

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**CHESTER MUNICIPAL ELECTRIC
LIGHT DEPARTMENT**

Report on Internal Control
Over Financial Reporting

Year Ended December 31, 2024





The Honorable Members of the Board of Commissioners
Chester Municipal Electric Light Department
Chester, MA

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of the Chester Municipal Electric Light Department (CMELD) (the "Town"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise CMELD's basic financial statements and have issued our report thereon dated November 15, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CMELD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CMELD's internal control. Accordingly, we do not express an opinion on the effectiveness of the CMELD's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did, however, identify significant deficiencies and these are identified in the body of this report. Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance.

We have also included for informational purposes other observations which we believe will be helpful to CMELD.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
November 15, 2025

CHESTER MUNICIPAL ELECTRIC LIGHT DEPARTMENT

SCHEDULE OF FINDINGS YEAR ENDED DECEMBER 31, 2024

Significant Deficiencies

1. Skills, knowledge and experience

As is the case in most small municipal entities, the financial statements are prepared by the outside independent auditor. This is a permissible practice as long as the entity has an individual with the necessary skills, knowledge and experience to review and accept the financial statement prior to finalizing them.

Since CMELD's internal financials are required to be recorded as an enterprise fund in the Town of Chester's financial statements, the basic accounting standards of the Uniform Municipal Accounting System (UMAS) are followed with a conversion to generally accepted accounting principles (GAAP) for the external financial statements. As a result, there are many entries (GAAP) entries that are required in order for the financial statements to conform.

In discussing this with the Accounting Manager, she has indicated her responsibility is to manage the office and the records of the office and not to prepare GAAP financial statements or understand the entries needed to convert. In fact, even basic UMAS accounting is not followed properly.

The Town uses a CPA as their Town Accountant, however this CPA is not requested to be involved in the recordkeeping of CMELD or to provide any oversight, so the deficiency remains.

We understand that the Board has engaged a specialist for future consulting services relative to satisfying this deficiency for future fiscal years and we agree with this action plan.

2. Segregation of duties

Similar to the comments above and typical in small entities is the assignment of many duties to one individual. Resources usually don't accommodate the ability for smaller entities to properly establish an ideal segregation.

With CMELD, since it is an enterprise fund with the Town, there is the indirect oversight from the Town Accountant and Treasurer and with the engagement of the specialist as discussed above, a good portion of this risk will be reduced.

3. Capital asset inventory

Currently there is no master listing of capital asset inventory, therefore there is no underlying support to the amount recorded in the DPU report and subsequently reported in the financial statements.

We suggest such an inventory is completed, and any corrections made to the current records.

4. General Ledger Accounts

- a. Records are never reconciled between CMELD and the Town. While CMELD is somewhat autonomous, it is an enterprise fund, and those records are included in the Town's general ledger. A great check and balance would be to tie the CMELD records back to the Town's records, especially cash and retained earnings/fund balances.

Of significant note, the cash records maintained by the Town and those maintained by CMELD have a variance of over \$240,000.

- b. Inventory sheets are maintained and updated by CMELD after performing an inventory count, however the general ledger is never adjusted for the counts until after the audit. This is not effective inventory control. A \$68,000 adjustment was required in the current year's audit.
- c. Other items requiring adjustments were accounts receivable, and accounts payable. In addition, we proposed adjustments for pension-related items, but these are very rarely made by municipal entities in their internal records.

Observations

1. Investment Income

Per Massachusetts General Laws, all cash bank accounts are required to be in the custody of the Town Treasurer, however management of those accounts is the responsibility of CMELD and its Board. During fiscal 2024 CMELD earned about \$19,000 in interest on over \$1.3 million in cash balances despite investment yields of 4 - 5% at pooled funds such as MMDT during that year. We suggest CMELD begin to investigate better returns on its bank accounts. Interest are dropping a bit but yields remain relatively high.

2. Policy and Procedure Manual

We recommend that CMELD develop a comprehensive internal control policies and procedures manual. This should be developed and approved by the board. This document should be in sufficient detail to establish clear requirements for day-to-day operations and allow any new staff to understand the Town's internal control systems. Financial policies should be incorporated into this manual as well.

3. Security Risk Assessment

We recommend that CMELD 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 in addition to possibly having a cybersecurity assessment.