liabilities	 <u>991,958</u>	 <u>1,928</u>	 <u>17,890</u>	 <u>1,011,776</u>
FUND BALANCES				
Fund balances				
Reserved	-	831,680	238,513	1,070,193
Unreserved	1,473,101	-	-	1,473,101
	<u>1,473,101</u>	<u>-</u>	<u>-</u>	<u>1,473,101</u>
 Total Fund Balances	 <u>1,473,101</u>	 <u>831,680</u>	 <u>238,513</u>	 <u>2,543,294</u>
 Total Liabilities and Fund Balance	 <u>\$ 2,465,059</u>	 <u>\$ 833,608</u>	 <u>\$ 256,403</u>	 <u>\$ 3,555,070</u>

See independent auditors' report and accompanying notes to the financial statements.

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT OF REVENUES , EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Other Governmental Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Taxes - property	\$ 1,124,725	\$ -	\$ -	\$ 1,124,725
Licenses and permits	778,262	-	-	778,262
Intergovernmental	1,008,180	187,815	-	1,195,995
Charges for services	1,974,033	13,388	-	1,987,421
Investment earnings	8,835	6,341	59	15,235
Payments in lieu of taxes	38,134	-	-	38,134
Drug forfeitures	-	4,449	-	4,449
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	4,932,169	211,993	59	5,144,221
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current:				
General government	861,195	208,661	-	1,069,856
Public safety	2,886,990	19,792	-	2,906,782
Public works	909,474	-	-	909,474
Cultural and recreation	254,075	25,101	-	279,176
Capital outlay	-	65,175	-	65,175
Debt service	-	-	161,546	161,546
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	4,911,734	318,729	161,546	5,392,009
	<hr/>	<hr/>	<hr/>	<hr/>
Excess revenue over (under) expenditures	20,435	(106,736)	(161,487)	(247,788)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	400,000	400,000
Operating transfers in (out)	(65,140)	65,140	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(65,140)	65,140	400,000	400,000
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(44,705)	(41,596)	238,513	152,212
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance, beginning of year	1,517,806	873,276	-	2,391,082
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance, end of year	<u>\$ 1,473,101</u>	<u>\$ 831,680</u>	<u>\$ 238,513</u>	<u>\$ 2,543,294</u>

See independent auditors' report and accompanying notes to the financial statements.

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2010

	<u>Evergreen Cemetery Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 174,906	\$ 106,955
Due from City of Chester	<u>6,316</u>	<u>-</u>
Total Assets	<u><u>\$ 181,222</u></u>	<u><u>\$ 106,955</u></u>
LIABILITIES		
Due to City of Chester	\$ -	\$ 78,441
Due to SC State	-	8,460
Funds held in trust for others	<u>181,222</u>	<u>20,054</u>
Total Liabilities	<u><u>\$ 181,222</u></u>	<u><u>\$ 106,955</u></u>

See independent auditors' report and accompanying notes to the financial statements.

CITY OF CHESTER, SOUTH CAROLINA
BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes - property	\$ 1,090,500	\$ 1,090,500	\$ 1,124,725	\$ 34,225
Licenses and permits	821,775	821,775	778,262	(43,513)
Intergovernmental	875,950	875,950	1,008,180	132,230
Charges for services	2,014,129	2,014,129	1,974,033	(40,096)
Investment earnings	15,000	15,000	8,835	(6,165)
Payments in lieu of taxes	33,000	33,000	38,134	5,134
Total Revenues	4,850,354	4,850,354	4,932,169	81,815
EXPENDITURES				
Current:				
General government	842,874	842,873	861,195	(18,322)
Public safety	2,947,682	2,947,682	2,886,990	60,692
Public works	903,304	903,305	909,474	(6,169)
Cultural and recreation	234,721	234,721	254,075	(19,354)
Debt service	20,000	20,000	-	
Total Expenditures	4,948,581	4,948,581	4,911,734	16,847
Excess revenue over (under) expenditures	(98,227)	(98,227)	20,435	98,662
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	(65,140)	(65,140)
Total Other Financing Sources (Uses)	-	-	(65,140)	(65,140)
Net change in fund balances	(98,227)	(98,227)	(44,705)	53,522
Fund Balance, beginning of year	-	-	1,517,806	1,517,806
Fund Balance, end of year	\$ -	\$ -	\$ 1,473,101	\$ 1,571,328

See independent auditors' report and accompanying notes to the financial statements.

CITY OF CHESTER, SOUTH CAROLINA

Notes to the Financial Statements

June 30, 2010

Note 1 – Summary of Significant Accounting Policies

A. General

The City of Chester is a municipality in the state of South Carolina that was initially incorporated on December 18, 1840. The City adopted the Council-Mayor form of government pursuant to the Home Rule Statute, Act. No. 283 of 1975. The Certificate of Incorporation was issued by the Secretary of State on October 28, 1975. The City provides services as authorized by its charter for public safety, public works, planning and development, streets and sanitation, licensing and regulation, recreation and general administrative services.

The financial statements of the City of Chester have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement Number 34, *Basic Financial Changes – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City (the Primary Government) operations. The criteria for including other 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 a 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 fiscal dependency by the organization on the City

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

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

C. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include all financial activities of the primary government, except for the fiduciary funds. The effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities for the City. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

This government-wide focus is more on the sustainability of the City as an entity and the change in City's net assets resulting from the current year's activities.

Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental fund types are used to account for the government's general government activities. Governmental funds include the following fund types:

The **general fund** of the City is used to account for all financial resources except those required to be accounted for in another fund. All property taxes, intergovernmental revenues, charges for services, fines, forfeits and miscellaneous revenues are recorded in this fund except amounts that are specifically collected to service debt or for which the City Finance Director collects taxes and other funds in a fiduciary capacity.

Operational expenditures for general government, public safety, public works and other departments of the City are paid through the general fund. Governmental accounting principles generally accepted in the United States of America require the presentation of a combined statement of revenues, expenditures and changes in fund balance - budget and actual for general and special revenue funds. As no budget is legally adopted for the City's special revenue funds, only general fund information is included in the aforementioned statement.

The **special revenue fund** is used to account for the proceeds of specific revenue sources (other than major capital projects) that include special projects requiring separate accounting because of legal or regulatory provisions and/or administrative action.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

The **debt service fund** is used to account for the accumulation of resources and the payment of general long-term debt principal, interest and any related costs. The City has no debt service fund as its policy is to pay its long-term debt from the general fund.

Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary fund types

Proprietary funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed or recovered primarily through user charges. The City has no proprietary fund operations.

Fiduciary fund types

Fiduciary funds are used to account for assets held by the City on behalf of other organizations or activities not considered an activity of the City. The City's fiduciary funds consist of a trust fund for the perpetual care of its cemetery and agency funds.

Trust Funds are used to account for assets held by the City in a trustee capacity. When the objectives of a trust fund can be achieved by spending both the principal and the earnings of the fund, the fund is referred to as an expendable trust fund. The City accounts for certain revenue from the cemetery care fees and expenditures for the cemetery in this fund.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement Number 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Since by definition, the City has no major funds except the general fund, no distinction between major and non-major funds is reflected in the fund financial statements.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (the City has a trust fund and four agency funds). Since by definition, these assets are being held for the benefit of a third party (other local government or other entity) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide financial statements.

D. Measurement Focus

Government-wide financial statements

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

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 balance reports on 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. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

Like the government-wide statements, all proprietary fund types are accounted for in a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic measurement focus.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and the presentation of expenses versus expenditures.

Revenues – exchange and non-exchange transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: delinquent taxes collected within sixty days of fiscal year end, sales tax, grants, interest, fees and charges for service.

Deferred revenue

Deferred revenue arises when assets are recognized before recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010 (all property owned by taxpayers are assessed as of December 31, 2009), but which were billed in October 2009 to finance fiscal year 2009-10 operations, have been recorded as revenue. That portion not expected to be collected within one year has been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period (which is defined as within 60 days of year end) have been reported as deferred revenue.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

Expenses/expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

F. Assets, Liabilities and Equity

Cash and investments

For purposes of the Statement of Net Assets, cash includes all demand, savings accounts and certificates of deposits of the City. For the purposes of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts, certificates of deposit or short-term investments (including restricted assets) with original maturity of three months or less.

Investments are carried at fair value, which is based on quoted market price.

Receivables and payables

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The allowance for trade accounts receivable is computed based upon an estimate of collections within each aging category. The allowance for property taxes receivable is based upon a composite average of each delinquent tax year's collections to the outstanding balance at the beginning of the fiscal year.

Property taxes become a lien on real estate and certain personal properties owned on the preceding December 31 of each City fiscal year ended June 30. These taxes are levied on or before October 31 and are due without penalty through January 15. Penalties are added to the taxes depending on the date paid as follows:

January 16 through February 1	3% of tax
February 2 through March 15	10% of tax
March 16 and thereafter	15% of tax plus collection cost

The lien and collection date for motor vehicles is the last day of the month in which the motor vehicle license expires. The City bills and collects its own real property taxes. Chester County bills and collects vehicle property taxes and payments in lieu of taxes and remits to the City its collections monthly following the month received. Property tax revenue is recognized when past due and collectible within the current period or soon enough thereafter (defined as sixty days) to pay liabilities of the current period. An allowance is provided for an estimated amount of taxes billed that may ultimately prove to be uncollectible. Deferred revenue (property taxes) represents that portion of property taxes which is deemed not available to pay current expenses.

Interfund receivables and payables

Short-term amounts owed between funds are classified as "Due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

Due from other governments

Amounts due from state and federal grants represent reimbursable costs that have been incurred by the City but have not been reimbursed by the grantor agency. Costs under grant programs are recognized as expenditures in the period in which the City incurs them.

Inventories

The general fund of the City has no significant inventories. The cost is recorded as expenditures at the time individual inventory items are purchased.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, water & sewer systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Because City of Chester qualifies as a small governmental entity as defined by GASB 34 (governments with annual revenues less than \$10 million), the City has elected not to capitalize its infrastructure retroactively as large governmental entities are required to do. Prior to June 30, 2003, City of Chester has not capitalized infrastructure. Infrastructure with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years is being capitalized beginning July 1, 2003 and thereafter.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets are capitalized as the projects are constructed. Interest incurred during the construction phase of proprietary capital assets is included as part of the capitalized value of the assets constructed.

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

Land improvements	15 years
Buildings	30 to 50 years
Building improvements	15 years
Vehicles	5 years
Furniture and equipment	3 to 10 years
Machinery and equipment	5 to 10 years
Public domain infrastructure	40 years

Compensated absences

City employees earn from one day to two days each month, depending on longevity, for vacation and one day a month for sick leave. If an employee leaves the employment of the City, he/she is entitled to be paid for up to six weeks of unused vacation. There is no liability for sick pay since it is the City's policy to only pay sick leave when it is used. The entire compensated absence liability is reported on the government-wide financial statements. Expenditures for these fringe benefits are recorded at the time the benefits are paid for governmental fund types and accrued currently for proprietary fund types.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

Fund equity - reservations and designations of fund balances

Reservations represent the portions of fund balances that are not appropriated for expenditures or have been segregated for specific future uses by legal mandate. Designations represent tentative plans by the City for financial resource utilization in a future period. Such plans are subject to change and may never result in expenditures.

Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those net assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Revenues, Expenditures and Expenses

Property taxes

The City follows Governmental Accounting Standards Board (GASB) Statement Number 33, *Accounting and Financial Reporting for Non-exchange Transactions* to account for non-exchange revenues that primarily consist of imposed non-exchange revenues or ad valorem taxes. Under the standard, a receivable is recorded when an enforceable legal claim for property taxes has arisen and revenue is recognized when the resources are available.

Operating revenues and expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing or delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing or investing activities.

Expenditures/expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:

Current (further classified by function)
Debt service
Capital outlay

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund transfers

Reallocations of resources between funds of the reporting entity are classified as interfund transfers and are reported as operating transfers. For purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

Use of estimates

The financial statements include estimates and assumptions that affect the City's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

H. Stewardship, Compliance and Accountability

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. Certain Special Revenue funds and Capital Projects funds are budgeted over the life of the grant or project but are not formally approved by City Council. Therefore, Special Revenue and Capital Projects fund budget comparisons to actual expenditures are not presented herein.

All departments of the City submit their requests for appropriations for the coming year to the Council Administrator by March 15 along with revenue estimates so that a budget may be prepared. By May 1, the proposed budgets are presented to City Council for review. The Council holds public hearings and adopts the final budgets by July 1 through passage of an ordinance.

City Council, at the individual fund level, determines the legal level of budgetary control. Expenditures by department, sub-organizational level and major category (i.e. personnel, non-personnel and capital outlay) are further defined in the budget document and are subject to City Administrator approval. The City Administrator is authorized to make transfers between major expenditure categories within departments and between departments within the same fund. The budget ordinance must be amended by council to effect changes in fund totals.

Budgets, as reported in the financial statements, are originally passed by ordinance and may be subsequently amended. During the year, no supplementary appropriations were enacted. All annual appropriations lapse at year end.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no encumbrances reserved as of June 30, 2010.

Budget Basis of Accounting

The City has legally adopted a budget for the general fund. The City's budgetary process is based primarily upon the cash basis of accounting.

It is the opinion of the City that a meaningful comparison of actual results to budget can be presented for the General Fund due to the fact that there is no material difference between actual results on the GAAP basis and actual results on a budget basis.

Excess of Expenditures Over Budget Appropriations in Individual Department of the General Fund

Expenditures exceeded budget appropriations for the following department for the fiscal year:

• Administration	\$ 23,160
• Public Works	\$ 26,548
• Recreation	\$ 19,354

Expenditures were authorized by City Council; however the budget was not formally amended.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

DETAILED NOTES ON ALL FUNDS

Note 2 - Cash and Investments

The City's investments are invested pursuant to statutes established by the State of South Carolina. The statutes allow the City to invest City monies in the most prudent manner possible. At June 30, 2010, the City had no investments.

At year end, the carrying amount of the City's cash deposits (checking accounts, savings accounts and certificates of deposit), was \$2,365,408 and the bank balances were \$2,383,895. Of the bank balances, \$836,940 was covered by federal depository insurance (FDIC). The bank balances are classified in three categories of credit risk. Category 1 includes deposits that are insured or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes deposits that are uncollateralized. All cash is in either Category 1 or 2; the City has no cash in Category 3.

Note 3- Capital Lease Receivable and Sewer Escrow

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

Due to the modified accrual basis of accounting, revenue from the lease is not recognized until it is available. A deferred revenue account has been established to offset the lease receivable. Revenue will be recognized yearly as it becomes available.

Note 4- Notes Receivable and Allowance for Doubtful Accounts

Notes receivable in the special revenue fund are composed of various loans made in prior years from Community Developments Block Grant funds.

Four of the City's Rehabilitation Notes Receivable are doubtful as to whether they can be collected. The notes receivable in the special revenue fund is shown net of a \$43,775 allowance.

CITY OF CHESTER, SOUTH CAROLINA

Notes to the Financial Statements -- continued

June 30, 2010

Note 5 - Receivables and Deferred Revenue

Property taxes receivables at June 30, 2010 including penalties, are as follows:

Real property (2000 - 2010)	\$ 612,883
Vehicle taxes (through Chester County)	<u>10,097</u>
	622,980
Less allowance for doubtful accounts	<u>(30,644)</u>
Total property taxes receivable - net of allowance for uncollectibles	<u><u>\$ 592,336</u></u>

Intergovernmental receivables at June 30, 2010 are as follows:

State of South Carolina for	
Aid to Local Governments	\$ 40,443
Accommodations taxes	17,277
Local Option Sales Taxes	262,738
Chester County	
Payments in lieu of taxes	<u>241</u>
Total intergovernmental receivables	<u><u>\$ 320,699</u></u>

Other receivables at June 30, 2010 are as follow:

General Fund

Solid waste disposal fees	\$ 25,014
Police fines escrow account	78,441
Victim's Assistance	1,149
Grants receivable	<u>3,109</u>
	107,713

Special Revenue

Grants receivable	755
Due from citizens	<u>2,500</u>
	3,255

Total other receivables	<u><u>\$ 110,968</u></u>
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Governmental funds report deferred revenue in connection with taxes receivable 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. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Delinquent property taxes	\$ 545,477
Received but not earned	<u>-</u>
Total deferred revenues related to property taxes	545,477
Deferred revenue - capital lease of sewage plant	<u>71,664</u>
Total deferred revenue	<u><u>\$ 617,141</u></u>

CITY OF CHESTER, SOUTH CAROLINA

Notes to the Financial Statements -- continued

June 30, 2010

Note 6 - Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 146,833
Special Revenue Fund - Community Development	5,441	-
Special Revenue Fund - Sewer Escrow	17,000	-
Special Revenue Fund - Grant Projects	27,867	1,173
Capital Projects Fund - Capital Improvement	97,698	-
Total Other Governmental Funds	148,006	1,173
Totals	\$ 148,006	\$ 148,006

	Interfund Transfer In	Interfund Transfers Out
General Fund	\$ -	\$ 65,140
Special Revenue Fund - Fire Equipment Replacement Fund	65,140	-
Totals	\$ 65,140	\$ 65,140

CITY OF CHESTER, SOUTH CAROLINA

Notes to the Financial Statements -- continued

June 30, 2010

Note 7 - Capital Assets

Primary government capital asset activity for the year ended June 30, 2010 is as follows:

	Balance 06/30/09	Additions	Retirements	Balance 06/30/10
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Total capital assets, not being depreciated	36,000	-	-	36,000
Capital assets, being depreciated:				
Buildings	1,977,073	144,210	-	2,121,283
Improvements other than buildings	351,914	-	-	351,914
Infrastructure	42,204	-	-	42,204
Construction in progress	-	7,000	-	7,000
Machinery and equipment	2,832,683	173,919	-	3,006,602
Total capital assets, being depreciated	5,203,874	325,129	-	5,529,003
Less accumulated depreciation for:				
Infrastructure	703	1,407	-	2,110
Buildings	883,251	41,651	-	924,902
Improvements other than buildings	141,401	9,917	-	151,318
Machinery and equipment	1,892,706	179,342	-	2,072,048
Total accumulated depreciation	2,917,358	232,317	-	3,150,378
Total capital assets, being depreciated, net	1,969,693	92,812	-	2,378,625
Governmental activities capital assets, net	<u>\$ 2,005,693</u>	<u>\$ 92,812</u>	<u>\$ -</u>	<u>\$ 2,414,625</u>

Depreciation expense was charged as direct expenses to programs of the City government as follows:

Governmental Activities:	
General government	\$ 73,737
Public safety	105,580
Public works	47,009
Culture and recreation	<u>5,991</u>
	<u>\$ 232,317</u>

CITY OF CHESTER, SOUTH CAROLINA

Notes to the Financial Statements -- continued

June 30, 2010

Note 8 - Long-Term Debt

Long-term liability activity for the year was comprised of obligations for a bond and accrued compensated absences.

Activity for the fiscal year is as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/10</u>
General obligation bond, Series 2009. Due in annual payments of \$47,592, principal & interest, due April 2019.	\$ -	\$ 400,000	\$ 35,250	\$ 364,750
Total general long-term debt	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 35,250</u>	<u>\$ 364,750</u>

The bond payable is reflected in the Statement of Net Assets based on the maturity of the debt as follow:

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 35,409	\$ 12,183	\$ 47,592
2012	36,592	11,000	47,592
2013	37,814	9,778	47,592
2014	39,077	8,515	47,592
2015	40,382	7,210	47,592
After 2015	<u>175,476</u>	<u>14,892</u>	<u>190,368</u>
	<u>\$ 364,750</u>	<u>\$ 63,578</u>	<u>\$ 428,328</u>

	<u>Balance</u> <u>06/30/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/10</u>
Accrued compensated absences	\$ 94,841	\$ -	\$ 10,546	\$ 84,295
Total general long-term debt	<u>\$ 94,841</u>	<u>\$ -</u>	<u>\$ 10,546</u>	<u>\$ 84,295</u>

Accrued compensated absences are reflected in the Statement of Net Assets based on the maturity of the debt as follow:

	<u>Accrued Compensated Absences</u>	<u>Total</u>
Due within one year	\$ 18,968	\$ 18,968
Due after one year	<u>65,327</u>	<u>65,327</u>
	<u>\$ 84,295</u>	<u>\$ 84,295</u>

There was no interest expense for the year related to long-term debt.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

Note 9 - Employee Pension Plans

A. Plan Description -- The City is a member of the South Carolina Retirement System (SCRS) and the South Carolina Police Officer's Retirement System (PORS), two of four defined benefit retirement systems maintained by the Retirement Division of the State Budget and Control Board of South Carolina. Each system publishes its own component unit financial statement report.

The systems provide retirement, death and disability benefits to State employees, public school employees, and employees of counties, municipalities, and certain other State political subdivisions. Each system is independent. Assets may not be transferred from one system to another or used for any purpose other than to benefit each system's participants.

A comprehensive annual report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System is issued and publicly available on their website at www.retirement.sc.gov or by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

B. Funding and Benefit Policies -- Title 9 of the South Carolina Code of Laws of 1976 (as amended) prescribes requirements relating to membership, benefits, and employee/employer contributions for each system. The following paragraphs summarize the requirements for SCRS and PORS.

SCRS is a cost-sharing multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions, such as municipalities. Membership is required as a condition of employment. Both employers and employees must contribute. Employees contributed at 6.5% and employers at 9.24% during the year ended June 30, 2010. In addition to the above rates, participating employers of SCRS contribute .15% of payroll to provide group life insurance benefit for their participants. Benefits vest after five years of service. Vested members, who retire at age sixty-five or with twenty-eight years of service at any age, receive an annual benefit, payable for life. The benefit is based on length of service and on average final compensation, an annualized average of the employee's highest twelve consecutive quarters of compensation. The annual benefit amount is 1.82% of average final compensation times years of credited service. Reduced benefits are payable as early as age sixty with 5% reduction for each year under age 65 and at age 55 with 25 years of service, reduced by 4% for each year of service under 28 years.

PORS is a cost-sharing multiple employer pension system that benefits all full-time City employees whose principal duties are the preservation of public order, protection, or prevention and control of property destruction by fire. Membership is required as a condition of employment. Both employers and employees must contribute. Employees contributed at 6.5% and employers at 10.65% for the year ended June 30, 2010. In addition to the above rates, participating employers of PORS contribute .20% of payroll to provide a group life insurance benefit and another .20% to provide accidental death coverage for their participants. Employees who retire at age 55 or with 25 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2.14% of average final compensation multiplied by the number of years of credited service. Benefits fully vest on reaching 5 years of service. PORS has no provision for early retirement.

C. Funding Status and Progress -- The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits (adjusted for the effects of projected salary increases and step-rate benefits) estimated to be payable in the future as a result of employee service to date. The State discloses this measure to help users of these financial statements to: (1) assess the system's funding status on a going-concern basis, (2) assess progress toward accumulating sufficient assets to pay benefits when due, and (3) compare various public employee retirement systems and employers. The measure is the actuarial present value of credited projected benefits. This method is independent of the funding methods the State's consulting actuary uses to determine contributions to the system. A 8.0% interest rate (compounded annually) was used to compute the pension benefit obligation.

The South Carolina Retirement System (SCRS) and the South Carolina Police Officers' Retirement System (PORS) do not separately measure assets and pension benefit obligations for individual employers. The total unfunded accrued liability obligation expressed in millions at July 1, 2009 for SCRS was \$10,964 and for PORS was \$956.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

D. Contributions Required and Contributions Made -- The State's consulting actuary determines employer contributions for all four systems. The systems use the projected benefit method with entry age normal cost and benefits and allocate pension cost to each year as a level percentage of salary. In determining funding requirements, the actuary uses the same actuarial assumptions as those used to calculate the pension benefit obligation, with the following assumptions: (1) post-retirement benefit increases were projected for retired members and members eligible to retire (2) net assets attributable to group life insurance were excluded. At July 1, 2009 (latest data available), the unfunded liability liquidation period in years for SCRS was 29 years and for PORS was 30 years.

Both employees and employers are required to contribute to the Plan at rates established under the authority of Title 9 Code of Laws.

The following provides a summary of the City's retirement Plan Contributions at June 30, 2010 (includes group life insurance for both plans and accidental death insurance for the Police Plan) with comparative data at June 30, 2009 and 2008.

<u>Year Ended</u> <u>June 30,</u>	<u>Plan</u>	<u>Employee</u> <u>Contributions</u>	<u>Employer</u> <u>Contributions</u>	<u>Total</u> <u>Contributions</u>
2010	Regular	\$ 60,824	\$ 87,868	\$ 148,692
	Police	107,204	182,245	289,449
2009	Regular	63,189	89,826	153,015
	Police	111,106	182,044	293,150
2008	Regular	63,892	90,944	154,836
	Police	114,525	181,272	295,797

Employer contributions are recorded to departments corresponding to the locations where the covered employee works and are called "Retirement" in the financial statements.

Note 10 – Post-Employment Benefits

The City policy is to provide postretirement health care benefits to all employees who are eligible to retire from the South Carolina Retirement System (SCRS) and who have 20 years of credited service with the City of Chester and who have at least 10 years of medical coverage with the South Carolina Local Government Assurance Group. Currently, there are 16 eligible participants receiving benefits. During the years ended June 30, 2010 and June 30, 2009, the City paid \$68,474 and \$68,474, respectively, in premiums for retired employees.

Note 11 - Commitments

The City has committed to provide fire protection services within the Chester Fire District for a total fee of \$1,510,325 for the period July 1, 2010 through June 30, 2011.

Note 12 - Contingent Liability - Self Insured Unemployment Claims

The City has 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 these financial statements for future claims.

Note 13 – Contingent Liability – Legal Claims

The City is a defendant in various lawsuits arising from the conduct of normal business. Although any litigation has an element of uncertainty, it is management's opinion that the outcome of any litigation pending or threatened, or combination thereof, will not have a material adverse effect on the financial position of the City.

CITY OF CHESTER, SOUTH CAROLINA
Notes to the Financial Statements -- continued
June 30, 2010

Note 14 – Risk Management

The City is exposed to various risks of loss and maintains insurance coverage for each of those risks (except unemployment claims as described in Note 13). The City pays insurance premiums to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the period in accordance with insurance policy and benefits program limits except for the deductibles.

The City pays premiums to the South Carolina State Retirement System for the claims of covered employees for long-term disability and group-life benefits. Premiums are paid to the South Carolina Local Government Assurance Group for employee health, dental and life insurance coverage. Premiums are paid to the South Carolina Municipal Insurance Trust for worker's compensation insurance.

The City, as do other South Carolina municipalities, pays premiums to the South Carolina Municipal Insurance Reserve Fund (SCMIRF) which issues policies, accumulates assets to cover 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 assets.
2. Real property, its contents, and other equipment.
3. Motor vehicles.
4. Torts.
5. Natural disasters.

The SCMIRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit extreme losses in all of the activities listed above. The SCMIRF's rates are determined actuarially.

The City maintains employee fidelity bond insurance with coverage up to \$20,000 per occurrence on certain employee for losses arising from theft or mismanagement. The City self-insures above this amount.

The City has recorded insurance premium expenditures in the applicable department where assets are used and employees work.

SUPPLEMENTARY INFORMATION

CITY OF CHESTER, SOUTH CAROLINA
DETAILED BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<u>REVENUES</u>				
TAXES:				
Property taxes - current	\$ 905,000	\$ 905,000	\$ 923,541	\$ 18,541
Property taxes - delinquent	185,500	185,500	201,184	15,684
	<u>1,090,500</u>	<u>1,090,500</u>	<u>1,124,725</u>	<u>34,225</u>
LICENSES, FINES, FEES AND PERMITS:				
Business licenses	606,775	606,775	561,709	(45,066)
Franchise fees	215,000	215,000	216,553	1,553
	<u>821,775</u>	<u>821,775</u>	<u>778,262</u>	<u>(43,513)</u>
INTERGOVERNMENTAL:				
State shared revenues:				
Local government revenue	176,950	176,950	169,191	(7,759)
Local option sales tax	490,000	490,000	603,383	113,383
Homestead exemption	160,000	160,000	180,395	20,395
Accommodations tax	18,000	18,000	19,218	1,218
Merchant's inventory tax	30,000	30,000	34,567	4,567
Manufacturing depreciation tax	1,000	1,000	1,426	426
	<u>875,950</u>	<u>875,950</u>	<u>1,008,180</u>	<u>132,230</u>
CHARGES FOR SERVICES:				
Chester Fire District contract	1,548,779	1,548,779	1,536,454	(12,325)
Police fines and fees	65,800	65,800	67,931	2,131
Solid waste fees - commercial	70,000	70,000	37,631	(32,369)
Solid waste fees - residential	301,000	301,000	294,878	(6,122)
Public Works fees	1,500	1,500	2,479	979
Cemetery fees	7,200	7,200	11,236	4,036
Recreation Department fees	19,850	19,850	23,424	3,574
	<u>2,014,129</u>	<u>2,014,129</u>	<u>1,974,033</u>	<u>(40,096)</u>
INVESTMENT EARNINGS:				
Interest income	10,000	10,000	4,055	(5,945)
Lease income	5,000	5,000	4,500	(500)
Other income	-	-	280	280
	<u>15,000</u>	<u>15,000</u>	<u>8,835</u>	<u>(6,165)</u>
PAYMENTS IN LIEU OF TAXES:				
Payments in lieu of taxes	33,000	33,000	38,134	5,134
TOTAL REVENUES	<u><u>\$ 4,850,354</u></u>	<u><u>\$ 4,850,354</u></u>	<u><u>\$ 4,932,169</u></u>	<u><u>\$ 81,815</u></u>

CITY OF CHESTER, SOUTH CAROLINA
DETAILED BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<u>EXPENDITURES</u>				
GENERAL GOVERNMENT:				
CITY COUNCIL				
Salaries	\$ 51,700	\$ 51,700	\$ 51,693	\$ 7
Payroll taxes	3,955	3,955	3,857	98
Retirement	4,855	4,855	4,944	(89)
Employee insurance and benefits	29,263	29,263	27,482	1,781
Mayor's meeting expenses	2,000	1,826	1,703	123
Council conferences and travel	4,700	4,550	4,603	(53)
Tourism and accommodations	7,000	7,740	7,241	499
Supplies and materials	500	425	415	10
Municipal elections	-	180	180	-
Agency support expenses	1,250	1,210	1,616	(406)
	<u>105,223</u>	<u>105,704</u>	<u>103,734</u>	<u>1,970</u>
ADMINISTRATION				
Salaries	173,950	163,720	142,789	20,931
Payroll taxes	13,305	13,305	10,879	2,426
Retirement	16,331	16,331	13,408	2,923
Employee insurance and benefits	23,206	23,206	21,982	1,224
Supplies and materials	400	1,258	1,320	(62)
Postage	215	252	313	(61)
Travel and training	5,600	7,274	7,290	(16)
Dues and subscriptions	3,500	3,802	4,082	(280)
Auto repairs and maintenance	900	1,345	1,591	(246)
Advertising and printing	2,870	1,175	1,474	(299)
Utilities	120,900	122,800	144,369	(21,569)
Repairs and maintenance	23,015	23,567	34,081	(10,514)
Communications	9,300	13,300	13,110	190
General and miscellaneous	2,800	3,543	3,569	(26)
Contracted services	2,500	2,500	637	1,863
Insurance	5,622	5,530	5,701	(171)
Juror's fees	10,500	11,525	11,523	2
Bond retirement	10,000	10,000	35,250	(25,250)
Bond interest expense	-	-	4,750	(4,750)
Contingency	10,525	10,525	-	10,525
	<u>435,439</u>	<u>434,958</u>	<u>458,118</u>	<u>(23,160)</u>
FINANCE				
Salaries	116,100	116,100	113,772	2,328
Payroll taxes	8,900	8,900	8,581	319
Retirement	10,900	10,900	10,683	217
Employee insurance and benefits	25,480	25,480	24,143	1,337
Supplies and materials	6,525	7,923	10,351	(2,428)
Postage	7,500	3,600	3,871	(271)
Travel and training	850	516	516	-

CITY OF CHESTER, SOUTH CAROLINA
DETAILED BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Dues and subscriptions	250	560	609	(49)
Advertising and printing	8,000	9,360	9,350	10
Repairs and maintenance	23,105	23,427	23,595	(168)
Communications	480	480	480	-
General and miscellaneous	750	792	700	92
Contracted services	21,100	21,111	21,111	-
Insurance	7,550	8,341	8,341	-
	<u>237,490</u>	<u>237,490</u>	<u>236,103</u>	<u>1,387</u>
HUMAN RESOURCES				
Salaries	45,123	45,123	44,828	295
Payroll taxes	3,452	3,452	3,118	334
Retirement	4,250	4,250	4,204	46
Employee insurance and benefits	5,892	5,892	5,662	230
Supplies and materials	800	800	562	238
Postage	180	180	151	29
Travel and training	1,525	1,205	819	386
Dues and subscriptions	400	444	444	-
Repairs and maintenance	2,620	2,895	2,953	(58)
Contracted services			59	(59)
Communications	480	480	440	40
	<u>64,722</u>	<u>64,721</u>	<u>63,240</u>	<u>1,481</u>
Total General Government	<u>842,874</u>	<u>842,873</u>	<u>861,195</u>	<u>(18,322)</u>
PUBLIC SAFETY:				
POLICE DEPARTMENT				
Salaries	872,350	852,350	834,312	18,038
Payroll taxes	66,750	65,220	62,439	2,781
Retirement	96,400	94,200	93,499	701
Employee insurance and benefits	211,963	219,613	219,996	(383)
Supplies and materials	13,810	23,925	28,680	(4,755)
Postage	500	500	384	116
Travel and training	5,375	6,361	6,322	39
Dues and subscriptions	1,000	1,000	468	532
Auto repairs and maintenance	68,800	69,800	70,029	(229)
Advertising and printing	1,800	2,505	2,408	97
Utilities	6,225	5,000	4,472	528
Repairs and maintenance	12,630	10,639	8,066	2,573
Communications	22,600	22,600	21,616	984
General and miscellaneous	6,500	6,500	5,533	967
Uniforms	9,000	13,500	12,702	798
Contracted services	38,525	37,515	36,398	1,117
Insurance	32,000	35,000	34,868	132
	<u>1,466,228</u>	<u>1,466,228</u>	<u>1,442,192</u>	<u>24,036</u>

CITY OF CHESTER, SOUTH CAROLINA
DETAILED BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
FIRE DEPARTMENT				
Salaries	897,034	864,261	857,453	6,808
Payroll taxes	68,623	66,116	63,087	3,029
Retirement	99,122	95,501	93,908	1,593
Employee insurance and benefits	206,475	208,475	206,884	1,591
Supplies and materials	34,000	60,776	59,784	992
Postage	300	300	325	(25)
Travel and training	9,500	9,500	8,517	983
Dues and subscriptions	1,800	2,000	2,147	(147)
Auto repairs and maintenance	37,500	40,300	30,948	9,352
Advertising and printing	750	750	377	373
Utilities	22,000	24,500	24,515	(15)
Repairs and maintenance	16,000	17,000	14,022	2,978
Communications	7,700	7,700	6,995	705
General and miscellaneous	4,900	5,200	5,339	(139)
Uniforms	16,000	16,000	14,153	1,847
Contracted services	30,950	31,275	24,558	6,717
Insurance	28,800	31,800	31,786	14
	<u>1,481,454</u>	<u>1,481,454</u>	<u>1,444,798</u>	<u>36,656</u>
Total Public Safety	<u>2,947,682</u>	<u>2,947,682</u>	<u>2,886,990</u>	<u>60,692</u>
PUBLIC WORKS:				
PUBLIC WORKS - COMMERCIAL				
Salaries	307,200	301,600	298,464	3,136
Payroll taxes	23,500	23,075	22,117	958
Retirement	25,560	25,035	25,860	(825)
Employee insurance and benefits	78,549	79,332	65,965	13,367
Supplies and materials	25,160	25,388	69,591	(44,203)
Postage	1,750	2,098	1,894	204
Travel and training	700	200	73	127
Dues and subscriptions	200	200	197	3
Auto repairs and maintenance	74,500	75,157	92,273	(17,116)
Advertising and printing	850	250	248	2
Utilities	6,400	7,042	5,194	1,848
Repairs and maintenance	1,530	2,948	3,110	(162)
Communications	3,400	4,058	5,580	(1,522)
Contracted services	2,000	5,850	5,575	275
Insurance	14,700	16,342	16,342	-
Solid waste - yard	30,000	37,667	38,622	(955)
Solid waste - commercial	52,000	41,758	23,443	18,315
	<u>647,999</u>	<u>648,000</u>	<u>674,548</u>	<u>(26,548)</u>

CITY OF CHESTER, SOUTH CAROLINA
DETAILED BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
PUBLIC WORKS - RESIDENTIAL				
Salaries	112,980	112,980	103,433	9,547
Payroll taxes	8,642	8,642	7,663	979
Retirement	10,610	10,610	9,713	897
Employee insurance and benefits	34,373	34,373	31,364	3,009
Supplies and materials	2,650	2,650	1,578	1,072
Postage	200	200	-	200
Auto repairs and maintenance	5,650	5,650	1,566	4,084
Contracted services	200	200	186	14
Solid waste - residential	80,000	80,000	79,423	577
	<u>255,305</u>	<u>255,305</u>	<u>234,926</u>	<u>20,379</u>
Total Public Works	903,304	903,305	909,474	(6,169)
CULTURE AND RECREATION:				
RECREATION DEPARTMENT				
Salaries	125,450	125,450	133,350	(7,900)
Payroll taxes	9,597	9,597	10,015	(418)
Retirement	8,836	8,836	9,909	(1,073)
Employee insurance and benefits	21,313	21,430	25,524	(4,094)
Supplies and materials	8,725	9,248	8,453	795
Postage	150	204	256	(52)
Travel and training	1,000	1,052	1,019	33
Dues and subscriptions	150	698	698	-
Auto repairs and maintenance	6,900	7,700	8,127	(427)
Advertising and printing	200	200	188	12
Utilities	25,155	25,298	32,783	(7,485)
Repairs and maintenance	10,415	12,660	13,422	(762)
Communications	4,000	4,055	3,257	798
General and miscellaneous	1,250	1,050	956	94
Uniforms	380	477	545	(68)
Contracted services	1,600	1,600	1,044	556
Insurance	1,600	1,837	1,837	-
Programs and services	8,000	3,329	2,692	637
	<u>234,721</u>	<u>234,721</u>	<u>254,075</u>	<u>(19,354)</u>
Total Culture and Recreation	234,721	234,721	254,075	(19,354)

CITY OF CHESTER, SOUTH CAROLINA
DETAILED BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
DEBT SERVICE				
Debt service	20,000	20,000	-	20,000
OTHER FINANCING (SOURCES) USES				
Loss from sponsorship of TUFF program	-	-	-	-
Transfer in (out)	-	-	65,140	(65,140)
Total Other Financing (Sources) Uses	-	-	65,140	(65,140)
TOTAL EXPENDITURES	<u>\$ 4,948,581</u>	<u>\$ 4,948,581</u>	<u>\$ 4,976,874</u>	<u>\$ (28,293)</u>
EXCESS EXPENDITURES OVER REVENUES	<u>\$ (98,227)</u>	<u>\$ (98,227)</u>	<u>\$ (44,705)</u>	<u>\$ 53,522</u>

CITY OF CHESTER, SOUTH CAROLINA
 COMBINING BALANCE SHEET - ALL OTHER GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2010

SPECIAL REVENUE FUNDS								
	Community Development	McAiley Project	Grant Projects	Drug Fund	Fire Equipment Replacement	Sewer Escrow	Victim Advocate	
ASSETS								
Cash	\$ 7,404	\$ -	\$ 5,538	\$ 21,994	\$ 250,873	\$ 79,100	\$ 13,440	
Receivable - other	-	-	755	-	-	-	-	
Notes receivable, net	16,080	208,000	-	-	-	-	-	
Due from other funds	5,441	-	27,867	-	-	17,000	-	
Total Assets	\$ 28,925	\$ 208,000	\$ 34,160	\$ 21,994	\$ 250,873	\$ 96,100	\$ 13,440	
LIABILITIES AND FUND BALANCE								
Accounts payable	\$ -	\$ -	\$ 755	\$ -	\$ -	\$ -	\$ -	
Due to other funds	-	-	1,173	-	-	-	-	
Fund balance	28,925	208,000	32,232	21,994	250,873	96,100	13,440	
Total Liabilities and Fund Balance	\$ 28,925	\$ 208,000	\$ 34,160	\$ 21,994	\$ 250,873	\$ 96,100	\$ 13,440	

CITY OF CHESTER, SOUTH CAROLINA
 COMBINING BALANCE SHEET - ALL OTHER GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2010

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS		
	FUND							
	Special Projects	Water Works Fund	Police Benevolent Fund	T Harrison Memorial Fund	Artisan & Farmers Market	Capital Improvement Fund	Totals	
ASSETS								
Cash	\$ 26,286	\$ 25,312	\$ 270	\$ 15,096	\$ 3,760	\$ 9,194	\$ 458,267	
Receivable - other	2,500	-	-	-	-	-	3,255	
Notes receivable, net	-	-	-	-	-	-	224,080	
Due from other funds	-	-	-	-	-	97,698	148,006	
Total Assets	\$ 28,786	\$ 25,312	\$ 270	\$ 15,096	\$ 3,760	\$ 106,892	\$ 833,608	
LIABILITIES AND FUND BALANCE								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 755	
Due to other funds	-	-	-	-	-	-	1,173	
Fund balance	28,786	25,312	270	15,096	3,760	106,892	831,680	
Total Liabilities and Fund Balance	\$ 28,786	\$ 25,312	\$ 270	\$ 15,096	\$ 3,760	\$ 106,892	\$ 833,608	

CITY OF CHESTER, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS							
	Community Development	McAliley Project	Grant Projects	Drug Fund	Fire Equipment Replacement	Sewer Escrow	Victim Advocate
REVENUES							
Intergovernmental:							
Federal sources	\$ -	\$ -	\$ 138,567	\$ -	\$ -	\$ 23,651	\$ -
State sources	-	-	1,780	-	-	-	-
Local sources	-	-	-	-	3,218	-	-
Charges for services	-	-	-	-	-	-	13,388
Investment earnings	2	-	24	20	1,233	4,868	12
Drug forfeitures	-	-	-	4,449	-	-	-
Total Revenues	2	-	140,371	4,469	4,451	28,519	13,400
EXPENDITURES							
General government	-	-	140,302	-	-	-	-
Public safety	-	-	-	4,350	-	-	14,577
Cultural and recreation	-	-	-	-	-	23,650	-
Capital outlay	-	-	-	3,612	61,563	-	-
Total Expenditures	-	-	140,302	7,962	61,563	23,650	14,577
Excess (deficiency) of revenues over expenditures	2	-	69	(3,493)	(57,112)	4,869	(1,177)
Other financing sources							
Transfers in	-	-	-	-	65,140	-	-
Transfers (out)	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	2	-	69	(3,493)	8,028	4,869	(1,177)
Fund Balance, June 30, 2009	28,923	208,000	32,163	25,487	242,845	91,231	14,617
Fund Balance, June 30, 2010	\$ 28,925	\$ 208,000	\$ 32,232	\$ 21,994	\$ 250,873	\$ 96,100	\$ 13,440

CITY OF CHESTER, SOUTH CAROLINA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS	
	Water Works Fund	Police Benevolent Fund	T Harrison Memorial Fund	Artisan & Farmers Market	Capital Improvement Fund	Totals	
REVENUES							
Intergovernmental:							
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,218
State sources	-	-	-	-	-	-	1,780
Local sources	4,400	579	5,580	4,181	5,859		23,817
Charges for services	-	-	-	-	-	-	13,388
Investment earnings	37	123	3	-	19		6,341
Drug forfeitures	-	-	-	-	-	-	4,449
Total Revenues	4,437	579	5,583	4,181	5,878		211,993
EXPENDITURES							
General government	21,000	-	1,000	-	46,359		208,661
Public safety	-	865	-	-	-		19,792
Cultural and recreation	-	1,030	-	421	-		25,101
Capital outlay	-	-	-	-	-		65,175
Total Expenditures	21,000	865	1,000	421	46,359		318,729
Excess (deficiency) of revenues over expenditures	(16,563)	(907)	4,583	3,760	(40,481)		(106,736)
Other financing sources							
Transfers in	-	-	-	-	-		65,140
Transfers (out)	-	-	-	-	-		-
Excess (deficiency) of revenues and other financing sources over expenditures	(16,563)	(907)	4,583	3,760	(40,481)		(41,596)
Fund Balance, June 30, 2009	45,349	26,219	10,513	-	147,373		873,276
Fund Balance, June 30, 2010	\$ 28,786	\$ 25,312	\$ 15,096	\$ 3,760	\$ 106,892		\$ 831,680

CITY OF CHESTER, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Debt Service</u>
REVENUES	
Intergovernmental:	
Investment earnings	\$ 59
Total Revenues	<u>59</u>
 EXPENDITURES	
General government	10,337
Capital outlay	151,209
Total Expenditures	<u>161,546</u>
 Excess (deficiency) of revenues over expenditures	 (161,487)
 Other financing sources	
Bond proceeds	400,000
	<u>400,000</u>
 Excess (deficiency) of revenues and other financing sources over expenditures	 238,513
 Fund Balance, June 30, 2009	 <u>-</u>
 Fund Balance, June 30, 2010	 <u><u>\$ 238,513</u></u>

CITY OF CHESTER, SOUTH CAROLINA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Tax Sale Escrow Fund</u>				
ASSETS				
Cash	\$ 25,915	\$ -	\$ 14,754	\$ 11,161
Total Assets	<u>\$ 25,915</u>	<u>\$ -</u>	<u>\$ 14,754</u>	<u>\$ 11,161</u>
LIABILITIES				
Funds held in trust for others	\$ 25,915	\$ -	\$ 14,754	\$ 11,161
Total Liabilities	<u>\$ 25,915</u>	<u>\$ -</u>	<u>\$ 14,754</u>	<u>\$ 11,161</u>
 <u>Fireman's Fund</u>				
ASSETS				
Cash	\$ 12,749	\$ 23,117	\$ 24,233	\$ 11,633
Total Assets	<u>\$ 12,749</u>	<u>\$ 23,117</u>	<u>\$ 24,233</u>	<u>\$ 11,633</u>
LIABILITIES				
Funds held in trust for others	\$ 12,749	\$ 23,117	\$ 24,233	\$ 11,633
Total Liabilities	<u>\$ 12,749</u>	<u>\$ 23,117</u>	<u>\$ 24,233</u>	<u>\$ 11,633</u>
 <u>Police Fines Escrow</u>				
ASSETS				
Cash	\$ 95,122	\$ 195,912	\$ 206,873	\$ 84,161
Total Assets	<u>\$ 95,122</u>	<u>\$ 195,912</u>	<u>\$ 206,873</u>	<u>\$ 84,161</u>
LIABILITIES				
Due to City of Chester	\$ 79,309	\$ -	\$ 868	\$ 78,441
Due to SC State	9,414	-	954	8,460
Funds held in trust for others	<u>6,399</u>	<u>195,912</u>	<u>205,051</u>	<u>(2,740)</u>
Total Liabilities	<u>\$ 95,122</u>	<u>\$ 195,912</u>	<u>\$ 206,873</u>	<u>\$ 84,161</u>

CITY OF CHESTER, SOUTH CAROLINA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Totals - All Agency Funds</u>				
ASSETS				
Cash	\$ 133,786	\$ 219,029	\$ 245,860	\$ 106,955
Total Assets	<u>\$ 133,786</u>	<u>\$ 219,029</u>	<u>\$ 245,860</u>	<u>\$ 106,955</u>
LIABILITIES				
Due to City of Chester	\$ 79,309	\$ -	\$ 868	\$ 78,441
Due to SC State	9,414	-	954	8,460
Funds held in trust for others	<u>45,063</u>	<u>219,029</u>	<u>244,038</u>	<u>20,054</u>
Total Liabilities	<u>\$ 133,786</u>	<u>\$ 219,029</u>	<u>\$ 245,860</u>	<u>\$ 106,955</u>

CITY OF CHESTER, SOUTH CAROLINA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
EVERGREEN CEMETERY TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash	\$ 174,241	\$ 665	\$ -	\$ 174,906
Due from City of Chester	<u>6,316</u>	<u>-</u>	<u>-</u>	<u>6,316</u>
Total Assets	<u><u>\$ 180,557</u></u>	<u><u>\$ 665</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 181,222</u></u>
LIABILITIES				
Funds held in trust for others	<u>\$ 180,557</u>	<u>\$ 665</u>	<u>\$ -</u>	<u>\$ 181,222</u>
Total Liabilities	<u><u>\$ 180,557</u></u>	<u><u>\$ 665</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 181,222</u></u>

CITY OF CHESTER, SOUTH CAROLINA
SUPPLEMENTARY INFORMATION
SCHEDULE OF MUNICIPAL COURT FEES AND FINES
FOR THE YEAR ENDED JUNE 30, 2010

AMOUNT RETAINED BY CITY OF CHESTER

Fines	\$ 25,496
Fees	41,600
	<hr/>
Total retained by City of Chester	<u><u>67,096</u></u>

AMOUNT REMITTED TO STATE TREASURER

Assessments	76,324
Surcharges	26,534
	<hr/>
Total remitted to State Treasurer	<u><u>102,858</u></u>

AMOUNT ALLOCATED TO VICTIM'S SERVICES

Court Assessments	8,761
Court Surcharges	4,628
	<hr/>
Total allocated to Victim's Services	<u><u>\$ 13,389</u></u>

COMPLIANCE SECTION

CAMP, MORING & CANNON, L.L.C.

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MEMBERS:
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
S.C. ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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 Mayor and Members of
City Council for
City of 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 1, 2010. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Chester, South Carolina's internal control over financial reporting in order to design our auditing procedures for the purpose of expressing our opinions on the financial statements but not to express an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the City of Chester's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described previously and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies involving the internal control over financial reporting and its operation that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We identified no material weaknesses, as defined above, in internal control over financial reporting.

Compliance and Other Matters

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

We noted no other matters that should be reported to management.

This report is intended solely for the information and use of management, others within the City, City Council of City of Chester, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Camp, Moring & Cannon, LLC

Columbia, South Carolina
December 1, 2010

CITY OF CHESTER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Summary of Auditors' Results:

1. The audit report issued on the financial statements was unqualified.
2. The audit disclosed no instances of noncompliance that is material to the financial statements.
3. A compliance report for major federal programs was not necessary because the City did not reach the threshold required for reporting.
4. The audit discloses no audit findings that are required to be reported. No separate Management Letter was issued.
5. No major program was determined because total Federal Awards amount did not exceed the threshold of \$500,000.
6. Because of the small amount of Federal Programs, there was no threshold needed to distinguish between Type A and Type B programs.
7. The City was determined not to be a low risk auditee.

Generally Accepted *Governmental Auditing Standards* Findings and Questioned Costs:

NONE

CITY OF CHESTER, SOUTH CAROLINA
DISPOSITION OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

As part of procedures performed during our audit of the financial statements of the City of Chester for the year ended June 30, 2010, we investigated the disposition of the findings for the year ended June 30, 2009. We determined that corrective action had been taken for each finding as follows:

There were no prior year findings and questioned costs.