

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**

**MINUTES OF BOARD OF DIRECTORS MEETING**

**August 18, 2005**

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public at 6:30 p.m., at Graceview Baptist Church, 22510 Tomball Parkway, Tomball, Texas, on Thursday, August 18, 2005, pursuant to the notice of said meeting posted in accordance with Chapter 551 of the Texas Government Code; whereupon the roll was called of the members of the Board, to-wit:

Roy P. Lackey	President
Tiffani C. Bishop	Vice President/Investment Officer
Sharon L. Cook	Secretary
Drexel Moerbe	Assistant Secretary
Michael J. Ward	Treasurer

All members of the Board were present. Also attending were David Summerlin of Paula J. Hargis & Associates ("Bookkeeper"); Ben Pawlak of Bob Leared Interests Inc. ("Tax Assessor/Collector"); Marsha Jan and Mike McCall of McCall, Gibson & Company ("Auditor"); A. J. Sullivan with Willow Falls Development, Ltd. ("Willow Falls"), Andrew Dunn, District resident and liaison with Harris County Constable Department (the "Constable"); and Kaye C. Corprew and Andrew P. Johnson, III, attorneys, and Marian D Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorneys").

The President, after finding that notice of the meeting was posted as required by law and determining that a quorum of the Board was present, called the meeting to order and declared it open for such business as may come before it at 6:45 p.m.

1. PUBLIC COMMENT. There were no members of the general public present for comment.

2. CONSTABLE'S REPORT. The President first recognized Mr. Dunn who presented the Constable's Report.

3. MINUTES OF PREVIOUS MEETINGS. The Board next considered approval of the minutes of the June 21, 2005 meeting and the June 30, 2005 meeting. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes with corrections.

4. REIMBURSEMENT AUDIT. Mr. McCall then presented the Board with an Engagement Letter which sets forth his firm's responsibility to perform an audit of the reimbursable items included in the District's Series 2005 Bonds, which funded

August 18, 2005, a copy of which is attached hereto as Exhibit "A". Upon notice by Director Lackey, seconded by Director Moerbe, after discussion and with all Directors presents voting aye, the Board approved the Engagement Letter.

Mr. McCall next presented and reviewed with the Board a draft of the Report on Applying Agreed-Upon Procedures to Construction, Engineering and Related Costs Reimbursable to Certain Developers (the "Reimbursement Audit") performed in conjunction with the Series 2005 Bonds, which funded August 18, 2005, a copy of which is attached hereto as Exhibit "B". Mr. McCall reported that the Reimbursement Audit presented tonight only covers the projects by Lennar Homes of Texas Land & Construction Ltd. ("Lennar") and projects by Willow Falls due to the other developers not submitting their receipts in a timely manner. Mr. McCall noted that he had received all of the documents and receipts requested from KB Home Lone Star, L.P., but that there had not been sufficient time to complete the audit of the Northern Point project prior to the meeting. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Reimbursement Audit of the Lennar and Willow Falls projects.

5. CONVEYANCE OF FACILITIES. Ms. Corprew explained that the Developer Receipts, Utility Conveyance Agreements and the Utility System Conveyances have not yet been executed by Lennar or Willow Falls and asked that the Board approve and accept them, subject to the receipt of the executed documents from the developers. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the conveyance of facilities from Lennar and Willow Falls, subject to the receipt of the executed conveyance documents from same.

6. ANNUAL REVIEW OF CONSULTANTS' CONTRACTS. Ms. Corprew explained that this is an annual agenda item and that it is a requirement of the Texas Water Code that the District have an opportunity to review its Consultants' Contracts on an annual basis. The Board agreed that there is no need to review any of the contracts at this time.

7. ANNUAL REVIEW OF RATE ORDER. Mr. Summerlin reported that he is waiting on the costs of production of water and wastewater from the District's Operator. Director Lackey suggested a reduction in rates stating that the District has a healthy operating account which continues to grow. Ms. Corprew suggested this item be deferred to the September 1, 2005 Board meeting when the Operator is in attendance, and the Board agreed.

8. APPROVE REPAIRS TO DISTRICT FACILITIES, AS NECESSARY. Director Lackey reported that the ground storage tanks had been sand blasted as requested. Directors Cook and Bishop stated that the tanks still looked the same to them and that they wanted to discuss the matter with the District's Engineer at the September 1 meeting.

9. TAX ASSESSOR/COLLECTOR'S REPORT. The President next recognized Mr. Pawlak, who presented the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "C". Mr. Pawlak reported that the 2004 taxes have been 97.6% collected to date. Mr. Pawlak also reported that there has been a delay in the receipt of the certified values from the Harris County Appraisal Review Board due to an ethics issue.

BOOKKEEPER'S REPORT. Mr. Summerlin next presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "D". Mr. Summerlin presented checks numbered 4362 through 4411, inclusive, for payment on the operating account and checks numbered 1350 through 1352, inclusive from the capital projects account for approval. Mr. Summerlin reported that the District is currently approximately \$2,600 per month in the black with respect to the cash flow relating to the Constable's services and that the District may be able to add the fourth deputy in the near future. Director Lackey asked that this item be placed on the next agenda for the Board's consideration. Mr. Summerlin then reviewed the Investment Report and Funds Balances with the Board, a copy of which is attached to the Bookkeeper's Report. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report as presented.

Finally, Mr. Summerlin presented and reviewed with the Board a Recap of Funds with respect to the Series 2005 Bonds, a copy of which is attached hereto as Exhibit "E". Mr. Summerlin reported that the total amount received from the Series 2005 Bonds had been \$9,615,141.75, which amount represents \$9,890,000.00 par value of the Bonds, less a \$296,700.00 bond discount, plus \$21,841.75 accrued interest. Mr. Summerlin then reviewed the disbursements and stated that he had a wire pending in the amount of \$255,990.80 to Lennar, plus a check written tonight to Willow Falls in the amount of \$2,579,777.71, subject to the Board's approval. Ms. Corprew added that the wire to Lennar and check to Willow Falls will be held pending receipt of the Texas Commission on Environmental Quality's letter authorizing the purchase of the facilities. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the disbursement of funds from the Series 2005 Bonds, as discussed.

10. INTERCONNECT AGREEMENT WITH HARRIS COUNTY NORTH-WEST MUNICIPAL UTILITY DISTRICT NO. 15 ("NW15"). Mr. Johnson related his and Ms. Corprew's conversation with Abrey Rubinsky, NW15's attorney, regarding the Board's desire to amend the Agreement. Ms. Corprew distributed a draft of the Agreement for the Board's review, a copy of which is attached hereto as Exhibit "F". Director Lackey reported that he had asked Mr. Plunkett to meet with David Roe at NW15 to obtain their production and delivery costs and to compare them to the District's costs. Mr. Johnson suggested that the Board not execute the Agreement until the rate is worked out and that the Board forward an invoice to NW15 for water already expended at the contract rate for \$0.50 per 1,000 gallons plus the \$0.59 North Harris County Regional Water Authority pumpage fee.

11. STATUS OF PLANS FOR DISTRICT MAINTENANCE BUILDING. Director Lackey suggested this matter be deferred to the September 1, 2005 meeting when the Engineer will be present.

12. STATUS OF DISTRICT'S WEB SITE. Director Cook stated she will add something to the District's website regarding the District's water supply receiving a Superior Water designation.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the President adjourned the meeting.

Passed and approved this \_\_\_\_\_ day of September, 2005.

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Secretary, Board of Directors

**EXHIBITS:**

- A - Auditor Engagement Letter
- B - Draft Reimbursement Audit – Willow Falls and Lennar
- C - Tax Assessor/Collector's Report
- D - Bookkeeper's Report
- E - Recap of Series 2005 Bond Proceeds
- F - Draft Amendment No. 2 to Interconnect Agreement with NW 15