

**CITY OF CHESTER, SOUTH CAROLINA**

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

**For the Year Ended June 30, 2013**

**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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Chester, South Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Chester, South Carolina as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, and funding progress information on pages 28 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the City Chester, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Chester, South Carolina's internal control over financial reporting and compliance.



Columbia, South Carolina  
December 2, 2013

**CITY OF CHESTER, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2013**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,680,934
Receivables (net of allowance for uncollectibles):	
Property taxes	531,911
Intergovernmental	429,072
Other	67,438
Notes receivable, net	224,080
Prepaid expenses	435
Capital lease receivable	70,966
Capital assets:	
Land	36,000
Buildings and improvements	2,212,548
Improvements, other than buildings	1,569,566
Infrastructure - sidewalks	224,094
Machinery and equipment	3,299,150
Construction in progress	9,699
Accumulated depreciation	<u>(3,882,192)</u>
 Total Assets	 <u>6,473,701</u>
<b>LIABILITIES</b>	
Accounts payable	124,014
Accrued expenses	70,369
Deferred revenue	566,245
Other post employment benefits	274,446
Noncurrent liabilities:	
Due within one year	96,804
Due after one year	<u>359,806</u>
 Total Liabilities	 <u>1,491,684</u>
<b>NET POSITION</b>	
Invested in capital assets - net of related debt	3,213,276
Restricted for general government	457,097
Unrestricted	<u>1,311,644</u>
 Total Net Position	 <u><u>\$ 4,982,017</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 POSITION OF GOVERNMENTAL ACTIVITIES**  
**AS OF JUNE 30, 2013**

Total fund balances - governmental funds, June 30, 2013	\$ 2,149,947
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	7,351,057
Accumulated depreciation	(3,882,192)
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	94,262
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	(255,589)
Lease financing	(113,980)
Other post employment benefits	(274,446)
Compensated absences	(87,042)
	<hr/>
Total net position - governmental activities, June 30, 2013	<u><u>\$ 4,982,017</u></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, 2013

	Program Revenues			Net Revenue (Expense) and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
General government	\$ 1,218,459	\$ 10,170	\$ 60,264	\$ 314,747	\$ (833,278)
Public safety	3,120,218	1,617,703	3,803	-	(1,498,712)
Public works	863,538	504,622	-	10,000	(348,916)
Cultural and recreation	304,143	25,238	517	50,678	(227,710)
Interest and fiscal charges	20,573	-	-	-	(20,573)
Total Governmental	5,526,931	2,157,733	64,584	375,425	(2,929,189)
<b>Business-Type Activities</b>					
None	-	-	-	-	-
Total Primary Government	\$ 5,526,931	\$ 2,157,733	\$ 64,584	\$ 375,425	(2,929,189)
<b>General Revenues</b>					
Property taxes levied for:					
General purposes					1,136,365
Accommodations tax					32,193
Interest/investment income					23,096
Intergovernmental					1,063,237
Franchise fees					196,336
Business licences					636,984
Intergovernmental fixed assets					18,528
Total general revenues					3,106,739
Changes in net position					177,550
Net Position, beginning					4,804,467
Net Position, ending					\$ 4,982,017

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, 2013**

Change in fund balances - governmental funds, JUNE 30, 2013	\$ (20,577)
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 position, 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.	587,996
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as expenditures in governmental funds.	(266,918)
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 position. 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	(90,000)
Principal payments on long-term debt	86,845
Compensated absences	(16,571)
Other post employment benefits	(137,223)
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.	33,998
Change in net position - governmental activities, JUNE 30, 2013	\$ 177,550

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, 2013**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,426,734	\$ 254,199	\$ -	\$ 1,680,933
Receivables (net of allowance for uncollectibles):				
Taxes	531,911	-	-	531,911
Intergovernmental	404,081	-	-	404,081
Other	87,059	2,370	-	89,429
Notes receivable, net	-	224,080	-	224,080
Due from other funds	25,199	86,445	-	111,644
Prepaid expenses	435	-	-	435
Capital lease receivable	70,966	-	-	70,966
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,546,385</u>	<u>\$ 567,094</u>	<u>\$ -</u>	<u>\$ 3,113,479</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	122,660	\$ 1,353	\$ -	\$ 124,013
Accrued expenses	70,369	-	-	70,369
Deferred revenue	660,506	-	-	660,506
Due to other funds	-	108,644	-	108,644
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>853,535</u>	<u>109,997</u>	<u>-</u>	<u>963,532</u>
<b>FUND BALANCES</b>				
Fund balances				
Restricted	-	457,097	-	457,097
Unassigned	1,692,850	-	-	1,692,850
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,692,850</u>	<u>457,097</u>	<u>-</u>	<u>2,149,947</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 2,546,385</u>	<u>\$ 567,094</u>	<u>\$ -</u>	<u>\$ 3,113,479</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, 2013**

	<u><b>General Fund</b></u>	<u><b>Other Governmental Fund</b></u>	<u><b>Debt Service Fund</b></u>	<u><b>Total Governmental Funds</b></u>
<b>REVENUES</b>				
Taxes - property	\$ 1,067,714	\$ -	\$ -	\$ 1,067,714
Licenses and permits	833,320	-	-	833,320
Federal grants	57,014	-	-	-
Intergovernmental	1,095,430	382,996	-	1,478,426
Charges for services	2,143,766	13,967	-	2,157,733
Investment earnings	17,535	5,561	-	23,096
Payments in lieu of taxes	34,652	-	-	34,652
Drug forfeitures	-	-	-	-
	<u>5,249,431</u>	<u>402,524</u>	<u>-</u>	<u>5,594,941</u>
<b>Total Revenues</b>				
	<u>5,249,431</u>	<u>402,524</u>	<u>-</u>	<u>5,594,941</u>
<b>EXPENDITURES</b>				
Current:				
General government	953,328	30,409	-	983,737
Public safety	3,088,957	20,610	-	3,109,567
Public works	835,906	-	-	835,906
Cultural and recreation	273,166	-	-	273,166
Capital outlay	-	452,737	-	452,737
Debt service	-	-	107,419	107,419
	<u>5,151,357</u>	<u>503,756</u>	<u>107,419</u>	<u>5,762,532</u>
<b>Total Expenditures</b>				
	<u>5,151,357</u>	<u>503,756</u>	<u>107,419</u>	<u>5,762,532</u>
Excess revenue over (under) expenditures	<u>98,074</u>	<u>(101,232)</u>	<u>(107,419)</u>	<u>(167,591)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease financing proceeds	-	-	90,000	90,000
Operating transfers in (out)	34,971	(52,390)	17,419	-
	<u>34,971</u>	<u>(52,390)</u>	<u>107,419</u>	<u>90,000</u>
<b>Total Other Financing Sources (Uses)</b>				
	<u>34,971</u>	<u>(52,390)</u>	<u>107,419</u>	<u>90,000</u>
Net change in fund balances	133,045	(153,622)	-	(20,577)
Fund Balance, beginning of year	1,559,805	610,719	-	2,170,524
Fund Balance, end of year	<u>\$ 1,692,850</u>	<u>\$ 457,097</u>	<u>\$ -</u>	<u>\$ 2,149,947</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, 2013**

	<u>Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$ 472,876	\$ 49,454
Due from/(to) City of Chester	<u>(1,507)</u>	<u>-</u>
Total Assets	<u><u>\$ 471,369</u></u>	<u><u>\$ 49,454</u></u>
<b>LIABILITIES</b>		
Due to City of Chester	\$ -	\$ 47,967
Due to others	-	30,326
Funds held in trust for others	<u>471,369</u>	<u>(28,839)</u>
Total Liabilities	<u><u>\$ 471,369</u></u>	<u><u>\$ 49,454</u></u>

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

## **CITY OF CHESTER, SOUTH CAROLINA**

### **Notes to the Financial Statements**

**June 30, 2013**

#### **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, 2013

**C. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the City as a whole. These statements include 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 position 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 position 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, 2013

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 position.

##### **Fund financial statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund 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, 2013

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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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, 2013 (all property owned by taxpayers are assessed as of December 31, 2012), but which were billed in October 2012 to finance fiscal year 2012-13 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, 2013

**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 Position, 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, 2013**

#### **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, 2013

#### **Fund balance**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with reservations indicating those fund balances which do not represent expendable resources and, therefore, are not available for expenditure.

The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Non-spendable fund balance** amounts are not in a spendable for (such as inventory or prepaid) or are required to be maintained intact.
- **Restricted fund balance** amounts are constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** amounts are constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- **Assigned fund balance** amounts are what the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- **Unassigned fund balance** amounts are available for any purpose; these amounts are reported only in the general fund.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The City applies uncommitted and unassigned resourced when an expense is incurred for purposes for which any unrestricted fund balance is available.

#### **Net position**

Net position represents the difference between assets and liabilities. Net position 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 improvements of those assets. Restricted net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through restrictions imposed by creditors, grantors, laws, or regulations of other governments. Unrestricted net position represents net position not invested in capital assets or restricted.

The City applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position 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.

**CITY OF CHESTER, SOUTH CAROLINA**  
Notes to the Financial Statements -- continued  
June 30, 2013

**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.

**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.

**Subsequent events**

The City evaluated all events and transactions that occurred after June 30, 2013 through the date these financial statements were available to be issued on December 2, 2013. No subsequent events were identified.

**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.

## **CITY OF CHESTER, SOUTH CAROLINA**

### **Notes to the Financial Statements -- continued**

June 30, 2013

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, 2013.

#### **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:

• City Council	\$ 17,601
• Police Department	\$ 128,331
• Recreation	\$ 55,494

The majority of the Police Department overage is a result of overspending in the supplies/materials and capital expenditures categories. Expenditures were authorized by City Council; however the budget was not formally amended.

### **DETAILED NOTES ON ALL FUNDS**

#### **Note 2 - Cash and Investments**

The City is authorized by South Carolina State Law to invest in the following types of investments:

1. Obligations of the United States, and its agencies, the principal and interest of which is fully guaranteed by the United States.
2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to the refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3. General obligations of the State of South Carolina or any of its political units; or revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
6. Repurchase agreements when collateralized by securities as set forth in this section.

**CITY OF CHESTER, SOUTH CAROLINA**

Notes to the Financial Statements -- continued

June 30, 2013

7. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The 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, 2013, 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 \$2,203,263 and the bank balances were \$2,321,409. Of the bank balances, all 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 allowance at \$16,080.

**CITY OF CHESTER, SOUTH CAROLINA**

Notes to the Financial Statements -- continued

June 30, 2013

**Note 5 - Receivables and Deferred Revenue**

Property taxes receivables at June 30, 2013 including penalties, are as follows:

Real property (2005 - 2013)	\$	559,332
Vehicle taxes (through Chester County)		10,513
		<hr/> 569,845
Less allowance for doubtful accounts		27,421
Total property taxes receivable - net of allowance for uncollectibles	\$	<hr/> <hr/> 542,424

Intergovernmental receivables at June 30, 2013 are as follows:

Federal Government		
Federal grants	\$	35,104
State of South Carolina for		
Local Option Sales Taxes		166,716
Manufacturer's Depreciation		47,538
Local Government Fund		25,972
Accommodations Tax		21,973
Brokers Tax		10,505
Chester County		
Payments in lieu of taxes		69
Chester Metropolitan District		37,970
Other funds closed bank accounts		47,721
Total intergovernmental receivables	\$	<hr/> <hr/> 393,568

Other receivables at June 30, 2013 are as follow:

General Fund

Police fines escrow account	\$	47,967
Police fines		10,206
Franchise fees		9,066
Recreation fees		5,695
Other receivables		14,125
		<hr/> 87,059

Special Revenue

Receivables		2,370
Total other receivables	\$	<hr/> <hr/> 89,429

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	\$	589,277
Received but not earned		-
Total deferred revenues related to property taxes		<hr/> 589,277
Deferred revenue - capital lease of sewage plant		71,229
Total deferred revenue	\$	<hr/> <hr/> 660,506

**CITY OF CHESTER, SOUTH CAROLINA**

Notes to the Financial Statements -- continued

June 30, 2013

**Note 6 - Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2013, is as follows:

	Interfund Receivables	Interfund Payables	Purpose
General Fund	\$ 25,199	\$ -	
Special Revenue Fund - Grant Projects	-	2,925	subsidize program
Special Revenue Fund - Healthcare Foundation Grant	45	-	subsidize program
Special Revenue Fund - Justice Assistance Grant	2,057	-	subsidize program
Special Revenue Fund - Wellness Grant	824	-	subsidize program
Special Revenue Fund - Artisan & Farmers Market	-	96,019	construction
Capital Projects Fund - Capital Improvement	83,519	-	construction
Capital Projects Fund - East Chester Village Renaissance (II)	-	9,700	construction
Trust Funds - Evergreen Cemetery	-	3,000	subsidize program
	<u>86,445</u>	<u>111,644</u>	
Total Other Governmental Funds			
Totals	<u>\$ 111,644</u>	<u>\$ 111,644</u>	

	Interfund Transfer Out	Interfund Transfer In	
General Fund	\$ -	\$ 34,971	transfer debt activity
Special Revenue Fund - Special Projects	8,473	-	close bank account
Special Revenue Fund - Community Development	2,375	-	close bank account
Special Revenue Fund - Grant Projects	32,130	-	close bank account
Special Revenue Fund - Wylie Park Trails Improvement	20	-	subsidize program
Special Revenue Fund - Victims Advocate	6,905	-	close bank account
Special Revenue Fund - Police Benevolent	186	-	close bank account
Special Revenue Fund - Artisan & Farmers Market	2,301	-	close bank account
Debt Service Fund	-	17,419	transfer debt activity
	<u>\$ 52,390</u>	<u>\$ 52,390</u>	



**CITY OF CHESTER, SOUTH CAROLINA**

Notes to the Financial Statements -- continued

June 30, 2013

**Note 7 - Capital Assets**

Primary government capital asset activity for the year ended June 30, 2013 is as follows:

<b>Governmental Activities:</b>	<b>Balance 06/30/12</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 06/30/13</b>
Capital assets, not being depreciated:				
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Construction in progress	554,416	9,699	554,416	9,699
Total capital assets, not being depreciated	590,416	9,699	554,416	45,699
Capital assets, being depreciated:				
Buildings	2,212,548	-	-	2,212,548
Improvements other than buildings	572,414	997,152	-	1,569,566
Infrastructure	224,094	-	-	224,094
Machinery and equipment	3,163,590	135,560	-	3,299,150
Total capital assets, being depreciated	6,172,646	1,132,712	-	7,305,358
Less accumulated depreciation for:				
Infrastructure	14,726	7,470	-	22,196
Buildings	1,019,511	48,699	-	1,068,210
Improvements other than buildings	177,995	42,286	-	220,281
Machinery and equipment	2,403,042	168,463	-	2,571,505
Total accumulated depreciation	3,615,274	266,918	-	3,882,192
Total capital assets, being depreciated, net	2,557,372	865,794	-	3,423,166
Governmental activities capital assets, net	<u>\$ 3,147,788</u>	<u>\$ 875,493</u>	<u>\$ 554,416</u>	<u>\$ 3,468,865</u>

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

<b>Governmental Activities:</b>	
General government	\$ 90,627
Public safety	97,952
Public works	47,364
Culture and recreation	30,975
	<u>\$ 266,918</u>

# CITY OF CHESTER, SOUTH CAROLINA

Notes to the Financial Statements -- continued

June 30, 2013

## Note 8 - Long-Term Debt

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

Activity for the fiscal year is as follows:

	Balance 06/30/12	Increase	Decrease	Balance 06/30/13
General obligation bond, Series 2009. Due in annual payments of \$47,592, principal & interest (3.34%), due April 2019.	\$ 292,773	\$ -	\$ 37,184	\$ 255,589
Lease purchase. Due in quarterly payments of \$6,060, principal and interest (3.56%), due August 2015.	73,641	-	27,494	46,147
Lease purchase. Due in quarterly payments of \$7,662, principal and interest (1.32%), due August 2015.	-	90,000	22,167	67,833
Total general long-term debt	<u>\$ 366,414</u>	<u>\$ 90,000</u>	<u>\$ 86,845</u>	<u>\$ 369,569</u>

The long-term debt is reflected in the Statement of Net Assets based on the maturity of the debt as follows:

Year ended	Principal	Interest	Total
2014	\$ 91,659	\$ 10,820	\$ 102,479
2015	94,179	8,300	102,479
2016	55,374	5,939	61,313
2017	43,125	4,467	47,592
2018	44,565	3,027	47,592
After 2018	40,667	1,538	42,205
	<u>\$ 369,569</u>	<u>\$ 34,091</u>	<u>\$ 403,660</u>

	Balance 06/30/12	Increase	Decrease	Balance 06/30/13
Accrued compensated absences	\$ 70,471	\$ 16,571	-	\$ 87,042
Total general long-term debt	<u>\$ 70,471</u>	<u>\$ 16,571</u>	<u>\$ -</u>	<u>\$ 87,042</u>

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

	Accrued Compensated Absences	Total
Due within one year	\$ 5,145	\$ 5,145
Due after one year	81,897	81,897
	<u>\$ 87,042</u>	<u>\$ 87,042</u>

There was interest expense of \$20,788 for the year related to long-term debt.

## CITY OF CHESTER, SOUTH CAROLINA

### Notes to the Financial Statements -- continued

June 30, 2013

#### **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](http://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 7% (6.5% for 2012 and 2011) and employers at 10.45% (9.39% for 2012 and 2011) during the year ended June 30, 2013. 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 7% (6.5% for 2012 and 2011) and employers at 11.9% (11.13% for 2012 and 2011) for the year ended June 30, 2013. 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. An 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, 2012 for SCRS was \$13,917 and for PORS was \$1,549.

**CITY OF CHESTER, SOUTH CAROLINA****Notes to the Financial Statements -- continued****June 30, 2013**

*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, 2012 (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, 2013 (includes group life insurance for both plans and accidental death insurance for the Police Plan) with comparative data at June 30, 2012 and 2011.

<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>
2013	Regular	\$ 62,655	\$ 94,876	\$ 157,531
	Police	117,969	207,288	325,257
2012	Regular	56,284	81,265	137,549
	Police	105,527	184,477	290,004
2011	Regular	60,910	88,344	149,254
	Police	113,702	179,873	293,575

Covered salaries for the year ended June 30, 2014 were \$2,580,334. 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 14 eligible participants receiving benefits. During the years ended June 30, 2013 and June 30, 2012, the City paid \$61,503 and \$61,503, 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 \$1,590,770 for the period July 1, 2012 through June 30, 2013.

**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, 2013

**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.

**Note 15 – Other Post-Employment Benefits**

The City has implemented GASB 45, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. This standard required the City to recognize post-employment benefits, mainly health insurance, when earned rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the government-wide statement of activities when a future retiree earns their post-employment benefit, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the government-wide statement of net position over time.

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the City has autonomy in establishing retiree and post-employment benefits. The City provides certain health care benefits to certain active and retired employees. Regular full-time City employees, who were employed prior to June 18, 2004, who retire from City service with full service retirement benefits under the State or Police Retirement System, are eligible to continue under the City's group health insurance plan.

Calculation of Net OPEB Obligation

*Annual Required Contribution (ARC):* The ARC is the employer's periodic required contribution to a defined benefit OPEB plan. The ARC is the sum of two parts: (1) the Normal cost, which is the cost for OPEB benefits attributable to the current year of service, and (2) an Amortization payment, which is a catch-up payment for past service costs to fund the Unfunded Actuarial Accrued Liability (UAAL) over the amortization period. Under GASB 45, it is not required that entities actually pay the ARC each year, but it does need to be calculated and disclosed in the public employer's annual financial statements.

**CITY OF CHESTER, SOUTH CAROLINA**

Notes to the Financial Statements -- continued

June 30, 2013

*Interest on Net OPEB Obligation (NOO):* An adjustment to the prior year financial statement's Net OPEB Obligation (NOO) to reflect interest on the obligation over the past year. It is calculated as (Prior year NOO) x (Discount rate). This is one of two adjustments made to the prior year NOO when deriving the current year's NOO. The other calculation is the Adjustment to the Annual Required Contribution.

*Adjustment to Annual Required Contribution (ARC):* An adjustment to the prior year financial statement's Net OPEB Obligation (NOO) to approximate the amount included in the ARC for amortization of past contributions in excess of, or less than, then ARC. It is removed from the ARC via this adjustment, so that the current ARC will not be over/under-stated due to past over-contributions or contribution deficiencies. This is one of two adjustments made to the prior year NOO when deriving the current year's NOO. The other calculation is the Interest on Net OPEB Obligation.

*Annual OPEB Cost (Expense):* A measure of the annual cost of an OPEB plan, under accrual accounting guidelines. It is calculated as the ARC plus the interest on the NOO plus the adjustment to the ARC.

*Age Adjusted Contributions Made:* Contributions made for OPEB in relation to the employer's Annual Required Contribution (ARC), adjusted to include the effect of any implicit subsidy inherent in the retiree premiums. This age adjusted contribution may differ from the actual contribution made, because, if premiums for retiree OPEB are not representative of the true cost of their benefits, GASB 45 methodology require that the premiums be adjusted to better reflect those true cost levels.

*Change in Net OPEB Obligation (NOO):* The change in the value of the NOO from the beginning of the report period to the end of the reporting period. It is calculated as the difference between the OPEB Cost, which is the accrual-based cost of the OPEB plan for the current period, and the age adjusted contribution toward OPEB made during the same period. It serves as a measure of how much the NOO will move up or down during the current period; contributions in excess of cost will reduce the NOO, whereas contributions less than cost will increase the NOO.

*Net OPEB Obligation (NOO) – Beginning of Year:* The NOO is the cumulative difference between the annual OPEB cost and the actual contributions made by the employer. At an entity's transition to GASB 45 accounting, the NOO may be set to zero. For any accounting period, the Beginning NOO is the NOO from the prior period's financial statements.

*Net OPEB Obligation (NOO) – End of Year:* The Ending NOO is derived by adjusting the beginning NOO by the calculated Change in NOO. See above definition for Change in NOO.

*Actual Contribution, or Contribution:* Contributions made for OPEB in relation to the employer's Annual Required Contribution (ARC) include: (1) payments of benefits directly to or on behalf of a retiree or beneficiary, (2) premium payments to an insurer, or (3) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer or plan administrator. Revocable assets that are set aside for future benefits do not qualify as OPEB assets according to GASB 45.

Annual Required Contribution	\$ 202,478
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	202,478
Age Adjusted Contributions Made	(65,255)
Change in Net OPEB Obligation	<u>\$ 137,223</u>
Net OPEB Obligation - Beginning of Year	\$ 137,223
Net OPEB Obligation - End of Year	<u>\$ 274,446</u>

**CITY OF CHESTER, SOUTH CAROLINA**  
Notes to the Financial Statements -- continued  
June 30, 2013

**Summary of Inputs**

*Actual Contribution:* see definition above.

*Age Adjusted Contribution:* see definition above.

*Age Adjustment Factor:* The factor applied to premiums during the valuation process to better approximate the actual cost associated with retiree benefits in situations where blended premiums are charged to actives and retirees. This factor is used in the financial reporting process to similarly adjust the contribution made toward OPEB.

*Annual Required Contribution (ARC):* see definition above.

*Payroll Growth Rate:* The expected future annual salary change for a typical employee (e.g., 5% increase).

*Discount Rate:* The discount rate is used to adjust for the time value of money when the future value of an investment is assumed and the present value is being calculated. Actuarial assumptions regarding discount rates are used in estimating the present value of the cost of future benefits payable.

*Net OPEB Obligation (NOO):* see definition above.

*Actuarial Value of Assets:* The AVA is the value of cash, investments, other assets and property belonging to an OPEB trust, pension fund, or similar entity, as used by the actuary for the purpose of actuarial valuation. Smoothing of investment gains and losses often make the actuarial value of assets different from the market value of assets.

*Amortization Period:* The Amortization Period is the number of years over which the unfunded actuarial accrued liability is spread. Per GASB 45, the maximum amortization period allowable is 30 years.

*Actuarial Accrued Liability (AAL):* The AAL is the present value of projected benefits (other than pension benefits, or OPEB) for retirees plus a portion of expected OPEB for active members that have been earned but are not going to be paid in the current year. The AAL is calculated using one of six Actuarial cost methods acceptable under GASB 45. The retiree portion of the AAL consists of the current year OPEB and the present value of future OPEB payments. The active member portion of the AAL consists of the present value of expected future benefit payments attributable to prior service, excluding payment of active member benefits for the current year. The AAL does not include future benefit payments for future service.

*Fiscal Year End Date:* The Fiscal Year End Date is the last day of the fiscal year for which you are preparing financial statements.

*Valuation Date:* The valuation date is the last day of the fiscal year for which an entity is performing the valuation.

*Amortization Method:* Under GASB 45, there are two acceptable accounting methods for amortizing the present value of future benefit costs over a period of time. The methods are: (1) Level Dollar, which amortizes the cost into equal dollar amounts to be paid over a given number of years, and (2) Level Percentage of Payroll, which calculates amortization payments as a constant percentage of projected payroll over a given number of years. Level Dollar amortization generally results in decreasing inflation-adjusted payments over time, whereas Level Percentage of Payroll amortization generally results in level inflation-adjusted payments over time.

**CITY OF CHESTER, SOUTH CAROLINA**

Notes to the Financial Statements -- continued

June 30, 2013

<b><u>Description</u></b>	<b><u>Value</u></b>
Actual Contribution	\$ -
Total OPEB Retiree Premium	\$ 61,503
Age Adjustment Factor	2.061
Annual Required Contribution	\$ 202,478
Payroll Growth Rate	2.90%
Discount Rate	2.50%
Net OPEB Obligation	\$ -
Actuarial Value of Assets	\$ -
Amortization Period	30 years
Actuarial Accrued Liability	\$ 1,963,677
Fiscal Year End Date	6/30/2012
Valuation Date	6/30/2012
Amortization Method	Level Percent of Payroll Amortization



**CITY OF CHESTER, SOUTH CAROLINA**  
**BUDGETARY COMPARISON - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Taxes - property	\$ 1,076,000	\$ 1,076,000	\$ 1,067,714	\$ (8,286)
Licenses and permits	800,700	800,700	833,320	32,620
Federal grants	-	-	57,014	57,014
Intergovernmental	992,258	992,258	1,095,430	103,172
Charges for services	2,177,920	2,177,920	2,143,766	(34,154)
Investment earnings	12,050	12,050	17,535	5,485
Payments in lieu of taxes	35,000	35,000	34,652	(348)
<b>Total Revenues</b>	<b>5,093,928</b>	<b>5,093,928</b>	<b>5,249,431</b>	<b>155,503</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,029,860	1,029,860	953,328	76,532
Public safety	2,985,979	2,985,979	3,088,957	(102,978)
Public works	903,742	914,642	835,906	78,736
Cultural and recreation	217,672	217,672	273,166	(55,494)
Capital outlay	-	-	-	-
Debt service	20,000	9,100	-	9,100
<b>Total Expenditures</b>	<b>5,157,253</b>	<b>5,157,253</b>	<b>5,151,357</b>	<b>5,896</b>
Excess revenue over (under) expenditures	(63,325)	(63,325)	98,074	161,399
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease financing purchase	-	-	-	-
Operating transfers in (out)	-	-	34,971	34,971
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>34,971</b>	<b>34,971</b>
Net change in fund balances	(63,325)	(63,325)	133,045	196,370
Fund Balance, beginning of year	-	-	1,559,805	1,559,805
Fund Balance, end of year	\$ -	\$ -	\$ 1,692,850	\$ 1,756,175

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

**CITY OF CHESTER, SOUTH CAROLINA**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll c</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
6/30/2012	\$ -	\$ 1,963,677	\$ 1,963,677	0.00%	\$ 1,053,207	186.45%
6/30/2013	-	1,963,677	1,963,677	0.00%	1,053,207	186.45%

**History of Net OPEB Obligation**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Age Adjusted Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2012	\$ 202,478	\$ 65,255	32.00%	\$ 137,223
6/30/2013	202,478	65,255	32.00%	137,223

**CITY OF CHESTER, SOUTH CAROLINA**  
**DETAILED BUDGETARY COMPARISON - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b><u>REVENUES</u></b>				
<b>TAXES:</b>				
Property taxes - current	\$ 850,000	\$ 850,000	\$ 813,260	\$ (36,740)
Property taxes - delinquent	226,000	226,000	254,454	28,454
	<u>1,076,000</u>	<u>1,076,000</u>	<u>1,067,714</u>	<u>(8,286)</u>
<b>LICENSES, FINES, FEES AND PERMITS:</b>				
Business licenses	575,700	575,700	636,984	61,284
Franchise fees	225,000	225,000	196,336	(28,664)
	<u>800,700</u>	<u>800,700</u>	<u>833,320</u>	<u>32,620</u>
<b>FEDERAL:</b>				
Federal grants	-	-	57,014	57,014
<b>INTERGOVERNMENTAL:</b>				
State shared revenues:				
Local government revenue	192,958	192,958	210,728	17,770
Local option sales tax	570,000	570,000	639,931	69,931
Homestead exemption	175,000	175,000	176,345	1,345
Accommodations tax	19,000	19,000	32,193	13,193
Merchant's inventory tax	34,000	34,000	34,567	567
Manufacturing depreciation tax	1,300	1,300	1,666	366
	<u>992,258</u>	<u>992,258</u>	<u>1,095,430</u>	<u>103,172</u>
<b>CHARGES FOR SERVICES:</b>				
Chester Fire District contract	1,590,770	1,590,770	1,534,670	(56,100)
Police fines and fees	65,450	65,450	69,066	3,616
Solid waste fees - commercial	-	-	-	-
Solid waste fees - residential	486,600	486,600	492,577	5,977
Public Works fees	7,250	7,250	12,045	4,795
Cemetery fees	7,850	7,850	10,170	2,320
Recreation Department fees	20,000	20,000	25,238	5,238
	<u>2,177,920</u>	<u>2,177,920</u>	<u>2,143,766</u>	<u>(34,154)</u>
<b>INVESTMENT EARNINGS:</b>				
Interest income	6,800	6,800	577	(6,223)
Lease income	5,000	5,000	5,000	-
Other income	250	250	11,958	11,708
	<u>12,050</u>	<u>12,050</u>	<u>17,535</u>	<u>5,485</u>
<b>PAYMENTS IN LIEU OF TAXES:</b>				
Payments in lieu of taxes	35,000	35,000	34,652	(348)
<b>TOTAL REVENUES</b>	<u><u>\$ 5,093,928</u></u>	<u><u>\$ 5,093,928</u></u>	<u><u>\$ 5,249,431</u></u>	<u><u>\$ 155,503</u></u>

**CITY OF CHESTER, SOUTH CAROLINA**  
**DETAILED BUDGETARY COMPARISON - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b><u>EXPENDITURES</u></b>				
<b>GENERAL GOVERNMENT:</b>				
CITY COUNCIL				
Salaries	\$ 51,700	\$ 51,700	\$ 71,193	\$ (19,493)
Payroll taxes	3,955	5,405	5,350	55
Retirement	5,480	7,880	7,638	242
Employee insurance and benefits	22,200	22,200	25,526	(3,326)
Dues and subscriptions	-	50	50	-
Mayor's meeting expenses	1,000	1,000	-	1,000
Council conferences and travel	12,275	10,827	7,831	2,996
Tourism and accommodations	6,000	6,250	6,250	-
Supplies and materials	300	300	289	11
Municipal elections	-	1,132	1,132	-
Agency support expenses	14,000	10,150	9,236	914
Capital expenditures	-	-	-	-
	<u>116,910</u>	<u>116,894</u>	<u>134,495</u>	<u>(17,601)</u>
ADMINISTRATION				
Salaries	191,246	157,532	157,893	(361)
Payroll taxes	14,630	14,630	12,253	2,377
Retirement	20,272	20,272	16,676	3,596
Employee insurance and benefits	30,060	30,060	25,953	4,107
Supplies and materials	1,050	5,501	5,459	42
Uniforms	350	350	30	320
Postage	500	574	514	60
Travel and training	8,250	11,418	10,912	506
Dues and subscriptions	3,500	3,500	3,152	348
Auto repairs and maintenance	5,500	3,008	1,466	1,542
Advertising and printing	1,350	4,943	4,586	357
Utilities	158,500	158,031	164,991	(6,960)
Repairs and maintenance	29,150	34,300	31,393	2,907
Communications	15,800	15,800	13,956	1,844
General and miscellaneous	4,450	22,834	15,946	6,888
Contracted services	44,538	46,409	47,799	(1,390)
Insurance	4,100	4,100	3,391	709
Juror's fees	-	-	-	-
Bond retirement	48,000	48,000	-	48,000
	<u>581,246</u>	<u>581,262</u>	<u>516,370</u>	<u>64,892</u>
FINANCE				
Salaries	119,480	108,078	99,162	8,916
Payroll taxes	9,140	9,140	7,508	1,632
Retirement	12,665	12,665	10,533	2,132
Employee insurance and benefits	20,200	21,000	19,984	1,016
Supplies and materials	3,000	4,579	4,827	(248)
Postage	2,450	8,352	8,365	(13)
Travel and training	1,575	1,108	1,042	66

**CITY OF CHESTER, SOUTH CAROLINA**  
**DETAILED BUDGETARY COMPARISON - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
Dues and subscriptions	250	185	150	35
Advertising and printing	7,500	9,257	9,254	3
Repairs and maintenance	21,585	21,331	19,613	1,718
Communications	480	410	330	80
General and miscellaneous	500	850	1,059	(209)
Contracted services	24,600	26,470	26,445	25
Insurance	5,200	5,200	4,584	616
	<u>228,625</u>	<u>228,625</u>	<u>212,856</u>	<u>15,769</u>
<b>HUMAN RESOURCES</b>				
Salaries	58,957	58,597	52,533	6,064
Payroll taxes	4,510	4,510	3,907	603
Retirement	4,927	4,927	5,212	(285)
Employee insurance and benefits	6,270	6,270	6,273	(3)
Supplies and materials	1,500	1,518	1,470	48
Postage	120	120	15	105
Travel and training	1,250	1,272	1,018	254
Printing	-	-	-	-
Municipal expense	-	-	-	-
Dues and subscriptions	465	507	506	1
Repairs and maintenance	4,600	4,770	4,752	18
Contracted services	20,000	20,067	13,400	6,667
Communications	480	521	521	-
	<u>103,079</u>	<u>103,079</u>	<u>89,607</u>	<u>13,472</u>
<b>Total General Government</b>	<u>1,029,860</u>	<u>1,029,860</u>	<u>953,328</u>	<u>76,532</u>
<b>PUBLIC SAFETY:</b>				
<b>POLICE DEPARTMENT</b>				
Salaries	841,676	841,676	864,962	(23,286)
Payroll taxes	64,388	64,388	65,086	(698)
Retirement	103,526	103,526	104,233	(707)
Employee insurance and benefits	209,974	206,974	219,041	(12,067)
Supplies and materials	17,250	20,354	53,947	(33,593)
Postage	700	700	498	202
Travel and training	11,000	6,041	5,564	477
Dues and subscriptions	2,500	634	551	83
Auto repairs and maintenance	101,000	101,000	111,486	(10,486)
Advertising and printing	3,500	5,409	4,697	712
Utilities	2,500	4,815	5,509	(694)
Repairs and maintenance	8,100	7,420	6,388	1,032
Communications	24,500	29,509	34,722	(5,213)
General and miscellaneous	7,000	6,000	2,038	3,962
Uniforms	12,500	12,500	25,272	(12,772)
Contracted services	21,150	20,318	32,516	(12,198)
Insurance	27,645	27,645	20,527	7,118
Capital expenditures	48,500	48,500	78,703	(30,203)
	<u>1,507,409</u>	<u>1,507,409</u>	<u>1,635,740</u>	<u>(128,331)</u>

**CITY OF CHESTER, SOUTH CAROLINA**  
**DETAILED BUDGETARY COMPARISON - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>FIRE DEPARTMENT</b>				
Salaries	881,000	881,000	903,013	(22,013)
Payroll taxes	67,320	67,320	66,765	555
Retirement	103,400	110,800	110,720	80
Employee insurance and benefits	217,000	209,900	194,906	14,994
Supplies and materials	31,100	31,400	26,330	5,070
Postage	350	350	171	179
Travel and training	8,600	6,400	5,356	1,044
Dues and subscriptions	2,000	2,200	2,100	100
Auto repairs and maintenance	37,500	37,800	33,960	3,840
Advertising and printing	6,000	6,400	5,459	941
Utilities	28,200	28,200	23,679	4,521
Repairs and maintenance	15,750	15,750	13,635	2,115
Communications	8,350	9,050	9,087	(37)
General and miscellaneous	1,200	1,200	681	519
Uniforms	14,900	14,000	13,717	283
Contracted services	27,900	28,800	22,970	5,830
Insurance	28,000	28,000	20,668	7,332
	<u>1,478,570</u>	<u>1,478,570</u>	<u>1,453,217</u>	<u>25,353</u>
<b>Total Public Safety</b>	<u>2,985,979</u>	<u>2,985,979</u>	<u>3,088,957</u>	<u>(102,978)</u>
<b>PUBLIC WORKS:</b>				
<b>PUBLIC WORKS - COMMERCIAL</b>				
Salaries	425,051	425,051	385,686	39,365
Payroll taxes	32,516	32,516	29,287	3,229
Retirement	41,875	41,875	39,243	2,632
Employee insurance and benefits	102,050	102,050	93,149	8,901
Supplies and materials	53,250	53,550	44,471	9,079
Postage	1,200	1,200	362	838
Travel and training	1,200	1,200	182	1,018
Dues and subscriptions	100	100	100	-
Auto repairs and maintenance	106,000	114,000	111,878	2,122
Advertising and printing	1,800	1,800	-	1,800
Utilities	4,700	6,300	5,881	419
Repairs and maintenance	3,400	4,100	2,200	1,900
Communications	4,500	4,800	3,817	983
Contracted services	3,100	3,100	2,037	1,063
Insurance	10,000	10,000	8,865	1,135
Solid waste - yard	33,000	33,000	30,391	2,609
Solid waste - commercial	80,000	80,000	78,357	1,643
	<u>903,742</u>	<u>914,642</u>	<u>835,906</u>	<u>78,736</u>
<b>Total Public Works</b>	<u>903,742</u>	<u>914,642</u>	<u>835,906</u>	<u>78,736</u>

**CITY OF CHESTER, SOUTH CAROLINA**  
**DETAILED BUDGETARY COMPARISON - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>CULTURE AND RECREATION:</b>				
RECREATION DEPARTMENT				
Salaries	119,115	103,476	138,506	(35,030)
Payroll taxes	9,113	9,113	10,676	(1,563)
Retirement	8,352	8,352	8,534	(182)
Employee insurance and benefits	20,110	20,110	19,625	485
Supplies and materials	2,850	5,166	5,312	(146)
Postage	150	150	108	42
Travel and training	825	842	246	596
Dues and subscriptions	280	123	82	41
Auto repairs and maintenance	7,000	7,267	6,932	335
Advertising and printing	50	533	533	-
Utilities	21,950	21,950	34,680	(12,730)
Repairs and maintenance	16,860	22,939	24,233	(1,294)
Communications	1,080	2,478	2,477	1
General and miscellaneous	950	950	5,483	(4,533)
Uniforms	764	1,722	1,977	(255)
Contracted services	1,500	564	630	(66)
Insurance	1,100	1,100	971	129
Minor equipment	500	673	672	1
Programs and services	5,123	10,164	11,489	(1,325)
Grant match	-	-	-	-
	<u>217,672</u>	<u>217,672</u>	<u>273,166</u>	<u>(55,494)</u>
<b>Total Culture and Recreation</b>	217,672	217,672	273,166	(55,494)
<b>CAPITAL OUTLAY</b>				
Capital expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Capital Outlay</b>	-	-	-	-
<b>DEBT SERVICE</b>				
Debt service	20,000	9,100	-	9,100
<b>OTHER FINANCING (SOURCES) USES</b>				
Transfer in (out)	<u>-</u>	<u>-</u>	<u>(34,971)</u>	<u>34,971</u>
<b>Total Other Financing (Sources) Uses</b>	<u>-</u>	<u>-</u>	<u>(34,971)</u>	<u>34,971</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,157,253</u>	<u>\$ 5,157,253</u>	<u>\$ 5,116,386</u>	<u>\$ 40,867</u>
<b>EXCESS EXPENDITURES OVER REVENUES</b>				
	<u>\$ (63,325)</u>	<u>\$ (63,325)</u>	<u>\$ 133,045</u>	<u>\$ 196,370</u>

**CITY OF CHESTER, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET - ALL OTHER GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2013**

**SPECIAL REVENUE FUNDS**

	<b>Special Projects</b>	<b>Community Development</b>	<b>McAliley Project</b>	<b>Grant Projects</b>	<b>Drug Fund</b>	<b>Fire Equipment Replacement</b>	<b>Sewer Escrow</b>
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ 11,093	\$ 98,563	\$ 110,460
Receivable - other	200	-	-	-	-	1,170	1,000
Notes receivable, net	-	16,080	208,000	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total Assets	<u>\$ 200</u>	<u>\$ 16,080</u>	<u>\$ 208,000</u>	<u>\$ -</u>	<u>\$ 11,093</u>	<u>\$ 99,733</u>	<u>\$ 111,460</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 552	\$ -	\$ -
Due to other funds	-	-	-	2,925	-	-	-
Fund balance	200	16,080	208,000	(2,925)	10,541	99,733	111,460
Total Liabilities and Fund Balance	<u>\$ 200</u>	<u>\$ 16,080</u>	<u>\$ 208,000</u>	<u>\$ -</u>	<u>\$ 11,093</u>	<u>\$ 99,733</u>	<u>\$ 111,460</u>



**CITY OF CHESTER, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET - ALL OTHER GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2013**

SPECIAL REVENUE FUNDS							
	COPS Hiring Recovery	Healthcare Foundation Grant	Wylie Park Trails Improvement	Water Works Fund	Justice Assistance Grant (JAG)	Wellness Grant	Gang Investigator Grant
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ 25,542	\$ -	\$ -	\$ -
Receivable - other	-	-	-	-	-	-	-
Notes receivable, net	-	-	-	-	-	-	-
Due from other funds	-	45	-	-	2,057	824	-
Total Assets	\$ -	\$ 45	\$ -	\$ 25,542	\$ 2,057	\$ 824	\$ -
LIABILITIES AND FUND BALANCE							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Fund balance	-	45	-	25,542	2,057	824	-
Total Liabilities and Fund Balance	\$ -	\$ 45	\$ -	\$ 25,542	\$ 2,057	\$ 824	\$ -

**CITY OF CHESTER, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET - ALL OTHER GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2013**

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS				Totals
	Victim Advocate	Police Benevolent Fund	Artisan & Farmers Market	Capital Improvement Fund	East Chester Village Renaissance (I)	Pinckney Street Water Upgrade	East Chester Village Renaissance (II)	
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ 8,352	\$ 100	\$ 89	\$ -	\$ 254,199
Receivable - other	-	-	-	-	-	-	-	2,370
Notes receivable, net	-	-	-	-	-	-	-	224,080
Due from other funds	-	-	-	83,519	-	-	-	86,445
Total Assets	\$ -	\$ -	\$ -	\$ 91,871	\$ 100	\$ 89	\$ -	\$ 567,094
LIABILITIES AND FUND BALANCE								
Accounts payable	\$ -	\$ -	\$ -	\$ 801	\$ -	\$ -	\$ -	\$ 1,353
Due to other funds	-	-	96,019	-	-	-	9,700	108,644
Fund balance	-	-	(96,019)	91,070	100	89	(9,700)	457,097
Total Liabilities and Fund Balance	\$ -	\$ -	\$ -	\$ 91,871	\$ 100	\$ 89	\$ -	\$ 567,094

**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, 2013**

SPECIAL REVENUE FUNDS							
	Special Projects	Community Development	McAliley Project	Grant Projects	Drug Fund	Fire Equipment Replacement	Sewer Escrow
<b>REVENUES</b>							
Intergovernmental:							
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Local sources	-	3,250	-	-	-	3,803	-
Charges for services	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	236	5,263
Drug forfeitures	-	-	-	-	-	-	-
Total Revenues	-	3,250	-	-	-	4,039	5,263
<b>EXPENDITURES</b>							
General government	-	3,750	-	-	-	-	-
Public safety	-	-	-	-	2,395	-	-
Cultural and recreation	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	10,000	-	-
Total Expenditures	-	3,750	-	-	12,395	-	-
Excess (deficiency) of revenues over expenditures	-	(500)	-	-	(12,395)	4,039	5,263
Other financing sources							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	(8,473)	(2,375)	-	(32,130)	-	-	-
	8,473	2,375	-	32,130	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	(8,473)	(2,875)	-	(32,130)	(12,395)	4,039	5,263
Fund Balance, June 30, 2012	8,673	18,955	208,000	29,205	22,936	95,694	106,197
Fund Balance, JUNE 30, 2013	\$ 200	\$ 16,080	\$ 208,000	\$ (2,925)	\$ 10,541	\$ 99,733	\$ 111,460

**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, 2013**

		SPECIAL REVENUE FUNDS					
	COPS Hiring Recovery	Healthcare Foundation Grant	Wylie Park Trails Improvement	Water Works Fund	Justice Assistance Grant (JAG)	Wellness Grant	Gang Investigator Grant
<b>REVENUES</b>							
Intergovernmental:							
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Investment earnings	-	-	-	62	-	-	-
Drug forfeitures	-	-	-	-	-	-	-
Total Revenues	-	-	-	62	-	-	-
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	62	-	-	-
Other financing sources							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	(20)	-	-	-	-
	-	-	20	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	-	-	(20)	62	-	-	-
Fund Balance, June 30, 2012	-	45	20	25,480	2,057	824	-
Fund Balance, JUNE 30, 2013	\$ -	\$ 45	\$ -	\$ 25,542	\$ 2,057	\$ 824	\$ -

**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, 2013**

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS					Totals
	Victim Advocate	Police Benevolent Fund	Artisan & Farmers Market	Capital Improvement Fund	East Chester Village Renaissance (I)	Pinckney Street Water Upgrade	East Chester Village Renaissance (II)		
REVENUES									
Intergovernmental:									
Federal sources	\$ -	\$ -	\$ 50,678	\$ -	\$ -	\$ 144,781	\$ -	\$ -	\$ 195,459
State sources	-	-	-	-	-	-	-	-	-
Local sources	-	-	517	10,000	-	169,967	-	-	187,537
Charges for services	13,967	-	-	-	-	-	-	-	13,967
Investment earnings	-	-	-	-	-	-	-	-	5,561
Drug forfeitures	-	-	-	-	-	-	-	-	-
Total Revenues	13,967	-	51,195	10,000	-	314,748	-	-	402,524
EXPENDITURES									
General government	-	-	-	16,959	-	-	9,700	-	30,409
Public safety	18,195	20	-	-	-	-	-	-	20,610
Cultural and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	122,989	-	-	319,748	-	-	452,737
Total Expenditures	18,195	20	122,989	16,959	-	319,748	9,700	-	503,756
Excess (deficiency) of revenues over expenditures	(4,228)	(20)	(71,794)	(6,959)	-	(5,000)	(9,700)	-	(101,232)
Other financing sources									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers (out)	(6,905)	(186)	(2,301)	-	-	-	-	-	(52,390)
	6,905	186	2,301	-	-	-	-	-	(52,390)
Excess (deficiency) of revenues and other financing sources over expenditures	(11,133)	(206)	(74,095)	(6,959)	-	(5,000)	(9,700)	-	(153,622)
Fund Balance, June 30, 2012	11,133	206	(21,924)	98,029	100	5,089	-	-	610,719
Fund Balance, JUNE 30, 2013	\$ -	\$ -	\$ (96,019)	\$ 91,070	\$ 100	\$ 89	\$ (9,700)	\$ -	\$ 457,097

**CITY OF CHESTER, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u><b>Debt Service</b></u>
<b>REVENUES</b>	
Intergovernmental:	
Investment earnings	\$ -
Total Revenues	<u>-</u>
<b>EXPENDITURES</b>	
Capital outlay	-
Principal and interest	107,419
Total Expenditures	<u>107,419</u>
Excess (deficiency) of revenues over expenditures	(107,419)
Other financing sources	
Bond proceeds	90,000
Transfers in (out)	17,419
	<u>107,419</u>
Excess (deficiency) of revenues and other financing sources over expenditures	-
Fund Balance, June 30, 2012	<u>-</u>
Fund Balance, JUNE 30, 2013	<u><u>\$ -</u></u>

**CITY OF CHESTER, SOUTH CAROLINA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b><u>Tax Sale Escrow Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 22,065	\$ 50,365	\$ 71,554	\$ 876
Total Assets	<u>\$ 22,065</u>	<u>\$ 50,365</u>	<u>\$ 71,554</u>	<u>\$ 876</u>
<b>LIABILITIES</b>				
Funds held in trust for others	\$ 22,065	\$ 50,365	\$ 71,554	\$ 876
Total Liabilities	<u>\$ 22,065</u>	<u>\$ 50,365</u>	<u>\$ 71,554</u>	<u>\$ 876</u>
 <b><u>Fireman's Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 19,673	\$ 24,739	\$ 30,076	\$ 14,336
Total Assets	<u>\$ 19,673</u>	<u>\$ 24,739</u>	<u>\$ 30,076</u>	<u>\$ 14,336</u>
<b>LIABILITIES</b>				
Funds held in trust for others	\$ 19,673	\$ 24,739	\$ 30,076	\$ 14,336
Total Liabilities	<u>\$ 19,673</u>	<u>\$ 24,739</u>	<u>\$ 30,076</u>	<u>\$ 14,336</u>
 <b><u>Police Fines Escrow</u></b>				
<b>ASSETS</b>				
Cash	\$ 71,182	\$ 178,884	\$ 215,824	\$ 34,242
Total Assets	<u>\$ 71,182</u>	<u>\$ 178,884</u>	<u>\$ 215,824</u>	<u>\$ 34,242</u>
<b>LIABILITIES</b>				
Due to City of Chester	\$ 55,566	\$ -	\$ 7,599	\$ 47,967
Due to SC State	-	-	-	-
Due to others	22,640	26,217	18,531	30,326
Funds held in trust for others	<u>(7,024)</u>	<u>152,667</u>	<u>189,694</u>	<u>(44,051)</u>
Total Liabilities	<u>\$ 71,182</u>	<u>\$ 178,884</u>	<u>\$ 215,824</u>	<u>\$ 34,242</u>

**CITY OF CHESTER, SOUTH CAROLINA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b><u>Totals - All Agency Funds</u></b>				
<b>ASSETS</b>				
Cash	\$ 112,920	\$ 253,988	\$ 317,454	\$ 49,454
Total Assets	<u>\$ 112,920</u>	<u>\$ 253,988</u>	<u>\$ 317,454</u>	<u>\$ 49,454</u>
<b>LIABILITIES</b>				
Due to City of Chester	\$ 55,566	\$ -	\$ 7,599	\$ 47,967
Due to others	22,640	26,217	18,531	30,326
Funds held in trust for others	34,714	227,771	291,324	(28,839)
Total Liabilities	<u>\$ 112,920</u>	<u>\$ 253,988</u>	<u>\$ 317,454</u>	<u>\$ 49,454</u>



**CITY OF CHESTER, SOUTH CAROLINA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b><u>Evergreen Cemetery Trust Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 176,204	\$ 142	\$ -	\$ 176,346
Due from (to) City of Chester	-	-	3,000	(3,000)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 176,204</u>	<u>\$ 142</u>	<u>\$ 3,000</u>	<u>\$ 173,346</u>
<b>LIABILITIES</b>				
Funds held in trust for others	\$ 176,204	\$ 142	\$ 3,000	\$ 173,346
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>\$ 176,204</u>	<u>\$ 142</u>	<u>\$ 3,000</u>	<u>\$ 173,346</u>
<b><u>Healthcare Trust Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 149,187	\$ 774,477	\$ 627,134	\$ 296,530
Due from (to) Others	-	1,493	-	1,493
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 149,187</u>	<u>\$ 775,970</u>	<u>\$ 627,134</u>	<u>\$ 298,023</u>
<b>LIABILITIES</b>				
Funds held in trust for others	\$ 149,187	\$ 775,970	\$ 627,134	\$ 298,023
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>\$ 149,187</u>	<u>\$ 775,970</u>	<u>\$ 627,134</u>	<u>\$ 298,023</u>
<b><u>Totals - All Trust Funds</u></b>				
<b>ASSETS</b>				
Cash	\$ 325,391	\$ 774,619	\$ 627,134	\$ 472,876
Due from (to) City/Others	-	1,493	3,000	(1,507)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 325,391</u>	<u>\$ 776,112</u>	<u>\$ 630,134</u>	<u>\$ 471,369</u>
<b>LIABILITIES</b>				
Funds held in trust for others	\$ 325,391	\$ 776,112	\$ 630,134	\$ 471,369
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>\$ 325,391</u>	<u>\$ 776,112</u>	<u>\$ 630,134</u>	<u>\$ 471,369</u>

**CITY OF CHESTER, SOUTH CAROLINA**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF MUNICIPAL COURT FEES AND FINES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**COURT FINES**

Collected	\$ -
Retained by City	-
	<hr/> -

**COURT ASSESSMENTS**

Collected	67,417
Retained by City	7,925
	<hr/> 75,342

**COURT SURCHARGES**

Collected	24,156
Retained by City	6,042
	<hr/> 30,198

**AMOUNT ALLOCATED TO VICTIM'S SERVICES**

Court Assessments	7,925
Court Surcharges	6,042
	<hr/>

Total allocated to Victim's Services	<u><u>\$ 13,967</u></u>
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# CAMP, MORING & CANNON, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City Chester, South Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Chester, South Carolina's basic financial statements and have issued our report thereon dated December 2, 2013.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (Finding 13-1) that we consider being significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Chester, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items Finding 13-1

**City of Chester, South Carolina's Response to Findings**

City of Chester, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Chester, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Camp, Haring & Cummings, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
December 2, 2013

**CITY OF CHESTER, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2013

**Summary of Auditors' Results:**

1. The audit report issued on the financial statements was unqualified.
2. The audit disclosed one significant deficiency in internal control related to the financial statements which was reported in the report on compliance and other matters and on internal control over financial reporting required by *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No single audit was required as the federal expenditures did not exceed \$500,000.
5. City of Chester did not qualify as a low risk auditee.

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

**Finding #13-1: Failure to Record Federal Grants in City's Financial Statements**

*Condition:* During the audit, it was discovered that three Federal grants from the Department of Commerce were not recorded in the City's financial statements. The Pinckney Street Water Upgrade grant for \$500,000, the East Chester Village Renaissance Phase I grant for \$25,000, and the East Chester Village Renaissance Phase II grant for \$457,953 were properly maintained by the Catawba Regional Council of Government. However, the grants were awarded to the City of Chester. Therefore, all the revenue and expenditure transactions should be reflected in the City's financial statements.

*Criteria:* Timely and accurate recording of all revenue and expenditure transactions is necessary if there is to be meaningful financial statement reporting.

*Cause:* The Catawba Regional Council of Government was contracted to administer the Pinckney Street Water Upgrade and the East Chester Village Renaissance Phase I and Phase II grants. Therefore, the Catawba Regional COG maintained the accounting records for each grant and the City failed to record the information in their financial statements. However, the grants should have been reflected in the City's financial statements as information was provided to them by the COG.

*Recommendation:* All of the City's revenue and expenditure transactions should be recorded in the financial statements in a timely manner to reflect accurate financial statements.

This is a repeat finding.

**Federal Awards Findings and Questioned Costs:**

**Finding #13-1: Failure to Record Federal Grants in City's Financial Statements**

Same as above.

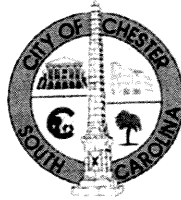
**CITY OF CHESTER, SOUTH CAROLINA**  
**DISPOSITION OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2013**

As part of procedures performed during our audit of the financial statements of the City of Chester for the year ended June 30, 2013, we investigated the disposition of the findings for the year ended June 30, 2012. We determined that corrective action had been taken for each finding as follows:

**Finding #12-1: Failure to Record Federal Grants in City's Financial Statements**

*Condition:* During the audit, it was discovered that two Federal grants from the Department of Commerce were not recorded in the City's financial statements. The Pinckney Street Water Upgrade grant for \$500,000 and the East Chester Village Renaissance Phase I grant for \$25,000 were properly maintained by the Catawba Regional Council of Government. However, the grants were awarded to the City of Chester. Therefore, all the revenue and expenditure transactions should be reflected in the City's financial statements.

*Corrective Action Taken:* No corrective action was taken. This is a repeat finding.



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## MANAGEMENT'S RESPONSE

City of Chester understands and agrees with the following audit findings for the year ending June 30, 2013:

***Finding #13-1: Failure to Record Federal Grants in City's Financial Statements:*** During the audit, it was discovered that three Federal grants from the Department of Commerce were not recorded in the City's financial statements. The Pinckney Street Water Upgrade grant for \$500,000, the East Chester Village Renaissance Phase I grant for \$25,000, and the East Chester Village Renaissance Phase II grant for \$457,953 were properly maintained by the Catawba Regional Council of Government. However, the grants were awarded to the City of Chester. Therefore, all the revenue and expenditure transactions should be reflected in the City's financial statements.

***Corrective Action Taken:*** The City will continue to have Catawba Regional Council of Government handle the financial activities of the Department of Commerce grants. However, in the future, any financial information provided to the finance director will be recorded in the City's financial statements in a timely manner to ensure complete financial statements.

***Response to Suggestions:*** The City has reviewed the suggestions of Camp, Moring & Cannon's Management letter and will implement procedures to properly review accounts and grants in a timely manner as well as begin to maintain Fixed Assets records.

Sincerely,

Mayor Stringfellow