

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
September 14, 2009

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on September 14, 2009, at 312 Spring Hill Drive, Suite 100, West Entrance, Spring, Texas 77386, in accordance with the duly posted notice of the meeting, with a quorum of Directors present, as follows:

Jon Vallery, President
Frank Moore, Vice President
Charles Saxe, Secretary
Michael Smith, Assistant Secretary
Danny E. Agans, Director

and the following absent:

None

Also present were Bill Russell, Mike Williams, Jason Hajduk, Savannah Saxe, Mike McCall, June Nichols, Kathryn Nichols, and Herman I. Little, Jr.

The President called the meeting to order and declared it open for such business as might regularly come before it.

1. Minutes of meetings held on August 10 and August 24, 2009 were presented and reviewed. Upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to approve the minutes as presented.

2. Mike Williams presented an operator's report. The District collected \$247,177.02 for service provided during the month. There are 3,750 connections in the District, of which 3,534 are occupied single family residences. There are 55 vacant residences. Ten bacteriological samples were taken, and all were satisfactory. The District accounted for 93% of water produced. Mike Williams reported that the District had received a check for \$524.96 from the court that was paid by a drunk driver who had damaged a fire hydrant.

Mike Williams reported that annual back-flow prevention inspections, and tests are being performed for sprinkler meters, all according to TCEQ requirements. No problems have been encountered, but a number of questions have been raised about why the inspections are being conducted. The operator will do similar inspections on a two or three-year cycle. The rate order requires payment by the customer of \$80.00 for each inspection.

Mike Williams reported that two taps were made during the month, bringing the total to seven for the year to date. Mr. Williams presented a list of three delinquent accounts totaling \$102.98 that are uncollectible and recommended that the Board write off the accounts as uncollectible bad debts. Upon motion made by Director Agans, seconded by Director Saxe, the

Board voted unanimously to approve the operator's report, and the Board authorized writing off the delinquent accounts as recommended by the operator.

3. Mike Williams presented a report on maintenance of parks and recreational facilities. Regular mowing and cleanup of wetlands was performed. There were seven calls for the pavilion and nine calls for the ball field during the month. The ceiling and floors of the pavilion were pressured washed after unknown parties had thrown mud on the facilities. Regular mowing was performed on the ball fields, and basketball nets were replaced. Ant bait was put out. Two soccer nets were removed and the operator is waiting for new nets. Weed killer was sprayed at the baseball backstops. The person who had been using the soccer fields for soccer instructions has returned this year. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the operator's report as presented.

4. Deputy James Corn presented a law enforcement report. Eight thefts were recorded during the month. There were two accidents, two family violence calls, fourteen disturbances, nine criminal mischief incidents, five misdemeanor arrests and six incidents involving fire arms. There have been many burglaries of vehicles and houses that involved doors left unlocked. In response to a question by the Board, Deputy Corn reported that the District has a full staff of seven officers on duty in the District.

5. Bill Russell presented a bookkeeper's report, a copy of which is attached to the minutes. After payment of bills at this meeting, the debt service fund balance will stand at \$1,610,102.93. The capital projects fund balance is \$1,144,678.57. The general fund balance is \$614,835.15 and will be increased to \$888,471.04 after deposit of a transfer check. Mr. Russell noted that the District is paying two electric bills that were both printed on the same day. The Board reviewed the report and a budget comparison report, and it was noted that the District has expenses greater than revenues of \$56,792.04 for three months of the fiscal year-to-date. Mr. Russell reported that the District's taxes for 2008 are 98.94% collected. After discussion, upon motion made by Director Moore, seconded by Director Saxe, the Board voted unanimously to approve the bookkeeper's report and authorized payment of the bills listed thereon. Upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve payment of director fees and expenses.

Herman Little presented correspondence received from the tax assessor-collector's office regarding the cost of tax collections for all entities handled by the County Tax Assessor-Collector. The Board noted that the District's total cost for tax collections for the year will be \$414. This is a very substantial change from the cost previously incurred by the District. The Board then reviewed a copy of MCAD annual budget and noted that the cost of tax appraisals in the County also has declined to a very low number. The tax office and appraisal district office both operate very efficiently.

6. Mike McCall presented an audit report for the fiscal year ended May 31, 2009. Mr. McCall will be presenting an unqualified opinion. The Board and the auditor reviewed the management discussion and analysis which is the management's representation of the District's accounting and financial structure. There are fourteen points for discussion in the MD&A pursuant to GASB 34. Mike McCall reviewed the report and tables and schedules contained in the report. The Board reviewed the statement of activity, and it was noted that the

District has surplus bond funds that can help the general fund. Mr. McCall stated that the general funds needs to stand on its own, and the District does not yet have a full balance that would be considered adequate by most analysts. It was noted that the District incurred expenses from Hurricane Ike of approximately \$250,000. The District has a good fund balance in the debt service fund. Mr. McCall reviewed the remainder of the report and stated that no problems were identified during the course of the audit.

In response to a question by Director Saxe, Mr. McCall stated that the District has not set up a specific reserve account. Some districts prepare a five-year plan for future capital costs. It would be reasonable for the District to have a plan and to take conscious steps to build up the fund balance. Mr. McCall stated that he issuing a management letter that has the same comments as in the previous year. A fraud questionnaire was presented along with the representation letter. There was discussion of the audit report and upon motion by Director Saxe, seconded by Director Smith, the Board voted unanimously to approve the audit and to authorize completion of the audit and filing with the TCEQ as required by law.

7. Herman Little presented a Resolution Affirming Review of Investment Policy, Strategies and Objectives. There was discussion, and Director Saxe requested that the Board have an opportunity to review the investment policy prior to taking action on the resolution. A copy of the investment policy will be forwarded to each director for review prior to the next meeting.

8. Jason Hajduk presented an engineer's report. Contract documents have been prepared and are available for signing for the clarifier project and the District's storm sewer project. The storm sewer project is almost ready to start, but photographs are needed on the interiors of the two homes that are affected. Photographs will be given to both property owners, and the work can commence ten days after the photographs have been presented.

A pre-construction meeting will be held on the clarifier project, and the work will then begin. Jason Hajduk presented cost estimates for electrical repairs and rehabilitation of Water Plant No. 1. The total estimated cost is \$210,000 that would include painting and repairs to the hydro tank and ground storage tank. This estimate is based upon recent bids taken by the engineers for another project. Director Saxe requested that the engineer check suppliers to determine what materials are available and what are not available. The District should authorize the engineer to take bids as soon as possible.

Mike Williams noted that all sensor lines need to be replaced at the water plant. The contractor will set everything up and then will install the facilities without any significant interruption of service. The electrical bid package will be prepared by the electrical engineer, and work for the hydro tank and ground storage tank will be included. After discussion, upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to authorize the District's engineer to prepare plans and specifications, as necessary, for rehabilitation and electrical repairs at Water Plant No. 1. Jason Hajduk noted that it is possible to do long-term planning for repairs and replacement of components of District plants and facilities, and cost estimates can be prepared. There was discussion, and Director Saxe requested that Jason Hajduk provide a ballpark estimate for the cost of the District engineers preparing a long-range study.

There being no further business to come before the Board, the meeting was adjourned.


Secretary