

Exhibit B
June 29, 2014

Finance and Budget Committee



Quonochontaug Central Beach Fire District
Board of Governors Meeting
June 29, 2014



5-month Performance Snapshot

Quonochontaug Central Beach Fire District Cash Flow 5-month Comparative Results May 2013 & May 2014

Unaudited
(\$)

	Actual YTD <u>5/31/2013</u>	Actual YTD <u>5/31/2014</u>	Budget Fiscal <u>12/31/2014</u>	YoY <u>May 2013-May2014</u>
Sources of funds - operating				
Total Operating Sources	14,904.68	1,943.72	253,971.00	(12,960.96)
Uses of funds - operating				
Total Operating Uses	68,030.08	94,021.02	223,571.00	25,990.94
Cash Flow from Operations	(53,125.40)	(92,077.30)	30,400.00	(38,951.90)
Financing Activities				
Capital Expenditures				
Total Capital Expenditures	5,498.00	650.00	38,500.00	(14,848.00)
			-	
Cash from Operations less Financing & Cap Exp	(68,623.40)	(92,727.30)	(8,100.00)	(24,103.90)
Working Capital				
			-	
Change in Accounts Receivable (inc)/dec	(1,000.00)	(1,000.00)	-	
Change in Accounts Payable inc/(dec)	(9,175.00)		-	
			-	
Net Change in Cash Flow	(78,798.40)	(93,727.30)	(8,100.00)	(14,928.90)
			-	
Cash Balance--Beginning (actual)	136,582.87	168,771.38	168,771.38	32,188.51
Cash Balance--Ending (actual)	57,784.47	75,044.08	n/a	17,259.61
Cash Balance from Cash Flow	57,784.47	75,044.08	160,671.38	17,259.61
Check	-	-		-

Notes:

These financial statements are preliminary and unaudited.
These financial statements are consistent with prior year presentations and are not prepared in accordance with generally accepted accounting principles.



Comparative Review May 2013-May 2014

•For the 5 months ending May 31, 2014, revenues of nearly \$2,000 were largely consistent with prior year and budget, with the exception of 2013 non-recurring FEMA reimbursements of \$12,900.

•Operating, professional and administrative expenses totaled \$94,000, an increase of \$26,000 over the same period in 2013. The increase was principally due to the combined effects of almost \$10,000 in legal and professional expenses addressing objections to the Fresh Pond restoration project, \$7,200 relating to QCBFD objections to an East Beach request to modify its well pump technology, \$3,100 to comply with resident OMA/APRA requests, and \$8,500 in connection with the mapping survey project. Fresh Pond and East Beach are under review for allocation to contingency and other reserve accounts. Mapping project expenses exceed the 2014 budget due in part to timing, as certain 2013 services were billed in 2014 and in part due to an underestimate.

•Insurance and Fire Protection increases year-over-year are consistent with budget. Insurance differences are timing related.

•Water system expenditures in 2014 were lower than 2013 by \$14,800 period over period. The \$3,200 Tennis Court expenditure in 2013 is a pull-forward of the budget item in 2014.

•Cash balances at May 31, 2014 were \$75,044, up \$17,260 from \$57,784 a year earlier. Higher operating expenses were offset by lower capital expenditures, lower working capital funding and a higher starting balance.

**Quonochontaug
Central Beach Fire District
Cash Flow
5-month Comparative Results May 2013 & May 2014**
Unaudited

	Actual Fiscal 12/31/2013	Actual YTD 5/31/2013	Actual YTD 5/31/2014	Budget Fiscal 12/31/2014	YoY May 2013-May 2014
Sources of funds - operating					
Tax revenue	240,986.99	-	-	249,496.00	-
Lease to tennis club	1,281.88	-	-	1,400.00	-
Road impact fees	4,000.00	2,000.00	1,000.00	3,000.00	(1,000.00)
Lost beach pass fees/miscellaneous	-	-	914.70	-	914.70
FEMA reimbursement/donation/other	34,568.73	12,879.75	-	-	(12,879.75)
Interest income	90.35	24.93	29.02	75.00	4.09
Total Operating Sources	280,927.95	14,904.68	1,943.72	253,971.00	(12,960.96)
Uses of funds - operating					
Charter, legal, negotiation fees	9,856.57	4,035.55	21,246.50 (a)	3,000.00	17,210.95
Contingency Expense	-	4,768.00	780.00	-	(3,988.00)
Storm restoration	13,122.80	-	-	-	-
Record digitization/communication	829.09	187.25	938.10	1,800.00	750.85
Administration	2,900.84	543.56	183.80	3,800.00	(359.76)
Memberships (Salt Ponds/RISC/Hist Soc)	300.00	-	-	500.00	-
Ball field/playground	-	-	-	500.00	-
Beaches/dunes	2,338.75	100.00	325.00	3,000.00	225.00
Boating/docking	1,414.86	-	133.05	1,850.00	133.05
CI - Other	8,305.00	2,908.00	1,985.00	12,000.00	(923.00)
CI - Garbage	27,500.00	-	-	27,500.00	-
Police/security	6,878.07	837.07	907.53	9,250.00	70.46
PW - Water operator (NWSI)	8,238.00	2,059.50	2,059.50	8,250.00	-
PW - Water system	22,217.46	4,455.19	4,432.60	24,760.00	(22.59)
PW - Roads	5,073.31	2,647.92	2,826.58	6,300.00	178.66
Real estate/property	484.75	-	8,498.25	4,000.00	-
Mapping project	3,390.80	146.25	-	2,000.00	8,352.00
Tennis	892.73	-	250.00	1,250.00	250.00
Water project loan - principal/interest	14,400.00	6,000.00	6,000.00	14,400.00	-
Water project loan - prepayment	-	-	-	-	-
Taxes (Charlestown)	4,738.35	2,325.44	2,365.44	5,250.00	40.00
Insurance	11,903.00	851.00	2,754.00	16,500.00	1,903.00
Fire Protection (Dunn's Corner's)	74,500.91	36,165.35	38,335.67	77,500.00	2,170.32
Miscellaneous expense	-	-	-	161.00	-
Total Operating Uses	219,285.29	68,030.08	94,021.02	223,571.00	25,990.94
Cash Flow from Operations	61,642.66	(53,125.40)	(92,077.30)	30,400.00	(38,971.90)
Financing Activities					
Water Loan Prepayment	-	-	-	-	-
Capital Expenditures					
Contingency	-	-	-	-	-
Water System	16,298.00	15,498.00	650.00	10,000.00	(14,848.00)
Asset Replacement	-	-	-	8,000.00	-
Mapping Project	-	-	-	-	-
Tennis Courts	3,200.00	-	-	3,500.00	-
Boat Launch	-	-	-	3,000.00	-
Compliance	-	-	-	14,000.00	-
Total Capital Expenditures	19,498.00	15,498.00	650.00	38,500.00	(14,848.00)
Cash from Operations less Financing & Cap Exp	42,144.66	(68,623.40)	(92,727.30)	(8,100.00)	(24,103.90)
Working Capital					
Change in Accounts Receivable (inc)/dec	(1,056.15)	(1,000.00)	(1,000.00)	-	-
Change in Accounts Payable (inc)/dec	(8,900.00)	(9,175.00)	-	-	-
Net Change in Cash	32,188.51	(78,798.40)	(93,727.30)	(8,100.00)	(14,928.90)
Cash Balance--Beginning (actual)	136,582.87	136,582.87	168,771.38	168,771.38	32,188.51
Cash Balance--Ending (actual)	168,771.38	57,784.47	75,044.08	n/a	17,259.61
Cash Balance from Cash Flow	168,771.38	57,784.47	75,044.08	160,671.38	17,259.61
Check	0.00	0.00	0.00	-	0.00

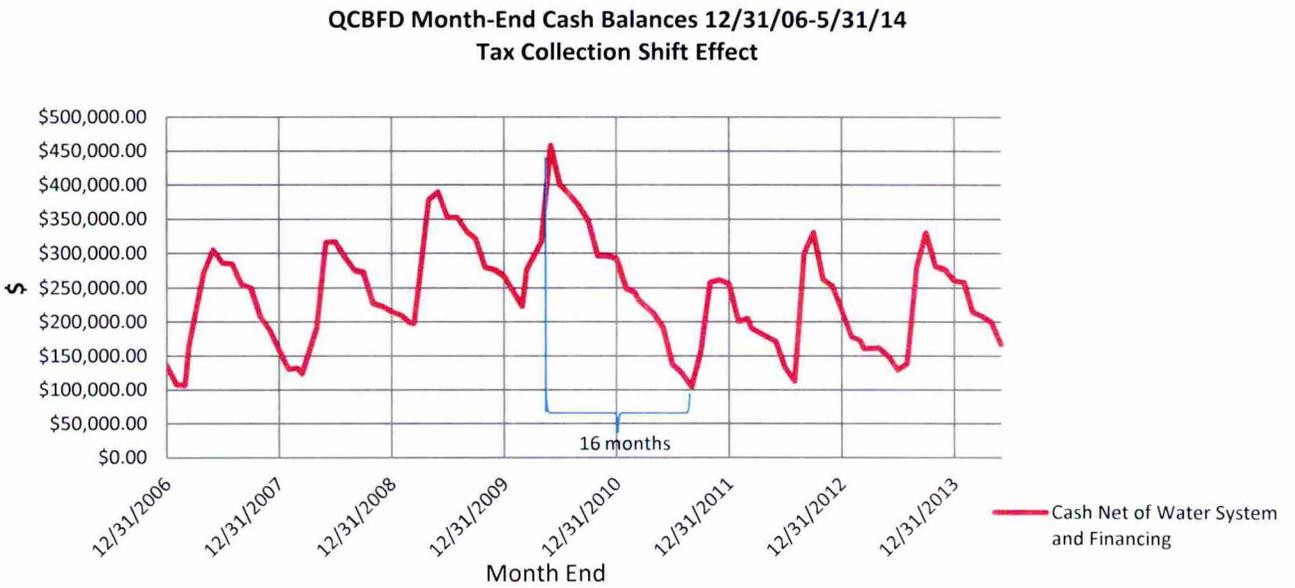
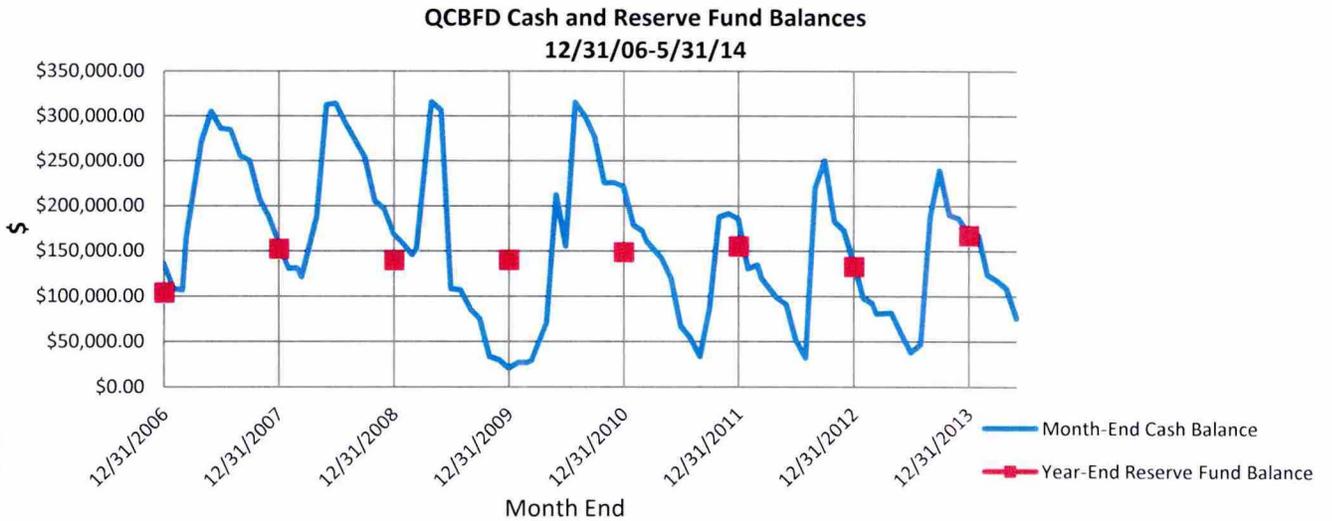
(a) Subject to further allocation among various expense and reserve balances.

Notes:

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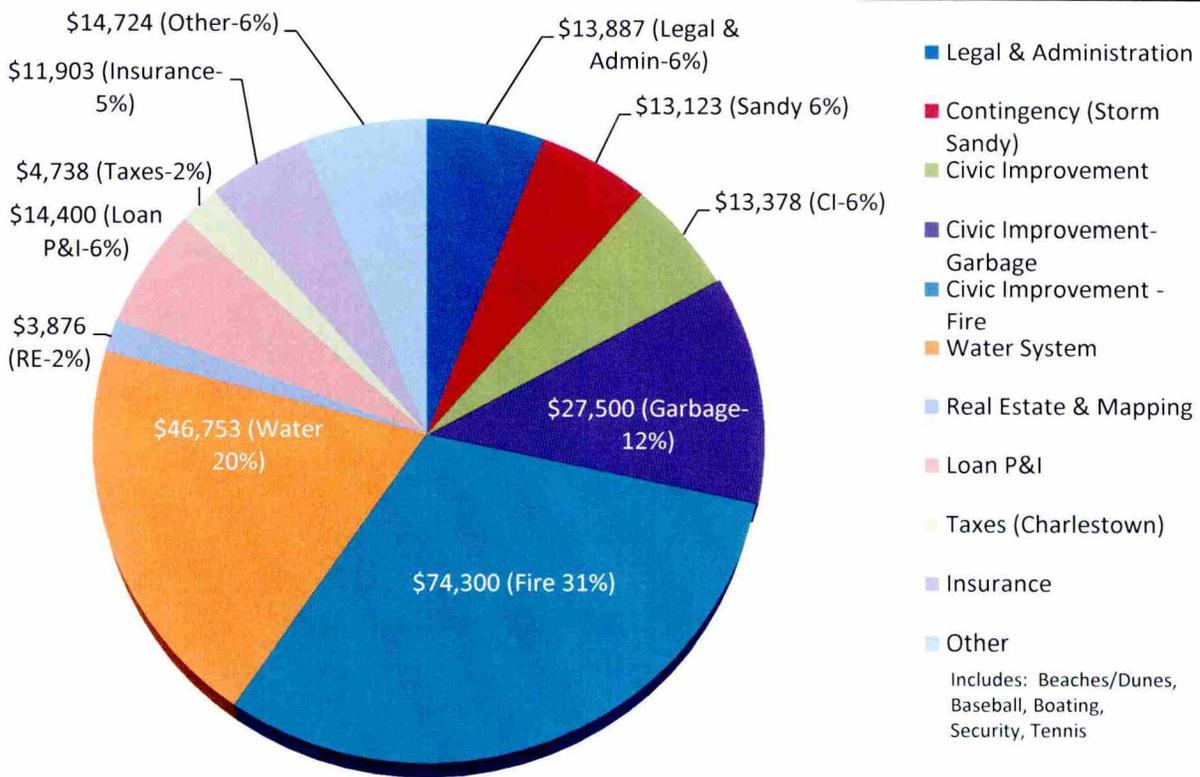
Cash Balances



Quonochontaug Central Beach Fire District



2013 Cost & Expense Distribution (includes capital expenses)





Upcoming Issues

Upcoming issues for Committee consideration:

- New legislation has been passed in Rhode Island mandating additional financial reporting requirements for all fire districts. These include, among other things, that fire districts file with the State:
 - Audited annual financial statements commencing with the fiscal year 2015
 - The requirement for annual audited statements may be waived or modified based on the size of the fire district, however the threshold has not been identified
 - Adopted annual budget
 - Quarterly actual vs. budget variance reporting, including a statement as to whether any actual or projected shortfalls are expected to result in a year-end deficit
 - If a quarterly report projects a year-end deficit, the fire district will submit a corrective action plan (i.e. increase in property taxes and/or institute spending cuts) which provides for the avoidance of a year-end deficit or structural deficit that could impact future years, which plan must include a legal opinion by counsel that the proposed actions are permissible under law
 - There are also a variety of certifications that are required with these filings as well as a new requirement that the tax roll be certified

– Various communities have begun an effort to explore if waivers permitted under the law can be applied to the smaller and less complex districts operating with volunteer staff and without full-time employees, pension obligations, collective bargaining agreements or other significant obligations. The small budgets of these districts could be severely impacted by the expenses of compliance. It is unclear what changes may result.
- Reserve Funds: Evaluate whether it is appropriate to transition from an modified accrual methodology to cash methodology
 - Reporting required pursuant to legislative mandate may affect treatment
- Controls and Procedures: Review processes. Legislative mandate may affect treatment
- Development of 2015 Budget



Financial Reporting

Central Beach Fire District Balance Sheet As of May 31, 2014

ASSETS	Total	LIABILITIES AND EQUITY	
Current Assets		Liabilities	
Bank Accounts		Current Liabilities	
4000 Cash	0	Accounts Payable	
4010 Checking	6,902.33	7010 Accounts Payable	1,125.00
4020 Savings	0	Total Accounts Payable	\$1,125.00
4040 Municipal Money Market	68,141.75	Other Current Liabilities	
4050 30 Day CD	0	7050 Deferred Revenue	0
4060 60 Day CD	0	Total Other Current Liabilities	\$0.00
Total 4000 Cash	75,044.08	Total Current Liabilities	\$1,125.00
Total Bank Accounts	\$75,044.08	Long-Term Liabilities	
Accounts Receivable		7110 Water System Loan	129,882.17
4100 Accounts Receivable	2,056.15	7120 Real Estate Loan	0
Total Accounts Receivable	\$2,056.15	7130 Capital Loan	0
Other current assets		Total Long-Term Liabilities	\$129,882.17
1499 Undeposited Funds	0	Total Liabilities	\$131,007.17
Total Other current assets	\$0.00	Equity	
Total Current Assets	\$77,100.23	1000 Restricted Funds	
Fixed Assets		1005 Surplus Prior Year	0
5010 Boat Landing	74,200.00	1010 Contingency Fund	20,000.00
5020 Beach Lot	6,600.00	1020 Water Conservation Fund	13,623.85
5030 Parking lot end	2,400.00	1030 Water Connection Fund	0
5040 Beach Lots	154,200.00	1040 Road Fund	27,300.00
5050 Beach Lot right of way	69,600.00	1050 Boat Sticker Fund	21,994.86
5060 Beach Lot right of way 2	69,600.00	1060 Golf Open Fund	0
5070 Ball Field	206,100.00	1070 Compliance Fund	14,000.00
5080 Land near wells	26,800.00	1080 Mapping Project Fund	0
5090 Land near wells 2	20,200.00	1081 Land Trust Fund	0
5091 Tennis Club Land	8,900.00	1082 Test Bore Fund	0
5092 Pump House Land	1,900.00	1083 Tennis Fund	3,290.00
5093 Water System	266,138.72	1084 Asset Replacement Fund	82,845.81
5094 Water Purification System	24,407.00	1085 Dunn's Corners Fire Smoot ing Fund	16,178.41
5110 Tennis Courts 1	5,400.00	Total 1000 Restricted Funds	199,232.93
5120 Tennis Courts 2	2,200.00	9500 Fund Balance	823,004.26
5130 Mapping	15,256.38	9600 Opening Balance	0
Total Fixed Assets	\$953,902.10	Net Income	-122,242.03
TOTAL ASSETS	\$1,031,002.33	Total Equity	\$899,995.26
		TOTAL LIABILITIES AND EQUITY	\$1,031,002.33



Financial Reporting

Central Beach Fire District
 Profit and Loss
 5 Month Period
 January – May 2014

	2014 Jan-May Total
Income	
1500 Revenues	
1524 Road Impact Fees	1,000.00
1540 Interest Income	29.02
1550 Miscellaneous Income	914.70
Total 1500 Revenues	\$ 1,943.72
Total Income	\$ 1,943.72
Gross Profit	\$ 1,943.72
Expenses	
2000 Expenses	
2022 Charter, legal, negotiation fees	21,246.50
2023 Contingency Expense	780.00
2025 Communications	938.10
2030 Administration	183.80
2040 Donations/Memberships	
2050 Ballfield/Playground	
2060 Beach/Dunes	325.00
2070 Boating/Docking	133.05
2080 Civic Improvement	1,985.00
2082 Civic Improvement - Fire	36,300.00
2100 Police/Security	907.53
Total 2000 Expenses	\$ 62,798.98
2200 Public Works	
2210 Water System Operator	
2212 Northeast Water Supervision	2,059.50
Total 2210 Water System Operator	\$ 2,059.50
2220 Water System	
Total 2220 Water System	\$ 11,932.60
2240 Roads/Parking Lots	
2246 Snow Removal	1,650.00
2248 Streetlight Electricity	1,102.13
2249 Sump Pump Electricity	74.45
2250 Road Fund Accrual	5,000.00
Total 2240 Roads/Parking Lots	\$ 7,826.58
Total 2200 Public Works	\$ 21,818.68
2310 Real Estate/Property	
2311 Mapping Project	8,498.25
2330 Tennis/Golf	250.00
2340 Loans - Interest	
2341 Water Loan Interest	2,900.40
Total 2340 Loans - Interest	\$ 2,900.40
2343 Loan Principal Payment	\$ -
2410 Taxes (Charlestown)	2,365.44
2420 Insurance	2,754.00
2425 Transfer Asset Replacement Funds to Fund	15,000.00
2426 Transfer Impact Fee to Road Fund	
2429 Transfer Fun Run Donations to Tennis Fund	800.00
2430 Miscellaneous Expense	
2436 Transfer Compliance	7,000.00
Total Expenses	\$ 124,185.75
Net Operating Income	-\$ 122,242.03
Net Income	-\$ 122,242.03



Financial Reporting

NOTES to Financial Statements as of December 31, 2013

LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Changes in the District's long-term liabilities for the year ended December 31, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Loan Payable	\$140,044	-	\$7,062	\$132,982	\$7,561

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, 2013
July 6, 2010	July 6, 2030	5.25	\$175,000	\$132,982

Payments of principal and interest totalling \$1,200 are due on the 6th of every month with the final payment due on July 6, 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 \$7,338.

C. Revolving Credit Facility

The District has entered into a Loan Agreement dated as of December 28, 2005, as amended (the "Agreement"), with The Washington Trust Company (the "Lender") which provides for revolving credit loans up to a maximum amount of \$500,000. Unpaid principal amounts will bear interest at floating rate of 75% of the Prime Rate, payable 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 December 28, 2014. The Agreement provides that the principal amount of the loan will be paid down to zero for a thirty day period each year and during 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 31, 2013, there were no outstanding borrowings under this Agreement.