

**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, 2024



**TOWN OF CHESTER, MASSACHUSETTS**

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YEAR ENDED JUNE 30, 2024**

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**INDEPENDENT AUDITORS' REPORT**

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

**Adverse and Unmodified 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, 2024, 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 for the Chester Municipal Electric Light Department “the Light Plant, CMLP, Light Department or the Plant”, which are as of December 31, 2023). We did not audit the financial statements of the Light Department. The Light Department represents 91.5%, 112.9% and 88.5% respectively of the assets, net position, and operating revenues of the Town’s business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Light Department, is based solely on the report of the other auditors.

*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

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

In our opinion, because of the significance of the matter discussed in the ***Basis for Adverse and Unmodified Opinions*** section of our report, the financial statements referred to above do not present fairly the financial position of the governmental activities, business-type activities and proprietary funds for the Town of Chester, Massachusetts as of June 30, 2024, or the changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

*Unmodified Opinion on Governmental Funds*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds of the Town of Chester, Massachusetts as of June 30, 2024 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Basis for Adverse and Unmodified Opinions**

We conducted our audit 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. 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 adverse and unmodified opinions.

### *Matter Giving Rise to Adverse Opinions 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. The impact of those omissions has not been determined.

## **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 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 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 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 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.

### **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  
August 5, 2025

TOWN OF CHESTER, MASSACHUSETTS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024**

	General Fund	Capital Projects Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 450,923	\$ 301,126	\$ 209,134	\$ 227,230	\$ 1,188,413
Investments	900,975	-	-	37,955	938,930
Receivables:					
Property taxes	467,126	-	-	-	467,126
Excise	110,040	-	-	-	110,040
Departmental and other	135,875	-	-	-	135,875
Intergovernmental	15,494	-	177,380	-	192,874
Tax foreclosures	17,913	-	-	-	17,913
<b>Total Assets</b>	<u>2,098,346</u>	<u>301,126</u>	<u>386,514</u>	<u>265,185</u>	<u>3,051,171</u>
<b>Total Deferred Outflows of Resources</b>	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 2,098,346</u>	<u>\$ 301,126</u>	<u>\$ 386,514</u>	<u>\$ 265,185</u>	<u>\$ 3,051,171</u>
<b>Liabilities</b>					
Accrued payroll and withholdings	\$ 119,269	\$ 518,903	\$ 26,303	\$ 64,131	\$ 728,606
Bond anticipation notes payable	-	527,500	-	-	527,500
Unearned revenue	-	-	52,534	-	52,534
Other liabilities	9,303	-	-	-	9,303
<b>Total Liabilities</b>	<u>128,572</u>	<u>1,046,403</u>	<u>78,837</u>	<u>64,131</u>	<u>1,317,943</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	457,021	-	-	-	457,021
Unavailable revenue - excise taxes	110,040	-	-	-	110,040
Unavailable revenue - other	153,788	-	-	-	153,788
<b>Total Deferred Inflows of Resources</b>	<u>720,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>720,849</u>
<b>Fund Balances</b>					
Nonspendable	-	-	-	46,098	46,098
Restricted	-	-	307,677	219,240	526,917
Committed	22,691	-	-	-	22,691
Assigned	167,153	-	-	-	167,153
Unassigned	1,059,081	(745,277)	-	(64,284)	249,520
<b>Total Fund Balances</b>	<u>1,248,925</u>	<u>(745,277)</u>	<u>307,677</u>	<u>201,054</u>	<u>1,012,379</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 2,098,346</u>	<u>\$ 301,126</u>	<u>\$ 386,514</u>	<u>\$ 265,185</u>	<u>\$ 3,051,171</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, 2024**

	General Fund	Capital Projects Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 2,839,152	\$ -	\$ -	\$ -	\$ 2,839,152
Intergovernmental	351,063	435,779	2,029,835	-	2,816,677
Motor vehicle and other excises	147,646	-	-	-	147,646
Licenses and permits	21,180	-	-	-	21,180
Departmental and other revenue	122,194	-	-	396,357	518,551
Penalties and interest on taxes	32,017	-	-	-	32,017
Fines and forfeitures	3,836	-	-	-	3,836
Investment income	69,759	-	-	3,004	72,763
Contributions and donations	-	-	-	2,091	2,091
<b>Total Revenues</b>	<u>3,586,847</u>	<u>435,779</u>	<u>2,029,835</u>	<u>401,452</u>	<u>6,453,913</u>
<b>Expenditures</b>					
Current:					
General government	476,794	-	639,714	823	1,117,331
Public safety	267,641	541,000	77,083	346,637	1,232,361
Education	1,775,116	-	-	2,000	1,777,116
Public works	602,204	736,680	1,382,007	-	2,720,891
Health and human services	102,939	-	4,275	10,200	117,414
Culture and recreation	63,459	-	89,849	115	153,423
Fringe and pension benefits	213,897	-	-	-	213,897
State and county tax assessments	1,488	-	-	-	1,488
Debt service:					
Interest	7,697	-	-	-	7,697
<b>Total Expenditures</b>	<u>3,511,235</u>	<u>1,277,680</u>	<u>2,192,928</u>	<u>359,775</u>	<u>7,341,618</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>75,612</u>	<u>(841,901)</u>	<u>(163,093)</u>	<u>41,677</u>	<u>(887,705)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	29,449	222,500	-	-	251,949
Transfers out	(129,479)	(9,000)	(19,925)	(142,319)	(300,723)
<b>Total Other Financing Sources (Uses)</b>	<u>(100,030)</u>	<u>213,500</u>	<u>(19,925)</u>	<u>(142,319)</u>	<u>(48,774)</u>
<b>Net Change in Fund Balances</b>	(24,418)	(628,401)	(183,018)	(100,642)	(936,479)
Fund Balances - Beginning, as reclassified	1,273,343	(116,876)	490,695	301,696	1,948,858
Fund Balances - Ending	<u>\$ 1,248,925</u>	<u>\$ (745,277)</u>	<u>\$ 307,677</u>	<u>\$ 201,054</u>	<u>\$ 1,012,379</u>

See accompanying notes to basic financial statements.

**TOWN OF CHESTER, MASSACHUSETTS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2024**

	Business-Type Activities		
	Enterprise Funds		
	Water	Light	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 192,473	\$ 759,386	\$ 951,859
Investments	-	-	-
User fees, net of allowance for uncollectibles	44,191	61,077	105,268
Other asset	-	125,118	125,118
Total current assets	<u>236,664</u>	<u>945,581</u>	<u>1,182,245</u>
Noncurrent assets:			
Funds on Deposit with Town Treasurer	-	688,438	688,438
Capital assets, net of depreciation	-	920,475	920,475
Total noncurrent assets	<u>-</u>	<u>1,608,913</u>	<u>1,608,913</u>
<b>Total Assets</b>	<u>236,664</u>	<u>2,554,494</u>	<u>2,791,158</u>
<b>Deferred Outflows of Resources</b>			
Related to net pension liability		372,025	372,025
<b>Total Deferred Outflows of Resources</b>	<u>-</u>	<u>372,025</u>	<u>372,025</u>
<b>Liabilities</b>			
Current liabilities:			
Warrants and accounts payable	113,197	90,032	203,229
Accrued interest	6,072	-	6,072
Bonds payable	17,335	-	17,335
Other	-	9,250	9,250
Total current liabilities	<u>136,604</u>	<u>99,282</u>	<u>235,886</u>
Noncurrent liabilities:			
Bonds payable	251,198	-	251,198
Net pension liability	-	835,960	835,960
Total noncurrent liabilities	<u>251,198</u>	<u>835,960</u>	<u>1,087,158</u>
<b>Total Liabilities</b>	<u>387,802</u>	<u>935,242</u>	<u>1,323,044</u>
<b>Deferred Inflows of Resources</b>			
Related to Contribution in Aid of Construction	-	598,307	598,307
Related to net pension liability	-	68,326	68,326
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>666,633</u>	<u>666,633</u>
<b>Net Position</b>			
Net investment in capital assets	-	920,475	920,475
Net Position Restricted for Depreciation	-	688,438	688,438
Unrestricted	(151,138)	(284,269)	(435,407)
<b>Total Net Position</b>	<u>\$ (151,138)</u>	<u>\$ 1,324,644</u>	<u>\$ 1,173,506</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	(December 31, 2023)	
		Light	Total
<b>Operating Revenues</b>			
Charges for services	\$ 172,808	\$ 1,299,867	\$ 1,472,675
Other	-	31,891	31,891
<b>Total Operating Revenues</b>	<u>172,808</u>	<u>1,331,758</u>	<u>1,504,566</u>
<b>Operating Expenses</b>			
Operating costs	232,938	1,630,207	1,863,145
Depreciation	-	56,683	56,683
<b>Total Operating Expenses</b>	<u>232,938</u>	<u>1,686,890</u>	<u>1,919,828</u>
<b>Operating Income (Loss)</b>	<u>(60,130)</u>	<u>(355,132)</u>	<u>(415,262)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental	74,497	-	74,497
Interest income	-	18,760	18,760
Interest expense	(18,931)	-	(18,931)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>55,566</u>	<u>18,760</u>	<u>74,326</u>
<b>Income (Loss) Before Transfers</b>	<u>(4,564)</u>	<u>(336,372)</u>	<u>(340,936)</u>
Transfers in	48,774	-	48,774
<b>Net Transfers</b>	<u>48,774</u>	<u>-</u>	<u>48,774</u>
<b>Change in Net Position</b>	44,210	(336,372)	(292,162)
Total Net Position - Beginning	<u>(195,348)</u>	<u>1,661,016</u>	<u>1,465,668</u>
Total Net Position - Ending	<u>\$ (151,138)</u>	<u>\$ 1,324,644</u>	<u>\$ 1,173,506</u>

See accompanying notes to basic financial statements.

**TOWN OF CHESTER, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2024**

	Business-Type Activities Enterprise Funds		
	(December 31, 2023)		
	Water	Light	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from users	\$ 192,156	\$ 1,353,375	\$ 1,545,531
Payments to employees	(29,731)	(459,018)	(488,749)
Payments to vendors	(90,010)	(946,261)	(1,036,271)
Net Cash Provided by (Used for) Operating Activities	<u>72,415</u>	<u>(51,904)</u>	<u>20,511</u>
<b>Cash Flows from Noncapital Related Financing Activities</b>			
Transfers in	48,774	-	48,774
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>48,774</u>	<u>-</u>	<u>48,774</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Intergovernmental grants	74,497	-	74,497
Acquisition and construction of capital assets	-	(44,673)	(44,673)
Principal payments on bonds and notes	(16,620)	-	(16,620)
Interest expense	(12,859)	-	(12,859)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>45,018</u>	<u>(44,673)</u>	<u>345</u>
<b>Cash Flows from Investing Activities</b>			
Interest income	-	11,569	11,569
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>11,569</u>	<u>11,569</u>
<b>Net Change in Cash and Cash Equivalents</b>	166,207	(85,008)	81,199
<b>Cash and Cash Equivalents</b>			
Beginning of year	26,266	844,394	870,660
End of year	<u>\$ 192,473</u>	<u>\$ 759,386</u>	<u>\$ 951,859</u>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities</b>			
Operating income (loss)	\$ (60,130)	\$ (355,132)	\$ (415,262)
Depreciation expense	-	56,683	56,683
Pension Expense	-	198,689	198,689
Changes in assets and liabilities:			
Receivables	19,348	21,617	40,965
Other assets	-	(35,791)	(35,791)
Accounts payable and accrued expenses	113,197	62,030	175,227
Net Cash Provided by (Used for) Operating Activities	<u>\$ 72,415</u>	<u>\$ (51,904)</u>	<u>\$ 20,511</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, 2024

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#### 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 2024, the Town's share of the operating and debt service expenses was \$1,606,927. There is no equity interest reported in these financial statements. Stand-alone financial statements for the year ended June 30, 2024 are available at the Gateway Regional School Town, 12 Littleville Rd, Huntington, Massachusetts 01050. Additionally, smaller amounts, which in aggregate are \$168,189 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.

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

Federal and State Grants Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures related to the Federal and State grants.

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.

*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.

*Light Plant Enterprise Fund* – The Chester Municipal Light Plant accounts for user charges collected to finance costs associated with providing electric power to the Town's residents and businesses.

#### **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, 2024.

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	Capital Projects Fund	Federal and State Grant Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ 46,098	\$ 46,098
Restricted:					
General government	-	-	8,728	53,299	62,027
Public safety	-	-	11,872	50,885	62,757
Education	-	-	-	36,502	36,502
Public works	-	-	223,987	-	223,987
Health and human services	-	-	12,770	22,787	35,557
Culture and recreation	-	-	50,320	55,767	106,087
Committed:					
General government	14,848	-	-	-	14,848
Health and human services	6,000	-	-	-	6,000
Culture and recreation	1,843	-	-	-	1,843
Assigned:					
General government	1,920	-	-	-	1,920
Public safety	4,037	-	-	-	4,037
Education	15,459	-	-	-	15,459
Public works	82	-	-	-	82
Health and human services	53	-	-	-	53
Subsequent years' budget	145,602	-	-	-	145,602
Unassigned	1,059,081	(745,277)	-	(64,284)	249,520
<b>Totals</b>	<u>\$ 1,248,925</u>	<u>\$ (745,277)</u>	<u>\$ 307,677</u>	<u>\$ 201,054</u>	<u>\$ 1,012,379</u>

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 \$704,117 at June 30, 2024 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 \$21,551 of encumbrances from normal purchasing activity in the General Fund as assigned and \$22,691 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 \$745,277 and \$64,284 in the capital projects and nonmajor fund, respectively, as restricted fund balance. These deficits will be funded through grants, bond proceeds and other available funds in future fiscal years. In addition, appropriation deficits in snow and ice, debt service and other minor line items were raised on the 2025 tax recap.

## 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 \$788,121 and the bank balance was \$1,089,798. Of the Town's bank balance, \$1,693,493 was covered by either federal depository insurance (FDIC) or by the depositors' insurance fund (DIF), the rest was uninsured.

The Chester Municipal Electric Light Department's deposits with the Town Treasurer are held with various financial institutions. Funds on deposit with financial institutes are subject to the insurance coverage limits imposed by the FDIC and DIF. Operating funds with these financial institutions are fully insured as of December 31, 2023

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 \$156,805 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.

Custodial Credit Risk: Light Depreciation Fund – Investment custodial risk is the risk that, in the event of a failure by the counterparty, the Department will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Department's Depreciation fund accounts held with two financial institutions, M&T Bank and Westfield Bank, have funds in excess of FDIC coverage limits. As of December 31, 2023 the Department has custodial risk exposure of \$188,438.

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, 2024:

	6/30/24	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 201,960	\$ 201,960	\$ -	\$ -
Corporate bonds	337,575	-	337,575	-
Fixed income - EFT	242,590	-	242,590	-
Total debt securities	782,125	201,960	580,165	-
Equity securities:				
Common stock	156,805	156,805	-	-
Total equity securities	156,805	156,805	-	-
Total Investments by Fair Value Level	<u>\$ 938,930</u>	<u>\$ 358,765</u>	<u>\$ 580,165</u>	<u>\$ -</u>

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, 2024, the Town had the following investments with maturities:

Investments	6/30/24	Maturities in Years			
		Less than 1	1 - 5	6 - 10	>10
Government Obligations	\$ 201,960	\$ 201,960	\$ -	\$ -	\$ -
Corporate bonds	337,576	34,474	195,731	107,371	-
Certificates of Deposit	225,034	225,034	-	-	-
Total Investments with Maturities	\$ 764,570	\$ 461,468	\$ 195,731	\$ 107,371	\$ -
<b>Other investments:</b>					
Common stock equities	156,805				
Fixed income - EFT	242,590				
Total Investments	<u>\$ 1,163,965</u>				

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, 2024, the credit quality ratings of the Town’s debt securities were as follows:

Investments	Bond Rating (Moody's)							Total
	Aaa	A1	A2	A3	Baa1	Baa2	Unrated	
Government Obligations	\$ 201,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,960
Corporate bonds	35,767	50,889	85,510	53,159	51,583	60,668	-	337,576
Certificates of Deposit	-	-	-	-	-	-	225,034	225,034
Totals	<u>\$ 237,727</u>	<u>\$ 50,889</u>	<u>\$ 85,510</u>	<u>\$ 53,159</u>	<u>\$ 51,583</u>	<u>\$ 60,668</u>	<u>\$ 225,034</u>	<u>\$ 764,570</u>

## 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	\$ 420,047	\$ -	\$ 420,047
Tax liens	47,079	-	47,079
Excise	110,040	-	110,040
Department and other	135,875	-	135,875
Intergovernmental	192,874	-	192,874
Total	<u>\$ 905,915</u>	<u>\$ -</u>	<u>\$ 905,915</u>

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	\$ 44,191	\$ -	\$ 44,191
Light user fees	61,077	-	61,077
Total	<u>\$ 105,268</u>	<u>\$ -</u>	<u>\$ 105,268</u>

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:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 409,942	\$ -	\$ 409,942
Tax liens	47,079	-	47,079
Excise taxes	110,040	-	110,040
Department and other	135,875	-	135,875
Tax foreclosures	17,913	-	17,913
Total	<u>\$ 720,849</u>	<u>\$ -</u>	<u>\$ 720,849</u>

### C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024 (December 31, 2023 for Light Plant) was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities - Light:</i>				
Capital assets not being depreciated:				
Land	\$ 2,066	\$ -	\$ -	\$ 2,066
Total capital assets not being depreciated	<u>2,066</u>	<u>-</u>	<u>-</u>	<u>2,066</u>
Capital assets being depreciated:				
Distribution Plant	1,855,033	-	(270)	1,854,763
General Plant	852,291	44,673	(34,999)	861,965
Total capital assets being depreciated	<u>2,707,324</u>	<u>44,673</u>	<u>(35,269)</u>	<u>2,716,728</u>
Less accumulated depreciation for:				
Distribution Plant	(1,248,505)	(55,651)	-	(1,304,156)
General Plant	(503,593)	(25,569)	34,999	(494,163)
Total accumulated depreciation	<u>(1,752,098)</u>	<u>(81,220)</u>	<u>34,999</u>	<u>(1,798,319)</u>
Total capital assets being depreciated, net	<u>955,226</u>	<u>(36,547)</u>	<u>(270)</u>	<u>918,409</u>
Business activities capital assets, net	<u>\$ 957,292</u>	<u>\$ (36,547)</u>	<u>\$ (270)</u>	<u>\$ 920,475</u>

Depreciation expense was charged to functions/programs as follows:

Business-type Activities:

Light *	\$ 81,220
Total Business-type Activities	<u>\$ 81,220</u>

\* Depreciation expense for the year ended December 31, 2023 was \$81,220. Depreciation expense reported on the Statement of Revenues, Expenses and Changes in Net Position is net of amortization of \$24,537 related to contribution in aid of construction for the year ended December 31, 2023.

**D. Interfund Receivables, Payables and Transfers**

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

Transfers Out	General Fund	Capital Projects Fund	Water Enterprise	Total	
General Fund	\$ -	\$ 100,000	\$ 29,479	\$ 129,479	(1)
Capital Projects Fund	9,000	-	-	9,000	(2)
Federal and State Grants Fund	630	-	19,295	19,925	(3)
Nonmajor Fund	19,819	122,500	-	142,319	(4)
Total	<u>\$ 29,449</u>	<u>\$ 222,500</u>	<u>\$ 48,774</u>	<u>\$ 300,723</u>	

(1) Transfers to Capital Projects to fund fire truck accounts and Water Enterprise Fund for debt payments.

(2) Transfers to General Fund for fire truck excess funds.

(3) Transfers to General Fund to close out grant and Water Enterprise for water capital.

(4) Transfers to General Fund to close out grant and Capital Projects for fire truck accounts.

**E. 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, 2024, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	4.30%	04/04/24	\$ 100,000	\$ -	\$ (100,000)	\$ -
BAN	4.70%	04/04/25	-	527,500	-	527,500
SAN	5.00%	01/08/24	-	418,903	(418,903)	-
Total Governmental Notes			100,000	946,403	(518,903)	527,500
Total Notes Payable			\$ 100,000	\$ 946,403	\$ (518,903)	\$ 527,500

Short-term BAN's were issued for a town highway truck (\$100,000) and a fire truck (\$427,500).

#### F. 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
<b><i>Business - type Activities</i></b>					
USDA	4.50%	\$ 285,153	\$ -	\$ (16,620)	\$ 268,533
Total Business - type Activities		\$ 285,153	\$ -	\$ (16,620)	\$ 268,533

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, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<b>Business-type Activities: Water</b>					
USDA - Direct debt	\$ 285,153	\$ -	\$ (16,620)	\$ 268,533	\$ 17,335
Total Business-type Activities: Water	\$ 285,153	\$ -	\$ (16,620)	\$ 268,533	\$ 17,335
<b>Business-type Activities: Light</b>					
Net pension liability	\$ 695,533	\$ 140,427	\$ -	\$ 835,960	\$ -
Total Business-type Activities: Light	\$ 695,533	\$ 140,427	\$ -	\$ 835,960	\$ -

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	Principal	Interest	Total
June 30			
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	20,686	8,793	29,479
2030-2034	118,378	29,017	147,395
2035-2036	55,203	3,808	59,011
Total	<u>\$ 268,533</u>	<u>\$ 85,268</u>	<u>\$ 353,801</u>

Authorized and Unissued Debt – At June 30, 2024 the Town had no authorized and unissued debt.

### **III. Other Information**

#### **A. Retirement System**

Retirement System disclosures are for the CMLP only as of December 31, 2023. These do not include disclosures for the Town since the Town has chosen not to report these in the financial statements.

Pension Plan Description – The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan for the Town, Chester Municipal Light Plant (CMLP). The System was established under Chapter 32 of Massachusetts General Laws. The System is administered by the Town and is part of the reporting entity. Stand-alone financial statements for the year ended December 31, 2023 were issued and are available at the Retirement Office, 253 Atlantic Avenue, Hull, Massachusetts 02045.

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the Federal Social Security Retirement System.

Massachusetts contributory retirement system benefits are uniform for all municipal retirement system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with

hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefits terms in fiscal year 2024.

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of MGL, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The CMLP contributed approximately \$74,306 to the System in fiscal year 2024, which equaled the actuarially determined contribution requirement for the fiscal year.

Net Pension Liability – At December 31, 2023, the CMLP reported a liability of \$835,960 for its proportionate share of the net pension liability.

The net pension liability was measured as of December 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. For the January 1, 2022 valuation, the System updated the mortality rates for pre-retirement and post-retirement and disabilities.

Fiduciary Net Position – The elements of the System's basic financial statements (that is, all information about the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the fiduciary fund financial statements.

The System's fiduciary net position was determined using the accrual basis of accounting. The System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees

are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The CMLP recognized \$198,689 of pension expense in the statement of activities in fiscal year 2024.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2024, the CMLP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Changes in assumptions	\$ 39,781	\$ -
Net differences between projected and actual investment earnings	62,920	-
Changes in proportion differences	199,614	59,468
Differences between expected and actual experience	2,115	8,858
Contributions made subsequent to the measurement date	67,595	-
	<u>\$ 372,025</u>	<u>\$ 68,326</u>

Of the total amount reported as deferred outflows of resources related to pension, \$67,595 resulting from CMLP contributions paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability for the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town’s pension expense as follows:

Year Ended June 30,	
<u>                    </u>	
2024	\$ 118,231
2025	31,343
2026	33,184
2027	59,655
2028	(6,309)
	<u>\$ 236,104</u>

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022. The significant actuarial assumptions used in the January 1, 2022 actuarial valuation included:

Actuarial cost method	Entry age normal
Amortization method	Top appropriation increases by 8.0% per year. For fiscal 2031 and later years, each year's total appropriation increases 3.75% per year, with a smaller payment in fiscal 2036.
Investment rate of return	7.00% per year, net of expenses
Projected salary increases	Select and ultimate by job group, ultimate rates of 4.00% for group 1 and 4.50% for group 4
Cost of living adjustments	3% on the first \$18,000 of benefits
Pre-retirement mortality	The RP-2014 Bue Collar Employees table projected generationally with Scale MP-2021 (gender distinct)
Post-retirement mortality	The RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021 (gender distinct)
Disabled life mortality	The RP-2014 Blue Collar Healthy Annuitant table set forward one year and projected generationally with Scale MP-2021 (gender distinct)

The Board is responsible for the establishing and amending investment policy decisions. The Board adopted the investment policy used by PRIM as all of its investments are invested with PRIM. According to its investment policy, PRIM’s overall objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. PRIM maintains a long-term perspective in formulating and implementing its investment policies and evaluating its investment performance.

PRIM seeks to generate long-term investment performance that meets or exceeds actuarially targeted rates of return (currently at 7.0%). PRIM establishes investment benchmarks by asset class to compare its actual performance against. Finally, PRIM compares its investment performance against the investment performance of other large public and private pension plans with the goal to be in the top 50% of this universe.

At December 31, 2023, all of the System’s investments are held in the custody of PRIM within their PRIT General Allocation Fund. The PRIT General Allocation Fund is comprised of a diverse set of investments accounts. The PRIT General Allocation Fund’s target weights and the long-term expected rates of return for each of these asset classes were as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	20.5%	6.59%
International Developed Markets Equity	12.0%	6.87%
International Emerging Markets Equity	4.5%	8.30%
Core Fixed Income	15.0%	1.53%
High Yield Fixed Income	8.0%	3.54%
Real Estate	10.0%	3.44%
Timber	4.0%	4.01%
Hedge Fund	10.0%	3.06%
Private Equity	16.0%	9.49%
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2022 actuarial valuation report was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the CMLP proportionate share of the net pension liability calculated using the discount rate of 7.00% as well as using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net Pension Liability	7.00%	\$ 1,033,686	\$ 835,960	\$ 669,597

**B. 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, 2024, 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, 2024.

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 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 adoption of this accounting standard did not have a material impact on the Town.

##### **Future Year Implementations**

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.

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2025 (fiscal year 2026). 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, 2024

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues:</b>						
Real Estate and Personal Property	\$ 2,933,238	\$ 2,933,238	\$ 2,875,342		\$ 2,875,342	\$ (57,896)
Intergovernmental	340,554	340,554	348,012		348,012	7,458
Motor Vehicle and Other Excise	151,700	151,700	147,646		147,646	(4,054)
Departmental and Other Revenue	114,400	114,400	122,194		122,194	7,794
Licenses and Permits	20,000	20,000	21,180		21,180	1,180
Penalties and Interest	31,000	31,000	32,017		32,017	1,017
Fines and Forfeitures	-	-	3,836		3,836	3,836
Investment Income	2,900	2,900	36,051		36,051	33,151
Total Revenues	<u>3,593,792</u>	<u>3,593,792</u>	<u>3,586,278</u>		<u>3,586,278</u>	<u>(7,514)</u>
<b>Expenditures:</b>						
General government	517,702	544,332	476,794	\$ 16,768	493,562	50,770
Public safety	257,656	274,470	267,641	4,037	271,678	2,792
Education	1,816,234	1,816,234	1,775,116	15,459	1,790,575	25,659
Public works	498,462	499,562	602,204	82	602,286	(102,724)
Health and human services	131,570	131,570	102,939	6,053	108,992	22,578
Culture and recreation	68,320	68,320	63,459	1,843	65,302	3,018
Fringe and pension benefits	215,115	236,315	213,897	-	213,897	22,418
State and county tax assessments	1,488	1,488	1,488	-	1,488	-
Debt service	2,050	2,050	7,697	-	7,697	(5,647)
Total Expenditures	<u>3,508,597</u>	<u>3,574,341</u>	<u>3,511,235</u>	<u>\$ 44,242</u>	<u>3,555,477</u>	<u>18,864</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	9,630		9,630	9,630
Transfers out	(329,479)	(264,479)	(264,479)		(264,479)	-
Total Other Financing Sources (Uses)	<u>(329,479)</u>	<u>(264,479)</u>	<u>(254,849)</u>		<u>(254,849)</u>	<u>9,630</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses Of Prior Year Budgetary Fund Balance	<u>(244,284)</u>	<u>(245,028)</u>	<u>\$ (179,806)</u>		<u>\$ (224,048)</u>	<u>\$ 20,980</u>
<b>Other Budgetary Items:</b>						
Use of unassigned fund balance (free cash)	311,625	312,369				
Prior year encumbrances and articles	28,807	28,807				
Overlay Deficit	(96,148)	(96,148)				
Total Other Budgetary Items	<u>244,284</u>	<u>245,028</u>				
<b>Net Budget</b>	<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, 2024**

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**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 2024, 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			\$ 3,586,278
Property tax revenue recognition	\$ (36,190)	\$ -	(36,190)
Intergovernmental deferred receivable elimination	3,051	-	3,051
Stabilization interest	-	33,708	33,708
Revenues on a GAAP basis	<u>\$ (33,139)</u>	<u>\$ 33,708</u>	<u>\$ 3,586,847</u>
Expenditures on a budgetary basis			\$ 3,511,235
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,511,235</u>
Other financing sources (uses) on a budgetary basis			\$ (254,849)
Stabilization transfers	\$ -	\$ 154,819	154,819
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 154,819</u>	<u>\$ (100,030)</u>