

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF REGULAR MEETING
AUGUST 20, 2012

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, August 20, 2012, at 5:30 p.m. at the District's office, 155 LaSalle Drive, Bullard, TX 75757. Present were Directors Dwight Cole, Jaymie Foote, Bill Harris, Deena Johnson, and Paul Randolph. Five (5) Emerald Bay residents and Alicia Florence, District Clerk, also attended.

Director Harris called the meeting to order at 5:30 p.m. Director Harris asked for comments on the Minutes of the July 16 (Regular) and the August 7 (Special) meetings. **Director Randolph made a motion to approve the Minutes of July 16 and August 7 as written. Upon second (Foote), the Minutes were approved by unanimous consent.**

Treasurer Cole reviewed the financial summary for July 31, 2012. Under sewer system operations, total income for the month was \$30,742 (\$273,729 YTD 2012 compared to \$271,855 YTD 2011) and total expenses were \$22,237 (\$188,631 YTD 2012 compared to \$189,354 YTD 2011) resulting in net operating income of \$8,505 (\$85,098 YTD 2012 compared to \$82,501 YTD 2011). Net income was adjusted from \$6,999 to \$3,485 after deducting principal payment of \$3,514 for greens drainage loan.

Under water system operations, total income was \$35,458 (\$289,123 YTD 2012 compared to \$310,936 YTD 2011) and total expenses were \$11,164 (\$137,232 YTD 2012 compared to \$142,156 YTD 2011) resulting in net operating income of \$24,294 (\$151,891 YTD 2012 compared to \$168,780 YTD 2011). Net income was adjusted from \$18,935 to \$10,572 after deducting principal payments of \$8,363 for water well #3 loans.

Under road and bridge operations, total income was \$16,008 (\$72,176 YTD 2012 compared to \$70,428 YTD 2011) and total expenses were \$330 (\$5,547 YTD 2012 compared to \$5,566 YTD 2011) resulting in net income for July of \$15,721 (\$66,985 YTD 2012 compared to \$120,183 YTD 2011).

The balance sheet shows total assets at \$4,640,934 with total cash accounts of \$894,141 compared to \$761,327 YTD 2011; customer accounts receivable at \$48,000 compared to \$76,983 YTD 2011; PP&E at \$3,166,353 compared to \$3,463,169 YTD 2011 (accrued depreciation is the major difference); and construction in progress at \$540,004 compared to \$480,483 YTD 2011.

Review of the July check detail showed the standard expenditures with the largest payments attributable to payroll, lift station repairs, and bond payments. **Director Randolph made a motion to approve the July financial summary as presented. Upon second (Foote), the financials were approved by unanimous consent.**

Director Harris explained that the District is required to revise its annual budget on a quarterly basis. Director Cole presented the proposed 4th quarter revisions to the 2011-2012 budget for fiscal year ending September 30, 2012. Under the sewer system operations, total

income will be revised up slightly from \$332,500 to \$333,320 for fiscal yearend; total expenses will be revised from \$419,000 to \$422,740; with resulting net operating income loss at (\$89,420). The revised net income loss will be (\$107,538) which is about \$3,000 less than the originally budgeted loss of (\$110,275). Total depreciation for the year should be about \$191,581.

Under the water system operations, total income will be revised downward from \$386,500 to \$371,998 for fiscal yearend; total expenses will be revised downward about \$6,500 from \$264,500 to \$257,976; with resulting net operating income at \$114,022. The revised net income will be \$48,514 (which is about \$7,200 less than \$55,774 originally budgeted). Total depreciation for the year should be about \$290,000.

Under the road and bridge operations, total income will be revised up from \$85,000 to \$91,840 for fiscal yearend; total expenses will be revised downward from \$21,000 to \$19,974; with resulting net operating income at \$71,866. The revised net income will be \$72,313 (which is about \$7,900 more than \$64,360 originally budgeted). There were 21 home sales for the year resulting in initiation fee income of about \$42,000.

Director Cole made a motion to approve the revised budget for fiscal year 2011-2012 as presented with copy provided to the District secretary. Upon second (Randolph), the revised budget was approved by unanimous consent.

Alicia Florence, District Clerk, reported 25 past due notices were mailed August 1 totaling \$2,394.30 and 10 accounts remain outstanding totaling \$1,008.03. Any accounts not paid by 8/27/12 will be disconnected.

Director Cole presented the engagement letter from Norman L. White CPA to audit the financial statements of the District for the fiscal year October 1, 2011 through September 30, 2012. The fee for the audit will approximate \$7,500 (same as 2011 audit) invoiced on interim work basis. White will invoice the District for 35 percent of the total fee upon receipt of its accounting records. The remaining 65 percent will be invoiced upon completion of the audit. **Director Cole made a motion to accept Mr. White's proposal to perform the 2011-2012 audit of District accounting records. Upon second (Johnson), the auditor's proposal was approved by unanimous consent.**

Director Harris noted the Board had two executive meetings with a representative of the Texas County and District Retirement System to discuss their retirement plans, its benefits, and requirements for participation. The District wants to be able to attract and retain qualified employees to operate the sewer plant and water utility facilities. These facilities cannot be operated without District employees having the TCEQ required licenses.

The Texas County and District Retirement System (TCDRS) plan reviewed by the District requires a four percent (4%) monthly payroll contribution per employee. This plan is mandatory for all full-time employees of the District. Employees are vested in the plan after 10

years of service. If an employee terminates employment with the District prior to vesting in the plan, the employee will only be eligible to withdraw their contributions to the plan.

Director Harris stated that all current employees will receive a payroll adjustment to cover the four percent (4%) contribution to the retirement plan. **Director Foote made a motion to approve the TCDRS retirement plan to be effective October 1, 2012, by reading the Resolution to Participate into the record. Upon second (Randolph), the Resolution to Participate was accepted by unanimous consent.** The Acknowledgment of Conditions was then executed by all five District directors.

The TCDRS also offers a beneficiary benefit of group term life payable upon the employee's death as a one-time lump sum payment equal to the employee's annual salary. **Director Foote made a motion to approve the Authorization Providing for Participation in the Group Term Life Program administered by the TCDRS to be effective October 1, 2012, by reading the Authorization into the record. Upon second (Johnson), participation in the Group Term Life Program was approved by unanimous consent.**

Director Harris read the letter dated June 22, 2012, from the Emerald Bay Homeowners' Association (EBHOA) asking that the District accept the transfer of responsibility for issuing construction permits and performing inspections of the building projects. The District **will not** take the responsibility for determining setbacks—this is a restrictive covenant of the EBHOA. The resident member must agree to abide by the EBHOA restrictive covenants. The District's permit application clearly states "it is the responsibility of the property owners to have the property corners clearly identified and marked before construction. The Emerald Bay Homeowners' Association setbacks are required on the subject property and shall be established at the owner's expense and in coordination with their contractor." The permit application also states "the water drainage plan for the subject property shall be the responsibility of the homeowners and their contractor and any questions regarding the drainage plan shall be directed to the Emerald Bay Homeowners' Association."

The EBHOA Architectural Committee will continue to review all building plans and issue a \$50 permit upon approval. The District will then review the building plans and issue a generalized construction permit for a flat fee of \$1,000 plus 15 cents per square foot based on the square footage under roof. Each building contractor will have to pull a permit for the required plumbing, electrical and mechanical inspections. The District has contracted with two fully licensed inspectors to perform these required inspections. All construction fees collected are allocated exclusively to the District's road maintenance fund.

Director Johnson made a motion to approve the transfer of responsibility for the issuance of building permits and inspections from the EBHOA to the District by reading District Resolution No. 8202012A into the record. Upon second (Randolph), the Resolution was approved by unanimous consent.

Director Harris gave an update on the District's operations noting (1) five water leaks had to be fixed, (2) several street repairs will be made including LaSalle and High Point, and (3) the

South Bay traffic bridge will be seal-coated (community will be notified regarding day and time) which should be completed in one day between 8:30 p.m. and 5:00 a.m. All District employees are studying for a sewer class and subsequent sewer license testing on August 30.

There being no further business the meeting was adjourned at 6:45 p.m.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:

Financial Summary for July 31, 2012

Check Detail for July 2012

Revised Budget for 2011-2012

Auditor's Proposal Letter for 2011-2012 Audit

Delinquent Accounts as of 8/20/12

Resolution to Participate in TCDRS Retirement Plan

Acknowledgment of Conditions to Participate

Authorization for Group Term Life Program

EBHOA letter dated 6/22/12

District Resolution No. 8202012A on Building Permits