ARMSTRONG BOARD OF DIRECTORS MEETING
APRIL 7, 2026
BOARD OF DIRECTORS

Jerry Hawthorne-President
CELL: 254-947-5140

Bill Wheeler-V. President
HM: 254- 493-8637

Michael Moon – Sec'y-Treas.
CELL: 254-718-4232

Jimmy Callahan
CELL: 254-541-0206

Tom Vitek
CELL: 254-346-9545

EMPLOYEES

Billy J. Smith – Manager
Cell: 254-721-6505

Paula Weir – Office Secretary
Cell: 254-760-1997

Glenda Liles – Office Clerk
Cell: 254-657-2272

Board Attendance

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Jerry Hawthorne	+	+	+	+								
Bill Wheeler	+	+	+	+								
Michael Moon	+	+	+	+								
Jimmy Callahan	x	+	+	+								
Tom Vitek	+	+	+	+								
Robert Gaines - CPA	+	x	x	+				-				

(+) present (x) absent (-) excused

1. Open Discussion with Members and Guests: Employees Scout Oldham and Jason Chester; Fris Yager - attorney and Greg Shropshire with Pattillo Brown & Hill -
.
2. Discussion and approval of minutes of last meeting: Motion was made by Bill Wheeler and seconded by Michael Moon to approve the minutes from the March 3, 2026, meeting. All in favor - Yes

3. New Customers & Transfers:

New Customers: None

Transfers: James Sing to Randolph Owen
Marshall Stiles to Douglas Mungnia
Alvin Sutton III to Sarah Curtis

4. Billy – Mr. Potts had three meters he was going to get approved at the meeting. I told him that he needed addresses for those meters before we could set them. So, he will wait till next board

meet to get those approved. In saying that, Mr. Mike Roasa called Paula and said he wanted to do away with what, 4 meters and to know if he could get his money back. Michael Moon asked if we bought them back. Jerry Hawthorne as if he had paid for all the meters in advance and Billy stated yes. Billy stated that Paula called Mr. Roasa and asked if he was coming to the meeting and Mr. Roasa told Paula to put it on hold, he might, be able to do all 8 meters? If not, it will be 6 meters. It all depends on what the county's going to let him do. Jerry Howthorne stated that we can put that on hold until we here back from Mr. Roasa. Billy – I also want to discuss about that; we've been trying to set these meters since the 1st of 2025 and if he comes back and doesn't want those meters or don't want 4 meters. You've been holding four of our meters since 2025 and we got a Rocket Point with 15 meters and Yupell with 10 that we have been holding since 2024. Jerry asked if the is someone different and Billy yes and Micheal Moon asked if they have been paying a monthly bill on all of them and Billy said yes. Jerry Hawthorne asked where the meter are located at and Billy stated Black Coach. Billy - I think we've originally told those people those first 2 we'd hold them for a year, since they had to upgrade the line. But, from now on, when somebody comes or calls in and wants a meter, I talked to James at TRWA, and he said we should hold the check till the meter is set. Jerry Hawthorne - In other words, do not deposit the check. Billy - No, because, what if this one guy wants his 25 meters back, we had to give him his money back? We need to get these people moving little bit. Because right now, as it stands, we've got 33 meters to sit sometime. Jerry Hawthorne - So the guy with the 25, are they waiting on the county too? I understand Mr. Roasa apparently is having an issue with the county. Billy - they wanted all the meters along the road there and that's the reason why we have proved them. Then the county wouldn't let them have all the driveways on the roadway. Jerry Hawthorne - You know, we kind of when you know somebody comes in, applies for a meter, we kind of make them pay in advance and if they're and it's really, I don't guess it's the customer that's at fault. If he hasn't gotten the county to approve and you know, sometimes you can't go to the county till you got the water approved. Jimmy Callahan - Another issue, there was another issue on the Roasa deal, and that was electricity, and then the county. And then I know this. I'm not speaking out of turn. I just know this to be a fact. He was doing a tax free exchange property, property and the property to new homes with Colley Bruggman and that went out of date, so he lost that tax free exchange, which cost him about 40, five, $50,000. And I didn't know that he had decided not to do it. I know Mike well enough to know that he burned his pocketbook. He isn't exactly happy. But is it our policy that if somebody buys a meter, they pay cash due we give the money back and do we take the meter back. Billy – What I'm saying is we need to set it right then. Jimmy Callahan – That's not my question. Billy – Yes, we have to pay him back. Michale Moon - So your question is, is there a policy; there's no policy. Jimmy Callahan Well, I think we need a policy. Billy - Well, we haven't set the meters, so according to TRWA, we have to give the money back. Jimmy Callahan asked who TRWA and Robert Gaines said Texas Rural Water Association and they are the organizations that helps water supply companies. Tom Vitel - But it's in catch 22 because you can't set the meter without the county approval, is that right? Billy - what they're wanting, like Potts has a place as he wants his meters, but he doesn't have addresses. So if he comes in says he wants a meter and it's four months before he gets an address and we're sitting here trying to figure out what to do with them in the books.

Jerry Hawthorne - Well, that's I think that's two separate issues here, I mean the Potts deal and the Roasa deal, the other that, this is a different deal. Billy - Most of them have no addresses either. Jerry Hawthorne - But the reason why is due to the county is that correct? Is it due to the county not being approved? The driveways for the entrances? Billy - They come in and got all

his meters approved, started paying for them before they started looking at all. Jerry Hawthorne - That well, that's probably a mistake he made. Billy - And that's what I'm saying. What we need to do is when somebody comes in and wants a meter and y'all approve it, they to have their address and where they want to meet. Then we'll cash the check and then we set the meter. Jimmy Callahan - That's kind of what the TRWA is saying. you need to do. Billy – Yes it is and that way we are not turning meters up that somebody else they come in and want a meter.
Michael Moon - 00:09:43 Speaker 9
That's the first come, first serve issue, but as long as they pay for the meat and they're paying their monthly due, it's a done deal. And so the post office is the one that set the address, it's not the county. Tom Vitek- The county still has to approve the address. Jimmy Callahan – I have been through this before and last thing I could do before I got my subdivision approved, I had to get the addresses set up through the county. Michael Moon - Well, that was because you had subdivisions and this is not a subdivision. These are parcels of property. That's the reason you had to do. Jerry Hawthorne - But this is, but we're talking multiple, I mean, 25 meters, that's like a development.
Michael Moon – Well yes, that would be, but I was talking about Roasa's. Jerry Hawthorne – but his is not single he has eight (8) meters. Micheal Moon – but it's in line. Jerry Hawthorne – But, before they can even develop it like that, Roasa can do that. They have to go to the county to get approval, to get the driveways approved. Jimmy, you know that and so you really can't do that process until you know you can get water before you can do that. Jimmy Calahan - That's the big caveat on this whole thing here, trying to get electricity and water, which are the two things that you've got to have nearly all those are on septic tanks. And so those two things and to get county approval.
Jerry Hawthorne - I had Billy check on the development behind me that Mclean's put in over their own royal.
I mean, they've got it paved, ready to go. And we checked with the developer, and they can't sell a lot or do anything. They can't get electricity there until September of this year, so they're just sitting there on all of that land and all that development money waiting on the Oncore to put in electric. So, but back to this issue. I mean; I guess we really don't have a firm policy in place. But kind of my feelings is in regard to Mr. Roasa. He acted in good faith. He did what he thought was right. And I think the only thing the board could do to be fair if his deal has changed because the county made the change, I feel like we have to refund his money. That's just my opinion. Billy Smith - I agree with that. Tom Vitek – is that the application money or what he is paying. Jerry Hawthorne – We would pay him the cost of the meter and not the monthly fee he has been paying. Jimmy Callahan - I'm thinking that when somebody comes in and puts that money up, we have to we need a firm policy that says duh, duh, duh.
Michael Moon - Yeah. Well, Jimmy, where we've got to start here. We have to have a policy book. There's no policies. Jimmy Callahan - And I'm sitting here to see this because I didn't know this existed. I didn't think the water meter deal. I'm just thinking out loud a little bit if and when and I just did a little bit of this. So OK, I only had 25 lots and then 10 lots, but the water was not hard to get. I had to put in $125,000 system change I put in a pressure tank system and everything for the at Bell Falls Milam. And that's how I got the water. But, after I did that, I sure as wasn't going back out on them and. I had to give it to him anyway and so, I have a little bit of problem saying that somebody can come in and buy up the meters and then just because they're not doing a good job planning and doing all the other stuff, come back in if they give me my money back, I have a little bit of problem with that. Billy -

That's what I'm saying. Robert Gaines - In the past, we've given them a deadline. Billy – would give them 60 days. Robert Gaines - Isn't that what we're talking about? 25 meters is a subdivision, and 6 meters is a subdivision.
Billy - I know it but, we gave them like a year, but that's been two years for them. We always gave them 60 days' time. It was approved in the board meeting. Till we set the meter. But if they don't have an address like Potts, and its hard to set a meter if you don't have an address. Michael Moon asked Robert Gaines in the 30 years plus, have you ever known there to be policy book or any of this in writing? Robert Gaines - Well, I thought what was in writing was the time limit on the development. If they didn't get it, we would permit the development and they had whatever time we said, let's say 18 months to get the development, we'll use the word fruition for lack of a better word, and if they didn't, then we revisited that with them to see if it was still a viable, doable project and if it wasn't. But we always put the money, what I call an escrow was never spendable money because it wasn't like a deferred revenue. Jerry Hawthorne - Since I've been on the board I don't know that we've ever had this kind of issue come up before that in my 10 year, whatever it is. Billy Smith - We didn't have this issue come up because we weren't taking people's money for a meter that wouldn't set. Now we've been doing this like with Roasa, Rocket Point and Yupel and all the other people. Robert Gaines - But what we did is to give them that access. I'll use that word with. With those, I'll use those 10 meters. They got 10 meters on the system that nobody else could have, and if somebody else came in on that, on that line or that plane that that pressure plane and needed a meter and the engineer says they're going to have to upgrade then that new application had to worry about an upgrade cost. But those other ten were held for that line until 12 or 18 months or two years passed. And then if they didn't perform, then those meters got freed up in that on that line and they are no longer entitled to those 10 meters. Under the continent and that's a contract that we would draw up, we've done that on several occasions. Michael Moon –Robert where is it in writing
so that you treat everyone the same. Robert Gaines - I'm going to guess it's in the TRWA those model bylaws that we adopt. That's going to be my guess. I'm not going to promise that. Michael Moon - Well, that's what I'm saying is once you do this and you treat this person this way, and you go to another person in a different situation, you've got to treat them the same or you've got lawsuit on your hands. That's what's going to happen. Well, so we've got to start getting this stuff written down and treat everyone the same. Robert Gaines -
I have to look in the bylaws. Michael Moon - So is it in the Armstrong water? No, it's not. Robert Gaines - OK, it's not called the bylaws. What is the contract that the Member signs? Paula – Its the Tariff – The member signs the membership application. Robert Gaines - But in that app it's about 17 pages long and it's got all the ifs, ands and butts in it. It is not the bylaws. I'm sorry. It's that there was a contract that they signed and it's a template that TRWA has said. This is your, this is your best management tool. Jerry Hawthorne - Our guidelines to go by. Michael Moon - But you're saying that's in the membership application, huh? Paula -The membership application is only about 5 pages long. Unless you're talking about something different, I've only dealt with the application. Robert Gaines - OK, every two years or so TRWA sends you a revised and updated Member application. Paula – I have never got that. Robert Gaines - Then I'll have to look at that and see. But it's best I recall. TRWA has a model agreement that you modify for whatever your rates are for your membership fee, your buy in fee for installation fee you put those numbers in, but all the other legal, legal lifts, hands and butts. Michael Moon – as the attorney, he is sitting behind you. Jerry Hawthorne – Kris are you familiar with this? Kris Yager attorney - I'm not familiar. I think if we don't have something in writing, let's get something in writing. Billy - But what I said, I'm going to do from now on is somebody comes in and wants a meter I'll tell them they're not going to get it approved. I'm not

going to bring it to the board, and they shall have an address or a place to put it. We can't just sell. you a meter and wait for you to figure out what's that address and where to where you want. Tom Vitek - But isn't that them coming in to apply or to do their Investigative work, part of their due diligence, and whether or not they're even able to go through the project. I mean, let's say I'm I've got 10 acres out here and I need a a meter set. I got 100 acres on and 10 acre lots. Before I buy that land, that's my plan to develop it and sell it off, I'm going to come here and find out if I can get 10 meters. Billy - You can get an engineer study done. And it's only good for 60 days. Then you'd have to pay to do another engineering study. If you didn't get the meters. Tom Vitek - OK, but it but it. But it's on me at that point. I mean, I'm going to come in and you're going to say, yeah, go get an engineering study and the engineers are going to come out and back and say, OK, yeah, there's capacity. And I've got a meter. Get that done. At that point, I don't want to set those. From a developer standpoint, I don't want to buy those meters until I'm closing on the land and starting the whole process. But there's got to be something that from a due diligence for the developers that they get the guarantee or that the water is available. Jimmy Callahan - Well, the 60 days is once he gets the engineer study done, then you've got 60 days to make up your mind that's maybe needs to be changed or whatever, but because that's not held a lot of time in this day and time. But at least you're not out $4500 for a meter or 10 meters for that time till you figure out what you're going to do. Tom Vitek - On the other side of that is, I've got 10 lots going in and I've got to go to the County and get approval for 10 driveways or 10 road cuts, or if it's the county or the Highway Department or wherever it is and with all the other growth that's happening, you're not going to get that in 60 days. Jimmy Callahan - You're lucky if you get it in a year. The last thing I did was put up with the county and I like, got throwed out of the counties offices. Tom Vitek -If Oncor gives me the assurance I've got electricity. Jerry Hawthorne – It's like incoming in us and it's either asking yay or nay, can you provide the water, or can you not provide the water in either? We have got to give them a yes or no and that yes or no will depend on what the engineer's study says. Jimmy Callahan - OK, the engineer that that's the first step. The first step is we think we can and if you don't think you can, then you tell you no. The second thing is you do the engineering study and then you set the number of days that you're going to let him make up his mind whether he's going forward with the thing and if 60 days isn't enough, maybe that's something we need to do discuss. But you know, in this day and time. But then you got to come up with the money to buy the meter, or else you're going to be losing money from other people that want to buy meter. Robert Gaines - And by the way, it's called the Tariff, are you familiar with that now, Paula. Paula – Yes, I am. Robert Gaines - The Tariff. is where that background information is, it comes from the Tariff. Micheal Moon - But that's in the application from the subdivision. Robert Gaones - Correct, but it's additional pages in that aspect and usually comes out every year or so every two years or so, and they'll update it or whatever legal has gone on since the last one was updated. Either court case it and or legislation. Tom Vitek - What needs to happen to move this topic forward? Billy - That's what I was trying to find out from TRWA was Roasa gets his money back and he does, but they told me what to do in the future if somebody comes in and wants a meter and we all approve it. We take the check and we tell them you've got 60 days to set that meter or we're going to give you your check back. Jimmy Callahan - Then you start process over. Billy – Then they come back and do another engineer study. Jerry Hawthorne - But then that's an individual meter. But if you're dealing with multiple meters, that's a different scenario than a single meter, guys. And so you know, there's got to be some flexibility here in what we're doing. Tom Vitek - And in that 60-day time frame if the line needs to be upgraded that's not enough time. Jimmy Callahan - These meters, 60 days for a big 25 deal subdivision, ain't near enough time. Robert Gaines - That's why a year and a half to two years would be better. Jerry Hawthorne - You know, I think when we, if you

remember back when we were dealing with that developed out of Louisiana on Barnes Rd. that was going far with that, we gave them two years to do that development. And then during the process and you we were talking, I think there was going to be 500 hundred meters in there and but in the meantime they backed out, they paid us for a years' worth of water and after they got into it and they realized financially that it just wouldn't work for them, so they back out on the deal. Tom Vitek – They went through the process without setting a meter. Jimmy Calahan – Did they pay for any meters? Jerry Hawthorne - They did not pay for any meters they paid for water that we had allocated for them. That's what they paid for, and we agreed for them to have to pay for. Once they came to us and said they wanted out of it and we said OK, but you've got to pay for one year.

Billy – We were going to give Mike Roasa his money back but up until Paula told me 30 minutes ago that she talked to him, and he said to hold off for now, he might get to do all 8 meters, if not at least 6 meter will be put in. He will let us know. Jerry Hawthorne - So bottom line of Mike Roasa, and we're going, we're going to hold off and do nothing until he goes to the County and comes back to the Board. Billy - We won't have this problem with any other customers from now on. Moving on we have a special meter that we use to gauge our flushing with now or get a little better understanding on how much we're flushing now. Jimmy Callahan asked where this meter was at and Billy stated it is a mobile meter we keep it on the truck and when we need to flush, we are able to keep track on the amount of water being flushed. Billy also stated that we have a data center that wants to go in. Jerry Hawthorne - Let me talk about this one Bill if you don't mind. Ginger sent me an e-mail on this. Ginger Tolbert is our engineer with KPA. And this is proposed, it's going to be at the intersection of Elm Grove Road and Elm Grove Spur And the data center is proposed to be a 200 MW A1 data center on 160 acres approximately. So bottom line, when Ginger called and I talked to her basically what they're wanting to know from the board is, is the board willing to entertain in providing water to the data center, or are we not willing to entertain it? And she said to mention to the board that they with K PA, they apparently have been hit with a lot of requests for data centers throughout Bell County. And apparently the new technology and she told me to say, it is a closed loop system. So you have a one time field. It's a closed loop system and they have to come in and maintain one time a year the water usage is not great. The matter the initial water usage is what's the big deal. and she has no idea what the capacity is going to be.

And she can't tell us that right now until they go further into this. So I asked her and I said if we as the board decide to just upfront, say no, we're not willing to not even entertain it. She says well then that gives them the right to apply

To dig a well and then if we turn them down, it gives them the right to go get water, whichever way they can. That's basically what she is saying. Billy – they could buy our CCN. Jerry Hawthorne – Yes, but they can dig a well in our CCN. So anyway, my question to the board on this, this one here is it doesn't cost us anything for them to do an engineering study, that's going to be the customer's expense for Ginger to do. If they come back with any engineering study and it was feasible, Is the board interested to even entertain it, or do they not want to entertain it? That's what Ginger wants an answer to. And again, she can't give us the answers until an engineering study is done.

Michael Moon - Well, one thing on closed loop systems I've operated several of them and they're not completely closed. They have bubblers. They have makeup water and it's makeup water daily. Yeah. It's not just they say closed loop and then it circulates. Jerry Hawthorne - What she's saying. I think Michael, is it's not like the old systems. The closing system does use a lesser amount of water, what she is trying to say. Michael Moon - Well, I'm sure it does, but then you have to treat that water to keep these pipes from corroding and everything else but, there is a

volume of water that it will use, and I don't know why they couldn't provide that volume to us. Jimmy Callahan - they should give us a guesstimation, but maybe they're not ready. Jerry Hawthorne - I asked, Ginger, could she give us a guesstimate? And she said, not until we they actually do the engineering study and then, you know that then they'll go back to them and ask for what their specifications are for the facility. She knows nothing about the specs or anything of it, so you know, I think where they're at, they're in an inquiry situation and they just want to know whether they should even pursue it or not. And so I think ultimately, our decision is that we want gender to pursue it with them then come back with the nature or do we just want to say no. Jimmy Callahan - I've got a question here from my first meeting last night we have a limited amount of water and it wasn't a great amount of water that I remember. One of these kinds of deals takes a great amount of water just to start the system up. So, I don't know how you make a decision whether you're interested or not on something. If you don't have some kind of idea of what they're talking about. Tom Vitek What is our capacity in I mean? Excess capacity right now. Billy - Well, right now we only have 6,000,000 gallons of water take or pay. But as far as the reserve water and all that added together, I don't know. We'd have to call the engineer to get that. Jerry Hawthorne - I know at one time we acquired additional water for the Barnes Development and that was 700 acre feet we acquired for that and I think once we acquired that and that wasn't used, if I'm if you Billy, you can correct me, but I want to say that overall, our whole system, we had capacity for about 700 more meters or was it something in that between 6 and 700 more meters. The well, when we did the study on the well, I believe we're only using 20% Ginger did a study on the well usage was it 20% capacity on that, so we still got 80% capacity on our well, we're not using and then we still had enough groundwater for roughly 700 more meters. Jimmy Callahan - What is the 700 meters, what does that mean? Billy - One-acre feet equals 1 meter. When I say 780 meters. what we have reserved water for. And right now, we have enough water for whatever Ginger says have.. Tom Vitek - Ginger would have to be something along the lines or either a guess with a caveat that once, I mean we are up to a certain percentage of our total capacity or now we're not interested with all.

Robert Gaines - Well, but then you have flexibility or the obligation to the to the corporation to strike a deal that benefits us financially. Tom Vitek - if we're able to sell a certain percentage of capacity that's out there at the premium, but we can also with the number of data centers being built, I mean that's the whole big is water. I mean, you can have all the water. Michael Moon - I'd like to have the engineering study done so that we know exactly in the future if this comes up again, but we know what their capacity is and so we'll have data to back that up. Jerry Hawthorne - What Ginger told me on this and y'all I don't know if you were on the board then Mike or not. When we had the Pakistanis coming here about this property, we did an engineering study on this particular property for the Pakistanis and to do what they want to do on Elm Grove and, if my memory is correct and Ginger, she referenced it back, they pulled their records up and because she thought the properties were the same and that engineering that they asked for, it was like a $2.5 million up grade at their expense. But she said that's totally different because that was asking for a bunch of meters here. You're not asking for but 1 meter in X amount of water and I'm like I mean to me, I think we need to know what the engineering study says and for her to do that, they've got to give her some more information for her to be able to do a study and we talked. Tom Vitek - And we thought of 700 meters, we're talking 700 Quarter inch meters or 4-inch meters or what are we talking about in terms of meters signs? Jerry Hawthorne - 5/8 is what our standard is our Residential meter. Tom Vitek - This data center would have much more than. Robert Gaines – That would have a 2 ancient lead, but that takes.

Up like 9 or 10 taps, and that's how they would be charged is multiple meters. Jerry Hawthorne - What the company sent to Armstrong is number one with service capacity, an availability of X

gallons per minute to support our closed loop liquid cooling requirements. Phase one, we don't know what X is. Ginger doesn't know what X is. And then the infrastructure proximity, they wanted to know the locations and sizes of the nearest water transmission lines, 8 inch, 12 inch or whatever correctly serving this sector of Elm Grove Rd. So again, just like Mr. Moon here. I think we really need to tell Ginger that she needs to come up with what the cost of that engineering study is going to be, they need to prepay her and if they'll prepare for engineering study, then she can go forward with it and bring us the information and then we can make a decision. Jimmy Callahan - That's what you do to everybody who walks in here and that's only fair. Jerry Hawthorne - So is the answer that we will be considered based on whatever engineer comes back with. Paula, if you will call Ginger tomorrow and just tell her if she's going to go forward with the engineering study that the board will consider it based on information we received, but she needs to come up with the money and they will have to prepay her for the engineering study before KPA goes forward with it. We want money in hand. Does everyone agree with that. Board - Everyone said yes. Billy continues with his report -
Over on Capital Way and Armstrong spur they are coming in there and digging some test holes for something they are going to do there. That's one in front of Amazon that we hadn't made up our mind on. We don't know what's going to go on. I'm just going to tell you all there's a company doing potholes in there. Jerry Hawthorne - That's on that light there in front of that Amazon. Still, I think I saw the e-mail on that. So, they're just doing the testing right now, but they've made no request to us or through Ginger. Billy - This company doesn't even know who the company is who wants them to do the digging. We're working on replacing meters at Black Coach. We replaced five of them, but we haven't got the results back. What the deal is, the old meters are T 10 meters, they are not registering low flow. So we're losing a percentage of water there and trying to work on that 31% over the Black Coach is what I'm trying to do. So, all the meters have gone past their 10-year life expectancy and so we're going to start replacing meters out through the whole system in Armstrong. The meters are going dead and they are not registering low flow anymore. Bill Wheeler – What does a new meter cost? Billy - A new meters are $315 and we're putting in. What's the name of those meters Scout? Scout said, they are Mach 10's. And they will register low flow. What I'm wanting to do is buy $12,600 worth of meters and replace them all over **B**lack Coach and eventually place them all over through the whole system. Just like we did 10 years ago in 2014 when we started putting in all the meters. Jerry Jawthorne - So you're thinking we could just start phasing this in one area at a time. Billy - Where we have the worst water loss in my opinion and we can't find the leak at is Black Coach. Michael Moon - Can we get bulk pricing? Billy - That is bulk price, $315 apiece. Michael Moon - If we buy more than that, maybe double, can we get it cheaper. Billy – That's what the gave me $315. They said if you'll commit to 40 something meters. Jerry Hawthorne - What he's saying is, if we bought 200 meters, would we get a price break. Billy – I'm sure we would get a little more price break. Jerry Hawthorne and Michael Moon both stated that we need to find this out and see what the price breaks are about. Jerry Hawthonre – I think Billy we should go with increments of 100, 200, or 300. Jimmy Callahan – How many meters do we have. Billy – almost 1,200 meters. Jerry Hawthorne - I think we just have to kind of phase in over meters. Billy - I just want to do that little system over on Black Coach to see how much it will brings down that 31 to 35% water loss would have every month. Robert Gaines - That's your test area right now. Billy – Yes. Jimmy Calahan - And you're saying it's basically because those meters are not reading low pressure? Billy - Not saying all of it is, but I have to try something. Jerry Hawthorne - Well, if you get that additional pricing, you've got a price on 40 to cover what you want to do, and then we can evaluate if you get pricing for 100 or 200. If it's worth going in and buying them and just having them in inventory, we can make that evaluation. Billy – Ok - It's a tank cleaning

time. And I have two bids, one for $7,319 and one from Mike Carmen Allied Tank for 2,000 or $3,300.00. So, I'm sure, y'all go with Mike. Carmen, right. He cleans them every year and does all the Central Texas and Frie's. Jimmy Callahan – that a considerable amount of different. Michael Moon - This is why we need to have at least three bids on everything we do. Then you can compare. Billy - Michael there is nobody who can beat this guy, Mike Carmen. Jimmy Calahan – So, you are asking for approval on. Billy – I break it down; we do half the tanks one year and to the other half the following year. A motion was made by Bill Wheeler and seconded by Michael Moon to have Mike Carmen clean the tanks. All in Favor – Yes, Motion passed. On the water loss, we just use 6 million from Central Texas. All we used this go around was 6,600,000 gallons of water on the water loss. Our total pay is 6,000,770 gallons of water. I gave each one of y'all a sheet of what we guess the water leaks were. We just have guess on how much water we lost. And we had. 3 leaks on Standpipe and 3 on 436. That was water loss for February. Also, we flushed, you can see where we flushed. Wilson Valley, 436, Standpipe and Black Coach. That's 13,000 in flushing right there and that was a guess. We didn't have a meter at that time.
Billy asked Michael Moon if that is what he wanted on number S. Michael Moon - Yes, but I want to know what the loss is and it's a million something. Billy - You see that every month. Michael Moon - I'm going to check with the Texas Water Associations to see if this percentage is acceptable. Billy – It's not, they would like for it to be around 15%. But since we've didn't sell water. We only sold 6,000,000 gallons of water. Every year at this time you look, we'll see what was last year 22%. Well, next month, but it's going to be a lot better on the water loss because we sold water. That was my water loss.

5. Office Manager's Report – No report – Tom Veitk asked if we had received the money for the Road Repair. Paula told him no. She told the Board about the emails she had sent. She sent him an e-mail back on March 20th, telling him that he told me that on March the 11th they put the check in the mail. We should have it on Friday, March 13, 2026. So, I told him in my e-mail. I said well, as of today, we have not received it. If I do not get it by the 27th of March, we will pursue legal action. I have to get with Kris on this and see where we need to go. Jerry Hawthorne stated for Paula to get with Kris on this matter. Paula will forward all emails pertaining to this matter to Kris so he can get a demand letter fix up.

6. Cen-Tex Report – No Report

7. Secretary-Treasurer's Report - No Report

8. Approval of Bills: Motion was made by Michael Moon and seconded by Bill Wheeler to approve bills. All in favor - yes

9. OLD BUSINESS:

A. Discussion and possible action – Approval of Audit Ending Sept. 30, 2025
I think you'll have the draft audit report so we can just kind of go through that and I'll kind of talk you through the high points. And then I know you all have some questions that we had to go through as we go through there as well. So as far as the other report, it always starts at the front. The first couple pages are the independent auditors report on pages 1 and 2, we call it our opinion letter. It's an unmodified opinion. An unmodified opinion is the highest-level assurance

that we can give that we believe in the finance statements. The report are free from material misstatement based upon all the testing that we do during the audit. The actual financial statements start on Page 3. Page 3 is your statement of financial position to look at. Finance very often is basically your balance sheet, got assets on top, got liabilities underneath and that assets at the bottom. Things to note in there total assets, the end of the year was 3,349, 812. It was up by about 40,000 on the year before. The vast majority of that increase is in cash. You see, cash went up from 165,847 to 410,223 and that was offset by a decrease in property and equipment due to primarily due to depreciation taking on that during the year, which I believe was about $300,000 worth of depreciation. And then so that left you where you end up at the end with the the slight increase in your in your assets liabilities had a slight decrease, a little less than $10,000 decrease in in liabilities. The reason for that decrease, biggest part obviously payment made on debt which was about $75,000. And that was offset by an increase in accounts payable. So when you take those two things that needed to about the $10,000 decrease in liabilities. So when you take those two things together, you get an increase in your total net assets to 1,839,409.
The next page, page 4. Robert Gaines asked why did regulatory assessment fee jump 400%? Auditor - I don't remember exactly. I know that's tied to a payment made. I don't remember the exact amount or any. I don't think that. Robert Gaines - Did they change the rate or something? It's still a half percent a gallon. Jerry Hawthorne - So what is the regulatory assessment? Robert Gaines - It's what the state charges us to administer the oversight of water systems that 1/2 of 1%. 1/2 or 1% of gallon pumped and it's self reported. We report that number to the Commission. Anyway, one of the one of the two water features that are oversized to it and we self-report and pay the pay the the regulatory assessment fee by the end of January every year for the previous year's gallons. Auditor - I would assume it would be partially related to the increase in water and water purchases as well. So there's a pretty good increase in that. So on Page 4 is the latest interactivities. That's the income statement that goes along with it. So key things to note in there. Again, you can see that change in that asset to the bottom. You had an increase this year $49,606 there were changes somewhat in the revenue, not a lot as far as total sales, there was some additional miscellaneous income and some contribution to construction And then at the bottom, you also have your member fees that were recognized during the year. The other big change was in expenses. Total expenses did increase from 1,493,320 to 1, 600,299. If you look at pages 5 and 6 that follow that you will see the primary reasons for that. Because it's going to basically break down those numbers in a lot more detail. So, the big change in the 1.6 million versus the 1,493,320 was the water purchase, which was 683,025 compared to 557,000 a year before. And that was offset by some decreases in primarily in system repair and maintenance was down and also in your professional fees. So those two things were down to offset that a little bit. So that's kind of where the changes in the expenses occurred. And then the last financial statement is the statement of cash flows mentioned earlier. Cash was up; it was up by 244,370. Yes Sir. Michael Moon - Let's go back please to page 4. What is miscellaneous income? Robert Gaines - Miscellaneous income. That was the settlement we had for the settlement that didn't go through. Jerry Hawthorne - and probably also the income we received from selling our CCN to the City of Belton. Michael Moon - And on that property on Barnes Rd. Wouldn't it assist more than once and different buyers? Jerry Hawthorne - We've only did one engineering study, but we had about four or five different people worry about it, but only one that went forward with an engineering study. Auditor - And then, like I said, the other page, page 7 was the statement of cash flows, cash. I said it increased 244,000. Obviously, the big, the big reason there is going to be that even though you only show $40,000 increase in your net asset. A lot of that is there a lot of your expenses are non-cash expenses related to depreciation. So, we took an appreciation expense of I believe 300,000 and that's offset you only spent say a

100,000. So that's going to be some of the offset as to why the cash went up. But not the equity in total. The rest of the report is the notes to the financial statements, the notes kind of do two things. The first part, note 1 and 2 is primarily that summary significant accounting policies, the summary significant county policies basically where we tell you about all the different accounting treatments, timings, all the different things like that, it's kind of required. Stuff in there when we tell you about you have this account. That's how we account for it. Once you get to Note 3 and you go forward in there, that's going to start on page 10, it's going to be the rest of the notes. Once you get to note 3, that's going to be specific notes about some of your accounts. So, Note 3 and note 4 are primary going to be about your investments. 1 is going to. Be about the actual investment, the other one going about your fair value. Note 5 is going to be on the property equipment. Note 8 is going to be on long-term debt, so this is going to be like if you're looking at one of the bigger accounts or what's in there. This is going to be kind of where it tells you more about those accounts. And that's really the purpose of those accounts. One of the other things I like to mention in. Here is note 12. Note 12 is on liquidity, availability of resources and the reason I always mentioned when I do presentations is because I think it's always important people understand even though your equity says this, this is what you actually have available for use. So, what we do in that is we take your liquid assets which in your case are cash. Investment CD's and accounts receivable and we offset that by any reserves. So you can say, OK, this is what we have in total liquid assets is what we can't really use, so this is what we have available at end of the year. What you see there at the end of the year, you had $498,921 thousand and liquid assets available at the end of the year. Now, that's usually most of what I go through for the audit report. I know you have some questions you want to go through, some of those now that I can answer for you. Michael Moon – Page 8 Item #2 The basis of accounting.
You want us to do or we are Governance should be to accrual basis accounting. Auditor - Correct. That is, required. Yeah, gap is a group you can modify. You can do modified, modify cash is an option, correct? And it is one of the things if you're It has become more accepted. Smaller nonprofits to be able to go with a modified cash basis, you would need to obviously check that with your bank, make sure they're OK with that for that, but if it would simplify some of your accounting, if you went to. Michael Moon - Well, that's what I'm thinking we're going to do. Auditor - Yeah, all you have to do is then is approve that, of course, y'all. Michael Moon - And then we'll have to go to and report that. Auditor - I don't know exactly how. If you do the IRS, I assume it would work through the tax return. You'd have to deal with that. Yeah. But then on our side, we would just convert it. It's simple. We probably do in the first year, just a one year only financial statement instead of any comparatives. And then you'd be good to go.
But yeah, it's not too hard on our side. Michael Moon - I understand. No, that's fine. And I'll tell you the reason why is, we're missing some of our statements, the accrual basis accounting, and you know and that's been corrected 23 & 24, where we had some trouble and then 25 that's been pretty much OK, but we still things aren't being put in the Ledger. Auditor - It like when you're running a smaller nonprofit a lot of times I would recommend, and I think we put that in our letter. Yeah, to go through modified cash. It's just simple. Michael Moon - Yes, yes. And then that's. I'm just trying to get them to. Your hands up. Jerry Hawthorne - No, I didn't understand where you coming from. Michael Moon - But it's been a problem in the past. Auditor - Yeah, I mean, when you're doing all the accruals, you're dealing with, timing is going to be the big issue. It's not, that's not, something's not paid. It's more of when what period you recognize it in and it can cause things to flip. Like for instance, you're talking about accounts payable type of cruel, you could have accruals related to payroll you have a lot of different accruals that can cause. Robert Gaines - Well, the payroll is not material item. Auditor - Correct, which I mean and yeah, it was I mean. Robert Gaines - I mean, I'm going to count. I'm a CPA I've been dealing

this for 50 years so our accounts payable, I'm sorry the accrual for paytoll would not be a material item in our statement of activity to end or our financial position. Auditor - No, I understand that, but it is going to be 1 item and when you add it with other the other items you could get a a material item over aggregation, correct. So it it's just it has become a more accepted item with a lot of nonprofits, a lot of smaller ones to move to modify cash just because, well, two reasons really. One is it's simpler for the the people working there to do things on a more modified cash basis because you're more tracking what your bank statement is saying. It's easier to follow. This is how much money we have. It makes sense versus accrual. When you show them payables and different things that in receivables where they're a little more. You know, it just doesn't flow quite the same. And the second is because a lot of times you can run into auditors that will start busting out things like material weaknesses and things like that. When we start posting your journal entries for accruals, if we're the ones finding your AP, if we're the ones finding those things technically some of the auditors and even frankly drafting finance things to extend some people, they've got a little more technical when they start throwing out significant deficiencies and material weaknesses. We don't like to do that because we think it's kind of overdone and not necessarily. We put that in there that hey, you know, we're both here pool entries, but you know that it's not something that's hidden or surprised, but it is something that people worried about and so I think.it like when they do it, it makes more sense to me. I have had a couple other nonprofits that work would do it. In Waco area where they're changing those things. And like I said, I've even seen a couple of smaller cities do it. Michael Moon - Well, it's much, much easier. And so that's what we're trying to make it more efficient. And so, yeah, when we go into executive session, I'll, let them know. Robert Gaines - But we would want it with a modified opinion then. Auditor - Correct. It would be. It would be a modified opinion and it would stay in. The modification was related to just the basis of accounting, though it would be a pretty common statement. It's just one extra paragraph. Robert Gaines - Well, CoBank for accounting principals. Auditor - That would be the key. It would be a CoBank say OK, to me because they're going to be the ones to hold your debt. So, if they don't, if they won't take it doesn't matter. So, I would go through them before I did anything, but if they would simplify your process. Robert Gaines - Get past him. That's your first door you got to walk through. Auditor - Now I have seen and a lot of times, I mean just depends on the bank and who you're dealing with, but it's not overly uncommon for them to approve that kind of thing because like I said, it is just a basis of accounting modification. It's not like we're coming in modifying saying this was wrong. Something here is wrong. It's a basic correct, it's a base of accounts. Robert Gaines - I saw that letter but it's a downgrade. Auditor - Well, it's it is like an opinion. It's an extra paragraph. I think like I said, it depends on who you're really talking to, how they can, if they consider to downgrade as much anymore because they have gotten a little more specific in the paragraphs now where you have the different types of qualification. Kris Yager - Why would they deny it if they did deny? Auditor - It would just because they want to see it in gap, and if they're pretty, they want to get sticklers about we want it in gap, financial things and they can, because they're the ones doing the loans. So, it's their right to
Say no, we want to see this. I would think they would approve it. But you have to go through. Robert Gaines - CoBank deals with cash flow. As long as you pay your note. That’s what they look at. Auditor - Exactly which is similar to what they have in their reserve when you're talking about, I believe it's about 150 ish 1247 like that and that's basically one year's payments. When you take interest plus principal, that's basically how much total payments are. So that's kind of why they reserved about that? Tom Vitek – Say that again - They have their reserve, I believe on the debt, the required amount of the reserve is minimum 100 and I want to say it's 147 five. I could be slightly off, but I want to say that's right and that is a required amount because your

debt payments each year in total are about $145,000. Michael Moon - Well, we're sitting here 219 so. Auditor - Yeah, you're fine. You're not in the problem. Correct. You have plenty there. Tom Vitek – I thought you said something different. Jimmy Callahan - We're sitting here talking about paying these people back for these meters or giving their money back. How's that going to affect the cash reserve here? Auditor - I wouldn't. It should affect the reserves. Jimmy Callahan - Where's that money being held for these meters. Auditor - It's going to be in your equity account right now it would be a part of your undesignated net asset. Other people, one thing you could do when you're looking at your contracts or however you want to go about making those when you're making those deals you're talking about, we're going to somebody's going to pay up front. You have this loan to do it. One of the things you could consider in doing that rather than and I know they were talking about. That you know, if you're going to only hold it for 60 days, I would say that's fine. But if you're going to hold it, if you're going to give them two years. You can't really hold a check. So what I would recommend if you're going to do something like that is I would consider doing a deferred revenue unearned revenue situation for it where you basically hold the liability account saying, hey, we're not going to recognize this in our equity until this happens. We're going to show the liability to offset the cash that we collected so that we saw that I would consider for your final statement purposes. Jimmy Calahan - So it won't affect those meters, will not affect this bottom cash availability, right. Auditor - Oh no, it would. I mean, it would affect your cash, but it would. It would come out of that, but it wouldn't Affect your reserve? Robert Gaines – It won't cripple you, but it will bring this down. Auditor - If you're talking about the very bottom, the financial assets of the four. Nine. Yes, it will affect 490. It wouldn't affect the reserves right above that. What I was saying. Michael Moon - Investments #3. Auditor – You are talking about the investment in Cobank that 58,000, is that what you talk about? Michael Moon - Do we need an investment policy statement? Because we don't have. Auditor - You typically, I would always recommend anyone, it's inside kind of policy statement. Yeah. I would always recommend one. You're going to typically be under the uniform prudent management of me is, I believe with the with the tournament I have it in here is the uniform prudent management and you know, that's kind of a state rule. So, you're going to basically be under that anyway so if you don't have one, you should follow that which you are, but I would almost always put in a policy, even if it just says we follow me from, you know. I mean, even if you just say that it's at least something. Robert Gaines - Our policies followed CoBank's requirement. Auditor -Well, that's for the reserve. That's not saying what you have to invest in. I think you're going to talk about can you invest in stocks, which you're allowed to invest in any of that stuff. The big the only really disallowed. The only thing you're really disallowed from investing in is something that would be beneficial to an individual. Whatever, or something like that. Yeah. You can't do that. Michael Moon - Next question, who manages these funds? Auditor - I believe that it's it, Raymond James, where do you have that? Robert Gaines - It's in two mutual funds. Auditor - Three, I believe. Robert Gaines - Federated investments all US tea bills. Michael Moon - We only have two years, first, third. Auditor - There's three that make up the 192. There's 40,000, I believe 30,000 and 115 ish 1000. Michael Moon - OK. Where is that in here?

Auditor - it's in the investment notice. They're not separated out. They're not. They're all mutual funds. They're not separated out individually. Yeah, they're not separated out. Robert Gaines - In that reserve is invested fund reserve is buried there 92,000. Auditor - If you look at the actual Financial like the trial balance the actual it is split there.

In the three-Year rent balance. Michael Moon - Well, I haven't looked at that yet. Auditor - Yeah, it is split up there. Michael Moon - So we had a loss of 34,000 on the one. Auditor - The one that is total overtime, that's not just this year. Michael Moon - Well, that's totally that's not

this year on the OK. So and then the same thing on the mutual funds 32,000. Auditor - That is total overtime. That is not this year necessarily. That was the year before where you were, so that basically changed about $2000 this year in the loss. 01:16:22 Speaker 11
And I will tell you, even though there is a loss. Technically, the amount you originally invested is the loss you're talking about unrealized loss like you know, so you're talking about invest anytime you earn dividends and interest on that, those are getting reinvested. So they're going to cost and so the cost of the basis is going up, even though they may not necessarily increase the same amount of Fair value, which is basically what happened for you. Yeah, so, the investments have not done great, but it's not like they're losing money from where you started at.
Michael Moon – Page 11, #5 property plant equipment. Construction and progress. What is that? Auditor – The $60,000.00. It looks like it is 13. It looks like some of its engineering fees. So 73,902 that went into account, 70 should be two O 2 O for the water distribution systems 60,000. It something you started. We had completed the project you had there for. Therefore you wouldn't place it in service. So you don't start appreciating it yet, but you have spent the money. Robert Gaines - I'll look it up when we get through it. There's. I'll go in there and Paula can give me access to QuickBooks now I'll look it. Michael Moon - Let's go to the next one please. Page 7 or page 12 investment in other organizations. We did receive that check, Paula said the other day for 58,000. Auditor - You received the check 58,000 from. Michael Moon - Yes, that is right. Robert Gaines - Well, that's a cumulative a man. Auditor - Cumulative. That's in, that's in an investment asset account. The total amount received in 2025 was $9000. They basically awarded you patronage dividends of 13,009 in cash, 4 increased the asset balance. If y'all close that Investment and got paid the 58,000. That's the only way you could have done that, but that would have been something in 20. Paula - We got dividend check from. Auditor - Yeah. Now dividend check typical you get that early every year, correct it. It wouldn't have; it wouldn't have been the whole 58,000. You would have got somewhere probably in neighborhood of 10 to 15,000, a part of which would increase the investment and a part of which they would pay. Michael Moon stated that all he had. Jerry Hawthorne thanked Greg for coming and going over the audit. Auditor - And if y'all decide to finalize it, approve it and everything finalized, just let us know, we'll get you the Rep letter and we'll get that out to you. A motion was made by Michael Moon and seconded by Bill Wheeler to approve the audit ending September 30, 2025. All in favor – Yes Motion Carries

B. Discussion and possible action - Re-evaluate closing of gates.

Jerry Hawhorne - Next item on the old business is the reevaluate the closing of the gates power. I had Paula to put this on the agenda. Based on I after the last meeting, which we voted to install the lots on the gates, I personally was not familiar with the property, didn't go out and look at it and I came down to the office to meet with Billy and Paula to sign some documents, and we got to talking about it. So I walked out there and looked. We've got 2 gates with the lock. You can drive around and you walk around them. I see no benefit on locking the gates, so I feel like it's worth having a re-discussion in regard to this. So, I had Paula to put it on the agenda. Any comments. Michael Moon - Yes. The reason for the locking of the gates is when that Driveway is open. That allows people to go through and that does not mean no trespass. But with those gates closed, even with the accessibility to go around, those if someone were to go around those, it makes it criminal trespass. That was the whole reasoning behind that was to keep people off the property. Not to say that if you know they have intent to steal something. They're going to do it anyway; this just keeps people from going around and then it like I said makes this criminal trespass. Billy – Well, we will just keep this one gate locked then they can’t drive through the

property. Jimmy Callahan - You know, if there was a Policeman on duty here during the night. I wouldn't be concerned about it nearly as much. But I mean, just in the last two months, I know of two occasions where people have been wiped out by the crooks that are running around here right now and if we need to re-evaluate and put up something, even if we went and got stone blocks and put across the areas that they so they couldn't drive in, I mean that's a pretty cheap way to, you know, to keep people from driving in. Michael Moon -Well, I had gone as far as to measure the property. I got the metes and bounds, measured the property and was going to donate the pipe to go around that property, just like we have out here to keep you from driving through, but I'm not going to do that now. Jerry Hawthorne - The question is, as it stands right now, do we need to continue locking the gates? They don't serve any purpose. Tom Vitek - What's our perimeter out there? Distance wise. Michael Moon - You're looking at 800 feet. The 24 sticks of 2-3/8-inch pipe. Jimmy Callahan - Wait, say that again, 800 feet and that's going all the way around. Michael Moon - Well, that's including replacing what we have there up in place now to make it look better because right now our posts are bent out this way and that way. Tom Vitek - I'd suggest that we go out and get bids for a chain link fence and if we're going to protect it, protect it. Jimmy Callahan - So keep a kid from coming in here and getting hurt. So yes, if the pipe fence is great, if you're out some more like I am and you all you're worried about is deer running through or cows running through it. but it serves little purpose like it is right there and I don't know what chain link fence cost. But pipe fence is over $10-$15.00 a foot. Michael Moon - Well, that's why I was going to donate the pipe. Robert Gaines - And if y'all have Billy buy a couple of 100 meters and you store over $315 a piece of meters that you talk about you will have all that inventory in the barn. Michael Moon – So, I agree with Tom. Jimmy Callahan - The chaining fence makes a lot more sense to me than the pipe fence does, and I'll tell you why, mainly because of keeping kids or anybody else from coming in here and out. Let's start stealing. But they could come in here and be playing around on the equipment or something. They fall and get hurt. Michael Moon - Well, with the gates open and someone comes in and they get hurt, we are liable. Kris Yager - I recommend if we do chain link fence that also allows us to put signage on the fence and we can put do not trespass anything else you want to put something on the fence.

Motion was made by Tom Vetik and seconded by Jimmy Callahan to get 3 bids on chain link fencing to go around property. All in Favor - Yes

Jerry Hawthorne - The question is, do we need to continue locking the gates or not? Jimmy Calahan - The trespass deal, you know it's kind of an if in situation. If you don't catch the guy and steal something from you, you, haven't done anything anyway, you got to catch them and even catch them. OK, so we got to answer the question about the gates. I really don't have a real strong opinion one way or the other, but my personal feeling is that if you're going to have gates there, you need to close them. Michael Moon - That's why I suggested it. I did my research before I ever did any of this. Yeah. So that's what I do, is I do my research before I ever open my mouth. And I tried to explain that in our executive session that night and I thought I did. Jerry Hawthorne – Ok, moving on. Jimmy Callhan - No, we haven't made a decision yet. Tom Vitek - I mean, we can close the gates. I think it's a good habit to start getting into so that when we do have real gates and fence, we can treat it that way, but until we have a fence, gates are useless in my opinion. Michael Moon - We'll see eventually and it's like Robert said, you know, if we get to these high dollar meters sitting in that barn. There shouldn't be anyone back here during the day and a lot of businesses and I have them myself. automatic gates to where those gates are closed open and close as employees go in and out. So that keeps anybody during the day when

no one's here from coming in and out also. But that's in the future. Not now, just in the future. Billy – We will lock them; it's no big deal. Jimmy Callahan – Well you know, if we're going to put-up chain-link fence and that's what I think needs to be done, you're going to get used to it anyway. And I know Paula stays here later. Seemed like we discussed it last time. Bring her car out. The boys could do all the locking the gates and she doesn't have to. Don't you all leave about 30-45 minutes before she does or not? Is that right? Billy - That right?
We shut all but one side of the gate for her. All she has to do is get out and lock it. Paula - I can lock the gate. That's no big deal. Motion was made by Jimmy Callahan and seconded by Tom Vitek to continue locking the gates. All in Favor – YES

10: NEW BUSINESS –

At this time Michael Moon asked to go into EXECTIVIE SESSION

Jerry Hawthone Board President stated he has talked to the attorney and going into executive session and based on what his recommendation is, this should be an open discussion, and I don't think there's a need to go into executive session.

Kris Yager, Attorney - Jerry, I'll comment on this. I think we should let the employees discuss and then we go into executive session. Once the employees have the opportunity to be heard, then we go into executive session.
Anybody object to that?

A. Discussion and possible action – Board member installing trackers on company trucks. OK, the board will now discuss Mr. Moon's placement of tracking devices on Armstrong vehicles. This conduct caused issues for Armstrong. Armstrong did not authorize linking them to purchase a tracking device or to place a tracking device on an Armstrong vehicle. The board also did not authorize Mr. Moon to monitor the tracking. Mr. Moon acted unilaterally when he installed the tracking device on the vehicle and tracked the vehicle on his phone. At this time, I'm going to turn it over to Kris Yager where he can discuss the liability concerns for Armstrong?

   Kris Yager - So before we go into that, I want to give the employees time to talk and let them do their thing. Then we can go into executive session. Anybody opposed that? Billy asked Michael Moon if he had put any tracking devices on any other trucks. Michael Moon - I don't know. Jerry Hawthorne - You don't know. Michael Moon – I don't know. Jerry Hawthorme - That's very unacceptable answer for as I myself. Michael Moon – I said No. Jerry Hawthorne - OK, I didn't understand that. I beg your pardon. Billy - Thought you said, I don't know. Michael Moon - I said I don't know. And he asked and I said no. Jerry Hawthorne - Why didn't you answer him that way? Billy - Yeah. Michael Moon - Because I'm answering you. Jerry Hawthorne - No, that's not my question. Why didn't you answer him when he asked you? He's an employee of Armstrong. Michael Moon – Yes sir. Billy - And you did not put any other tracking devices on any of our vehicles, right, Michael? Michael Moon - I said no; and I told him no. Billy - What did we do to deserve you coming in here after the board told us that we were going to have

tracking devices, we was going to put tracking devices on our vehicles and they were only for if they get stolen not for you to set at the house and see where we are. Michael Moon – That is not what was going on. If you look in the Minutes. Billy - How are you now? Michael Moon - If you look in the Minutes it was voted on and approved by the board to do that and they said and we said even in the transcript that even I said if you look at the transcript that I said, no, it is not for monitoring the travels of the employees look at it. Billy – Ok But you was. Michael Moon - How do you know? Billy - Because we've seen it on Scouts phone. When we looked at it and it was monitoring. Somebody was looking at it. Michael Moon – How do you know that? No you don't. Jerry Hawthorne - OK, we're getting off. the subject. Kris Yager - Yeah, let's let the employees speak and then we'll go into executive session. Jerry Hawthorne - Yeah, the question is here, Armstrong did not authorize you as Mr. Moon to buy a tracking device and for you to install a tracking device on an Armstrong vehicle. That's the issue right here. Is that right, Kris? Kris Yager - I'd say correct. Let's let the employees speak. Then we can go into executive session and discuss one. Scout Oldham - I mean, just honestly doing it like that, you know, unapproved doing it. It just makes me feel like I'm not trusted and I don't know why after 10 years of working here, you know? If there's a problem, you know we can come talk about it or whatnot, but nothing was said. And then just to find it we have devices that we bought to track the vehicles and then come to find out there was already 1 stuck on there that was, you know, we didn't know about. Billy - And I told the guys after the meeting only Bill or Paula was going to order some. And we're just going to put them on there. And I was going to have it on my phone. But you put some on there that had it on your phone, we didn't even know about. Kris Yager asked Jason Chester if he had anything to say about this and Jason stated - I wholeheartedly agree with Scout and Jamie. Jerry Hawthorne asked if anyone else had any comments? Billy – It sure did screw up the morale for Armstrong, you doing something like that to my guys. Jerry Hawthorne - And that will be noted. We're going to go into executive. Tom Vitek - before we go into ex executive session, let me just say I think on behalf of the board the employees are Armstrong Water. You guys are running trenches? You're doing what you do every day. Cold weather, hot weather. You know, doesn't matter what it is, you can show up, do your job and it's appreciated. What the intent of these trackers is not to guess what you're doing or not or doubt that that you're coming in 10 minutes late and sneaking out 15 minutes early or, you know, whatever. Jimmy Callahan – t hat not the intent at all. Billy - Or sitting at somebody's house talking to Durwood or someone else. Michael Moon - You know that was personal. I saw you do that. Jerry Hawthorne - Just keep the personal out of this. Tom Vitek - Let me finish. It's about. Billy – He's my stepfather too. Hey, it's about if something happens to the equipment, you can find it. Also, if something happens, accidentally, I mean there the truck turns over, you're on in a field or whatever. We can find you. Scout Oldham -I absolutely agree. You know, having those tracking devices for things like that? Absolutely. It's just what I didn't agree with was that it was put on there without our knowledge without us knowing. Michael Moon - Well, when we get back from executive session.

EXECTIVIE SESSION

Time Out 7:45pm

EXECTIVIE SESSION

Time In: 8:15pm

B. Discussion and possible action – No one (1) Board member can authorize without Board approval. And that should be no one board member can authorize. It should be any expenditure without board approval. And I don't think we've had that really specified before having Paula. Paula said No. A motion was made by Bill Wheeler and seconded by Michael Moon that no one board member can make a decision. All in favor - Yes

C. Discussion and possible action – Tracker for utility trailers – Jimmy Callahan - Is that the trucks now? Jerry Hawthrne - It says utility trailers. Bill Wheeler - Just keep somebody from stealing it. Michael Moon - There's another trailer than just the gooseneck trailer. Jimmy Callahan - But it's been hooked up to a pickup. Michale Moon – But there is one not hook up.. Billy Smith – What's not hook up?. Jimmy Callahan - The pickup to the trailer. Billy Smith – yes it is. Michae Moon - Well, the lawn mower trailer. Billy Smith - It's not, it's in a lock fence. Jimmy Callahan - Let me ask the question really simple. Do y'all normally unhook the trucks from the trailer that you pull those trailers with. Scout Oldham – No. Only because we had to split up Monday, I had to take samples and he. Jimmy Callahan - But when they come back here, when you get back in here, they put it back together. Scout Oldham Yes, they stay just like that. They stay hooked up. Jimmy Callahan - That trailer can't pull itself? So, I mean, I kind of think that's nitpicking. I do. Jerry Hawthorne - Any motion? No motion, motion dies.

D. Discussion and possible action – Add lights to trucks for safety and order yellow reflective vest. Billy – We already have reflective vest, and we have that too. We have hard hats, we have safety glasses, all that stuff. The only thing we don't have is steel toe boots. Michael Moon – So all the PPE's are provided by Amstrong for the Amstrong employees. Tom Vitek – do you wear them? Billy – Yes. Jimmy Callahan - OK, good. It's not an issue. No action taken

E. Discussion and possible action – Surveillance cameras- Jerry Hawthorne asked who put his on the agenda and Billy said he did because Paula suggests we should put cameras out facing the shed and we should have one on the office building too. But wait, we got surveillance cameras and. Moon suggested it over here. Jerry Hawthorne – No, we're on. We're on item E somebody put on the agenda surveillance cameras. That's where we're. Nope. I mean, who brought it up? Paula - I told Billy about it. I said, you know, if they're worried about, you know, getting stuff stolen, why can't we just put a camera on the pole that faces the building, I mean the barn over here. You know, that'll capture everything. Jimmy Callahan - Surveillance cameras are great if you've got somebody watching them. But if you don't have anybody watching them, they're useless as you know what? Billy - Yeah, but you can see who came in your yard and left. Jimmy Callahan - Now at night if you want to if you're trying to keep somebody from stealing stuff out here with you. It wouldn't be a bad idea to have on that, but that's to see and it needs to be well hidden, and it needs to be recorded and left on there all the time. Billy - I know only place we've ever had anything stolen is the office. They broke in here two times. Jimmy Callahan - Was it money or what? Paula – That was before my time. Billy – I remember one time I was here, they got money and try to look all through the drawers find more money and all that stuff. Paula - I keep roughly $50.00 of petty cash in the

drawer. Jimmy Callahan - That's saying that somebody break in for 50 damn dollars they don't know we don't keep much. Bill Wheeler - As long as you got Internet in here, you cameras you know it's not much to it because the internet does it all. Jimmy Callahan – Paula. I want to hear your reasoning again other than I do kind of at night you would have something. Paula - Well, I brought it up because when y'all were talking about locking the gates, and of course there are no fence over here. Just the gate and that's when I told Billy I said, why don't you just put a surveillance camera on the pole that faces that barn and that would maybe help. Jimmy Callahan - Well, we've addressed that. It's one thing for prevention. It's another thing for catching somebody and prevention, it helps. It'll help if people know that you've got a video surveillance. Whether you catch anybody or not is up to local law enforcement, and that's pretty, pretty weak. Bill Wheeler - I've got as many fake cameras as I have real cameras and I'm telling it makes a big difference just in fake cameras because my Gas shortage has slowed down and they are as fake as can be, but they don't know. Jimmy Callahan - People that steal money are coming in trying to steal the stuff of folks, so they will go for a fake camera or a real. Michale Moon - It's not just that, we've had customers and I'm not talking about here, but we've had customers that have been billed or, and I'm sure that she's witnessed that before, that on whatever the issue it is, if they get billed and they get mad we had one that was going to come. Jimmy Callahan – You talk about for in here. Michael Moon - I'm talking about for her office in the front. You can put one in this telephone pole about 40 feet up and let it shine right through here. And at least we would have the vehicle and the person then if somebody tried to come in armed robbery, whatever, or hurt her, anything like that. But you have and it's as long as you have Wi-Fi out there, you can do that. And it keeps that and you can put solars on it to keep the batteries charged. I have them in my house. I have them in all the other things that I have and it's really simple. It's not harder. Jimmy Callahan - I'm not against it, you know, for her protection. Michael Moon - And there again, I wasn't looking at and I think it was discussed before about inside the building. Basically, we're protecting the outside of the building. For someone that comes in or someone that goes across the property. Bill Wheeler - They're so good now, then cameras. It gets a license plate, and it shoots it right there on your deal. I mean, tell you exactly what kind of car Ford, Chevy Sedan, Motorcycle. But I show you that license plate just right. Michael Moon - And there's, like I said, night vision night. They could do it anytime of the day and night, whatever. But it's just safety. That's all it is. Safety. Tom Vitek made a motion seconded by Jimmy Callahan to get bids or information on surveillance cameras and bring back to the board next month with a plan. All in favor – Yes Jimmy Callahan - We don't know what we're talking about, $3000 or more. Billy Wheeler – No you're you're talking $300 and something dollars. Yeah, you can do like the doorbell camera that, I mean, it just shoots real wide.

F. Discussion and possible action – Meter at Black Coach – How many meters do we sell before doing an upgrade to the line. Jimmy Callahn – Who brought that up? Michale Moon – Not me. Billy - Y'all should all have paperwork on how many meter. Michael Moon - Well, through the audit the line pressures at 48 PSI. Billy – What is 48 PSI? Jerry Hawthorne – Who brought this up Billy. Billy – what 48 PSI? Jimmy Callahan – Line pressure. Billy - We're already in trouble with the two TCEQ. Jimmy Callahan - Where does that comes from is what I'm asking? Billy – Michael brought it up I didn't. Michael Moon – No I did not. Paula - No, he didn't. Billy. We had an e-mail and we sent it to Ginger and she answered it back. I can't find my paperwork, but at the top it says Black Coach.

Billy – anyhow, I have the paperwork. So this tells you how many meters We have left before we need to do. Jerry Hawthorne - OK, we have started on the meter analysis for three additional meters for Terry Potts and the Black Coach Service area. However, before continuing the analysis, we need to know how low Armstrong Water Supply Corporation is willing to let remaining meters get in a service area before looking into expansion, rejecting meters requests and etcetera. Currently the Black Coach Service area, then the system is sized to have a 28 additional meters. Please see the attached TCEQ compliance tabulation table. If the Terry Potts request for three meters were to be approved, Black Coach will have 25 available meters remaining. So, what's the I mean, what's the question here. Immy Callahan - I don't know what I'm going to tell you, #1, I'm confused because that question is up to the engineer. Isn't that, right? Billy - that's why she called us again to find out how many meters we're going to sell before we start doing upgrades. Jerry Hawthorne - What are you saying, Billy? Maybe I can say it this way. And maybe it's right or wrong. Maybe she's saying we have the capacity to have 28 more meters on Black Coach, if you sell the three, you've got 25 left. How many of the 25 that we want to sell before we ask for an upgrade on the system, is that right? Billy - Yes, but we could sell them all. Robert Gaines – So whatever 85% of 25 is like 20, that when you start talking about upgrading. That's in the TCEQ rules. Tom Vitek - On the pressure storage, what is that 28? What pressure storage 28 does that mean on this chart? Billy - Well, they don't have 28. He has size anyway and. Tom Vitek - Does that mean 28 meters or is that 20 that's. Not that's what I'm saying. That's not. Jerry Hawthorne - That that's meters, that's meter cap. Billy - Remaining connections over here to the far right. Armstrong school has 91 left. Jerry Hawthorne - Originally for black coach, we had 42 originally. Tom Vitek - So we've got 28 meters that can go on that line yet before we run out of capacity right. Jimmy Callahan - Right. Or 85% out of 28?

Tom Vitek - And we've got a request now for three more 3 of 28. Billy – yes, that will make 25. Tom Vitek - So, the engineer's question is, how close to the how close to 0 do we want Go. Can we go? And you're saying it's 85% of what number of the original? Robert Gaines – It would be the original, because that's what you have left. It's 85% of when you did what the last upgrade was provided, but the last upgrade provided 40 additional meters. There's 85% or 40, which leaves you about 8 meters in that you is your 0-inflection point. Jerry Hawthorne – And it's really, the engineer's responsibility to monitor that for us to when we reach that 85% capacity. Well, she's asking. Do we want to be proactive and make a decision? I guess is what she's asking. Tom Vitek - I think the answer would be to use that. Robert Gaines – That but that's the Safe Harbor. Tom Vitek - To go below 85% capacity or 85% whatever the calculation is. Jimm Callahan - That's true. Once you get to 85%, you got to start looking at good. Tom Vitek - And if we're not there yet, then we need to know at what point all of these are. Michael Moon - And then two, as you add more meters to that, their engineering studies that should prove it out. So, it shouldn't be an issue. Tom Vitek - To prove out the need for the additional. Michael Moon - Yes, or at that time, however, remaining meters are going to put on there that it's their responsibility for the upgrade. I don't think we should be paying for any upgrades as of yet. Robert Gaines - Because you know a bigger more meter equivalent. Jerry Hawthorne - So I guess the answer would be there that for you to get back to Ginger and our response and y'all can help me on the verbiage here is that once we reach 85. 85% of what our allotment is. Then she needs to notify the board where we can take action on the upgrades or do we want to do it before the 85%. That's the question.

Jimmy Callahan – I wouldn't do anything before the 85%. Jerry Hawthorn – Is everyone OK with that and all board members said Yes. Jimmy Callahan - That checkpoint and then then

you got to be careful about what you do from there on 85%. Jerry Hawthorne - At 85%, you really have to be once you're there. That comes in with10 meters then all of a sudden that's a red flag. Jimmy Callahan - No, that's not happening. Tom Vitek - This is done by them. It would be nice to have a column added on to this, that shows the percentage where we are on this? Billy – I will talk to the engineer. Jerry Hawthorne - You see what he's saying, Billy, on each one of your service areas here, we got to know what percentage of capacity we are at on each one of these, you want percentages of percentages. Billy – yes, percentage of meters.

G. Discussion and possible action – Bonds, Sec & ST?
Mutual bonds loss. Maybe look into broker management

Jerry Hawthorne - What's SE&ST? Michael Moon - Secretary and the Secretary of Treasury. Robert, that's probably a question for you, do we have bonds for us. Did you have a bond when you were here? Robert Gaines - I don't know if we have a bond per say. We'd have to live with the insurance policy to see. Michael Moon - Well, we, need a fidelity bond for her and I. Robert Gaines - That doesn't ring a bell that we have that but, with the amount of money. Michael Moon - That we're dealing with, we need that. So if something messes up, then the bond covers. Paula - I contacted Bianca with Winstar insurance. We are covered. Tt's called a faithful performance. With $100,000 insurance with $8000 deductible. So if an employee comes in here and steals, we're covered, but they do have a individual or position title Through their bonding company. You know, if y'all have me bonded and Michael bond or even you, the board could be bonded. It usually runs between $300 and $500 annually. Robert Gaines - Is that a current, we have that policy we have currently? Paula – Yes. Michael Moon – but not at these amounts. Paula - Because of the employee theft, it says we will pay for loss up or damage to money, securities and other property resulting from directly from theft committed by an employee, whether identified or not, acting alone or conclusion with another person. Robert Gaines – But the limit is $100,000. Paula – Yes. Tom Vitek – That's in the current policy. Paula – Yes. Tom Vitek - that that should be raised to at least a million. Bill Wheeler - But it's not much difference in the price after you raise it. the liability bond. Michael Moon made a motion and seconded by Bill Wheeler to raise the amount from $100,000 to 1,000,000. All in favor - Yes

H. Discussion and possible action – Fidelity bonds? Tabled to the May, 2026

I. Discussion and possible action – Board insurance. Ie: No Action Taken

J. Discussion and possible action – PPE's – No Action Taken

K. Discussion and possible action – Audio and Visual S. – Discussed in Item # E

L. Discussion and possible action – Boundary fencing – Getting 3 bids

M. Discussion and possible action – Excavation Safety. ET
a. Excavation T all

b. Trench safety T

Michale Moon - my question was on that is have we been to training on trench safety? And other issues you have so you. Scout, Sir, I do it every three years. It's a class that I just. I like doing it because I, you know, want to stay safe for all of us. Michael Moon – Right. Well, we kept we keep our employees the same way, so and then trench safety too. It's a it's all one class, it's water utility safety. It's got confined. It's got the basis of confined pace. I mean, you know, we can do a team or an OSHA class if you want it further, but yeah, it's got it's goes over a couple of other things. Honest, yeah.

Michael Moon - Then the next question is, do we have any space besides the towers that are considered confined space? Scout - No, not us. Central Texas. So they have one vault, but it's not hard. Michael Moon - And then the excavation safety do, how deep are the lines that we have, are they over 4 feet? Scout – No. Michael Moon – Not even at the river crossings. Scout – yes, but those are encasing. Michael Moon - But I'm saying if you have to repair those. Then you're going to be going deeper, so we need shoring and so and basically what? Jimmy Callahan - No, they don't dig though they're bored.

Scout - Yeah, we dig up on both sides of the river and both sides where the casing is only about 3 foot, maybe 4 foot. Michael Moon - Right. And basically what this entails is long as you all have the documentation and it's in your file and that protects us, you have been trained, OK, so that protects Armstrong water from in case something happens and it happens every day people get in. If your family, if you died and your family decided to sue us then we can go back to your file and say hey, these guys have been training on this, this, this and this and that's and that's basically what this is. Billy - and we have monthly safety meeting too. Michael Moon - Well, that's good. Are they documented? Billy – Yes. Michael Moon - OK, put in a safety file. Billy – Yes – Michael Moon – Good.

N. Discussion and possible action – Chlorine use and safety. Burnes and inhalation T and SCBA?

a. Confined space? CT?

Michael Moon – on liquid Chlorine do you take classes on how to handle this. Billy – yes we do. Michael Moon – and it's all documented. Billy – Yes. Michael Moon – what about the self-contained breathing apparatus. Do y'all have any? Scout - Yes, Sir, Scuba. We've got one at Standpipe and then we've got 2 respiratory masks. Michael Moon - OK. And they are annual inspections almost of that has been done. Scout – Of the scuba it needs to be done. Michael Moon - Well, there should be a tag on there that has the expiration for that can get redone. You don't want to be sitting there and knead it and grab it and it's not working.

O. Discussion and possible action – Operator licensing training and grade?

We've already gone through that pretty much. – No Action Taken

P. Discussion and possible action – Safety lighting Ve. Tr. Cones –

Michael Moon - we're talking about lighting and safety on the pickups and stuff, and I totally agree that you need what? You need cones that you can put out beside you know how the highway department or anybody you need cones that you can put out stair steps so that people know you're working. Scout - So we do have them, and I could use them a bit more often. Michael Moon - And then the lighting on the pickups. There's an apparatus now that you can plug into the pickup and it flashed all the lights, headlights, clearance,

lights, everything. And all my service trucks have lights on top. I would not be opposed to getting those two. Its just for y'all's safety on the roads.

Q. Discussion and possible action – Parking lot bumps
No Action taken

R. Discussion and possible action – Inventory, Assets?
Michael Moon - Inventory on assets. Do we have inventory list and especially when we start getting these meters of what was used and what's taken out of inventory so that we can keep track of. Scout – No, we have never done that. Michael Moon - When we start messing with these meters, it's a substantial amount of money. Then we may need to start trying to do that. Jerry Hawthorne - if we purchase new meters, we need you to keep the inventory with what's available, what we've used? Jimmy Callahan – It's really simple. If you're going to have, you're going to have boxes of meters out there and all you got to do is count them. And when you take them out and put them in a subdivision. That that needs to come up at least on Billy's report, everybody. Bill Wheeler – Every meter has a number on it. You just write it down. Scout - We got a book up there that every time we put a meter in the ground, all the information goes in there. Yeah. Another book would be all right too. Robert Gaines - are those old electronic meters, are they repairable or are they just trash. Billy – Trash. Jimmy Callahan - 10 years is what the ones that got left. Billy – those were the best at the time. Jimmy Callahan - That was the best at the time, but now it's 20 on the better ones now. Jerry Hawthorne - Is there is there more than 1 manufacturer? Robert Gaines – There's about four of them now. So, should we be getting prices from more than one? Billy – No, only some of them will work with our Software, Jerry Hawthorne - Oh, we talked about that before. We've already been down that down that. Jimmy Callahan - The reading, though that's important. That used to not have that problem. But everybody had to go read the reader.

S. Discussion and possible action – GM report, w purchase vrs w sale. Reporting number of breaks and dates. Reason is analysis of possible system upgrades. Vehicle monthly mileage for future budget for depreciation replacements. Michael Moon - So everything else in the GM report here, that's pretty much been covered earlier and so I believe that's about it.

Tom Vitek - I'd like a motion that we look into the light. Michael Moon - They're relatively cheap, too. They're a couple 100 bucks and you just plug it in. The strobes and everything else on top of the cab. They run several $100. Jerry Hawthorne - Motion is made that we look into the light package for the pickups. Mchael Moon seconded that motion. Jerry Hawthorne – all in favor – yes. Jerry Hawthorne – any other comments. Bill Wheeler - anything make it safe, night time, daytime way people drive y'all out here in the country they drive faster out here than they do on I-35. Michael Moon - Well, that's why I was saying the cones and like, 4 or 5 coming up to the pickup because everybody gets killed nowadays. Run over and its mostly people on cell phones not paying attention to anything else so.

Paula stated she had one extra thing, a cyber quote. Britt with AIA sent some paperwork on cyber quote, it's just if someone which I don't think it would happen here, but if someone was to hold my computer for ransom, you know, I'll release it. If you pay me X amount of

dollars, that's what this is. Michael Moon - They've been in here before, right? Paula – yes, my computer got hacked, it’s just something to think about. Jerry Hawthorne - Paula. I think let us table this for a month or so.

Adjourn 9:00p.m.

Respectfully submitted,

_____
Tom Vitek, Sec’y Treas

This draft was prepared by the former Secretary-Treasurer Michael Moon and approved/signed by his successor at the July 7, 2026 board meeting.