

**CITY OF CHESTER, SOUTH CAROLINA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b><u>Evergreen Cemetery Trust Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 177,990	\$ 616	\$ 3,000	\$ 175,606
Due from (to) City of Chester	(6,088)	(3,000)	-	(9,088)
<b>Total Assets</b>	<b>\$ 171,902</b>	<b>\$ (2,384)</b>	<b>\$ 3,000</b>	<b>\$ 166,518</b>
<b>LIABILITIES</b>				
Funds held in trust for others	\$ 171,902	\$ (2,384)	\$ 3,000	\$ 166,518
<b>Total Liabilities</b>	<b>\$ 171,902</b>	<b>\$ (2,384)</b>	<b>\$ 3,000</b>	<b>\$ 166,518</b>
<b><u>Healthcare Trust Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 137,984	\$ 792,923	\$ 644,606	\$ 286,301
Due from (to) Others	-	-	-	-
<b>Total Assets</b>	<b>\$ 137,984</b>	<b>\$ 792,923</b>	<b>\$ 644,606</b>	<b>\$ 286,301</b>
<b>LIABILITIES</b>				
Funds held in trust for others	\$ 137,984	\$ 792,923	\$ 644,606	\$ 286,301
<b>Total Liabilities</b>	<b>\$ 137,984</b>	<b>\$ 792,923</b>	<b>\$ 644,606</b>	<b>\$ 286,301</b>
<b><u>Totals - All Trust Funds</u></b>				
<b>ASSETS</b>				
Cash	\$ 315,974	\$ 793,539	\$ 647,606	\$ 461,907
Due from (to) City/Others	(6,088)	(3,000)	-	(9,088)
<b>Total Assets</b>	<b>\$ 309,886</b>	<b>\$ 790,539</b>	<b>\$ 647,606</b>	<b>\$ 452,819</b>
<b>LIABILITIES</b>				
Funds held in trust for others	\$ 309,886	\$ 790,539	\$ 647,606	\$ 452,819
<b>Total Liabilities</b>	<b>\$ 309,886</b>	<b>\$ 790,539</b>	<b>\$ 647,606</b>	<b>\$ 452,819</b>

**CITY OF CHESTER, SOUTH CAROLINA**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF MUNICIPAL COURT FEES AND FINES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>COURT FINES</u>	
Collected	\$ -
Retained by City	-
	<hr/>
	-
 <u>COURT ASSESSMENTS</u>	
Collected	59,759
Retained by City	7,507
	<hr/>
	67,266
 <u>COURT SURCHARGES</u>	
Collected	25,730
Retained by City	4,797
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	30,527
 <u>AMOUNT ALLOCATED TO VICTIM'S SERVICES</u>	
Court Assessments	7,507
Court Surcharges	4,797
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Total allocated to Victim's Services	<u>\$ 12,304</u>

**CAMP, MORING & BRENDLE, L.L.C.**

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 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, 2015, 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 March 1, 2017.

**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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses:

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: Findings #15-1 through #15-7.

**Compliance and Other Matters**

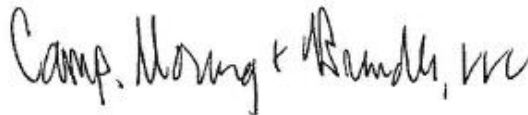
As part of obtaining reasonable assurance about whether City of Chester, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 15-4 and 15-5.

**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.



Columbia, South Carolina  
March 1, 2017

**CITY OF CHESTER, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

**Summary of Auditors' Results:**

1. Summary of the auditors' results	
a. Financial Statements	
i. Type of auditors' report issued :	Unmodified
ii. Internal control over financial reporting:	
1. Material weakness(es) identified?	No
2. Significant deficiency(s) identified that are not considered to be material weaknesses?	Seven
3. Noncompliance material to the financial statements.	N/A
b. Dollar threshold used to distinguish between type A and type B programs:	\$750,000
c. Auditee qualified as low-risk?	No

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

**Finding #15-1: Trial Balance Funds Did Not Balance**

*Condition:* While the overall general ledger was in balance before audit fieldwork began, three internal funds, including the general fund, were out of balance.

*Criteria:* 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.

*Cause:* The City's Finance and Administration Departments had turnover, as well as vacancies, during the year which lead to conflicting procedures and priorities as well as duplication of effort. Transactions and journal entries were erroneously made between funds resulting in individual funds being out of balance at various times throughout the fiscal year.

*Recommendation:* All of the City's revenue and expenditure transactions should be recorded in the financial statements accurately, to include the proper fund. And, any variances or out of balance funds should be investigated immediately. The City Administrator and/or City Council should also regularly review the funds on an individual basis for proper accounting.

**Finding #15-2: Cash and Revenue Reconciliations Not Made on a Timely or Accurate Basis**

*Condition:* The City's bank accounts were not timely reconciled. A majority of the bank reconciliations for the June 30, 2015 fiscal year were not performed until an outside consultant was brought in during the June 30, 2017 fiscal year. At this time, it was also discovered that several transactions were not properly accounted for in the general ledger. For example, a new bank account was opened for the Narcotics Seizure Account in April 2015 but none of the transactions had been recorded in the general ledger.

Revenue reconciliations were not timely performed either. It was discovered during the bank and revenue confirmation reconciliation processes that several deposits were not recorded in the City's general ledger at the time they were made into the bank accounts and were not recorded into the proper revenue account once they were recorded. Furthermore, deposits were not made on a daily or timely basis resulting in checks/receipts not being deposited until up to months after they had been received.

The untimely reconciliations and deposits made tracing deposits from the accounting system to the supporting documentation and bank statements extremely difficult.

*Criteria:* Timely and accurate recording of all revenue and expenditure transactions is necessary if there is to be meaningful financial statement reporting and budget comparisons. Mistakes and errors could have been corrected in a timelier manner if monthly and/or regular reconciliations are being performed.

**CITY OF CHESTER, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

**Finding #15-2: Cash and Revenue Reconciliations Not Made on a Timely or Accurate Basis-(continued)**

*Cause:* The City's Finance and Administration Departments had turnover, as well as vacancies, during the year which lead to conflicting procedures and priorities as well as duplication of effort.

*Recommendation:* All of the City's revenue and expenditure transactions should be recorded in the financial statements as they occur to reflect accurate financial statements. And, all of the City's bank accounts should be reconciled monthly with any variances being investigated immediately. The City Administrator and/or City Council should also regularly review revenue accounts and investigate any inconsistencies or variances.

**Finding #15-3: Deposits Made and Checks Written on Wrong Accounts**

*Condition:* Several instances were noted where deposits were made to and checks were written from the wrong bank account. For example, \$15,422 in taxes received from Chester County for the Chester Fire District were deposited into the City's general fund account rather than the Fire District's bank account, resulting in an accounts payable to the District at year end.

*Criteria:* Timely and accurate recording of all revenue and expenditure transactions is necessary if there is to be meaningful financial statement reporting and budget comparisons. And, all deposits and checks should be accounted for in the proper fund and bank account.

*Cause:* The City's Finance and Administration Departments had turnover, as well as vacancies, during the year which lead to conflicting procedures and priorities as well as duplication of effort.

*Recommendation:* All of the City's revenue and expenditure transactions should be recorded in the proper bank account and general ledger fund to reflect accurate financial statements. And, all of the City's bank accounts, as well as revenue receipts, should be reconciled in a timely manner with any variances being investigated immediately. The City Administrator and/or City Council should also regularly review revenue accounts and investigate any inconsistencies or variances.

**Finding #15-4: Failure to Record Federal Grant in the City's Financial Statements**

*Condition:* A federal grant from the Department of Commerce was not recorded in the City's financial statements. The East Chester Village Renaissance Phase II grant was properly maintained by the Catawba Regional Council of Government. However, the grant was awarded to the City so all the revenue and expenditure transactions should be reflected in the City's financial statements. As a result, over \$60,000 in federal funds was not recorded during the fiscal year.

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

*Cause:* The City's Finance and Administration Departments had turnover, as well as vacancies, during the year which lead to conflicting procedures and priorities as well as duplication of effort. The City failed to record the grant information in their financial statements as it was provided by the Catawba COG.

*Recommendation:* All of the City's revenue and expenditure transactions, including those maintained by an outside organization, should be recorded in the financial statements in a timely manner to reflect accurate financial statements.

**Finding #15-5: Other Post-Employment Benefits Actuarial Valuation Not Performed**

*Condition:* An Other Post-Employment Benefits (OPEB) Actuarial Valuation was performed as of June 30, 2012 but was not performed again as of June 30, 2015.