

Farrwood Green Condominium II Annual meeting 2009

Meeting called to order

Arcadiy asked if there were any questions comments or corrections to last year's minutes.

Q. There was a question concerning the fraud audit that was going to be performed on our accounts, because the minutes did not expressly state that fraud the audit was being done.

A. It was clarified that the fraud audit was voted on during the special meeting. Through research the board came to the conclusion that there needed to be a two stage process: First a reconstruction of our books and then a fraud audit could be performed. The minutes did reflect the discussion about the two stage process.

With no further comments, questions or concerns about last year's minutes, Arcadiy asked for unanimous consent to accept the minutes for the annual meeting March 27, 2008. They were accepted.

It was stated that a quorum of 36% was present including proxies (30% required for passing the annual budget, budget items and electing board members). The record of attendance was certified the board.

John Michaud Presentation:

John was asked to review the books and found that essentially there were no records so therefore he needed to reconstruct the books. He was asked to put together the books beginning April, 2004 through August, 2007. The board presented him with various bank statements checks, and invoices.

Starting with April '04 John began compiling the information on spreadsheets, matching checks with invoices and discovered a large amount of invoices missing. He then began going through the deposits. The board got from the bank copies of the checks that had been deposited. John then compiled who and what, was paid onto 105 page spreadsheet. To calculate balances a starting point needed to be used, April 1, 2004, was chosen. All unit owners were given a zero balance as of that date. It was known in the beginning that this would not be completely accurate and therefore we would need the unit owners assistance. Letters were sent out requesting assistance. John dealt with 70 to 80 of the unit owners. John was very grateful to get the assistance of the unit owners. This allowed him to resolve their accounts.

John then moved on to the reserve accounts. He performed similar tasks of tracing deposits and withdrawals and current balances within for each of our reserve account statements.

At this point we have all the information that a forensic audit we need to perform their search. There's still work that needs to be done for the person getting the invoices.

John thinks that once the audit is completed we should have a cash basis financial statement. Which would give us what were are looking for since, it is going to be hard to track down the invoices.

John would be pleased to work with whomever we select. And feel free to contact John if you still have questions on our account.

Q. What is a step down?

A. If someone was asked to provide a review and they were unable to then they could step down and do a compilation.

A tax return filing during the transition was questioned whether it was filed. We have not received any notices that it was late, but we would need to verify.

Q. Did John find duplicate checks.

A. John found duplicate check numbers but not necessarily duplicate checks written which just means that there were checks that had the same number on them

Discussion on cutoff date for starting collections of outstanding fees, consensus was May 1st 2009.

Motion:
Unit 127

Establish May 01, 2009 as the cutoff date for paying all association dues owed for April 2004 to August 2007, and as of May 01, 2009 any outstanding payments will be handed over for collections.

Second: Unit 58

Vote:

Yes - Majority in favor

No - One

Motion passed

Each year the condominium is required by law to create a financial statement and have that statement reviewed by a CPA. Because of the current situation of our statements and records we have two ways to go about creating these statements. We can first compile statements from each of the years and then perform the audit. Or we can do the audit first and then have the statements compiled afterwards.

Q. What is the advantage of the each?

A. It is a cost issue. We will need to have to have these statements prepared. The audit may turn up new information. We would need to recreate the statements with the corrected information from the audit. This means that we would need to pay to have the statements created again.

Jim Toscano clarifies that a statement or compilation is nothing more than a compiling of the records for the association in a single statement. It does not include any sort of investigation into the records it is merely a compilation of the records.

Dan Braese clarifies that in order to be in compliance with the law we just need to issue the statements there's no time frame in which these statements need to be issued. It is reasonable to postpone the statements until after the audit in order to save money. Knowing the condition of our books and that audit may very well turn up errors which requires us to reissue the statements.

Q. What does it cost to prepare the statements?

A. It would cost \$1,000 to \$3,000 depending on the firm for each year.

Q. Who would bring action against the association for delaying the statements?

A. The only one with standing would be another unit owner. If a unit owner were to disagree with the vote performed by the quorum he could bring the association to court. The association would then need to show that they had a valid reason for voting the way that they did, and to save money is a valid reason for postponing the statements.

Q. How long will an audit take?

A. About one to three months.

Q. Do we know how much money was taken versus how much money we're going to spend to find out?

A. It has been previously voted on to through with the audit, however we can vote on it again tonight. In what we have seen so far it seems that the amount of money taken is what has been returned. Is up to the association to provide evidence in any criminal case we may decide to pursue, and the only way to get that evidence is to do an audit. We do have the option of collecting back the fees associated with the audit if we pursue it in court.

Motion:

Unit 54

To forgo preparing statements at this time, and to proceed with a forensic audit then issue the statements.

Second: Unit 83

Vote:

Yes - All in favor

No –

Motion passed

Motion:

Unit 143

To perform four years of forensic audit after securing three bids and selecting the most appropriate one, as per bylaws, the board will make the selection.

Second: Unit 67

Vote:

Yes - 24

No – 9

Motion passed

Q. What are the lawsuits that are pending?

A. We are not able to discuss it at this time.

Paul Bergman roof presentation

They were asked to inspect roofs on buildings A, B and C.

They then inspected the attic spaces of four units.

To roofs buildings A and B are very bad

Shingles have deteriorated to the point where they crumble when you walk on them.

The valleys are especially poor too.

They recommended that the valleys be cemented. This work was stopped because the valleys were falling apart as they were trying to cement them.

The life of an asphalt shingle system depends on several items, the shingle itself the underlayment felt or ice and water shield, the plywood sheathing, roof framing, and the ventilation system.

There should be an as built drawing done of the roofs showing the hips valley's roof pitches and vents.

An engineer should be hired to work with a reputable roofing contractor to address any issues that arise during construction.

Q. What were your findings about the roof ventilation?

A. The ventilation looked good and was antiquate, and soffit vents were not blocked in the four units that they inspected.

All buildings were reroofed in 1996. Building H has been reroofed since then.

Q. What resources do we have against the original roofer?

A. There is none.

Q. Does that mean that the rest of their roofs are likely to fall apart?

A. Mr. Bergman was a second opinion the first engineer looked at roofs A, D, E. and came to the same conclusion.

Q. What problems are we having

A. Roof leaks

There are downspouts which are missing or to be repaired

Q. Residential gutters verses commercial gutters?

A. Was not asked to look at them so does not have an opinion

For a manufacturer to issue a written warranty on any roofing system would require a lot of things to be done per their specifications.

Ice and water shield should be used on eaves, and low pitched roofs should have rubber roofing over the entire roof. Apply copper or rubber roofing in the valleys.

Q. Which building that was done most recently be done?

A. Building H and no it would not be done.

Q. If we had such a problem with roof, how do we know this will not happen again?

A. It is why we've had the multiple inspections and we will be having an engineer to supervise the construction of the new roofs.

Q. Can we patch?

A. Patching would be more expensive. There's no way to determine where the leak is coming from so you would then have to replace a large section of roof, and then try to match the remaining shingles to the new. Then you would start to have roofs that sections of varying ages, which then could lead to more problems.

Q. CMU walls at unit 176, why are we fixing the wall for a crack in the wall?

A. The wall is actually out of plumb and is leaning and could fall over. The full report on the unsafe nature of the wall is in the engineering report.

Q. South entrance cleaning and cutting.

A. We do not own this land, so permission and liability need to be addressed. During the past year we were unable to spend money for beautifying land which we do not own. Several attempts have been made to ask for Weinstein to have the area cut, and or for permission to do work on his property.

Q. Are there plans to plant grass behind building H?

A. Yes. During last year's walk through with Ferris, the board was informed of the conditions preventing the grass from growing. It has been planned for Ferris to plant grass there this spring, which could grow under those conditions. This is no guarantee that we can overcome the conditions to get a sustainable lawn.

Q. Who takes care of the walkways leading up to the porticos? Walkway is pooling during rain storms.

A. The walkways are general maintenance for the association, and we do have money budgeted for repairs this year. Please contact PMA in writing via a letter or Email of any areas which need to be addressed.

Arcadiy asked if the members would be in favor of the land swap if it included money. The members were not in favor of any land swap.

Q. Is there another way that he could the land?

A. He cannot, because it involves moving a lot line.

Budget review

This year's budget has two sets of items. There are the general budget items that we have had in past years (base budget) and then there are some action items which need to be addressed, they include the roofs, termite control, mail boxes, and CMU repair at 176.

Questions and comments on base budget:

Q. Those who removed the snow will they be fixing and replacing the damage areas?

A. Yes, Ferris did the plowing and is doing the landscaping, so he will be cleaning it up.

Questions and comments on action items:

Q. Does the mailbox number include all of the mail boxes?

A. Yes, the boxes are so old that not only are the bases starting to rot, but a lot of the locks and doors are not working.

Q. Will the new mailboxes have an outgoing slot?

A. Yes they will be similar to the boxes that Phase 1 has, so they will also be the larger envelope size. Cluster box unit 16 door, is what will be installed.

Q. When will the boxes be changed?

A. During the summer.

Q. Why are the green bait stations popping up around the yard?

A. In the past the termite protection (it seems) was done only on an as needed basis. And some of the areas where termites were no longer being seen may have had the protection stopped. We have had added a couple of areas due to the discovery of termites, and one unit was discovered to have had severe damage. The termite companies will not use a trap they did not install, so you may have seen the new traps going in.

In terms of the budget, we are working to make sure all buildings are fully covered, and the budget number reflects installation of new stations in the areas not currently covered.

Q. What to look for?

A. Large yellow looking ants. They travel in mud tubes, on the outside of the building.

As discussed during the roof presentation, with (3) different inspections in covering 5 of the buildings with a couple being inspected by two different engineers, the roof are in poor to fair condition. The first proposal for doing all 7 roofs would require a higher fee increase and a higher loan. This would leave all of our current reserves available for an emergency. Right now the rates are also very low, and construction costs are competitive with the current economy. The more roofs done at one time will help in getting a better price.

Q. What about spending say \$100,000 out of the reserve to offset the cost.

A. That would lessen the amount of collateral we would have for securing a loan. If we take from the reserve we will need to put that money back, so we will still need to raise fees.

Q. What about the penalty for paying the loan off early?

A. The rate we are getting is good, and we do not see it getting much lower, so we would not have a reason to pay of the loan early, nor would we really be in a position to do so.

Q. The quoted rate of 6.5% seems high?

A. That is one preliminary quote, and was the high percentage option. We believe we will be able to do better once it is put out to bid. As well as much of our reserves are tied up in cd's that will mature in 2010-2012, so they are unavailable for us to use, both as collateral or for the roofs.

Q. Can we take a loan out against the cd's?

A. Yes, that is going to depend on the bank, whether they will accept it as collateral where it is or if it needs to be moved to their bank. The more of the reserve that is in the loaning bank, it seems the better rate we could get. Since we need the associations approval to get the loan before we can guarantee a final rate.

Q. Raising the fees versus special assessments?

A. One of the first questions people ask when buying a condo is have there been any special assessments, because that can be a sign of a poorly managed budget. If the unit owner goes in to foreclosure, special assessment fees would be lost, where as condo fees would get paid.

Q. What are our fees in relation to the other five phases?

A. phase 5 middle unit \$165, phase 6 \$130, with special assessment for three years of \$50, total \$180.

Q. Why not take a loan for the two roofs, pay if off? And ask the contractor to guarantee the same price if we use them the next year?

A. Right now the cost of a roof is about \$35,000. We estimated that to do two roofs without the loan the fee would increase \$108 per 1%. Trying to get enough money for that would cause higher increase in the fees than we are proposing.

Q. If you end up with a better rate what happens to extra money.

A. Per the By-Laws it would be put into our reserves. This year we did take some money from the reserves so we will need to but that back.

Q. Have you been getting condo fees from every unit?

A. We have been working with both the accountant and attorney to get those fees.

Q. What about the economy we in, and those that are on a fixed income, and we should consider the 4 roof proposal.

A. If a unit is foreclosed then we would get all fees due, so a foreclosure will not adversely affect the budget. The board has to look at the association as a separate entity and what it needs to do for its own survival, and function properly and maintain its assets first.

Q. On the loan application it asks about lawsuits?

A. The type of suit pending should not affect our application.

Q. If we are taking out a loan we are going to be paying back a large amount in interest,

A. The total interest would be less than our road repair budget and would be spread over 7 years, that works out to be about \$6 per 1% per month.

Q. If people are behind on fees, are we going to be able to the monthly, loan payment.

A. The bank will prioritize who would get paid if it ever got so bad that we could not make a payment, and so they would get their money.

Motion:

Board

To approve the budget with \$300,000 loan accounting for repaying the loan which would accommodate 7 roofs, provided that we can secure 6.5% or lower on the loan, and will provide the quotes to the unit owners.

Second: Unit 174

Vote:

Yes – Majority in favor

No – 4

Motion passed

New condo fees will begin April 1st, 2009.

Motion:

Unit 111

Ask Weinstein if we can clean up the entranceway landscaping.

Second: Unit 82

Vote:

Yes – Majority in favor

No – 6

Motion passed

Call for board member volunteers. There were no volunteers.

Motion:
Unit 54

Reelect board as it stands.

Second: Unit 68

Vote:

Yes – All in favor

No –

Motion passed

Meeting Adjourned