

**GUADALUPE COUNTY
GROUNDWATER CONSERVATION
DISTRICT**

CODE OF ETHICS

GUADALUPE COUNTY GROUNDWATER CONSERVATION DISTRICT CODE OF ETHICS

AND POLICIES RELATING TO TRAVEL EXPENDITURES, DISTRICT INVESTMENTS,
PROFESSIONAL SERVICES, AND FISCAL MANAGEMENT
FROM THE OFFICE OF THE STATE AUDITOR-SAO REPORT NUMBER 9-064

DEFINITIONS

As used in these guidelines:

<u>District</u>	The term “district” shall mean and refer to any district or authority created by authority of either Article III, Section 52, Subsection (b), Subdivisions (1) and (2), or Article XVI, Section 59, of the Texas Constitution.
<u>Board</u>	The term “board” shall mean and refer to the governing body of the district (board of directors).
<u>Director</u>	The term “director” shall mean a person elected or appointed to serve on the board of directors of the district.
<u>District Officials</u>	The term “district officials” shall mean district directors, officers, employees, and persons and business entities engaged in handling investments for the district as representatives of the district.
<u>Employee</u>	The term “employee” shall mean any person employed by the district, but does not include independent contractors or professionals hired by the district as outside consultants.
<u>Substantial Interest</u>	The term “substantial interest” shall mean that as defined by current State laws as of the date of adoption of this code of ethics, Chapter 171 of the Local Government Code regulating conflicts of interest of district officials.

ARTICLE I

CODE OF ETHICS

1.01 PURPOSE

This code of ethics has been adopted by the district for the following purposes: (a) to comply with section 50.381 of the Texas Water Code, as amended; (b) to encourage high ethical standards of conduct.

102 POLICY

It is the policy of the district that district officials shall conduct themselves in a manner consistent with sound business and ethical practices; that the public interest shall always be considered in conducting district business; that the appearance of impropriety shall be avoided to ensure and maintain public confidence in the district; and that the board shall control and manage the affairs of the district fairly, impartially, and without discrimination, and in accordance with the stated purpose of the district.

1.03 QUALIFICATIONS OF DIRECTORS

- A. A person shall not serve as a director if he or she is not qualified to do so under the provisions of the district enabling legislation.
- B. Within 60 days after the board determines that any director is not qualified to serve on the board, it shall replace such director with a person who is qualified.
- C. Any director not qualified to serve on the board, who willfully occupies an office and exercises the duties and powers of that office, may be subject to penalties under the Texas Water Code, including possible conviction of a misdemeanor and imposition of a fine.

1.04 CONFLICTS OF INTEREST

- A. A district official is prohibited by Chapter 171 of the Local Government Code from participating, directly or indirectly, in a vote of decision or from acting as a surety on any matter involving a business entity in which the official has substantial interest, if it is reasonably foreseeable that an action on the matter would confer an economic or any other benefit on the business entity.
- B. In cases of conflicts of interest, district officials shall disclose such conflicts and shall file with the board secretary an affidavit stating the nature and extent of the conflict of interest. Thereafter, that district official shall abstain from participation in the matter as provided by law.
- C. The district may not contract for the purchase of services or personal; property directly with a district official or with a business entity in which a district official has a substantial interest except as permitted by law.

- D. The Board shall take a separate vote on any budget item specially dedicated to a contract with a business entity in which a director has a substantial interest. The director having the substantial interest may not participate in the separate vote, but may vote on a final budget if the separate budget item voted on does not exceed 10% of the total budget.

1.05 NEPOTISM

The board shall not confirm the appointment to any position, nor award a contract, to a person related to a member of the board within the second degree by affinity (marriage) or within the third degree by consanguinity (ancestry) when the salary or other compensation of such appointee is paid, directly or indirectly, from district funds, except as provided by Tex. Rev. Civ. Stat. Ann., art. 5996 (a) (Vernon Supp. 1988).

1.06 ACCEPTANCE OF GIFTS

- A. A district official shall not solicit, accept, or agree to accept any benefit of value from a person or business entity the district official knows is interested in or likely to become interested in any contract, purchase, payment, claim, or other transaction involving the exercise of their discretion as a public servant, or any matter before the board, or likely to come before the board for any decision, opinion, recommendation, or vote.
- B. The prohibition against gifts or favors in section 1.06 (a) shall not apply to:
 - 1. An occasional non-pecuniary gift valued at less than \$25.00; or
 - 2. An award publicly presented in recognition of public service.

1.07 USE OF DISTRICT PROPERTY

No board member, officer, or employee shall permit any personal or unauthorized use of district-owned or district-controlled, equipment, materials, supplies or property.

ARTICLE II

TRAVEL EXPENDITURES POLICY

2.01 PURPOSE

The board hereby establishes policies for reimbursing district directors, officers, and employees for necessary and reasonable travel expenses incurred while conducting business or performing official duties or assignments.

- A. Authorized expenses include cost of meals, lodging, commercial travel, in some cases personal automobile mileage, and other necessary and reasonable costs incurred while on official business away from designated headquarters.
- B. Reimbursement for travel expenses shall be subject to approval by the board. The reimbursement request shall include a statement of the business purpose of the travel, date, time, and place, and shall be accompanied by supporting receipts and invoices as required by the board.

2.02 PER DIEM

District directors shall be entitled to compensatory per diem for days spent on official business in the amount prescribed by law, not to exceed the number of days prescribed in the district's enabling legislation, in addition to reimbursement of actual expenses for meals, lodging, and transportation as discussed in sections 2.03 and 2.04 below.

2.03 MEALS AND LODGING

Unless further restricted by legislation, reimbursement to directors for actual expenses for meals and lodging shall not exceed the maximum amount allowed for state legislators.

2.04 TRANSPORTATION

Directors or employees who use personal vehicles while on district business travel may be reimbursed for actual miles driven at the current rate allowed by the Internal Revenue Service. Mileage will be computed by the most direct route, and the use of personal vehicles for district travel must be approved by the board in advance. Directors or employees traveling by commercial transportation are entitled to reimbursement of the actual cost of necessary transportation for performing official business, except the reimbursement for air transportation shall not exceed the next lowest available airline fare below first class unless such is not available.

ARTICLE III

INVESTMENTS

3.01 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, sections 54.307 and 54.308 of the Texas Water Code, articles 2529b-1 and 4413(34c) of the Texas Revised Civil Statutes, Chapter 116 of the Local Government Code, and other appropriate statutes are applicable to the investment of the district’s funds.

3.02 POLICY OF INVESTMENT

- A. 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 the 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.
- B. District funds shall be invested and reinvested by the district’s investment officer 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 in hereinafter defined) pledged as security for the district’s investments.
- C. It shall be the responsibility of the district’s investment officer to invest and reinvest the district funds in accordance with this policy to meet the needs and requirements of the district. It shall be the policy of the district that funds shall not remain in any given investment for longer than two years. The board, by separate resolution, may provide that the investment officer may withdraw or transfer funds from and to accounts of the district on such terms as the board considers advisable. Providing however, that nothing hereinabove 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 authorized by separate order or resolution of the board.

- D. Funds in the district accounts shall be invested by the district's investment officer as follows:
1. Construction or Capital Projects Account: Funds in this account shall be invested in accordance with any applicable orders of the Texas Water Commission 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.
 2. 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.
 3. 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 resolutions of the board.
- E. Should total district funds exceed \$50,000, there is hereby established an investment committee, composed of the district's investment officer, the district's financial advisor, and at least one director. The investment committee shall meet quarterly to monitor and review the investments and collateral of the district. The investment officer shall be the chairman of 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 the month following each quarterly meeting.

3.03 SECURITY OF DISTRICT FUNDS

- A. 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 \$100,000 (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.
- B. To the extent district funds are not insured by the FDIC and FSLIC, there shall be pledged as collateral, to the extent of the market value thereof, any of the following securities: (1) 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 (2) direct obligations of the United States of America backed by the full faith and credit of the government; or (3) 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").

- C. The investment committee shall review the fair market value of 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 committee shall report to the board on its review the month following each quarterly meeting.
- D. There shall be no sharing, splitting or contiguity of collateral with other parties or entities. The investment officer 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 shall obtain safekeeping receipts from Texas financial institution regarding same.

ARTICLE IV

PROFESSIONAL SERVICES POLICY

4.01 PURPOSE

This professional services policy has been adopted to provide for the selection, monitoring, review, and evaluation of the district's professional services contracts. Consultants retained by the district to provide professional services include, but are not limited to, legal, engineering, financial advisor, management, bookkeeping, auditing, and tax collecting. Selection of such consultants shall be based upon their qualifications and experience.

4.02 PERIODIC REVIEW

The performance of the consultants providing professional services to the district shall be regularly monitored and reviewed by the board, and the board may appoint a professional services committee to provide such monitoring and review to the board.

ARTICLE V

MANAGEMENT POLICY

5.01 PURPOSE

The board desires to adopt a policy to ensure better use of management information, including the use of budgets in planning and controlling costs, the establishment of a functioning audit committee, and the use of uniform reporting requirements.

5.02 ACCOUNTING RECORDS

District accounting records shall be prepared on a timely basis and maintained in an orderly manner, in conformity with generally accepted accounting principles and the requirements of the Texas Water Commission. Such records shall be available for public inspection during regular business hours at the district's office.

5.03 AUDIT REQUIREMENTS

- A. Unless otherwise exempted by the rules of the Texas Water Commission as described in 5.03 c, the district's fiscal accounts and record shall be audited annually in accordance with State law governing the audits of water districts, at the expense of the district, by a certified public accountant familiar with the Texas Water Commission's rules, regulations, standards, and guidelines applicable to water district audits. As of the date of adoption of these policies, sections 50.371-50.379 of the Texas Water Code and 31 Texas Admin. Code section 293 (Rules of the Texas Water Commission) govern the audits of water districts (the "Audit Laws").
- B. The audit, or other required affidavit, shall be completed and filed within the time limits established by the Audit Laws. Copies shall be filed with the Texas Water Commission and the county in which the district is located, or the city in which the district is located (if within corporate limits or extraterritorial jurisdiction) together with an annual filing affidavit in the form prescribed by the Audit Laws. In the event the board refuses to approve the annual audited report, the district shall file a statement with the audit which explains the reasons for disapproval of the audit.
- C. If the district does not have sufficient revenues or activity so that it meets the requirements of the Audit Laws for financially dormant or inactive districts, it may prepare and submit an annual financial dormancy affidavit or an annual financial report described in the Audit Laws.
- D. If the district violates the Audit Laws, it may be subject to a civil penalty.

5.04 AUDIT COMMITTEE

The board shall establish an audit committee comprised of at least two directors and such persons as the board may deem appropriate. The persons selected should not be directly responsible for work subject to the audit. The audit committee shall conduct, at a minimum, an annual review of the district's financial status. The committee shall monitor variances from the annual review of the district's financial status. The committee shall monitor variances from the district's budget, and shall make recommendations thereon to the board. The committee shall also review the annual district audit, and shall make recommendations thereon to the board.

5.05 BUDGET

The district shall annually adopt a budget in accordance with Rule 31 of the Texas Administrative Code, Section 293 (j)(3), for use in planning and controlling district costs. Such budget shall take into consideration all district revenues, including, but not limited to, utility fees, taxes and surcharges, if any, and all projected district obligations and expenditures. The budget may be amended at any time but such amendment shall be approved in advance by the board. The manager of the district may have the authority to reallocate up to 10% of any line item between budget lines, as approved by the board.

ARTICLE VI

MISCELLANEOUS

6.01 GENDER

Any references herein to the masculine gender shall also refer to the feminine gender in all appropriate cases.

6.02 OPEN MEETING

The board officially finds, determines, and declares that these code of ethics and policies were reviewed, carefully considered, and adopted at a regular meeting of the board on June 8, 2000, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted at a place readily accessible and convenient to the public within the district and on a bulletin board located at a place convenient to the public in the Guadalupe County Courthouse for the time required by law preceding this meeting, as required by the Open Meetings Law, Article 6252-17, Vernon's Texas Civil Statutes, as amended, and that this meeting had been open to the public as required by law at all times during which these code of ethics and policies were discussed, considered, and acted upon. The board further ratifies, approves and confirms such written notice and the contents and posting thereof.

Adopted the 8th day of June, 2000.

Signed the _____ day of _____, 2000.

President
Board of Directors

Vice President
Board of Directors

Secretary
Board of Directors

Treasurer
Board of Directors

STATE OF TEXAS }
COUNTY OF GUADALUPE }

This instrument was acknowledged before me on _____, 2000,

Notary Public - Signature