

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF REGULAR MEETING
MARCH 21, 2011

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, March 21, 2011, at 5:30 p.m. in the Emerald Bay Club, 208 South Bay Drive, Bullard, TX 75757. Present were Directors Dwight Cole, Jaymie Foote, Bill Harris, Deena Johnson, and Paul Randolph. Six (6) Emerald Bay residents attended.

Director Harris called the meeting to order at 5:30 p.m. Director Harris asked for comments on the Minutes of the meetings of February 21, 2011 (Regular) and March 13, 2011 (Special). **Director Foote made a motion to approve the Minutes of February 21, 2011 (Regular) and March 13, 2011 (Special) with a second (Randolph); the Minutes were approved by unanimous consent.**

Treasurer Cole reviewed the financial summary for February 28, 2011. Under sewer system operations, total income was \$27,084 (\$135,642 YTD compared to \$110,177 in 2010). Director Cole pointed out that \$26,314 YTD has been collected through the \$9.22 greens drainage service charge. Repairs & maintenance expense was \$12,515 due to sewer lift pump failures. Net income for the month is \$2,486 (\$36,059 YTD compared to negative \$105,879 YTD in 2010 due to \$200,000 inter-company transfer to the water fund.)

Under water system operations, the total income for February was \$25,964 (\$147,162 YTD compared to \$99,578 in 2010 attributable to rate increase effective June 2010 and drought). Total expenses were \$7,177 resulting in net income for the month of \$13,960 (\$67,387 YTD compared to \$220,214 in 2010 due to abovementioned inter-company transfer). Treasurer Cole explained the \$200,000 transferred from the sewer fund was for the third water well.

Under road & bridge operations, total income for the month was \$6,092 (\$30,070 YTD compared to \$9,704 in 2010). Other income consists of \$192,105 transferred from the Club/HOA and \$55,104 from member assessments for bridge renovation project. The net income for February was \$5,397.

The balance sheet shows total cash accounts for February at \$488,697. Treasurer Cole explained the reason the customer accounts receivables (\$95,434) was high. Water billings totaled \$26,794--Club sent the District one check in the amount of \$12,560; sewer billings totaled \$21,737 and Club only sent \$10,881. Treasurer Cole noted that construction in progress (\$759,699) consists of approximately \$350,000 for greens drainage, \$350,000 for third water well, and \$40,000 to complete installation of SCADA system. Other Current Liabilities & Deferrals (\$324,418) reflects the two Capital One interim loans of \$100,000 and \$150,000.

While reviewing the February check detail, Director Harris noted that sludge disposal cost is increasing because the District is now required to bag sludge year round. The District can no longer pump sludge onto the adjoining field due to changes in TCEQ rules. It may therefore be necessary to adjust the budget upwards for this increased cost. **A motion was made (Randolph) and seconded (Foote) to approve the February financials and check detail. The motion was approved by unanimous consent.**

Treasurer Cole reviewed the 2010 audit report prepared by Norman L. White, CPA, for fiscal year ended September 30, 2010. The auditor noted in his schedule of findings there were **no**

reportable conditions, no material weaknesses and no noncompliance material regarding the District's financial statements. Director Harris added that the auditor had discounted his fee by \$500. **A motion was made (Randolph) and seconded (Foote) to approve the 2010 audit report. The motion was approved by unanimous consent.** Director Harris will sign the audit report which must be submitted to the TCEQ.

President Harris stated the Board must consider approval of, ratification of, and clarification of terms and conditions in Resolution No. 752010A effective July 5, 2010. The District is set up to go to Southside Bank upon approval of the proposed revisions to the abovementioned Resolution. Southside Bank has stated it will not impose any future borrowing restrictions on the District similar to the restrictions that were being required by Capital One. If the Board approves the revisions, the bond attorney will submit the bond package to the Attorney General's office for approval (should take 2-3 weeks). The bonds qualify as tax exempt and will be registered as the Emerald Bay Municipal Utility District Revenue Notes Series 2010. **Director Randolph made a motion that the Board hereby amend and ratify the Resolution No. 752010A with the effective date of July 5, 2010. Upon second (Foote), the motion was approved by unanimous consent.**

Director Harris gave an update of the District's field and plant operations:

- (1) Installation of the SCADA system for sewer plant is 80 percent complete.
- (2) Water well #3 has power and Andrews & Foster will hook up so pump rotation is correct to run pump and flush the well.
- (3) Hwy. 346 doesn't qualify for guardrails so MUD will install a barrier around the wellhead for protection.
- (4) The District must clear up any lien questions on England's property to complete sanitary easement.
- (5) Glen Ridge Park residents don't want to fix the submersible pump that draws water from the Lake to irrigate their lawns. They are now converting to potable water for irrigation which adds customers to the rate base and increases the demand on the system during the summer months. Residents of Glen Ridge will have to install backflow devices on their sprinkler systems in order to irrigate with potable water. Additionally, some Henry Drive residents may also choose to connect to potable water for irrigation purposes.
- (6) The street maintenance fund has \$82,000—the approximate cost to fix North Bay Drive is \$200,000.

There being no further business, the meeting was adjourned at 6:30 p.m. upon motion duly made (Randolph) and seconded (Foote) with unanimous consent.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:

Financial Summary for February 28, 2011
Check Detail for February 2011
District Resolution No. 3212011A
Revised Resolution No. 752010A
2010 Audit