

BROOKSHIRE MUNICIPAL WATER DISTRICT
MINUTES OF BOARD OF DIRECTORS REGULAR MEETING

February 21, 2023

The Board of Directors (the "Board" or "Directors") of Brookshire Municipal Water District (the "District") met in regular session on the 21st day of February, 2023, at 6:00 p.m., in the meeting room of the District, 4004 6th Street, Brookshire, Texas, pursuant to 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:

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| Stephanie Green | President |
| LaKethia Connor | Vice President |
| Erin Jackson | Secretary |
| Shirley Williams | Investment Officer |
| <i>Vacant</i> | Director |

All members of the Board were present, thus constituting a quorum. Also attending were Tonya Pierre, General Manager of the District; Linda Guevara, employee of the District; Jennifer K. Wienecke, CPA, of Knox Cox & Co., L.L.P. ("Auditor"); Elliot M. Barner, attorney, of Radcliffe Bobbitt Adams Polley PLLC ("Attorney" or "RBAP"); and all persons on the attached attendance roster.

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 at 6:02 p.m. and declared it open for such business as may regularly come before it.

1. Public Comment.

The President first opened the meeting to public comment. There being no public comments, the President directed the Board to proceed with the agenda.

2. Approve Minutes of Prior Meeting.

The Board then considered approval of the minutes from the regular meeting of January 17, 2023. Upon a **motion** by Director Jackson, seconded by Director Connor, after full discussion and with three (3) Directors present voting aye, and Director Green abstaining, the Board approved the minutes from the regular meeting of January 17, 2023, as presented.

3. Audit Report for Fiscal Year Ended ("FYE") August 31, 2022.

Ms. Wienecke introduced herself to the Board and presented a draft of the FYE 2022 Audit Report and the Auditor's management letter. Ms. Wienecke reviewed the District's income and expenses and noted her concern that the District's general operating fund has insufficient unrestricted funds at this time. Ms. Wienecke next noted that the rate increases for water and wastewater that were adopted by the Board in August 2022 generated an additional \$280,000.00 in revenue for the District.

Ms. Wienecke next explained that a going concern is an accounting term used to identify whether an entity is able to meet its financial obligations over the next year. Ms. Wienecke further explained that the going concern comment included in the FYE 2022 Audit Report is necessary because the District's expenditures exceeded revenues during the FYE August 31, 2022.

Ms. Wienecke then noted that the impact fees collected by the District were previously being deposited into the general operating fund, but are now correctly being deposited into the capital projects fund.

Ms. Wienecke next reminded the Board that the District previously issued bonds in 2019 that were purchased by the Texas Water Development Board (the "TWDB"). Ms. Wienecke stated that pursuant to the bond purchase agreement with the TWDB and certain covenants in the bond orders for such bonds, the District must be able to demonstrate that the District's revenue exceeds its expenses by 1.25 times.

Ms. Wienecke then presented the Federal Single Audit Report (the "Single Audit"), which was necessary because the District spent more than \$750,000.00 in funds from the Federal Government during the FYE August 31, 2022. Discussion then ensued regarding the lack of internal controls on the District's Generally Accepted Accounting Principles financial statements and the Auditor's material weakness finding, particularly relating to the Single Audit.

Upon a **motion** by Director Connor, seconded by Director Williams, after full discussion and with all Directors present voting aye, the Board: 1) approved the FYE 2022 Audit Report, subject to a seven (7)-day review period by the District's consultants; and 2) approved the FYE 2022 Single Audit.

4. Submittal of Continuing Disclosure Report.

Mr. Barner next explained that the District has an ongoing obligation to update, on an annual basis, certain financial information, as required by the District's Bond Orders, which information will serve to keep bondholders and other interested parties apprised of the financial status of the District. Mr. Barner then requested the Board's authorization to prepare and file such materials with the appropriate agencies, including the Texas Commission on Environmental Quality (the "TCEQ"), the TWDB, the Texas Comptroller, and the Electronic Municipal Markets Access website ("EMMA").

Upon a **motion** by Director Williams, seconded by Director Connor, after full discussion and with all Directors present voting aye, the Board: 1) authorized submittal of the continuing disclosure report with the securities repositories; and 2) authorized the Attorney to prepare and file the required continuing disclosure materials with the appropriate regulatory agencies, including the TCEQ, TWDB, Texas Comptroller, and EMMA.

5. Order Determining Ad Valorem Tax Exemptions.

Mr. Barner then presented an Order Determining Ad Valorem Tax Exemptions and reminded the Board that the District has historically granted a residential homestead exemption to any individual who is disabled or is 65 years of age or older in the amount of \$10,000 as provided in Section 11.13(d), Texas Property Tax Code. The Board then considered approval of tax

exemptions for the 2023 tax year. Upon a **motion** by Director Connor, seconded by Director Jackson, after full discussion and with all Directors present voting aye, the Board adopted the Order Determining Ad Valorem Tax Exemptions, a copy of which is available upon request.

6. Adopt Resolution Implementing Penalty for Delinquent Taxes.

Mr. Barner next presented the Resolution Implementing Penalty for Delinquent Taxes and explained that, pursuant to Texas Property Code, Sections 6.30, 33.07, 33.08 and 33.11, as amended, the District may levy an additional 20% penalty on real property taxes for the tax year 2022 and any year thereafter that remain delinquent as of July 1, 2023 or July 1 of any year thereafter, to help defray the costs of collection owed to the Delinquent Tax Attorney. Mr. Barner further explained that pursuant to such statute, the District may levy an additional 20% penalty on personal property taxes for the tax year 2022 and any year thereafter that remain delinquent as of April 1, 2023 or April 1 of any year thereafter, to help defray the costs of collection owed to the Delinquent Tax Attorney. Upon a **motion** by Director Connor, seconded by Director Williams, after full discussion and with all Directors present voting aye, the Board approved the Resolution Implementing Penalty on Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes, a copy of which is available upon request.

7. Resolution Authorizing Petition Challenging Appraisal Records.

Mr. Barner then presented to the Board a Resolution Authorizing Petition Challenging Appraisal Records allowing the City of Brookshire (the "City") to represent the District in filing any necessary protests with the Waller County Appraisal District. Upon a **motion** by Director Williams, seconded by Director Jackson, after full discussion and with all Directors present voting aye, the Board approved the Resolution Authorizing Petition Challenging Appraisal Records, as presented, a copy of which is available upon request.

8. General Manager's Report.

Mrs. Pierre next reviewed with the Board the General Manager's Report, a copy of which is available upon request.

Mrs. Pierre updated the Board regarding the water line replacement project that will replace asbestos clay water lines along Texas Farm-to-Market ("FM") 1489 and in a residential area north of U.S. Highway 90 and east of FM 362 (the "Water Line Project"). Mrs. Pierre reminded the Board that it previously approved the insertion of two (2) isolation valves in order to isolate the old water lines that continue to be pressurized. Mrs. Pierre further reminded the Board that the contract price for the Water Line Project will not increase because unused funds from other line items will be reallocated to fund the installation of the isolation valves. Mrs. Pierre then reported that the District's Operator has been unable to isolate the old water lines serving Brookshire Gardens.

Mrs. Pierre next discussed the availability of grant funds through the Texas Community Development Block Grant Program and the TWDB.

9. **Update on Applications for Appointment of a New Director to Fill Vacancy.**

Mrs. Pierre next reminded the Board that the deadline by which to submit an Application for Appointment to the Board was January 31st. Mrs. Pierre then updated the Board regarding the receipt of such applications. It was the consensus of the Board to extend the deadline by which to submit applications to March 20th.

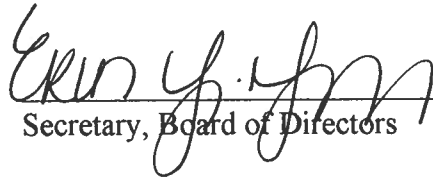
10. **Adjournment.**

There being no further business to come before the Board, the Board meeting was adjourned at 6:54 p.m.

PASSED, APPROVED and ADOPTED this the 20 day of March, 2023.



(DISTRICT SEAL)


Secretary, Board of Directors