

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF CHESTER, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended June 30, 2023



TOWN OF CHESTER, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Select Board
Town of Chester, Massachusetts

Opinions

We have audited the accompanying financial statements of the Town of Chester, Massachusetts, (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Except as described under the *Basis for Adverse Opinion on Governmental Activities, Business-Type Activities and Proprietary Funds* paragraph below, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2023 and the respective changes in financial position, and where applicable, the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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.

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.

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 Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility

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 auditors' 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 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 the 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 a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Town’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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Government-wide Financial Statements	
Governmental Activities	Adverse
Business-type Activities	Adverse
Fund Financial Statements	
Governmental Funds	Unmodified
Proprietary Funds	Adverse

Basis for Adverse Opinion on Governmental Activities, Business-Type Activities and Proprietary Funds

Management has not included governmental activities or business-type activities in the Town’s financial statements. In addition, Management has not recorded capital assets, net other postemployment benefits liability, net pension liability and other expense accruals and provisions in its proprietary funds in addition to not including the net position, statement of activities and cash flows of the Chester Municipal Electric Light Plant. The impact of those omissions has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Governmental Activities, Business-Type Activities and Proprietary Funds* paragraph, the financial statements referred to above do not present fairly the financial position of the Town or the changes in

financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information is the responsibility of management and 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. Our opinion on the basic financial statements is not affected by this missing information.

Management has omitted information related to the Town's net pension liability and net other postemployment liability that is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 20, 2024

TOWN OF CHESTER, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Summer 21 Storm Damage	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 878,048	\$ 343,645	\$ 232,211	\$ 379,212	\$ 1,833,116
Investments	381,868	-	-	38,273	420,141
Receivables:					
Property taxes	446,620	-	-	-	446,620
Excise	102,473	-	-	-	102,473
Departmental and other	162,328	-	-	37,264	199,592
Intergovernmental	12,443	-	-	14,385	26,828
Tax foreclosures	17,913	-	-	-	17,913
Total Assets	<u>2,001,693</u>	<u>343,645</u>	<u>232,211</u>	<u>469,134</u>	<u>3,046,683</u>
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 2,001,693</u>	<u>\$ 343,645</u>	<u>\$ 232,211</u>	<u>\$ 469,134</u>	<u>\$ 3,046,683</u>
Liabilities					
Accrued payroll and withholdings	\$ 6,993	\$ -	\$ -	\$ -	\$ 6,993
Bond anticipation notes payable	-	-	-	100,000	100,000
Unearned revenue	-	-	232,211	-	232,211
Other liabilities	38,318	-	-	-	38,318
Total Liabilities	<u>45,311</u>	<u>-</u>	<u>232,211</u>	<u>100,000</u>	<u>377,522</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	400,325	-	-	-	400,325
Unavailable revenue - excise taxes	102,473	-	-	-	102,473
Unavailable revenue - other	180,241	-	-	37,264	217,505
Total Deferred Inflows of Resources	<u>683,039</u>	<u>-</u>	<u>-</u>	<u>37,264</u>	<u>720,303</u>
Fund Balances					
Nonspendable	-	-	-	46,098	46,098
Restricted	-	343,645	-	402,648	746,293
Committed	1,843	-	-	-	1,843
Assigned	357,281	-	-	-	357,281
Unassigned	914,219	-	-	(116,876)	797,343
Total Fund Balances	<u>1,273,343</u>	<u>343,645</u>	<u>-</u>	<u>331,870</u>	<u>1,948,858</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,001,693</u>	<u>\$ 343,645</u>	<u>\$ 232,211</u>	<u>\$ 469,134</u>	<u>\$ 3,046,683</u>

See accompanying notes to basic financial statements.

TOWN OF CHESTER, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Summer 21 Storm Damage	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 2,847,226	\$ -	\$ -	\$ -	\$ 2,847,226
Intergovernmental	339,904	-	73,171	739,163	1,152,238
Motor vehicle and other excises	162,742	-	-	-	162,742
Licenses and permits	32,713	-	-	-	32,713
Departmental and other revenue	175,142	-	-	240,108	415,250
Penalties and interest on taxes	31,186	-	-	-	31,186
Fines and forfeitures	1,871	-	-	-	1,871
Investment income	28,522	-	-	1,290	29,812
Contributions and donations	-	-	-	826	826
Total Revenues	<u>3,619,306</u>	<u>-</u>	<u>73,171</u>	<u>981,387</u>	<u>4,673,864</u>
Expenditures					
Current:					
General government	454,971	-	41,706	397,102	893,779
Public safety	220,102	-	21,465	160,962	402,529
Education	1,744,575	-	10,000	2,000	1,756,575
Public works	591,424	111,627	-	188,654	891,705
Health and human services	101,393	-	-	13,210	114,603
Culture and recreation	58,700	-	-	97,412	156,112
Fringe and pension benefits	220,271	-	-	-	220,271
State and county tax assessments	1,240	-	-	-	1,240
Debt service:					
Interest	1,050	-	-	-	1,050
Total Expenditures	<u>3,393,726</u>	<u>111,627</u>	<u>73,171</u>	<u>859,340</u>	<u>4,437,864</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>225,580</u>	<u>(111,627)</u>	<u>-</u>	<u>122,047</u>	<u>236,000</u>
Other Financing Sources (Uses)					
Transfers in	20,534	-	-	78,874	99,408
Transfers out	(108,353)	(18,740)	-	(1,794)	(128,887)
Total Other Financing Sources (Uses)	<u>(87,819)</u>	<u>(18,740)</u>	<u>-</u>	<u>77,080</u>	<u>(29,479)</u>
Net Change in Fund Balances	137,761	(130,367)	-	199,127	206,521
Fund Balances - Beginning	1,135,582	474,012	-	132,743	1,742,337
Fund Balances - Ending	<u>\$ 1,273,343</u>	<u>\$ 343,645</u>	<u>\$ -</u>	<u>\$ 331,870</u>	<u>\$ 1,948,858</u>

See accompanying notes to basic financial statements.

TOWN OF CHESTER, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023**

	<u>Business-Type Activities Enterprise Funds</u>	<u>Water</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,266	
User fees, net of allowance for uncollectibles	63,539	
Total current assets	<u>89,805</u>	
Total Assets	<u>89,805</u>	
Liabilities		
Current liabilities:		
Bonds payable	16,620	
Total current liabilities	<u>16,620</u>	
Noncurrent liabilities:		
Bonds payable	268,533	
Total noncurrent liabilities	<u>268,533</u>	
Total Liabilities	<u>285,153</u>	
Net Position		
Unrestricted	<u>(195,348)</u>	
Total Net Position	<u>\$ (195,348)</u>	

See accompanying notes to basic financial statements.

TOWN OF CHESTER, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Business-Type Activities Enterprise Funds
	Water
Operating Revenues	
Charges for services	\$ 165,024
Total Operating Revenues	165,024
Operating Expenses	
Operating costs	182,586
Total Operating Expenses	182,586
Operating Income (Loss)	(17,562)
Nonoperating Revenues (Expenses)	
Intergovernmental	85,672
Interest expense	(13,550)
Total Nonoperating Revenues (Expenses)	72,122
Income (Loss) Before Transfers	54,560
Transfers in	29,479
Net Transfers	29,479
Change in Net Position	84,039
Total Net Position - Beginning	(279,387)
Total Net Position - Ending	\$ (195,348)

See accompanying notes to basic financial statements.

TOWN OF CHESTER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

	<u>Business-Type Activities Enterprise Funds</u>
	<u>Water</u>
Cash Flows from Operating Activities	
Receipts from users	\$ 123,181
Payments to employees	(40,316)
Payments to vendors	<u>(142,270)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(59,405)</u>
Cash Flows from Noncapital Related Financing Activities	
Transfers in	<u>29,479</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>29,479</u>
Cash Flows from Capital and Related Financing Activities	
Intergovernmental grants	85,672
Principal payments on bonds and notes	(15,930)
Interest expense	<u>(13,550)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>56,192</u>
Net Change in Cash and Cash Equivalents	26,266
Cash and Cash Equivalents	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 26,266</u></u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities	
Operating income (loss)	\$ (17,562)
Changes in assets and liabilities:	
Receivables	(41,843)
Accounts payable and accrued expenses	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (59,405)</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHESTER, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

I. Summary of Significant Accounting Policies

Management has not included governmental activities or business-type activities in the Town's financial statements. The impact of this omission has not been determined. In addition, Management has not recorded capital assets, net other postemployment benefits liability, net pension liability and other expense accruals and provisions in its proprietary funds. The impact of those omissions has not been determined.

Except as discussed in the previous paragraph, the basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of Chester is located in Hampden County, 30 miles west of Springfield, and was incorporated as a town in 1783. The governing structure utilizes an open town meeting form, with an elected three-member Select Board. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish and recycling, public education, water services, cable access, street maintenance and parks and recreational services. The water services are funded almost entirely with user charges and are provided via connections to Town owned facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

Joint Venture – The Town has entered into a joint venture with the Town of Russell, Blandford and Huntington to pool resources and share the costs, risks and rewards of providing education services through the Gateway Regional School District (GRSD). This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2023, the Town's share of the operating and debt service expenses was \$1,568,765. There is no equity interest reported in these financial statements. Stand-alone financial statements for the year ended June 30, 2023 are available at the Gateway Regional School Town, 12 Littleville Rd, Huntington, Massachusetts 01050. Additionally, smaller amounts, which in aggregate are \$135,134 were paid to technical high schools.

B. Fund Financial Statements

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. 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. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

ARPA Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures related to the ARPA grant.

Summer 21 Storm Damage – is used to account for the grant money received from the state for storm damage in the summer of 2021 that is restricted, committed or assigned to expenditures related to the damage from the storm.

The *Nonmajor Governmental Funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for doubtful accounts is not required. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for doubtful accounts which is determined as those outstanding amounts greater than five years old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from major and nonmajor governmental funds is legally assigned to the General Fund unless otherwise directed by state law. Investment income of proprietary funds is retained in the respective funds.

Long-term Obligations – Long-term debt is reported as liabilities in the business-type and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources- In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of financial resources. This separate financial statement element, *deferred outflows of financial resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The Town reported no deferred outflow of resources for the year ended June 30, 2023.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item which qualifies for reporting in this category only under a modified accrual basis of accounting; and accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes, excise taxes and other departmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily to the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact. The Town's non-spendable fund balance reported in the Nonmajor governmental funds consists of the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority, which consists of the Town Meeting through Town Meeting votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Select Board or their designee.

The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed.

When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

The following table reflects the Town's fund equity categorizations:

	General	Summer 21 Storm Damage Fund	ARPA Funds	Nonmajor Governmental Funds	Total
Nonspendable:					
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ 46,098	\$ 46,098
Restricted:					
General government	-	-	-	210,545	210,545
Public safety	-	-	-	14,796	14,796
Education	-	-	-	37,512	37,512
Public works	-	343,645	-	20,447	364,092
Health and human services	-	-	-	27,351	27,351
Culture and recreation	-	-	-	91,997	91,997
Committed:					
Culture and recreation	1,843	-	-	-	1,843
Assigned:					
General government	4,849	-	-	-	4,849
Public safety	8,212	-	-	-	8,212
Public works	11,403	-	-	-	11,403
Health and human services	1,746	-	-	-	1,746
Culture and recreation	754	-	-	-	754
Subsequent years' budget	330,317	-	-	-	330,317
Unassigned	914,219	-	-	(116,876)	797,343
Totals	\$ 1,273,343	\$ 343,645	\$ -	\$ 331,870	\$ 1,948,858

Stabilization Funds – The Town maintains a general stabilization fund, a fire truck stabilization fund, town building stabilization fund, town roads stabilization fund, and an education stabilization fund. All of which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of all of these funds totals \$515,590 at June 30, 2023 and is reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed.

Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$26,964 of encumbrances from normal purchasing activity in the General Fund as assigned and \$1,843 of encumbrances from Town Meeting Votes in the General Fund as committed. There are no encumbrances reported in any other fund.

E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred deficits totaling \$116,876 in the nonmajor fund as restricted fund balance. These deficits will be funded through grants, bond proceeds and other available funds in future fiscal years.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings.

At year-end, the carrying amount of the Town's deposits was \$1,859,382 and the bank balance was \$1,961,169. Of the Town's bank balance, \$1,644,631 was covered by either federal depository insurance or by the depositors' insurance fund, the rest was uninsured.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town's common stock investments totaling \$92,244 are not exposed to custodial credit risk because they are held by the Town. The Town does not have a formal investment policy related to custodial credit risk.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.

- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2023:

<u>Investments by fair value level</u>	<u>6/30/23</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Debt securities:</u>				
Corporate bonds	\$ 90,354	\$ -	\$ 90,354	\$ -
Fixed income - EFT	237,542	-	237,542	-
Total debt securities	327,896	-	327,896	-
<u>Equity securities:</u>				
Common stock	92,244	92,244	-	-
Total equity securities	92,244	92,244	-	-
Total Investments by Fair Value Level	\$ 420,140	\$ 92,244	\$ 327,896	\$ -

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Negotiable certificates of deposit are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Interest Rate Risk: Investments – Debt security investments are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

At June 30, 2023, the Town had the following investments with maturities:

<u>Investments</u>	<u>6/30/23</u>	<u>Maturities in Years</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>>10</u>
Corporate bonds	\$ 90,354	\$ -	\$ 18,502	\$ 71,852	\$ -
Certificates of Deposit	215,636	215,636	-	-	-
Total Investments with Maturities	\$ 305,990	\$ 215,636	\$ 18,502	\$ 71,852	\$ -
<u>Other investments:</u>					
Common stock equities	92,244				
Fixed income - EFT	237,542				
Total Investments	\$ 635,776				

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. No issuer represents more than 5% of the Town’s total investments.

Credit Risk – The Town has not adopted a formal policy related to credit risk.

As of June 30, 2023, the credit quality ratings of the Town’s debt securities were as follows:

Investments	Bond Rating (Moody's)					Total
	A1	A3	Baa1	Baa2	Unrated	
Corporate bonds	\$ 32,890	\$ 18,501	\$ 17,043	\$ 21,920	\$ -	\$ 90,354
Certificates of Deposit	-	-	-	-	215,636	215,636
Totals	\$ 32,890	\$ 18,501	\$ 17,043	\$ 21,920	\$ 215,636	\$ 305,990

B. Receivables

Receivables as of year-end for the Town’s individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 428,367	\$ -	\$ 428,367
Tax liens	18,253	-	18,253
Excise	102,473	-	102,473
Department and other	199,592	-	199,592
Intergovernmental	26,828	-	26,828
Total	\$ 775,513	\$ -	\$ 775,513

Receivables as of year-end for the Town’s proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	\$ 63,539	\$ -	\$ 63,539
Total	\$ 63,539	\$ -	\$ 63,539

Governmental funds report deferred inflows of resources in connections with receivables for revenues that are considered unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

Receivable type:	General	Other	Total
	Fund	Governmental Funds	
Real estate and personal property taxes	\$ 382,072	\$ -	\$ 382,072
Tax liens	18,253	-	18,253
Excise taxes	102,473	-	102,473
Department and other	162,328	37,264	199,592
Tax foreclosures	17,913	-	17,913
Total	\$ 683,039	\$ 37,264	\$ 720,303

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2023, is as follows:

Transfers Out	Transfers In			Total
	General Fund	Nonmajor Funds	Water Enterprise	
General Fund	\$ -	\$ 78,874	\$ 29,479	\$ 108,353 (1)
Summer 21 Storm Damage	18,740	-	-	18,740 (2)
Nonmajor Fund	1,794	-	-	1,794 (3)
Total	\$ 20,534	\$ 78,874	\$ 29,479	\$ 128,887

(1) Transfers to Nonmajor Funds to fund revolving accounts and Water Enterprise Fund for operations.

(2) Transfers to General Fund for Storm Damage work.

(3) Transfers to General Fund to close out grant and other funds.

D. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANs) or tax anticipation notes (TANs).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANs) or grant anticipation notes (GANs). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively.

Temporary notes outstanding at June 30, 2023, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	1.05%	04/07/23	\$ 100,000	\$ -	\$ (100,000)	\$ -
BAN	4.30%	04/04/24	-	100,000	-	100,000
Total Governmental Notes			100,000	100,000	(100,000)	100,000
Total Notes Payable			\$ 100,000	\$ 100,000	\$ (100,000)	\$ 100,000

Short-term BAN's were issued for a town highway truck (\$100,000).

E. Long-Term Obligations

Bond and Note Indebtedness – The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for various business-type activities.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following reflects the current year activity in the long-term liability accounts:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<u>Business - type Activities</u>					
USDA	4.50%	\$ 301,083	\$ -	\$ (15,930)	\$ 285,153
Total Business - type Activities		\$ 301,083	\$ -	\$ (15,930)	\$ 285,153

The Business-type activities will liquidated from water user charges.

The following is a summary of outstanding long-term debt for the year ended June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Business-type Activities: Water					
USDA - Direct debt	\$ 301,083	\$ -	\$ (15,930)	\$ 285,153	\$ 16,620
Total Business-type Activities: Water	\$ 301,083	\$ -	\$ (15,930)	\$ 285,153	\$ 16,620

Payments on outstanding long-term debt obligation bonds and notes due in future years consists of the following:

<u>Business - type Activities - Direct Debt</u>			
Year Ending June 30	Principal	Interest	Total
2024	\$ 16,620	\$ 12,859	\$ 29,479
2025	17,335	12,144	29,479
2026	18,148	11,331	29,479
2027	18,965	10,514	29,479
2028	19,818	9,661	29,479
2029-2033	113,257	34,138	147,395
2034-2036	81,010	7,480	88,490
Total	<u>\$ 285,153</u>	<u>\$ 98,127</u>	<u>\$ 383,280</u>

Authorized and Unissued Debt – At June 30, 2023 the Town had no authorized and unissued debt.

III. Other Information

A. Commitments and Contingencies

The Town is party to certain other legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2023, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2023.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is subject to Federal arbitrage laws regarding its long-term borrowing agreements. Failure to comply with the rules could result in penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

IV. Implementation of New GASB Pronouncements

Current Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, Conduit Debt Obligations. The objective of this Statement was to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement became effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

In March 2020, the GASB issued GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The objective of this Statement was to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

Future Year Implementations

In June 2022, the GASB issued GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, Compensated Absences. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In December 2023, the GASB issued GASB Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2024 (fiscal year 2025). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF CHESTER, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Real Estate and Personal Property	\$ 2,852,335	\$ 2,852,335	\$ 2,853,107		\$ 2,853,107	\$ 772
Intergovernmental	338,922	338,922	327,461		327,461	(11,461)
Motor Vehicle and Other Excise	151,500	151,500	162,742		162,742	11,242
Departmental and Other Revenue	126,000	126,000	175,142		175,142	49,142
Licenses and Permits	20,000	20,000	32,713		32,713	12,713
Penalties and Interest	35,000	35,000	31,186		31,186	(3,814)
Fines and Forfeitures	-	-	1,871		1,871	1,871
Investment Income	2,500	2,500	17,666		17,666	15,166
Total Revenues	<u>3,526,257</u>	<u>3,526,257</u>	<u>3,601,888</u>		<u>3,601,888</u>	<u>75,631</u>
Expenditures:						
General government	532,601	537,852	454,971	\$ 4,849	459,820	78,032
Public safety	236,627	238,666	220,102	8,212	228,314	10,352
Education	1,765,636	1,765,636	1,744,575	-	1,744,575	21,061
Public works	540,985	583,801	591,424	11,403	602,827	(19,026)
Health and human services	127,815	127,887	101,393	1,746	103,139	24,748
Culture and recreation	66,978	66,978	58,700	2,597	61,297	5,681
Fringe and pension benefits	254,392	254,906	220,271	-	220,271	34,635
State and county tax assessments	2,400	2,400	1,240	-	1,240	1,160
Debt service	6,050	6,050	1,050	-	1,050	5,000
Total Expenditures	<u>3,533,484</u>	<u>3,584,176</u>	<u>3,393,726</u>	<u>\$ 28,807</u>	<u>3,422,533</u>	<u>161,643</u>
Other Financing Sources (Uses):						
Transfers in	-	18,740	20,534		20,534	1,794
Transfers out	(29,479)	(108,353)	(108,353)		(108,353)	-
Total Other Financing Sources (Uses)	<u>(29,479)</u>	<u>(89,613)</u>	<u>(87,819)</u>		<u>(87,819)</u>	<u>1,794</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses Of Prior Year Budgetary Fund Balance	<u>(36,706)</u>	<u>(147,532)</u>	<u>\$ 120,343</u>		<u>\$ 91,536</u>	<u>\$ 239,068</u>
Other Budgetary Items:						
Use of unassigned fund balance (free cash)	2,825	113,651				
Prior year encumbrances and articles	99,959	99,959				
Overlay Deficit	(66,078)	(66,078)				
Total Other Budgetary Items	<u>36,706</u>	<u>147,532</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.
 See notes to the required supplementary information of this schedule.

TOWN OF CHESTER MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Select Board and approved by the Town Meeting members at the Town’s annual meeting. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within their Department or budget. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2023, Town Meeting did not approve any material supplemental budgetary appropriations.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. The difference between the budgetary basis of accounting and GAAP is presented in the table below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 3,601,888
Property tax revenue recognition	\$ (5,881)	\$ -	\$ (5,881)
Intergovernmental deferred receivable elimination	12,443	-	12,443
Stabilization interest	-	10,856	10,856
Revenues on a GAAP basis	<u>\$ 6,562</u>	<u>\$ 10,856</u>	<u>\$ 3,619,306</u>
Expenditures on a budgetary basis			\$ 3,393,726
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,393,726</u>
Other financing sources (uses) on a budgetary basis			\$ (87,819)
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (87,819)</u>