

**BRUSHY CREEK MUNICIPAL UTILITY
DISTRICT SAFEKEEPING OF ASSETS
POLICIES**

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**BRUSHY CREEK MUNICIPAL UTILITY
DISTRICT
ORDER NO. 25-0123-04**

**ORDER AUTHORIZING GENERAL MANAGER TO APPROVE CERTAIN
EXPENDITURES AND CONTRACTS; PROVIDING FOR THE DISBURSEMENT OF
DISTRICT FUNDS; PROVIDING FOR PURCHASING, CAPITALIZATION,
FINANCIAL REPORTING, VOIDING OF CHECKS AND SURPLUS PROPERTY
DISPOSITION POLICIES; DELEGATING CHANGE ORDER APPROVAL
AUTHORITY TO THE GENERAL MANAGER; AND CONTAINING OTHER
MATTERS RELATING TO THE SAFEKEEPING OF DISTRICT FUNDS**

THE STATE OF TEXAS §

COUNTY OF WILLIAMSON §

WHEREAS, Brushy Creek Municipal Utility District (the "District") is a duly created and existing municipal utility district created and operating under Chapters 49 and 54 of the Texas Water Code, as amended;

WHEREAS, the Board of Directors is responsible for the management of District assets and funds;

WHEREAS, the Board of Directors desires to institute adequate controls for the safekeeping of District funds yet allow for the timely payment of bills and conduct of District business by the District's General Manager;

WHEREAS, Section 49.151 of the Texas Water Code provides that by resolution, the board of directors of a water district may allow the general manager, treasurer, bookkeeper, or other employee of the water district to sign disbursements;

WHEREAS, Section 49.056 of the Water Code provides that the board of directors of a water district may delegate to the general manager full authority to manage and operate the affairs of the district subject only to the orders of the board; and

WHEREAS, in accordance with the Texas Water Code, the Board of Directors desires to authorize its General Manager and Accounting Manager to sign certain disbursements; to authorize the General Manager and Accounting Manager to approve certain expenditures of District funds and contracts subject to certain limitations; to adopt purchasing, capitalization and financial reporting policies; to adopt voided check and surplus property disposition policies; and to otherwise institute additional internal controls for the safekeeping and protection of public funds and property.

**NOW THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT THAT:**

1. The facts and recitations found in the preamble of this Order are hereby found and declared to be true and correct, and are incorporated by reference herein and expressly made a part hereof, as if copied verbatim.
2. The General Manager in coordination with the Accounting Manager of the District shall establish, maintain

and enforce an internal control structure designed to ensure all District assets are protected from loss, theft, or misuse. The internal controls shall address, without limitation, the following concerns:

- a. Control of collusion;
 - b. Separation of transaction authority from accounting and records keeping;
 - c. Compliance with the District's Investment Policy;
 - d. Written confirmation of telephone transaction for investment and wire transfers;
 - e. Compliance with District's purchasing procedures; and
 - f. Performance of an independent annual compliance audit of management controls and adherence to this Order
3. For purposes of this Order, a "disbursement" is the discharging by making payment of a liability, debt, accounts payable, transfer, or other obligation previously approved by the Board of Directors or General Manager of the District. An "expenditure" represents the prior approval of the liability, debt or other obligation to be discharged by disbursement.
4. Banking and Investment Authority:
- a. In accordance with section 49.156 of the Texas Water Code, the Board of Directors of the District shall designate one or more banks or savings associations within the State of Texas to serve as the depository for the funds of the District. The designation of depositories shall be evidenced by written resolution adopted by the Board of Directors at a duly authorized meeting.
 - b. The General Manager in coordination with the Accounting Manager is hereby directed to ensure that signature cards for all District depository accounts contain current information and only the names of those individuals authorized to conduct business on behalf of the District.
 - c. In accordance with Section 49.157 of the Texas Water Code, the Board of Directors of the District has authorized its Investment Officers to invest and reinvest the funds of the District, and to withdraw money from the District's accounts for such investments, in authorized investments of the District, as identified in the District's Investment Policy.
5. Disbursement Authority:
- a. Except as otherwise provided by this Order, all disbursements of District funds shall require the signature of either (i) the General Manager and Accounting Manager; or (ii) the General Manager or Accounting Manager, plus two members of the Board of Directors (one of whom is preferably the Board Treasurer or Assistant Treasurer): (iii) three Directors (one of whom is preferably the Board Treasurer or Assistant Treasurer)
 - b. In the event the General Manager or Accounting Manager is unavailable to sign for disbursements of District funds, the Administration Manager is authorized to sign in their absence.

- c. If a vacancy exists in one of the two employee positions that are authorized to sign disbursements, the Board may designate an alternate employee to have temporary check signing authority until such time as the vacancy is filled.
- d. Credit card transactions and payroll disbursements made through direct deposit are subject to the terms of this Order and the District's Purchasing Procedures.
- e. Non-payroll checks made payable to any employee of the District may not be signed by the employee receiving the check.
- f. Checks made payable to any Director of the District for director's fees or reimbursement of expenses may not be signed by the Director receiving the check.
- g. Directors may participate in the District's payroll direct deposit program.
- h. Checks in excess of \$60,000 require the signature of at least one Board member except for disbursements identified in Section 7.c and 7.d. below.
- i. All disbursements, whether in check or electronic form, shall be supported by a disbursement report signed or initialed by the individual authorizing the disbursement (with the exception of merchant service provider processing fees).

6. Electronic Transfers:

Except as authorized below, the electronic transfer of District funds is prohibited:

- a. District funds may be transferred between District accounts only upon prior authorization of:
 - (i) any two of the following: the General Manager, the Accounting Manager, the Treasurer of the Board of Directors, or the Assistant Treasurer of the Board of Directors, or
 - (ii) as directed by the Board of Directors.
- b. District funds may be transferred for authorized investments, as identified in the District's Investment Policy, only upon prior approval of two Investment Officers of the District. All Investment Officers of the District shall be given notice of the proposed transfer of District funds for investment purposes, and the transfer of such funds shall require the written authorization of two Investment Officers.
- c. Principal and interest payments for debt service on District bonds may be made by electronic funds transfer from the District's debt service fund directly to the paying agent's account upon prior approval of the General Manager, Accounting Manager or a member of Board of Directors.
- d. Refunds to customers who provide payment for services or programs electronically (including by credit card) may be made in accordance with the following procedures and authorization:
 - i. The Customer Service Supervisor, Recreation Administrative Assistant, and Recreation Shift Leads may authorize same-day electronic refunds in an amount not to exceed \$100. In all cases, the prior approval of the Administration

Manager, General Manager, or authorized designee is required as a condition of approval for such refunds; and

- ii. All other same-day electronic refunds to customers require the prior approval of the General Manager, Accounting Manager or General Manager's authorized designee.
 - e. District funds may be transferred electronically for payment of expenditures in accordance with the same requirements, controls and limitations set forth in Paragraph 5 above applicable to other disbursements.
 - f. Prior notice of all proposed electronic fund transfers to external accounts other than payroll, bond payments, merchant service processing fees, and payments to governmental authorities shall be given to the Board.
 - g. Payroll taxes and other payments to government entities that are required to be transmitted electronically are permitted.
 - h. A report identifying all electronic fund transfers (including all electronic disbursements) shall be prepared and furnished by the Accounting Manager to the Board not less than monthly.
 - i. Payroll and benefits direct deposits for employees and Board members may be made electronically only upon prior authorization of the General Manager and Accounting Manager. In the event that either the General Manager or the Accounting Manager is unavailable, a Board member who does not have a pay request pending may provide one of the required authorizations.
7. General Manager and Employee Expenditure Authority: Except in accordance with the terms and conditions set forth in this Section 7, all expenditures of District funds shall require the prior approval of the Board of Directors of the District.
- a. Except as otherwise provided in this Section 7, the District's General Manager and any employee delegated expenditure authority by the General Manager under Section 8 below may approve expenditures of District funds in an amount not to exceed \$60,000 provided the proposed expenditure is of a type or for a purpose included within the District's then current fiscal year budget and meets the following stipulations:
 - i. No expenditure may result in an exceedance of more than 10% and \$10,000 of the total budgeted expense for any expense category within any "Cost Center" of the District, as identified in the District's then current fiscal year budget. Any expenditure that would result in such an exceedance must be approved by the Board of Directors of the District. Such approvals will be reflected in the next amendment of the District's then-current fiscal year budget;
 - ii. The District shall consolidate like purchases when possible in order to maximize cost savings; and
 - iii. No person may break down any proposed expenditure into components for the purpose of avoiding limitations on his or her expenditure authority.
 - b. An employee may approve expenditures of District funds in accordance with any specific authorization granted by the Board of Directors of the District during a Board meeting.

- c. The General Manager may approve expenditures of District funds in any amount as may be necessary to respond to emergency conditions that potentially threaten the health, safety or welfare of District customers, residents, or employees for which immediate corrective action is necessary. If the General Manager is unavailable, the Accounting Manager may approve the expenditures of funds to respond to an emergency. Notification of such action shall be presented to the Board and subsequently placed on the agenda for the Board of Directors' next regularly scheduled meeting.
- d. The General Manager and employees delegated expenditure authority under Section 8 below may approve expenditures of District funds regardless of amount for payment of routine operation expenses such as payment of electrical bills, raw water payments to the Brazos River Authority, wastewater treatment and disposal payments to the City of Round Rock, payments to solid waste service providers, and bond payments provided the proposed expenditure is within the District's then current fiscal year budget and does not result in an exceedance of more than 10% and \$10,000 of the total budgeted expense for any budgeted expense category within any "Cost Center" of the District.
- e. All capital expenditures, as defined in Section 18 below, shall be approved by the Board of Directors of the District.
- f. The General Manager and employees delegated expenditure authority shall exercise such authority in a prudent and fiscally responsible manner, and consistent with all applicable policies and orders adopted by the Board of Directors of the District.
- g. All disbursements, transfers, and expenditures approved by an employee shall be identified in the disbursement or other financial reports presented to the Board of Directors.
- h. No person shall exercise his or her expenditure authority so as to avoid or circumvent public, committee or board participation in expenditures or projects that may be of particular interest.

8. Delegation of Expenditure Authority:

- a. The General Manager may delegate expenditure authority granted under this Order to Managers, the Accounting Manager or Administration Manager.
- b. No person with delegated expenditure authority shall approve or make any expenditure that would exceed \$3,000 for the relevant expense category, as identified in the District's then current fiscal year budget, without obtaining the prior approval of the General Manager. Further, the General Manager shall not have the authority to approve any expenditure that would exceed the General Manager's expenditure authority. In all cases, the General Manager shall remain responsible for overseeing and ensuring that authorized personnel exercise any delegated expenditure authority properly, prudently, and in accordance with the terms and limitations of this Order, and the expenditure authorization of any employee is subject to the same limitations applicable to the General Manager's expenditure authority.
- c. In the event of the absence of General Manager, he or she may delegate temporary expenditure authorization to specific personnel such as a Cost Center Manager.
- d. No person with delegated expenditure authority shall approve or make any expenditure that would exceed the budgeted amount for the relevant expense category, as identified in the District's then current fiscal year budget, without obtaining the prior approval of the General Manager. Further, the General Manager shall not have the authority to approve any

expenditure that would exceed the General Manager's expenditure authority. In all cases, the General Manager shall remain responsible for overseeing and ensuring that authorized personnel exercise any delegated expenditure authority properly, prudently, and in accordance with the terms and limitations of this Order, and the expenditure authorization of any employee is subject to the same limitations applicable to the General Manager's expenditure authority.

9. Credit Accounts: Except as set forth below or otherwise approved by the Board of Directors, no credit accounts or credit relationships may be established in the District's name. The General Manager is hereby authorized to open credit accounts and establish credit card usage of non-service relationships on behalf of the District in accordance with the following terms and limitations with approval by the Board of Directors:

a. Purchasing Cards. The Board of Directors hereby finds and declares that Purchasing Cards ("PCards") shall be the preferred form of credit for District expenditures for the following reasons:

- PCards are a fast and flexible tool;
- PCards increase control and efficiency for purchasing and payment for small dollar items;
- PCards reduce the risk of payment fraud;
- PCards increase visibility and oversight of District spending;
- PCards provide rebate revenue potential for the District;
- PCards reduce employee time required to process checks which thereby increases employee efficiency and productivity; and
- PCards reduce the costs associated with printing and distribution of checks

i. The following employees may be issued a Purchasing Card ("PCard") with credit authority not to exceed the referenced limits. Cost Center Managers should review purchase history and could request a temporary increase to daily or individual limits not to exceed the monthly limit as appropriate to enable favoring PCard over direct billing.

Department Managers may issue PCards with lower authority for individual employees:

Title	Monthly Limit	Individual Limit (not to exceed per transaction)	Daily Limit
General Manager	\$10,000		
Administration Manager	\$5,000		
Procurement Specialist	\$2,500		
Accounting Manager	\$5,000		
Administrative Assistant	\$2,000	\$500	\$500
Human Resources Manager	\$5000		\$1,500
Parks and Facilities Manager	\$5,000		
Public Works Administrative Specialist	\$2,500		
Facilities Administrative Assistant	\$1,500		
Safety Coordinator	\$1,500	\$1,000	\$1,000
Information Technology System Administrator	\$3,500	\$1,000	\$1,750
Recreation Manager	\$5,000		
Programs Supervisor	\$3,000	\$1,000	\$1,500

Programs Specialist	\$1,500	\$1,000	\$1,000
Community Events Specialist	\$2,500		
Sports & Fitness Supervisor	\$1,000	\$500	\$500
Recreation Administrative Assistant	\$2,000	\$1,000	\$1,000
Member and Rental Supervisor	\$1,000	\$500	\$500
Aquatic Programs Manager	\$5,000		
Aquatic Supervisor	\$2,000	\$500	\$1,000
District Engineer	\$2,500	\$1,000	\$1,500
Utility Systems Manager	\$10,000		
Public Works Administrative Assistant	\$2,500		
Regulatory Compliance Specialist	\$1,500	\$1,000	\$1,500
Water Facility Supervisor	\$2,000	\$1,000	\$1,000
Water Facility Senior Operator	\$1,500	\$750	\$750
Water Facility Operator	\$250	\$250	\$250
Utility Services Supervisor	\$2000	\$1000	\$1000
Utility Services Technician (I, II, III, & IV)	\$250	\$250	\$250
Property Maintenance Supervisor	\$2,500	\$1000	\$1500
Property Maintenance Technician	\$1,500	\$1,000	\$1,000
Facility Maintenance Specialist (I & II)	\$3,500	\$1,000	\$1,750
Horticulturist	\$1,500	\$1,000	\$1,000

- ii. Each employee that receives a PCard must complete a Purchasing Card Application and have it approved by his or her Department Manager.
- iii. As a condition of receipt and usage of any PCard, all employees must sign a usage agreement furnished by the District.
- iv. All purchases with PCards shall be made in accordance with the terms of this Order and the District's Purchasing Policies.
- v. PCards may not be used for personal or non-District expenditures.
- vi. Credit limits for PCards may only be increased with prior authorization of the Board of Directors.
- vii. PCards are subject to the same limitations as other expenditures, including that they be exercised only for proper purposes of the District and for expenses identified within, and in amounts not in excess of, the expense line item for the employee's department for the then current fiscal year budget.
- viii. PCards are favored for reasons identified in (9)(a), and, to reduce risks associated with employees signing invoices that state payment terms and warranties. The original receipts shall be furnished to the District to evidence the purpose of each payment made by PCard.
- ix. No person may break down any proposed transaction into components for the

purpose of avoiding limitations on his or her credit authority.

- x. Each employee is responsible for safeguarding his or her PCard and is accountable for purchases made using the card.
 - xi. PCards may only be used by the designated employee and may not be shared.
- b. Wex Fleet Account Cards. The following employees are authorized to receive a Wex Fleet Account Card Pin for the purchase of fuel or car washes for District vehicles:

Security Personnel
Security Lead
General Manager
Parks and Facilities Manager
Safety Coordinator
Property Maintenance Supervisor
Property Maintenance Technician
Facility Maintenance Specialist (I & II)
Horticulturist
Recreation Manager
Community Events Specialist
Sports & Fitness Supervisor
Youth & Adult League Specialist
Programs Supervisor
Programs Specialist
Aquatics Supervisor
Aquatic Programs Manager
Head Lifeguard
Head Swim Instructor
District Project Manager
GIS Specialist
Utility Systems Manager
Regulatory Compliance Specialist
Utility Services Supervisor
Utility Services Technician (I, II, III, & IV)
Water Facility Supervisor
Water Facility Senior Operator
Water Facility Operator

Use of Wex Fleet Account Cards are subject to the following restrictions and procedural requirements:

- i. No employee may share his or her Wex Fleet Account Card PIN with any other employee;
- ii. No employee may use the Wex Fleet Account Card PIN of any other employee;

- iii. Wex Fleet Account Cards may only be used for purchase of fuel or car washes for District vehicles and may not be used for purchase of fuel or car washes for private vehicles or for any other private use;
 - iv. Wex Fleet Account Cards must remain in the vehicle to which they are assigned (except for the limited purpose of purchasing car washes or fuel);
 - v. All Wex Fleet Account Card PINs shall be assigned by the Accounting Department only; and
 - vi. Employees that utilize the Wex Fleet Account Charge shall obtain a receipt for all fuel or car wash purchases, and submit the card receipt to the District in accordance with the District's purchasing policies.
- c. Credit Accounts- The Board of Directors hereby approves and authorizes the General Manager to establish credit accounts with vendors and suppliers to the District subject to the following limitations:
- i. The total authorized credit amount for any vendor may not exceed \$20,000 except as approved by the Board;
 - ii. All purchases shall be made in accordance with the terms of this Order and the District's Purchasing Policies; and
 - iii. Credit transactions are subject to the same limitations as other expenditures, including that they be exercised only for proper purposes of the District and for expenses identified within, and in amounts not in excess of, the expense line item for the employee's department for the then current fiscal year budget.
10. General Manager Change Order Approval Authority. Pursuant to the authority set forth at Section 49.273(i) of the Texas Water Code, the Board of Directors hereby delegates to the General Manager authority to approve a change order for a contract that involves an increase or decrease of \$50,000 or less. Such delegated authority is subject to the following limitations:
- a. The General Manager may not approve any change order that would result in an increase in the original contract price by more than 25 percent;
 - b. The General Manager may not approve any change order that would extend the date of completion of a project without Board approval;
 - c. The General Manager's authority shall be exercised only when necessary to prevent project delays that otherwise would be incurred if consideration of the proposed change order was postponed until the next scheduled meeting of the Board of Directors;
 - d. All change order approvals by the General Manager shall be reported to the Board of Directors at its next regular meeting; and
 - e. The General Manager shall not approve any change order that is not recommended for approval by the project engineer with respect to projects that have such an engineer.

11. Cash Handling Procedures. The General Manager and Accounting Manager shall develop and implement cash handling procedures to ensure the appropriate controls are in place to maintain control and safeguarding of all cash and monies held or collected by District employees, including cash received at the Community Center and each swimming pool. Without limitation, the procedures shall provide for the following minimum controls:
 - a. Secure safes shall be installed at each location for safekeeping of cash;
 - b. Access to each safe shall be strictly limited to designated employees;
 - c. The amount of all cash shall be identified at the start of each employee shift;
 - d. The appropriate amount of cash to be maintained at each facility shall be identified, and shall be maintained, such that surplus cash will be removed and properly safeguarded;
 - e. Cash reconciliation logs shall be prepared and maintained on a daily basis; and
 - f. All cash shall be removed and placed into a District safe on a daily basis upon closing District facilities that collect and maintain cash.

12. Contract Authority: The General Manager is hereby authorized to enter into contracts on behalf of the District for a total contract sum (including all goods or services contemplated under the contract) not to exceed \$25,000 subject to the following terms and conditions:
 - a. All contracts must relate to an expense category included within the District's then current fiscal year budget, and the total amount of payment authorized under the contract must not exceed the budgeted line item amount for the budgeted expense category to which the contract relates;
 - b. All contracts must be reviewed in advance by legal counsel to the District unless legal counsel has previously reviewed a substantially similar form of contract.
 - c. Contracts for personal services (excluding temporary contract labor) or professional services shall be approved in advance by the Board of Directors. Professional Services includes those services rendered for or on behalf of the District defined in the Texas Government Code (architecture, accounting, surveying, engineering, appraisal, and legal services, etc.). Temporary contract labor is excluded from this provision and specifically addressed below.
 - d. Contracts for temporary contract labor may be approved by the General Manager provided they are for \$25,000 or less, and do not exceed the total budgeted amount for contract labor in the District's fiscal year budget. Any contract for temporary contract labor in excess of \$5,000 shall be reported to the Board of Directors at its next regular meeting, and all such contracts that commit the District to potential expenditures in excess of \$5,000 and that are not approved by the Board of Directors must be terminable at will by the District.
 - e. Contracts shall not be for a term longer than twelve months unless approved by the Board of Directors.
 - f. All goods and services contemplated under a contract, regardless of the date of performance or schedule for payment under the contract, shall be considered for purposes of calculating

the amount of a contract and whether it falls within the authorization granted by this Order. A transaction or project shall not be broken down into component contracts for purposes of avoiding the limitations established by this Order.

- g. Notwithstanding the limitations of this section, the General Manager is authorized to sign any contract that has been approved, or as otherwise authorized, by the Board of Directors in a public meeting.
 - h. The General Manager's contract authority may not be delegated to any other employee or person. As a result, no other employee may contractually obligate the District or execute a contract on behalf of the District.
13. Invoice Review and Approval: In connection with the review and processing of all invoices for payment for goods and services by contractors and vendors, the Accounting Manager shall ensure that payment is not made by the District prior to completion of the underlying contractual conditions to payment. Although contracts for services may occasionally provide for partial payment in advance, in most cases payment should not be rendered by the District until the underlying goods and services for which payment is sought have been furnished or delivered (as applicable). If any contractor or vendor submits an invoice for payment for goods or services prior to receipt of the services or goods by the District, the Accounting Manager should review the underlying contract, and consult with legal counsel as necessary, to ensure payment is owed by the District prior to making payment.
14. Accounting Manager Review and Reporting: The District's Accounting Manager shall monitor the exercise of purchasing and expenditure authority, contracting authority, and use of District credit cards and District credit transactions authorized by this Order. All irregularities, exceedances of authority, failure to provide receipts, and similar matters shall be reported to the General Manager, and any such matters that are not promptly corrected shall be reported by the Accounting Manager to the Board of Directors not less than quarterly.
15. Annual Budget and Tax Levy: The Accounting Manager and General Manager shall prepare a draft budget and tax rate adoption calendar and tax rate recommendations so that it may be timely presented to the Board of Directors for adequate discussion, feedback and adoption prior to the commencement of each fiscal year of the District. The Accounting Manager and General Manager shall also develop tax rate recommendations sufficient to fund the proposed budget expenditures (including debt service costs of the District) so that a proposed tax rate may be adopted by the Board of Directors prior to August 31st of each year, public notice of the proposed tax rate may be timely published in accordance with Section 49.236 of the Texas Water Code, and final tax rates may be adopted and sent to the Williamson County Tax Assessor-Collector prior to September 30th of each year.
16. Board Treasurer.
- a. The General Manager and Accounting Manager will meet with the Board Treasurer as necessary to ensure the Treasurer receives all material information regarding the District's financial affairs. The General Manager shall provide to the Treasurer a copy of the quarterly financial reports prior to their consideration by the Board of Directors. The General Manager and Accounting Manager shall meet with the Finance Committee to review the quarterly financial reports prior to their consideration by the Board of Directors. The General Manager and Accounting Manager shall meet with the Treasurer and Finance Committee at least semi-annually in order to review the proposed

budget and tax rates and the external auditor's report prior to their presentation to the full Board.

- b. The General Manager, Accounting Manager and Board Treasurer shall meet with, and provide assistance to, the District's independent auditor to facilitate the timely, complete and accurate preparation of the District's annual financial audit report.

17. Purchasing Policies.

- a. General. It is the policy of the District that all purchasing shall be conducted strictly on the basis of economic and business merit, and in accordance with all legal requirements, in order for the District to acquire goods, materials and services on the best and most economical basis practicable. In order to achieve the foregoing, purchasing and acquisition of goods and services shall be governed by the following principles:
 - i. District employees shall comply with all applicable statutory requirements for the purchase and acquisition of goods, materials and services;
 - ii. Even if no statute mandates competitive bidding or procurement, District employees should competitively bid the acquisition of goods, materials and services whenever practicable and efficient to do so; and
 - iii. Employees shall use preapproved vendors when practicable to ensure that goods are received from qualified vendors at the lowest practicable costs.
- b. Purchasing Procedures. The specific procedures to be followed by employees for purchase and acquisition of goods, materials and services shall be set forth in Purchasing Procedures. The General Manager shall from time to time review and update the Purchasing Procedures based on District needs and operations and to incorporate any changes required by applicable laws. Any changes to the Purchasing Procedures shall be presented to the Finance Committee for review and comment prior to implementation.
- c. Legal Authority. The primary authority governing the procurement of goods and materials for the District is Subchapter I, Chapter 49, Texas Water Code (Sections 49.271 - .278). Professional services procurement shall be governed by Chapter 2254 of the Texas Government Code. All procurement activity shall also be conducted in accordance with the Public Information Act and Records Retention Act so that the District's purchasing activities are transparent and available to public.
- d. Pricing.
 - i. General. Employees should purchase goods and materials according to what source will be most advantageous to the District and result in the best and most economical completion of a project, not necessarily lowest cost. Purchases of similar items within a 60-day period are considered a single purchase for determining the cost threshold for bidding purposes. Employees may not subdivide work or purchases in order to avoid the competitive procurement requirements of this Policy and applicable laws.
 - ii. Purchases below \$3,000. Purchases below \$3,000 are not subject to competitive pricing and shall be made from the approved vendor list when possible.

- iii. Purchases from \$3,001 to \$5,000. The Purchasing Specialist shall determine best value and price for purchases in this range, in accordance with the procedures set forth in the District's Purchasing Procedures.
- iv. Purchases from \$5,001 to \$25,000. The Purchasing Specialist shall solicit not less than three (3) verbal or written competitive bids for expenditures in this range in accordance with the Purchasing Procedures.
- v. Purchases from \$25,001 to \$150,000. Purchases in this range are generally subject to statutory requirements that mandate the solicitation of not less than three competitive written bids. The procedures for solicitation of such bids are set forth in the Purchasing Procedures.
- vi. Purchases in excess of \$ 150,000. Purchases exceeding \$150,000 are generally subject to competitive advertisement and sealed bid requirements under Section 49.273(d) of the Texas Water Code, which requires the District to advertise the letting of the contract, including the general conditions, time, and place of opening of sealed bids. The newspaper advertising and bid solicitation procedures are set forth in the District's Purchasing Procedures.
- e. Vehicle and Equipment Repairs. In recognition that it is generally not practicable to obtain competitive pricing for vehicle and equipment repairs, such repairs shall be made by vendors on the District's approved vendor list whenever possible.
- f. Permits and Regulatory Approvals. Except as otherwise approved by the General Manager or Accounting Manager, bids for District contracts shall not be solicited until all permits and regulatory approvals applicable to the project are received to avoid the necessity and cost of change orders associated with securing regulatory approvals after contract award.
- g. Award of Contracts. In accordance with Section 49.273(c) of the Texas Water Code, the District shall award contracts to a responsible person or persons that will be most advantageous to the District and result in the best and most economical completion of the District's proposed plants, improvements, facilities, works, equipment, and appliances.
- h. Disclosure of Information. Public access to bidder-declared trade secrets or confidential information shall be administered in accordance with the Texas Government Code Chapter 552, the Public Information Act, and applicable District policies relating to Public Information Act requests.
- i. Professional Services. Personal and professional services are exempted from the competitive bidding processes and are procured through the use of Request for Qualification (RFQ) documents. The procedures for preparation of RFQs and solicitation of professional and personal services shall be set forth in the Purchasing Procedures. The procurement of professional services shall be undertaken in accordance with Texas Government Code, Chapter 2254, Subchapter A, Professional Services Procurement Act, which states that contracts for the procurement of defined professional services may not be awarded on the basis of competitive bids. Instead, they must be awarded on the basis of demonstrated competence and qualifications to perform the services, and for a fair and reasonable price. **AS A MATTER OF POLICY, THE BOARD OF DIRECTORS OF THE DISTRICT MUST APPROVE THE ENGAGEMENT OF ALL PROFESSIONAL SERVICE PROVIDERS, AND THE CONTRACTS WITH PROFESSIONAL SERVICE PROVIDERS.**

- j. High Technology Procurements. Section 49.278(a)(5) of the Texas Water Code exempts high technology procurements from statutory procurement requirements. High technology purchasing shall be undertaken in accordance with the procedures set forth in the Purchasing Procedures.
- k. Emergency Purchases. Under Section 49.274 of the Texas Water Code, if the District experiences an emergency condition that may create a serious health hazard or unreasonable economic loss to the District that requires immediate corrective action, the District may negotiate limited duration contracts to make the necessary repairs without complying with standard procurement methodologies. The statute requires that notice of such emergency repairs and purchases be furnished to TCEQ describing the specific serious health hazard or unreasonable economic loss as soon as practicable following the issuance of the contracts. **THE GENERAL MANAGER IS REQUIRED TO APPROVE ALL EMERGENCY PURCHASES. THE GENERAL MANAGER SHALL CONSULT WITH GENERAL COUNSEL REGARDING THE PROVISION OF ANY REQUIRED NOTICE TO TCEQ.**
- l. Sole Source Purchases. Section 49.278(a)(4) of the Texas Water Code exempts from competitive bidding contracts for services or property for which there is only one source or for which it is otherwise impracticable to obtain competition from statutory procurement requirements. Written justification must be provided to support all sole source purchases in accordance with the District's Purchasing Procedures.

18. Capitalization Policy.

- a. Purpose. The purpose of the District's Capitalization Policy is to establish criteria for purposes of identifying and recording expendable and non-expendable assets and equipment purchased or acquired by the District in connection with its operations.
- b. Capitalization Criteria.
 - i. If the initial cost of equipment is \$10,000 or more and the estimated life or useful value of the equipment is more than two years, the same shall be capitalized and recorded as capitalized equipment on the District's physical property inventory ledgers and chargeable as a capital expenditure.
 - ii. If the initial cost of equipment is less than \$10,000, or if its estimated useful life or useful value of the equipment is less than two years, the same shall not be capitalized, shall not be recorded on the District's physical property inventory ledgers, and shall be recorded to maintenance expense.
 - iii. If the initial cost of personal property is \$10,000 or more and the estimated life or useful value of the property is more than two years, the same shall be capitalized and recorded as capitalized property on the District's physical property inventory ledgers and chargeable as a capital expenditure.
 - iv. If the initial cost of personal property is less than \$10,000, or if its estimated useful life or useful value of the property is less than two years, the same shall not be capitalized, shall not be recorded on the District's physical property inventory ledgers, and shall be recorded to maintenance expense.

c. Application.

- i. The Accounting Manager and General Manager are each authorized and directed to determine whether each piece of personal property or equipment that is acquired by BCMUD shall be capitalized in accordance with the foregoing criteria. The General Manager and Accounting Manager are each further directed to ensure that the determination is documented in the appropriate records of BCMUD and retained for the information and guidance of its personnel and for audit purposes.
- ii. The Accounting Manager and General Manager are each further authorized to make determinations regarding the application of the capitalization criteria with respect to the acquisition of personal property and equipment in instances where the dollar value and/or anticipated useful life is less than reflected in paragraph (a) above, but where capitalization of the specific equipment or property purchased would afford, within reasonable limits, more desirable administrative control over the equipment or property.

19. Financial Reporting Policy.

- a. Reporting Period. The District's employees shall generally close the financial books for each monthly reporting period on the 25th day of the subsequent month. Any invoices received after the 25th day will be included within the next reporting period. Notwithstanding the foregoing, the District's employees shall close the financial books for the last month of the District's fiscal year (i.e., the month ending September 30th) on November 15th.
- b. Monthly Financial Reports. District employees shall prepare monthly financial reports for consideration by the Board of Directors containing the information below. These reports will generally be placed on the Board's consent agenda for review and approval at the second regular meeting of the month. Within 10 days after approval by the Board of Directors, the reports will be posted on the District's website and available for public review.
 - i. Disbursement Report- This report shall include all disbursements made during the preceding reporting period. Operating Checks and EFT payments, Purchasing Card Activity, and Recreational Refunds. The reports are to include Vendor/Payee, transaction dates and transaction amounts.
 - ii. Transfers Report
 - iii. Cash/Investment Inventory Report;
 - iv. Detailed Transactions for the month (G/L)Report;
 - v. Board Contingency Report
 - vi. Director Fee Report.
 - vii. Balance Sheet;
 - viii. Signature Events Report
- c. Quarterly Financial Reports. The District's employees shall prepare quarterly financial reports

for approval by the Board of Directors containing the information set forth below. These reports will generally be posted as a discussion and action item on the Board's agenda for its first regular monthly meeting 60 days after the quarter end but no later than 90 days after the end of the quarter. Within 10 days after approval by the Board of Directors, the report will be posted on the District's website and available for public review.

Variances of more than 10% and \$10,000 in any budgeted category in any cost center shall be explained in the budget variance reports.

The following information shall be included in the quarterly financial reports:

- i. Quarterly Budget vs. Actual Revenue and Expense Report to include the following:
 - a. Variance Reports
 - b. Budget Adjustments.

*The budget is amended based on approved budget adjustments separate from quarterly financial reports by adoption of a Resolution.
- ii. Quarterly Financial Reports to include:
 - a. Capital Outlay, Projects and Reserve Report
 - b. Public Funds Quarterly Investment Report
 - c. GASB Policy Quarterly Update
 - d. Financial Reports
 - i. Disbursement Report - This report shall include all disbursements made during the preceding report period: Operating Checks, Purchasing Card Activity and Recreational Refunds. The reports are to include Vendor/Payee, transaction dates, and transaction amounts.
 - ii. Transfers Report
 - iii. Cash/Investment Inventory Report
 - iv. Detailed Transaction (G/L) Report
 - v. Board Contingency Report
 - vi. Director Fees Report
 - vii. Balance Sheet
 - viii. Signature Events Report
 - d. Unclaimed Property Report:
 - i. All unclaimed property owed to the District as identified on the Texas Comptroller Website (<https://claimit.texas.org/>) not yet recovered by the District.

- ii. All unclaimed property owed to the District recovered by the District during the preceding quarterly period.
- e. Cash Handling Report- The Cash Handling Report shall be furnished to the Finance Committee on a quarterly basis.
- f. Youth Scholarship Program Report

20. Voiding of Checks Policy.

- a. The General Manager and Accounting Manager are each authorized and directed to void outstanding checks of the District that remain uncashed for a period of six (6) months.
- b. The General Manager and Accounting Manager are each further authorized to make exceptions to the foregoing policy, and not void such checks, when either such person determines that such action would be in the best interests of the District.

21. Unclaimed Property.

- a. Unclaimed Property Held by the District.
 - i. General. The Accounting Manager shall institute all procedures necessary to ensure that all unclaimed property held by the District (including unclaimed wages, customer utility deposits, unclaimed payments to vendors, overpayments or any other transactions creating a credit balance) are timely reported and remitted to the State of Texas.
 - ii. Reporting Year. For purposes of reporting unclaimed property held by the District, the reporting year shall be March 2 of each year through March 1 of the subsequent calendar year.
 - iii. Identification of Unclaimed Property. The District shall identify all property that it holds on March 1 of each year that is presumed abandoned. The abandonment period shall be determined according to the type of property held by the District. A summary of the abandonment periods for different types of property are available on the Comptroller's website (<https://comptroller.texas.gov/programs/unclaimed/property-types.php>). For abandoned utility deposits and wages held by the District, the abandonment period is one (1) year.
 - iv. Completion of Due Diligence and Notice to Property Owners. The District shall complete due diligence relating to all such unclaimed property by May 1st of that year. For any unclaimed property valued at more than \$250 held by the District as of March 1, the District shall, on or before the following May 1, mail to the last known address of the owner written notice stating that:(i) the District is holding the property; and(ii) that the District will deliver the property to the Comptroller if it is not claimed on or before July 1 of that year. The notice requirement does not apply if the District does not have a record of an address for the property owner or any other person entitled to the property.
 - v. Annual Reporting and Submission of Property to Comptroller.
 - a. The District shall submit an annual report and remit payment for the immediate prior

reporting year by July 1st of each year. The report shall be submitted electronically in the form and via one of the approved online submission methods specified on the Comptroller's website (<https://claimitexas.org/app/create-a-report>).

- b. If the District has no unclaimed property, then it shall file a "negative report" in accordance with the Comptroller requirements.
- vi. Records Retention. After filed each report, the District shall maintain a record of the following information for a period not less than ten (10) years from the later of the date on which the property is reportable or the date the District's report is filed:
 - a. the name, the social security number, if known, and the last known address of each person who, from the District's records, appears to be the owner of the property;
 - b. a brief description of the property, including the identification number, if any; and
 - c. the balance of each account, if appropriate.
- b. Unclaimed Property Owed to the District.
 - i. The Accounting Manager shall develop procedures to search the Texas Comptroller's website (<https://claimitexas.org/>) for any unclaimed property owed to the District on not less than a quarterly basis so that such property may be claimed and realized.
 - ii. All unclaimed property owed to, and recovered by, the District shall be identified on the quarterly financial report furnished to the Board of Directors.

22. Surplus Property Disposition Policy.


- a. General. All property, furniture, equipment, supplies, Surplus Meters (as defined below) and other personal property (collectively, "Property") of the District are held in safekeeping for the benefit of the citizens and taxpayers of the District. As such, employees should use the utmost care in protecting the assets of the District. However, when Property loses its effectiveness, value or becomes obsolete, so that it is no longer needed by the District, Property may be declared surplus and disposed of according to the procedures set forth herein, which are based on the requirements set forth at Section 49.226 of the Texas Water Code.
- b. Duties. The District's General Manager and Accounting Manager shall maintain adequate inventory controls and accountability systems for all Property owned by the District and under its control. The District's employees shall periodically inventory Property to determine which Property may be surplus and no longer needed by the District for disposition.
- c. Disposition of Property.
 - i. The statutory procedures applicable to the disposition of surplus property depend upon the value of the Property. For purposes of determining the value of Property to be disposed, employees shall use the aggregate value of the Property proposed for disposition and may not break down Property into its individual components in order to avoid or circumvent the disposition requirements set forth below.
 - ii. The procedures set forth below are to be used for the disposition of personal property only.

No real property may be conveyed or sold without approval of the Board of Directors of the District. Further, no technology property may be disposed without the prior approval of the District's Information Technology Support Senior Specialist.

- d. Procedures. Except as provided below with respect to surplus water meters, the fair value of the Property proposed for disposition shall determine the disposition procedures applicable to the Property, as follows:
- i. Property valued at \$300 or less - Any Property that has a fair value of \$300 or less may be declared as surplus property by the General Manager. Prior to making such declaration, the General Manager will furnish a disposition form that identifies all such property to the Board Treasurer. The General Manager shall dispose of the Property for its fair value by sale, transfer, or for cash upon such terms and conditions as the General Manager deems necessary and appropriate to enable improved disposition efficiencies related to determining fair value and responses to the fair value. The General Manager shall produce a written report of such Property in accordance with the procedures set forth below. In the event of any revisions to the surplus disposition form made in connection with disposition of the property after review by the Board Treasurer, an updated disposition form need not be presented to the Board Treasurer provided the following conditions are met: (i) the property to be disposed remains unchanged; and (ii) the total value of the property to be disposed remains under \$300.
 - ii. Property valued at more than \$300 - Property that has a fair value in excess of \$300 may only be disposed by order of the Board of Directors of the District upon a finding that the Property is surplus and not needed by the District. In such an event, the Property may be sold under order of the Board of Directors through a public auction site such as GovDeals.com. If the property is not purchased after posting on a public auction site, employees may present other sale options to the Board of Directors for approval or dispose/donate the property according to the Surplus Order.
Employees requesting that Property with a fair value more than \$300 be disposed should complete the "Surplus Property Disposition Request" form and submit it to their Department manager for review and approval. If the manager approves the request, employees will prepare an Order along with Exhibit A Surplus Property Form, for consideration by the Board of Directors identifying the Property, its fair market value, reasons it is no longer needed by the District, and proposed disposition methodology.
The backup materials for the proposed Order shall include Exhibit A Surplus Property Form, and relevant supporting documentation such as photos, invoices, valuation methodology, and all other information required for the Board of Directors to confirm that the Property is surplus, and that fair market value will be received for the Property. This packet will be submitted to the Accounting Manager for review and signature and then to the General Manager for approval and subsequent presentation to the Board of Directors.
In connection with the sale or disposition of any surplus Property with an estimated fair market value greater than \$1,000, employees will specify a minimum "reserve price" in the Surplus Property Disposition Request for Board approval. Upon approval of the request (including the minimum reserve price) by the Board, employees shall structure the public sale and disposition of the surplus Property so as to ensure that payment not less than the minimum reserve price is received in connection with the sale or disposition of the Property. If the minimum reserve price is not received, then employees will not proceed with the sale or disposition of such Property without further authorization from the Board of Directors.

- e. Property Not Subject to Fair Market Pricing. Any Property proposed for disposition which because of its unique nature is not subject to fair market pricing shall be presented to the Board of Directors for a determination as to whether it is to be disposed, and the proper method for disposition.
 - f. Surplus Water Meter Disposition Policies.
 - i. Water meters that have been removed from service after expiration of their useful life or otherwise upon a determination that they may not be reading accurately (the "Surplus Meters") shall be sold for salvage value. Surplus Meters shall be sold for salvage value at such time as not less than 75 Surplus Meters are accumulated.
 - ii. All Surplus Meters shall be sold in accordance with the procedures set forth above applicable to personal property valued at more than \$300. Employees will specify a minimum "reserve price" in the Surplus Property Disposition Request for Board approval in connection with the proposed sale of Surplus Meters.
 - iii. Employees shall implement an inventory tracking program whereby the serial numbers of all water meters shall be recorded and tracked, in order to ensure that the Surplus Meters are properly stored and sold in accordance with these Procedures.
 - g. Reporting. Employees shall include on their monthly reports to the Board of Directors a summary of any Property disposed during the preceding monthly period. The summary shall identify the Property, its fair market value, disposition methodology, and the person or business to whom it was sold.
 - h. Prohibitions. To avoid prohibited conflicts of interest, and the appearance of impropriety, Property shall not be sold, conveyed, or transferred to any Board member or employee of the District, or to members of immediate families of the foregoing persons, or to any organizations, business or other entities in which any of the foregoing persons have a financial or ownership interest.
23. Hierarchy of Authority in the Event of the Death, Resignation, Incapacity or Absence of the General Manager or Accounting Manager.
- a. General Manager: Upon the death, resignation, absence or incapacity of the General Manager, or the General Manager is otherwise unable to exercise the powers and duties set forth in this Order, then the powers and obligations of the General Manager set forth herein may be exercised by each of the following persons in the hierarchy indicated:
 - i. By the Administration Manager;
 - ii. By the Recreation Manager in the event the Administration Manager is not available or otherwise unable to assume the powers, duties or responsibilities of the General Manager;
 - iii. By the Utility Systems Manager in the event the Recreation Manager is not available or otherwise unable to assume the powers, duties or responsibilities of the General Manager;
or
 - iv. By the District Engineer in the event of the Utility Systems Manager is not available or otherwise unable to assume the powers, duties or responsibilities of the General Manager.

- b. Accounting Manager: Upon the death, resignation, absence or incapacity of the Accounting Manager, or the Accounting Manager is otherwise unable to exercise the powers and duties set forth in this Order, then the powers and obligations of the Accounting Manager set forth herein may be exercised by the following persons in the hierarchy indicated:
 - i. By the Senior Accountant.
 - c. Notice to Board of Directors. Notice of the assumption of authority by an individual under this Section shall be furnished to the Board of Directors as soon as practicable after said assumption. The Board of Directors retains the right at all times to appoint individuals to act on behalf of the General Manager or Accounting Manager other than the hierarchy set forth in this Policy.
24. This Order supersedes and replaces all previous resolutions and policies relating to the subject matter hereof.
25. The employees of the District are hereby directed to take any and all actions that may be required by the District's banking institution(s) to implement this Order.



President, Board of Directors

ATTEST:



Secretary, Board of Directors