

**MINUTES OF MEETING OF
THE BOARD OF DIRECTORS OF
NORTHTOWN MUNICIPAL UTILITY DISTRICT**

February 12, 2008

THE STATE OF TEXAS §
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COUNTY OF TRAVIS §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on February 12, 2008, at the Wells Branch Community Center, 2106 Klattenhoff Drive, Austin, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the Notice is attached as **Exhibit "A"**.

The roll was called of the members of the Board:

Texana Kowis	-	President
Robin Campbell	-	Vice President
Brenda Richter	-	Secretary
Michael Zeniecki	-	Assistant Secretary
William E. Henderson	-	Treasurer

and all of the Directors were present, except Director Zeniecki and Director Campbell, thus constituting a quorum. Also present at the meeting were Mary Bott and Kim Chapman of Peña Swayze & Co., L.L.P.; Mike Morin of SWWC Services, Inc. and Sue Brooks Littlefield of Armbrust & Brown, L.L.P.

Director Kowis called the meeting to order at 5:45 p.m., and stated that the Board would first consider taking action regarding the Dessau wastewater treatment plant, including the status of improvements under the Tri-Party Agreement, the wastewater spill and related matters, including the creek clean-up. Director Kowis reviewed the proposals from TexaScapes, Inc. attached as **Exhibit "B"**, and stated that she would like to have the proposals approved and in place so, once the Texas Commission on Environmental Quality approved the District's moving forward with the clean-up, it could immediately do so. After discussion, Director Kowis moved acceptance of the proposals for Phase 1 and 2, with authorization to the Park Subcommittee to approve any additional work which might be required, and with a directive to the Subcommittee to report back on the status of this matter at the next regular meeting. Director Richter seconded the motion. Director Henderson inquired whether the District would make the deposit which was referenced in the proposals, and Director Kowis indicated that this could be approved at the next Board meeting. After further discussion, and being put to a vote, the motion was unanimously adopted.

Mr. Morin stated that Sharon Collier had been in communication with his office, and was concerned about the fact that the clean-up was not proceeding. The Board requested that Mr. Morin advised her that both proposals had been approved by the Board, and that the clean-up activity would move forward as soon as the Commission authorized the District to do so.

Director Kowis stated that the Board would next receive a report from Peña Swayze & Co., L.L.P. in connection with the audit of the District's financial statements for the fiscal year

ended September 30, 2007. Ms. Bott addressed the Board, explaining that she had a draft of the audit to present and, if the Board chose to do so, it could approve the draft audit subject to any final comments from the Board members and consultants being incorporated into the draft. She then reviewed the audit report with the Board, and explained that her firm's opinion was a clean opinion, which was the highest level of opinion which was available from a firm of certified public accountants. Ms. Bott reviewed the contents of the audit report with the Board and responded to questions. Director Kowis expressed concern regarding the taxpayer information contained in the audit report, and Ms. Bott confirmed that this information had come from the Travis County Tax Assessors' office. Director Kowis requested that Ms. Littlefield pull tax plats showing the commercial areas of the District in order that the Board could be comfortable that the information was actually correct. Ms. Littlefield agreed to do so.

Ms. Bott then reviewed the management letter attached as **Exhibit "C"** with the Board, and pointed out that, for the past fiscal year, some material weaknesses had been noted. She pointed out that the service account accrual reflected in the audit was due to ECO Resources' booking service accounts on the reporting date rather than on the meter read date. She stated that tap fees had also not been properly booked. She then pointed out a number of internal control deficiencies, including ECO Resources' failure to timely reconcile the District's accounts, and failure to comply with the requirements of the District's manager's account resolution.

Ms. Bott then presented the client representation letter attached as **Exhibit "D"**. Ms. Littlefield noted that this letter was quite detailed and she felt it was appropriate for the entire Board to review it, and to authorize the Board President to sign it. After review of the client representation letter, Director Henderson moved that it be approved and that Director Kowis be authorized to sign it. Upon second by Director Richter, the motion was unanimously adopted. After further discussion, Director Kowis moved that the Board approve the audit, subject to Ms. Littlefield's final review and comments, as well as any comments from Board members. Director Richter seconded the motion, which was unanimously adopted. The Board agreed that Ms. Littlefield was authorized to file the audit report once Peña Swayze & Co., L.L.P. had prepared the final draft and delivered it to her. A copy of the final audit report, as filed with the Texas Commission on Environmental Quality, is attached as **Exhibit "E"**.

Mr. Morin then advised the Board that it was his company's intent to move out of the accounting business so that it could concentrate on its core business, which was the operation of utility systems. He stated that SWWC Services, Inc. requested that the Board accept its withdrawal as the District's bookkeeper and assured the Board that his company would work with the District to be sure that the transition to a new bookkeeping company was a smooth one. Director Kowis thanked Mr. Morin for this, and stated that the Board appreciated SWWC Services' acknowledgement of the problems. The Board directed Ms. Littlefield to solicit proposals for bookkeeping services, in anticipation of the Board acting to retain another bookkeeper at its regular February meeting. Director Kowis also proposed that the Board authorize Director Campbell to work on evaluating the bookkeeping contract to determine which functions should be pulled out of that contract and which functions should continue to be provided by SWWC Services, Inc., as the District's operator.

Director Kowis stated that the Board would next consider taking action on the District's Order Establishing Service Rates, Charges, Tap Fees and Adopting Rules and Policies with Respect to the District's Water, Wastewater and Drainage Systems. After discussion, upon

motion by Director Richter and second by Director Henderson, the Board voted unanimously to adopt the Amended Order attached as **Exhibit “F”**.

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

Date: _____.

(SEAL)

Brenda Richter, Secretary
Board of Directors