

**Quonochontaug
Central Beach Fire District
Finance and Budget Committee Report
Annual Meeting – September 19th, 2020**

Let me start by thanking all our committee members for their extraordinary efforts. It was another eventful year, but I think that the Board of Finance is doing a better job each year of trying to anticipate the financial needs of the community and planning for our collective financial future. In addition, I would like to thank all the Committee and Board chairs for being so careful and diligent in their budgeting and spending.

The 2021 budget process was a fluid one with many things changing during the course of our discussions – primarily the water project, but there were a few other changes along the way as well. We appreciate everyone's support and input during the budget process, and we believe that we are presenting a budget which will give the District the flexibility to support the community while better understanding the financial impact of our changing conditions.

2019 Results

Revenues from 2019 were on budget and again 100% of all taxes billed were collected.

Expenses were approximately 9.5% above budget (about \$24,000), due to the unexpected increased cost of garbage pickup and recycling. We mitigated this excess by reducing our reserve funding for the year by \$25,000. Final cash balance for the 2019 fiscal year was \$117,000 lower than budget due to increased spending from reserves for the water project. Cash on hand at 12/31/19 was \$323,000.

2020 Estimated Results

Our original budget called for a net operating surplus of \$56,000 with \$46,200 of surplus funding our ongoing reserve accounts and the balance being used to pay down the principal of our outstanding loan for our water system.

We believe that revenues (tax, lease and road impact fees) will be slightly below budget, and expenses will be \$23,000 below budget due to the outstanding work of Community Property negotiating a lower than budgeted garbage contract (which will be fixed for 3 years). This will leave the community with a surplus of \$20,400 which we proposed to close into our reserve account. Cash on hand at 12/31/20 is estimated to be \$80,000 lower than budget (\$290,000 in total) due to ongoing spending from reserves for the water project.

Due to reporting requirements for the State of Rhode Island, the District must report results of all its operations including Merchandise Sales and Special Events. These are not budgeted items, but the results of Merchandise Sales and Special Events are shown on the budget and in the balance sheets. We thank the Merchandise Sales and Special Events committee for contributing \$15,000 towards the cost of the water project and their ongoing contributions for non-budgeted District projects.

2021 Budget

As the water system project unfolded, finance continued to closely monitor the fiscal impact. We discovered that while our \$500,000 Line of Credit with Washington Trust is still in place and has been renewed through September of 2021, our authority to borrow against it had lapsed, so we have corrected

that with a motion at this Annual Meeting to extend the authority to borrow against the Line of Credit through 2026.

The 2020 budget calls for a modest 2% increase in tax revenue and the addition of a boat sticker fee (\$30/boat) for use of the racks at the marina to fund the \$328,000 in budgeted operating expenses plus an additional \$30,600 in reserve funding. The Board of Finance is still evaluating financing alternatives for the water project, but as of this writing, we have a terms sheet in hand from Washington Trust to fund a construction loan of up to \$900,000. The final loan amount will convert into a term loan with a repayment schedule yet to be determined. The Board of Finance is evaluating other financing alternatives including a loan from the Rhode Island Infrastructure Bank.

The 2021 budget will generate a \$4,000 in cash increase with estimated cash on hand of \$294,000 at 12/31/21.

The 2021 budget also calls for the addition of a paid bookkeeping position. Roberta Peet has graciously agreed to remain in the Treasurer's position for an additional transition year. Nominating could not find any District member willing to step into the role of Treasurer as currently structured, so the District is proposing the hiring of a bookkeeper during the 2021 year and Nominating will seek a new Treasurer for that position to serve starting at the 2021 Annual Meeting.

It should be noted that the District currently reports to the State of Rhode Island as a Tier III Fire District (the lowest designation). There is a possibility that the District will attain Tier II status as either a result of the debt incurred for the water project or the increase in spending on debt service or other items. While we do not anticipate this being the case in 2021, it is possible for 2022 and beyond. This will cause the District to have to engage an independent Public Accounting firm to perform agreed upon procedures for State reporting purposes. This will be an extra financial cost to the District and reflected in future budgets.

Conclusion

The Board of Finance is confident that the District has access to sufficient financial resources to complete the water project as well as fund the other "normal" budget items. The repayment of the proposed water system loan will have a significant impact on tax assessments in 2022 and beyond.

I must close by thanking all committee members for their willingness actively serve on the board and thank the community for entrusting the stewardship of its financial assets and operations to us. If you have questions, or just wish to chat, please don't hesitate to contact us.

Respectfully,

Al Bartosic – Chair (quonniefinance@gmail.com)

Jim Blair

Jim Furnivall

Tom McConnell

Jeff Matthews

Barry Okun

Roberta Peet – Treasurer, Ex Officio

QCBFD
Summary Budget

Unaudited

	Y-o-Y 3.9%		Y-o-Y 4.2%		Y-o-Y 20.1%		Y-o-Y 2.0%		
	Final Actual Fiscal 2018	Approved Budget Fiscal 2019	Final Actual Fiscal 2019	Approved Budget Fiscal 2020	Estimated Results Fiscal 2020	Variance	Approved Budget Fiscal 2020	Variance	Proposed Budget Fiscal 2021
Sources of funds - Operating									
Tax revenue	293,974	306,108	306,326	367,900	367,900	-	367,900	-	375,300
Interest Income	573	230	3,655	1,000	2,500	3,425	1,000	1,500	7,400
Other Revenue	36,164	3,400	11,627	6,400	2,400	8,227	6,400	(4,000)	2,000
Total Operating Sources	330,711	309,738	321,608	375,300	372,800	11,870	375,300	(2,500)	384,700
Uses of funds - Operating									
Fire Protection	113,341	118,000	116,186	123,000	125,000	(1,814)	123,000	(2,000)	128,000
Community Property	41,769	43,000	77,281	105,000	80,000	34,281	105,000	25,000	80,000
Public Works	32,132	43,238	36,083	35,900	38,000	(7,155)	35,900	(2,100)	40,000
Police/Security	11,668	13,000	12,999	17,000	14,000	(1)	17,000	3,000	17,000
Interest Expense	5,080	4,612	4,613	4,090	4,090	1	4,090	-	14,015
Other Expenses	25,935	34,100	33,004	33,800	34,800	(1,096)	33,800	(1,000)	49,200
Total Operating Uses	229,925	255,950	280,165	318,790	295,890	24,215	318,790	22,900	328,215
Operating Surplus (Deficit)	100,786	53,788	41,443	56,510	76,910	(12,345)	56,510	20,400	56,485
Reserve Funding									
Reserve Funding	51,125	44,000	18,532	46,200	46,200	25,468	46,200	-	30,600
Net Free Surplus from Operations	49,661	9,788	22,911	10,310	30,710	13,123	10,310	20,400	25,885
Items to Adjust to Cash									
Principal Loan Payments	(9,320)	(9,788)	(9,787)	(10,310)	(10,310)	1	(10,310)	-	(25,885)
Merchandise Sales Contribution	17,547		24,500		15,000	24,500		15,000	
Other Adjustments, net	26,542	44,000	(110,981)	46,200	(68,327)	(154,981)	46,200	(114,527)	4,627
Net Increase/(Decrease) in Cash	84,431	44,000	(73,358)	46,200	(32,927)	(117,358)	46,200	(79,127)	4,627
Opening Cash	311,324	395,755	395,755	322,397	322,397	-	322,397	-	289,470
Ending Cash	395,755	439,755	322,397	\$ 368,597	\$ 289,470	(117,358)	\$ 368,597	\$ (79,127)	\$ 294,097

QCBFD
Budget Document
Proposed Budget 2021

Unaudited

	Y-o-Y 3.9%		Y-o-Y 4.2%	Y-o-Y 20.1%		Y-o-Y 2.0%
	Final Actual Fiscal 2018	Approved Budget Fiscal 2019	Final Actual Fiscal 2019	Final Budget Fiscal 2020	Estimated Results Fiscal 2020	Proposed Budget Fiscal 2021
Sources of funds - Operating						
Tax revenue	293,974	306,108	306,326	367,900	367,900	375,300
Lease to tennis club	1,409	1,400	1,200	1,400	1,400	1,400
Road impact fees	5,000	2,000	6,000	5,000	1,000	2,000
Lost beach pass fees/Misc.	455		4,427	-		
Contribution of Land	29,300					
Boat sticker fees						4,000
Interest income	573	230	3,655	1,000	2,500	2,000
Total Operating Sources	330,711	309,738	321,608	375,300	372,800	384,700
Uses of funds - Operating						
Charter, legal, negotiation fees	868	3,000	2,604	2,200	2,500	2,600
Communications	515	1,000	1,704	1,000	1,200	1,200
Administration	3,160	3,500	3,807	3,500	3,800	3,800
Bookkeeping Services						12,400
Memberships (Salt Ponds/RISC/Hist Soc)	350	500	400	500	500	500
Ball field/playground	631	600	219	600	500	500
Beaches/dunes	2,825	4,000	3,876	4,400	4,500	4,500
Boating/docking	671	1,200	2,201	1,200	1,200	1,200
CP - Other	12,249	12,000	9,759	15,000	12,000	12,000
CP - Garbage	29,520	31,000	67,522	90,000	68,000	68,000
Police/security	11,668	13,000	12,999	17,000	14,000	17,000
PW - Water operator (NWSI)	10,178	8,238	8,647	11,500	12,000	15,000
PW - Water system	18,768	29,000	25,573	20,000	25,000	25,000
PW - Roads	3,186	6,000	1,863	4,400	1,000	1,000
Real estate/property		500		500		
Tennis	970	500	340	600	600	1,000
Interest Expense:						
Water project loan	5,080	4,612	4,613	4,090	4,090	3,515
Line of Credit interest						5,000
Other Interest expense	-		-	-		5,000
Taxes (Charlestown)	4,992	5,300	4,904	5,300	5,500	5,500
Insurance	10,917	13,000	12,605	13,000	13,500	14,500
Fire Protection (Dunn's Corners)	113,341	118,000	116,186	123,000	125,000	128,000
Miscellaneous expense	37	1,000	345	1,000	1,000	1,000
Total Operating Uses	229,926	255,950	280,166	318,790	295,890	328,215
Operating Surplus (Deficit)	100,786	53,788	41,443	56,510	76,910	56,485
Reserve Funding						
Contingency	5,000	5,000	5,000	5,000	5,000	6,422
Water System	2,000	30,000		35,000	35,000	5,000
Road Fund	22,000			1,200	1,200	9,600
Asset Replacement Fund	5,000	7,000	2,000			
Ballfield & Playground						2,700
Long Range Planning				5,000	5,000	1,000
Test Bore for New Well	7,500					
Tennis Courts		2,000	2,000			1,450
Boat Launch						1,000
Beach & Dunes						1,428
Community Property						1,000
Merchandise Sales Project Funding	11,450		24,500		10,000	
Merchandise Sales Project Expenses	(1,825)		(14,968)		(10,000)	
Police Liaison/Security						1,000
Reserve Funding	51,125	44,000	18,532	46,200	46,200	30,600
Net Free Surplus from Operations	49,661	9,788	22,910	10,310	30,710	25,885
Items to Adjust to Cash						
Construction Escrow Receivable/(Payable)	20,000		-		(15,000)	
Decrease/(Increase) in QCBFD Tax Receivable	(1,000)		1,000			
Increase/(Decrease) in Accounts Payable	(429)		1,000			
Increase in Fixed Assets and Land Owned	(37,451)		-			
Purchase of Merchandise Sales Shed	(5,702)		-			
LOC Borrowing to Fund Water System			-			900,000
Water System Asset			-			(900,000)
Principal Payment on Water System Loan	(9,320)	(9,788)	(9,787)	(10,310)	(10,310)	(10,885)
Principal Payment on New Water System Loan						(15,000)
Merchandise Sales Contribution	17,547				15,000	
Net Increase/(Decrease) in Reserve Funding	51,125	44,000	(88,481)	46,200	(53,327)	4,627
Net Increase/(Decrease) in Cash	84,431	44,000	(73,358)	46,200	(32,927)	4,627
Opening Cash (All accounts xcept Merch)	311,324	395,755	395,755	322,397	322,397	289,470
Ending Cash (All accounts xcept Merch)	395,755	439,755	322,397	\$ 368,597	\$ 289,470	\$ 294,097

Community Sales/Special Events

Community Sales Revenue	\$ 75,229	\$ 106,186	\$ 100,000
Special Events Revenue			
Total Revenue	75,229	\$ 106,186	\$ 100,000
Community Sales- Cost of Sales	\$ 44,703	\$ 61,338	\$ 60,000
Other Special Events Costs	\$ 8,366	\$ 18,511	\$ 5,000
Total Costs	\$ 53,069	\$ 79,849	\$ 65,000
Net Community Sales/Special Events Gross Surplus	\$ 22,160	\$ 26,337	\$ 35,000
Less: Community Contributions to approved special projects	(11,450)	(8,500)	(3,000)
Net Unallocated Community Sales Surplus	\$ 10,710	\$ 17,837	\$ 32,000

QCBFD
Reserves Rollforward
2018 - 2021

	Contingency Fund	Water Fund	Road Fund	Ballfield/Plygrnd Fund	LRP Fund	Boat Fund	Compliance Fund	Tennis Fund	Beach&Dunes Fund	CP Fund	Security Fund	Asset Repl Fund	Merchandise Sales	Total
Bal 12/31/17	\$ 10,537	\$ 56,880	\$ 33,800			\$ 2,000	\$ 5,000	\$ 4,000				\$ 13,000	\$ 11,450	\$ 125,217
Expenses 2018	\$ 5,000	\$ 2,000	\$ 22,000									\$ 5,000	\$ 11,450	\$ 45,450
Reallocations														\$ -
2018														
Balance 12/31/18	\$ 15,537	\$ 58,880	\$ 55,800	\$ -	\$ -	\$ 2,000	\$ 5,000	\$ 4,000	\$ -	\$ -	\$ -	\$ 18,000	\$ 9,625	\$ 168,842
Funding 2019	\$ 5,000					\$ 2,000						\$ 2,000	\$ 24,500	\$ 33,500
Reallocations	\$ (5,817)	\$ 9,817				\$ (2,000)						\$ (2,000)		\$ -
Expenses 2019		\$ (68,697)	\$ (38,500)			\$ (2,000)							\$ (14,968)	\$ (124,165)
Bal 12/31/19	\$ 14,720	\$ -	\$ 17,300			\$ -	\$ 5,000	\$ 4,000				\$ 18,000	\$ 19,157	\$ 78,177
Funding 2020	\$ 5,000	\$ 35,000	\$ 1,200									\$ 5,000	\$ 18,000	\$ 64,200
Reallocations	\$ (19,000)	\$ 57,000										\$ (23,000)	\$ (15,000)	\$ -
YTD Expenses 2020		\$ (72,027)												\$ (72,027)
Est Exp 2020	\$ 720	\$ 9,973	\$ 1,000	\$ -	\$ -	\$ -	\$ 5,000	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ (10,000)	\$ (37,500)
Balance 12/31/20	\$ 720	\$ 9,973	\$ 1,000	\$ -	\$ -	\$ -	\$ 5,000	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ 12,157	\$ 32,850
Funding 2021	\$ 6,422	\$ 5,000	\$ 9,600	\$ 2,700	\$ 1,000	\$ 1,000		\$ 1,450	\$ 1,428	\$ 1,000	\$ 1,000		\$ 3,000	\$ 30,600
Estimated 2020 Surplus	\$ 20,400													\$ 20,400
Reallocations	\$ (6,500)							\$ 6,500						\$ -
Est Exp 2021	\$ 21,042	\$ -	\$ 10,600	\$ 2,700	\$ 1,000	\$ 1,000	\$ 5,000	\$ 950	\$ 1,428	\$ 1,000	\$ 1,000	\$ -	\$ (12,157)	\$ (25,973)
Balance 12/31/21	\$ 21,042	\$ -	\$ 10,600	\$ 2,700	\$ 1,000	\$ 1,000	\$ 5,000	\$ 950	\$ 1,428	\$ 1,000	\$ 1,000	\$ -	\$ 3,000	\$ 48,720

**Quonochontaug
Central Beach Fire District
2019 - 2021 Actual, Estimated, Projected Balance Sheets (Including Designated Reserves)**

	12/31/19 Actual	12/31/20 Estimated	12/31/21 Projected
ASSETS			
Current Assets			
Cash			
Checking	\$ 12,192	\$ 5,000	\$ 5,000
Municipal Money Market	26,289	29,470	29,097
Insured Cash Sweep	263,916	250,000	260,000
Construction Escrow Deposits	20,000	5,000	5,000
Total Cash	<u>\$ 322,397</u>	<u>\$ 289,470</u>	<u>\$ 294,097</u>
Accounts Receivable - Tax Collections	\$ -	\$ -	\$ -
Special Events -- Cash	\$ 87,490	\$ 110,000	\$ 85,000
Special Events -- Inventory	\$ 10,591	\$ 12,000	\$ 12,000
Total Current Assets	<u>\$ 420,478</u>	<u>\$ 411,470</u>	<u>\$ 391,097</u>
Fixed Assets			
Boat Landing	75,881	75,881	75,881
Beach Lot	6,600	6,600	6,600
Parking Lot End	2,400	2,400	2,400
Beach Lots	154,200	154,200	154,200
Beach Lot Right of Way	69,600	69,600	69,600
Beach Lot Right of Way	69,600	69,600	69,600
Beach Lot Bike Racks	29,300	29,300	29,300
Ball Field	206,100	206,100	206,100
Playground	3,000	3,000	3,000
Land Near Wells	26,800	26,800	26,800
Land Near Wells 2	20,200	20,200	20,200
Tennis Club Land	8,900	8,900	8,900
Pump House Land	1,900	1,900	1,900
Water System	270,819	270,819	270,819
Water Purification System	36,027	36,027	36,027
Water System Chlorination Project			900,000
Tennis Courts 1	5,400	5,400	5,400
Tennis Courts 2	2,200	2,200	2,200
Mapping	26,371	26,371	26,371
Defibrillators	2,963	2,963	2,963
Street Signs	3,790	3,790	3,790
Merchandise Shed	5,702	5,702	5,702
	<u>\$ 1,027,753</u>	<u>\$ 1,027,753</u>	<u>\$ 1,927,753</u>
TOTAL ASSETS	<u>\$ 1,448,231</u>	<u>\$ 1,439,223</u>	<u>\$ 2,318,850</u>
LIABILITIES, RESERVES, FUND BALANCES			
Current Liabilities			
Accounts Payable	\$ 1,000	\$ -	\$ -
Escrow Payable	\$ 20,000	\$ 5,000	\$ 5,000
Total Current Liabilities	<u>\$ 21,000</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Long Term Liabilities			
Water System Loan	\$ 81,307	\$ 70,997	\$ -
Water System Chlorination Loan			\$ 945,112
Total Long Term Liabilities	<u>\$ 81,307</u>	<u>\$ 70,997</u>	<u>\$ 945,112</u>
Total Liabilities	<u>\$ 102,307</u>	<u>\$ 75,997</u>	<u>\$ 950,112</u>
Reserves and Fund Balances			
Restricted Reserves			
Contingency Fund	14,720	720	21,042
Water Fund	-	9,973	-
Road Fund	17,300	1,000	10,600
Boat Fund	-	-	1,000
Compliance Fund	5,000	5,000	5,000
Tennis Fund	4,000	4,000	950
Asset Repl/Other Committee Funds	18,000	-	7,128
Special Events Designated Fund	19,157	12,157	3,000
	<u>78,176</u>	<u>32,850</u>	<u>48,720</u>
Opening Unrestricted Fund Balance	1,196,760	1,239,268	1,200,533
Special Events Fund Balance	28,480	60,398	93,600
Net Income	42,509	30,710	25,885
	<u>1,345,925</u>	<u>1,363,226</u>	<u>1,368,738</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	<u>\$ 1,448,231</u>	<u>\$ 1,439,223</u>	<u>\$ 2,318,850</u>

**Quonochontaug Central Beach Fire District
Notes to Financial Statements
As of December 31, 2019**

Long-Term Liabilities

A. Changes in Long-Term Liabilities

Changes in the District's long-term liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water System Loan	\$91,094	---	\$9,787	\$81,307	\$10,310

B. Loans Payable

The District has entered into one loan agreement with The Washington Trust Company (the "Lender") as follows:

Loan Date	Date of Maturity	Interest Rate (%)	Amount of Original Loan	Balance Outstanding December 31 st , 2019
July 6, 2010	July 6, 2030	5.25	\$175,000	\$81,307

Payments of principal and interest totaling \$1,200 are due on the 6th of every month with the final payment due on July 6th, 2030.

The note is designated as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986. In the event that the designation is not effective or for any reason does not constitute a "qualified tax-exempt obligation", then the District will pay to the Lender as additional interest an amount such that the yield on the note is not diminished by the occurrence of an event of non-deductibility.

Interest paid during the year was \$4,613.

C. Revolving Credit Facility

The District has entered into a Loan Agreement dated December 28th, 2005 as Amended (the "Agreement") with the Lender which provides for revolving credit loans for up to a maximum amount of \$500,000. Unpaid principal amounts will bear interest at a floating rate of 75% of the Prime Rate paid monthly in arrears. The Term of the Agreement is one year, though the note is structured as a demand promissory note. The existing maturity date is September 10, 2021. The Agreement provides that the principal amount of the loan will be paid down to zero for a thirty day period each year and any annual extension thereof.

The note is designated as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986. In the event that the designation is not effective or for any reason does not constitute a "qualified tax-exempt obligation", then the District will pay to the Lender as additional interest an amount such that the yield on the note is not diminished by the occurrence of an event of non-deductibility.

In order to maintain the existing tax-exempt interest rate on the loan, the District agreed that the proceeds of any draws shall be used solely for the purpose of capital projects in accordance with the requirements of the Internal Revenue Service. In the event that proceeds are used for purposes other than capital projects, the Lender has reserved the right to adjust the rate on the loan to a taxable rate.

As of December 31st, 2019, there were no outstanding borrowings under this Agreement.

Quonochontaug Central Beach Fire District
Assessed Value of Taxable Property and Tax Rates
(unaudited)

Fiscal Year (2007-2020)	Total Taxable Assessed Value (000)	Total Tax Assessed	Total Direct Tax Rate	Tax Rate/ \$1,000
07	\$ 238,015	\$ 205,669	0.08641%	0.8641
08	\$ 292,717	\$ 209,791	0.07167%	0.7167
09	\$ 287,722	\$ 220,280	0.07656%	0.7656
10	\$ 287,709	\$ 227,089	0.07893%	0.7893
11	\$ 238,111	\$ 227,086	0.09537%	0.9537
12	\$ 239,722	\$ 235,168	0.09810%	0.9810
13	\$ 239,722	\$ 241,640	0.10080%	1.0080
14	\$ 232,176	\$ 249,497	0.10746%	1.0746
15	\$ 232,672	\$ 259,430	0.11150%	1.1150
16	\$ 233,563	\$ 271,867	0.11640%	1.1640
17	\$ 253,772	\$ 282,956	0.11150%	1.1150
18	\$ 254,551	\$ 294,160	0.11556%	1.1556
19	\$ 255,698	\$ 306,121	0.11972%	1.1972
20	\$ 279,991	\$ 367,628	0.13130%	1.3130

