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May 20, 2024

Town of Chester  
Members of the Select Board  
Chester, MA

Dear Honorable Board:

We have audited the financial statements of the Town of Chester, Massachusetts “the Town” as of and for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We communicated such information to the Town’s management prior to our commencement of auditing procedures. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Scope limitation*

There were no scope limitations.

*GAAP Departure*

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.

*Material Weaknesses/Significant Deficiencies*

See GAAP departure above, the omission of critical elements in the financial statements for them to be in accordance with generally accepted accounting principles is a material weakness.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note I. to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2023.

We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Town has eliminated all of its sensitive estimates by not complying with generally accepted accounting principles as described previously.

#### *Difficulties Encountered in Performing the Audit*

See material weaknesses described above.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in aggregate, to the Town's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 20, 2024.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following highlight observations we wish to communicate:

1. As described in the previous paragraphs, the Town's financial statements are currently not in compliance with generally accepted accounting principles. We recommend the following in order to address this material weakness:
  - a. Complete an inventory and subsequent costing, including depreciation of its current capital assets.
  - b. Obtain an other postemployment benefits (OPEB) study.
  - c. Calculate compensated absences.
  - d. Complete an audit of the Chester Municipal Electric Light Plant. (We understand this is underway.)
2. Currently the Town maintains outstanding real estate taxes dating to 1987. Anything greater than 40 months is past the point of being able to lien, so the Town has lost its lien rights with respect to these older outstanding receivable balances. Some of these balances are buried amongst the deficit balances discussed in the prior comment. The Town could attempt to collect these through other means such as through small-claims court or use of a collection agent, but these processes are inefficient. The Town could also petition the State to allow the Town to waive penalties and interest through a certain period. This sometimes motivates taxpayers to pay their obligations. If all this fails, the Town should petition the State to abate these taxes.
3. In order to avoid a similar outcome as item 9, the Town should secure tax liens on all outstanding real estate less than 4 years old. Based on the amounts outstanding, it does not appear these tax liabilities have gone through a thorough tax lien process.
4. Currently, there does not exist support for outstanding motor vehicle balances from levy years 1990 to 2013. The total balance is about \$35,000. In all likelihood, since the Registry of Motor Vehicles no longer tags excise greater than 10 years old, the amounts are most likely not collectible. These probably represent mostly individuals who are deceased or who have moved away.

We recommend the Collector work with the Deputy Collector to assess the likelihood of collecting those delinquent accounts greater than 10 years old and possibly begin the process of abating these through this process under MGL Chapter 60A Section 7:

- The collector, if convinced that a motor vehicle excise is uncollectible because of death, absence, poverty, insolvency, bankruptcy, or other inability to pay, may give notice to the assessors, using Form 380A-60A-7.
  - The assessors have 30 days to act after receipt of the notice. Upon granting an abatement, the assessors must issue an abatement certificate to the collector. This certification will discharge the collector from any further obligation with respect to this excise.
5. The Collector currently maintains 8 real estate levy years and 6 personnel property years in which a negative balance exists. Negative balances indicate an overpayment has occurred or a coding error is in play. MGL allows the Collector to advertise these overpayments as abandoned property. If not claimed after 12 months, these credit balances may be removed from the listings. We suggest such a process is undertaken.

6. We recommend that the Town review its critical controls over its security and cyber operations. Continued training of employees and implementation of cybersecurity controls should be an ongoing annual process.
7. Fraud prevention is an area that should be under ongoing evaluation. Evaluating cash processes of cash handling areas annually through effective risk assessment and proper safeguards is an effective control to protect the Town from threats associated with fraud. We will discuss this with management annually through our risk assessment procedures to assure that management is monitoring this critical aspect of government.
8. ARPA – As the deadline for obligating funds received from the American Rescue Plan Act approaches, we remind our clients that funds must be obligated by way of a legal commitment or purchase order by December 31, 2024. Merely implementing a plan by approval of the Selectmen is not sufficient.
9. The reconciliation of the Treasurer’s cash book to the bank accounts reflect an unknown variance of \$20,943 in aggregate, the majority in the vendor checking account. In addition, there are known variances of \$8,158 and unrecorded revenue of \$6,129 at the end of the year. The unrecorded revenue is most likely timing however the known variances should be adjusted at this point along with efforts to determine what the unknown variance consists of.
10. We recommend that the Town develop a comprehensive internal control policies and procedures manual. This should be developed and approved by the appropriate board or committee. This document should be in sufficient detail to establish clear requirements for day-to-day operations and allow new staff to understand the Town’s internal control systems. Financial policies should be incorporated into this manual as well.
11. While reviewing police details, we determined that the police detail account has a positive fund balance. Since police details are not collected in advance, these balances should always be in deficit in an amount equal to the receivable balance. In fact, if the entire receivable balance were collected, it would leave a balance of over \$60,000 in the account. We also observed accounts identified as shared police costs which are in deficit in total by about \$35,000. It appears that these related accounts could have been commingled somehow. We suggest these are reviewed to determine why this outcome has occurred.

#### Other Matters

We applied certain limited procedures to the Town’s required supplementary information (“RSI”) that supplements the basic financial statements; specifically the budget/actual schedule. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We also made verbal communications about matters that we deemed appropriate to Town Management throughout the course of the engagement and through the time of issuance of the financial statements.

Restriction on Use

This information is intended solely for the information and use of the Select Board and management of the Town of Chester and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Roselli Clark & Associates*

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Certified Public Accountants  
Woburn, Massachusetts