

WILLIAMSON-TRAVIS COUNTIES  
MUNICIPAL UTILITY DISTRICT NO. 1

CODE OF ETHICS AND FINANCIAL MANAGEMENT, TRAVEL  
AND PROFESSIONAL SERVICES POLICY

ADOPTED AUGUST 17, 2011

ARTICLE I  
DEFINITIONS

- 1.01. Board. "Board" means the Board of Directors of the District.
- 1.02. Business Entity. "Business Entity" means a sole proprietorship, partnership, firm, corporation, holding company, joint stock company, receivership, trust or any other entity recognized by law through which business is conducted.
- 1.03. Commission. "Commission" means the Texas Commission on Environmental Quality.
- 1.04. Director. "Director" means a person elected or appointed to serve on the Board of Directors of the District.
- 1.05. District. "District" means Williamson-Travis Counties Municipal Utility District No. 1.
- 1.06. Employee. "Employee" means a person or Business Entity performing work for or on behalf of the District, including any consultant providing services as an independent contractor.
- 1.08. State Auditor. "State Auditor" means the auditor of the State of Texas.
- 1.09. Water Code. "Water Code" means the Texas Water Code, as amended from time to time.

ARTICLE II  
CODE OF ETHICS

2.01. Statement of Policy. This Code of Ethics and Financial Management, Travel and Professional Services Policy (this "Policy") is adopted pursuant to Section 49.199 of the Water Code. It is acknowledged that the subject matter of this Policy is addressed by other statutes of the State of Texas, including those governing public meetings, public records, audits, financial management, disqualifications of Board members, conflicts of interest, self-dealing and illegal and corrupt practices. This Policy is not intended to supersede or summarize other provisions of applicable law. The purpose of this Policy is to provide guidance to District Representatives so as to instill and maintain in the public a high level of confidence in the professionalism, integrity and commitment

to the public interest of those in public service.

2.02. Standards of Conduct.

A. No District Director, Officer, Employee or Investments Representative may transact any business in an official capacity with any person or Business Entity with whom or in which the individual has any interest, whether direct or indirect.

B. No District Director, Officer or Employee may represent, directly or indirectly, themselves or any private person, Business Entity, group or interest before the Board, except in matters of purely public concern, when doing so without compensation or remuneration.

C. If any District Director or Officer has a personal pecuniary interest, direct or indirect, in any decision pending before the Board, the Director or Officer may not discuss or otherwise participate in the consideration of the matter, nor may the Director or Officer vote on the matter, but the Director or Officer must publicly disclose the nature and extent of the interest in the official records of the District prior to any determination of the matter, and abstain from the vote.

2.03. Annual Reporting Statement.

Each Director must prepare and file an annual reporting statement which must include the following information:

A. Identification of any person, business entity or other organization interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of the Director's discretion from whom the Director has, during the preceding fiscal year, received a gift of money or property which exceeds \$50.00 in value, or a series of gifts of money or property, the total of which exceeds \$250.00 in value received from the same source, and a description of each gift, except gifts received from persons related to the Board member within the second degree of consanguinity or affinity.

B. Identification of any person, business entity or other organization interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of the Director's discretion from whom the Director has, during the preceding fiscal year, accepted a benefit consisting of food, lodging, transportation or entertainment valued in excess of \$50.00, or a series of benefits consisting of food, lodging, transportation or entertainment valued in excess of \$250.00, and a description of such food, lodging, transportation or entertainment.

The financial statement must be in a form prepared by the attorney for the District, and approved by the Board. Two copies of the form will be mailed to each Director on or before the last day of the District's fiscal year. The financial statement must be completed by each Director, verified by the Director, and filed with the District's auditor and with the custodian of the records of the District within thirty (30) days after the end of the District's fiscal year. One (1) copy of the reporting

statement will be maintained in the records of the District, and will be open to inspection by the public.

ARTICLE III  
FINANCIAL MANAGEMENT

3.01. Financial Records. District financial records will be prepared on a timely basis and maintained in an orderly manner and in conformity with generally accepted accounting principles. The records will be available for public inspection during regular business hours at the District's office.

3.02. Audit Requirements.

A. The District's fiscal accounts and records will be audited annually, at the expense of the District, by a certified public accountant, a public accountant holding a permit from the State Board of Public Accountancy. District audits will be performed according to generally accepted auditing standards adopted by the American Institute of Certified Public Accountants, and conform, at a minimum, to the following guides:

- (1) any accounting and auditing manuals adopted by the Executive Director of the Commission;
- (2) "Audits of State and Local Government Units;" and
- (3) "Governmental Accounting and Financial Reporting Standards."

B. Within one hundred thirty-five (135) days after the close of the District's fiscal year, a copy of the District's annual audit report will be filed with the Executive Director of the Commission, together with an annual filing affidavit in the form prescribed by Section 49.194 of the Water Code. In the event the Board refuses to approve the annual audit report, the District shall file a statement with the audit which explains the reasons for disapproval of the audit.

3.03. Audit/Finance Committee. The Board will establish an audit committee comprised of one or more of its Directors, together with any Employees the Board may deem appropriate, and the committee will conduct, at a minimum, an annual review of the District's financial status. The audit committee will monitor variances from the District's budget, and will make recommendations to the Board. The audit committee will also review the annual District audit, and will make recommendations to the Board.

3.04. Budget. The District will adopt, at least annually, a budget for use in planning and controlling District costs. The budget will take into consideration all District revenues, including, but not limited to, utility fees, taxes and surcharges, if any, and all projected District obligations and expenditures.

ARTICLE IV  
TRAVEL EXPENDITURES

4.01. Board Approval Required. Reimbursement for travel expenditures incurred by a Director upon behalf of the District will be subject to approval by the Board.

4.02. Verified Statement. Any Director desiring reimbursement for travel expenditures must present a verified statement to the Board, together with all supporting receipts and invoices.

4.03. Travel Reimbursement. There will be no reimbursement for travel associated with regular Board meetings or regular committee meetings that are held at the District Office at 1000 Old Mill Road. Subject to the requirements of Section 4.01 and 4.02 hereof, mileage at the current federal rate per mile will be reimbursed if such travel is in connection with attendance at a committee or Board meeting held in a location other than the District Office at 1000 Old Mill Road or out of town travel in connection with a special board meeting. The mileage for travel associated with attendance at a committee meeting or Board meeting held at a location other than the District Office at 1000 Old Mill shall be calculated as though the Director started at the District Office at 1000 Old Mill and traveled to the meeting location and then back to the District Office at 1000 Old Mill or the actual mileage whichever is less. If a special Board meeting necessitates out of town travel, mileage at the current federal rate per mile will be reimbursed for travel up to 300 miles. If such out of town travel necessitated by a special board meeting is over 300 miles, air fare (at tourist/coach rates) and taxi fare will be reimbursed. If a Director anticipates the need to incur out of town travel expense to attend a proposed or scheduled special Board meeting, such Director shall notify the President of the Board in advance so that the President can determine if the special Board meeting should be rescheduled.

4.04. Conference and Seminar Policy. Subject to prior Board approval and compliance with the other requirements of this Code of Ethics, each Director who attends a conference, business meeting or seminar related to District business will be entitled to be reimbursed for travel, lodging and meal expenses associated with such attendance, as follows:

A. Travel Expenses. Transportation costs, including but not limited to, airfare, car rental, taxi fare and parking incurred while on official District business will be reimbursed based upon the costs actually incurred by the Director; however, reimbursement for transportation on a common carrier will be limited to tourist/coach rates. Mileage reimbursement for transportation by personal automobile will conform to Internal Revenue Service Regulations.

B. Lodging Expenses. Lodging expenses will be reimbursed based upon costs actually incurred by the Director. The Board has determined that a lodging expense is reasonable and necessary if it does not exceed 150% of the maximum lodging rate set forth in the publication by the Internal Revenue Service for Per Diem Rates for Travel within the Continental United States, Publication 1542, or any subsequent publication of such per diem rates. Any lodging expenses exceeding the foregoing per diem rates established by the Internal Revenue Service, will be

considered by the Board on a case by case basis to determine if they are reasonable and necessary given the location and circumstances.

C. Meal Expenses. The Board has determined that a meal expense is reasonable and necessary if it does not exceed 150% of the maximum meal rate set forth in the publication by the Internal Revenue Service for Per Diem Rates for Travel within the Continental United States, Publication 1542, or any subsequent publication of such per diem rates. Any meal expenses exceeding the foregoing per diem rates established by the Internal Revenue Service, will be considered by the Board on a case by case basis to determine if they are reasonable and necessary given the location and circumstances.

D. Excluded Expenses. Expenses that are of a personal nature or are not reasonable or necessary to the District business will not be paid or reimbursed by the District.

## ARTICLE V PROFESSIONAL SERVICES

5.01. Selection. Employees or consultants retained to provide professional services to the District, including, but not limited to, legal, engineering, management, accounting and tax collection services, will be selected based upon their professional qualifications and the majority vote of the Board of Directors. In selecting attorneys, engineers, auditors, financial advisors or other professional consultants, the District will follow the procedures required by Subchapter A, Chapter 2254, Texas Government Code (Professional Services Procurement Act).

5.02. Bond. The Board will require any Employee who handles District funds to provide a bond, as determined by the Board, and in accordance with the requirements of Section 49.075(e) of the Water Code.

5.03. Review. The performance of all Employees providing professional services to the District will be regularly monitored and will be reviewed and evaluated at least annually by the Board, or more frequently upon the request of any Director.

5.04. Professional Services Invoices. All Employees rendering professional services to the District on a regular basis, including legal, engineering and management services, will submit monthly invoices which contain a detailed itemization, on a daily basis, of the services rendered and other information as the Board may request.

ADOPTED the 17<sup>th</sup> day of August, 2011.

WILLIAMSON-TRAVIS COUNTIES  
MUNICIPAL UTILITY DISTRICT NO. 1

By: Linda Garrett  
Linda Garrett, President  
Board of Directors

ATTEST:

Lutz Zervigon  
Lutz Zervigon Assistant Secretary  
Board of Directors

[DISTRICT SEAL]