CHESTER FIRE DISTRICT
CHESTER, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by the reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents, and management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023 on our consideration of the District's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Faulkner and Thompson, P.A.

Rock Hill, South Carolina
January 20, 2023

EXHIBIT 1

CHESTER FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	
Cash and cash equivalents	$ 39,552
Receivables:	
Property taxes	67,558
Capital assets:	
Buildings and improvements	190,977
Vehicles and equipment	639,321
Less accumulated depreciation	(621,876)
Capital assets, net	208,422
Total assets	$ 315,532
LIABILITIES	
Accounts payable	$ 1,892
Current portion of long-term debt	107,051
Long-term debt, less current portion	100,109
Total liabilities	209,052
NET POSITION	
Invested in capital assests, net of related debt	1,262
Unrestricted	105,218
Total net position	106,480
Total liabilities and net position	$ 315,532

See the accompanying Notes to Financial Statements.

EXHIBIT 2

CHESTER FIRE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue - Governmental Activities
GOVERNMENTAL ACTIVITIES					
Public safety	$ 2,100,971	$ -	$ -	$ -	$ (2,100,971)
Interest and fiscal charges	8,451	-	-	-	(8,451)
Total governmental activities	$ 2,109,422	$ -	$ -	$ -	(2,109,422)
General revenues:					
Property taxes levied for:					
General purpose					2,067,276
Interest income					1,378
Total general revenues					2,068,654
Changes in net position					(40,768)
Net position, beginning of year					147,248
Net position, end of year					$ 106,480

See the accompanying Notes to Financial Statements.

EXHIBIT 3

CHESTER FIRE DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2022

	General Fund	Debit Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 39,552	$ -	$ 39,552
Receivables:			
Property taxes	67,558	-	67,558
Total assets	$ 107,110	$ -	$ 107,110
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES	$ 1,892	$ -	$ 1,892
Total liabilities	1,892	-	1,892
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	65,535	-	65,535
Total deferred inflows of resources	65,535	-	65,535
FUND BALANCES			
Unassigned	39,683	-	39,683
Total fund balances	39,683	-	39,683
Total liabilities, deferred inflows of resources and fund balances	$ 107,110	$ -	$ 107,110

See the accompanying Notes to Financial Statements.

EXHIBIT 4

CHESTER FIRE DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	$ 39,683
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:	
Capital assets used in governmental activites 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	(621,876)
	208,422
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	65,535
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	(207,160)
	(207,160)
NET POSITION OF GOVERNMENTAL FUNDS	$ 106,480

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, 2022

	General Fund	Debit Service Fund	Total Governmental Funds
REVENUES			
Property taxes	$ 2,019,022	$ 112,500	$ 2,131,522
Interest income	1,378	-	1,378
Total revenues	2,020,400	112,500	2,132,900
EXPENDITURES			
Public safety	2,057,733	-	2,057,733
Debt service	29,295	112,500	141,795
Total expenditures	2,087,028	112,500	2,199,528
Net changes in fund balances	(66,628)	-	(66,628)
FUND BALANCES, BEGINNING OF YEAR	106,311	-	106,311
FUND BALANCES, END OF YEAR	$ 39,683	$ -	$ 39,683

See the accompanying Notes to Financial Statements.

EXHIBIT 6

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, 2022

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	(66,628)
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		(39,685)
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.		(66,365)
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		105,452
Note principal retirement		26,458
		131,910
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(40,768)

See the accompanying Notes to Financial Statements.

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-nine percent of the District's operating revenue.
- Chester County Council appoints all of the members of the Chester Fire District 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.

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 Chester Fire District 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 Chester Fire District 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 Chester Fire District 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.

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 Chester Fire District 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets, Continued

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

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.

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, 2022 were $39,552 and $40,760, 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, 2022.

NOTE 3 – RECEIVABLES

Receivables for the District's general fund, including the applicable allowance for uncollectible amounts, are as follows at June 30, 2022:

Property taxes	$ 140,320
Less allowance for:	
Uncollectible amounts	(72,762)
Net receivables	$ 67,558

NOTE 4 – CAPITAL ASSETS

Primary government capital asset activity for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Dispositions	Balance June 30, 2022
Governmental Activities:				
Capital assets being depreciated:				
Buildings	$ 190,977	$ -	$ -	$ 190,977
Vehicles and equipment	639,321	-	-	639,321
Total capital assets being depreciated	830,298	-	-	830,298
Less accumulated depreciation for:				
Buildings	(153,466)	(6,594)	-	(160,060)
Machinery and equipment	(428,725)	(33,091)	-	(461,816)
Total accumulated depreciation	(582,191)	(39,685)	-	(621,876)
Total capital assets being depreciated, net	248,107	(39,685)	-	208,422
Governmental activities, net	$ 248,107	$(39,685)	$ -	$ 208,422

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

Governmental Activities:	
Public safety	$ 39,685

NOTE 5 – LONG-TERM DEBT

Long-term debt for the year ended June 30, 2022 consists 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:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
Bonds payable					
General obligation bond	$ 312,612	$ -	$(105,452)	$ 207,160	$ 107,051
Note payable	26,458	-	(26,458)	-	-
Governmental activities long-term debt, net	$339,070	$ -	$(131,910)	$ 207,160	$ 108,051

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, 2025, plus interest semiannually at 2.45%.	$207,160
Total general obligation bond outstanding	$207,160

The annual requirement to amortize debt in the governmental activities long-term debt at June 30, 2022 is as follows:

Year Ending June 30,	2015 General Obligation Bond Payable Principal	Interest
2023	$ 107,051	$ 5,449
2024	100,109	1,993
2025	-	-
Totals	$ 207,160	$ 7,442

Interest expense for the year related to long-term debt was $4,449.

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, 2022, 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 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.

NOTE 6 – TAX ABATEMENT PROGRAMS, CONTINUED

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

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 2021, District property taxes abated resulting from active FILOT agreements to which it is a party totaled $160,989. In lieu of standard *ad valorem* taxes, the District received $188,706 in negotiated FILOT payments from these taxpayers in tax year 2021.

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 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.

NOTE 6 – TAX ABATEMENT PROGRAMS, CONTINUED

Special Source Revenue Credit Program, Continued

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 2021, District property taxes abated resulting from SSRC agreements to which it is a party totaled $498,827 including taxes abated via stand-alone SSRC agreements and those in connection with active FILOT agreements. During tax year 2021, no 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 2021, District property taxes abated as a result of the County's multicounty industrial park agreements, in which it is a party, totaled $28,494, including taxes abated via stand-alone SSRC agreements and those in connection with active FILOT agreements. During tax year 2021, 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 – SUBSEQUENT EVENTS

These financial statements considered subsequent events through January 20, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE A-1

CHESTER FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

	Budget			Variance
	Original	**Final**	**Actual**	**Favorable (Unfavorable)**
REVENUES				
Property taxes	$ 2,004,270	$ 2,004,270	$ 2,019,022	$ 14,752
Interest income	-	-	1,378	1,378
Total revenues	2,004,270	2,004,270	2,020,400	16,130
EXPENDITURES				
CURRENT				
Public Safety				
Contracted services	1,963,270	1,963,270	1,971,562	(8,292)
Debt service	-	-	29,295	(29,295)
Insurance	16,000	16,000	16,619	(619)
Repairs and maintenance	2,000	2,000	15,094	(13,094)
Audit	4,000	4,000	4,000	-
Total current	1,985,270	1,985,270	2,036,570	(51,300)
CAPITAL OUTLAY	19,000	19,000	50,458	(31,458)
Total expenditures	2,004,270	2,004,270	2,087,028	(82,758)
Excess of expenditures over revenues	$ -	$ -	(66,628)	$ (66,628)
FUND BALANCES, BEGINNING OF YEAR			106,311	
FUND BALANCES, END OF YEAR			$ 39,683	

Faulkner&Thompson P.A.
Certified Public Accountants

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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, 2022, 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 20, 2023.

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 20, 2023