



Town of Chester

DECEMBER 31, 2025

Financial Statement Presentation

Table of Contents

1. Client's Responsibilities
2. Auditor's Responsibilities
3. Estimates Definition
4. Materiality Definition
5. Balance Sheet – Governmental Funds
6. Statement of Revenues, Expenditure and Change in Fund Balance
7. Statement of Net Position – Proprietary Funds
8. Statement of Revenues, Expenditures and Changes in Net Position
9. Review Points – General fund
10. Review Points – Other funds
11. Review Points – Water & Sewer fund
12. Recommendations – General fund
13. Recommendations – Water & Sewer fund
14. Final Thoughts

Presented by:

Ron Smith, Managing Partner

June 17, 2026

- Design, implement, and maintain internal controls
- Provide an understanding of the company's control environment, including software programs utilized
- Comply with applicable laws, regulations, and accounting standards (GASB and GAAP)
- Responsible for the selection and use of appropriate accounting policies
- Communication accounting estimate rationale and preparation/review of financial statements
- Provide key financial information including reconciliations, trial balances, and supporting documentation on a timely basis
- Provide supplementary information requested by the firm
- Create and utilize various accounting and financial related policies
- Understand financial and compliance related details that accompany grant accepted

- Audit in accordance with AICPA guidelines including understanding your control environment sufficient to assess the risk of material misstatement. We do not render an opinion on your control environment.
- Identify and propose adjustments to remedy material misstatements
- Audit the financial statements of the governmental activities and where applicable, business-type activities, each major fund and the aggregate of the remaining fund information.
- Determine the client's adherence with GAAP and GASB
- Evaluate key factors and assumptions used to develop accounting estimates
- Identify and resolve any disagreements with management that could be significant to the financial statements and auditor's report
- Prepare the draft financial statements, footnotes, required supplementary information and if required, federal compliance report
- Make recommendations to improve the control environment

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

Planning materiality is the maximum amount of misstatement or omission in a financial statement that an auditor believes could influence the economic decisions of a reasonable user. It is established during the initial phase of an audit to design the nature, timing, and extent of audit procedures.

Key Components

- **The Overall Threshold:** Expressed as a specific dollar amount, it applies to the financial statements as a whole.
- **How It's Calculated:** Auditors use professional judgment and typically apply specific percentages to financial benchmarks, such as pretax income, total revenue, or total assets.
- **Performance Materiality:** Auditors also derive a lower threshold known as "performance materiality". This accounts for the risk of aggregated, undetected errors and helps determine the sample sizes for testing specific account balances.
- **Dynamic Nature:** Planning materiality is not static. If business operations or financial conditions change during the year, auditors may adjust these thresholds.

Town of Chester
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2025

	General Fund	Moved from Nonmajor Fund Grant Fund	Solarfield Fund	Storm 2023	Nonmajor Funds Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 547,588	\$ -	\$ -	\$ -	\$ -	\$ 44,715	\$ 592,301
Investments	-	-	-	-	-	550,637	550,637
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Taxes receivable	622,675	-	-	-	-	-	622,675
Other	315,234	-	1,140,000	-	-	153,644	1,608,878
Prepaid items	40,254	-	-	-	-	-	40,254
Due from other governments	-	-	-	-	-	384,184	384,184
Due from other funds	1,777,608	-	-	685,379	-	795,571	3,258,558
TOTAL ASSETS	\$ 3,303,355	\$ -	\$ 1,140,000	\$ 685,379	\$ -	\$ 1,928,751	\$ 7,057,485
LIABILITIES							
Accounts payable	\$ 202,567	\$ 12,244	\$ 3,729	\$ 13,832	\$ -	\$ 48,801	\$ 281,173
Other liabilities	20,888	-	-	-	-	-	20,888
Due to other governments	1,407,273	-	-	-	-	-	1,407,273
Due to other funds	1,480,950	607,091	78,027	-	-	383,054	2,549,122
TOTAL LIABILITIES	3,111,478	619,335	81,756	13,832	-	431,855	4,258,256
DEFERRED INFLOWS OF RESOURCES							
Prepaid taxes	36,037	-	-	-	-	-	36,037
Deferred tax revenues	152,690	-	-	-	-	-	152,690
TOTAL DEFERRED INFLOWS OF RESOURCES	188,727	-	-	-	-	-	188,727
FUND BALANCES (DEFICITS)							
Nonspendable	40,254	-	-	-	-	-	40,254
Restricted	-	-	-	-	-	444,542	444,542
Committed	-	-	1,058,244	671,547	-	911,125	2,640,916
Assigned	-	-	-	-	-	460,371	460,371
Unassigned	(57,104)	(619,335)	-	-	-	(319,142)	(975,581)
TOTAL FUND BALANCES (DEFICITS)	3,150	(619,335)	1,058,244	671,547	-	1,496,896	2,610,502
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)							
	\$ 3,303,355	\$ -	\$ 1,140,000	\$ 685,379	\$ -	\$ 1,928,751	\$ 7,057,485

Town of Chester
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
December 31, 2025

	General Fund	Moved from	Solarfield Fund	Storm 2023	Nonmajor	Other Governmental Funds	Total Governmental Funds
		Nonmajor Fund			Funds		
		Grant Fund			Capital Projects Fund		
REVENUES							
Taxes	\$ 4,658,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,658,977
Education	7,489,828	-	-	-	-	-	7,489,828
Intergovernmental	113,201	2,278,197	-	2,057,992	-	215,253	4,665,333
Interest/Gains and Losses	-	-	-	-	-	73,636	73,636
Charges for services	1,011,596	-	-	-	-	-	1,011,596
Miscellaneous revenues	159,659	-	-	-	-	203,125	362,784
TOTAL REVENUES	13,411,351	2,278,197	-	2,057,992	-	492,814	18,240,154
EXPENDITURES:							
Current:							
General government	1,316,848	-	-	-	-	-	1,316,848
Public safety	1,608,837	-	-	-	-	-	1,608,837
Public works	1,531,076	-	-	-	-	-	1,531,076
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	591,739	-	-	-	-	-	591,739
Education	7,489,828	-	-	-	-	-	7,489,828
County tax	26,188	-	-	-	-	-	26,188
Voted articles	41,811	-	-	-	-	-	41,811
Other	-	2,904,013	-	223,135	-	649,658	3,775,206
Debt service:							
Principal	-	-	-	-	-	649,933	649,933
Interest	-	-	-	-	-	110,754	110,754
Capital outlay	-	-	81,756	223,135	-	776,688	855,445
TOTAL EXPENDITURES	12,968,327	2,904,013	81,756	223,135	-	2,185,434	17,962,665
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	443,024	(625,816)	(81,756)	1,834,857	-	(1,682,620)	257,480
OTHER FINANCING SOURCES (USES)							
Bond and loan proceeds	-	-	1,140,000	-	-	779,030	1,919,030
Transfers in	-	35,000	-	-	-	1,012,204	1,047,204
Transfers (out)	(1,047,204)	-	-	-	-	-	(1,047,204)
TOTAL OTHER FINANCING SOURCES (USES)	(1,047,204)	35,000	1,140,000	-	-	1,791,234	1,919,030
NET CHANGE IN FUND BALANCES (DEFICITS)	(224,180)	(590,816)	1,058,244	1,834,857	-	99,414	2,176,519
FUND BALANCES (DEFICITS) - JANUARY 1, AS PREVIOUSLY REPORTED	(302,920)	-	-	(1,163,310)	472,486	887,477	(96,267)
FUND BALANCE CORRECTION CHANGE WITHIN FINANCIAL REPORTING ENTITY	530,250	-	-	-	-	-	530,250
FUND BALANCES (DEFICITS) - JANUARY 1, AS RESTATED	227,330	(28,519)	-	(1,163,310)	(472,486)	887,477	433,983
FUND BALANCES (DEFICITS) - DECEMBER 31	\$ 1,150	\$ (919,335)	\$ 1,058,244	\$ 571,547	\$ -	\$ 1,486,891	\$ 2,910,500

Town of Chester
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
December 31, 2025

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Accounts receivable (net of allowance for uncollectibles)	\$ 40,222	\$ 57,510	\$ 97,732
Total current assets	40,222	57,510	97,732
Capital assets:			
Sewer assets	-	2,111,686	2,111,686
Water assets	3,760,511	-	3,760,511
Total capital assets	3,760,511	2,111,686	5,872,197
Less: accumulated depreciation	(473,193)	(941,107)	(1,414,300)
Net capital assets	3,287,318	1,170,579	4,457,897
TOTAL ASSETS	\$ 3,327,540	\$1,228,089	\$ 4,555,629
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,572	\$ 9,846	\$ 12,218
Accrued expenses	2,520	9,755	12,275
Due to other funds	453,852	255,582	709,434
Current portion of long-term obligations	111,510	86,270	177,780
Total current liabilities	570,454	341,253	911,707
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Accrued compensated absences	6,626	2,535	9,161
Bonds payable	2,192,832	252,685	2,445,517
Total noncurrent liabilities	2,199,458	255,220	2,454,678
TOTAL LIABILITIES	2,769,912	596,473	3,366,385
NET POSITION			
Net investment in capital assets	985,185	852,469	1,837,654
Unrestricted (deficits)	(427,557)	(220,853)	(648,410)
TOTAL NET POSITION	557,628	631,616	1,189,244
TOTAL LIABILITIES AND NET POSITION	\$ 3,327,540	\$1,228,089	\$ 4,555,629

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 397,204	\$ 518,864	\$ 916,068
TOTAL OPERATING REVENUES	<u>397,204</u>	<u>518,864</u>	<u>916,068</u>
OPERATING EXPENSES			
Payroll	238,742	242,743	481,485
Equipment	605	2,333	2,938
Plant maintenance	2,002	13,294	15,296
Sludge disposal	-	30,976	30,976
Chemicals	14,123	6,191	20,314
Pump stations	-	41,804	41,804
Meter installation	153,266	-	153,266
Collection system	13,506	-	13,506
Contract services	2,660	-	2,660
Well repair	3,967	-	3,967
Testing	2,067	4,895	6,962
Vehicle expenses	3,174	2,804	5,978
Utilities	34,984	61,777	96,761
Insurance	8,670	12,548	21,218
Repairs and maintenance	86	-	86
Grant expense	2,401	-	2,401
Miscellaneous	3,319	1,600	4,919
Depreciation	79,690	47,364	127,054
TOTAL OPERATING EXPENSES	<u>563,262</u>	<u>468,329</u>	<u>1,031,591</u>
OPERATING INCOME	<u>(166,058)</u>	<u>50,535</u>	<u>(115,523)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest (expense)	-	(7,616)	(7,616)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>(7,616)</u>	<u>(7,616)</u>
CHANGE IN NET POSITION	<u>(166,058)</u>	<u>42,919</u>	<u>(123,139)</u>
NET POSITION - JANUARY 1, AS PREVIOUSLY REPORTED	<u>859,901</u>	<u>603,341</u>	<u>1,463,242</u>
NET POSITION CORRECTION	<u>(136,215)</u>	<u>(14,644)</u>	<u>(150,859)</u>
NET POSITION - JANUARY 1, AS RESTATED	<u>723,686</u>	<u>588,697</u>	<u>1,312,383</u>
NET POSITION - DECEMBER 31	<u>\$ 557,628</u>	<u>\$ 631,616</u>	<u>\$ 1,189,244</u>

- Industry targeted fund balance is 30 to 90 days of General Fund operating budget
- Total Chester General fund Budget \$5,832,681
- General Fund Balance target range - \$466,000 to \$1,450,000
- General fund Balance at 12/31/25 - \$3,150
- Ambulance Accounts Receivable at 12/31/25 approximates \$304,000 (Need collection and write off policy)
- General fund Cash Flow problem with no Fund Balance
- Storms and Grants for reimbursement and other projects put strain on Towns Cash Flow

- Grant Fund in a deficit of (\$619,335) from various grants including FEMA waiting on continued reimbursements.
- Town has \$906,000 in various capital funds.
- Town has \$1,058,000 in Solar Field largely due to debt proceeds. Purchased Solar Filed in 2026.
- Town has \$671,000 in 2023 Storm Fund to continue to find projects.

- Water fund has equity of \$557,000. All equity tied up in fixed assets.
- Water Fund has no liquid operational funds (cash) to run day to day operations.
- Water Fund Annual Depreciation approximates \$80,000.
- Water and Sewer Fund has capital reserve money.
- Sewer fund has equity of \$631,000. All equity tied up in fixed assets.
- Sewer Fund has no liquid operational funds (cash) to run day to day operations.

1. Step 1 - Building 15 days of General Fund Balance.
2. Step 2 - Building 30 days of General Fund Balance.
3. Establish General Fund Balance policy.
4. Changing fiscal year to June 30 to align with school budget.
5. Going to multiple collections for property taxes.
6. Building tax stabilization reserve into future budgets.
7. Collection Policy for Rescue billings.

1. Reviewing Sewer rates
2. Reviewing Water Rates
3. More robust Water and Sewer Capital Plan.

This presentation is designed to support the Select Board and management in their review and understanding of the Town's financial operating results. The information contained herein should be considered alongside the audited financial statements and accompanying disclosures. It is not intended for any other use without the express written consent of **RHR Smith & Company, CPAs.**

Please contact us at 207-929-4606 or 800-300-7708
3 Old Orchard Road, Buxton, Maine 04093

