

**CHESTER FIRE DISTRICT
CHESTER, SOUTH CAROLINA
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2021**

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TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Exhibits:	
1 - Statement of Net Position	3
2 - Statement of Activities.....	4
3 - Balance Sheet - Governmental Fund.....	5
4 - Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	6
5 - Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	7
6 - Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	8
Notes to Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule:	
A-1 Budgetary Comparison Schedule.....	17
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.....	18



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INDEPENDENT AUDITORS' REPORT

Honorable Chairman
Members of the Chester Fire District Commission
Chester Fire District
Chester, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Chester Fire District (the District), a component unit of Chester County, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2021, 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

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule on page 17 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chester Fire District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chester Fire District's internal control over financial reporting and compliance.

Faulkner and Thompson, P.A.

Rock Hill, South Carolina
January 21, 2022

CHESTER FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT 1

ASSETS

Cash and cash equivalents	\$ 101,085
Receivables:	
Property taxes	137,126
Capital assets:	
Buildings and improvements	190,977
Vehicles and equipment	639,321
Less accumulated depreciation	(582,191)
Capital assets, net	<u>248,107</u>
Total assets	<u>\$ 486,318</u>

LIABILITIES

Current portion of long-term debt	\$ 118,697
Long-term debt, less current portion	220,373
Total liabilities	<u>339,070</u>

NET POSITION

Invested in capital assests, net of related debt	(90,963)
Unrestricted	238,211
Total net position	<u>147,248</u>
Total liabilities and net position	<u>\$ 486,318</u>

See the accompanying Notes to Financial Statements.

CHESTER FIRE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

EXHIBIT 2

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES					
Public safety	\$ 2,029,945	\$ -	\$ -	\$ -	\$ (2,029,945)
Interest and fiscal charges	12,809	-	-	-	(12,809)
Total governmental activities	<u>\$ 2,042,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,042,754)</u>
General revenues:					
Property taxes levied for:					
General purpose					2,241,085
Interest income					52
Other income					55,343
Total general revenues					<u>2,296,480</u>
Changes in net position					<u>253,726</u>
Net position, beginning of year, as previously stated					167,270
Prior period adjustment					<u>(273,748)</u>
Net position, beginning of year, as restated					<u>(106,478)</u>
Net position, end of year					<u>\$ 147,248</u>

See the accompanying Notes to Financial Statements.

CHESTER FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
 JUNE 30, 2021

EXHIBIT 3

	<u>General Fund</u>	<u>Debit Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 101,085	\$ -	\$ 101,085
Receivables:			
Property taxes	<u>137,126</u>	<u>-</u>	<u>137,126</u>
Total assets	<u><u>\$ 238,211</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 238,211</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>131,900</u>	<u>-</u>	<u>131,900</u>
Total deferred inflows of resources	<u><u>131,900</u></u>	<u><u>-</u></u>	<u><u>131,900</u></u>
FUND BALANCES			
Unassigned	<u>106,311</u>	<u>-</u>	<u>106,311</u>
Total fund balances	<u><u>106,311</u></u>	<u><u>-</u></u>	<u><u>106,311</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 238,211</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 238,211</u></u>

See the accompanying Notes to Financial Statements.

CHESTER FIRE DISTRICT
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET POSITION OF GOVERNMENTAL ACTIVITIES**
 JUNE 30, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 106,311
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. These assets consist of:	
Buildings	190,977
Vehicles and equipment	639,321
Accumulated depreciation	(582,191)
	<u>248,107</u>
Some revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and therefore is recorded as deferred inflows of resources in the funds.	
Property taxes	131,900
Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:	
General obligation debt	(312,612)
Note payable	(26,458)
	<u>(339,070)</u>
NET POSITION OF GOVERNMENTAL FUNDS	<u>\$ 147,248</u>

See the accompanying Notes to Financial Statements.

CHESTER COUNTY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUND
 For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Debit Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 1,996,685	\$ 112,500	\$ 2,109,185
Interest income	52	-	52
Other income	55,343	-	55,343
Total revenues	<u>2,052,080</u>	<u>112,500</u>	<u>2,164,580</u>
EXPENDITURES			
Public safety	1,986,886	-	1,986,886
Debit service	29,295	112,500	141,795
Total expenditures	<u>2,016,181</u>	<u>112,500</u>	<u>2,128,681</u>
Net changes in fund balances	<u>35,899</u>	<u>-</u>	<u>35,899</u>
FUND BALANCES, BEGINNING OF YEAR, AS PREVIOUSLY STATED	338,906	-	338,906
PRIOR PERIOD ADJUSTMENT	<u>(268,494)</u>	<u>-</u>	<u>(268,494)</u>
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>70,412</u>	<u>-</u>	<u>70,412</u>
FUND BALANCES, END OF YEAR	<u>\$ 106,311</u>	<u>\$ -</u>	<u>\$ 106,311</u>

See the accompanying Notes to Financial Statements.

CHESTER FIRE DISTRICT
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2021

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 35,899
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, changes in these amount are:	
Depreciation expense	(43,060)
Because some revenue is not collected until several months after the Fire District's fiscal year ends, it is not considered "available" and is deferred in the governmental funds. Unavailable revenue - property taxes increased by this amount this year.	
	131,900
Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consisted of:	
Bond principal retirement	102,915
Note principal retirement	26,072
	<u>128,987</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 253,726</u>

See the accompanying Notes to Financial Statements.

CHESTER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Governmental Accounting Standards Board (GASB) Statement No. 61, *"The Financial Reporting Entity: Omnibus"* amended GASB Statement No. 14, *"The Financial Reporting Entity"*, which establishes the criteria for inclusion of potential component units in the primary government's financial statements based on the significance of their operational or financial relationships with the primary government.

Based on the criteria of this statement, Chester Fire District is reported as a discretely presented component unit of Chester County (the primary government) due to the following:

- Chester County (the County) levies and collects property taxes for the District. Property tax revenue constitutes approximately ninety-eight percent of the District's operating revenue.
- Chester County Council appoints all of the members of the District's Fire Commission, which is the governing authority for the District. In turn, the Commission is responsible for hiring and firing management personnel.
- The County issued bonds to pay for additional vehicles and equipment for the District and assumed responsibility for repayment of those bonds.
- The District is required to submit its budget to County Council for approval, which satisfies the imposition of will criteria.

As a result of the aforementioned, the County has the ability to significantly influence the operations of the District. Therefore, the District is considered to be a component unit of Chester County. Accordingly, the financial position and results of operations of the District have been reported in Chester County's financial statements.

The accompanying basic financial statements present the financial position and changes in financial position of the District and do not include any financial information for the County or any other component unit of Chester County.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. County taxes and state appropriations are recognized as revenue in the year for which they are appropriated by the governmental entity. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

CHESTER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-Wide and Fund Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report information on all of the nonfiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported. Business-type activities, which rely to a significant extent on fees and charges for support, would be reported separately from the governmental activities, however, the District does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges paid by the recipient or for goods or services offered by the programs, and 2) grants and contributions, including federal and state appropriations that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are reported as general revenues.

Fund financial statements are designed to present financial information of the District at a more detailed level. The focus of governmental fund financial statements is on major funds. The general fund and the debt service fund are the District's only major governmental funds. Nonmajor funds, if applicable, are aggregated and presented in a single column. The debt service fund accounts for the accumulation of resources and payment of principal, interest and related costs of long-term general obligations that are not financed by the general fund.

Fund Balance Reporting

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable Fund Balance* - Amounts that cannot be spent because they are either (a) not in spendable form or, (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* - Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or, (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* - Amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the District's Fire Commission) and that remain binding unless removed or changed in the same manner. The underlying action that imposed the limitation needs to occur before the close of the reporting period.
- *Assigned Fund Balance* - Amounts that are constrained by the District's *intent* to be used for specific purposes. The intent can be established by either the District's Fire Commission or by a body or an official designated for that purpose.
- *Unassigned Fund Balance* - The residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The District's Fire Commission establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by unrestricted resources, which include committed, assigned and unassigned resources, as they are needed.

CHESTER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its District funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Budget

The District's Fire Commission adopts an annual budget for revenues and expenditures prior to the beginning of each fiscal year. During the year, amendments may be made to the budget. The Budgetary Comparison Schedule on page 17 reflects both original and final budgets and actual operating results.

Property Tax Calendar

Chester County levies and collects property taxes for the District.

Property taxes are levied on real properties owned on the preceding December 31 of each county fiscal year ended June 30. Liens attach to the property at the time the taxes are levied, which is usually in October of each year ended June 30. These taxes are due without penalty until January 15. Penalties are added to taxes depending on the date paid as follows:

January 16 through February 1	3% of tax
February 2 through March 16	10% of tax
March 17 and thereafter	15% of tax plus collection costs

Current year real taxes become delinquent March 17. The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the month.

Property tax receivables are shown net of allowance for uncollectible amounts.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

Property tax revenues in the governmental fund financial statements that are measurable but not available (as previously defined) are reported as deferred inflows of resources.

Capital Assets

Capital assets are reported in the government-wide financial statements. A capital asset is defined by the District as an asset with an individual cost of \$1,000 or more and an estimated useful life in excess of three years. Purchased or constructed assets are recorded at cost. Donated assets are recorded at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	30 years
Building improvements	15 years
Fire trucks	20 years
Vehicles	5 years
Furniture and equipment	3 to 10 years

CHESTER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed when incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Bond insurance, if incurred, is recognized as an expenditure in the fund financial statements, however, it is recognized as prepaid in the government-wide financial statements and amortized over the life of the bond using the straight-line method. Principal and interest payments are recorded as expenditures when due.

Management Estimates

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

Future Accounting Pronouncements

The following GASB Statement will be implemented in future financial statements:

Statement No. 87	<i>Leases</i>	This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It is effective for financial statements for reporting beginning after June 15, 2021.
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The District does not expect this statement to have a material effect on their financial statements.

Other Information

The District has no employees; therefore, compensated absences and net pension liability are not recognized and related footnotes are not necessary for disclosure.

NOTE 2 – CASH

The District's cash consists of demand deposits and cash on hand. The carrying value and the bank balance of the District's cash at June 30, 2021 were \$101,085 and \$103,562, respectively. The bank balance of demand deposits was fully covered by the Federal Depository Insurance Corporation or collateralized. The District did not own any investments as of June 30, 2021.

CHESTER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – RECEIVABLES

Receivables for the District's general fund, including the applicable allowance for uncollectible amounts, are as follows at June 30, 2021:

Property taxes	\$ 274,252
Less allowance for: Uncollectible amounts	(<u>137,126</u>)
Net receivables	\$ <u>137,126</u>

NOTE 4 – CAPITAL ASSETS

Primary government capital asset activity for the year ended June 30, 2021 is as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2021</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 190,977	\$ -	\$ -	\$ 190,977
Vehicles and equipment	<u>639,321</u>	<u>-</u>	<u>-</u>	<u>639,321</u>
Total capital assets being depreciated	<u>830,298</u>	<u>-</u>	<u>-</u>	<u>830,298</u>
Less accumulated depreciation for:				
Buildings	(146,872)	(6,594)	-	(153,466)
Machinery and equipment	(<u>392,259</u>)	(<u>36,466</u>)	<u>-</u>	(<u>428,725</u>)
Total accumulated depreciation	(<u>539,131</u>)	(<u>43,060</u>)	<u>-</u>	(<u>582,191</u>)
Total capital assets being depreciated, net	<u>291,167</u>	(<u>43,060</u>)	<u>-</u>	<u>248,107</u>
Governmental activities, net	<u>\$ 291,167</u>	<u>\$ (43,060)</u>	<u>\$ -</u>	<u>\$ 248,107</u>

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

Governmental activities:

Public safety	\$ <u>43,060</u>
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NOTE 5 – LONG-TERM DEBT

Long-term debt for the year ended June 30, 2021 consisted of a general obligation bond for the purchase of a fire/ladder truck and a note payable for the purchase of a truck as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable					
General obligation bond	\$ 415,527	\$ -	\$(102,915)	\$ 312,612	\$ 105,452
Note payable	<u>52,530</u>	<u>-</u>	(<u>26,072</u>)	<u>26,458</u>	<u>13,245</u>
Governmental activities long-term debt, net	<u>\$468,057</u>	<u>\$ -</u>	<u>\$(128,987)</u>	<u>\$ 339,070</u>	<u>\$ 118,697</u>

CHESTER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – LONG-TERM DEBT, CONTINUED

General Obligation Bond

General obligation bond currently outstanding is as follows:

2015 \$850,000 General Obligation Bond due in semi-annual principal installments of \$49,555 to \$54,026 through June 18, 2024, plus interest semiannually at 2.45%.	\$ <u>312,612</u>
Total general obligation bond outstanding	\$ <u>312,612</u>

Note Payable

Governmental note payable currently outstanding is as follows:

2020 \$52,530 Note payable due in principal installments of \$12,156 to \$13,915 through August 15, 2023, plus interest annually at 4.30%. The note is collateralized by a truck.	\$ <u>26,458</u>
Total note payable	\$ <u>26,458</u>

The annual requirement to amortize debt in the governmental activities long-term debt at June 30, 2021 is as follows:

Year Ending June 30,	2015 General Obligation Bond Payable		\$52,530 Note Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 105,452	\$ 7,048	\$ 13,245	\$ 1,403	\$ 118,697	\$ 8,451
2023	108,051	4,449	13,213	1,226	121,264	5,675
2024	99,109	2,993	-	-	99,109	2,993
Totals	\$ <u>312,612</u>	\$ <u>14,490</u>	\$ <u>26,458</u>	\$ <u>2,629</u>	\$ <u>339,070</u>	\$ <u>17,119</u>

Interest expense for the year related to long-term debt was \$12,808.

NOTE 6 – TAX ABATEMENT PROGRAMS

The District is subject to tax abatements granted by Chester County, South Carolina (the County). For the fiscal year ended June 30, 2021, the County had three tax abatement programs pursuant to which the County reduced some taxpayers' property tax liability.

Fee-in-Lieu of Ad Valorem Property Tax Program

One of the County's tax abatement programs is the "Fee-in-Lieu of Ad Valorem Property Tax" (FILOT) program. The FILOT program may take one of three forms: (a) a "Little Fee," as authorized by South Carolina Code Annotated section 4-12-10, *et seq.*, (b) a "Simplified Fee," as authorized by South Carolina Code Annotated section 12-44-10, *et seq.*, or (c) a "Big Fee," as authorized by South Carolina Code Annotated section 4-29-67. The FILOT program's purpose is to reduce property tax rates, which have previously impeded new and expanding business from locating in South Carolina, applied to manufacturing and some commercial properties.

A taxpayer receives a property tax reduction under the applicable FILOT program if the taxpayer agrees to make a minimum investment in a project located in the County during an approximately 5-year period. The minimum investment depends on the FILOT program the County and the taxpayer choose. Under the Little Fee and the Simplified Fee, a taxpayer must invest at least \$2,500,000. Under the Big Fee, a taxpayer must

NOTE 6 – TAX ABATEMENT PROGRAMS, CONTINUED

Fee-in-Lieu of Ad Valorem Property Tax Program, Continued

invest at least \$45,000,000. Additionally, before a taxpayer's project is eligible for benefits under the applicable FILOT program, the County's governing body (County Council) must find (i) the project is anticipated to benefit the general public welfare by providing services, employment, recreation, or other public benefits not otherwise adequately provided locally; (ii) the project gives rise to no pecuniary liability of the County or a charge against its general credit or taxing power; (iii) the purposes to be accomplished by the project are proper governmental and public purposes; and (iv) the benefits of the project are greater than the costs.

Under the FILOT program, property taxes of economic development property associated with each project are abated by the agreement the County and the taxpayer execute. According to the agreement, a fee-in-lieu of ad valorem property tax payment is calculated using (i) a reduced assessment ratio, which may be reduced from 10.5% to as low as 6% (or 4% for enhanced investments as described in state law), and (ii) a millage rate fixed for the entire length of the agreement or a millage rate that is allowed to increase or decrease every fifth year, for a term of not more than 30 years (or 40 years for enhanced investments as described in state law). The FILOT program also permits qualifying taxpayers and the County to negotiate for equalized fee-in-lieu of *ad valorem* property tax payments over the agreement's term.

If a taxpayer fails to invest the statutorily required minimum amount in a project during the approximately 5-year investment period, then the agreement is automatically terminated, and the taxpayer is no longer entitled to any of the FILOT program's benefits. At an agreement's termination, the taxpayer is obligated to pay to the County the difference between (i) the total amount of *ad valorem* property taxes that would have been paid by the taxpayer had the economic development property not been subject to the agreement, taking into account exemptions from property taxes that would have otherwise been available to the taxpayer, and (ii) the total amount of fee-in-lieu of *ad valorem* property tax payments made by the taxpayer with respect to the economic development property.

In addition to the minimum eligibility requirements to receive a property tax reduction under the FILOT program, the taxpayer and the County may also negotiate other taxpayer commitments. For example, the taxpayer may commit (i) to invest amounts exceeding the statutorily required minimum, and (ii) to create a specific number of jobs.

For tax year 2020, District property taxes abated resulting from active FILOT agreements to which it is a party totaled \$281,541. In lieu of standard *ad valorem* taxes, the District received \$180,602 in negotiated FILOT payments from these taxpayers in tax year 2020.

Special Source Revenue Credit Program

The County also abates property taxes through the "Special Source Revenue Credit" (SSRC) program, as authorized, specifically, by South Carolina Code Annotated section 4-1-175. The SSRC program's purpose is to enhance the County's economic development.

A taxpayer is eligible to receive an SSRC, thereby reducing its property taxes, if (i) the taxpayer's property is located in a multicounty industrial or business park, and (ii) the taxpayer uses the SSRC to pay the cost of designing, acquiring, constructing, improving, or expanding (a) infrastructure serving the County or the taxpayer's property, or (b) improved or unimproved real estate and personal property, including machinery and equipment used in the operation of a manufacturing or commercial enterprise.

Property taxes are abated under the SSRC program by the County's providing a credit (of a specific dollar amount or a percentage) against a taxpayer's property tax liability. Although not required by state law, often, the County and the taxpayer enter into an agreement pursuant to which the County agrees to provide the credit against a taxpayer's property tax liability for a specific period, and the taxpayer commits (i) to invest a specific amount in a project, (ii) to create a specific number of jobs at a project, or (iii) both. When the County and the taxpayer have executed an agreement to affect the SSRC program, if the taxpayer does not comply

CHESTER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – TAX ABATEMENT PROGRAMS, CONTINUED

Special Source Revenue Credit Program, Continued

with the agreement's requirements, then the County may have the right to require the taxpayer to repay a portion, determined by formula, of the credit received by the taxpayer to the County.

The County may use the SSRC program and the FILOT program in conjunction. Following the calculation of a taxpayer's fee-in-lieu of ad valorem property tax payment under the FILOT program, the County may then apply a credit to further abate the taxpayer's property tax liability. To receive a property tax abatement under the SSRC program and the FILOT program, the taxpayer must meet the eligibility criteria for both programs.

For tax year 2020, District property taxes abated resulting from SSRC agreements to which it is a party totaled \$445,770, including taxes abated via stand-alone SSRC agreements and those in connection with active FILOT agreements. During tax year 2020, fees-in-lieu of standard *ad valorem* taxes were received by the District from taxpayers within the County's SSRC program.

Multicounty Industrial or Business Park

The County uses the "multicounty industrial or business park" designation in connection with the SSRC program and the FILOT program. Specifically, as described above, to receive a property tax abatement under the SSRC program, a taxpayer's property must be designated as "multicounty industrial or business park" property. Additionally, the County may designate a taxpayer's property in a multicounty industrial or business park at the taxpayer's request, so the taxpayer may obtain additional or enhanced State incentives. To be able to designate a taxpayer's property as "multicounty industrial or business park" property, the County must execute an agreement with one or more contiguous counties, which sets forth how the member counties will share expenses and revenues from the designated multicounty industrial or business park property. The agreement must specify how revenues collected from property designated as "multicounty industrial or business park" property will be distributed to each taxing entity in each member county's jurisdiction.

During tax year 2020, District property taxes abated as a result of the County's multicounty industrial park agreements, in which it is a party, totaled \$35,811, including taxes abated via stand-alone SSRC agreements and those in connection with active FILOT agreements. During tax year 2020, no fees-in-lieu of standard *ad valorem* taxes were received by the District from taxpayers within the County's multicounty industrial park.

NOTE 7 – OTHER MATTERS

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The pandemic has caused global disruptions and economic uncertainty and volatility in financial markets. The District continues to monitor economic conditions and its operations, and follow local, state and federal guidance.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment is related to the following two items: 1) to correct the amount due from the City of Chester in a prior period, and 2) to record a purchase of equipment and the related debt not previously recorded. As a result of this adjustment, beginning fund balance and beginning net position decreased by \$268,494 and \$273,748, respectively.

NOTE 9 – SUBSEQUENT EVENTS

These financial statements considered subsequent events through January 21, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CHESTER FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2021

SCHEDULE A-1

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,992,862	\$ 1,992,862	\$ 1,996,685	\$ 3,823
Interest income	-	-	52	52
Other income	-	-	55,343	55,343
Total revenues	<u>1,992,862</u>	<u>1,992,862</u>	<u>2,052,080</u>	<u>59,218</u>
EXPENDITURES				
CURRENT				
Public Safety				
Repairs and maintenance	2,000	2,000	3,613	(1,613)
Audit	4,000	4,000	4,000	-
Contracted services	1,957,687	1,957,687	1,957,687	-
Debt service	-	-	29,295	(29,295)
Noncapitalized equipment	4,000	4,000	6,154	(2,154)
Insurance	16,000	16,000	15,432	568
Total current	<u>1,983,687</u>	<u>1,983,687</u>	<u>2,016,181</u>	<u>(32,494)</u>
CAPITAL OUTLAY	<u>9,175</u>	<u>9,175</u>	<u>-</u>	<u>9,175</u>
Total expenditures	<u>1,992,862</u>	<u>1,992,862</u>	<u>2,016,181</u>	<u>(23,319)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>35,899</u>	<u>\$ 35,899</u>
FUND BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED			338,906	
PRIOR PERIOD ADJUSTMENT			(268,494)	
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED			70,412	
FUND BALANCE, END OF YEAR			<u>\$ 106,311</u>	



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**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 Chairman
Members of the Chester Fire District Commission
Chester Fire District
Chester, South Carolina

We have audited, 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, the financial statements of the governmental activities of Chester Fire District, South Carolina (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Chester Fire District's basic financial statements, and have issued our report thereon dated January 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of

our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Faulkner and Thompson, P.A.

Rock Hill, South Carolina
January 21, 2022