

**Lincolnshire Apartments, Inc.**  
***Lincolnshire North Apartments, Inc.***

**Board of Directors' Meeting**

***MINUTES***

October 20, 2009

A concurrent meeting of the Boards of Directors of Lincolnshire Apartments, Inc./Lincolnshire North Apartments, Inc. was held on Tuesday, October 20, 2009 at 11:45 a.m. in the Board Room at Audubon Area Community Services, Inc.

***Board Members Present:***

Ms. Carrie Blackham #

Hon. Reid Haire\*\*

Ms. Cathy Spires\*

\*\*Chair, Both Boards

\*Lincolnshire Board

#Lincolnshire North Board

***Staff Present:***

Ms. Cheryl Calloway, Housing Manager  
Ms. Sheila Harper, Housing Director  
Mr. Ronald Logsdon, Chief Executive Officer  
Ms. Denise Marcum, Executive Assistant  
Mr. Byron Mayes, Chief Financial Officer

***Others Present:***

Mr. Charles Kamuf, II, Attorney

**Minutes of the March 16, 2009 Meeting.**

The March 16, 2009, meeting minutes were distributed with the meeting handout packet and agenda. Judge Haire asked if there were any questions or comments. There were none. Due to there being no meeting quorum, the members who were present did not vote on approval of the prior meeting's minutes.

**Lincolnshire/Lincolnshire North Current Financials.** Mr. Mayes reported on the Lincolnshire Apartments and Lincolnshire North Apartments financials, stating that this past year has been a strong year financially for both Lincolnshire and Lincolnshire North.

FY2010 begins with a strong year for Ms. Harper and her team, he said, and this was due to the way she and her staff monitor and manage their expenditures. They did a fine job in keeping costs down last year, he said. There are some future plans to do some work on the properties' structures which might help improve on these aged properties' energy costs.

**Lincolnshire Apartments, Inc. Audit, FY2009.** Judge Haire inquired into a \$90,000 increase in financial position on page three of the report. He inquired whether this was made up of several different items or if there was one particular item that caused the balance sheet to increase. Mr. Mayes explained that this particular item related to the two properties' roofs being replaced during the past year. Judge Haire asked if the improvements had been capitalized. Mr. Mayes said yes, but couldn't recall offhand exactly how much that was. Mr. Mayes told the Board that he would later advise how that cash would be reallocated — basically, in layman's terms, changing net assets.

Mr. Mayes stated he just wanted to point out some of the audits' highlights. On page 21, there was a computation where Lincolnshire takes the cash that is on hand and back off the current obligations, which are usually anything that is going to be paid within thirty days, to come up with the surplus cash. This

money will be submitted to Phares Company and will be used, upon HUD approval, for specific major repairs. Judge Haire asked if the residual receipts were the term you would use for “rainy day funds”. Mr. Mayes said yes and this is a requirement of HUD. It’s for major repairs and/or or other expenditures, but the use of residual receipts does require prior requests and approval from HUD.

Judge Haire asked if this money belonged to Lincolnshire. Mr. Mayes said yes; it is held by The Phares Company, the Lincolnshires’ mortgagor, in an escrow account for the Lincolnshires’ use upon HUD approval. How much has accumulated in that account? Mr. Mayes stated he would have to get back with everyone on that. A substantial amount was taken out of it last year to repair roofs of the units. There was no insurance reimbursement on the roofs; the Lincolnshires paid for that out of residual receipts.

Mr. Mayes stated with the excess reserve money (\$106,000) in the Lincolnshire account, a check will be issued out of the cash account and submitted to The Phares Company for them to hold in a Lincolnshire Residual Reserve (escrow) account.

As far as the scheduled findings, there were no new findings. Mr. Mayes pointed out that on page 23 of the audit there was a note concerning *prior* audit findings. There are no known prior unresolved audit findings as far as Lincolnshire is concerned.

Mr. Mayes noted on page three of both of the audits, the notes are basically the same.

**Lincolnshire North Apartments, Inc. Audit, FY2009.** Again, we’re increasing the overall assets and that’s due to the addition of the roofs. On page six, the change in net assets, there is an amount of \$118,000 to the good. On page 21, again, the surplus cash for the residual receipts calculations was almost the same amount. On the notes, the auditors cited a significant deficiency relating to his adjustments in the projects’ FY2009 financials. On page 28, there was a standard change in how the auditors report relating to journal entries. This citation was because there was an error in posting on re-classing some furnaces over to capital and there were some duplicate entries which caused an effect on the profit and loss statement for the statement activities. That lone error put Lincolnshire North’s audit in a “significant deficiency” zone, and all that was done was a reclassification. But because it was the auditor who found and corrected it and AACS’ staff did not, it ended up on this report. This was the only finding.

Judge Haire asked if this has been corrected. Mr. Mayes said yes and there are journal entries that have been posted and this will correct the books. Judge Haire also asked if there was anything so far in the first quarter that may cause that to change next year. Mr. Mayes said no.

Mr. Logsdon said that Ms. Harper is going to have a proposal to use some of those residual receipts and that is the only change he sees in the upcoming year. Judge Haire asked if there were any questions. There were none.

#### **Nomination of a Representative for the Lincolnshire Resident Representative.**

Ms. Harper told the Board that Mr. Mike Morton left the Lincolnshire Board as of the last meeting. It has been put out for nomination and Mr. James Stuckey has come in with a vote. He is also a tenant and willing to serve on the board.

*Due to a quorum not being present, the Board could not vote on Mr. James Stuckey becoming a member of the Lincolnshire Board but all were in favor of him attending the next Lincolnshire Board meeting.*

**Kentucky Housing Corporations’ Management Occupancy Review Results.** Ms. Harper reviewed the Kentucky Housing Corporations’ monitoring report on each property.

***Lincolnshire Apartments.*** Ms. Harper advised the Board to look at the Management Occupancy reviews. There was one for each property. The first one was regarding Lincolnshire. The review was completed by Kentucky Housing Corporation on July 29, 2009. As always, there were a few minor changes to do every time they come in regarding lease and house rules. Ms. Harper referred the Board to look on page 2 of 2 where KHC “tagged” (cited) Lincolnshire for not having the HUD forms 9887A signed by management. These are release of information forms that every resident has to sign. Ms. Harper said this has been taken care of. The initial lease term on the leases, KHC wants to change. In the past the Lease has run from year to year. KHC now wants them changed to the end of the Section 8 contract which is November 30 of each year. That has been taken care of. The verbiage has been revised on the tenant selection plan to include all three incomes.

KHC’s monitors cited a discrepancy in the Lincolnshire Apartments’ House Rules. The House Rules stated a charge of \$6.00 per day on the 6<sup>th</sup> day for late rent, but the properties standard lease stated a \$5.00 charge on the 6<sup>th</sup> day. These had to match.

Also, when Lincolnshire does the renewals of its expiring contracts, a notice must be sent out to the residents one year in advance. KHC gave a finding on that not being documented because each resident file did not have a copy of that letter (which was sent to all residents). This has never been required before and Ms. Harper said she doesn’t know why they are doing that now. This also has been taken care of.

There were other minor citations. On the property’s race and ethnicity forms, KHC said the form has to be circled as to which complex the resident lives in. The income limits were wrong in the database and it is in the IPM software. IPM had to be contacted so this could be changed. The rest of the things are just general medical expenses not being calculated correctly. This occurred in a few files, but all have been corrected.

Judge Haire asked with this kind of review, if it was pretty common to have these individual types of situations come up. Ms. Harper said yes but this is not a bad review. There wasn’t anything major in it at all.

***Lincolnshire North Apartments.*** Ms. Harper said the review for Lincolnshire North was about the same thing as Lincolnshire. Anything that has to do with lease, house rules, the tenant selection criteria will be exactly the same as it was at Lincolnshire. The only difference in the two will be in the maintenance. If a maintenance issue was found in one of the units, it will be listed.

Judge Haire asked if KHC goes through all of the units or are they randomly selected. Ms. Harper said they are randomly selected. The difference on the files is where KHC actually goes in and looks at every resident’s paperwork. There will be differences on that, but everything else is exactly the same as on Lincolnshire.

The Lincolnshires ended up having to reimburse KHC \$594 for operating subsidies due to some income calculation errors. Judge Haire asked how Lincolnshire handles that when a resident is overcharged. Ms. Calloway stated the bill that was owed by the tenant was higher than the security deposit, so the resident owes money.

Ms. Harper referred the Board members to AACCS’ response to the monitoring reports. Ms. Harper stated she did not copy everything because it would have filled up a notebook. Every work order, all of the leases and all of the house rules would have been included. The summary she provided was just a general page of what was done with each of the Lincolnshire properties to correct the situations KHC cited.

## **Real Estate Assessment Center (REAC) Review of Lincolnshire North Apartments, Inc.**

The HUD REAC review was distributed. Ms. Harper said depending on a property's REAC score, HUD comes in for their REAC review either annually or every two years. Lincolnshire North's score was high enough they only come in every two years. The Lincolnshire North score for this year was 85, which, Ms. Harper said, she doesn't think is bad for a property that is thirty years old. Mr. David Waggener, the REAC reviewer, found basically the same thing he always finds every time he comes, such as apartments' missing sink stoppers (which the residents misplace), deteriorating or missing weatherstripping, etc. Mr. Waggener did find this year some hairline cracks in the foundation. The correction for this is as follows: If there was a hair line crack in the foundation, cement has to be over the top of it or caulk inserted into the crack. He also found some gaskets on refrigerators that were damaged and a couple of sidewalks where they had crumbled. Those have been replaced/repaired.

Judge Haire asked if KHC talks to the U.S. Department of Housing and Urban Development. Ms. Harper stated the U.S. Department of Housing and Urban Development (HUD) some years ago contracted with KHC to do the Management Occupancy Review (MOR) reports. Every once in a while The Phares Company, since they hold the mortgages, will come and do their own review. Again, as long as the REAC reviews' scores are high, HUD reviews are done only once every two years.

Ms. Harper advised the Board of a letter from Lincolnshire North in response to its REAC report. Ms. Harper stated that she had to include copies of all the work orders showing what was repaired relative to everything cited in the REAC review. Judge Haire asked if KHC could come back next month. Ms. Harper stated HUD could return, but there is only one man that she was aware of who does REAC reviews, and he does all of the HUD-assisted properties. When KHC comes in next year to do their MOR report, they will take his report and verify that the repairs have been done.

**Next Major Repair and Replacement Recommendation.** Ms. Harper stated when Mr. Waggener was in for his review, he had suggested that the next major capital improvement should be window replacements. The current windows at the complexes are not the original ones. Mr. Bill Jagoe, the previous owner, had replaced the original windows before AACS bought the properties in 1995. Judge Haire asked if there were any grant possibilities. Ms. Harper said the only grant she was aware of was the money with ARRA, but the Lincolnshires were ineligible because the AACS properties paid the tenants' utilities.

Judge Haire asked the Board what their thoughts were. Mr. Logsdon stated he wants to keep the properties in good physical condition. If there are sufficient funds or Lincolnshire has not exhausted everything in the residual receipts, the window replacements might be a good move. Judge Haire stated this project would probably be in excess of \$20,000. It might be a good idea as to get a ballpark figure. That would be a major expenditure, he said, so there would need to be a Lincolnshire/Lincolnshire North Board meeting to authorize that expenditure.

Mr. Logsdon said the Lincolnshire Boards had never had to do that before. The resources have to be available in the *residual receipts*. There is a HUD-designated requesting process the properties have to go through. The "feds" and the mortgage holder approve the use of the residual receipts money. These major improvements can't be done without those approvals.

Judge Haire said his opinion was that the Board would not be fulfilling its fiduciary responsibilities if it didn't endorse the actions, especially pertaining to spending thousands of dollars. Judge Haire suggested to Ms. Harper to put this topic on the agenda for April 2010 and that she have a ballpark figure of how much this or any other major improvement project would cost.

**Renewal of Section 8 Contracts.** Ms. Harper said the FY2010 Section 8 renewal contracts have all been sent in and approved. The new rents will be effective December 1, 2009. The FY 2010 rent increase was a little over a 1.0% increase. Required notices have gone out to the residents, but their individual rent

obligations are pegged to their own income, not the HUD rents. HUD subsidizes the difference between tenants' income-based rents and the annually HUD-approved rents. The properties' rents have to be renewed annually, she said.

**Revised By-Laws — *Lincolnshire Apartments, Inc. and Lincolnshire North Apartments, Inc.*** Mr. Logsdon stated there was a change that needed to be made which was the address for AACS from 1800 West Fourth Street to 1700 West Fifth Street. Judge Haire said the Board couldn't accept the changes without a quorum present. Judge Haire said he would like to adopt the By-Laws, but how is this done without a quorum?

Is there any provision in the By-Laws that allows those present to conduct a meeting if some absent member can be reached by phone? At times the Boards have a challenge getting a quorum to the meeting. Mr. Kamuf said he didn't think the By-Laws specifically mention that kind of provision. With Mr. Stuckey possibly being present at the next Board meeting, then there will be a quorum, said Judge Haire. Mr. Logsdon stated the particular "telecommunications tie-in" statement has been inserted in the AACS By-laws. It has not been implemented, but there is such a provision in AACS' By-Laws for that.

Judge Haire asked if HUD or any other organization ever ask to look at the Board minutes, because this scenario keeps the Board from getting any business done. Ms. Harper said no. Mr. Logsdon stated that HUD required AACS to create the "single asset entities." The only reason the Board exists is that HUD required that separate incorporated entities be established, and his understanding is that with any incorporated entity there has to be a Board of Directors that should meet *at least once a year*.

Whenever HUD or KHC has come in, they have never once asked a single question about the properties' boards. Judge Haire expressed his concern that if something were to go significantly wrong the fact that since HUD required AACS, the owner, to set up this, it automatically puts a potential liability on individual board members. Mr. Logsdon stated he has always made it a point to refer everything that has transpired from the Lincolnshire/Lincolnshire North Boards and each AACS Board Committee (or entity) is duly reported to the full AACS Board of Directors, which owns both Lincolnshire properties.

Mr. Kamuf referred to the last paragraph of the By-Laws, as they originally have been amended. Article 9 requires the Boards of Directors of the Lincolnshires as well as the main (AACS) Board to approve. The full AACS Board has approved the By-Laws for Lincolnshire to operate under. Judge Haire stated the Lincolnshire Boards still had the requirement to approve those By-Laws as well, but this can't be done due to not having a quorum, so this will have to await April 2010.

**Residents' Request for Dish Satellite TV.** Ms. Harper advised the Board that in the handout packet was a letter from Dish Network. After the local cablevision did away with having to get a converter box, some of the residents don't have television service they want. And they don't want to go through cable because they say it's too expensive. They would like Dish Network. Some residents had the Dish Network satellite company write up a letter relating to installing their service. The fact is that it's going to entail putting a pole in several buildings' yards and then attaching the satellite dishes to it. Ms. Harper stated she has not done anything at all on this.

There was much discussion, but the Board agreed for Ms. Harper to receive proposals from different providers of what was going to be done, i.e., how many poles, if there would be one dish on the pole and then wire ran to each apartment/resident who wanted the service. This will be brought up at the next Lincolnshire board meeting in April 2010. Ms. Spires suggested in asking of who would be responsible if the equipment gets damaged. The letter from Dish Network did not state a group rate.

**Vacancy Report on Lincolnshire and Lincolnshire North.** Ms. Calloway informed the members that there were two (two) vacancies at Lincolnshire North; one (1) 2-bedroom apartment and one (1) 1-

bedroom. In Lincolnshire, there are nine (9) vacancies; one (1) 2-bedroom, eight (8) 1-bedrooms. Out of the eight there are four ready of the 1-bedrooms. There is one (1) 2-bedroom that is ready.

Mr. Logsdon asked how many there were that Lincolnshire was not receiving subsidy revenue on. Ms. Calloway said there were eleven (11). Four (4) of them are not ready. Judge Haire asked if there was a waiting list of people that are ready. Ms. Calloway stated there are several people on the list, but they're just not eligible. Based on recent KHC rulings, the Lincolnshires are not allowed to skip over people on the waiting list awaiting their documentation to house those whose files are complete and who are ready for move-in. She also stated the "potential residents" have to be given a certain amount of time to get their information in. Staff must provide them a 14-day letter that states they are requested to please bring their information in or they are going to be rejected. And then the rejection letter requires another fourteen (14) days.

**On-Site Property Manager's Report.** Ms. Calloway informed the Board that Lincolnshire has gotten approval for "special claims," which is allowable once an apartment is *ready to rent*. Properties can then claim rent on a unit until it is rented. The latest special claims amounted to over \$6,000, she said. Ms. Harper stated the amount for Lincolnshire North is \$4,125 and \$2,043 for Lincolnshire. This is for units that were ready but not rented for which the properties can claim HUD subsidy.

Mr. Logsdon asked if Lincolnshire receives the regular rent for each apartment when it's ready to go. Ms. Calloway said yes. This is only approved when the unit is ready only after it has been "maintenanced" and cleaned until it's re-rented again, then you get the percentage of whatever they call the *tenant rent*. Whatever the tenant's don't pay, the government subsidized the balance of what HUD says the apartment is worth on a fair market basis.

## ***ADJOURNMENT***

There being no further business,

*The meeting was adjourned at 12:45 p.m.*

Hon. Reid Haire  
Chairperson