

SOUTH MILL VILLAGE – ANNUAL MEETING
DECEMBER 5, 2006
DASKAM-COLUMBIA LODGE
895 Main Street
South Glastonbury, CT. 06073

BOARD MEMBERS: Jack Burke, Jack Foley, Amy Brodeur, Rich Nicholson,
Greg Dobbs and Al Penland

PROPERTY MANAGER: Bill Nardi, Imagineers, LLC

COMMITTEE CHAIRS: Greg Dobbs, Sue McGuirl

I. Roll Call

The meeting was called to order by President Jack Burke at 7 PM. Each of the current Executive Board Members and Committee Chairs were introduced, along with highlights of their contributions for 2006.

II. Reading of the Minutes from the 2005 Meeting

Following a reading of the minutes of the 2005 Annual Meeting, a motion was made to accept the minutes. (Jack Burke/Jack Foley).

III. Reports of Officers

LANDSCAPING:

Al Penland discussed the Executive Boards plan to solicit landscaping designs for the next 15-20 years. There is a general recognition that the current landscaping plan is outdated and there are many areas where the landscaping is encroaching on the buildings, causing building maintenance issues as well unattractive landscaping. There will be a need to discuss planting replacement, watering (sprinkler system may not be an option due to ledge) etc. The plan should also include the need to do some research with a landscaper and design firm regarding the white pines behind units and along the new extension of South Mill Drive.

BUILDINGS:

Greg Dobbs discussed the need to begin replacing exterior light fixtures on the units. Street lights will gradually be replaced, perhaps with fixtures that throw more light.

Painting for 2007 will include units 58-76, 80-108 and the 11 units on Overshot Drive.

Some units have tree roots creeping toward the house which will need to be attended to. Some units have windows that may need to be replaced. Several unit owners have complained about carpenter ants. The question was raised as to whether this might be

due to the mulch coming up to the clapboards on some units. If so it might be advisable to use stones rather than mulch around these units. All these items were taken under advisement for 2007.

IV. Unfinished Business

The major outstanding item from the prior meeting dealt with the desire of the Association's residents to have the Executive Board resolve the pending litigation with the Town of Glastonbury. The Executive Board met during December 2005 and into January 2006 with the developer and the town. Both sides agreed in principle with an outcome and general timeframe that would satisfactorily conclude the litigation. In late June we officially withdrew our appeal against the Town of Glastonbury in exchange for the agreement we had reached in principle. Since then progress has been made on the preparation of the site for Phase V, the construction trailer has been removed, the orange construction fence has been removed, and the area generally cleaned up. A rain garden has been installed to collect run off waste from the proposed road, and the area on either side of the proposed road lying within the property of the South Mill Village Association has been successfully graded and seeded. The final paving of the road will take place at a later date. We will continue to work with both the developer and the town to ensure the smooth completion of the other points outlined in our agreement.

V. New Business

The meeting was opened to general comments from the Unit owners and a wide ranging and generally positive dialogue took place with many suggestions by the unit owners including:

- The flag needs to be replaced. Some residents questioned whether it might be moved to a more accessible location so that it could be raised and lower to half staff as needed. Currently it is very difficult to raise and lower the flag as needed due location and to the rocky terrain.
- Some residents have expressed concern for the children sledding, skiing and biking on Association property, especially around the gazebo area.
- Possibility of snow fence to keep kids off problematic areas
- Possibility of unit owner paying for plantings and Association paying for installation.
- Consider possibility of sprinkler system
- Association is reactive (repairs); look at proactively
- Possibility of replacing older fixtures when units are painted
- Siding: investigate cost of replacing vs. continuous painting
- Possibility of using more efficient lights bulbs in streetlights
- Other various comments including concerns about mice, mildew, carpenter ants etc.

The executive Board will take these comments and suggestions into consideration as it plans its 2007 activities.

Ed Kamis, the developer for phase V gave a brief report indicating that plans for that phase call for 25-30 units in the 3500-4000 sq ft size, and that he will be willing to meet with the Association as the plans are solidified and submitted to the Town for approval.

VI. Ratification of the Budget

For fiscal year 2007 the operating portion of the budget will increase by \$9,360 or 2.6%. This reflects typical inflationary trends across all the expense categories. In addition to that we have increased the amount that we have been contributing to Long Term Reserve Fund by \$10,000 for a total overall budget increase of 5.4%. The Budget for 2007 was discussed and the vote to pass as presented was unanimous.

As part of the discussion of the prior year budget, a letter dated 12/1/07 was received on 12/4/06 from Frank Russo raising questions concerning the expenditures for 2006. A response was prepared by the Executive Board dated 12/5/06. Both documents were reviewed during the meeting a copy provided to all in attendance. Copies are also appended to these minutes, as requested by Mr. Russo.

VII. Election of Directors

There were three Director Positions for a two year period up for election this year. Candidates were Jack Foley, Al Penland and Jack Burke, all current officers. There were no other nominations submitted and the nominees were unanimously elected on a voice vote from the floor.

VIII. Adjournment

There being no other business to come before the Association a motion to adjourn was made at 8:50 PM. (Jack Burke/Jack Foley)

APPENDIX

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*Frank E. Russo, Jr.
Senior Vice President*

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Glastonbury, CT 06033
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Fax: 860.657.0761
frusso@global-spectrum.com

December 1, 2006

Jack Burke
President
South Mill Village Association
149 South Mill Drive
South Glastonbury, CT 06073

jhburke2000@yahoo.com / 860.633.3467

Dear Jack:

I received the "Notice of Annual Meeting" and once again I'm very disappointed that business travel will prevent me from attending.

The same thing happened last year, I really wanted to attend to express my views on the budget in general and my displeasure with the on-going legal battle with Ed Kamis.

I was happy to learn from your President's Report for 2006 that the dispute with Developer is apparently over. This whole issue has been an emotional and financial drain on all parties involved.

I continue, however, to be interested in the Budget and after reviewing the "Financial History and Forecasts" that you recently distributed I do have some questions that I would like read into the minutes at the Annual Meeting:

1. Is the budget on a cash or accrual accounting system?
2. Is the Financial History and Forecasts actually the budget you want members to approve?
3. What is the current balance in the Capital Improvement Fund?
4. How will this year's \$10,396 surplus be used against the new year budget?
5. Some of us exercised our privilege to review the books at Imagineers and there seems to be a number of discrepancies between checks actually written and various line items in the most recent Financial History and Forecasts (FHAF). For example. . .
 - a. Imagineers shows Revenues from "Interest/Other Income" at @ \$9,500, while the FHAF shows \$5,000?

- b. Checks were written for @ \$9,200 for Imagineers expenses such as accounting (\$2,550), electricity (\$3,640), office (\$1,850) and taxes (\$1,200). Where are these expenses reflected in the FHAF?
- c. The check register shows an expense of @ \$31,000 for insurance vs. the \$26,923 shown in FHAF.
- d. Other discrepancies include. . .

CATEGORY	IMAGINEERS	FHAF
(i) Grounds Maintenance	\$ 60,848	\$ 63,050
(ii) Sewers	15,977	16,978
(iii) Water	11,143	12,638
(iv) Contingency	6,355	13,345

None of the discrepancies are major but there are so many of them that it makes it difficult to get an accurate picture of where we are financially. How can this be corrected in the future?

Finally, when you just began your Presidency you expressed concern over the need to “catch up” to a more realistic and necessary Capital Improvement Fund level. Is this still an issue and what is actually being done about it?

Again, I’m sorry I can’t be at the meeting in person. I would therefore greatly appreciate your answers to my questions – hopefully at the Annual Meeting so I can review them in the Minutes. Also, if the discrepancies I pointed out cannot be resolved, I request that action on the new budget be delayed until they are.

Thanks very much. . . and best wishes for a happy and healthy Holiday Season.

Sincerely,



Frank E. Russo, Jr.
 17 Overshot Drive
 S. Glastonbury, CT 06073

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December 5, 2006

Mr. Frank Russo
17 Overshot Drive
S. Glastonbury, CT 06073

Re: Your Letter of December 1, 2006- South Mill Village Association
2006 "Financial History and Forecasts"

Dear Frank:

This will acknowledge your letter of December 1, 2006, received via email on December 4, 2006. As you have requested your letter will be entered into the minutes of the December 5, 2006 Annual Meeting, along with this response. In addition we will provide copies of your letter of December 1, 2006 and this response to all attendees at the meeting as well as attaching both documents to the completed minutes of the 2006 Annual Meeting.

On an annual basis we have an independent audit of our financial records completed by the outside auditing firm of Carney, Roy and Gerrol, P.C of Rocky Hill CT. This review includes a review of the accounting records maintained by Imagineers. The review for 2006 is completed and the required adjustments have been agreed to and made. The final number reported in the attachments reconcile to the final audit report. We are awaiting the publication of their written report. Please see the attached exhibit for the final updated figures. This exhibit will be handed out at the meeting this evening. The only changes made to the first page of the exhibit relate to the reflection of final audit adjustments to the 2006 actual results. The difference resulted in a net increase of \$239 over the prior exhibit. The second page is the roll-forward of the fund balances from the prior year audited figures to the current balances at September 30, 2006.

Based upon our review of the differences you have pointed out the adjustments made fall into three broad categories:

- Imagineers posting to a different account
- Accrued but not paid entries
- Imagineers accounting system conversion

Specific answers:

6. Is the budget on a cash or accrual accounting system?

Both the budget and the actual amounts reflected on the Financial History and Forecast Exhibit are on an accrual basis of accounting. For the actual amounts, adjustments are made for revenues earned but not yet collected and expenses incurred but not yet paid.

7. Is the Financial History and Forecasts actually the budget you want members to approve?

The attached exhibit outlines the 2006 budget, 2006 actual (agrees to the audited statements which will be issued shortly) and the 2007 budget. The specific budget for 2007 is shown in the column marked **FY 2007 BUDGET**, which lists budget amounts by category and totals \$ **376,660**, this is the amount the residents will be asked to ratify.

8. What is the current balance in the Capital Improvement Fund?

The balance in the Capital Improvement Fund at September 30, 2006 is \$155,963.

9. How will this year’s \$10,396 surplus be used against the new year budget?

The current year surplus of \$10,435 (after the final audit adjustments) was used to decrease the beginning of year operating fund deficit. The deficit was \$29,565 at the beginning of the year, and is \$19,130 at the end of September 30, 2006.

10. Some of us exercised our privilege to review the books at Imagineers and there seems to be a number of discrepancies between checks actually written and various line items in the most recent Financed History and Forecasts (FHAF). For example. . .

a. Imagineers shows Revenues from “Interest/Other Income” at @ \$9,500, while the FHAF shows \$5,000?

The difference between the amount per Imagineers and the FHAF

	Amounts per		Difference	
	Imagineers	FHAF		
415-10 Snow assessment	(241.00)	-	241.00	[a]
435-10 Miscellaneous income	5,108.40	559.40	(4,549.00)	[b]
440-10 Interest income	4,027.62	4,746.62	719.00	[c]
445-10 Late fee income	425.00	425.00	-	
499-10 Statement fees	150.00	150.00	-	
	<u>9,470.02</u>	<u>5,881.02</u>	<u>(3,589.00)</u>	

[a] - The amount recorded by Imagineers in the snow assessment account was incorrectly coded. As part of the final amounts, this invoice was reclassified to the building maintenance account.

[b] - The most significant adjustment relates to the reclassification of an insurance refund received from our prior carrier to the insurance expense account.

[c] - The difference relates to the accrual of interest earned but not yet received.

relates to the following items:

b. Checks were written for @ \$9,200 for Imagineers expenses such as accounting (\$2,550), electricity (\$3,640), office (\$1,850) and taxes (\$1,200). Where are these expenses reflected in the FHAF?

The difference between the amount per Imagineers and the FHAF relates to the following items:

	Amounts per		Difference	
	Imagineers	FHAF		
501-10 Electricity	3,640.02	3,906.65	266.63	[a]
509-10 Insurance loss	-	5,000.00	5,000.00	[b]
522-10 Accounting	2,550.00	2,550.00	-	
530-10 Office	1,851.83	2,104.48	252.65	[c]
531-10 Taxes	1,200.00	1,051.00	(149.00)	[d]
	<u>9,241.85</u>	<u>14,612.13</u>	<u>5,370.28</u>	

- [a] - Difference relates to the recording of the September electricity expense.
- [b] - This relates to the accrual of the net retention of chimney and other repairs relating to the storm damage from the summer. The amount represents the net retention to SMV after recovery of insurance proceeds.
- [c] - The difference relates to the accrual of items that related to September 2006 but were not paid as of September 30th.
- [d] - The difference relates to the true up to the estimated taxes due. These taxes will be paid in December 2006, but relate to the amounts earned for the fiscal year ended September 30, 2006.

c. The check register shows an expense of @ \$31,000 for insurance vs. the \$26,923 shown in FHAF.

The difference relates to the reclassification of the refund received from our prior insurance carrier, from Misc. Income into Insurance Expense (see 5a above). In addition there was an entry to correct a prior entry recorded by Imagineers erroneously directly to surplus when it should have been recorded to expense.

d. Other discrepancies include. . .

CATEGORY	IMAGINEERS	FHAF
(i) Grounds Maintenance	\$ 60,848	\$ 63,050
(ii) Sewers	15,977	16,978
(iii) Water	11,143	12,638
(iv) Contingency	6,355	13,345

None of the discrepancies are major but there are so many of them that it makes it difficult to get an accurate picture of where we are financially. How can this be corrected in the future?

This past year end was more complicated due to an accounting systems conversion at Imagineers, the amounts per their records did not reflect any year end accruals for expenses that were incurred through September 30, 2006 but not paid. We worked with Imagineers and the auditors to identify the appropriate accruals that should be reflected in the 2006 financial statements.

You also asked how the Executive Board felt concerning the need to “catch- up” to a more realistic and necessary Capital Improvement Fund. The Executive Board continues to feel that this longer term fund needs to be strengthened by more aggressive annual contributions. So we still see it as an issue to be addressed. For 2007 the Executive Board has adopted a budget which recommends a \$ 10,000 increase to this fund. Is that sufficient annually, probably not, but reflects what we hope may be a phased in approach. The Executive Board plans to retain a firm which specializes in long term reserve planning during 2007 to advise us as we move forward.

I'm sure you can appreciate the effort that goes into trying to present financial and accounting records in a straight forward way that those not specifically trained in accounting and finance can understand. We encourage participation and involvement throughout the year through active involvement in our finance and budget committees. As often as we call for volunteers, the vast majority of residents are satisfied and chose not to become involved. If you are interested we would welcome your ongoing participation throughout the year.

Sincerely,

John H. Burke, President
South Mill Village Association, Inc

Attachments