

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**FINAL AND APPROVED**  
**MINUTES OF REGULAR MEETING**  
**JANUARY 17, 2011**

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, January 17, 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 Regular meeting of December 13, 2010, and Special meeting of January 11, 2011. **Director Foote made a motion to approve the Minutes of January 11, 2011 (Special) with a second (Randolph); the Minutes were approved by unanimous consent. Director Randolph made a motion to approve the Minutes of December 13, 2010 (Regular) with a second (Johnson); the Minutes were approved by a majority vote (Harris, Cole, Randolph, and Johnson).** Director Foote abstained as she was not present at the December 13, 2010 meeting.

Director Harris addressed a question regarding the handling of the bridge project as reported in the November 15, 2010 Minutes. Director Harris noted the District's auditor, Norman L. White, confirmed that the District's renovation of the bridge, for accounting purposes, was a leasehold improvement to be capitalized, recorded as an asset and depreciated over the remaining life of the lease term or the life of the improvement. If ownership of the bridge reverted back to the Club prior to expiration of lease term, the District would depreciate the remaining value in the fiscal year of the reversion and the leasehold improvements would become the property of the Club without any cost or obligation. The auditor confirmed the November 15, 2010 Minutes are accurate as submitted. The auditor's letter is hereby made a part of these Minutes.

Treasurer Cole reviewed the financial summary for December 31, 2010. Under sewer system operations, total income was \$27,846 (\$81,594 YTD compared to \$66,531 in 2009). Director Cole pointed out that income of \$15,757 had been collected through the \$9.22 greens drainage service charge. Total expenses were \$20,697 (\$60,572 YTD and \$61,909 in 2009) and Director Cole noted the plant operating expense is \$4,000 more than last year due to fees for supervisory operator services. Net income for the month is \$5,641 (\$23,127 YTD compared to negative \$50,480 in 2009 due to \$100,000 inter-company transfer to the water fund.)

Under water system operations, the total income was \$24,926 (\$92,073 YTD and \$61,454 in 2009 reflects higher usage due to drought). Total expenses were \$12,220 resulting in net income for December of \$7,836 (\$41,363 YTD compared to \$109,300 in 2009 due to abovementioned inter-company transfer).

Under road & bridge operations, total income was \$8,080 (\$4,000 from initiation fees) and net income was \$7,971. Treasurer Cole pointed out that net income of \$73,000 YTD will be used to improve the roads in the future (i.e. stretch on North Bay in front of townhomes).

The balance sheet shows total cash accounts total \$464,829. Treasurer Cole noted that customer accounts receivables were \$103,063 as of 12/31/10. The District is not receiving the money from the Club in the same calendar month—the Club is supposed to pay the District twice a month based on the amount received—AR is now \$37,000. Upon review of December check detail, **a motion was made (Randolph) and seconded (Foote) to approve the December financials. The motion was approved by unanimous consent.**

Director Harris pointed out that three (3) members are delinquent for non-payment of service transfer fees. The Club business manager will notify the District of pending closing dates on home sales and the District will cut off water service and record water meter readings as of closing date. The District will not restore water service until contacted by the new owner. Director Cole related a recent incident where a resident neglected to inform the District of a transfer of ownership and complained when they received a water billing for two months. Mr. Harris recommended that all District fees (i.e. service transfer fees) be charged on Club billing.

President Harris read the Texas Commission on Environmental Quality (TCEQ) investigative report of the October 28, 2010 inspection of the District's water system noting **no** violations were cited during the investigation. The inspector was impressed with the District's plant operations manual and computerized recording, monitoring and alert systems. Mr. Harris reiterated that customer service inspections (CSI) are required upon change of ownership, remodeling and/or new construction. CSI includes sprinkler systems, backflow devices, plumbing and electrical. All new residents must complete the required water and sewer service agreements.

Director Harris presented an update on the District's field and plant operations. The north sewer plant was stopped up but is now fully operational and the sludge problem is under control. BLOC is working to add the sewer plant to the SCADA system. When completed the SCADA system will send out alerts when there is a problem. Mr. Harris also noted that personnel policies have been written and approved to cover all full-time District employees.

There being no further business, the meeting was adjourned at 6:19 p.m. upon motion duly made (Randolph) and seconded (Foote) with unanimous consent.

Respectfully submitted,

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Deena M. Johnson  
Secretary

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William F. Harris  
President

Attachments:  
Financial Summary for December 31, 2010  
Norman L. White (CPA) letter dated 1/12/11  
Outstanding Accounts Receivable  
TCEQ letter dated 12/17/10