
Post Oak Savannah Groundwater Conservation District

Board Policies and Procedures

THE FOLLOWING BOARD POLICIES ARE ADOPTED BY THE BOARD OF DIRECTORS OF THE POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT (POSGCD) TO CLARIFY ADMINISTRATIVE PROCEDURES AND ESTABLISH SPECIFIC GUIDELINES BY WHICH THE DISTRICT CAN BETTER SERVE AND MANAGE ITS BUSINESS.

SECTION 1. PROCEDURES FOR APPOINTMENT OF DIRECTORS

- A. In accordance with state law and the District's Enabling Act (HB 1784, 77th Leg.), the POSGCD Board of Directors shall be appointed by the Commissioner's Courts of Milam and Burleson Counties.
- B. The General Manager of the District shall notify the County Commissioner's Courts in writing at least 90 days prior to the expiration of Director's terms and include the names and contact information of the Directors whose terms are set to expire, as well as any qualifying information pertinent to appointments to be made by the Commissioner's Courts.
- C. Removal from Office. The President, or the General Manager, at the President's direction, shall inform the County Commissioner's Courts in writing when a vacancy of the Board occurs.

SECTION 2. OFFICERS

- A. The Officers of the POSGCD shall be a President, Vice President, and Secretary / Treasurer. Their specific duties and responsibilities are determined by the bylaws and detailed in these Board Policies. Officers and Board Members of the POSGCD shall serve without compensation but may be reimbursed for reasonable expenses.
- B. The Board shall elect Officers from among their number.
- C. Officers serve for a term of one year or until their successors are appointed by a County Judge.
- D. The vacancy of an officer shall be filled by a majority vote of Directors present at the next regular or special meeting of the Board.
- E. Any Board Member may resign at any time by giving written notice to the Board. Such a resignation shall take effect upon acceptance of the Board at its next regularly scheduled meeting.

SECTION 3. COMMITTEES

- A. There shall be the following Standing Committees of the Board appointed by the President:
 - 1. Executive
 - 2. Rules

3. Advisory

- B. The President shall appoint Ad Hoc or Special Committees as the need arises. All appointed committees shall have equal representation from both Milam and Burleson Counties.

SECTION 4. ADMINISTRATION

- A. The day-to-day operation and administration of the District shall be under the supervision and direction of the General Manager, whose job description and responsibilities are detailed in (Appendix __). The General Manager may either be directly employed by the Board or served by a contracted consultant.
- B. Employee assignments shall be made only by the General Manager. Board members should notify the General Manager when requesting employee assistance.
- C. Personnel Policies for all employees shall be established and approved by the Board of Directors.
- D. The Post Oak Savannah Groundwater Conservation District office shall be open Monday through Friday, from 8 a.m. to 4 p.m.
- E. All authorized contracts shall be approved by the Board and signed by the President and General Manager.
- F. The Board shall periodically review all loan documents, professional services, contracts, maintenance agreements, and other legal and financial obligations of the District to assure they are updated to reflect current needs.
- G. Sale of POSGCD properties or assets over \$25,000 shall be by cashier's check or money order and shall have a minimum of three bids.
- H. At least three bids shall be solicited on all contracts for services or purchases of over fifty thousand dollars (\$50,000).
- I. The General Manager shall review all bills, statements, and vouchers submitted to the Board to assure compliance with the Budget and these Board Policies. The Board shall approve payment of all bills at a regular Board meeting.
- J. Checks for expenditures of District funds shall be co-signed by designated Board Officers or the Manager. Checks issued by the District that are not negotiated within 365 days after the date of issuance shall be cancelled. The District will generally not direct its bank to stop payment on checks that are not negotiated within 365 days. If a check is presented for payment after it has been cancelled, and the funds remain payable, the District will make entries and notations in the District's accounts and records to reverse the earlier cancellation.
- K. The Board has the authority to appoint a member of the District staff to act as Assistant Secretary to the Board. The General Manager and Administrative Assistant shall serve as Assistant Secretaries to the Board.
- L. The Post Oak Savannah GCD Holiday Schedule for employees and staff shall be as follows:

New Years Day
Good Friday
Memorial Day
Independence Day
Labor Day
Thanksgiving
Friday following Thanksgiving
Christmas Eve
Christmas Day

**Any Holiday falling on a Sunday shall be observed on the following Monday; any holiday falling on a Saturday shall be a personal day granted to the staff or employees.

M. When funds are budgeted for professional services that will be provided by an individual or company previously approved by the Board to provide ongoing services, e.g. hydrologists, engineers, and attorneys, the General Manager is authorized to approve and obtain needed services, that were contemplated when the budget was adopted, without further Board action.

N. ELECTRONICALLY FILED APPLICATIONS.

- (1) Permit applications may be filed with the District electronically on forms provided by the District.
- (2) An application that is filed electronically and required to be notarized shall comply with the [*Texas Uniform Electronic Transaction Act*](#) (*Chapter 43, Business & Commerce Code*) and *Sec. 406.013(c), Tex. Gov't. Code.*
- (3) Applications that are filed electronically and do not require a notary seal shall include the signature of the applicant and a copy of the driver's license of the person signing the application.
- (4) Fees and payments that are required to be made with the applications may be made electronically via PayPal.

SECTION 5. BOARD OF DIRECTORS MEETINGS

A. The President or designee shall prepare an agenda for every meeting. The Board of Directors will hold a regular meeting on the second Tuesday of every month, except as provided in this paragraph. No later than 72 hours prior to the time of the meeting, the General Manager, or designee, shall post notice of the date, time and location of the meeting. The notice will include an agenda, approved by the President, that states each item of business to be considered by the Board. The regular meetings will be held at the district offices at 310 E. Ave. C. Milano, Texas, unless directed otherwise by the Board. Upon recommendation by the General Manager, the President may cancel a regular meeting if no issue or business requires Board action. The General Manager shall promptly notify all Board members when a regular meeting is cancelled.

B. The public is allowed to observe the open portion of a district meeting. The Open Meetings Act does not give members of the public a right to speak on items considered at an open meeting. (Texas Attorney General Opinion No. H-88 (1973)) Such a right only exists if a specific state law requires a public hearing on that item. The Board may adopt reasonable rules regulating the number of speakers on a particular subject and the length of time allowed for each presentation. (Texas Attorney General Opinion Nos. LO 96-111 (1996) and H-188 (1973)). However the Board must apply its rules equally to all members of the public.

- C. Board members are required to attend all meetings of the Board of Directors. In the event absences are necessary, the President or General Manager shall be notified as soon as possible prior to the meeting.
- D. If a board member is absent from three consecutive regular meetings without good reason approved by the Board that warrant such absences, the Board will notify the County Judge of the County that appointed the board member and request the position be declared vacant and the vacancy be filled by appointment. Seven members of the Board of Directors shall constitute a quorum at any meeting of the Board. An affirmative vote of the majority of the Directors present at a meeting, at which a quorum has been established, shall be an official act of the Board.
- E. All hotel and air travel reservations for Board members traveling on behalf of the District should be made through the office.
- F. Persons having matters to be presented to the Board of Directors shall make a request to the President in writing in order to have the item placed on the agenda.
- G. Copies of minutes shall be mailed or sent electronically to each Board member within 15 days after the meeting and shall be retained in the District Office for a minimum of five years.
- H. Hearings will be noticed and held in compliance with the applicable Rules. Meetings on legislative or general business matters will generally be conducted in compliance with the applicable provisions of Robert's Rules of Order; provided that the failure of the Board to follow any provision of Robert's Rules of Order shall not create any right or violate any right of any member of the Board, or of any third party, person or citizen, or create or give rise to any due process claim for or on behalf of any such member of the Board, or any third party, person or citizen. The rules of order may be enforced exclusively by the Chair and/or a point or order made by a member of the Board and agreed by the Chair or upheld by majority vote of the Board.
- I. Materials pertaining to action items on the Board's agenda shall be sent via electronic mail or printed and sent to Board members prior to the meeting, when possible, or be ready for distribution at the beginning of the meeting.
- J. Special meetings may be called by notice signed by the President or a majority of Directors. Notice shall be made to all Directors by mail or electronic mail no less than three (3) days or hand delivered no less than one day in advance. Public notice shall be in conformance with the Texas Open Meetings Act.
- K. In extraordinary cases, the Board of Directors may conduct business via a conference telephone call when deemed necessary by the President and held in compliance with applicable law. A report of any action taken shall be verified and made a part of the minutes of the next meeting of the Board of Directors.
- L. All meetings of the Board shall be held in accordance with the Texas Open Meetings Act.
- M. Each regular and special meeting of the Board of Directors and each meeting of every Committee of the Post Oak Savannah Groundwater Conservation District shall be conducted in general compliance with Robert's Rules of Order. It is, however, specifically provided that: the failure of the Board or any Committee to follow Robert's Rules of Order shall not create any legal right or cause of action; violate any right of any third party, person or citizen that is not then a member of

the Board; or create or give rise to any claim or cause of action (including any claim or cause of action based on due process) for or on behalf of any third party, person, citizen or member. This policy providing for the Board and Committees to generally follow Robert's Rules of Order may be enforced exclusively by the Chair of the Board, the Chair of any such Committee, or any member of the Board or Committee raising a timely point of order. Upon a point of order being raised by any member of the Board or any such Committee, and upheld by a vote of the Board or Committee members present, the Board or Committee chair shall, as the case may be, endeavor to conduct the remainder of such meeting in full compliance with Robert's Rules of Order. If the Board or Committee members in attendance, as the case may be, shall vote on any point of order, a majority vote of such Board or Committee members present and voting shall be finally determinative of any such procedural rule or matter.

The Board shall by majority vote finally determine the order, rules and procedure to be followed in any Board meeting and on any individual matter or issue. Subject to review by the Board on request by any Committee member, the voting members of each Committee shall by majority vote finally determine the order, rules and procedure to be followed in each meeting of such Committee, and on each individual matter or issue to come before the Committee. The Board may, by majority vote, waive any or all rules of order with respect to any issue or matter before the Board. If the Board or any Committee shall by majority vote finally take action on any issue or matter to come before the Board or Committee, such vote shall be deemed to be and constitute a waiver of Robert's Rules of Order as to such vote, item, issue or matter.

This Policy and Procedure shall not be read and construed in a manner to conflict with any term or provision of the "Rules of the Post Oak Savannah Groundwater Conservation District" (the "Rules"). In the event of a direct or deemed conflict between the terms of this Policy and Procedure and the Rules, the terms, provisions and requirements of the Rules shall govern.

SECTION 6. TRAVEL AND EXPENSES

- A. Vouchers for reimbursement for expenses incurred by Board and staff should be submitted within thirty (30) days (may be submitted quarterly if so desired) after trip or service is completed and must be signed by the individual incurring the expense.
 - a. Receipts for hotel bills and transportation shall be attached. Reimbursement may be denied for expenses submitted without receipts.
 - b. No personal or unreasonable expenditures shall be reimbursed.
 - c. Expenses incurred by the Board for personal automobile transportation used in conjunction with District business will be reimbursed at the rate allowed by the Internal Revenue Service.
 - d. Expense vouchers shall include expenses of only the individual.
 - e. No reimbursements shall be made for spouses or guests without the approval of the President.
- B. Board Members shall not be compensated for attendance at Board meetings.
- C. Payments for District expenses in the course of District business may be paid by staff by credit or debit cards issued to staff with approval of the Board, and receipt therefore shall be sufficient documentation of the expense. No expenses shall be made for spouses or guests without the approval of the President.

SECTION 7. BUDGET AND FINANCIAL RECORDS

- A. The fiscal year of the District shall be January 1 to December 31. All financial records shall be kept on an accrual basis.
- B. The Budget Committee shall be responsible for submitting a proposed annual operating budget for the District at the November Board Meeting. A financial report shall be made to the Board of Directors at each regular meeting.
- C. The financial records of the POSGCD shall be audited annually by an independent accounting firm approved by the Board of Directors. A summary of the Annual Audit Report shall be prepared and presented to the Board of Directors.
- D. The POSGCD funds shall be deposited in any federally insured financial institution approved by the Board of Directors upon recommendation of the General Manager. The Board shall review and adopt an investment policy as needed that is in accordance with the Texas Public Funds Investment Act for any surplus or reserve funds.
- E. District Reserve Fund. The District is and will continue to be subject to material, unplanned financial and funding requirements due to the potential for litigation as experienced by other groundwater conservation districts and one or more permits that authorize significant production volumes to be amended or terminated. To enable the Board to respond to any such event or others that may arise in a manner consistent with the best interests of the District and its citizens, the District shall endeavor to maintain a reserve fund equal in amount to one-half the most recently adopted or amended annual budget of the District. Disbursements from the Reserve Fund shall be authorized by a two-thirds (2/3) vote of the Board of Directors.
- F. All financial and other records and documents of the District shall be made available to the general public in accordance with the Texas Public Information Act. A reasonable charge may be made for copies.
- G. The General Manager shall review the bank reconciliations of the District's accounts monthly.
- H. Any purchase of fixed assets by the District exceeding \$500.00 shall be depreciated.

SECTION 8. PLANNING AND FUNDING AUTHORIZED DISTRICT PROGRAMS

The required and necessary regulatory and operational activities of the District, currently needed and beneficial conservation programs, and programs and funding that will be required when production from the aquifers increases materially, require more funding than is currently available to the District. The District will, to the extent funding is available and it is reasonably prudent, fund programs on a priority basis when and as timely benefits will be realized. The programs funded by the District shall be consistent with the Management Plan and District Rules. As permitted by funding reasonably available from fees for water production authorized by permit, water authorized for transport by a transport permit, and other fees received by the District, the District will maintain and fund the following programs.

- A. Regulatory and Enforcement Actions as authorized and provided by State law or the Rules

B. Well and Aquifer Monitoring.

C. Modeling and Study of the Aquifers.

D. Public Education Programs.

E. Water Conservation Grants. Subject to qualifying applicants and applications meeting the requirements specified by the Board for the specific program, grant programs will be funded as follows:

(1) Groundwater Conservation and Enhancement Grants. Until such time as grant applications made by governmental water utilities and water supply corporations do not evidence a significant need for major repairs and replacement that will result in loss prevention and the conservation of water, the District will maintain and fund a program to provide grants to publicly owned water utilities to fund repairs and improvements that will reduce water losses and conserve the public water supply. The improvements and repairs funded by the grants, and the matching funds provided by the grantees, should reduce the number of qualified applications and/or the cost of the repair and replacement projects over time. Until such time as there has been a material reduction in the number of qualified grant applications, the District will endeavor to budget not less than \$1,000,000.00 each year for grant programs that will result in material loss prevention and conservation. This grant program will also require the grantees to provide matching funds and establish fees and charges sufficient to enable the improved water system to be thereafter maintained and repaired.

(2) Other Conservation Programs Provided in the Management Plan. Other beneficial and productive water conservation programs may be added to the Management Plan. Such programs may provide for the District to contract directly to obtain the end result, or to make grants and contract for third parties to perform the actual work required for the conservation program. As new programs are added to the Management Plan, the Board will establish desired annual funding for each such program. Further, as the need and demand for grants referenced in paragraph (1) above lessens, a portion of the annual funding now provided for that program will be transferred to and expended for other conservation programs.

(3) See Section 10, Part 5, grants to privately owned utilities or water supply corporations.

F. Future Programs. As pumping and production from the aquifers increase, additional programs may be required to provide for the best interests of citizens and communities within the District. Certain of such programs will be financially demanding. As and when any such programs are authorized in the Management Plan the District shall fund the program(s) and may establish a separate reserve for each program to, over time, accrue funds to enable the District to fund the program at the appropriate time.

SECTION 9. REGULATORY COMPLIANCE

A. The General Manager shall provide the Board of Directors with periodic reports on the general conditions of the District including any financial, managerial, or technical deficiencies noted by state and federal regulatory agencies.

B. The Board shall review and adopt a plan as needed that details a systematic approach to resolving future growth and demands on the District.

SECTION 10. PROTECTION OF DISTRICT ASSETS

- A. The General Manager shall annually review all insurance policies to assure proper and adequate protection of the POSGCD and its assets.
- B. All officers and employees having access to cash shall be bonded in sufficient amounts to adequately protect the POSGCD.
- C. The General Manager shall maintain an up to date inventory list of all POSGCD property and equipment.
- D. Each year the POSGCD shall purchase Directors and Officers Liability Insurance for the Board of Directors and employees in sufficient amounts to adequately protect the POSGCD.
- E. Asset Disposal Policy

1. PURPOSE AND SCOPE

From time to time, equipment and fixed assets purchased by the District are no longer useful, and/or are substantially without value in the administration and operation of the District. To assure timely disposition of such assets, the Board adopts this policy.

2. RESPONSIBILITIES

- A. The Board of Directors is responsible for governing the District and approving budgets, policies and expenses for administration and operation of the District.
- B. The General Manager is responsible for: assuring the District has adequate and appropriate equipment and capital assets necessary for day-to-day operations; reviewing the need to declare assets obsolete and/or substantially without value; and determining minimum bid based on recommendations from external parties and overseeing auction and disposal of obsolete assets.

3. GUIDELINES

The General Manager may declare assets to be obsolete and/or substantially without value for District use.

If the General Manager determines an asset has value to other individuals or organizations that is sufficient for the District to likely recoup the administrative cost and other expenses incurred in advertising an auction or for bids, an advertisement for bids or auction may be published and bids requested, or an open auction or an informal auction may be scheduled. The request for bids or auction will be advertised in a newspaper of general distribution within the District, and open to the public. The General Manager, Board, and individuals involved in determining minimum bids are excluded from all auctions. Minimum bidding amounts will be determined and approved by the General Manager. If an auction method is selected, the type of auction may be varied depending on the applicable facts, e.g. the number, value, type (kind), and nature of the items to be disposed of by the District. Sealed bids may be required. A standard auction conducted by a licensed auctioneer may be held. The items may be delivered to a commercial business that conducts auctions for the disposal of used or surplus property. An informal auction may be held in

which individuals will have a period of days in which to post a bid until the auction period closes, and update that bid as often as desired until the close, on an open list of bidders posted at the District office.

If an asset is determined to not be of sufficient value to likely permit the District to receive bids or obtain an auction price sufficient to recover the cost of advertising, staff time, and other administrative costs and expenses, the assets may, with Board approval, be donated to a school that participates in the District's education program. Further, if bids are solicited or an auction is held, any assets left unclaimed after the auction or deadline for bids may be donated to local schools, charities, or government agencies. Documents indicating receipt of such assets will be maintained in the District records.

Local water utilities, as defined by the District Rules, and public and private schools within the District that participate in District sponsored education programs may request and obtain the use of property the District has found to be surplus and available for disposal under the Asset Disposal Policy. Any such surplus asset that is assigned to and used by a school shall be returned to the District when it is no longer useful for educational purposes. The assignment of a surplus asset to a school shall be documented by completion of the form attached to the Asset Disposal Policy.

4. DOCUMENTATION OF ASSET DISPOSAL

The General Manager shall cause a completed copy of the following form to be included in the agenda packet of a Board meeting scheduled to be held prior to the advertisement giving notice of the sale or auction. Each item or asset to be retired and sold shall be listed on the form. The retirement of assets and pending advertisement shall be listed on the Board agenda as an item to be included in the General Manager's reports.

5. GRANTS TO PRIVATELY HELD WATER UTILITIES.

One hundred percent of any grant(s) made by the District to a privately owned water utility or water supply corporation shall be refunded and repaid in full to the District if the ownership, or any ownership interest therein, of the assets of the grantee utility or water supply corporation is conveyed within one year after the date the grant is paid by the District. On the first annual anniversary date of the payment by the District the amount to be repaid in the event of any such sale or transfer shall be reduced by ten percent (10%). Thereafter, on each subsequent annual anniversary date of the payment by the District, the amount of the grant funds that shall be repaid if any ownership interest in the entity is sold or conveyed shall be decreased by an additional ten percent (10%). Prior to the final award of a grant to a privately owned water utility, or water supply corporation, the District shall require the grantee to execute such documentation as is necessary to secure the performance of the repayment obligation by the grantee. All persons or entities having a mortgage or lien on the assets of the grantee at the time the grant is awarded shall, prior to the final award, be required to execute such agreements and subrogation documents as may be required to secure the priority of the obligation to refund and pay to the District an amount equal to the percentage of the grant amount required to be repaid to the District if any interest therein is sold or conveyed within ten years after the grant is paid by the District. The District shall give public notice of an obligation incurred pursuant to this provision by filing and recording a Memorandum of Agreement in the real property records of the County or Counties in which the grantee utility or water supply corporation is located.

Asset Retirement Form

Date: _____

Person Completing Form: _____

The following items are obsolete and/or have no useful value to the District.

<u>Asset Description</u>	<u>Serial or District #</u>	<u>Auction or Assignment</u>
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Approved

Filed by Accountant

[This part to be completed only if donated.]

The undersigned acknowledges the donation and our receipt of the following assets:

Date

Agency Receiving Donation

SECTION 11. CONFLICT OF INTEREST

A. Conflict of Interest in General

- (1) No Officer, Director, or employee of the POSGCD shall have any interest, engage in any activity or incur any obligation that is in conflict with the proper discharge of their duties.
- (2) No official shall engage in any activity that will require disclosure of confidential POSGCD information or otherwise use such information to further personal interests.

B. Disclosure of Certain Conflicts

- (1) Vendors that have a business relationship with the District shall timely file a conflict of interest questionnaire if: (a) the vendor has any employment or other business relationship with an officer or family member of an officer of the District; (b) has given an officer or family member of an officer a gift or gifts, totaling more than \$100, in the preceding twelve calendar months; or (c) has a family relationship with an officer of the District; provided that a qualifying political contribution or food accepted as a guest are excepted from (b) above.

(2) An officer of the District shall timely file a conflicts disclosure statement when a vendor has contracted, or is considering contracting, with the District, and the vendor: (a) has an employment or other business relationship with the officer whereby the officer received more than \$2,500 in taxable income (excluding investment income) within the preceding twelve calendar months; or (b) has given an officer or family member of an officer a gift or gifts, totaling more than \$100, in the preceding twelve calendar months; or (c) has a family relationship with the officer; provided that a qualifying political contribution or food accepted as a guest are excepted from (b) above.

(3) The conflict of interest questionnaire and the conflicts disclosure statement forms referenced above shall be the forms prepared by and obtained from the Texas Ethics Commission.

(4) The General Manager shall maintain a list of all the officers of the District, and shall make the list available to the public and any vendor that may be required to file a conflicts of interest questionnaire.

(5) The District shall provide access to the conflict of interest questionnaires and conflicts disclosure statements on the District's website.

SECTION 12. INVESTMENT POLICY

A. Purpose. This policy with respect to District investments has been adopted to establish the principles and criteria by which the funds of the District should be invested and secured (a) to preserve the principal, (b) to earn interest, and (c) to comply with various provisions of Texas law relating to the investment and security of funds of Districts ("Investment Laws"). As of the date of the adoption of these policies, section 36.061, TEXAS WATER CODE, chapter 2256, TEXAS GOV'T CODE, chapter 116, LOCAL GOV'T CODE, and any other appropriate statutes are applicable to the investment of the District's funds.

B. Policy of Investment.

(1) The preservation of the District's principal shall be the primary concern of the District officials who are responsible for the investment of District funds. To the extent that the principal is protected, District funds shall be invested to yield the highest possible rate of return, taking into consideration the strength of the financial institution, and complying with any Internal Revenue Code laws or regulations and procedures set forth in any bond resolutions or orders, adopted from time to time by the Board, requiring yield restrictions. Funds of the District shall be invested by the District's officials in accordance with this policy. Any resolution or order adopted by the board relating to investment policies or procedures shall be in writing and shall be made available to requesting members of the public.

(2) The Board of Directors shall appoint Investment Officer(s) as necessary. District funds shall be invested and reinvested by the District's Investment Officer(s) only in national or state banking associations or savings and loan associations located within the State of Texas ("Texas financial institutions"), or, in federal treasury bills. The principal, plus accrued interest, invested in financial institutions in accordance with this policy shall not exceed the FDIC or FSLIC insurance limits or exceed the collateral (as such term is hereinafter defined) pledged as security for the District's investments.

(3) It shall be the responsibility of the District's Investment Officer(s) to invest and reinvest the District funds in accordance with this policy to meet the needs and requirements of the District. The board, by separate resolution, may provide that the Investment Officer(s) may withdraw or transfer funds from and to accounts of the District on such terms as the board considers advisable. However, that nothing herein above provided shall authorize any transfer, expenditure, or appropriation of District funds, other than for

the District's own account, unless by check or draft signed by three (3) members of the board of directors or as authorized by separate order or resolution of the board.

- (4) Funds in the District accounts shall be invested by the District's Investment Officer(s) as follows:
- (a) Construction or Capital Projects Account: The District may create a Construction or Capital Projects Account, and funds in this account shall be invested in assets authorized by this policy and in accordance with any applicable orders of the Texas Commission on Environmental Quality to meet the construction needs of the District as determined by the District's engineer. The engineer shall submit to the board semi-annual written reports stating the anticipated construction needs of the District for the succeeding 12 months,
 - (b) Debt Service Account: Funds in this account shall be invested to meet the debt service requirements of the District and to comply with the District's bond resolutions or orders.
 - (c) Operating or General Account: Funds in this account shall be invested to meet the operating requirements of the District as determined by the annual operating budget of the District, or by resolution of the board.

(5) There is hereby established an Investment Committee, composed of the District's Investment Officer(s), the District's Board President, and the District's Secretary / Treasurer. The District may also employ a financial advisor to assist this committee. The Investment Committee shall meet as deemed necessary by the Investment Committee to monitor and review the investments and collateral of the District. The Investment Officer(s) shall chair the committee. The committee shall report concerning the District's investments transaction for the preceding year describing the investment position of the District at the end of each fiscal year. The report shall be signed by the members of the committee. The committee also shall report to the Board on its review at the next Board of Directors meeting following each committee meeting.

C. Security of District Funds.

(1) It shall be the policy of the District that all funds shall be insured by the FDIC, FSLIC, or by collateral pledged to the extent of the fair market value of the amount not insured. The District officials recognize that FDIC and FSLIC insurance is only available up to a maximum of \$250,000 (including accrued interest) and that the amount of funds at any one Texas financial institution (including branch banks located within the same county) will be cumulated to determine the maximum amount of insurance coverage.

(2) To the extent District funds are not insured by the FDIC or FSLIC, there shall be pledged as collateral, to the extent of the market value thereof, the following securities: (a) government securities or obligations issued by the State of Texas, its agencies or political subdivisions, and approved by the Attorney General of Texas payable from taxes or revenues, approved by the investment committee; or, (b) direct obligations of the United States of America backed by the full faith and credit of the government; or, (c) any other obligations or securities authorized to be collateral securing funds of Districts under the laws of the State of Texas, approved by the Investment Committee (collectively, the "collateral").

(3) The Investment Officer(s) shall monitor changes in the ratings of all investments and review the fair market value of the investments and the collateral pledged to secure the District's funds on a quarterly basis to ensure that the District's funds are fully secured. The Investment Officer(s) shall prepare and submit a report of this review to the board the month following each quarterly review.

(a) The report must:

1. Describe the investment position of the entity on the date of the report;
2. be prepared jointly by an investment officer of the entity and be signed by all investment officers of the entity;
3. be signed by each investment officer of the entity;
4. contain a summary statement of each pooled fund group that states the:
 - (A) beginning market value for the reporting period;
 - (B) ending market value for the period; and
 - (C) fully accrued interest for the reporting period;
5. state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested when applicable;
6. state the maturity date of each separately invested asset that has a maturity date when applicable;
7. state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired when applicable; and
8. state the compliance of the investment portfolio of the state agency or local government as it relates to:
 - (A) the investment strategy expressed in the agency's or local government's investment policy; and
 - (B) relevant provisions of this chapter.

(b) Investments and investments secured by collateral for which the investment rating has declined or been reduced after the purchase shall be liquidated in compliance with Sec. 2256.021, Tex. Gov't. Code, unless:

1. additional collateral is provided to secure the investment, or collateral that complies with the required investing rating is substituted for the collateral for which the rating is reduced; or
2. the Board finds the market value of the investment is less than when purchased and it is likely the market value of the investment will increase during the investment period.

(4) There shall be no sharing, splitting or cotenancy of collateral with other parties or entities. The Investment Officer(s) shall ensure that the custodian of the collateral shall be an independent third party Texas financial institution and that the collateral shall be pledged only to the District; the Investment Officer(s) shall obtain safe-keeping receipts from the Texas financial institution regarding same.

D. Authorized and Suitable Investments

Authorized and suitable investments for District funds may include:

- (1) Obligations of the United States, its agencies and instrumentalities, as authorized by , Sec. 2256.009, Tex. Gov't. Code;
- (2) Repurchase Agreements having a termination date and secured as required by Sec. 2256.011(a), Tex. Gov't. Code;
- (3) Commercial Paper as authorized by, Sec. 2256.013 , Tex. Gov't. Code;
- (4) Investment Pools. Only if the pool is approved and the investment is authorized by a

resolution of the District, the investment pool complies with the requirements of Sec. 2256.016 and 2256.019, Tex. Gov't. Code; and

- (5) With specific approval of the Board, any other investment that is authorized by Chapt. 2256, Tex. Gov't. Code, and is in full compliance with the requirements of Chapt. 2256.

E. Minimum Required Training

- (1) The Investment Officer(s) will attend an investment training session not less than once during each state fiscal biennium. The training shall be provided by an independent source approved by the board and have content that is sufficient and appropriate for public investment officers.
- (2) The training session shall be within the two year period beginning on the first day of the District's fiscal year and during that two year period the training shall include training related to the investment responsibilities of such officers under state law.

SECTION 13. AMENDMENTS

These Board Policies may be amended at any regular or special meeting of the Board by a majority vote.

ATTEST: I CERTIFY THAT I WAS PRESENT AT THE BOARD OF DIRECTORS MEETING ON SEPTEMBER 8, 2015 AND THAT THE FOREGOING BOARD POLICIES WERE REVISED AND APPROVED ON THAT DATE AND THAT THIS COPY IS TRUE AND CORRECT.

Nathan Ausley, President

Kerry Starnes, Secretary-Treasurer

Approved: May 10, 2016

Revised: March 12, 2002, September 10, 2002, January 14, 2003, December 9, 2003, January 13, 2004, March 9, 2004, April 12, 2005, October 11, 2005, March 14, 2005, May 9, 2006, February 13, 2007, April 10, 2007, March 11, 2008, February 9, 2010, July 12, 2011, September 13, 2011, and November 8, 2011, August 14, 2012, June 11, 2013, February 20, 2014, September 8, 2015, and May 10, 2016.