

# RUST POND ASSOCIATION

## Treasurer’s Report for the Fiscal Year Ended July 31, 2024

By Jack Ferguson

### FINANCIAL RESULTS AND COMMENTARY

I am again pleased to report that the Rust Pond Association (“RPA”, or the “Association”) continues to be in a strong financial position. We have operated with dues and contribution revenue over the years, only partially offset by our operating expenses. This has resulted in annual increases in surplus of approximately two thousand dollars in recent years. Earlier year increases ranged somewhat higher, due to more dues-paying members and lower insurance costs in those years. Please refer to the following receipts and disbursements summary, which has been prepared on the **modified accrual basis**:

	<u>Y/E 7/31/24</u>	<u>Y/E 7/31/23</u>
Revenue from dues - 2024-25	\$7,000	
2023-24		7,100
Contributions from members	<u>100</u>	<u>100</u>
<b>Total revenue</b>	<b><u>\$7,100</u></b>	<b><u>\$7,200</u></b>
 <b>Expenses</b>	 <b><u>\$4,883</u></b>	 <b><u>\$5,044</u></b>
<b>Net income</b>	<b><u>\$ 2,217</u></b>	<b><u>\$2,156</u></b>

We converted the Association’s financial statements back in 2022 from its historical **cash basis** to a **modified accrual basis** to present a more realistic picture of the Association’s results.

A detailed set of financial statements are included as an appendix to this report.

### CASH INVESTMENTS

As you may recall from the 2021 report, the Association’s Board of Directors approved the transfer of CD proceeds upon their maturities into our checking account due to the extremely low (0.2% or lower) interest given out by banks, and that was completed in that year. With higher current interest rates some may wish us to reconsider CD investments, given the size of our cash account. But this decision has to be tempered by the timing of possible major expenditure requirements discussed below. Your Board will continue to review this matter, given these seemingly opposing events.

## **SOME RELEVANT ORGANIZATIONAL AND HISTORICAL ITEMS**

### **Rust Pond properties, property owners and RPA members**

There are 89 different properties on Rust Pond, including the dam which is owned by the Association. There were, at last count, 79 different property owners, with 10 owning two or more parcels. There are several owners who have not paid dues or even joined the Association, and a few have expressed no interest in doing so. This year, I mailed dues invoices (at \$100 per member) to 70 individual active owners, based on our current listing of active members in the Association's files. While we expect to collect on all or most of these invoices, changes in ownership, family moves or other changes, etc. will always be a factor in ultimate collectability.

The accrual basis of accounting casts more attention on this important segment of the Association. Payment of dues is a requirement of RPA membership. I have had to write off \$300 in unpaid prior year dues of three owners or former owners who either ignored our communications or left and did not leave forwarding addresses. In contrast, most owners have paid their dues promptly and some have also given contributions as memorials to their loved ones.

### **Assets, Selected Financial Commentary**

The Association's assets and net surplus at the end of its most recent fiscal year was nearly \$80 thousand, which consist of over \$70 thousand in cash, \$4 thousand in receivables and \$5 thousand in dam property. Its annual earnings have been about \$2 thousand over the last two years. This, along with a prior-year sale of property to Weston Auto Body, has enabled the Association to accumulate the reported reserves.

A continuing possible offset to these reserves, however, is the looming potential Association cost (after possible federal, state and town funding) to remove the significant accumulated runoff sediment at the north end of the Pond. This accumulated sediment has adversely affected the water quality of the Pond as well as the shoreline usability and ultimate valuation of certain north-end shore properties owned by Association members. A major July rainstorm last year that dumped over 5 inches of rain significantly added to this condition. The beaver dam, which historically filtered out some of the impurities in past runoffs, was destroyed, further contributing to sediment deposition. At the 2020 annual meeting, RPA members approved the Board of Directors allocating up to \$20k from the reserve for "Rust Pond water quality protection and mitigation". It is possible some of this will be used to expand the scope of grant-funded remediation work scheduled for this fall. Additional reserve funding could also become necessary if we were to receive permitting to move forward with North End dredging. Additionally, from time to time, certain significant repair costs are incurred relating to the dam owned by the Association.

The Association incurs an annual Dam Registration fee of \$750, based on the State's reported costs to perform the regular inspections of the dam, which is needed to ensure its continued

safe operation. The fee is set by the State based on the dam's "significant" dam hazard classification. Each inspection requires a detailed review of all pertinent design, repair and inspection information that exists in the Association's files, as well as in-depth visual inspections of the structure and potential areas that may be affected by a breach of the dam. Also included are examinations of the hydrology of the contributing watershed, assessments of the hydraulic capabilities of the structure, the preparation of the technical reports and the assurance of follow-up documents for action by the dam owner. Any dam repairs dictated by the state must be funded by the Association.

Under the DES's Model State Dam Safety Program established by FEMA, the Association's dam is scheduled to be inspected every four years. Its last inspection was in 2022.

### **Association Member Benefits**

**The Dam.** The Association owns the dam and controls the water level of the Pond, incurring costs to do this, without any funding assistance from the town or the state. Control by the Association is important protection for Association members; absent such control, the water level could drop to the bottom of the dam, a drop of about four feet. Of course, such a drop would adversely affect every property owner's shoreline, and ultimately, their property values.

Alternately, excess rainfall could, without the Association's proper management of runoff at the dam, cause excess runoff downstream, resulting in damage to downstream properties and litigation exposure to the Association and its members, as well as possibly to other property owners.

**Water Quality.** The Association covers the cost of water sample analysis throughout the summer months. This water quality monitoring alerts us to any concerning changes in Rust Pond metrics and increases the likelihood of our addressing issues expeditiously.

**Liability Insurance.** Association members are also covered by the Association's liability policies, which would be especially beneficial in the event of the excess dam runoff issue discussed above that could cause downstream property damage. The protection of this liability coverage is a special benefit to members if downstream property owners bring legal action against all Pond property owners. As reported earlier, these costs continue to increase.

**Thank you for your continued interest in and support of the Rust Pond Association,**

**Jack Ferguson, Treasurer**

**Rust Pond Association**  
**Balance Sheet**  
July 31, 2024 and 2023

---

(MODIFIED ACCRUAL BASIS)

	<u>July 31, 2024</u>	<u>July 31, 2023</u>
<b>Assets</b>		
Cash in Bank	70,409	69,742
Bank CDs		
Undeposited Receipts		
Dues Receivable	4,000	2,400
Prepaid Expenses	250	500
Dam and Land	5,013	5,013
<b>Total Assets</b>	<u><u>79,672</u></u>	<u><u>77,655</u></u>
 <b>Liabilities and Equity</b>		
Accounts Payable	120	120
<b>Total Liabilities</b>	<u>120</u>	<u>120</u>
 <b>Equity</b>		
Opening Equity	33,375	33,375
Retained Earnings	43,960	42,004
Current Year Earnings	2,217	2,156
<b>Total Equity</b>	<u><u>79,552</u></u>	<u><u>77,535</u></u>
 <b>Total Liabilities and Equity</b>	<u><u>79,672</u></u>	<u><u>77,655</u></u>

**Rust Pond Association**  
**Statement of Profit and Loss**

For the Fiscal Years Ended July 31, 2023 and 2022

(MODIFIED ACCRUAL BASIS)

<b>Revenue</b>	<b>2024</b>	<b>2023</b>
Dues 2024-25	7,000	
Dues 2023-24		7,100
Contributions	100	100
<b>Total Revenue</b>	<b>7,100</b>	<b>7,200</b>
<b>Expenses</b>		
Annual Meeting expense	270	
Accounting Software Subscription		295
Contributions to others	400	300
Dam Registration fee	750	750
Dam repairs and maintenance		
Insurance - dam and general liability	1,071	846
Insurance - Officers and Directors	988	881
Post Office box Rental	216	210
Postage and Delivery		63
Property Taxes	77	87
Other Expense & Adjustments		(38)
Uncollectible Accounts	300	1,000
Water Testing Fees	540	380
Web Site Hosting Fees	271	270
<b>Total Expense</b>	<b>4,883</b>	<b>5,044</b>
<b>Net Income</b>	<b>2,217</b>	<b>2,156</b>