

**RULES OF THE
MARTIN COUNTY
FRESH WATER
SUPPLY DISTRICT NO. 1**

Amended:

**Effective Date:
April 3, 2014**

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SECTION 1
GENERAL PROVISIONS

1.01 Creation

The Martin County Fresh Water Supply District No. 1 (District) was created by Martin County following the presentation of a petition, dated February 28, 1928, of the majority of qualified voters within the District's boundaries. The petitioners requested district creation to provide water for domestic purposes.

After proper notice, the Martin County Commissioners Court conducted a hearing on March 12, 1928, determined the petition was sufficient and the District necessary, and ordered an election to be held on April 3, 1928 for the voters to determine whether the District should be established for the purpose of supplying water for domestic purposes.

A majority of the voters approved the District creation at the April 3, 1928 election and on April 9, 1928, the Martin County Commissioners Court entered an order establishing the District.

1.02 Geographic Area Served

The lands included within the District are wholly situated in Martin County and are described as follows:

Beginning at the southeast/or eastern/corner of Section 15, Tsp. 1 North, block 35; thence north 13 deg. west eight miles to the NE/or northern/corner of Section 14, Tsp. 2 N, block 35, along the eastern boundaries of sections 15, 10 and 3 Tsp. 1 N, block, 35, and 36, 29, 24, 17 and 14, Tsp. 2 N, block 35; thence south 77 deg. west six miles to the NW/or western/corner of section 23, Tsp. 2 N, block 36, along the northern boundaries of sections 14, 13, 12 and 11 Tsp. 2 N, block 35, and sections 24 and 23 Tsp. 2 N, block, 36; thence south 13 deg. east, three miles to the southwest/or southern/corner of section 35, Tsp. 2 N block 36, along the western boundaries of Sections 23, 26 and 35, Tsp. 2 N, block 36; thence north 77 deg. east one mile to NW/or western/corner of section 37 Tsp. 2 N, block 36; thence south 13 deg. east half mile to center west line said section 37; thence north 77 deg. east one mile to center east line said section 37; thence south 13 deg. east three and one half miles to the SW/or southern/corner section 7, Tsp. 1 N, block 35, along the western boundaries of S half section 32, Tsp. 2 N, block 35, section 33, Tsp. 2 N, and sections 6 and 7, Tsp. 1 N, block 35; thence north 77 deg. east one mile to SE/or eastern/corner said section 7; thence south 13 deg. east 1 mile to SW/or southern/corner section 17 Tsp. 1 N, block 35; thence North 77 deg. east 3 miles along the southern boundaries of section 17, 16 and 15, Tsp. 1 N, block, 35 to beginning.

That included within said proposed District are the following lands in said Martin County:

Sections 3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, Tsp. 1 North, Sections 11, 12, 13, 14, 17, 18, 19, 20, 21, 22, 23, 24, 29, 30, 31, 32, 33, 34, 35, and 36 Tsp. 2 North, all in block 35; Sections 23, 24, 25, 26, 35, 36 and North half 37, Tsp. 2 North, block 36; each section containing approximately 640 acres of land.

1.03 Organization

The District is governed by a five member board of directors governed by chapters 49 and 53 of the Texas Water Code.

1.04 Rules Application

The rules and policies are promulgated pursuant to chapters 49 and 52 of the Texas Water Code and other applicable law. Under § 53.107 of the Texas Water Code, the Board may prescribe the terms on which water will be furnished and make rules governing the distribution and use of water. These Rules, as amended from time to time, shall govern the terms on which the District shall provide water, the installation of connections or taps to the water system of the District, the protection of all facilities which are part of the District Water System, the operation of the system to meet domestic needs, the enforcement of rules, and penalties for violation.

1.05 Domestic Service Only

The District was created to and will only provide water service for domestic use. Domestic use is use of water by an individual or a household to support domestic activity. Such use may include water for drinking, washing, or culinary purposes; for irrigation of lawns, or of a family garden and/or orchard; for watering domestic animals and livestock; and for water recreation, and wildlife enjoyment. Domestic use does not include use associated with supplying water to properties or establishments which are in business to build, supply, or sell products; or to provide goods; services or repairs and which use water in those processes or used primarily for employee and customer conveniences. This includes use in business enterprises for which consideration is given or received, which will typically increase water demand compared to typical domestic use. Domestic use does not include water received from the District for the purpose of distribution to others outside the District. Service classification shall be as determined by the District upon the evaluation of the service requirements of the applicant or customer.

SECTION 2
SERVICE REQUIREMENTS

2.01 Provision for Service

The District will provide one service connection to each quarter section within the District for a qualified applicant landowner. An applicant landowner shall be considered qualified when the following conditions have been met:

- A. The person applying for service is a landowner within the District;
- B. The landowner is current on property taxes paid to the District;
- C. The request for service is for domestic use only;
- D. The person has provided the District with current contact information, proof of property ownership or title to property for which water service has been requested in a manner acceptable to the District, and service location;
- E. The person has agreed to provide access to the property including a right-of-way easement acceptable to the District, so that the District can locate, construct, and place a tap to connect the property to the District's system;
- F. There is water system capacity to serve the person;
- G. An inspection of the water connection has been conducted and approved by the District; and
- H. Compliance with any precondition to receiving service not included herein as may exist under rules of the Texas Commission on Environmental Quality, U.S. Environmental Protection Agency, Texas Water Development Board, and Martin County.

2.02 Standard Service

The District will only provide service in the form of a single service connection consisting of a one-inch pipe stubbed out or equipped with a hose bib for domestic use. Water will be supplied via gravity flow from the District's well system at pressure to the stub out or hose bib. It is the responsibility of the customer to provide necessary facilities and water pressure to serve the customer's needs from the stub out to the customer's place of ultimate use. No other service will be provided.

2.03 Easements

The applicant, prior to receiving the requested service, shall grant an easement to the District in a form acceptable to the District, for such water line and/or appurtenance(s).

2.04 Prohibition of Multiple Connections to a Single Tap

In order that the District may maintain adequate records of the actual number of users on its water system to ensure compliance with TCEQ rules and regulations as minimum service standards, service to multiple connections through a single tap is prohibited and all connections of any dwelling, household, or water-consuming connection receiving or planning to receive water service, either directly or indirectly from the District's water system, shall individually apply for service. Any unauthorized subconnections of service shall be considered a multiple connection and subject to disconnection of service. If the District has reason to believe a multiple connection exists, the District shall discontinue service.

The District may consider service to multiple connections on a quarter section of land, provided the total number of units served are not considered a commercial enterprise for rental, lease, or non-domestic use.

2.05 Customer Responsibility on Customer's Side of Connection

The District's ownership and maintenance responsibility of facilities and equipment associated with utility services shall end at the point where the customer connects to the equipment provided by the District. The customer shall correct any problems, leaks, or damage to water lines on the customer's side of the connection. The customer is responsible for the costs associated with correcting any leaks or problems with the customer's water service lines. The District, in its sole discretion, may assist customers to correct problems and leaks to water service lines on customer's side of the connection if such assistance will promote water conservation.

2.06 Cross-Connection Prevention

No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by air-gap or an appropriate backflow prevention device. No cross-connection between the public drinking water supply and a private water system or well is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device. No connection which allows water to be returned to the public water supply is permitted. No pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use. No solder or flux which contains more than 0.2% lead can be used for the installation on repair of plumbing at any connection which provides water for human use or consumption.

2.07 Rates, Deposits, Charges

The District levies and collects a tax for operation and maintenance purposes, including funds for planning, constructing, acquiring, maintaining, repairing, and operating all necessary land, plants, works, facilities improvements, appliances, and equipment of the District and for paying costs of services, engineering, and legal fees and organization and administration fees.

The District may establish rates and charges that apply to water service and, unless otherwise provided in these rules, any such rates will be adopted by written order after notice and hearing.

SECTION 3 REFUSAL OF SERVICE AND DISCONNECTION

3.01 Refusal of Service

The District shall decline to serve an applicant until such applicant has complied with these Rules. In addition, service may be denied to an applicant for the following reasons:

- A. Refusal to complete any required forms or supply requested information;
- B. Failure to comply with rules, regulations, and policies of the District;
- C. Installation of plumbing that is known to be inadequate or of such character that satisfactory service cannot be given;
- D. Existence of hazardous conditions of the applicant's property which would jeopardize the welfare of the customers/landowners/users of the District;
- E. Applicant fails to provide proof of ownership to the satisfaction of the District, of property for which the tap is requested;
- F. Applicant is indebted to the District for any unpaid tax.
- G. Use of water for other than domestic purpose.

3.02 Disconnection with Notice

Water service may be disconnected after proper notice for any of the following:

- A. Failure to pay delinquent property taxes owed the District;
- B. Willful violation of usage/service rules when the violation interferes with another customer's service;

- C. Failure to comply with Rules provided District has provided notice of failure and customer has failed to comply within a specified amount of time;
- D. Failure to provide access to District connection or to property at which water service is received when there is reason to believe that a hazardous condition or policy violation exists for which access is necessary to verify; and
- E. Misrepresentations by any applicant of any fact.
- F. Use of water for other than domestic purpose.

3.03 Disconnection without Notice

Water utility service may be disconnected without notice for any of the following conditions:

- A. When a known dangerous condition exists, for as long as the condition exists;
- B. When service is connected without authority; and
- C. In instances of tampering with District equipment.

SECTION 4 APPEALS AND VIOLATIONS

4.01 Customer Complaints, Disputes and Appeals

In the event of a dispute between a customer and the District regarding any bill or utility service, the customer shall be given the opportunity to meet with the Board President or his designee to attempt to resolve the dispute.

If the complaint is not resolved informally, a written request may be made within 6 business days prior to the next regular meeting for a formal hearing before the Board of Directors of the District. No formal hearing is permitted where the sole complaint is that the customer is financially unable to pay the bill and there is no dispute as to the accuracy of the billing or liability.

During the formal appeal process, utility service shall be continued unless it has been terminated before the formal hearing appeal was commenced.

Failure to file a written appeal within the time specified will be taken as an acceptance of the previous decision.

4.02 Appeal to the Board of Directors

Any person aggrieved by any action of the District's representative in administering the provisions of these rules may appeal to the Board of Directors of the District. The decision of the Board of Directors shall be final.

4.03 Penalties for Violation

Except for Rules regulating the installation, maintenance and operation of plumbing fixtures and facilities inside the District, violation of these Rules shall result in the offending party being subject to fines of up to \$500.00. Violation of Rules regulating the installation, maintenance and operation of plumbing fixtures and facilities inside the District shall result in the offending party being subject to fines of up to \$200.00. In addition, unless otherwise specified herein, the offending party shall be liable to the District for any costs incurred by the District in connection with any repairs or corrections necessitated by any such violation. The District Board of Directors has the discretion to assess the nature and/or amount of any penalties resulting from a violation of the Rules. The foregoing shall be in addition to any other penalties provided by state law.

SECTION 5 **BY-LAWS**

5.01 Definitions and General Provisions

- A. Definitions of Terms. Unless the context indicates a contrary meaning, the words defined below shall have the following meaning in these By-laws:
1. [reserved]
 2. "District" means the Martin County Fresh Water Supply District No. 1.
 3. "District Office" means the offices of the Martin County Fresh Water Supply District No. 1 at 3499 CR B3100, Stanton, Texas, or at such other location as may be established by the Board.
 4. "Board" means the Board of Directors of the District.
 5. "By-laws" means the rules and regulations compiled in this document and as may be supplemented or amended from time to time.
 6. "Director" means a member of the Board.

7. "Person" includes corporation, individual, organization, government, or governmental subdivision or agency, business trust, estate, trust, partnership, association, or any other legal entity.
- B. Purpose of By-Laws. These Bylaws are adopted for the purpose of facilitating the accomplishment of the purposes of the Texas Water Code Chapters 49 and 53.
- C. Use and Effect of By-Laws. These By-laws are used by District as guides in the exercise of the powers conferred by law and in the accomplishment of the purposes of Chapters 49 and 53 of the Texas Water Code. They shall not be construed as a limitation or restriction on the exercise of any discretion, where it exists; nor shall they be construed to deprive the District or Board of the exercise of any powers, duties or jurisdiction conferred by law; nor shall they be construed to limit or restrict the amount and character of data or information which may be required to be collected for the proper administration of the District.
- D. Rules, By-Laws, Policies, and Ordinances. The Board may adopt rules, by-laws, tariffs and policies to regulate the use of District property and for conduct on District property. Copies of such tariffs and policies as they are amended from time to time shall be made available to the public and maintained as an appendix to these By-laws.
- E. Amending of By-Laws. The Board may, following proper notice, amend these By-laws or adopt new By-laws from time to time.
- F. Headings and Captions. The section and other headings and captions contained in these By-laws are for reference purposes only and shall not affect in any way the meaning or interpretation of these By-laws.
- G. Gender. Use of masculine pronouns for convenience purposes in these By-laws shall include references to persons of feminine gender where applicable. Words of any gender used in these By-laws shall be held and construed to include any other gender, and words in singular number shall be held to include the plural and vice versa, unless context requires otherwise.
- H. Severability. In case any one or more of the provisions contained in these By-laws shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other By-laws or provisions hereof and these By-laws shall be construed as if such invalid, illegal, or unenforceable rule or provision had never been contained herein.
- I. Computing Time. In computing any period of time prescribed or allowed by these By-laws, by order of the Board, or by any applicable statute, the day of the act, event, or default from which the designated period of time begins to run, is not to be included, but the last day of the period so computed is to be included,

unless it be a Sunday or legal holiday, in which event the period runs until the end of the next day which is neither a Sunday nor a legal holiday.

- J. Effective Date. These Bylaws shall become effective immediately upon adoption by the Board.

Section 5.02. Board

- A. Composition and Appointment. In accordance with § 53.062 of the Texas Water Code, the Board is composed of Five (5) directors elected by voters of District under the terms of Section 49.103 of the Texas Water Code.
- B. Terms. The members of the Board of Directors shall serve four-year terms.
- C. Oath, Bond, and Training. Each Director shall make the sworn statement and take the constitutional oath of office prescribed by the constitution for public office before beginning to perform the duties of office. In addition, each Director shall execute a bond in the amount of \$10,000, payable to the District and conditioned on the faithful performance of the duties as a Director. Each Director shall have undertaken Open Government Training required under Chapters 551 and 552 of the Texas Gov't Code.
- D. Officers. The Officers of the Board are the President, Vice President, and Secretary, and any other officer the Board may deem necessary. After each directors election the Board shall meet and elect officers. The President is the chief executive officer of the district, presides at all meetings of the board, and shall execute all documents on behalf of the district unless the board by resolution authorizes the office manager or other Board member of the district to execute a document or documents on behalf of the district. The Vice-President shall act as president in case of the absence or disability of the President. The Secretary is responsible for seeing that all records and books of the district are properly kept and may attest the president's signature on documents. The Board may establish and elect additional officers to assist in the effective and expeditious operation of Board duties.
- E. Quorum. Three (3) directors shall constitute a quorum and a concurrence of a majority of the entire membership of the Board is sufficient for transacting any business of the district.
- F. Meetings. The Board shall establish by order or resolution a specified time for its regular meetings. The Board may meet in a special meeting if called by the President, Vice President or a majority of the Directors. The Board shall meet at the Permian Basin Underground Water Conservation District offices located at 708 West St. Peter Street, Stanton, TX, which the Board declares as a public place for meeting purposes, unless the Board directs otherwise for a specific occasion. All such meetings shall be open and accessible to the public in accordance with

the Texas Open Meetings Act. To the extent necessary for orderly conduct of proceedings, and in the absence of guidance provided by these By-laws, the guidelines of the most recent edition of Roberts Rules of Order will be followed. The President shall preside at all meetings of the Board.

- G. Committees. The President may establish and designate Board members for advisory committees and appoint their chairmen for formulation of policy recommendations to the Board or for such other purposes as the President may designate.

- H. Compensation and Reimbursement of Directors. If approved by the Board of Directors, a director is entitled to receive fees of office of not more than \$150 a day for each day the director actually spends performing the duties of a director. Performing the duties of a director" means substantive performance of the management or business of the district, including participation in board and committee meetings and other activities involving the substantive deliberation of district business and in pertinent educational programs. The phrase does not include routine or ministerial activities such as the execution of documents, self-preparation for meetings, or other activities requiring a minimal amount of time. The Board limits the fees of office that a director may receive in a year at \$0. Each director is also entitled to receive reimbursement of actual expenses reasonably and necessarily incurred while engaging in activities on behalf of the district. In order to receive fees of office and to receive reimbursement for expenses, each director shall file with the district a verified statement showing the number of days actually spent in the service of the district and a general description of the duties performed for each day of service.

- I. Indemnification of Board Members. Each Board member is indemnified by the District against any liability imposed upon him and for any expense reasonably incurred by him in connection with any claim made against him, or any action, suit or proceeding to which he may be a party by reason of his being, or having been, a Board member, and against such sums as counsel selected by the Board shall deem reasonable payment made in settlement of any such claim, action, suit, or proceeding; provided, however, that no Board member shall be indemnified with respect to actual damages arising out of a cause of action for a willful act or omission, an act or omission constituting gross negligence or official misconduct, or with respect to matters for which such indemnification would be unlawful or against public policy. Any right of indemnification granted by this Section is in addition to and not in lieu of any other such right of which any Board member of the District may at any time be entitled under the laws of the State of Texas; and if any indemnification which would otherwise be granted by this Section is disallowed by any competent court or administrative body as illegal or against public policy, then any Board member with respect to whom such adjudication was made, and any other Board member, shall be indemnified to the fullest extent permitted by law and public policy, it being the express intent of the District to indemnify its Board members to the fullest extent possible in conformity with

these By-laws, all applicable laws and public policy. District may purchase and maintain insurance on behalf of any person who is a Board member of the District against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such. The indemnification provided herein shall inure to the benefit of the heirs, executors, and administrators of the Board members of the District.

- J. Addressing the Board. It will be the policy of the Board to permit any person to address the Board at any public meeting concerning only specific issues relating directly to the District. The visitor should make every effort to inform the office manager, as far in advance as possible, of the purpose of the visit so relevant background information may be obtained. Properly accredited speakers will be allotted a time space during the meeting as determined by the presiding officer.
- K. Removal and Vacancy. The board by unanimous vote of its remaining members may remove a board member only if that board member has missed one-half or more of the regular meetings scheduled during the prior 12 months. Any board member so removed may file a written appeal with the Texas Commission on Environmental Quality (TCEQ) within 30 days after receiving written notice of the board action. The TCEQ may reinstate a removed director if the TCEQ finds that the removal was unwarranted under the circumstances, including the reasons for absences, the time and place of the meetings missed, the business conducted at the meetings missed, and any other facts or circumstances the commission may deem relevant. A vacancy on the board and in other offices shall be filled for the unexpired term by appointment of the board not later than the 60th day after the date the vacancy occurs

5.03 Employees and Administration

- A. Office Manager. The Board employs an office manager to run the day-to-day activities of the District and to perform the duties as the Board may from time to time specify, all subject to Board.
- B. Operator. The Board employs an Operator to conduct the day-to-day operations of the District's water and wastewater systems and to perform the duties as the Board may from time to time specify, all subject to Board orders.

5.04 Authority

- A. District Address. The District's mailing address is:

Martin County Fresh Water Supply District No. 1
PO Box 146
Lenorah, TX 79749

The District's physical address is:
3499 CR B3100
Stanton, TX 79782

Such address may be changed by the Board.

- B. Minutes and Records of the District. All documents, reports, including audits, records, and minutes of the District shall be available for public inspection in accordance with the Texas Open Records Act. Upon application of any person, the District, when appropriate, will furnish copies, certified or otherwise, of any of its proceedings or other official acts of record of any paper, map, or document files in the District Office. Certified copies shall be made under the hand of the President and affixed with the seal of the District. Persons who are furnished any such copies may be assessed a charge therefor, pursuant to policies established by the Board based on the reasonable costs of furnishing such copies.
- C. Seal. The Board may design a seal for the District to be used on permits and other official documents of the District.

5.05 Financial

- A. Contracts. The Board authorizes the President to enter into any contract or execute and deliver any instrument in the name of and on behalf of the District with prior Board approval, unless an emergency or urgency exists, in which case the President may make or approve the acquisition, and it shall be presented to the Board for approval and validation at its next following meeting. All contracts shall be executed by either the President or the Vice-President in the President's absence. Any contract not so approved is void and of no effect as to the District.
- B. Loans. No loans shall be contracted on behalf of the District, and no evidence of indebtedness shall be issued in its name, unless authorized by resolution of the board executed by the President and attested by the Secretary/Treasurer.
- C. Banking and Investments. In order to meet the District's responsibilities under the Public Funds Investment Act, Chapter 2256, Tex. Gov't Code, the District shall comply with investment policies as may be established by the Board from time to time consistent with the Act and other applicable laws.
- D. Audit. The Board shall provide and periodically revise written policies that ensure a better use of management information including:
 - 1. budgets for use in planning and controlling cost;
 - 2. an audit committee of the board; and

3. uniform reporting requirements that use "Audits of State and Local Governmental Units" as a guide on audit working papers and that use "Governmental Accounting and Financial Reporting Standards."
- E. Fiscal Year. The District's fiscal year shall begin January 1.
- F. Purchasing.
1. Expenditures to acquire goods or services valued at greater than \$1,000 or any professional fee expenses require approval by the Board in advance, unless an emergency or urgency exists, in which case the President may make or approve the acquisition. Acquisitions valued at less than \$1,000 may be made by the President without prior Board approval, provided that it is a Board approved budgeted item; emergency acquisitions requiring an expenditure greater than \$1,000 shall be presented to the Board for approval and validation at its next following meeting.
 2. The bookkeeper may expend and transfer funds within the Board approved budget categories. The Board may at any time, amend the budget to allow for unforeseen expenditures provided that funds are available in other budget categories or that reserve funds are available.
 3. In order to meet the District's responsibilities under the Professional Services Procurement Act, Tex. Gov't Code § 2254.001-2254.109, the District shall promulgate rules relating to the procurement of professional and consulting services.
 4. The board shall contract for construction and repair and renovation of district facilities and for the purchase of equipment, materials, machinery, and all things that constitute or will constitute the plant, works, facilities, or improvements of the district in accordance with Texas Water Code § 49.273. Construction contracts and contracts for the acquisition of materials and machinery requiring the expenditure over \$75,000 or more shall be competitively bid pursuant to the provisions of Texas Water Code § 49.273
- G. Disposal of Property. Disposal of personal property and land shall be conducted in accordance with Texas Water Code §49.226.
- H. Assets. Fixed assets shall include such items as land, land improvements, buildings, fixtures, equipment, vehicles, and items under construction. These items shall be recorded at cost including related professional costs, and any direct charges.

Any item meeting these criteria with a useful life of greater than one year and a cost greater than \$1,000 shall be capitalized, except for software, computers and

other computer related items. These assets shall be included in the fixed assets ledger. This ledger shall be reconciled to the general ledger and a complete inventory of fixed assets will be taken at least one time per year. An inventory of software, computers and other computer related items will be maintained.

The fixed asset ledger shall include the date of purchase, the total cost, the identifying number, the estimated useful life, and the type of asset. The asset ledger shall be grouped by asset type.

When an asset is traded in for a new asset, the net book value of the old asset should be included with the cash difference paid or given to determine the value of the new asset. The value of the traded asset shall be removed from the ledger. For disposed, irreparable, or misplaced assets, the assets shall be removed from the ledger after Board approval and treated in accordance with Generally Accepted Accounting Principles (GAAP). Assets purchased shall follow the Board's policy on purchasing.

I. Bonds for Persons Handling Funds.

1. Except as provided by Subsection (b), the board shall require an officer, employee, or consultant, including a bookkeeper, financial advisor, or system operator, who routinely collects, pays, or handles any funds of the district to furnish good and sufficient bond, payable to the district, in an amount determined by the board to be sufficient to safeguard the district. The board may require a consultant who does not routinely collect, pay, or handle funds of the district to furnish a bond. The bond shall be conditioned on the faithful performance of that person's duties and on accounting for all funds and property of the district. Such bond shall be signed or endorsed by a surety company authorized to do business in the state.
2. The board may obtain or require an officer, employee, or consultant of the district to obtain insurance or coverage under an interlocal agreement that covers theft of district funds by officers, employees, or consultants of the district in lieu of requiring a bond under Subsection (a) if the board determines that the insurance or coverage under an interlocal agreement would adequately protect the interests of the district.

5.06 Code of Ethics

- A. Purpose. This code of ethics has been adopted by the District to: (a) comply with Texas Water Code Section 49.199(a)(1), as amended; (b) encourage high ethical standards in official conduct by District officials; and (c) establish guidelines for such ethical standards of conduct.

B. Policy. It is the District's policy that the 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 District's affairs fairly, impartially, and without discrimination, and according to the District's purpose.

C. Conflicts of Interest.

1. Directors. In accordance with Chapter 171 of the Local Government Code, before any vote or decision on a business entity or real property in which a director has a substantial interest, a director will publicly disclose the interest during a meeting of the Board, file a completed affidavit (form of affidavit in Exhibit A) with the Secretary of the Board, and abstain from further participation in the matter if:

- a. The action on the matter will have a special economic effect on the business entity that is distinguishable from the effect on the public; or
- b. It is reasonably foreseeable that an action on the matter will have a special economic effect on the value of the property that is distinguishable from its effect on the public.

Directors must also file a conflicts disclosure statement in accordance with Local Government Code Chapter 171, whenever a director becomes aware that a vendor or contractor of the District, or a potential vendor or contractor, has an employment or business relationship with a director or a family member of the director (the director's spouse, parent, child, father-in-law, mother-in-law, sons-in-law, and daughters-in-law). The disclosure statement must also be filed in the following circumstances:

- a. When a director or a family member of a director receives taxable income from a vendor or contractor or a potential vendor or contractor, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date a contract is signed or first considered by the District, or
- b. When a vendor has given to a director or a family member of a director one or more gifts that have an aggregate value of more than \$250 in the 12-month period preceding the date a contract is signed or first considered.

A director must sign the disclosure statement (form of disclosure statement in Exhibit B) before a notary, under oath, acknowledging that it

applies to the director's family members, then file it with the District's records custodian by the seventh business day after the director becomes aware of facts requiring the form to be filed.

For purposes of this policy, a Board member has a "substantial interest" in a business entity if the member or a relative within the first degree of consanguinity or affinity owns 10% or more of the voting stock or shares of the business entity, owns either 10% or more or \$15,000 or more of the fair market value of the business entity, or received over 10% of his or her gross income for the previous year from the business entity. For purposes of this policy, a Board member has a "substantial interest" in real property if his or her interest or that of a relative within the first degree of consanguinity or affinity is an equitable or legal ownership with a fair market value of \$2,500 or more in real property.

- D. Nepotism. All Board members shall comply with the standards enunciated in Chapter 573, Tex. Gov't Code relating to nepotism.

An individual is not eligible for employment by the District if such individual is related to a Board member within the third degree by consanguinity or within the second degree by affinity.

This prohibition does not apply to an appointment, confirmation of an appointment, or vote for an appointment or confirmation of an appointment of an individual to a position if the individual is employed in the position immediately before the appointment of the Board member to whom the individual is related in a prohibited degree and that prior employment is continuous for at least thirty (30) days. If an individual continues in employment under this exception, the Board member to whom the individual is related in a prohibited degree may not participate in any deliberation or voting on the appointment, reappointment, confirmation of the appointment or reappointment, employment, reemployment, change in status, compensation or dismissal of the individual if that action applies only to the individual and is not taken regarding a bona fide class or category of employees.

- E. Acceptance of Gifts.

1. 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.
2. The prohibition against gifts or favors in section 1.06(a) shall not apply to:

- a. an occasional non-monetary gift, valued at less than \$25.00 if it was not given in exchange for any exercise of official discretion,
 - b. a gift from a family member or close personal friend if there is an independent relationship that is not related to the statutes or work of the official; or,
 - c. an award publicly presented in recognition of public service.
- F. Use of District Property. The funds, facilities, personnel, equipment, and supplies of the District shall be used in a manner consistent with Article III, § 52 of the Texas Constitution, which prohibits grants of public funds or things of value to individuals, associates, or corporations.

5.07 Travel Expenditures Policy

- A. Purpose. This travel policy has been adopted by the District to comply with Texas Water Code Section 49.199(a)(2). According to the limitations in Texas Water Code Section 49.060(a), the Board hereby establishes policies for reimbursing District directors and employees for actual travel expenses incurred while performing their official duties.
- 1. 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.
 - 2. Reimbursement for all 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.
- B. Meals and Lodging. Reimbursement to directors and employees for actual expenses for meals and lodging shall not exceed the maximum amount allowed for state employees as posted by the Texas Comptroller.
- C. 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 Board action in advance of the travel event. Subject to the Board's direction and discretion, directors or employees traveling by commercial transportation may receive reimbursement of the actual transportation cost when performing official business, with due consideration of serving the public's best interest.

5.08 Investment Policy

A. Purpose. This investment policy has been adopted by the District to comply with Texas Water Code Section 49.199(a)(3) and to establish the principles and criteria by which the District's funds should be invested and secured to:

1. preserve the principal;
2. earn interest; and
3. comply with various legal provisions on the investment and security of the District's funds, including the Public Fund Investment Act.

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 laws or regulations (including arbitrage provisions) and procedures set forth in any bond resolutions or orders, adopted from time to time by the Board, requiring yield restrictions. The District also will maintain sufficient liquidity to provide adequate and timely availability of funds necessary to pay obligations as they become due. Funds of the District shall be invested by the District's officials according to this policy. Any resolution or order adopted by the Board on investment policies or procedures shall be in writing and shall be made available to the public.
2. District funds shall be invested and reinvested by the Board's investment officer, which the Board must designate as required under Section 2256.005(f) and Section 49.1571 of the Texas Water Code. The Office Manager is the designated investment officer of the District, of the Texas Government Code, only in the investment instruments authorized under the Texas Public Funds Investment Act, Chapter 2256, Government Code. The District will use as depositories for its funds and investments only federal or state chartered banks or trust companies with their main office or branch located in the State of Texas in which deposits up to the maximum allowable limits are insured by federal agencies. Such depositories will be approved by the Board of Directors. The principal, *plus accrued interest*, invested in financial institutions according to this policy shall not exceed the FDIC insurance limits or exceed the collateral pledged as security for the District's investments.
3. It shall be the responsibility of the District's investment officer to invest and reinvest the District funds according to this policy to meet the

District's needs and requirements. It shall be the policy of the District that funds shall not remain in any given investment for longer than five years. The Board, by separate resolution, may provide that the investment officer may withdraw or transfer funds from and to the District's accounts on such terms as the Board considers advisable. Providing 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 two directors or as authorized by separate Board order or resolution which allows an employee of the District to sign disbursements.

4. Funds in the District accounts shall be invested by the District's investment officer as follows:
 - a. *Tax Account:* To receive ad valorem tax collections, penalties, and interest. Disbursements are made for all tax collection costs. When appropriate, and after all collections costs, the funds can be transferred to the General Operating Account, as appropriate.
 - b. *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 Board resolution.
5. Should total District funds exceed \$250,000, the Board hereby establishes an investment committee, composed of the District's investment officer and at least one director to be selected by the President. 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. Monitoring shall be done by using appropriate reports, indices or benchmarks for the type of investment. Information sources may include financial/investment publications, electronic media, software for tracking investments, depository banks, financial advisors, and representatives of investment pools or money market funds. 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.

C. Security of District Funds.

- a. It shall be the policy of the district that all funds shall be insured by the FDIC or by collateral pledged to the extent of the fair market value of the amount not insured. The district officials recognize that FDIC insurance is only available *up to the maximum coverage available (including accrued*

interest) per account and that the amount of funds at any one financial institution (including branch banks located within the same county) will be totaled to determine the maximum amount of insurance coverage needed.

- b. To the extent district funds are not insured by the FDIC, they shall be secured as provided by Texas Water Code § 49.156.
- 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 or splitting of collateral with other parties or entities. The investment officer shall ensure that the custodian of the collateral shall be an independent third party financial institution and that the collateral shall be pledged only to the district. The investment officer shall obtain safe-keeping receipts from the financial institution.

5.09 Professional Services Policy

- A. Purpose. This policy has been adopted to comply with Texas Water Code Section 49.199(a)(4) and 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 as that term is defined under the Professional Services Procurement Act (Texas Government Code, Chapter 2254, Subchapter A). Selection of such consultants shall be based upon their qualifications and experience following the procedures provided in the Professional Services Procurement Act (Texas Government Code, Chapter 2254, Subchapter A).
- B. 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.

5.10 Management Policy


- A. Purpose. This policy has been adopted to comply with Texas Water Code Section 49.199(a)(6). 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.
- B. Accounting Records. District accounting records shall be prepared on a timely basis and maintained in an orderly manner, to comply with generally accepted

accounting principles and the requirements of the Texas Commission on Environmental Quality. Such records shall be available for public inspection during regular business hours at the district's office, located at: 3499 CR B3100, Stanton.


5.11 Miscellaneous

- A. Open Meeting. The Board officially finds, determines, and declares that these By-Laws, including a Code of Ethics and Policies, were reviewed, carefully considered, and adopted during a regular board meeting on April 3, 2014 , and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted for the time required by law preceding this meeting, as required by the Open Meetings Act (Government Code Section 551.054), and that this meeting had been open to the public as required by law at all times during which these By-Laws were discussed, considered, and acted upon. The Board further ratifies, approves and confirms such written notice and the contents and posting thereof.

Adopted the 3rd day of April, 2014.



President
Board of Directors



Secretary
Board of Directors

(Seal)

**EXHIBIT A
CONFLICT OF INTEREST**

AFFIDAVIT

STATE OF TEXAS §
 §
COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____
_____ (Name of Affiant), a member of the Board of Directors of the Martin County
Fresh Water Supply District No. 1, who being duly sworn, deposes and says:

I, or a person related to me by affinity or consanguinity in the first or second degree, has
a substantial interest in _____ (Name of Business Entity or description
of real property) as indicated below by check mark and completion:

- () A relative of mine within the first or second degree of affinity or consanguinity
has a substantial interest in the business entity or in real property that would be
affected by a decision of the public body of which I am a member.
- () Ownership of 10% or more of the voting stock or shares of the said business
entity or ownership of \$15,000 or more of the fair market value of the said
business entity.
- () More than 10% of (my) (my relative's) [circle answer] gross income for the
previous year was received from said business entity.
- () Equitable or legal ownership of the fair market value of \$2,500 or more in real
property.

In consideration of this aforestated interest, I shall abstain from all further participation
(including deliberating and voting) in the matter involving this business entity now before this
body or office.

Date: _____ Affiant: _____

SWORN TO AND SUBSCRIBED BEFORE ME this ____ day of _____, 20__.

[seal] _____
Notary Public/State of Texas
Commission Expires: _____

THIS AFFIDAVIT SHALL BE MADE A PART OF THE OFFICIAL MINUTES OF THE
MARTIN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1.

EXHIBIT B

LOCAL GOVERNMENT OFFICER CONFLICTS DISCLOSURE STATEMENT		FORM CIS
(Instructions for completing and filing this form are provided on the next page.)		
This questionnaire reflects changes made to the law by H.S. 1491, 50th Leg., Regular Session.		OFFICE USE ONLY
This is the notice to the appropriate local governmental entity that the following local government officer has become aware of facts that require the officer to file this statement in accordance with Chapter 176, Local Government Code.		
1	Name of Local Government Officer	Date Received
2	Office Held	
3	Name of person described by Sections 176.002(a) and 176.003(a), Local Government Code	
4	Description of the nature and extent of employment or other business relationship with person named in item 3	
5	List gifts accepted by the local government officer and any family member, excluding gifts described by Section 176.003(a-1), if aggregate value of the gifts accepted from person named in item 3 exceed \$250 during the 12-month period described by Section 176.003(a)(2)(B)	
	Date Gift Accepted _____	Description of Gift _____
	Date Gift Accepted _____	Description of Gift _____
	Date Gift Accepted _____	Description of Gift _____
	(attach additional forms as necessary)	
6	AFFIDAVIT	
	I swear under penalty of perjury that the above statement is true and correct. I acknowledge that the disclosure applies to a family member (as defined by Section 176.001(2), Local Government Code) of this local government officer. I also acknowledge that this statement covers the 12-month period described by Section 176.003(a), Local Government Code.	
	_____ Signature of Local Government Officer	
	AFFIX NOTARY STAMP / SEAL ABOVE	
	Sworn to and subscribed before me, by the said _____, this the _____ day	
	of _____, 20_____, to certify which, witness my hand and seal of office.	
	_____ Signature of officer administering oath	_____ Printed name of officer administering oath
		_____ Title of officer administering oath

Adopted 08/29/2007