

**SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7  
MINUTES OF MEETING OF BOARD OF DIRECTORS  
DECEMBER 12, 2017**

The Board of Directors (“Board”) of South Shore Harbour Municipal Utility District No. 7 (“District”) met in regular session at its regular meeting place on December 12, 2017 in accordance with the duly posted notice of meeting, with a quorum of Directors present as follows:

Paul Hopkins, Jr., President - Absent  
Gene Hill, Vice President - Present  
R. “Chris” Chuoke, Secretary - Present  
Holly Larsen, Deputy Secretary - Present  
Nghiem V. Doan, Director - Present

Also present were Delia Yanez (Assessments of the Southwest) (“ASW”), tax collector representative; Cindy Grimes (Municipal Accounts & Consulting, L.P.) (“MAC”), bookkeeper representative; Jack Carter (Dannenbaum Engineering), engineer representative; Sherri Greenwood (BKD), auditor representative; Claudia Foutz, District resident; and Alexis Walker and Paul Philbin, Counsel, of Paul A. Philbin & Assoc., P.C.

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

Next, the Board considered the approval of prior Minutes. Ms. Walker noted that a correction to Page 5 was made regarding discussion of the amended Tax Assessor Collector Contract to show the increase in cost of return envelopes from \$0.04 to \$0.05. Thereupon, on a motion by Director Doan, seconded by Director Hill, the Board unanimously approved the November 14, 2017 Minutes as corrected.

Next, Counsel recognized and welcomed Ms. Foutz to the meeting and asked if she had any questions for the Board. Ms. Foutz noted that she did not and that she would keep the MUD apprised of the HOA’s annual meeting and the HOA’s progress in communicating with the residents.

Next, the Board considered the Engineer’s Report. Mr. Carter then addressed agenda items numbered 3 and 4 regarding the status of outfalls in the detention system, recommended repairs and the status of the bulkhead repairs to the detention system by Storm Water Solutions. He first

noted that Storm Water Solutions will not be able to begin work on the bulkhead repairs until after the first of the new year. He noted that he has not had any additional requests from the HOA management regarding the detention system. Mr. Carter then reported that he would look further into the outfall issues (Multifamily Complex and Kroger) and that he would coordinate with Storm Water Solutions to obtain a proposal for repairs that may be needed for the 2 outfalls. He stated that he would also coordinate with the City of League City on the matter. Thereupon, on a motion by Director Chuoke, seconded by Director Doan, the Board unanimously accepted the Engineer's Report, authorized the Engineer to review the 2 outfalls and necessary repairs, and obtain a proposal from Storm Water Solutions for the outfall repairs.

Next, the Board considered the Tax Collector's Report and approval of payment of bills from the tax account. Ms. Yanez then presented the Tax Collector's written report and reviewed the receipts and disbursements for the current period. She noted a beginning balance of \$24,283.37, total collections of \$76,153.28 and disbursements totaling \$5,008.82, for an ending balance of \$95,427.83 as of November 30, 2017. She then reviewed the Tax Rate and Value Report on page 2, noting the District's 2017 total net taxable value of \$360,991,615. Next, Ms. Yanez reviewed the Receivables Report as of November 30, 2017, noting that 5.35% of the 2017 taxes have been collected to this point. Ms. Yanez then reported collections to date received in the amount of \$31,680.72. She then presented one (1) wire transfer to the Debt Service Fund (\$70,000.00) and two (2) checks for the Board's approval, which included a transfer to the Operating Fund (\$7,775.69) and payment of Delinquent Tax Attorney fees, leaving a cash balance of \$49,187.88 as of December 12, 2017. Ms. Yanez then presented the delinquent tax roll for review, noting 12 accounts still owing for the 2016 tax year, and two accounts under installment agreements for the payment of outstanding taxes. Director Larsen inquired about the accounts with the installment plan and Ms. Yanez indicated that the two accounts are current on their payments. Thereupon, on a motion by Director Larsen, seconded by Director Chuoke, the Board unanimously accepted the Tax Collector's Report

as presented and approved the wire transfer to the Debt Fund and checks numbered 1359 and 1360 to be paid from the tax account.

Next, Ms. Grimes reviewed the Bookkeeping Report. First, she reviewed the Cash Flow Report for the General Fund Checking Account noting a beginning balance of \$433.64, maintenance tax collections (\$101.55), interest earned and one (1) wire transfer (\$6,800) from the money market account to pay bills. Ms. Grimes then reviewed the checks for approval today including the standard disbursements for Director per diems and consultants' fees. She noted that check numbered 3219 to Director Hopkins would be voided, given his absence from today's meeting. She also noted payment to the Association of Water Board Directors for payment of annual membership dues. Next, Ms. Grimes reviewed the District's Account Balances for all funds, noting \$461,597.82 in total Operating Funds and \$3,766,473.79 in the Debt Service Fund. She reported a grand total balance across all District funds of \$4,228,071.61. She then reviewed the Summary of Pledged Securities, noting that all of the District's funds are secured and in compliance with the District's Investment Policy. Next, Ms. Grimes reviewed the Actual vs. Budget comparison for the November 30, 2017. Upon inquiry, Ms. Grimes noted that pledged securities are required for all investment accounts over the \$250,000 FDIC covered minimum. She noted that the only accounts that the District has that total over \$250,000 are with Texas Class, which does not require a Pledged Securities Agreement. She then reported that the next debt service payment is due on March 1, 2018 for interest only. Thereupon, on a motion by Director Chuoke, seconded by Director Hill, the Board unanimously accepted the Bookkeeper's report and approved payment of all of the checks/transfers listed in the attached Bookkeeper's Report.

Next, the Board considered the review and approval of the Districts' Annual Audit (FYE 8/31/2017). Ms. Sherri Greenwood then introduced herself to Ms. Foutz and the Board and then presented the Draft Annual Audit. She first reviewed the Management's Discussion and Analysis on Pages 3-7, which presents the highlights within the audit. Next, Ms. Greenwood proceeded to review the Capital Assets and related Debt, noting that the District conveys its assets

to the City of League City. She then discussed the Bond Ratings on Page 7, changes in the District's debt, and noted the other Relevant Factors Section and the District's relationship to the City of League City. Next, she reviewed the Statement of Net Position and Governmental Funds Balance Sheet. She reported that all three District Funds totaled \$4,283,971 as of August 31, 2017. She then discussed the adjustment's column on pages 9 and 10. She also reviewed the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in the Fund Balances for the year ending 8/31/17. She noted that the District has healthy debt and operating reserves, including a little more than 2.5 years of coverage in the Debt Service Fund. She then noted that during this fiscal year, all of the remaining Capital Projects Funds were transferred to the Debt Service Fund.

Next, Ms. Greenwood stated that the Financial Statements are shown on pages 8 -9, noting that there are two different sets of Financial Statements which are combined into one for auditing purposes, noting that adjustments are made to the Fund Balance Statements in order to show the Governmental Fund Balances. She noted that the Governmental Fund Balances are required per the Governmental Accounting Standards Board Statement No. 34 (GASB-34). She then reviewed the Statement of Activities and Governmental Funds Revenues and Expenditures. Ms. Greenwood then reviewed the Notes to Financial Statements (pages 11 - 23), which explain the deficit shown in the Governmental Fund Balances statement, because the District's facilities (assets) are technically conveyed to the City of League City after the developer is reimbursed for construction, yet the District continues to pay off the costs through its debt service. She noted that this negative balance is explained several times throughout the audit. Next, Ms. Greenwood reviewed the budgetary comparison for the year for the General Fund, noting a surplus of \$20,725. Next, she reviewed the Supplemental Information section as required by the TCEQ. She reported that this section also includes a Comparative Schedule of Revenues and Expenditures for the General and Debt Service Funds for the five years ended August 31. She then reviewed the section listing Board Member and Consultant information (pages 41 and 42), which should be reviewed for accuracy.

Lastly, Ms. Greenwood presented a letter on the auditing standards, and a proposed response to the deficiency and noted that BKD is required to report certain deficiencies to the Board. She stated that it is the same standard management letter as in prior years, noting no changes from prior years. She also stated that the deficiency response letter is related to the fact that the Board relied upon its Consultant (BKD) to report on the audit, and the Board did not have the specific training or expertise to oversee the audit. She said that the vast majority of MUDs do the same as this District. She noted that this reporting requirement brings government accountings more in line with the corporate sector. Upon inquiry, Ms. Greenwood stated that the Auditor sends a questionnaire letter to the District's Consultants to respond and make representations regarding matters relevant to the audit. Following due discussion, and upon a motion by Director Hill, seconded by Director Doan, the Board unanimously approved the FYE 08/31/2017 Annual Audit, authorized the Vice President to execute the filing affidavit, and approved the inclusion of the proposed management response.

There being no further business to come before the Board, and on a motion made by Director Doan, seconded by Director Larsen, the meeting was unanimously adjourned.

  
Secretary

South Shore Harbour MUD 7 - GOF  
**Cash Flow Report - Checking Account**  
 As of December 12, 2017

Num	Name	Memo	Amount	Balance
BALANCE AS OF 11/15/2017				\$433.64
<b>Receipts</b>				
	Maintenance Tax Collections		101.55	
	Interest on Checking		0.79	
	Wire Transfer		6,800.00	
<b>Total Receipts</b>				<u>6,902.34</u>
<b>Disbursements</b>				
3216	Gene Hill	Fees of Office - 12/12/2017	(138.52)	
3217	Holly Larsen	Fees of Office - 12/12/2017	(138.52)	
3218	Nghiem Doan	Fees of Office - 12/12/2017	(138.53)	
3219	Paul Hopkins, Jr. - VBI D	Fees of Office - 12/12/2017	(138.53)	
3220	Robert C Chuoke III	Fees of Office - 12/12/2017	(138.52)	
3221	Association of Water Board Directors	2018 Membership Dues	(650.00)	
3222	Municipal Accounts & Consulting, LP	Bookkeeping Fees	(1,145.85)	
3223	Paul A. Philbin & Assoc., P.C.	Legal Fees	(4,302.25)	
SVC CHG	Compass Bank	Service Charge	(0.79)	
<b>Total Disbursements</b>				<u>(6,791.51)</u>
BALANCE AS OF 12/12/2017				<u><u>\$544.47</u></u>

South Shore Harbour Municipal Utility District No. 7

Account Balances

As of December 12, 2017

Financial Institution (Acct Number)	Issue Date	Maturity Date	Interest Rate	Account Balance	Notes
<b>Fund: Operating</b>					
<b>Certificates of Deposit</b>					
GREEN BANK (XXXX0386)	05/09/2017	02/02/2018	0.65 %	120,000.00	
SPIRIT OF TEXAS BANK (XXXX4813)	07/24/2017	07/24/2018	1.10 %	120,000.00	
<b>Money Market Funds</b>					
TEXAS CLASS (XXXX0001)	04/14/2016		1.23 %	221,053.35	
<b>Checking Account(s)</b>					
COMPASS BANK-CHECKING (XXXX8767)			0.15 %	544.47	Checking Account
<b>Totals for Operating Fund:</b>				<b>\$461,597.82</b>	
<b>Fund: Debt Service</b>					
<b>Certificates of Deposit</b>					
PLAINS STATE BANK - DEBT (XXXX8723)	02/02/2017	02/01/2018	0.40 %	240,000.00	
SPIRIT OF TX BANK - DEBT (XXXX3745)	02/07/2017	02/07/2018	0.51 %	245,000.00	
THIRD COAST BANK-DEBT (XXXX2696)	02/16/2017	02/15/2018	0.50 %	245,000.00	
PREFERRED BANK-DEBT (XXXX8568)	02/16/2017	02/16/2018	0.50 %	245,000.00	
FRONTIER BANK - DEBT (XXXX1880)	07/13/2017	07/13/2018	1.00 %	245,000.00	
INTEGRITY BANK - DEBT (XXXX2145)	07/13/2017	07/13/2018	1.00 %	245,000.00	
TEXAS CAPITAL BANK-DEBT (XXXX0215)	08/09/2017	08/10/2018	1.25 %	245,000.00	
CENTRAL BANK - DEBT (XXXX0518)	08/18/2017	08/15/2018	1.15 %	245,000.00	
FIRST STATE BANK-DEBT (XXXX1589)	08/20/2017	08/20/2018	1.10 %	245,000.00	
GREEN BANK - DEBT (XXXX4222)	08/20/2017	08/21/2018	1.10 %	245,000.00	
<b>Money Market Funds</b>					
COMPASS BANK-DEBT (XXXX4504)	09/01/2013		0.25 %	8,454.30	
TEXAS CLASS (XXXX0002)	04/14/2016		1.23 %	1,313,019.49	
<b>Totals for Debt Service Fund:</b>				<b>\$3,766,473.79</b>	
<b>Grand total for South Shore Harbour Municipal Utility District No. 7:</b>				<b>\$4,228,071.61</b>	