



OLSBA Financial Communication (2020-2023)

FOR OLD LYME SHORES BEACH ASSOCIATION MEMBERS

*While all data presented herein is believed to be accurate,
unintentional errors may be corrected in future communications*

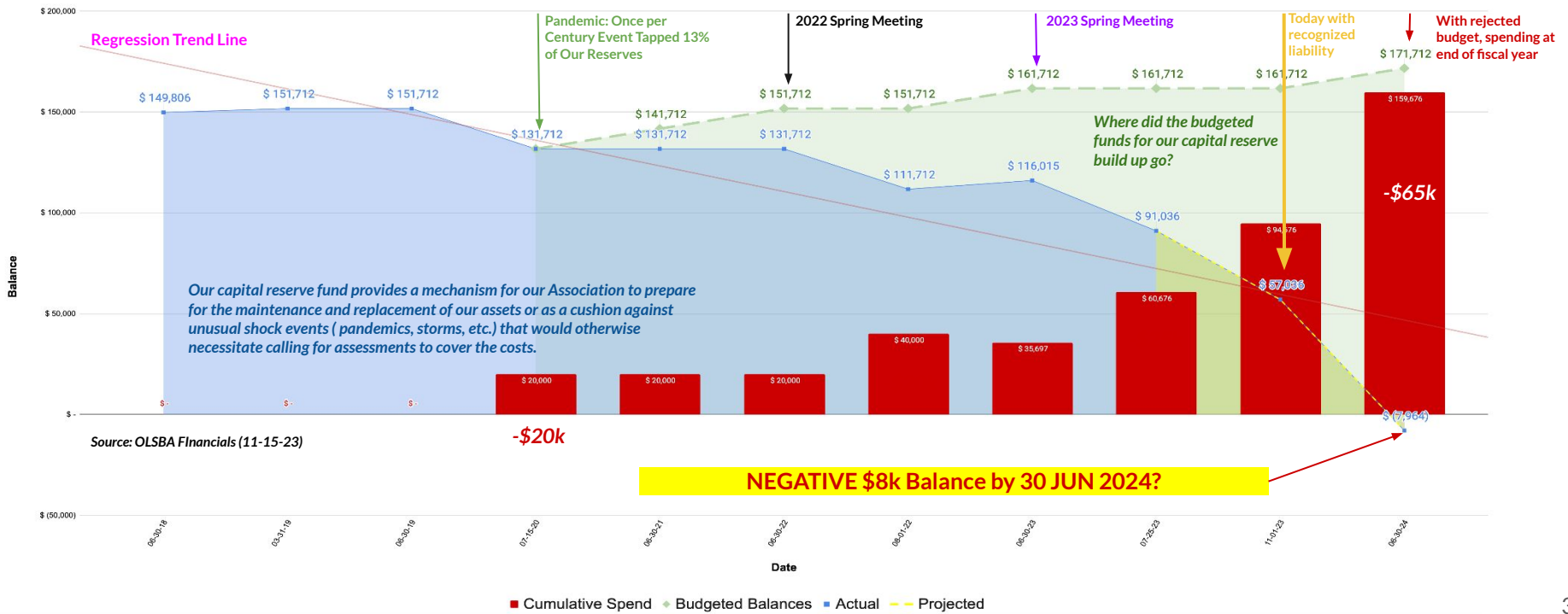
[December 2023]

Observations

- **Declining Capital Reserve Balance**
 - Our capital reserve has fallen from a starting balance in June 2018 of ~\$150k to ~\$90k in September 2023 – a drop of 40%
- **Missing Budgeted Capital Reserves**
 - For that same period, our budgets show that we should have added \$40k to our capital reserves
- **Deficit Spending**
 - Our past two budgets proposed deficit spending of \$45k (40%) in FY '22-23 and \$65k (54%) for FY '23-24 (and the latter was not approved)
- **Member Taxes Collected**
 - Without an approved budget or mill rate for FY '23-24, members were issued tax bills with a \$36k (31%) increase
- **Unanswered Questions**
 - Members of the Association, WPCA, and BOG asked for answers for months without satisfactory responses

Illustration: Depletion of OLSBA Capital Reserves

OLSBA Capital Reserve Account Balance (Actual & Projected)



Questions

- Why wasn't \$40k (in annual \$10k contributions) allocated to capital reserves, or were other expenditures made instead?
- Why did the budget line item for legal expenditures increase from \$2,500 in FY '20-21:
 - To \$22,500 (*by 9X*) for both FY '21-22 and FY '22-23, and then
 - To \$57,500 (*by 23X*) in the proposed, but unapproved, budget for FY 2023-2024
- Were these allocations and expenditures proposed, properly approved, and documented?
- If not, how and why were these allocations and expenditures initiated and executed?

Observations on Legal Expenditures

- **Legal expenditures have ramped above normal in the past three years**
 - Traditionally, BOG budgeted <\$2k/year on legal fees
 - Since FY '20-21, legal fees budget increased from \$2,500 to \$57.5k in the proposed, but unapproved FY '23-24 budget, consuming a significant portion of total tax revenues
- **BOG and WPCA meeting minutes do not show approval of certain expenditures**
 - BOG meetings (regular and special) have been sparse in the past two years; minutes show legal expenditures were not initiated or approved by BOG motions and votes, as required by our governing documents
 - One legal expenditure in the amount of \$9,000 was routed to the WPCA checking account, without WPCA or BOG approval
 - Three legal fees invoices received but not forwarded for payment before the 2023 Spring Meeting and totaling > \$15k were not reported as liabilities on the balance sheet at that Meeting; they were posted and paid on 10-30-2023 as follows: 03-08-23 (\$6,200), 04-13-23 (\$6,300), and 05-10-23 (\$2,700)

Impacts & Actions

- **Impacts to Association**
 - Continuing on the original path might have **liquidated our capital reserves by June 2024**
 - Failure to act properly, transparently, swiftly, and decisively will lead to member discontent
 - Insufficient funds will impair our traditional operations and maintenance
- **Board of Governors Actions Already Taken**
 - **Powers of the purse** restored to the BOG, as required by our governing documents
 - **Instituted** regular order to meetings, following Robert's Rules of Order as required by our governing documents;
Scheduled and published dates for Monthly Regular Meetings, 2024 Annual and Fall Meetings
 - **Voted Unanimously to Apply Credit** for members who paid the full (budget unapproved) amount on their 2023 tax bill
 - **Established** an ad hoc committee that is working on a Request for Proposal to search for an independent audit firm to investigate, assess and make recommendations concerning our financials and related procedures
- **Board of Governors Actions To Be Undertaken**
 - **Evaluating & Preparing Proposed Budget**, making cuts where feasible, with the goal to meet our maintenance and improvement needs and begin to replenish our capital reserve account
 - **Planning to Seek** explanations and accountability, as appropriate, depending on the results of investigations/independent audit results and recommendations

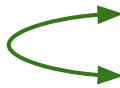
REFERENCE for Capital Reserve Transactions

Old Lyme Shores Beach Association
 Account QuickReport
 All Dates

Where are the \$10k/year budgeted contributions?

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	CLR	AMOUNT	BALANCE
July 2017 - June 2018								
06-30-2018	Journal Entry	3			Capital One	R	149,805.78	149,805.78
Total for July 2017 - June 2018								\$149,805.78
July 2018 - June 2019								
07-06-2018	Transfer			per 7/18/18 Citizens bank statement	Capital One	R	-10,000.00	-10,000.00
07-19-2018	Transfer			Matt transferred this.	Capital One	R	-10,000.00	-20,000.00
07-31-2018	Deposit				Capital One	R	44.96	-19,955.04
07-31-2018	Deposit				Capital One	R	158.04	-19,797.00
09-24-2018	Transfer			Replace funds from 7/5 and 7/18	Capital One	R	20,000.00	203.00
09-30-2018	Deposit		INTEREST	Interest Earned	Capital One	R	386.26	589.26
12-31-2018	Deposit		INTEREST	Interest Earned	Capital One	R	664.35	1,253.61
03-31-2019	Deposit		INTEREST	Interest Earned	Capital One	R	652.77	1,906.38
Total for July 2018 - June 2019								\$1,906.38
July 2020 - June 2021								
07-15-2020	Transfer				Capital One	R	-20,000.00	-20,000.00
Total for July 2020 - June 2021								\$ -20,000.00
July 2022 - June 2023								
08-01-2022	Transfer				Capital One	R	-20,000.00	-20,000.00
06-30-2023	Journal Entry		NY - Interest adjust	Y/E adjustment to balance account	Capital One	R	4,303.27	-15,696.73
Total for July 2022 - June 2023								\$ -15,696.73
July 2023 - June 2024								
07-25-2023	Journal Entry		Interest	Estimated YTD interest to agree with balance @ 7/25/23	Capital One	R	21.05	21.05
07-25-2023	Transfer			transfer to checking account	Capital One	R	-25,000.00	-24,978.95
07-31-2023	Journal Entry		Adj Capital One	to reconcile Capital One Savings Acct	Capital One	R	-18.37	-24,997.32
07-31-2023	Deposit		INTEREST	Interest Earned	Capital One	R	6.83	-24,990.49
09-30-2023	Deposit		INTEREST	Interest Earned	Capital One	R	15.21	-24,975.28
Total for July 2023 - June 2024								\$ -24,975.28
TOTAL								\$91,040.15

Temporary Cash Flow Constraint, but Returned



Peak COVID Needs



Deficit Spending. Consumed for legal expenses?



\$60k balance drop

Source: OLSBA Quickbooks Reports (11-15-23)

REFERENCE: Members Taxed per Unapproved Budget & Mill Rate

- **Spring Meeting – June 2023**
 - Improperly posted notice for budget prior to Spring Meeting 2023 - excluded mill rate and too late (**sent 4 pm only 1 day before**)
 - Presented a **deficit budget** at the Spring Meeting that members voted to approve (vote invalid anyway, per late notice deficiency)
 - Mill Rate not presented for vote, **thus no mill rate approved** – Charter requires **BOTH** be presented for membership vote; prior year's budget and mill rate necessarily remain in effect. The mill rate was not presented with the budget in prior years, but the non-compliance went unrecognized because there were no large tax increases those years
- **Fall Meeting – September 2023**
 - Improperly posted notice for budget and mill rate prior to Fall Meeting 2023 - budget and mill rate are to be presented at *annual* meeting and notice sent too late (**sent 5 pm only 8 days before**)
 - Members questioned the increase in budget legal line item from \$22.5k to \$57.5k and were **dismissed by President**
 - **Both the budget and mill rate were rejected by membership vote** (22 in favor, 34 against)
 - Member and former Association president motioned to cut budget/mill rate and present new budget for revote, again **dismissed by President**
- **Unless and until advised otherwise per independent audit results and recommendations, the Association shall continue to necessarily operate this fiscal year under the prior year's budget and mill rate**

REFERENCE: Charter – Section 11, Budget

The Board of Governors shall prepare and submit to said Association, **at each annual meeting**, a **budget and a recommend tax**, for the purpose of and based upon such budget, of not more than ten mills on the dollar on the total value of real estate within the limits of said association as shown by the last-completed grand list of the town of Old Lyme, which **budget and tax rate shall be posted on the signpost of said Association not less than ten days before such annual meeting**.

Said Association shall have the power to decrease such budget and rate of taxation recommended by said Board of Governors, but in no case shall it have the power to increase the budget and rate of taxation. The rate of taxation so recommended by said Board of Governors shall be final unless decreased by the Association at such annual meeting.

Said Board shall appoint a tax collector to collect such taxes, and a rate book shall be made out and signed by the clerk of said board of governors on or before the second Saturday in July in each year and warrants may be issued for the collection of money due on the rate bills, pursuant to the provisions of section 168F of the 1941 Supplement to the general statutes.

REFERENCE: Bylaws, Article IV, Section 3

Written notice of the year's tax rate and of the amount apportioned to each member of the association **shall be sent by the tax collector on or before the first of July, after the annual meeting when the year's mill rate is determined**, and such tax shall be due and payable not later than the first of the following September, and, if such tax is not paid when due, it shall bear interest at the rate of six percent per annum from the date when it was so payable.

The tax collector shall have all the powers of collectors of town taxes and shall pay over the taxes as soon as collected to the treasurer of the Association. Each such tax, if not paid when due, shall be a lien upon the property upon which it shall be laid and may be collected by suit in the name of the Association by foreclosure of such lien. Such lien may be continued by certificate, which shall be recorded in the land records of Old Lyme, pursuant to the provisions of the general statutes relating to the continuance of tax liens.

REFERENCE for Unapproved 2023 Tax Bills



	Amount	Percent
Total Unapproved Invoiced Amount	\$152,000	131%
Correct Invoice Amount (With No Change to Budget/Mill Rate)	\$116,000	100%
Overbilled Per Unapproved Mill Rate & Budget	\$36,000	31%
Withheld Payments (Members Paid Correct Amount)	\$2,000	2%
Accounts Receivable	\$6,000	5%
Liability for Member Refunds or Credits	\$34,000	30%

Source: OLSBA Quickbooks Reporting of Financials (11-15-23)

REFERENCE: Cash Basis vs. Accrual Basis Reporting for Income and Expenses

	FY 2022-2023		FY 2023-2024 (YTD)	
	Cash Basis	Accrual Basis	Cash Basis	Accrual Basis
INCOME				
Interest Income	\$ 4,303	\$ 4,303	\$ 28	\$ 28
Taxes - Members	\$ 119,116	\$ 116,251	\$ 146,157	\$ 151,944
Town Subsidy	\$ 8,461	\$ 8,461	\$ 4,050	\$ 4,050
Unapplied Cash Payment Income	\$ -	\$ (154)	\$ (92)	\$ -
TOTAL INCOME	\$ 131,880	\$ 128,861	\$ 150,143	\$ 156,022
EXPENSES				
Bank Fees	\$ -	\$ -	\$ 20	\$ -
Beach Cleaning / Maintenance	\$ 40,013	\$ 40,013	\$ 18,695	\$ 18,695
Capital Projects Reserve	\$ 9,582	\$ 1,107	\$ -	\$ -
Insurance	\$ 15,887	\$ 15,887	\$ 18,115	\$ 18,115
Interest Paid	\$ -	\$ -	\$ (7)	\$ (7)
Legal & Professional Services	\$ 22,460	\$ 37,660	\$ 39,569	\$ 24,369
Miscellaneous	\$ 4,933	\$ 4,933	\$ 3,613	\$ 3,613
Office Supplies & Software	\$ -	\$ -	\$ 223	\$ 223
Payroll Expenses	\$ 35,272	\$ 35,272	\$ 20,701	\$ 20,701
Taxes	\$ 56	\$ 56	\$ 56	\$ 56
Utilities	\$ 5,389	\$ 5,389	\$ 2,477	\$ 2,477
Water Pollution Control Authority	\$ 25,000	\$ 25,000	\$ -	\$ -
TOTAL EXPENSES	\$ 158,593	\$ 165,318	\$ 103,462	\$ 88,242
NET INCOME	\$ (26,712)	\$ (36,456)	\$ 46,681	\$ 67,780

The difference is an expected outcome of changing reporting basis – unpaid taxes do not appear on the Cash Basis reports

Only these two line items change values when the reporting is changed from Cash Basis to Accrual Basis; and the questions regarding legal expenditures and capital reserves fall within these two line items

NOTE: Starting in FY '22-23 (and unbeknownst to most of OLSBA as there is no record of a BOG or Association vote) OLSBA changed its method of accounting from an accrual basis to a cash basis. Both are acceptable; however, the Officers and BOG are currently considering whether OLSBA should revert to an accrual basis.

REFERENCE: Legal Services Expenditures

	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024 (thru 11-10-23)	TOTAL
Budgeted	\$ -	\$ 2,500	\$ 22,500	\$ 22,500	\$57,500 / \$22,500	\$105,000 / \$70,000
Actual (Cash Basis)	\$ 875	\$ -	\$ 7,560	\$ 22,460	\$ 39,569	\$ 70,464
Actual (Accrual Basis)	\$ 875	\$ -	\$ 7,560	\$ 37,660	\$ 24,369	\$ 70,464
Paid from WPCA Account	\$ -	\$ -	\$ -	\$ 9,000	\$ -	\$ 9,000
TOTAL (Cash Basis)	\$ 875	\$ -	\$ 7,560	\$ 31,460	\$ 39,569	\$ 79,464
<i>Budget vs. Actual (Cash Basis \$)</i>			\$ (14,940.00)	\$ 8,960.00	\$ 17,069.00	\$ 9,464.00
<i>Budget vs. Actual (Cash Basis %)</i>			33.60%	139.82%	175.86%	113.52%
TOTAL (Accrual Basis)	\$ 875	\$ -	\$ 7,560	\$ 46,660	\$ 24,369	\$ 79,464
<i>Budget vs. Actual (Accrual Basis \$)</i>			\$ (14,940.00)	\$ 24,160.00	\$ 1,869.00	\$ 9,464.00
<i>Budget vs. Actual (Accrual Basis %)</i>			33.60%	207.38%	108.31%	113.52%
<i>Cash vs. Accrual Difference</i>	\$ -	\$ -	\$ -	\$ (15,200)	\$ 15,200	\$ -

Proposed \$57,500 was not approved and thus remained at \$22,500

Cash Basis reported spend was 99.82% of budget

\$9k of expense paid from WPCA account does not appear on OLSBA books and reports

Cash Basis spend was 140% of budget and 176%

Accrual Basis spend was 207% of budget and 108%

\$15k of expense incurred in FY '22-23 was posted and paid in FY '23-24.

Source: OLSBA Quickbooks Budget and P&L Reports (12-27-23)

Member Questions



Please send member questions
to
governance@oldlymeshores.org

Thank you