

HOLIDAY BEACH WATER SUPPLY CORP.

P.O. BOX 807, FULTON, TX 78358-0807 PHONE: 361-729-0538
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David Gill – President

Neil Adams – Vice President
Bruce Davis – Sec/Treasurer

Ben Gray – Director
Ross Loeffler – Director

Board of Directors Meeting Minutes Of September 8, 2018

Present: David Gill, Ross Loeffler, Ben Gray, Neil Adams, Bruce Davis

Absent: None

We do have a quorum.

Visitors: Janet Blandford and Vernon Hale.

This meeting was published and/or posted on September 3, 2018.

Posted: HBWSC'S Office, HBWSC Website & Fulton Post Office.

News Releases: The Rockport Pilot

Meeting was called to order at 8:30 AM by David Gill.

Minutes: We need to approve the meeting minutes of February 17, 2018 and June 9, 2018. Neil Adams makes a motion to approve the minutes of the February 17, 2018 and June 9, 2018 meetings as written. It was seconded by Ben Gray. All in favor; none opposed; motion carries.

Operations:

- a) Revisit the purchase of an Alarm system: Vern – We really need to think about purchasing a call out type of system to monitor the water system since there is not a 24 hour manned crew for this system. David states that he talked to Eddie (our engineer) and that he will put something together for a system to meet our needs. David states that he believes that TCEQ recommends if not requires that you have one if the systems is not manned 24 hours.
- b) Update about the system as a whole: Vern states that we are having A.C. issues. The inside unit is not running and unsure as to why. The pressure system is working very well after running the new line from the sight glass to

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the big pressure tank. The pressures to the customers remain more constant without big dips

- c) TCEQ Inspection Results – Vern – We had 3 discrepancies (1. Vent Hood on back tank. 2. Meter Calibration for well meters. 3. Leak on Booster pump #3) during the most recent inspection. We corrected all 3 and sent the responses back to TCEQ. We are waiting for response but there seems to be no problems at this time.
- d) Water Line Replacement – Janet – We are currently waiting on Eddie and a survey crew to come and complete the survey. David – Eddie says he will be bringing a crew from Jacob and Martin to finalize the survey. He can't find anyone close that is interested in doing the survey for us. Janet – Eddie has hired 2 different crews but neither followed through with the job. Neil – what is the plan for line replacements? Vern – we are looking at the highway on both sides, down DeSota and Palmetto Point Roads. . David – If there is any money left we are talking about replacing Belair on both sides. David – We are trying to get rid of most of the A.C. pipe.

Membership Report: As per Holiday Beach Property Owner Association there are approximately 3700 lots and 2025 property owners.

631 Bills printed and mailed on 9/28/18 (September Usage)

As of 9/27/18: 606 Residential and 21 Commercial members

We currently have 88 Customers that are turned off – 85 of those are not being billed and 3 of those still owe a bill.

We show 284 as Vacant Accounts – 283 no longer being billed and 1 that still owes a bill.

Taps: 12

Administrative & Financials:

- a) Audit Report – Exit Conference was completed for the 2017 HBWSC Audit. David – I attended the exit conference. No major discrepancies. Bruce – was there anything new other than the things they usually bring up. David – the only thing out of the ordinary is our insurance lapsed for approximately one month as we were searching for a new provider. David - The payroll liabilities should be correct and Janet has the checks mentioned in the payroll listed in the W-2's. Janet – The auditors say that 3 payroll checks were not recorded in either the W-2 or W-3's. One was a payroll check written to Shawn during the hurricane when we were without power so it was hand written. The other 2 were payroll

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checks to cover the on call time which is \$140. These checks should have been done in the payroll section of QuickBooks but was done as a regular expense instead so it was recorded but not listed in the payroll section. DAVID – There are 3 missing invoices and Janet is looking into these. Janet – I sent her one and am looking into the other 2. David – Inadequate documentation for new loan. The auditors just didn't see where we requested to extend our current loan. Apparently the auditors didn't get a copy of the loan extension. We did send it to them so we may have to resend it again. Neil – We are keeping the recent loan separate from our other accounts for accounting purposes aren't we? Bruce – Is that our account for the loan or is it an escrow account? If so who is it controlled by? Janet – The escrow account is controlled by UMB. Bruce – So we basically approve invoices and send it to UMB to be paid out of that account? Janet – Yes that is correct. The last item is an exit conference outline. It lists control deficiencies. It lists that for reoccurring liability Janet can sign for these item with only one signature. If it is a non-reoccurring liability it will require 2 signatures from board members (such as paying Tommy Fox for system repairs over \$2500.) David – We talked about accounts payable and accounts receivable. The auditor would like to see when the bills sent out for them to be entered as a deficit into your receivables. And then when a payment is received it is entered into QuickBooks to balance the account for that payment. Janet – This is one of the things we are hit on every year because we operate on a cash basis and they would like to see us operate more on an accrual basis. Bruce – How do you keep track of who owes what. Janet – Our RVS program tracks each account providing a way to see each account and what is owed by that account. Janet – I do a daily deposit through RVS and this provides the payments from each individual account. After that I do a daily deposit which provides a lump sum of the deposit for that day. Bruce – So at any point in time you could pull a report showing the payments for individual accounts. In RVS? Janet – Yes. Bruce – That is an accounts receivable. Janet – The auditor would like that done in QuickBooks also. We tried that one year and it failed as RVS would never match QuickBooks. Bruce – what you could do is print a final report from RVS to show amount still owed and then go to QuickBooks and debit accounts receivables this way when you do the final reports from QuickBooks it would show accounts receivables and accounts payable activity for the year. David – Capital Reserve account has an outstanding deposit that was not adjusted in 2017. This was taken care of by Janet. It had to do with

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our insurance. David – Bookkeeping suggestions and notes. Clean up of the membership list. Janet – This is an issue we have every year. David – Whistleblower program. Our attorney of record is Mark Zeppa. He does not work for the board. Everyone should have an addressed envelope to Mr. Zeppa that you are to use and can send to him anytime that you feel an issue needs to be addressed. Janet – We do have a whistle blower program in place. David – All employees and board members are given an envelope and encouraged to use it if you deem it necessary. Neil – I am going back to the internal control letter. We have in the by-laws a guidance in regards to the manager's spending limits and what financial decisions can be made for the corporation. David – The auditor has an issue that the manager is the single point of contact for all financial aspects of the Corporation (Writing checks, preparing deposits, taking payments, inputting daily receipts, etc.) David – We have always had the policy of a \$2500 limit for the manager. If it is an expense above that limit it has to be brought to the boards attention to make the decision to approve that expense. Janet – the auditor also requested that a board member should be opening the bank statements instead of me alone. Janet – Bruce you will need to come and open the bank statements as requested. David – Janet you could open them but Bruce will need to review them each month. Janet – The auditor said that I can download the statements on line from the bank and working from the printout until Bruce can come and open and review the statement from the mail. Neil – I motion that we accept the financial statements of December 31, 2017 prepared by Bumgardner/Morrison which is or CPA/Auditor. Motion was seconded by Bruce Davis. All in favor none were opposed.

- b) Storage Building. Janet – I only received 2 quotes so far, one was from superior carports and the other is from Mueller. I tried to get quotes from 2 other businesses but they have not responded as of yet. David – If we get a building it will need to be wind storm certified to meet the requirements for FEMA funding.
- c) Approval of Financial Statements: Neil –All FEMA money coming in will need to be entered into the same account. Since we have incurred expenses this funding should be in the operating account to be better able to account for all incoming funds. David – ensure that you annotate the incoming funds to easily identify for account purposes where this money came from. Also ensure that all these funds go into the same account and not to separate accounts. Neil

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so it looks like we are actually about \$40,000 up this year so far.
David - I had Janet put the credit card purchases in the package to show what was spent on small purchases throughout the month.

- d) Discussion of the Track hoe. – We have spent considerable funds this year (approx.. \$76,000) hiring Tommy Fox for back hoe work and line replacement. It might be feasible to purchase one for the Company and save some money by doing this work on our own. David – Take a look at the expense of purchasing and the annual upkeep, the licenses and insurance required and any other expenses of a small track hoe and bring it back to the board for further discussion.
- e) Neil – I motion that we accept the financial reports with the corrections made discussed earlier regarding capital reserve money. Bruce seconds the motion. All in favor none were opposed.

Treasurers Report:

Billings for Month of August 2018

Current Total: - \$33,586.84
Total Past Due as of 08/31/18: \$2,184.13
Total Collected: \$33,204.46

Operational Account

As of 08/31/18 we showed a balance of: \$51,886.25
Total Deposits for August: \$33,204.46
Checks and ACH payments issued in August: \$31,475.38

General Use Capital Reserve Account

As of 08/31/18 we showed a balance of: \$110,767.00
Total Deposits for August: \$35,119.96
Checks issued in August: \$30,225.25

Letters & Correspondence: NONE

Executive Session: NONE

New Business:

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- a) David – We have 30 accounts that have come back at this time. 29 are new accounts. We still have some turned off but will be coming back soon hopefully.
- b) Janet I would like to discuss the situation with a customer on Smithe Drive. They have 2 houses running off one tap. After Shawn confirmed that someone was living in the other house I discussed the situation with the property owner. I stated that I would have to send an official letter to the property owner notifying them on the discrepancy and it would need to be corrected. I would like the boards guidance on how to proceed with this situation. David – Whatever the rule is, that is what we must do. A single tap for every residence.

Next meeting will be held on December 15, 2018.

Motion to adjourn made by Neil Adams, seconded by Ben Gray. All in favor; none opposed; motion passed.