



Texas Rural Water Association
Sandflat Water Supply Corporation Board Policies
Adopted **June 25, 2013**
Water Board Directors Conference
Austin, Texas | January 19-20, 2012

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BOARD POLICIES
SANDFLAT WATER SUPPLY CORPORATION
(Last Amended on June 25, 2013)

THE FOLLOWING BOARD POLICIES ARE ADOPTED BY THE SANDFLAT WATER SUPPLY CORPORATION BOARD OF DIRECTORS TO CLARIFY ADMINISTRATIVE PROCEDURES AND ESTABLISH SPECIFIC GUIDELINES BY WHICH THE CORPORATION CAN BETTER MANAGE ITS INTERNAL AFFAIRS.

SECTION 1. ELECTION PROCEDURES FOR MEMBERS' MEETINGS

- A. **Annual Meeting Date.** The annual meeting of the members of the corporation must be held between January 1 and May 1, at a time specified by the Corporation's Bylaws; or if not addressed in the Bylaws, as determined by the board.
- B. **Credentials Committee.** Each year the Board of Directors will appoint a Credentials Committee of three individuals during the first business meeting after the Annual Members' Meeting.
- The chairperson of the Credentials Committee will be the Secretary–Treasurer unless that individual is running for re-election the following year; in which case the Board will appoint a director not running for re-election to serve as chairperson of this committee.
 - In filling the other two positions, the Board will appoint one other member of the Board and one other person from the membership.
 - The Credentials Committee may assist the board: (1) by recommending for Board approval the election procedures, ballot forms, director application forms, and meeting notices; (2) by recommending for Board approval a person to fill the role of the independent election auditor ("Election Auditor"); (3) by ensuring that the election procedures are implemented; (4) by generating interest among the membership to apply to serve on the board; and (5) by serving other functions as set forth in these procedures.
- C. **Adoption of Election Procedures.** At least 90 days before the date of a member meeting where an election will be held, the Board will review and adopt Election Procedures as required by Sections 67.007(b) and 67.0054(f) of the Water Code (**Attachment 1**). The timeline for events leading up to an election is set forth in Attachment 7.
- D. **Applications for Director.**
- At least 75 days before the date of a member meeting that includes a director election, the Corporation will notify all members of their opportunity to submit applications to serve as a Director. In addition, the Credentials Committee may take additional actions to generate interest among the membership to apply to serve on the Board. The Application Form will require the following information (**Attachment 2**):
 - i. The person's name and contact information;

- ii. If applicable, the director's position number or other distinguishing number for which the person seeks to be elected;
- iii. A petition, signed by the lesser of 20 members or five percent of the members, requesting that the person's name be placed on the ballot as a candidate for that position;
- iv. Biographical information about the person;
- v. A statement of the person's qualifications to serve as director;
- vi. A sworn statement that the person is qualified under Texas Water Code Section 67.0051 as follows: (1) is at least 18 years old on the first day of the term to be filled; (2) is a member of the Corporation; (3) has not been determined by a final judgment of a court exercising probate jurisdiction to be totally mentally incapacitated or partially mentally incapacitated without the right to vote; and (4) has not been finally convicted of a felony or if convicted, was pardoned or otherwise released from the resulting disabilities;
- vii. A statement that the person meets the eligibility requirements, if any, set forth in the Certificate of Formation and Bylaws of the Corporation; and
- viii. The person's written consent to serve, if elected.

- Director Applications are due 45 days before the date of the meeting where the election will be held.
- The Corporation shall designate an employee or the Credentials Committee to review applications for completeness, including whether the signature on the petition requires a valid membership.

E. **Election Auditor.** The Board of Directors will select an Election Auditor not later than 30 days before the scheduled date of a member meeting where an election will be held.

- The Election Auditor is not required to be an experienced election judge or auditor and may serve as an unpaid volunteer.
- The Election Auditor cannot be associated with the Corporation as an employee, director or candidate for director, or independent contractor engaged by the Corporation as part of the Corporation's regular course of business; but may be a member of the Corporation.
- The Election Auditor will receive and count the ballots before the meeting is adjourned and serve other functions as set forth in this policy.

F. **Meeting Packets.** At least 30 days before the date of a member meeting where an election will be held, the Corporation shall mail to each voting membership of the Corporation the meeting packets, which will contain as applicable: (1) Official Ballot Form (**Attachment 4**); (2) biographical information about each candidate for director, including their qualifications

as provided in their application (**Attachment 6**); (3) a detailed explanation of any issue that the members are being asked to vote on; (4) if bylaw changes are being proposed, a copy of the specific changes; (5) an envelope for members to return their ballots that includes the member's return address and account number, and the address where the ballots are to be sent (either Corporation's main office or Election Auditor's office)(Attachment 5); and (6) the meeting notice and agenda (**Attachment 3**).

Note for Meetings with no Elections: The Corporation will mail to each voting membership of the Corporation the meeting packets which will contain the meeting notice and agenda; and an explanation of the reason for which the meeting is being held. The law requires notice at least 10 days in advance of the meeting.

G. **Open Meetings Act Notice.** The Corporation will post the Meeting Notice & Agenda in accordance with the Open Meetings Act at least 72 hours in advance of any member meeting.

H. **Voting Roster.** The Corporation will prepare an alphabetical list of the names and addresses of all its voting members ("Voting Roster") as required by Section 22.158 of the Business Organizations Code.

- Not later than the second business day after the date the meeting packets are sent to the members, and through the day of the meeting, the Voting Roster will be made available in the Corporation's office for inspection by members or member's agents or attorneys. It will also be available for inspection at the Meeting.
- A member is entitled to only one vote regardless of the number of memberships the member owns. In addition, only one representative from each membership may sign a petition supporting an application for director. A member may be a natural person; a partnership of two or more persons having a joint or common interest, including a married couple who jointly own property; or a corporation.
- A member may sign his or her board member Application Petition.

I. **Voting in Advance of the Annual Meeting**

- The Corporation will accept ballot forms in-person during regular office hours at the Corporation's office or by mail until 12:00 noon the day before the member meeting.
- The Credentials Committee or designated Corporation staff will record on the Voting Roster which members have submitted ballot envelopes, and then will place the unopened ballot envelopes in a secured box[es].
- The secured box[es] will be turned over to the Election Auditor after the 12:00 noon voting deadline and will remain in the custody of the Election Auditor until the end of the Election.

J. Voting in Person at the Annual Meeting.

- Members attending a member meeting will check in with the Election Auditor who will verify whether the member has already submitted a ballot.
- The Election Auditor will provide ballots to those members who are voting at the annual or special meeting. The ballots will be printed on a different color paper or contain a special marking to distinguish them from the ballots sent in advance of the meeting.
- If a member attends the meeting, but has already submitted a ballot, the member may participate in the meeting, but may not change their vote or submit another ballot.

K. Conducting the Meeting. The presiding director will conduct a member meeting in accordance with the noticed meeting agenda.

L. Quorum Requirement. At the commencement of the meeting, the presiding director will make a last call for the submission of ballots. The presiding director will report the total number of members who are present, which includes those members who mailed or delivered ballots prior to the meeting, for the purpose of establishing a quorum. The presiding director will announce that a quorum of the membership is present and that the meeting [and election] may proceed. Members arriving after a quorum has been established may still vote as long as the Election Auditor has not completed the written report of the election results.

M. Counting the Ballots. The Election Auditor will open the ballot envelopes received prior to the meeting and place those ballots with the ballots received at the meeting. The envelopes will be kept separately in a secured location. The Election Auditor will count all the ballots at the meeting prior to adjournment and will provide the board with a written report of the election results.

The Election Auditor may enlist the assistance of members or other individuals to count ballots and to assist with other duties as long as those individuals are not an employee of the Corporation, a director or candidate for director, or an independent contractor engaged by the Corporation as part of the Corporation's regular course of business.

- If there is more than one vacant director position to be filled and the terms are not for equal duration of service, those candidates receiving the greater number of votes will fill the vacancies with the longer terms.
- If two or more candidates for a director's position tie for the highest number of votes, those candidates will draw lots under the direction of the Election Auditor to determine who is elected.
- If there is a tie vote on an issue other than a director election, the measure fails.

N. New Board of Director Meeting. The first business meeting of the new board of directors will be held on the same day and immediately following a director election. A separate agenda will be posted for this first meeting, as required by the Open Meetings Act, where business will include electing new officers from among the board of directors and appointing

a Credentials Committee for the next election year. The board will also designate those directors who have the authority to sign checks on behalf of the Corporation, if not otherwise designated by the Corporation's Bylaws.

- O. **Election Contest.** Should any member wish to contest an election, said member must officially file suit in Smith District Court within thirty days of the announcement of the official results of the election at issue.

SECTION 2. COMMITTEES OF THE BOARD OF DIRECTORS

A. Organization

1. **Credentials Committee.** The Board of Directors shall establish a standing Credentials Committee of three (3) Members, of which the Secretary-Treasurer shall be the chairperson. This committee shall at no time have sufficient board members appointed to constitute a quorum of the Board of Directors. This committee, in accordance with the election procedures adopted by the Board may assist the board: (1) by recommending for Board approval the election procedures, ballot forms, director application forms, and meeting notices; (2) by recommending for Board approval a person to fill the role of the independent election auditor ("Election Auditor"); (3) by ensuring that the election procedures are implemented; (4) by generating interest among the membership to apply to serve on the board; and (5) by serving other functions as set forth in these procedures. Should the individual holding the office of Secretary-Treasurer be running for re-election, the President shall appoint an officer not currently running for re-election to serve as chairperson for this Committee.
2. **Policy, Bylaws, & Resolutions Committee.** A Policy, Bylaws, & Resolutions Committee consisting of less than a quorum of the Board of Directors appointed annually by the President shall be established to receive and make recommendations to the Board and Membership regarding proposed Bylaws Amendments, Resolutions, and other governance policies.
3. **Standing, Special and Ad Hoc Committees.** The President shall annually appoint all Standing, Special and Ad Hoc committees including appointment of a chairmen, vice-chairmen and committee members. These committees may include Directors, and members, but must include less than a quorum of the Board. All appointments are subject to approval by the Board of Directors. A list of Committees and their duties and responsibilities shall also be approved by the Board.

- B. **Meetings.** Regular meetings of committees may be held in conjunction with Board of Directors meetings. Special meetings of committees may be called by the chairman of the committee with the approval of the President. Any meeting where a quorum of the Board of Directors is present is subject to the Texas Open Meetings Act and notice must be posted in accordance with the Act.

- C. **Reports.** Committees shall make regular progress reports to the Board of Directors, and if requested by the Board or President, make a report at the Annual Meeting.

SECTION 3. OFFICERS

- A. The elected Officers of the Association shall be a President, Vice President, Secretary and Treasurer. Their specific duties and responsibilities are determined by the bylaws and detailed in the appendices of these Board Policies.
- B. Officers are elected annually by a majority vote of the Board of Directors present at the regular Board Meeting held in conjunction with the Annual Meeting. If necessary, a runoff election will be held for each Officer position until one candidate receives a majority vote. To be eligible, a nominee must be currently serving on the Board of Directors and be a member of the Sandflat Water Supply Corporation
- C. Officers serve for a term of one year or until their successors are elected.
- D. A vacancy in an Officer position shall be filled by a majority vote of the Board of Directors present at the next regular or special meeting of the Board. The election procedure shall be held in the same manner as in Section 3 (B) above.

SECTION 4. ADMINISTRATION

- A. The day to day operation and administration of the Corporation and staff shall be under the direction and supervision of the General Manager whose job description and responsibilities shall be detailed in the formal job description of the General Manager in the appendices of these board policies.
- B. In the event the Executive Committee determines that the General Manager has become incapacitated or unable to perform his regular duties, then the Board of Directors shall designate an Acting General Manager who shall assume all duties and responsibilities of the General Manager until such time that the Board of Directors can take further action.
- C. Staff assignments shall be made by the General Manager. Board members should notify the General Manager when requesting staff assistance.
- D. Personnel Policies for all Corporation staff members shall be established and approved by the Board of Directors.
- E. Corporation offices shall be open for visitation by the membership during the regular office hours or by appointment.
- F. All authorized contracts shall be approved by the President and the General Manager in accordance with the Bylaws and these Board Policies.
- G. Due diligence shall be taken in the sale of Corporation property or assets, with a minimum of three bids recommended for the sale of assets over \$5,000 and with credit procedures established to ensure collection of payment.
- H. Due diligence shall be taken when soliciting contract services or purchasing assets, with a minimum of three bids recommended for the purchase of goods and services in excess of \$25,000.

- I. The General Manager shall review all bills, statements, and vouchers submitted to the corporation for payment to assure compliance with the Budget and these Board Policies. The General Manager shall seek the advice and consent of the Secretary-Treasurer and President prior to payment of any questionable expense submitted by an officer, board member, supplier or vendor.
- J. Checks or expenditures of Corporation funds shall be co-signed by the Secretary-Treasurer and General Manager. The President, Vice President, Secretary or the Acting General Manager may co-sign checks in extraordinary cases.

SECTION 5. BOARD OF DIRECTORS MEETINGS

- A. The Board of Directors shall meet on the first Tuesday of each month. The General Manager shall post notice of the dates and location in accordance with the Texas open Meetings Act.
- B. Board members are required to attend all meetings of the Board of Directors. In the event absences are necessary, the President shall be notified as soon as possible prior to the meeting.
- C. Absence from three regular meetings within a term of office shall constitute resignation and the position shall be declared vacant unless the Board determines there are unusual circumstances which warrant such absences and waives this requirement. A successor shall be appointed by a majority vote of the Directors remaining to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the balance of the term.
- D. All hotel and travel reservations for Board members traveling on behalf of Corporation business should be made through the Corporation's office manager unless otherwise determined. Reimbursement for travel or lodging shall not be paid if a board member is present for less than one-half (1/2) of the time during any meeting. However, upon written request by a Board member, the President may authorize payment in extraordinary cases.
- F. Corporation members 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 Board minutes shall be mailed to each Director within 21 days after the meeting.
- H. All mass mailings sent to the membership shall also be mailed to the Board of Directors or distributed at Board meetings.
- I. Materials pertaining to action items on the Board's agenda shall be printed and sent to Board members prior to the meeting, when possible, or be ready for distribution at the beginning of the meeting.
- J. The General Manager shall provide each Director with monthly Board Reports containing meeting notices, agenda items, minutes, financial/audit reports, and any other material that is not confidential, legal or personnel related.

SECTION 6. TRAVEL AND EXPENSES FOR DIRECTORS

- A. Vouchers for expenses incurred shall be submitted within sixty (60) days after trip or service is completed and must be signed by the individual incurring the expense.
- B. Receipts for hotel bills and transportation shall be attached. Reimbursement may be denied for expenses submitted without receipts.
- C. No personal or unreasonable expenditures shall be reimbursed. Alcoholic beverages are considered personal expenditures.
- D. Expenses of committee members will be paid only if a meeting of the Committee has been approved by the President.
- E. Expenses incurred for automobile transportation (mileage) used in conjunction with Corporation business will be reimbursed at the rate the Board of Directors decide upon.
- F. Expense vouchers shall include expenses of only the individual. No reimbursements shall be made for spouses or guests.
- G. Travel to all Corporation meetings and industry events must be in the most direct, reasonable and economical manner.

SECTION 7. BUDGET AND FINANCIAL RECORDS

- A. The fiscal year of the Corporation shall be January 1 to December 31. All financial records shall be kept on an accrual basis.
- B. The Secretary-Treasurer or the Finance Committee shall be responsible for submitting a proposed annual operating budget for the Corporation at the December Board Meeting. A budget report shall be provided monthly to the Board of Directors.
- C. The budget shall reflect an annual transfer from the General Fund to the Depreciation Fund for reasonable depreciation expense.
- D. Any transfer of funds from one fund to another must be the result of an amendment to the budget. Such request for transfer of funds shall be directed by the Finance Committee to the Board of Directors for approval.
- E. All disbursements from any projected budget surplus shall be approved by the Board upon recommendation of the Secretary-Treasurer or the Finance Committee.
- F. The financial records of the Corporation 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 membership at the Annual Meeting.
- G. The investment of monies of any of the Corporation's funds shall be deposited in federally insured financial institutions as may be determined by the General Manager upon consultation with the Finance Committee. An Investment Policy for the Corporation shall be

reviewed annually by the Board. The Corporation's current Investment Policy is maintained in the appendices of these Board policies.

- H. Disbursements from the Reserve Fund or the Depreciation Fund shall be authorized by a two-thirds (2/3) vote of the Board of Directors.
- I. The General Manager is authorized to borrow against the Reserve Fund and/or the Depreciation Fund, if necessary, to cover short term operating expenses.
- J. The Corporation shall at all times maintain a cash reserve and/or other net assets of at least 3 months operating expenses.
- K. Financial records of the Corporation are available for public inspection at the Corporation office during regular business hours. A reasonable charge may be made for copies.

SECTION 8. Tariff

- A. The tariff for the Corporation shall be adopted and reviewed annually by the Board of Directors. Any changes to the tariff shall be published in the Corporation's newsletter.
- B. The current rates, fees and charges are as follows:
 - i. Base Rate: \$23.00
 - ii. Gallonage Charge: see attached chart on next page
 - iii. Membership Fee: \$200.00
 - iv. Easement Fee:
 - v. Equipment Damage Fee: Total Corporations cost for damages
 - vi. Meter Tampering and Diversion Penalty: Total Corporations cost for damages
 - vii. Meter Test Fee: \$50.00
 - viii. Transfer Fee: \$0.00
 - ix. Reconnect Fee: \$25.00
 - x. Installation Fee: \$1350.00
 - xi. Relocation Fee: Actual cost of relocation and on the same property
 - xii. Late Payment Fee: \$5.00 / collection fee \$12.50
 - xiii. Returned Check Fee: \$25.00

SECTION 9. CORPORATION NEWSLETTER

- A. The Corporation Newsletter shall be published a minimum of two times per year and is complimentary for all Corporation members.
- B. The Newsletter shall contain a letter from the General Manager and a letter from the Board President. Newsletter content shall include the current utility rate and fee schedule, scheduled outages, progress reports of Corporation projects and feedback from the membership.

SECTION 10. PROTECTION OF ASSOCIATION ASSETS

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

SECTION 11. CONFLICT OF INTEREST

- A. A director shall discharge the director's duties, including the director's duties as a member of a committee, in good faith, with ordinary care, and in a manner the director reasonably believes to be in the best interest of the Corporation.
- B. In the discharge of any duty imposed or power conferred on a director, including as a member of a committee, the director may in good faith rely upon information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or another person that were prepared and presented by:
 - 1. One or more officers or employees of the Corporation;
 - 2. Legal counsel, public accountants, or other persons as to matters the director reasonably believes are within the person's professional or expert competence; or
 - 3. A committee of the board of directors of which the director is not a member.
- C. A director is not relying in good faith if the director has knowledge concerning a matter in question that makes reliance on one of the sources listed in paragraph 2 unwarranted.

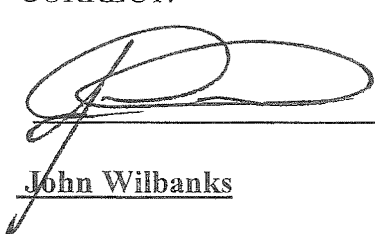
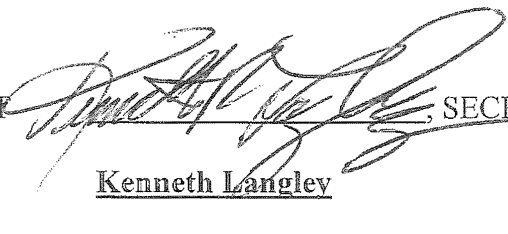
- D. Confidential Information: No director or officer or employee of the Corporation shall disclose confidential information concerning the property, operations, policies or affairs of the Corporation, or use such confidential information to advance personal interests, financial or otherwise, or accept employment or engage in any business or professional activity which such director, officer or employee might reasonably expect would require or induce him or her to disclose confidential information acquired through or by reason of his or her position with the Corporation.
- E. Use of Corporation Facilities, Staff, Equipment, and Supplies: Directors and employees shall only use the Corporation's facilities, staff, equipment or supplies for purposes directly related to the Corporation's business.
- F. Loans to Directors: The Corporation may not make a loan to a director. The directors of the Corporation who vote for or assent to the making of a loan to a director, and any officer who participates in making the loan, are jointly and severally liable to the Corporation for the amount of the loan until the loan is repaid.
- G. Compensation: No officer or director of the Corporation shall be entitled to any compensation for or in consideration of the execution of his or her duties as officer or director; provided, however, that the actual, reasonable expenses of any officer or director incurred in the business of the Corporation may, with approval of the Board, be paid to them.
- H. Contracts or Transactions Involving Interested Directors and Officers: A director may have an interest adverse to the Corporation if:
1. He or she is a party to a contract or transaction with the Corporation, or one or more affiliates or associates of the director is a party to a contract with the Corporation;
 2. Another entity or organization for which he or she is a manager, official, or member, or for which he or she has a financial interest is party to a contract or transaction with the Corporation;
 3. Another entity or organization is a party to a contract or transaction with the Corporation and one or more affiliates or associates of the director is a manager, official, or member of that entity or organization; or the director's affiliate or associate has a financial interest in the entity or organization that is a party to a contract or transaction with the Corporation;
 4. He or she is a developer, as defined in the Corporation's Tariff, or affiliated with a developer of property within the service area of the Corporation, or of a developer that is requesting service from the Corporation;
 5. He or she is an employee or immediate family member, or shareholder of a developer of property within the service area of the Corporation or of a developer that is requesting service from the Corporation;

6. He or she is serving as a consultant, engineer, attorney, manager, or in another professional capacity for a developer of property within the service area of the Corporation or of a developer that is requesting service from the Corporation; or
 7. He or she is a party to a contract with a developer of property within the service area of the Corporation or of a developer that is requesting service from the Corporation, other than a contract that merely conveys real property within the service area of the Corporation for the purpose of establishing a residence or establishing a commercial business within the service area of the Corporation.
- I. Offers of Employment, Appointment, Financial, or Material Benefit: No officer or director of the Corporation should:
1. Solicit or accept or agree to accept any appointments or any financial and/or material benefit that might reasonably tend to influence his or her performance of duties for the Corporation or that he or she knows or should know is offered with the intent to influence the performance of his or her duties;
 2. Make any personal investment that might reasonably be expected to create a material conflict between the officer or director and his or her duties for the Corporation; or
 3. Solicit or accept or agree to accept a financial benefit from another person or entity in exchange for performing duties as an officer or director of the Corporation in favor of the other person or entity.
- J. The Board may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general use or for any special purpose of the Corporation; provided, however, that the Board shall reject any such contribution, gift, bequest or devise made upon a condition or restriction if the Board determines that the acceptance as so conditioned or restricted may not be in the best interest of the Corporation.
- K. If at any time an officer or director is required to discuss or vote on an issue which may create a conflict of interest including those interests specifically set forth in this Policy or on another issue which is likely to be interpreted by the members or by the public as a conflict of interest such as when a private or personal interest is involved, the officer or director shall disclose the material facts as to the relationship or interest to the Corporation's board of directors and shall abstain from discussion and voting, as a matter of record, on that issue. The interested director may be included in determining the presence of a quorum at a meeting of the board where the issue that creates the conflict of interest is deliberated.

SECTION 12. AMENDMENTS

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

ATTEST: I CERTIFY THAT AT THE SANDFLAT WATER SUPPLY CORPRATION BOARD OF DIRECTORS MEETING ON June, 25 2013 AND THAT THESE BOARD POLICIES WERE ADOPTED ON THIS DATE AND THAT THIS COPY IS TRUE AND CORRECT.

 _____, PRESIDENT  _____, SECRETARY
John Wilbanks Kenneth Langley

DATED THIS 10 DAY OF July, 2013.

§ 67.0051. QUALIFICATIONS FOR ELECTION OR APPOINTMENT AS DIRECTOR.

(a) To be qualified for election or appointment as a director, a person must be:

(1) 18 years of age or older on the first day of the term to be filled at the election or on the date of appointment, as applicable; and

(2) a member or shareholder of the Corporation.

(b) In addition to the qualifications prescribed by Subsection (a), a person is not qualified to serve as a director if the person:

(1) has been determined by a final judgment of a court exercising probate jurisdiction to be:

(A) totally mentally incapacitated; or

(B) partially mentally incapacitated without the right to vote; or

(2) has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.

(c) If the board determines that a person serving as a director does not have the qualifications prescribed by Subsections (a) and (b), the board shall, not later than the 60th day after the date the board makes that determination, remove the director and fill the vacancy by appointing a person who has the qualifications prescribed by those subsections.

§ 67.0052. BALLOT APPLICATION.

(a) To be listed on the ballot as a candidate for a director's position, a person must file an application with the Corporation that includes:

(1) the director's position sought, including any position number or other distinguishing number;

(2) a petition, signed by the lesser of 20 members or shareholders or five percent of the members or shareholders, requesting that the person's name be placed on the ballot as a candidate for that position;

(3) the person's written consent to serve, if elected;

(4) biographical information about the person; and

(5) a statement of the person's qualifications, including a statement that the person has the qualifications prescribed by Section 67.0051.

(b) The application must be filed with the Corporation not later than the 45th day before the date of the annual meeting.

(c) The Corporation shall make available director candidate application forms at the Corporation's main office and shall provide application forms by mail or electronically on request.

§ 67.0053. BALLOT.

(a) Not later than the 30th day before the date of an annual meeting, the Corporation shall mail to each member or shareholder of record:

(1) written notice of the meeting;

(2) the election ballot; and

(3) a statement of each candidate's qualifications, including biographical information as provided in each candidate's application.

(b) The election ballot must include:

(1) the number of directors to be elected; and

(2) the names of the candidates for each position.

§ 67.0054. ELECTION PROCEDURES.

(a) A member or shareholder may vote:

(1) in person at the annual meeting;

(2) by mailing a completed ballot to the office of the independent election auditor selected under Section 67.007(d) or to the Corporation's main office, which ballot must be received by the Corporation not later than noon on the business day before the date of the annual meeting; or

(3) by delivering a completed ballot to the office of the independent election auditor or to the Corporation's main office not later than noon on the business day before the date of the annual meeting.

(b) The independent election auditor shall receive and count the ballots before the annual meeting is adjourned.

(c) For each director's position, the candidate who receives the highest number of votes is elected.

(d) If two or more candidates for the same position tie for the highest number of votes for that position, those candidates shall draw lots to determine who is elected.

(e) The independent election auditor shall provide the board with a written report of the election results.

(f) The board may adopt necessary rules or bylaws to implement this section, including rules or bylaws to ensure the fairness, integrity, and openness of the voting process.

§ 67.007. ANNUAL OR SPECIAL MEETING.

(a) The annual meeting of the members or shareholders of the Corporation must be held between January 1 and May 1 at a time specified by the bylaws or the board.

(a-1) A quorum for the transaction of business at a meeting of the members or shareholders is a majority of the members and shareholders present. In determining whether a quorum is present, all members and shareholders who mailed or delivered ballots to the independent election auditor or the Corporation on a matter submitted to a vote at the meeting are counted as present.

(b) The board shall adopt written procedures for conducting an annual or special meeting of the members or shareholders in accordance with this section and Sections 67.0052, 67.0053, and 67.0054. The procedures shall include the following:

- (1) notification to eligible members or shareholders of the proposed agenda, location, and date of the meeting;
- (2) director election procedures, including candidate application procedures;
- (3) approval of the ballot form to be used; and
- (4) validation of eligible voters, ballots, and election results.

(c) The board shall adopt an official ballot form to be used in conducting the business of the Corporation at any annual or special meeting. No other ballot form will be valid. Ballots from members or shareholders are confidential and are exempted from disclosure by the Corporation until after the date of the relevant election.

(d) The board shall select an independent election auditor not later than the 30th day before the scheduled date of the annual meeting. The independent election auditor is not required to be an experienced election judge or auditor and may serve as an unpaid volunteer. At the time of selection and while serving in the capacity of an independent election auditor, the independent election auditor may not be associated with the Corporation as:

- (1) an employee;
- (2) a director or candidate for director; or
- (3) an independent contractor engaged by the Corporation as part of the Corporation's regular course of business.

APPLICATION FOR BOARD OF DIRECTOR'S POSITION OF SANDFLAT WATER SUPPLY
CORPORATION ("CORPORATION")

This form must be accompanied by a petition signed by the lesser of 20 members or five (5%) percent of the members, requesting that the applicant's name be placed on the ballot as a candidate for director. The application form must be completed and submitted to the Corporation's main office by date for the applicant's name to be placed on the ballot.

Biographical Information

Applicant's Name:

Mailing Address: street, city, TX ZIP

Physical Address (if different than mailing address):

Phone #:

Water System Member Since: year

Director Position Sought: position number or other distinguishing number (if applicable):

Qualifications (will be printed and sent to members with ballot)

Previous Board of Director Experience:

Business/Government Experience:

Education:

Personal Statement (will be printed and sent to members with ballot)(100 word limit):

Affirmation and Pledge to Serve:

I, applicant's name will be at least 18 years of age on the first day of the director term; am a member of the Corporation; have not been determined by a court exercising probate jurisdiction to be totally mentally incapacitated or partially mentally incapacitated without the right to vote; and have not been finally convicted of a felony.

I have reviewed the Corporation's bylaws and certificate of formation and I meet the qualifications set forth therein.

If elected, I pledge to serve in a director position on the Corporation's Board of Directors; and will do my best to attend all meetings, regular or called, as designated by the board.

Under penalties of perjury, I declare that I have reviewed the information presented in this Application, including accompanying documents, and to the best of my knowledge and belief, the information is true, correct and complete.

Signature of Applicant _____ Date _____

SANDFLAT WATER SUPPLY CORPORATION ("CORPORATION")

The members of SANDFLAT WSC, whose names and signatures appear below, petition that candidate's name be placed on the ballot as a candidate for director of the Corporation for the April 21, 2012 election.

Signatures required if the system has 400 or more members: 20 signatures

Signatures required if the system has less than 400 members: 5% of the members

NOTE: It is advisable to obtain a few additional signatures in case any of the signatures are disqualified.

Member's Name (please print)

Member's Signature

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**Notice of Member Meeting and Election for
Best-in-Texas Water Supply Corporation**

1. The Meeting for the Best-in-Texas Water Supply Corporation will be held at the Somewhere Community Center, located at 123 W. Front St., Somewhere, Texas. The meeting will start at 7:00 p.m. on the 21st of April, 2012.
2. Members will check in with the Election Auditor who will verify whether the member has already submitted a ballot. Those members who are voting at the meeting will be provided with a ballot.
3. Members who want to address the board or the membership must sign-in on a separate sheet provided by the presiding director indicating the topic they wish to discuss. Members will be given three minutes each to speak.
4. No motions may be accepted or action taken on issues brought up at the meeting from the floor. All action items must have been included on the posted agenda. Members can request that items be placed on the agenda for future annual (or special) member meetings or for future meetings of the Board of Directors. This limitation is required by the public notice requirements of the Texas Open Meetings Act and is not an attempt to limit any member's access to address an issue to the Board of Directors or the membership.

Agenda for Members' Meeting

1. Presiding director calls the meeting to order at 7:00 p.m.
2. Presiding director makes a last call for submission of ballots.
3. Presiding director announces the total number of members present as of 6:00 p.m. at the meeting and the total number of ballots received prior to the meeting. Presiding director will then announce that a quorum of the membership is present and that the meeting may proceed. Election Auditor will begin counting the ballots. Members arriving after a quorum has been established may still vote as long as the Election Auditor has not completed the written report of the election results.
4. Read and approve the previous Member Meeting minutes.
5. Update reports
 - a. Report of board president or presiding director
 - b. Report of Corporation manager
 - c. Auditor's report on system finances
 - d. Engineer's report on projects
 - e. Operator's report on system's operations and concerns
 - f. Regulatory report by _____ representative

6. Open or Public Forum: Comments from members who signed up to speak, limited to three minutes each.
7. Election Results
 - a. Election Auditor provides the presiding director with a written report of the election results for director positions, amendments to Bylaws; and any other proposition voted on by the members.
 - b. Presiding director announces election results.
 - c. Presiding director introduces newly elected directors and if no objections, declares them as board members to assume the position of directors immediately.
 - d. Comments from the newly elected directors.
8. Closing comments by presiding director.
9. Meeting is adjourned.

After adjournment of the member meeting and director election, the board of directors will hold its first business meeting to elect officers from among the board of directors; appoint a Credentials Committee for the following year; designate those directors who have authority to sign checks on the behalf of the Corporation, if not otherwise designated by the Corporation's Bylaws; and discuss other items as specified in the notice of the directors meeting.

□

Charles Careful
123 Best Street
Anywhere, Texas 12345

Member Account No. _____

Please refer to separate materials accompanying the ballot for the qualifications of each candidate.	
Three (3) Options to Cast Your Vote	
<p>1. Mail</p> <ul style="list-style-type: none">• Mark your selections by placing an X or √ inside the appropriate boxes.• Detach ballot and place in the enclosed envelope.• Mail envelope to: Best-in-Texas WSC, PO Box 9021, Funtimes, Texas 75323• Mailed ballots must be received by Date, in order to be counted.	<p>2. Deliver to Corporation's Office</p> <p>Follow the instructions in #1 for mailing, but deliver the forms to the Corporation's office at Address, by Day, Date at Time.</p> <p>3. In Person at the Member Meeting</p> <ul style="list-style-type: none">• The Annual Meeting will be held on Day, Month, Year at Time at Location.• This mailed ballot will not be valid for voting at the Meeting. Ballots will be provided during registration.
For voting assistance or a replacement ballot, please call Phone Number during business hours Monday-Friday 9:00 a.m. – 4:00 p.m. or email: email address.	
THANK YOUR FOR PARTICIPATING IN THE 2012 ELECTION	

SANDFLAT WATER SUPPLY CORPORATION

2012 Official Election Ballot

Mark your selections by placing an X or a √ inside the appropriate boxes.
Candidate names are listed in order from a random drawing.

Directors (vote for (# of positions to be filled) candidate(s))		Proposed Bylaw Change: Amend bylaws to move Annual Meeting date to third Thursday of March	
<input type="checkbox"/> Bea Better	<input type="checkbox"/> Alice Alright	<input type="checkbox"/> For	<input type="checkbox"/> Against
<input type="checkbox"/> Darla Doright	<input type="checkbox"/> Charles Careful		

DO NOT INCLUDE BILL!
Any payment in this envelope will not be
credited until after election.

Charles Careful
123 Best Street
Anywhere, TC 12345-6789

POSTAGE

Best-In-Texas Water Supply Corporation
P.O. Box 9021
Funtimes, Texas 75323

Member Account No. _____

SANDFLAT WATER SUPPLY CORPORATION

2012 Board of Director Candidate Information

Board Position

Bea Better	Water System Member Since: 2001
<p>Previous Board of Director Experience: Former Vice President of Somewhere Women in Business</p> <p>Business/Government Experience: Owner of Better Insurance Company</p> <p>Education: Graduated from Texas State University in 1985 with a Bachelor of Science degree</p> <p>Personal Statement: With nine years in the insurance industry, I understand the importance of strong internal controls, proper oversight and full financial reporting. Combined with my other corporate experience gained from employment and consulting services, I can assist in the development of excellent policies for the employees of the Corporation.</p>	

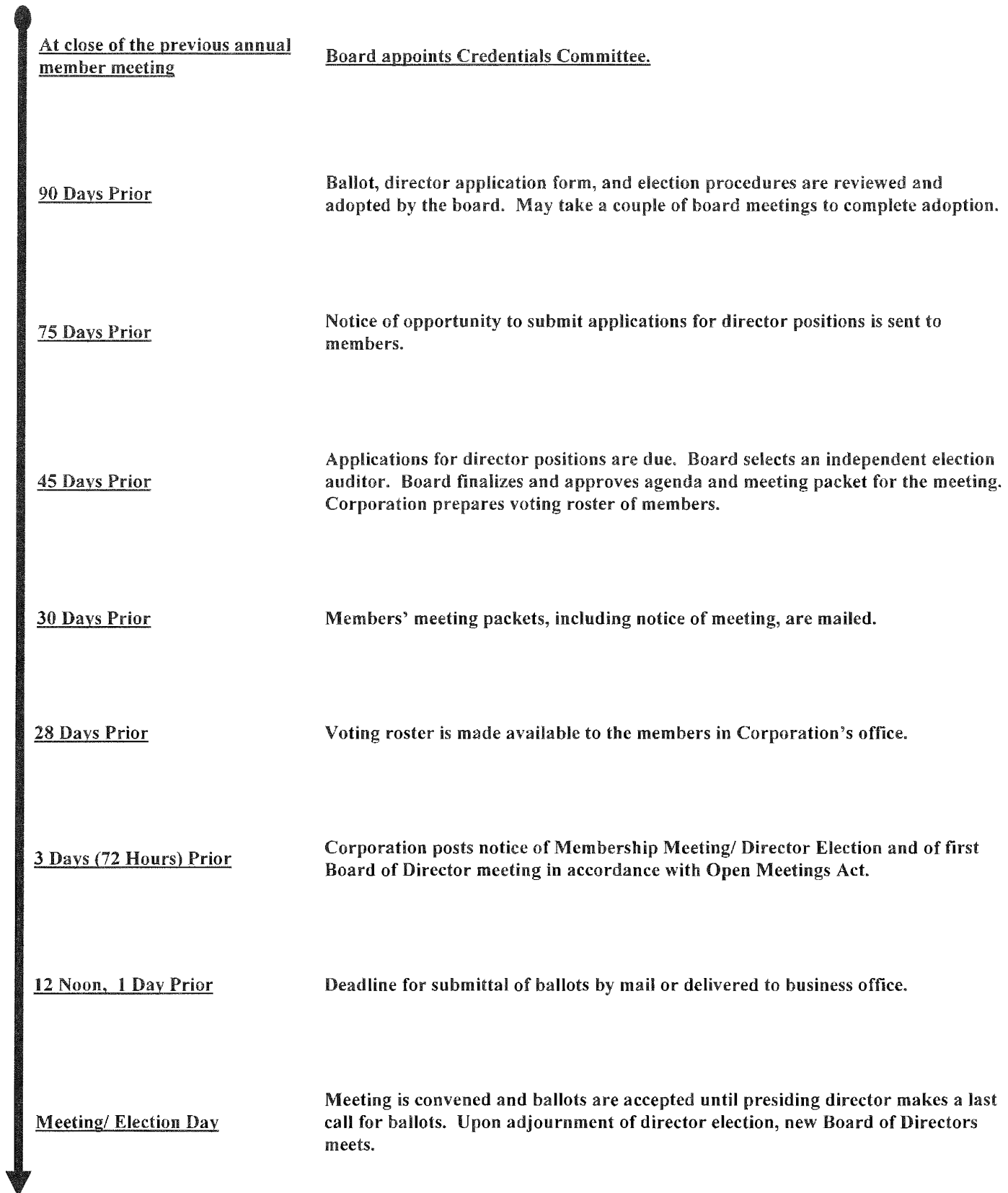
Board Position

Charles Careful	Water System Member Since: 1995
<p>Previous Board of Director Experience: Board Member, Best-in-Texas Water Supply Corporation, President; Somewhere Lions Club</p> <p>Business/Government Experience: Served in the United States Air Force and the Texas Air National Guard. Own and Operate Careful Construction</p> <p>Education: BS Business and Management - University of Texas</p> <p>Personal Statement: As one of three reform directors elected in 2009, I initiated the first budget for this water system and the first internal control function. The results of the new budget have been very impressive – we have been able to reduce costs even while the system is growing. I welcome the opportunity to continue to work towards our goal of providing low cost water while maintaining high standards of reliability and customer service.</p>	

Board Position

Alice Alright	Water System Member Since: 1990
<p>Previous Board of Director Experience: None</p> <p>Business/Government Experience: Corporate human resources, followed by 20+ years as a business entrepreneur-retail/rental</p> <p>Education: Bachelor of Business Administration Texas A & M University</p> <p>Personal Statement: The water system should be run for the benefit of the members delivering the best service at the lowest feasible price while being operated as transparently as possible. I will bring straight-forward common sense business practices to obtain this goal.</p>	

ATTACHMENT 7: TIME LINE FOR EVENTS LEADING UP TO MEMBER MEETING/ DIRECTOR ELECTION



Appendices

JOB DESCRIPTION

PRESIDENT

SUMMARY:

The President serves as the chief elected officer, representing the entire membership and the best interests of the Corporation. Exercises personal leadership in the motivation of other officers, board members, and membership. Influences the establishment of goals and objectives for the Corporation during the term of office. Acts as spokesman and takes an active role in monitoring and evaluating organizational performance and effectiveness. Works in close partnership with the General Manager and other Board members.

SPECIFIC RESPONSIBILITIES:

- Shall be responsible to the Board of Directors and to the membership for seeing that the activities, programs and policies of the Corporation adequately reflect the needs of the membership.
- Shall preside at all meetings of the Board of Directors. Prepares the meeting agenda and coordinates reports to the Board and Membership with the General Manager.
- Shall see that the Board of Directors and Committee Chairman are kept fully informed on the conditions and operations of the Corporation.
- Shall work with the General Manager in seeing that basic policies and procedures are planned, formulated and presented to the Board of Directors that will further the goals and objectives of the Corporation.
- Shall appoint the chairman and members of committees, task force and/or special committees as approved by the Board of Directors, outlines the purpose and duties of these committees, and monitors their progress. Serves as an ex-officio member of all committees.
- Shall see that the tariff, board policies, strategic plan and organizational structure of the Corporation are reviewed annually with the General Manager and Board.
- Shall support and defend the activities, policies and programs which are adopted by the Board of Directors.
- Shall promote the interest and active participation of the membership in the Corporation's activities and shall present an annually report to the membership as to the plans and ongoing activities of the Board and the Corporation.
- Shall assure in cooperation with the General Manager that the Corporation is in full compliance with all state and federal laws, rules and regulations.
- Shall act as a spokesperson for the Corporation to the press, the public, legislative bodies and related organizations.

JOB DESCRIPTION

VICE PRESIDENT

SUMMARY:

The Vice President works closely with the President to accomplish the goals and objectives of the Corporation, and shall perform the duties of the President in the event of his inability or refusal to act and when so acting he shall have all the powers and be subject to the same restrictions as the President.

SPECIFIC RESPONSIBILITIES:

- Shall assist the President in performing his/her duties.
- Shall assist and coordinate the work of the various Committee Chairman to assure proper dissemination of information regarding their activities to the President, General Manager, Board of Directors, and membership.
- Shall promote the interest and active participation of the membership in the Corporation's activities.
- Shall serve as a member of the Finance Committee.
- If necessary, shall act as a spokesperson for the Corporation to the press, the public, legislative bodies, and related organizations on behalf of the President.
- Shall have such duties and exercise such powers as may from time to time be assigned to him by the President and/or Board of Directors.

JOB DESCRIPTION

TREASURER

SUMMARY:

The Treasurer shall serve as the chief financial officer of the Corporation and is responsible for assuring that adequate records of all financial transactions are maintained and properly audited. Works in close partnership with the General Manager.

SPECIFIC RESPONSIBILITIES:

- Shall perform all duties and responsibilities specifically outlined for the Treasurer in the Bylaws and Board Policies.
- Shall serve as chairman of the Finance Committee and be responsible for preparing and recommending an annual budget for Board approval.
- Shall present an annual report to the membership on the financial condition of the Corporation.
- Shall work with the General Manager to see that sound financial plans of organization and administration are implemented.
- Shall review all Board action items requiring expenditure of funds as to their impact on the budget and cash position of the Corporation.
- Shall co-sign all vouchers and checks with the General Manager.
- Shall assure that an independent annual audit is performed and that the Board and membership are provided a copy to review. Shall work closely with the Auditor and General Manager to assure all financial records and assets of the Corporation are properly identified and accounted for.
- Shall perform such other duties and have such other powers as from time to time may be assigned to him/her by the President and/or Board of Directors.

JOB DESCRIPTION

SECRETARY

SUMMARY:

The Secretary shall serve as an officer of the Corporation and is responsible for performing all duties required of him by the President or Board of Directors. The Secretary acts as the recording secretary for all meetings of the Corporation. Works in close partnership with the General Manager.

SPECIFIC RESPONSIBILITIES:

- Shall assist the President in performing his/her duties.
- Shall promote interest and active participation of the membership in the Corporation's activities.
- Shall have such duties and exercise such powers as may from time to time be assigned to him by the Board of Directors.
- Shall formulate, plan and recommend basic policies pertaining to the protection of all Corporation records, assets, and governance documents.
- Shall see that adequate minutes and records of the Corporation meetings are maintained and protected.

SANDFLAT WATER SUPPLY CORPORATION

GENERAL MANAGER JOB DESCRIPTION

Job Summary:

The General Manager, under the supervision of the Board of Directors, performs a wide variety of tasks necessary for the efficient production and distribution of water in sufficient quantity and quality to meet customer demand. As the chief administrative officer of the Corporation, the General Manager carries out all directives, policies and procedures set forth by the Board and is responsible for organizing and directing the work of all staff members. The General Manager also ensures that all legal and regulatory requirements of the Corporation are being met, serves as the primary point of contact for consultants and government agencies, oversees the financial affairs of the Corporation and performs all other duties as assigned by the Board.

Education and Experience

- A minimum of a high school diploma or equivalent (or an Associates or Bachelors degree)
- A Class "C" or higher Groundwater Operator Certification
- Five or more years experience working on a ground water system.
- Two or more years supervisory experience.
- Two or more years experience working with the Texas Natural Resource Conservation Commission.
- Two or more years experience working with independent contractors.

Operational Duties

- Ensures compliance with Texas and federal EPA water quality standards.
- Maintains routine and state mandated water sampling records and prepares production and treatment reports.
- Provides monthly oral and written reports to the Board regarding utility status and needs.
- Ensures that an adequate inventory of materials, supplies and equipment is maintained.
- Supervises routine maintenance and inspection of equipment; performs and/or supervises repairs, adjustments, maintenance and/or replacement of pumps, electric motors, meters, and chemical feeders; and maintains proper records of all maintenance and repairs.
- Calculates water loss figures.
- Responds to emergency conditions according to standard procedures.

Managerial, Financial and Administrative Duties

- Supervises all office and field employees.
- Oversees and when necessary directs the activities of contracted labor.
- Develops estimates for recommended purchases of goods and services.
- Maintains all financial records, revenues and expenditures.
- Ensures that all receipts are properly documented and deposited in a timely manner.
- Ensures the timely payment of all system debts and obligations and tracks revenues and expenditures in relation to the adopted budget.
- Maintains all system files and records, including: operational and maintenance records; sanitary surveys, charter, By-Laws, CCN, sampling results, tariff and/or other Board adopted policies, contracts, Board minutes, and others as needed and as appropriate.
- Oversees requests for service to ensure compliance and the application of all system policies.
- Ensures all collections are made in a fair and equitable manner and termination policies are applied according to board policies.
- Handles customer inquiries and complaints related to water service.
- Participates with the Board and consulting engineers in planning system improvements and expansion.
- Assists with the posting of notification of all Board meetings
- Assists in the development of the annual budget.
- Works closely with engineers, contractors, local elected officials, state regulatory and financing agencies and (when necessary) the media.

Required Knowledge and Skills

- Extensive knowledge of the methods, practices, tools, and materials used in the operation, maintenance and repair of water production, treatment, storage and distribution equipment and machinery.
- Thorough knowledge of the equipment and procedures used in installing and repairing water mains and service meters.
- Knowledge of safety regulations for employees and the public, including chlorine and other chemical hazards.
- Ability to plan, organize and supervise the operation, maintenance and repair of the utility's storage, treatment and distribution systems and the organizational skills necessary for scheduling daily activities.
- Ability to prepare concise and accurate records and reports.
- Ability to help develop and implement the utility's policies and procedures.
- Physical stamina and no physical limitations on lifting.
- Skills in public relations and handling customers' questions and complaints.
- Ability to understand and follow complex oral and written instructions.
- Ability to communicate effectively orally and in writing.
- Ability to effectively supervise the work of subordinates.
- Demonstrated fiscal management ability

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**INVESTMENT POLICY
SANDFLAT WATER SUPPLY CORPORATION**

Adopted June 25, 2013

I. POLICY STATEMENT

It is the policy of the Sandflat Water Supply Corporation (the "Corporation") that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the Corporation and conforming to the Public Funds Investment Act (the "Act") Texas Local Government Code 2256.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the Corporation to be in complete compliance with local law and the Texas Public Funds Investment Act (the "Act"). The earnings from investment will be used in a manner that best serves the interests of the Corporation.

II. SCOPE

This investment policy applies to all the financial assets and funds of the Corporation. The Corporation commingles its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity. The individual funds are defined in the Corporation's Annual Financial Report and include any new funds created by the Corporation unless specifically exempted by the Corporation Board and this policy.

III. OBJECTIVES AND STRATEGY

It is the policy of the Corporation that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield. Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high-grade government investments and high-grade, money market instruments is designed to assure the marketability of those investments should liquidity needs arise. To match anticipated cash flow requirements the maximum weighted average maturity of the overall portfolio may not exceed six months.

Safety of Principal

Safety of principal is the foremost objective of the Corporation. Investments of the Corporation shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

Liquidity

The Corporation's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Diversification

Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding will be used on each sale and purchase.

Yield

The Corporation's investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the Corporation's risk constraints and the cash flow needs of the portfolio. The Corporation will use the average yield of the six month U.S. Treasury Bill during the same period as its benchmark for risk.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The Corporation shall maintain a comprehensive cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Local Government Code, (the "Act"). The Act is attached as Exhibit A. All investments will be made in accordance with this statute. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits.

V. DELEGATION OF INVESTMENT AUTHORITY

The Corporation Board will by resolution or order designate the Investment Officer(s) for the Corporation. The Chief Financial Officer, acting on behalf of the Corporation Board, has been designated as the Investment Officer of the Corporation and is responsible for investment management decisions and activities. The Board retains ultimate fiduciary responsibility. The Investment Officer is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include reference to safekeeping, wire transfer agreements, banking services contracts, and other investment related activities.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.

Authorization Resolution

The Board resolution designating the Investment Officer authorizes the Investment Officer to engage in investment transactions, deposit, withdraw, wire funds for investments, transfer and manage funds on behalf of the Corporation.

Limitation of Personal Liability

The Investment Officer, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived."

VII. INTERNAL CONTROLS

The Investment Officer shall establish written internal controls to be reviewed annually with the independent auditor of the Corporation. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of the Corporation. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act. If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the Corporation until this policy has been amended and the amended version adopted by the Board.

- A. Obligations of the United States Government, its agencies and instrumentalities, not to exceed two years to stated maturity, excluding mortgage-backed securities;
- B. Fully insured or collateralized certificates of deposit from any bank that has its main office or a branch office in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity, to include certificates of deposit purchased through the CDARS program with a Texas bank;
- E. Repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Master Repurchase Agreement is on file with the Corporation and the counterparty bank or primary dealer as defined by the Federal Reserve. Flex repurchase agreements used specifically for capital projects may extend beyond two years but only to match the expenditure plan of the projects;
- F. AAA-rated, no-load, SEC registered money market funds; and
- G. AAA-rated, constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.

Competitive Bidding Requirement

All securities, including certificates of deposit, will be purchased or sold only after three (3) competitive offers/bids are taken to verify that the Corporation is receiving fair market value/price for the investment. The information concerning the competitive prices offered shall be documented on the trade documentation.

Delivery versus Payment

All security transactions, including collateral for repurchase agreements, entered into by the Corporation, shall be conducted on a delivery versus payment (DVP) basis assuring that no Corporation funds are released before the security is received by the custodian.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments made by the Corporation will be made through either the Corporation's banking services bank or approved broker/dealer. The Board will review the list of broker/dealers annually. A list of at least three broker/dealers will be maintained in order to assure competitive bidding.

[Optional Language: The banking services bank will not be used as a broker to assure the perfection of ownership on safekeeping.]

Securities broker/dealers must meet certain criteria as determined by the Investment Officer. The following criteria must be met by those firms on the list:

- proof of certification by the Financial Industry Regulatory Association (FINRA) and provision of FINRA CRD number,
- Corporation certification, and
- proof of current registration with the Texas State Securities Board.

Every broker/dealer and bank with which the Corporation transacts business will be provided a copy of this Investment Policy for review to assure that they are familiar with the goals and objectives of the investment program. A representative of the firm will be required to return a signed certification stating that the Policy has been received and reviewed and that controls are in place to control that only authorized securities are sold to the Corporation.

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the Corporation to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed.

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will normally increase yield, will lock in higher yields, and reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 20% of the portfolio for a period greater than one (1) year. The Investment Officer may not invest any portion of the portfolio for a period greater than two (2) years except in a flex repurchase agreement tied to the expenditure schedule of a bond fund.

XI. SAFEKEEPING AND COLLATERALIZATION

Safekeeping of Corporation Owned Securities

The laws of the State and this Policy require that all purchased securities be cleared to safekeeping on a delivery versus payment (DVP) basis and be held in safekeeping by an independent third party financial institution, or the Corporation's banking services depository.

All safekeeping arrangements shall be approved by the Investment Officer and an agreement of the terms executed in writing. The independent third party custodian shall be required to issue safekeeping receipts to the Corporation listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the Corporation or pledged to the Corporation.

Securities Pledged as Collateral to the Corporation

All securities pledged to the Corporation for all bank time or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization is required on all time and demand deposits over the FDIC insurance coverage. In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest. Collateral will be held by an independent third party custodian. The custodian shall provide a written monthly report directly to the Corporation listing all pledged collateral by description and par at a minimum.

Authorized Collateral

The only types of collateral authorized by the Corporation are:

- Obligations of the US Government, its agencies and instrumentalities including mortgage-backed securities which pass the bank test.
- Obligations of an state or subdivision, city, county, school district of any state which is rated A or better by two nationally recognized rating agencies.

If the depository proposes a collateral pooling program the Investment Officer will review and evaluate the program's risk and cost to the Corporation for presentation to the Board. The pooling of collateral allows a bank to create a pool of securities for collateral purposes for multiple governments and will not result in securities pledged directly/specifically to each government.

XII. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit a monthly report to the Corporation Manager and a quarterly report to the Corporation Board, at a minimum, containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and consistent with statutory requirements. All reports shall be in compliance with the Act.

Market prices for market evaluations will be obtained from an independent source.

XIII. DEPOSITORIES

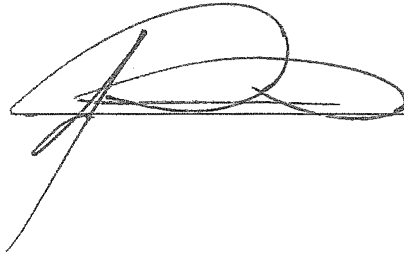
The Corporation will designate one banking institution through a competitive process as its central banking services provider at least every five years. This bank will be used for normal banking services including disbursements, collections, and safekeeping of securities.

Other banking institutions from which the Corporation may purchase certificates of deposit will also be designated as a depository for collateral purposes and shall submit annual financial reports to the Corporation.

XIV. INVESTMENT POLICY ADOPTION BY BOARD

The Corporation's Investment Policy shall be reviewed adopted annually by the Board. The written resolution adopting the Policy shall note any changes to the Policy.

APPROVED BY

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

10 July 13
Date