TOWN OF CHESTER
SELECT BOARD MEETING
June 17, 2026, Minutes

Board Members Present: Lee Gustafson, Arne Jonynas, and Lauren Fierman at Town Hall.

Staff Present: Julie Hance, Town Manager, at Town Hall; and Susan Bailey, Recording Secretary, via Zoom.

Visitors Present: Ron Smith of RHR Smith, Frank Bidwell, Shawn Cunningham, Jeff Holden, William Lindsay, Deb Epler, Deb Adrich, and Derek Suursoo at Town Hall; and Kirk MacGinnis, via Zoom.

Call to Order

Chair Lee Gustafson called the meeting to order at 5:00 p.m. and welcomed everyone. He led with the Pledge of Allegiance. Lee thanked everyone for attending.

Agenda Item 1, Citizens Comments

There were none.

Agenda Item 2, Review of 2025 Audit with RHR Smith (Auditors)

At the end of last year, it was brought to Julie's attention that there may be a deficit from 2024, referenced in the audit. They wanted a deep dive to make sure it was correct because it didn't seem right. They restated '24 as they did '25. Peter, who wasn't yet at the meeting, had concerns about it. As anticipated, there was no deficit.

Ron Smith, Managing Partner at RHR Smith & Company, introduced himself. He has been doing this for almost 40 years with a background in government and nonprofit. Ron thought they had audited all the school systems in Vermont and more than half of Maine's municipalities. Ron knew a lot and a lot about Vermont. His presentation about the audit is attached.

Ron said they didn't find any fraud, defalcation, or problems. The school caused some problems with timing of payments along with the way payments were posted, led to the perceived deficit.

Ron explained GAAP (Generally Accepted Accounting Principles) and GAAS (Generally Accepted Auditing Standards), at the request of Lee. The Governmental Accounting Standards Board (GASB) was born in the late 80s to come up with general standards which required transparency and disclosure, specifically around governments. Ron said GASB provides standards over and above regular accounting standards for governments.

The town has $3.3 million worth of assets and liabilities and no surplus. It has been that way for a few years. Ron said it was important to build a tax stabilization reserve for emergencies or unforeseen circumstances. The perceived deficit last year was nothing more than timing between

DRAFT

the school assessment and when Chester statutorily must pay the school assessment. The school is on a fiscal year, from July to June, while Chester is on a calendar year, so it was timing. In 2024 and 2025, school taxes were overpaid by $100,000 which happens annually to every municipality because of the conflict in fiscal years. Ron suggested Chester change their fiscal year to align with the school's, which a lot of towns have. Statutory language allows the town to defer the school budget closer to June, which would help align with the school budget. Ron thought a June Town Meeting, rather than March, would make more sense and has testified to the legislators about this. Grant funds are reimbursed, and Chester is forced to borrow in anticipation of them. Not having reserves creates cash flow problems, especially given FEMA reimbursement trickles in. Julie said most grants must be fully expended before they receive money. Chester has been busy with a lot of projects and infrastructure. The capital project money is pooled with the general fund money and gets Chester through the day to day; a practice they should eliminate. Arne wondered how they would build a reserve fund without raising taxes. Ron suggested they raise taxes. Julie said they had budgeted for it this year and Lauren said they wind up gambling that they won't need money in the future and end up not raising the taxes enough. Ron said they lost the gamble with the past storm that had depleted all of Chester's cash to put the town back together and they had to borrow until FEMA came through and reimbursed them. They had discussed this, and the voters voted against a reserve. Deferring maintenance will cost the town more later and Ron supported having a reserve account. The money isn't coming in fast enough to reimburse them for projects.

Ron said they had similar problems with the Water and Sewer departments who had no liquid equity; the only equity is in the infrastructure. The operational number was in a deficit because all the money was tied up in infrastructure and they had to borrow. Ron wasn't saying it was a bad thing because they had to do it. Sewer wasn't as concerning as Water where they struggled this year. It will take multiple years for the solar to pay for itself. Julie said they paid $150,000 for meters this year and hadn't raised rates since COVID, which they were now doing. They needed to expand their customer base and/or raise rates over a period of 4 to 5 years. Arne wondered how they should run anything without borrowing. Ron said they need to diversify their base and plan for the next 15 or so years out. Julie said that's what the Town Plan was about. The industry targeted fund balance is 30, 60, to 90 days of the operating budget or for Chester, $466,000 for the lowest and $1.45 million for the highest. $900,000 would be in the middle. Arne asked where the delinquent taxes fit in, and Ron said it fit into how they pay the school taxes because they don't have money. Operational equity is tied up into infrastructure which is attached to debt. It's a problem that more money is set aside for special reserves than to run the town government.

The General Fund wouldn't get fixed overnight, and Ron suggested fixing it in two steps: build a general fund balance and go from 15 days of building it to 30 days and start planning to put money away for much needed things. Many municipalities are attaching a policy to a reserve fund. Julie said there were drafts they could resurface for the conversation. Ron suggested changing their fiscal year and is talking to legislators about getting away from having the Town Meeting in March and having it in June. If Chester changes its fiscal year, Ron will talk with them about multiple tax collections and spread the cash flow, which would help immensely. Some people prefer to pay monthly rather than one big sum. In the future, they could consider offering discounts for paying property taxes early, but they aren't able to do so at this time. The reassessment is supposed to begin next year, which should help and be worth the cost.

DRAFT

Ron's recommendations for the Water and Sewer funds are to consider increasing the rates in steps. Over the past two years, they have gradually increased them. With the new meters installed and three full billings, they are working with Ashley Lucht, who is helping Julie look at rate restructuring and establishing a capital plan for Water and Sewer using the asset management plans already created which they didn't need to do all in one year, according to Ron.

Ron went over the following questions Peter had submitted beforehand:

- There are taxes receivable and taxes unpaid. He saw taxes receivable but not unpaid, so Ron didn't know, and Peter wasn't at the meeting yet.
- How did the land change in value from $1,400 to $11.2 million? There were two FEMA buyouts in 2025 for two properties on Route 11 West and that added to land value.
- How are capital values arrived at on your financial statements? Cost. Ron said they can't change it. $4.5 million into a public safety building is $4.5 million.
- Regarding education, is the town paying installments and using the education taxes afloat? Yes. Julie said to avoid the issue going forward, they're going back to their previous standard making them whole on December 31. They must borrow a TAN anyway. Ron said that was good.
- What is the savings in interest in handling it this way? Ron didn't think there was any interest the town was incurring, and the school was doing them a favor.
- When are the installations due? 20 days from the collection of your taxes is the first piece of the law unless you negotiate an agreement with the school. On unpaid taxes, if you didn't collect all your taxes, 30 days from when you collect them, or by June 30th. The end of the fiscal year is when you turn that money over. Julie said they do that and pay them monthly but would not starting in 2026.
- Is there anywhere that qualifies the interest saved by fund balance accounting? Ron had no idea what that meant.
- Although there are more funds than water, sewer, and solar, are separating these three going to make a bigger difference? Ron said they didn't have a choice. Any non-governmental service that's separate, that's paid from other sources, use of funds, non-property taxes are supposed to be separated.
- In Statements C, D, and E, the fund balance for education shows no outstanding payments due to education, but on Section C, there is the outstanding payment to education of 1.4. Statements D and E are the revenue and expense reports. There wouldn't be any outstanding liability on D, because those are what you paid, so there's no liability there. That's in Statement A for one of the million dollars. And E and F are other statements that Ron had no idea of the correlation between what you'd owe the school and the number on the balance sheet on Statement C. Outstanding payments would be on the balance sheet for what is owed, not what is paid, and clearly documented.
- On page 30, there is a figure for accounts receivable netted with allowance for uncollectible accounts for $1,706,610 and he couldn't find a matching number on the balance sheet. Ron showed them the $1,706,610 on Statement A, page 13 of the audit report about 5 or 6 numbers down.
- Page 41. Could the use of each loan be listed with this statement? Some are, some are not, and that's the footnote with all your debt. The town could detail it more, if it wanted to.
- Page 43. 2031 to 2035. Debt must be disclosed in 5-year increments. What is the deferred debt that comes due? That note is designed to say what the debt is and the number of

DRAFT

principal payments and interest payments they're making in the 5-year duration of time. That's what that debt is for. The deferred debt, or what's outstanding, is on the balance sheet on Statement A, and the footnotes, you know, on those pages

- Page 46 has a general fund deficit of $31.50. No, it doesn't. The general fund on that page is the only one that has a profit. That number in brackets is actually a profit, as it goes back to statement C. Anything with brackets is a good thing when it comes to equity. The numbers below them are in the deficit situation.
- Page 46. Expenditures over appropriation. The town was non-compliant with a legally adopted budget, $333,000. The town was non-compliant. Ron agreed there was a budget deficit.
- Page 56. A list of projects is needed. Ron assumed Peter was talking about Note 20. If they listed every project or asset, the report would be 350 pages. It's designed to be shown in summary, but they could provide supporting details and schedules. On pages 73 through 75, there is a list of all the capital projects.
- Page 70. 2023 Storm has listed charges on other sheets, none are shown. Ron didn't know what that meant. There are 600 and some odd thousand dollars left to pay out for projects related to the 2023 storm. Julie said there were two big box culverts on Christmas Tree and Smokeshire Roads that the money paid for as it was mitigation work.

Ron suggested Julie and Deb follow up with Peter for more detail and Ron can follow up.

Arne understood they needed to build reserves to help with cashflow and payment of projects and unforeseen expenses. Ron said they would have to raise the tax rate and offered to attend the workshops they would be having in the summer to address these issues.

Shawn asked about the interest savings by using the fund balance rather than borrowing. Ron couldn't say what the interest savings were. No interest was paid to them so it should have created savings. Arne said anytime they use money from the general fund to pay for things, they save some money because they're not taking out a note to pay for it. Ron agreed. Ron offered to be present when they talked to the public about the actions they needed to take.

Derek said it wasn't a new conversation and sounded the same as one from several years ago with Ron. When they get ready to set the budget at Town Meeting, they always chicken out. Derek remembered a budget where they determined the cost of operation and taxes needed to be raised, and it went down in a heartbeat. There needed to be a lot of public outreach and information, and it would be a hard sell. Julie said that's why they started the conversation and were doing a deep dive and discussing services and costs with the community. Ron agreed and said cutting services wouldn't lower the tax rate. Lee saw getting community engagement as an issue and noted there were only 3 non-town employees present at this meeting. Ron thought there would be community engagement when discussing services.

Bill said quarterly billing would be good since a portion of the population was older and on a fixed income. Increasing taxes is something they will have to deal with. Lauren said if it had been implemented instead of putting it off, the cost would be less. Derek said the education and municipal tax are mixed on the bill, so people don't get the separation.

DRAFT

They thanked Ron for the presentation.

Agenda Item 3, Adjourn

Lauren moved and Arnie seconded a motion to adjourn. The meeting was adjourned at 6:17 p.m.

WATER COMMISSIONER'S MEETING

Call to Order

Chair Lee Gustafson called the meeting to order at 6:30 p.m. and welcomed everyone.

Board Members Present: Lee Gustafson, Arne Jonynas, Peter Hudkins, Tim Roper, and Lauren Fierman at Town Hall.

Staff Present: Julie Hance, Town Manager, at Town Hall; Susan Bailey, Recording Secretary, via Zoom.

Visitors Present: Shawn Cunningham, and at Town Hall; Laurie Roser, Daniel Monette, Kirk MacGinnis, and Michael Miller via Zoom.

Agenda Item 1, Citizens Comments

There were none.

Agenda Item 2, Reservoir Dam Analysis; Dan Monette with Fuss & O'Neil

Julie said Dan would go over his assessment and it would be ideal to decide tonight. She had included in their memo that she spoke with FEMA, and it looked like they could potentially get 100% funding. FEMA and the town are both on timelines so the sooner the board can decide on an option, the better.

Dan Monette, Dam Practice Leader at Fuss & O'Neil, leads a team of 12 people who focus on dam reconstruction, repair, removal, and any kind of water control structure or work in the water. He is part of a larger company that has 450 people in New England. Julie requested a proposal from them. They did a feasibility study, geotechnical analysis, survey, and a hydrology and hydraulics analysis of the dam due to flooding in 2023 when it was overtopped and a huge section of the embankment washed away downstream of the core wall. The dam is an earthen dam with a concrete core wall that comes up almost to the surface for the length of the dam. On the dam right, there is a 2-stage spillway made of concrete, undersized and inadequate to pass the design storm for a significant hazard dam. They analyzed the hazard class to determine if it is correct for the dam. As part of Dam Safety's request, they had to update the emergency action plan for the dam. They put together a report to meet Dam Safety's requirements and they responded around July 19, 2023, with a fast response report and came out on July 24, 2023. They put together some conditions. The pond needs to remain in a drawn down state until improved or sufficiently repaired. They wanted Dan's team to develop an update to the Emergency Action Plan for the dam.

DRAFT

They wanted a breach analysis and alternatives to get the dam into a hydraulically adequate state so it could pass the design storm with the adequate freeboard, which means there's enough space in the reservoir still below the dam crest. They need 1.5 feet of freeboard on the dam. They asked for an operations and maintenance plan, and a geotechnical evaluation. Dan's team did a bunch of borings on the dam and seepage analysis to look at stability to make sure it isn't going to slide, move, liquify, or anything like that during a large storm event. They looked at deteriorated concrete on the spillway portion and opened the outlet structure. There are two valves and 8-inch pipes which are historically for fire protection and water in the village. One of them is a valve in the bottom of the stream, which isn't great if it needs to be activated during a large storm. The two valves are so far down in the chamber that it's unsafe to reach them to turn the key to access them. The pipes are inadequate for the kinds of flows during a storm.

They came up with four alternatives and one of them was doing nothing, but it wouldn't work because Dam Safety is requesting the changes. The other three alternatives include: Alternative 2 is full removal of the dam which would involve cutting into the core wall, removing fill, and restoring the channel to the existing reservoir, which as it is now, would be completely gone and there would be a stream threat to the wetland area. They need to look at the sediments and make sure they're not contaminated, possibly dredging and restoration plans, and they need to consider habitat loss. Because the town would like to keep it as a recreation area, it's not the preferred option; Alternative 3 is the preferred option, which is to lower and widen the existing 2-stage spillway. It's 2-stage because the lower section activates and as the storm or flow increases, there's a secondary, higher spillway section that activates. Both sections are in bad shape with undermining of the concrete, large cracks, and spalling. They would propose lowering the spillway elevation to about 3 feet and widening it to 25 feet to provide enough hydraulic area to pass the design storm with the required freeboard. A 25 by 3 feet spillway with what was there before would be made from reinforced concrete and tied into the bedrock that's on the dam right and the existing core wall, which would be cut back to provide the 25 feet needed to widen it; Alternative 4 is to repair the spillway as is, keeping it in like kind and redoing it with reinforced concrete at the same elevation and width providing an 8-foot diameter overflow pipe going through the spillway and connecting into the stream. It would be a large inlet structure inside the reservoir with a trash rack. Roofs would be peaked on the trash rack to prevent woody debris and similar stuff from building up. It would need to be maintained and accessed with a small catwalk or an embankment that would be half in the reservoir and half out. The pipe would be large round pipe or a box culvert that met engineering handbook requirements for a conduit through an earthen embankment and is an involved design process.

Complete removal of the dam is estimated at $500,000 which includes design, permitting, and soliciting a contractor to do the work. To lower and widen the existing spillway to 3 x 25 feet is estimated at $450,000. Repairing the spillway and adding the box culvert or the large reinforced concrete pipe is estimated at $630,000. The estimates are based on current prices.

Peter asked if it was a 100- or 200-year storm flow. Dan said they looked at 10, 25-, 50-, 100- and 1,000-year events. They must consider the probable maximum flood which may be somewhere between 100- and 1,000-years for the dam and must design for that. It is a little different than a FEMA floodplain. With breach, they have a higher standard. On page 5 of his report, there is a table showing the different design storms and precipitation depth in inches. 100-year had about

DRAFT

7.7 inches in 24 hours, which is what they look at for a storm event, with an inflow of 437 cubic feet per second. Tim recalled over 11 inches of rain from Irene and wondered if it was a 2,000-year flood. Dan said Irene was a very localized storm event. They looked at intensity over 24 hours and Irene lasted a lot longer; there was a chain of rainstorms that happened repeatedly, like a chainsaw effect, which made Irene difficult to classify. Dan said it may be over 1,000-years event or 2 to 3 times the 100-year event. Lee wondered what the reservoir would look like if it were lowered 3 feet. Dan said it currently is drawn down to the inlet of the primary outlet pipe going through the dam, which was down about 6 feet. The reservoir isn't deep and when it's full, it's 8 to 12 feet. Lee wondered if there was any consideration for how it would affect aquatic life, vegetation, and algae growth. Dan said the spillway being lowered by 3 feet, doesn't mean that the water surface elevation would be lowered by 3 feet. They could control the water level with something called stop logs which are boards that go across the spillway intended to break away during a larger event but hold the water at its current elevation. Arne thought with the boards, it would be like what it was and if there would be enough room for the freeboard or if it had to be a little lower. Dan said it had to be 3 feet lower, and the boards would break away during a large event or removed ahead of time to provide capacity. Some stop logs are made from aluminum, and the dam monitor would need to pull them if a large storm was coming. With the boards in place, the reservoir could stay the same and wouldn't be 3 feet shallower. The concrete and spillway would be 3 feet lower, but the boards would be higher. Peter said there would be a failure every spring and the boards would have to be put back up again, so there would be a maintenance issue. Peter said the ones he was familiar with were steel pipes that could be thrown away when done. Tim asked how difficult it would be to remove them ahead of a storm and Dan said it depended on the style of the stop log. Many have eyelets at the top that can be grabbed and pulled with a hook if they haven't swollen enough. Others must be cut out if they're not maintained. If they don't swell and haven't sealed themselves in, they can be easily removed with a hook one at a time but it's time-consuming. The heights vary, but the reservoir wouldn't take long to drain. The deepest section could have the stop logs, which are only 4 to 5 feet wide with a conventional open spillway on the other half. Jeff Holden said they monitor the level 3 or 4 times a week with the valve that's in the brook and wondered if it would still be in use. Dan said they could discuss ways to maintain the 8-inch pipe and improvements needed to make sure it doesn't cave in, as he had noticed a huge dent on the upstream side when he was there. There may be a better way to access it with a valve extension that brings it up so they wouldn't lean into the open structure and create a risk. Jeff said there were 3 valves, and he's been using the one in the brook to monitor it. If there's a lot of rain, he opens it up. With the 2023 flood, it exposed a lot of the core wall and Jeff was impressed with how good the condition of it was. Jeff liked the idea of spillways they can control with logs and stuff. Rebar can cause rust in a lot of walls and Jeff didn't see any of that. Lee wondered if the earthen part of the dam was clay. Jeff said it was larger stones and mostly gravel. Some of it can be seen and he thought it would be earthen to hold it up. Dan said a core wall's main purpose isn't structural to support the dam but is there to control seepage through the earthen dam and make sure it has a longer seepage path to prevent piping failure. Dan said it needed material on the downstream side to support it. Jeff has never seen any seepage from it in all his years.

Lee asked for thoughts on the direction they should take. Tim questioned the cost estimates and asked about the excavation at $30 and Dan said it was per cubic yard. It includes hauling, excavation, labor, overhead, and profit for a contractor. Dan has bids for dam removals and RSMeans for double check. RSMeans, historically, comes in low. Their job is to prepare them for

DRAFT

the construction cost in the future so they can properly fund it. The prices were today, and the bottom had a contingency of 50%. These were preliminary because they hadn't done designs yet. They don't have itemized information to determine costs yet. Alternative 3 is for on-site construction engineering. They are already under contract for design work and it's being paid in the first round of FEMA money. Lauren noted they had discussed previously gathering input from people who use it for recreation about how much it gets used. There was an option that allowed them to maintain it as a reservoir which cost less than removing it, and for Lauren, removing the entire dam was not an option. She wondered if she was missing something and wondered why they were still considering it. Lee agreed and Alternative 3 seemed like a no-brainer, which would allow them to keep the reservoir for its recreational and water value for less money and FEMA would pay for it. Jeff thought, originally, FEMA would only pay for its removal, so if they were going to pay for it, he was all for it. Lee added that it was an asset to the town. Jeff knew a bunch of people that had been catching bass and Julie said it was heavily used. Because it was a continuation of the repair from the flooding, it was eligible for FEMA funding. When Dan is done, Alternative 3 will go back to him, and he will build it out and it will be submitted to FEMA. Julie must submit a scope change which gets reviewed, but she has been told by the District Coordinator for FEMA that it's very much an eligible expense. Julie will need to provide further justification if the board chooses an option that isn't the least expensive and may incur some expenses. The District Coordinator felt very confident the scope change would be approved. Initially, the project was written as a temporary fix and not a permanent one. Arne now worries about FEMA given the cuts that have happened. Arne assumed before anything happened, it would be guaranteed that it would be covered and Julie agreed. The 2023 storm is covered, so that's why Julie thought they were confident. Assuming they went forward with Alternative 3, Lee assumed the numbers would change but also as the numbers became clearer, the contingency number would go down and Dan agreed. Currently, it's projected at $450,000 but could change to $425,000 or $475,000 and Dan agreed. Dan said they're in communication with Dam Safety and had submitted their reports for their review and would be setting up a meeting once the review was done to go over their findings and decide whether they agree. If they repair the dam, they will still have year maintenance and the design life is 50 to 80 years so in that time, they'll have to do another repair plan or more work to it depending on the condition and Dan wanted to make sure they understood that. Dan was confident Dam Safety would give their approval, though they may have minor changes. Once the board selects an alternative, they could have the preliminary engineering finished in two months. FEMA looks for a 30% design for applications, so that would give Julie what she needed. Dan said the wetland and dam safety permits were not included in the proposal, but design was.

Lauren moved that they move forward with Alternative 3 and Tim seconded the motion. Lee asked all those in favor of approving Alternative 3 for the new, lowered, widened concrete spillway for an estimated project cost of $450,000 to say aye and the motion carried, unanimously.

They thanked Dan for his time and looked forward to receiving his final numbers.

Agenda Item 3, Adjourn

Tim moved and Arne seconded a motion to adjourn. The meeting was adjourned at 7:03 p.m.

DRAFT

SPECIAL SELECT BOARD MEETING

Agenda Item 1, Approve Minutes from May 20, 2026 Selectboard Meeting

Tim moved and Lauren seconded a motion to approve the minutes from the May 20, 2026, meeting. There were no changes and the minutes were approved, as written.

Agenda Item 2, Citizen's Comments

There were none.

Agenda Item 3, Old Business

Report by Town Manager:

Sewer Project
The gravity line is happening on Depot Street. They've gotten through the ledge, which they will crush for use.

Force Main Project
The Force Main Project on First Avenue has almost reached final completion. They will do the punch list walkthrough on that in the next week.

Pump Station Project
It was scheduled to start June 8th but will be postponed for another week or two.

Bike-Ped Grant
The grant application has been submitted for the sidewalk, picking up at the bridge, going to Dalrymple Street.

Town Hall Office - Closed Next Week
Next week the Town Office is closed. There is training for the staff in the front office and then for the remainder of the week, retention work will be done. There is stuff to go through and throw away. The documents are subject to public record requests, if available, so they should abide by the retention schedules set by statute making less available. Attorneys are encouraging towns to keep up with their retention schedules. Julie will probably retain all her grant files because she uses them as a resource. Nothing in the vault gets touched. The records being thrown away are copies of bills and similar items.

Electrical Work
Arne asked how the electrical work at Town Hall was going. AJ Electric is slated for next week and once done at Town Hall, he will go to the Academy Building. The MERP Grant is funding upgrading at the Academy to Phase 3.

Tax Sale
On June 30, three properties are going to tax sale. The sale will be held at 11:00 a.m. The tax sale

DRAFT

process has changed significantly over the past two years, making it more difficult to put properties up for tax sales. They must be delinquent for two years and must be given several options for payment arrangements and several opportunities to fail in their payments before putting them up for tax sales. This is one of the reasons the Town's delinquent balance is higher than normal. Arne noted they had already been doing a lot of the things that had changed, and Julie agreed but added what had changed was they must wait a longer period before putting them up for tax sales. Except for the three properties going up for sale, everyone who is delinquent is in a payment arrangement. The only ones who are idle are ones that are one year delinquent and on September 15th of this year, if their 2026 taxes aren't paid, Julie can start the tax sale process. It was around $400,000 due in delinquent taxes. It made a big impact on municipalities when they couldn't sell as quickly or even threaten a sale. Julie said it also applied to Water and Sewer. The process involves sending a 30-day letter offering a payment arrangement and if there's no response or they fail to arrange payments, they send a 30-day notice of tax sale providing another opportunity to arrange payments or paying them in full. After that, they can start the tax sale which requires one-owner title searches, preparation of the document, and publishing the sale for 3 consecutive weeks. No sooner than 10 days before the tax sale, service must be provided by certified mail return receipt requested. If that isn't effectuated, they must be served by Jeff as constable. The entire process takes about 4 months before the tax sale. If the owner sells it before the tax sale, the taxes are paid at closing. Julie added that if the property is mortgaged, they notify the bank, who often steps in and pays.

Agenda Item 4, Vendor Permit Application; Naan Stop

They are looking to set up the Town Recreation/Pool Area and the intersection of Flamstead and Depot Street, weather and schedule dependent. Julie hoped that they would attend the meeting. Lee had met Billie before, and her food was good, and Tim added that she was very nice. Billie had asked if she could be on the Green, but because her food is similar, Julie asked her to start on the Pinnacle and in the Depot, which Billie had no issue with. Julie said it was a good location to start. Tim knew there was language in zoning about food trucks regarding the days allowed at a location. Julie said it only applied to private property, otherwise, they would need a conditional use permit, but Julie would confirm that and noted the permit application was originally submitted to Hugh. Tim said that was good enough for him.

Arne moved to approve the application of Jami (Billie) Lambdin for Naan Stop and Tim seconded it. Arne wondered if the town had policies for when it's on town property. Julie said it's decided on a case-by-case basis, but they probably should have a policy. Arne asked if it was for the whole year or just the summer. Julie thought it would probably be for the summer, but it was vague on the application. Arne wondered what would stop someone else from applying for another truck and they could, but Lauren said it didn't mean they were agreeing to two. They agreed a policy would be helpful. Peter thought they should do the same for town property as they do for private. Julie reminded the board that they would meet again on July 1st, and they could ask Billie to resubmit the application with more detail about the time. Lee said they could amend it to give a time limit or ask her to attend the next meeting. Lauren didn't know if they granted permission through September 1st if it was more helpful. Tim said they could allow her to be there until the next meeting and address her application again. Lee didn't want to limit her to a certain number of days per week and hours and thought the truck should move around after a certain length of time.

DRAFT

Lauren said previous things they hadn't wanted to be open-ended, involved people making a great deal of noise outside and light shows 365 days a year during hours of business sounded different than selling food in a location that didn't involve alcohol, light shows, and music. Lauren wasn't sure why they would want to limit the number of days a week and was more concerned about the times of operation. Peter said a food truck was mobile and he had never seen where a food truck remained after the end of the day. Based on the limited information she provided, they didn't know her intent. Arne wondered if they were talking about food trucks, in general, or her specific truck because if it was food trucks, in general, it needed to be warned. Lee didn't want to limit her to a certain number of days if it was how she provided for her family and thought they could be gracious and allow her 15 days to operate and then come before the board on July 1. Shawn Cunningham wondered about parking for customers and Julie said it would need to be on First Avenue. Shawn noted the nearby fields were not owned by the town and Julie agreed and parking needed to be on town property. Julie said they couldn't have her down there because of the pump station work this summer. Julie said there is an ordinance from 1992 about solicitors, transient merchants, peddlers, and itinerant vendors. Tim thought it sounded almost derogatory. Julie said it didn't have much of any value for this issue, but they had a base for Jim. Arne and Tim withdrew their motion and second, respectively. Lauren moved to approve the permit striking the intersection of Flamstead and Depot Streets through July 1st. Tim seconded the motion. The motion carried, unanimously. They want to have a policy put in place. Julie will tell Billie that she needs to bring in a modified application limiting the amount of time for the year and let her know that they want a more detailed plan saying where she would like to set up and how many days a week. Lauren suspected that Billie had a plan.

Agenda Item 5, Set Municipal Tax Rate

The reason Julie was only asking them to set the municipal rate is because she wanted to get the bills out as soon as they could. As soon as she receives the education tax rate, they would like to finish the program and submit them, which should happen before the next meeting. Lee entertained a motion to set the 2026 municipal tax rate to 1.0912 per $100 of assessment which represented a 5% increase, as anticipated when the budget was set. Tim moved and Arne seconded the motion. Once Julie gets the education rate, she will fill in the rest. Tim asked when they would get them and Julie said they usually have them by June 30th, but she'd been told it may be earlier this year but wasn't counting on it. Statute says it must be by June 30th. The motion carried, unanimously.

Agenda Item 6, Liquor License & Entertainment Permit Approvals:

One Time Occasion: Neighborhood Connections
First Class: Okemo Valley Hospitality
Second Class: Smitty's Chester Market; DG Retail
Third Class: Okemo Valley Hospitality
Outside Consumption: Okemo Valley Hospitality; Meditrina
Entertainment Permit: Okemo Valley Hospitality

The license and permits were for the entities as listed above. Lee entertained a motion to approve the liquor license and entertainment permit applications for those entities. Tim moved and Lauren seconded the motion. Tim asked if there had been any police reports and Julie said there had been

DRAFT

none. The motion carried, unanimously.

Agenda Item 7, Cemetery Deeds

Lee entertained a motion to approve the cemetery lot purchases for Deborah F. Armstrong, Prescott Heald, and Carl Spaulding and Judy Spaulding. Arne moved and Peter seconded the motion. The motion carried, unanimously. The members signed.

Agenda Item 8, New Business/Next Agenda

Included in the Manager's Memo for the July 1st meeting was a review of services for administration departments, traffic ordinance, notary policy, and Ingraham Hill Road requests for a discontinuance of the Class IV section. Julie said they would not act on the Ingraham Hill piece until Class IV road is decided. Julie had received it, so the board needed to acknowledge it and provide an opportunity for the landowner to come in. It will be on July 1st agenda but that was the expectation. Arne asked what was going on with Wymans Falls and Julie said Jim didn't want them to make any major decisions that could affect that. At some point, Lee thought they should address some of the issues brought up in the auditor's report meeting about changing the fiscal year and quarterly billing. They will discuss them on July 15th under the financial update. Lee also mentioned the review of services and getting input from the citizenry relative to the budget. Julie said the review of services for administration was on July 1st. July 15th is Recreation Department and Facilities, August 5th is all the Public Safety departments, and August 19th is Highway. Peter wanted to discuss voting for the Town Budget by Australian Ballot at the July 15th meeting. Lauren noted she will not be there on August 5th.

Agenda Item 9, Executive Session: Pursuant to 1 VSA § 313 (a)(2) negotiating or securing of real estate purchase

A motion to enter executive session pursuant to 1 VSA § 313 (a)(2) to negotiate securing a real estate purchase was made by Lauren and seconded by Peter. The motion carried, unanimously.

(Executive Session Entered at 7:44 p.m.)

A motion to exit executive session was made by Arne Jonynas and seconded by Peter Hudkins. The motion carried.

(Executive Session Exited at 8:10 p.m.)

A motion was made by Lauren Fierman to authorize Arne Jonynas to participate at the Tax Sale on June 20, 2026, and bid on behalf of the Town of Chester for property located at 467 Depot Street. The motion was seconded by Peter Hudkins. The motion passed.

Agenda Item 10, Adjourn

Tim Roper moved to adjourn, and Peter seconded the motion. The motion carried, and the meeting was adjourned at 8:11 p.m.

DRAFT

RHR SMITH & COMPANY
Certified Public Accountants

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

RHR SMITH & COMPANY
Certified Public Accountants

Town of Chester
Client's Responsibilities

- 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

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

RHR SMITH & COMPANY
Certified Public Accountants

Town of Chester
Auditor's Responsibilities

- 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

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

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.

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

Town of Chester
Materiality - Definition

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.

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

RHR SMITH & COMPANY
Certified Public Accountants

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	$ 547,586	$ -	$ -	$ -	$ -	$ 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	1,777,606	-	-	685,379	-	795,571	3,258,556
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	20,688	-	-	-	-	-	20,688
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	(37,104)	(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

DRAFT

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

RHR SMITH & COMPANY
Certified Public Accountants

Town of Chester

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

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
REVENUES							
Taxes	$ 4,656,977	$ -	$ -	$ -	$ -	$ -	$ 4,656,977
Education	7,469,828	-	-	-	-	-	7,469,828
Intergovernmental	113,291	2,278,197	-	2,057,992	-	215,853	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	-	492,614	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	7,469,828	-	-	-	-	-	7,469,828
County tax	28,188	-	-	-	-	-	28,188
Voted articles	41,811	-	-	-	-	-	41,811
Other	-	2,904,013	-	223,135	-	648,058	3,775,206
Debt service:							
Principal	-	-	-	-	-	649,933	649,933
Interest	-	-	-	-	-	110,754	110,754
Capital outlay	-	-	81,756	-	-	776,689	858,445
TOTAL EXPENDITURES	12,588,327	2,904,013	81,756	223,135	-	2,185,434	17,982,665
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	823,024	(625,816)	(81,756)	1,834,857	-	(1,692,820)	257,489
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	-	98,414	2,176,519
FUND BALANCES (DEFICITS) - JANUARY 1, AS PREVIOUSLY REPORTED	(302,920)	-	-	(1,163,310)	472,486	897,477	(96,267)
FUND BALANCE CORRECTION	530,250	-	-	-	-	-	530,250
CHANGE WITHIN FINANCIAL REPORTING ENTITY	-	(28,519)	-	-	(472,486)	501,005	-
FUND BALANCES (DEFICITS) - JANUARY 1, AS RESTATED	227,330	(28,519)	-	(1,163,310)	-	1,398,482	433,983
FUND BALANCES (DEFICITS) - DECEMBER 31	$ 3,150	$ (619,335)	$ 1,058,244	$ 671,547	$ -	$ 1,496,896	$ 2,610,502

DRAFT

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

RHR SMITH & COMPANY
Certified Public Accountants

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	$ 9,646	$ 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	66,270	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

DRAFT

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

RHR SMITH & COMPANY
Certified Public Accountants

Town of Chester
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
December 31, 2025

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	$ 397,204	$ 518,864	$ 916,068
TOTAL OPERATING REVENUES	397,204	518,864	916,068
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	563,262	468,329	1,031,591
OPERATING INCOME	(166,058)	50,535	(115,523)
NONOPERATING REVENUES (EXPENSES)			
Interest (expense)	-	(7,616)	(7,616)
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(7,616)	(7,616)
CHANGE IN NET POSITION	(166,058)	42,919	(123,139)
NET POSITION - JANUARY 1, AS PREVIOUSLY REPORTED	859,901	603,341	1,463,242
NET POSITION CORRECTION	(136,215)	(14,644)	(150,859)
NET POSITION - JANUARY 1, AS RESTATED	723,686	588,697	1,312,383
NET POSITION - DECEMBER 31	$ 557,628	$ 631,616	$ 1,189,244

DRAFT

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

Town of Chester

Review Points – General Fund (From Statement C of Audit)

- 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

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

Town of Chester

Review Points – Other Funds (From Statement C of Audit)

- 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.

RHR SMITH & COMPANY
Certified Public Accountants

Town of Chester

Review Points – Water & Sewer Funds (From Statement G of Audit)

- 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.

RHR SMITH & COMPANY
Certified Public Accountants

Town of Chester

Recommendations – General Fund

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.

Town of Chester

Recommendations – Water and Sewer Funds

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

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609

Town of Chester
Final Words

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

3 Old Orchard Road, Buxton, Maine 04093 www.rhrsmith.com T. 800.300.7708 | 207.929.4606 | F. 207.929.4609