

**FOUR WAY SPECIAL UTILITY DISTRICT CODE OF ETHICS, TRAVEL
REIMBURSEMENT, PROFESSIONAL SERVICES AND MANAGEMENT POLICY**

These Amended Code of Ethics and Travel, Professional Services and Management Policies (the “Code of Ethics”) are adopted by the Board of Directors of Four Way Special Utility District (the “District”) pursuant to Section 49.199 of the Texas Water Code.

ARTICLE I

DEFINITIONS

Unless the context requires otherwise, the following terms and phrases used in the Code of Ethics and the Policies shall mean the following:

The term “Board” means the Board of Directors of the District.

The term “Director” means a person elected or appointed to serve on the Board of Directors of the District.

The term “District Officials” means District Directors, officers, and employees.

The term “Employee” means any person employed by the District, but does not include independent contractors or professionals hired by the District as outside consultants.

ARTICLE II

CODE OF ETHICS

Section 2.01. Purpose.

This Code of Ethics has been adopted by the District for the following purposes: (1) to comply with Section 49.199 of the Texas Water Code; (2) to encourage high ethical standards of official conduct by District Officials; and (3) to establish guidelines for such ethical standards of conduct.

Section 2.02. Policy.

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

Section 2.03. Qualification of Directors.

- A. To be qualified to serve as a director, a person must be:
At least 18 years old; a resident citizen of this state; and either own land subject to taxation in the district, be a user of the facilities of the district, or be a qualified voter of the district.
- B. A person shall not serve as a Director if he is disqualified by law from doing so. As of the date of adoption of this Code of Ethics, Section 49.052, Texas Water Code, disqualifies certain persons from serving as directors of the District.
- C. Within 60 days after the Board determines that any Director is disqualified from serving on the Board, it shall replace such Director with a person who is not disqualified.
- D. Any Director who is disqualified from serving on the Board under this Section who willfully occupies an office and exercises the duties and powers of that office may be subject to penalties under Section 49.052, Texas Water Code, including possible conviction of a misdemeanor and imposition of a fine.

Section 2.04. Removal of Directors.

The Board by unanimous vote of the remaining Directors may remove a Director from the Board if that Director has missed one-half or more of the regular meetings of the Board scheduled during the prior 12 months. Section 49.052, Texas Water Code.

Section 2.05. Conflicts of Interest.

- A. A Director must not participate in a vote or decision relating to a business entity or real property in which he has a substantial interest unless (i) he has complied with Section 2.05(B) and (ii) the action on the matter will not have a special economic effect on the business entity or the value of the real property distinguishable from the effect on the public, or the majority of the Directors are likewise required to and do comply with Section 2.05(B) on the same official action. A Director must not act as a surety under circumstances when to do so is prohibited by law. As of the date of adoption of the Code of Ethics, Chapter 171, Local Government Code, a copy of which is attached as Appendix "C", regulate conflicts of interest of Directors. Directors violating this Section may be subject to prosecution under Section 171.003, Local Government Code, as a Class A misdemeanor.
- B. A Director who has a substantial interest in any matter involving the business entity or real property shall disclose that fact to the other Directors by Affidavit. The Affidavit must be filed with the Secretary of the Board. An interested Director shall abstain from further participation in the matter as set forth in Section 2.05(A).
- C. The Board shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a Director has a substantial interest. In the event of a separate vote, the Director may not participate in that separate vote, but may vote on a final budget if the Director has complied with this Section 2.05.

Section 2.06. Nepotism.

The Board shall comply with all anti-nepotism laws applicable to the District. As of the date of adoption of this Code of Ethics, Chapter 573, Texas Government Code, is the anti-nepotism law governing the District.

Section 2.07. Acceptance of Gifts.

A District Official may not solicit, accept, or agree to accept any benefit 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 transaction involving the exercise of the District Official's discretion, or any matter before the Board for any decision, opinion, recommendation, vote, or other exercise of discretion in carrying out his official acts for the District as prohibited by law. A District Official who receives an unsolicited benefit that the District Official is prohibited from accepting, may donate the benefit to a governmental entity that has the authority to accept the benefit or to a recognized tax exempt charitable organization formed for educational, religious or scientific purposes. As of the date of adoption of this Code of Ethics, Section 36.08, Texas Penal Code, prohibits gifts to public servants such as the Directors. This Section 2.07 does not apply to the acceptance of (i) an item with a value of less than \$50.00 (excluding cash or a negotiable instrument), and (ii) food, lodging, transportation, or entertainment accepted by the Director as a guest.

Section 2.08. Bribery.

A District Official shall not intentionally or knowingly offer, confer, or agree to confer on another, or solicit, accept, or agree to accept from another, any benefit as consideration when to do so is prohibited by law. Section 36.02, Texas Penal Code, lists the offenses that are considered bribery when committed by District Officials.

Section 2.09. Acceptance of Honoraria.

A Director shall not solicit, accept or agree to accept an honorarium as prohibited by law. Section 36.07, Texas Penal Code, provides the circumstances in which a Director may not accept an honorarium.

Section 2.10. Lobbying.

Should the Texas Ethics Commission by rule require any District Officials directly communication with legislative or executive branch officials to register as lobbyists, District Officials shall comply with such rule. Government Code, Section 305.0051.

The District shall not reimburse from District funds the expenses of any person in excess of \$50.00 for direct communications with a member of the legislative or executive branch unless the person being compensated resides in the district of the member with whom the person communicates or files a written statement which includes the person's

name, the amount of compensation or reimbursement, and the name of the affected political subdivision with the Secretary of State. This provision does not apply to registered lobbyists, a full-time employee of the District or an elected or appointed District Official. Government Code, Section 305.026.

ARTICLE III

TRAVEL EXPENDITURES POLICY

Section 3.01. Purpose.

The District wishes to establish an equitable and reasonable policy for travel expenditures and for the reimbursement to Directors of actual expenses incurred by the Director while engaging in services for the District, including without limitation attendance at District Board meetings as well as at conferences, seminars, meetings (other than Board meetings), bid openings, and other educational gatherings relating to the purposes and functions of the District (collectively, "Conferences"). Conferences include but are not limited to conferences and functions of the Texas Rural Water Association.

Section 3.02. Conference Registration Expenses.

Registration expenses for all Board authorized Conferences shall be reimbursed in full to Directors.

Section 3.03. Lodging and Meal Reimbursements.

Lodging and meal expenses incurred by the Director while attending Conferences may be reimbursed by the District only to the extent that they are determined to be reasonable and necessary under guidelines issued by the Texas Ethics Commission. Chapter 611, Texas Government Code and the Comptroller of Public Accounts for the State of Texas.

Section 3.04. Per Diems.

Directors will not be paid per diems for days spent attending Conferences. Per Diems for attending Conferences, may be reviewed by the Board and adopted by resolution from time to time.

Section 3.05. Transportation.

Reasonable and necessary mileage incurred by a Director in connection with travel to Conferences shall be reimbursed at the per mile rate allowed by the Internal Revenue Service. Air travel costs to and from Conferences shall be reimbursed at the lowest available airfare for the Director only. A Director shall be reimbursed for the reasonable and necessary costs of transportation to and from the airport for the Director only, or for the cost of car rental at the location of the Conference, provided that mileage costs charged to the District shall include only mileage related to travel for District and Conference functions. Costs of parking at the hotel or Conference shall be reimbursed

including the day before and the morning after same. Reasonable and necessary costs of parking at the airport for the days of the Conference also may be reimbursed.

Section 3.06. Verified Statement for Payment of Per Diems and Reimbursement of Expenditures.

In order to receive per diems for attendance at Conferences and to receive reimbursement for travel expenditures, each Director shall file with the District's bookkeeper all related travel expenditures, together with all supporting receipts and invoices.

ARTICLE IV

PROFESSIONAL SERVICES POLICY

Section 4.01. Purpose.

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

Section 4.02. Periodic Review

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

ARTICLE V

MANAGEMENT POLICY

Section 5.01. Purpose.

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

Section 5.02. Accounting Records.

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

Section 5.03. Audit Requirements.

A. The District's fiscal accounts and records shall be audited annually, at the expense of the District, in accordance with State law governing the audits of the District by a certified public accountant or public accountant holding a permit from the Texas State Board of Public Accountancy familiar with the Texas Commission on Environmental Quality's rules, regulations, standards and guidelines applicable to water district audits.

B. The audit shall be completed and filed within the time limits established by the Audit Laws. Copies of the District's annual audit report shall be filed with the Texas Commission on Environmental Quality and together with an annual filing affidavit in the form prescribed by Audit Laws

Section 5.04. Audit Committee.

The Board will be the audit committee and at a minimum review annually the District's financial status. The Board shall monitor variances from the District's budget, and shall make recommendations thereon to the General Manager. The General Manager shall also review the District's audits, and shall make recommendations thereon to the Board.

Section 5.05. Publication of Financial Statement.

The Board shall make available to the public annually a financial statement of the District.

Section 5.06. Budget.

The District shall annually adopt a budget for use in planning and controlling District costs. Such budget shall take into consideration all District revenues, including, but not limited to, utility fees, standby fees, impact fees, and all projected District obligations and expenditures. The budget may be amended at any time.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Gender.

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

Section 6.02. Superseding Clause.

These Amended Code of Ethics and Policies supersedes the prior Code of Ethics and Policies adopted by the Board of Directors.

Adopted on the 12th day of June, 2007.

James E. Eaves
President

Judy Runnels
Secretary/Treasurer

Tommy Carswell
General Manager & Deputy Sec/Treasurer