

Texas Alliance of Groundwater Districts
Financial Policy
Adopted 01/30/2020

The Texas Alliance of Groundwater Districts (TAGD or the Alliance) endeavors to use a sound system of internal controls and procedures for handling money in a form that is acceptable to its membership. TAGD does not tolerate fraud or misappropriation of funds under any circumstances. Employees should report any known or suspected fraud or misappropriation of funds in writing to a TAGD Officer or member of the Executive Committee, who shall advise the Executive Committee of the reported violation. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation. All reports will be promptly and thoroughly investigated in a professional manner and appropriate corrective action will be taken if warranted by the investigation. There will be no retaliation against any employee who files a complaint in good faith or who assists in providing information relevant to the investigation of a reported violation. Any such cases are treated equally and consistently, working in full cooperation with legal authorities if an outside investigation is necessary. Any fraudulent activity and those involved are subject to criminal penalties.

Pursuant to the Bylaws, TAGD's Executive Director, its elected Treasurer, and the Finance/Budget Committee (the Committee) shall oversee the financial affairs of the Alliance. The Committee is comprised of TAGD's Treasurer, Vice-President, and three members appointed by the President. The Treasurer serves as chairperson of the Committee. These individuals are responsible for monitoring TAGD's financial situation, questioning any inconsistencies, and thoroughly investigating any real or perceived misuse of funds or impropriety.

Because TAGD's internal financial controls are subject to personnel limitations, internal controls are not what would be found in an organization with a large staff. However, the limitations imposed by TAGD's small staff size are mitigated by the oversight of the Treasurer and Finance/Budget Committee, an outside bookkeeper as necessary, regular financial reviews, and the following financial protocols:

Annual Budget

- TAGD's fiscal year is established by Article 22.0 of the approved TAGD Bylaws, which provides that the fiscal year begins on October 1 of each year and ends on September 30 of the following year.
- Each year, the Committee is responsible for formulating and presenting an annual budget for approval by the voting members at TAGD's Annual Meeting.
- In preparation of the annual budget, dues and fees of the Alliance shall be set according to Article 5.0 of the approved TAGD Bylaws. This includes:
 - Presenting proposed dues and fees for voting membership approval at the spring meeting of the Alliance
 - Preparing a draft annual budget to accompany proposed dues and fees
- Each quarter, the Committee should:

- Review TAGD's actual financial performance as compared with the budget projections and provide direction as necessary to the Executive Director and Treasurer; and
- Report on TAGD's financial performance to the full membership at each meeting, or more often if necessary.
- Budget amendments may be made as follows:
 - In most circumstances, the Finance/Budget Committee should first consider and recommend budget amendments to the Executive Committee;
 - The Executive Committee must approve budget amendments in amounts equal to or less than \$2,500 or expenditures more than \$2,500.00 for which the full amount of the new expenditure will be or has been (a) offset by new and confirmed revenue that will be added to the budget at the same time as the new expenditure, such as through donations or grants, or (b) covered by an equivalent reduction in another expense category; and
 - A majority of TAGD's voting members must approve budget amendments in amounts over \$2,500 for which the full amount of the new expenditure will either (a) not be offset by new and confirmed revenue that will be added to the budget at the same time as the new expenditure, or (b) not be covered by an equivalent reduction in another expense category.

Projects or ventures, approved by a majority of TAGD's voting members or the Executive Committee, as dictated by this section, shall be added as a budget amendment if they have a fiscal note of deposit or expenditure.

Dues and Fees

- Dues and fees of the Alliance shall be reviewed by the Treasurer and Finance/Budget Committee on an annual basis and recommended to the Executive Committee prior to the spring business meeting of the Alliance.
- Pursuant to Article 5, section C of TAGD's Bylaws, the dues and fees of the Alliance shall be set annually by the voting membership at the spring meeting of the Alliance. Any proposed changes to dues and fees shall be submitted to the Finance/Budget Committee for consideration no later than May 1 of that fiscal year.

Financial Review

- In each odd-numbered year at the beginning of the new fiscal year, the Committee is responsible for selecting an external accounting firm for performing a financial review of the previous two-year period of TAGD's finances.
- Upon receipt, review, and approval of the financial review report, the Committee should present it to the voting members for review and final approval.

Banking

- All TAGD funds must be deposited in an accredited bank insured by FDIC.
- The Treasurer shall have independent access to the electronic bank statements at all times.

Cash Receipts

The Executive Director receives all incoming cash (checks or currency). The process for accepting payments shall be as follows:

- Payments will be categorized, stamped with date of receipt, and copied electronically upon receipt.
- Payments will be entered into TAGD's membership or meeting database, as applicable.
- Deposits will be prepared, entered into the accounting software used to maintain the accounts of record, and deposited in the bank in a timely manner and at least monthly.
- The Treasurer will review deposits at least quarterly.

Financial Statements

The Committee shall recommend approval of TAGD's quarterly financial statements to the Executive Committee. The Executive Committee shall review and approve those same recommended quarterly financial statements for distribution to the membership at the next regular TAGD business meeting. These documents include profit and loss statements, balance sheets, and other reports as needed and as requested by the Committee. No changes to the approved quarterly financial statements should be made unless approved by the Committee and the Executive Committee.

Payables

- All payables are paid by check, debit card, or credit card and should be properly entered into the accounting software used to maintain the accounts of record in a timely manner.
- Supporting documents (invoices or receipts) must be kept for each disbursement, and should be marked 'paid,' with the date, check number (as applicable), and budget category for the disbursement on the document.
- Someone in the organization who knows the purpose of the expenditure must approve the invoice.
- The Finance/Budget Committee must approve all TAGD expenditures in excess of \$2,500, except for expenditures that are authorized by contractual agreement, as an approved budget item, or have been otherwise authorized by a vote of the membership.

Payroll

TAGD will utilize a payroll service to authorize monthly salary and regular reimbursement expenses (such as health insurance premiums) and to make tax deposits on TAGD's behalf. A report summarizing upcoming payroll disbursements will first be submitted to the Treasurer for approval. Payroll disbursements will be made only to bona fide employees and changes to each payroll record will be properly documented. TAGD will ensure that payroll disbursements are properly recorded and that related disbursements (such as payroll tax deposits and retirement funds) are made timely. Payroll will not be released prior to payday, and employee advances are not permitted. Non-regular reimbursements (such as travel expenses) will be paid to the employee in the same manner as all other payables, and shall

be submitted to the Treasurer in a monthly expense report, as set forth in the employment policy.

Bank Reconciliation

The Executive Director, in coordination with the Treasurer, is responsible for ensuring that TAGD's financial accounts are being reconciled at least quarterly. This responsibility may be contracted out to a qualified professional.

Tax Returns

The Executive Director, in coordination with the Treasurer, is responsible for ensuring that an annual tax return is filed with the IRS to maintain TAGD's non-profit status. This responsibility may be contracted out to a CPA or tax preparer.

Investments

It is the policy of TAGD that, after allowing for the anticipated cashflow requirements of the Alliance and giving due consideration to the safety and risk of investment, Alliance funds will be invested in a manner that seeks to optimize interest earnings. Investments shall be made with the primary objectives, stated in the order of priority, of: (1) safety and preservation of principal; (2) maintenance of sufficient liquidity to meet operating needs; and (3) optimization of interest earnings. The Executive Director, in coordination with the Treasurer, shall be responsible for managing the investment of funds.

Other Internal Controls

- Cash withdrawals and drawing checks payable to 'cash' are prohibited.
- All requests for reimbursement and other invoices are checked for mathematical accuracy and reasonableness before approval.
- Signature authority for cash accounts should reside with at least two Board members and the Executive Director.
- The Treasurer shall have independent access to all TAGD financial accounts.
- TAGD's financial records are open for review to any voting member upon request.