

**MINUTES OF THE MEETING
OF THE
BOARD OF DIRECTORS**

THE STATE OF TEXAS §

COUNTY OF DENTON §

PRAIRIE OAKS MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY §

The Board of Directors (the "Board") of Prairie Oaks Municipal Utility District of Denton County (the "District") met in special session by open to the public, on Wednesday, June 7, 2023 at 12:00 pm at 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201, an official meeting place outside the boundaries of the District. The roll was called of the members of the Board, to wit:

Connor Maloney	President
Lindsey Welch	Vice President
Justin McGinnity	Secretary
Nathan Mantz	Assistant Secretary

All members of the Board were present at the commencement of the meeting with the exception of Director Mantz. Also present were: Mr. Scott Eidman, attorney and Mr. Jack Hockett, attorney and Ms. Genny Lutzell, paralegal of Winstead PC. Mr. Brian Toldan of McCall Gibson Swedlund & Barfoot PLLC participated by phone conference.

1. The meeting was called to order at 12:04 p.m.
2. Consideration was next given to public comments and communications. Hearing none, Director Maloney moved to close the public comment session of the meeting. Director Welch seconded said motion, which carried unanimously.
3. Consideration was next given to statement of officer and oath of office forms and discussion of government training from Connor Maloney. Following a discussion, Director Welch moved that the Board accept same. Director McGinnity seconded said motion, which carried unanimously.
4. The Board deferred consideration of the reorganization of the Board of Directors.
5. Consideration was next given to the review and approval of the Minutes of the March 17, 2023 Board of Directors meeting. Following a discussion, Director Welch moved that the Board approve same. Director McGinnity seconded said motion, which carried unanimously.
6. Consideration was next given to the engagement of an auditor. The Board recognized Mr. Lopera at this time who reviewed with the Board copies of a proposed engagement letter from McCall Gibson Swedlund Barfoot PLLC, a copy of which is attached hereto as Exhibit "A". Mr. Lopera reviewed the proposed scope of services and fees for auditor services to be

performed on behalf of the District. Following a discussion, Director Welch moved that the Board approve said agreement. Director McGinnity seconded said motion, which carried unanimously.

7. Consideration was next given to the review and adoption of a Resolution Adopting a Change in the District's Fiscal Year from September 30 to April 30, a copy of which is attached hereto as Exhibit "B". Following a discussion, Director Welch moved that the Board adopt said Resolution. Director McGinnity seconded said motion, which carried unanimously.

8. The Board deferred consideration of a report from the Financial Advisor.

9. Consideration was next given to the review and approval of an engagement letter with Jones-Heroy & Associates, Inc. and authorization to prepare an application to the Texas Commission on Environmental Quality for the issuance of bonds. Mr. Eidman presented to and reviewed with the Board copies of the engagement letter setting for the proposed scope of services and fees for same, a copy of which is attached hereto as Exhibit "C". Following a discussion, Director Welch moved to approve said engagement letter. Director McGinnity seconded said motion, which carried unanimously.

10. Consideration was next given to the engineer's report, a copy of which is attached hereto as Exhibit "D". Following a discussion, Director Welch moved to accept said report. Director McGinnity seconded said motion, which carried unanimously.

11. Consideration was next given to the bookkeeper's report. The Board next reviewed copies of a bookkeeping report prepared by L&S District Services, a copy of which is attached hereto as Exhibit "E". Following a discussion, Director Welch moved that the Board (i) approve the bookkeeping report; and (ii) authorize the payment of bills listed thereon. Director McGinnity seconded said motion, which carried unanimously.

12. Consideration was next given to a developer's report. Mr. Dowdall reported on the status of construction within the District. No formal action was taken by the Board.

The Board recognized a letter received from the Denton County Tax Assessor Collector Office regarding the per parcel rate for property tax 2023. No formal action was taken by the Board.

There being no further business to conduct, Director McGinnity moved that the meeting be adjourned at 12:10 p.m. Director Welch seconded said motion, which carried unanimously. The Board adjourned until further call.

APPROVED AND ADOPTED this 2nd day of August, 2023.



Secretary
Board of Directors

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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June 7, 2023

Board of Directors
Prairie Oaks Municipal Utility
District of Denton County
Denton County, Texas

We are pleased to confirm our understanding of the annual audit services we are to provide Prairie Oaks Municipal Utility District of Denton County (the "District"). In addition to the annual audit services, we will also apply, as requested, the agreed-upon procedures described below related to costs submitted by the District's developer(s) in which reimbursement has been requested.

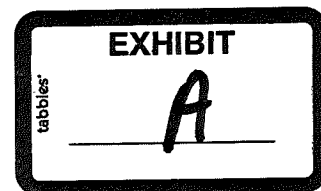
Audit Scope and Objectives

We will audit the financial statements of the governmental activities, each major fund, and the disclosures, which collectively comprise the basic financial statements of the District as of and for the years ended April 30th. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis, and
- 2) Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. The document we submit to you will include various supplementary schedules as required by the Texas Commission on Environmental Quality (the "Commission") as published in the *Water District Financial Management Guide*. This supplementary information will be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and we will provide an opinion on it in relation to the financial statements as a whole except for that portion marked "unaudited", on which we will express no opinion.

Member of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants



Audit Scope and Objectives (Continued)

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles (GAAP); and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

Our audit of the financial statements does not relieve you of your responsibilities.

Audit Procedures – Internal Control

We will obtain an understanding of the District and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

We have identified capital assets and long-term debt as potential audit areas with significant risks of material misstatement as part of our audit planning. We will address the areas of higher assessed risks of material misstatement by performing detailed testing of transactions related to the purchase or acquisition of infrastructure and the issuance and retirement of long-term debt.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also prepare the financial statements and the appropriate capital asset schedules including calculation of depreciation on the capital assets in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Responsibilities of Management for the Financial Statements (Continued)

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the District involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, consultants, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws and regulations.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

You are responsible for the preparation of the supplementary information in conformity with the Commission's requirements. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the Commission's requirements; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with the Commission's requirements; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for our preparation of the financial statements and our preparation of the capital asset schedule, including calculation of depreciation on the capital assets; oversee the services by designating the bookkeeper, who has the suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees and Other

We are aware of the State statute requiring the audit to be completed within 120 days and filed with the Texas Commission on Environmental Quality within 135 days from the closing date of the audit and barring any unforeseen circumstances every effort will be made to comply with this rule. We will also comply with the Rules of Professional Conduct of the Texas State Board of Public Accountancy and retain our records for five years.

We expect to present a draft of the audit report within 45 days of the availability of the District's accounting records. Chris Swedlund is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign the report. We will annually provide to the Board of Directors an audit continuance letter with an estimate of the fees for our audit services. For the initial audit for the seven-month period ended April 30, 2023, we anticipate the cost to complete the audit will range between \$6,000 and \$8,000.

Engagement Administration, Fees and Other (Continued)

The above fee is based on anticipated cooperation from your consultants and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Not included in the fees above are out-of-pocket costs such as printing, postage, and other charges incidental to the completion of our audit. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement. The District will be obligated to compensate us for our time expended through the date of withdrawal or termination.

Reporting

We will issue a written report upon completion of our audit of the District's financial statements, which will also address the supplementary information required by the Commission in accordance with *AU-C 725, Supplementary Information in Relation to the Financial Statements as a Whole*. Our report will be addressed to the Board of Directors of the District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or withdraw from this engagement.

AGREED-UPON PROCEDURES REIMBURSEMENT REPORT

When requested, we will perform the procedures enumerated below, which are agreed to by the Board of Directors, on any invoices and schedules submitted by the Developer(s) for payment from District bond proceeds, bond anticipation note proceeds or any other source. These procedures will be performed solely to assist you in evaluating the reasonableness of those costs as required by the Texas Commission on Environmental Quality (the "Commission") and the report is not to be used for any other purpose. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we obtain your written agreement to the procedures to be applied and your acknowledgement that those procedures are appropriate for the intended purpose of the engagement, as described in this letter. The agreement and acknowledgment are contained with this letter. A refusal to provide such agreement and acknowledgment will result in our withdrawal from the engagement. We make no representation that the procedures we will perform are appropriate for the intended purpose of the engagement or for any other purpose.

The procedures we will perform are as summarized below:

- A. We will inspect all correspondence from the Commission relative to any reimbursement request. Our inspection will be for the purpose of identifying those items authorized for District participation and those items the District is specifically prohibited from purchasing.

- B. We will inspect for completeness certain Developer schedules, supporting invoices and contract estimates in substantiation of the costs to be reimbursed. Our inspection will include all documentation supporting items, amounts, and proof of payment for which reimbursement is requested.
- C. We will read the development and financing agreements for particular items that might affect the reimbursement. The relevant agreements will be referenced in our report.
- D. We will foot the extensions of any engineering invoices pertaining to the reimbursement on a test basis and compare the contract amounts used in determining the fee for the design and construction phase portions of the invoice to the related construction contracts and to the engineering contract, when appropriate.
- E. For construction pay estimates, we will foot and test extensions of any individual items on a test basis on payments made on behalf of the District.
- F. For all payments, we will compare the payment dates to copies of cancelled checks. If cancelled checks are not available, alternate procedures will be designed to support dates and amounts of payments.
- G. We will check the formulas for computation of developer interest to be reimbursed to the Developer(s) and limit interest, if appropriate, in accordance with the orders and rules of the Commission.
- H. We will inquire of District's bookkeeper regarding any current period General Fund expenditures for costs to be reimbursed to the General Fund from the Capital Projects Fund in accordance with the approval of the Commission. If necessary, we will inspect prior year audit work papers for items paid in the past, which can now be reimbursed.
- I. If possible, we will obtain verbal confirmation from construction contractors concerning whether or not the contract estimates to date have been paid in full and whether or not the contractor has any claims to be made against either the District or Developer on the project.
- J. A draft of our report will be provided to the District's Attorney, Engineer, Financial Advisor, Bookkeeper, and Developer(s) prior to reimbursing the Developer(s).
- K. We will prepare for submittal to the Commission our report detailing the costs payable to the Developer(s) and a schedule reflecting the results of the payment and future costs to complete as compared with the amount approved by the Commission.

The objective of this agreed-upon procedures engagement will be to assist you in evaluating the reasonableness of the aforementioned costs. Because the above agreed-upon procedures do not constitute an examination or review, we will not express an opinion or conclusion on the aforementioned reimbursable costs. In addition, we have no obligation to perform any procedures beyond those listed above.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addressed to the Board of Directors of the District. If, for any reason, we are unable to complete any of the procedures, we will describe in our report any restrictions on the performance any restrictions on the performance of the procedures, or not issue a report and withdraw from this engagement. You understand that the report is intended for the information and use of the Board of

Directors of the District in compliance with certain rules of the Commission and should not be used by anyone other than these specified parties. We are aware that the report is subject to distribution under provisions of the Texas Public Information Act. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws or regulations affecting the aforementioned reimbursable costs that come to our attention. In addition, if, in connection with this engagement, matters come to our attention that contradict the aforementioned reimbursable costs, we will disclose those matters in our report.

As the engaging party, the Board of Directors agrees to the procedures performed and acknowledges that they are appropriate to meet the intended purposes of this engagement.

The Board of Directors will engage an engineer, the responsible party, to prepare and submit any bond application or surplus funds application to the Commission. The engineer is responsible for the aforementioned reimbursable costs and that they are in accordance with certain rules of the Commission; and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes. Together with the engineer, you are responsible for providing us with or causing to be provided (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedures on the reimbursable costs, (2) additional information that we may request for the purpose of performing the agreed-upon procedures, and (3) unrestricted access to persons and District consultants from whom we determine it necessary to obtain evidence relating to performing those procedures.

At the conclusion of our engagement, we will require certain written representations in the form of a representation letter from you. We will also request written representations from the engineer as the responsible party who prepared and submitted the bond or surplus funds application.

Chris Swedlund is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

A portion of the cost of these procedures will be determined by the condition of the records submitted by the Developer(s) to be reimbursed. Upon determination that an agreed-upon procedures report will need to be prepared, we will provide an estimate of the cost of performing these procedures on your behalf.

GENERAL TERMS AND CONDITIONS

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written documentation from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

The agreement may be terminated by either party, with or without cause, upon 30 days written notice.

You agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.

Fossil Fuels Boycott Verification

As required by 2274.002, Texas Government Code (as added by Senate Bill 13, 87th Texas Legislature, Regular Session), as amended, McCall Gibson Swedlund Barfoot PLLC hereby verifies that McCall Gibson Swedlund Barfoot PLLC, including any wholly-owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same, does not boycott energy companies, and will not boycott energy companies during the term of this Agreement. As used in the foregoing verification, "boycott energy companies" shall have the meaning assigned to the term "boycott energy company" in Section 809.001, Texas Government Code, as amended.

Firearms Discrimination Verification

As required by Section 2274.002, Texas Government Code (as added by Senate Bill 19, 87th Texas Legislature, Regular Session, "SB 19"), as amended, McCall Gibson Swedlund Barfoot PLLC hereby verifies that McCall Gibson Swedlund Barfoot PLLC, including any wholly-owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same, (i) does not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association, and (ii) will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. As used in the foregoing verification, "discriminate against a firearm entity or trade association" shall have the meaning assigned to such term in Section 2274.001(3), Texas Government Code (as added by SB 19), as amended.

Israel Boycott Verification

As required by Chapter 2271, Texas Government Code, as amended, McCall Gibson Swedlund Barfoot PLLC hereby verifies that McCall Gibson Swedlund Barfoot PLLC, including any wholly-owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same, does not boycott Israel and will not boycott Israel through the term of this Agreement. As used in the foregoing verification, the term "boycott Israel" has the meaning assigned to such term in Section 808.001, Texas Government Code, as amended.

Anti-Terrorism Representation

Pursuant to Chapter 2252, Texas Government Code, McCall Gibson Swedlund Barfoot PLLC represents and certifies that, at the time of execution of this letter neither McCall Gibson Swedlund Barfoot PLLC, nor any wholly-owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same: (i) engages in business with Iran, Sudan, or any foreign terrorist organization pursuant to Subchapter F of Chapter 2252 of the Texas Government Code; or (ii) is a company listed by the Texas Comptroller pursuant to Section 2252.153 of the Texas Government Code. The term "foreign terrorist organization" has the meaning assigned to such term pursuant to Section 2252.151 of the Texas Government Code.

Board of Directors
Prairie Oaks Municipal Utility
District of Denton County

June 7, 2023
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We appreciate the confidence you have placed in our firm and we look forward to serving the District.

Sincerely,

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

This letter correctly sets forth the understanding of the District.

Signature

Title

Date

Engagement Letter

RESOLUTION ADOPTING CHANGE IN FISCAL YEAR

THE STATE OF TEXAS

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COUNTY OF DENTON

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BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PRAIRIE OAKS MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY THAT:

WHEREAS, the Board of Directors of Prairie Oaks Municipal Utility District of Denton County (the "District") has reviewed its current fiscal year end and, at the request of the District's bookkeeper, desires to change its current September 30th fiscal year end to April 30th of each year, and desires to adopt a Resolution reflecting such change; and

NOW THEREFORE KNOW ALL MEN BY THESE PRESENTS;

Section 1. That the District has determined that a change in fiscal year end is necessary and of benefit to the District and hereby adopts April 30th in each year as the District's new fiscal year end and resolves that the District's financial reporting for 2023 will cover the period of March 31, 2022 through April 1, 2023.

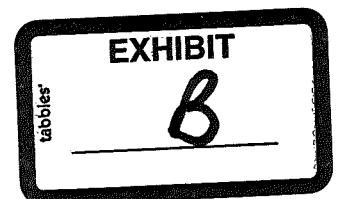
Section 2. That the Secretary of the Board of Directors is hereby directed to file a copy of this Resolution Adopting Change in Fiscal Year in the official records of the District and with the Texas Commission of Environmental Quality.

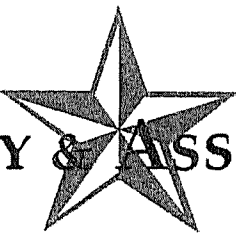
ADOPTED this 7th day of June, 2023.

President, Board of Directors

ATTEST:

Secretary





JONES - HEROY & ASSOCIATES, INC.

May 9, 2023

VIA EMAIL DELIVERY

Board of Directors
Prairie Oaks MUD of Denton County
c/o Ross Martin
Winstead PC
500 Winstead Building
2728 N. Harwood St.
Dallas, TX 75201

Re: Proposal for Bond Application Preparation
Prairie Oaks Municipal Utility District of Denton County (District)
JHA No. 0672

Dear Board of Directors:

Jones – Heroy & Associates, Inc. (JHA) appreciates the opportunity to submit this proposal to the District for completion of bond applications for the District. This scope of services includes the preparation and submittal of bond application reports in support of applications to the Texas Commission on Environmental Quality (TCEQ) by the District for sale of utility bonds and for the preparation of supporting documentation in connection with the District's road bond sales. This engagement will serve as our agreement to perform the services outlined herein for the "new money" bonds of the District.

UTILITY OR RECREATIONAL BOND APPLICATIONS TO THE TCEQ

Scope of Services:

1. Compile information and documentation needed for the report received from the District's engineer, attorneys, financial advisor and developers seeking reimbursement.
2. Prepare a bond application report following the rules of the TCEQ applicable to the bond review process described in Rule 30 TAC Chapter 293, Subchapter E.
3. Submit a draft copy of the report to the District and its consultants for review and comment.
4. Upon approval by the board of directors of the District the application package will be submitted to the TCEQ for their review.



5. Respond to engineering-related questions and comments that result from the TCEQ's review of the application.

Additional items not included in this proposal but which will be required from others are:

1. Certified copy of the district board's resolution authorizing submission of application for bond issuance;
2. Filing fee of \$500;
3. Exhibits for the engineering report, including a vicinity map, flood plain map, current District boundary map and land use map showing existing and proposed development and facilities;
4. Financial information required by TCEQ rules including, market study, debt service schedule for the proposed bonds, build-out projections, projected cash flow analysis based on growth and no-growth scenarios and a current tax assessors affidavit of current taxable value in the District;
5. If it is determined that the District qualifies for an expedited review pursuant to TCEQ rules, signatures from the District's bond counsel and financial advisor on the required certificate of completion form will be needed.

Compensation and Payment

We propose to provide the services described above for a lump sum fee based on the following schedule, however the minimum fee will be \$45,000:

<u>Bond Amount</u>	<u>Fee</u>
First \$5,000,000	1.0%
Next \$10,000,000	0.25%
Additional amounts	0.10%

We will invoice you at the time of the bond sale. Payment is due at the time the District closes on the subject bonds.

In addition, certain out-of-pocket expenses, including reproduction, deliveries, automobile mileage, and travel expenses will be billed at JHA's direct cost. These expenses are expected to be approximately \$2,000 per application.

If the District decides to issue bond anticipation notes (BANs), there will be an additional fee of \$2,500 for the additional work involved in preparing and submitting documentation to the TCEQ for the BANs.

If additional work is requested by the District such as a Change in Scope, Use of Surplus Funds, Release from Escrow, or a Purchase of Facilities Application, we will perform the additional services based on the attached hourly rate schedule (Exhibit A).

ROAD BOND ISSUES

Scope of Services:

As long as TCEQ review of road bond sales is not required, our scope would be as follows. If the TCEQ adopts rules requiring TCEQ approval of road bonds, our scope and fees will be the same as for TCEQ reviewed utility or recreational bond applications.

1. Compile information and documentation needed related to projects and expenses to be reimbursed received from the District's engineer, attorneys, financial advisor and developers seeking reimbursement.
2. Prepare a summary of costs for the road bonds with a developer interest calculation spreadsheet for use by the District's auditor.
3. Submit a draft of the summary of costs to the District and its consultants for review and comment.
4. Provide the electronic file of the cost summary and developer interest calculations to the District's auditor for use in preparing a report on reimbursables to the Board.

Compensation and Payment:

We propose to provide the services described above for lump sum fees outlined below, however the minimum fee will be \$8,500:

<u>Bond Amount</u>	<u>Fee</u>
First \$5,000,000	0.4%
Next \$10,000,000	0.15%
Above \$15,000,000	0.04%

We will invoice you at the time of the bond sale. Payment is due at the time of closing on the bonds. In addition, certain out-of-pocket expenses, including reproduction, deliveries, automobile mileage, and travel expenses will be billed at our direct cost.

LIMITATION OF LIABILITY

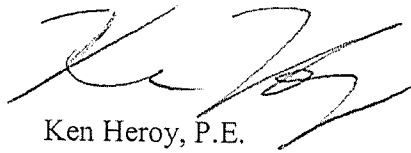
JHA's liability to the Client for any cause or combination of causes is in the aggregate limited to an amount no greater than JHA's insurance limits.

Board of Directors
May 9, 2023
Page 4 of 7

CLOSING

We appreciate the opportunity to present this proposal and look forward to working with you on this project. Provided this Scope of Services and compensation arrangement are acceptable to you, please sign in the space provided and return one original to our office. Our proposal is valid for 120 days. If you have any questions or comments, please contact me.

Very truly yours,
JONES – HEROY & ASSOCIATES, INC.



Ken Heroy, P.E.
President

**ACCEPTED ON BEHALF OF PRAIRIE OAKS
MUNICIPAL UTILITY DISTRICT OF
DENTON COUNTY**

By: _____ Date: _____

Title: _____

ATTACHMENT A

JONES - HEROY & ASSOCIATES, INC.

**TYPICAL COMPENSATION FOR PROFESSIONAL SERVICES ON TIME AND
MATERIALS AND ESTIMATED FEE BASIS**

Professional services performed on a time and material basis and estimated fee basis will be based on each employee's hourly rate, which is based on level of experience and expertise. The current rates of various staff categories are as follows and are updated from time to time:

Staff Category	Hourly Rate
President / Project Engineer	\$ 275.00 per hour
Associate / Senior Project Manager	\$ 240.00 per hour
Project Manager/ Project Engineer	\$ 200.00 per hour
Graduate Engineer	\$ 160.00 per hour
Technician	\$ 135.00 per hour
Administrative	\$ 115.00 per hour

Reimbursable expenses such as copies, delivery charges, and mileage will be billed at JHA's direct cost.

CONTRACT ADDENDUM

This Contract Addendum ("Addendum") is incorporated into the attached Proposal between Jones-Heroy & Associates, Inc. ("Contractor") and Prairie Oaks Municipal Utility District of Denton County (the "District"). If there is any conflict between the terms of the attached Contract and this Addendum, the terms of this Addendum will control.

1. Interested Parties. Contractor acknowledges that Texas Government Code Section 2252.908 (as amended, "Section 2252.908") requires disclosure of certain matters by contractors entering into a contract with a local government entity such as the District. Contractor confirms that it has reviewed Section 2252.908 and, if required to do so, will (1) complete a Form 1295, using the unique identification number specified on page 1 of the Contract, and electronically file it with the Texas Ethics Commission ("TEC"); and (2) submit the signed Form 1295, including the certification of filing number of the Form 1295 with the TEC, to the District at the same time the Contractor executes and submits the Contract to the District. Form 1295s are available on the TEC's website at <https://www.ethics.state.tx.us/filinginfo/1295/>. The Contract is not effective until the requirements listed above are satisfied and any approval or award of the Contract by the District is expressly made contingent upon Contractor's compliance with these requirements. **The signed Form 1295 may be submitted to the District in an electronic format.**

2. Conflicts of Interest. Contractor acknowledges that Texas Local Government Code Chapter 176 (as amended, "Chapter 176") requires the disclosure of certain matters by contractors doing business with or proposing to do business with local government entities such as the District. Contractor confirms that it has reviewed Chapter 176 and, if required to do so, will complete and return Form CIQ promulgated by the TEC, which is available on the TEC's website at <https://www.ethics.state.tx.us/forms/conflict/>, within seven days of the date of submitting the Contract to the District or within seven days of becoming aware of a matter that requires disclosure under Chapter 176, whichever is applicable.

3. Verification Under Chapter 2271, Texas Government Code. If required under Chapter 2271 of the Texas Government Code (as amended, "Chapter 2271"), Contractor represents and warrants that, at the time of execution and delivery of the Contract, neither Contractor, nor any wholly or majority-owned subsidiary, parent company, or affiliate of Contractor that exist to make a profit, boycott Israel or will boycott Israel during the term of the Contract. The foregoing verification is made solely to comply with Chapter 2271, to the extent such Chapter does not contravene applicable Federal law. As used in the foregoing verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Contractor understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with Contractor.

4. Verification Under Subchapter F, Chapter 2252, Texas Government Code. For purposes of Subchapter F of Chapter 2252 of the Texas Government Code (as amended, "Subchapter F"), Contractor represents and warrants that, neither Contractor, nor any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of Contractor that exist to make a profit, are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts (the "Comptroller") described within Subchapter F and posted on the Comptroller's internet website at:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, and
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Subchapter F, to the extent such subchapter does not contravene applicable Federal law, and excludes companies that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan, Iran, or a foreign terrorist organization. Contractor understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with Contractor.

5. Verification Under Chapter 2274, Texas Government Code, Relating to Contracts With Companies Boycotting Certain Energy Companies. If required under Chapter 2274 of the Texas Government Code (as amended, "Chapter 2274"), Contractor represents and warrants

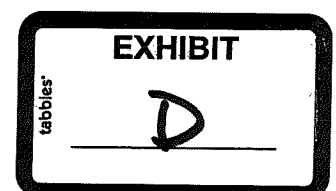
that, at the time of execution and delivery of the Contract, neither Contractor, nor any wholly or majority-owned subsidiary, parent company, or affiliate of Contractor that exists to make a profit, boycott energy companies or will boycott energy companies during the term of the contract. The foregoing verification is made solely to comply with Chapter 2274. As used in the foregoing verification, "boycott energy companies" means, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company: (1) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law or (2) does business with a company described in the preceding section (1).

6. Verification Under Chapter 2274, Texas Government Code, Relating to Contracts with Companies that Discriminate Against the Firearm and Ammunition Industries. If required under Chapter 2274 of the Texas Government Code (as amended, "Chapter 2274"), Contractor represents and warrants that, at the time of execution and delivery of the Contract, neither Contractor, nor any wholly or majority-owned subsidiary, parent company, or affiliate of Contractor that exists to make a profit, have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association or will discriminate during the term of the contract against a firearm entity or firearm trade association. The foregoing verification is made solely to comply with Chapter 2274. As used in the foregoing verification, the terms "discriminate against a firearm entity", "firearm entity", and "firearm trade association" have the meanings ascribed to them in Section 2274.001, *Texas Government Code*.



**Prairie Oaks Municipal Utility District of Denton County
Engineer's Report
June 7, 2023**

- A. Status of construction projects within the District:**
Construction is completed.
- B. Authorize Engineer to proceed with the design of District facilities:**
None.
- C. Approve plans and specifications of District facilities:**
None.
- D. Authorize Engineer to advertise for bids for District projects:**
None.
- E. Authorize Construction Contracts and Related Items:**
None.
- F. Approve Report, Pay Estimates, and Change Orders for construction projects in progress in the District:**
None
- G. Consider acceptance of certificates of completion and authorize final acceptance of projects:**
Final Acceptance letter has been previously approved by the Board.



Prairie Oaks MUD
Cash Analysis
June 7, 2023

Prepared by: L & S District Services, Debra Loggins
P.O. Box 170
Tomball, Texas 77377 281-356-7542

GENERAL OPERATING ACCOUNT - Central Bank

Ending Balance from last meeting	\$	5,697.05
Add in voided check #1070 written to Denton County Appraisal District	+	23.00
<u>Withdrawals</u>		
United States Treasury, payroll taxes for previous meetings	-	68.88
Bank charges/fees	-	60.00
Checks previously approved		
1074 - Denton County Appraisal District, appraisal fees	-	68.78
Checks presented for signatures June 7, 2023		
1076 - Kelly Maloney, director fee for 6/7/23 - \$150.00, less taxes	-	138.53
1077 - Nathan Mantz, director fee for 6/7/23 - \$150.00, less taxes	-	138.53
1078 - Justin McGinnity, director fee for 6/7/23 - \$150.00, less taxes	-	138.53
1079 - Lindsey Welch, director fee for 6/7/23 - \$150.00, less taxes	-	138.53
1080 - Winstead, P.C., legal fees through April	-	5,987.26
1081 - Denton County Appraisal District, blank check for appraisal fees		
Total Disbursements	\$	6,739.04
1082 - Connor Maloney, director fee for 6/7/23 - \$150.00, less taxes	→	138.53
Ending Balance at June 7, 2023	\$	(1,018.99)

