



An Audit Report on

Selected Groundwater Conservation Districts

May 2018
Report No. 18-030



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Overall Conclusion

Auditors selected five groundwater conservation districts (districts) and audited their (1) achievement of selected groundwater management plan goals and (2) compliance with selected statutory requirements for each **district's fiscal** year 2017. Of the five districts audited:

- Starr County Groundwater Conservation District was not actively engaged in the achievement of its management plan goals and ensuring compliance with statutory requirements. The district asserted that it did not have any revenues during fiscal year 2017, which prevented it from performing actions to achieve its management plan goals and comply with statutory requirements. As a result, the district achieved only one of its management plan goals and complied with one of the applicable Texas Water Code requirements.
- Terrell County Groundwater Conservation District did not achieve the majority of its management plan goals. However, it fully complied with all but one of the applicable Texas Water Code requirements.
- Duval County Groundwater Conservation District fully or partially achieved the majority of its management plan goals and fully complied with all applicable Texas Water Code requirements.
- The remaining two districts audited—Brush Country Groundwater Conservation District and Post Oak Savannah Groundwater Conservation District—fully achieved the majority or all, respectively, of their management plan goals and fully complied with all applicable Texas Water Code requirements.

Background Information

Texas Water Code, Chapter 36, requires groundwater conservation districts (districts) to develop groundwater management plans that list the steps the districts will take to protect and manage groundwater.

Each district's groundwater management plan must contain goals that are applicable to each district as described in Texas Water Code, Section 36.1071. Districts develop one or more objectives to support each goal. The Water Development Board reviews **and approves districts' groundwater** management plans, including the goals and objectives. The Commission on Environmental Quality has the authority **to enforce districts' compliance with** the statutory requirements outlined in Texas Water Code, Chapter 36.

As of December 2017, there were 100 confirmed districts. One additional district awaited confirmation by voters in local elections. See Appendix 4 for a map showing the five districts audited.

Failure to achieve management plan goals and comply with statutory requirements increases the risk that groundwater resources within the district will not be properly managed to protect, preserve, conserve, and recharge groundwater.

This audit was conducted in accordance with Texas Water Code, Sections 36.061 and 36.302.

For more information regarding this report, please contact Courtney Ambres-Wade, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	Starr County Groundwater Conservation District Did Not Achieve Most of Its Management Plan Goals	Priority
1-B	Starr County Groundwater Conservation District Did Not Comply with the Majority of Statutory Requirements	Priority
2-A	Terrell County Groundwater Conservation District Did Not Achieve the Majority of Its Management Plan Goals	High
2-B	Terrell County Groundwater Conservation District Fully Complied with All but One of the Statutory Requirements	Low
3-A	Duval County Groundwater Conservation District Fully or Partially Achieved the Majority of Its Management Plan Goals	Medium
3-B	Duval County Groundwater Conservation District Fully Complied with All Statutory Requirements	Low
4-A	Brush Country Groundwater Conservation District Fully Achieved the Majority of Its Management Plan Goals	Low
4-B	Brush Country Groundwater Conservation District Fully Complied with All Statutory Requirements	Low
5-A	Post Oak Savannah Groundwater Conservation District Fully Achieved All of Its Management Plan Goals	Low
5-B	Post Oak Savannah Groundwater Conservation District Fully Complied with All Statutory Requirements	Low

^a A subchapter is rated Priority if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A subchapter is rated High if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A subchapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A subchapter is rated Low if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Auditors communicated other, less significant issues separately in writing to the districts.

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. Terrell County, Brush Country, and Duval County Groundwater Conservation Districts agreed with the recommendations in this report. Starr County Groundwater Conservation District **did not submit a management's response. There were no recommendations** addressed to Post Oak Savannah Groundwater Conservation District.

Audit Objectives and Scope

The audit objectives were to determine whether selected districts complied with **applicable statutes and to summarize information from districts' audited annual** financial statements.

The scope of this audit covered five groundwater conservation districts. The audit **scope covered each district's fiscal year 2017.**¹ This audit did not include a review **of the general controls over the districts' information technology environments,** including access controls, change management processes, and password controls.

¹ The dates of each district's fiscal year varied among the five districts audited. Additionally, where documentation was not yet available for fiscal year 2017, auditors reviewed documentation for the district's fiscal year 2016.

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Detailed Results

Chapter 1

Starr County Groundwater Conservation District Did Not Achieve Most of Its Management Plan Goals and Did Not Comply with the Majority of Statutory Requirements

Starr County Groundwater Conservation District (District) was not actively engaged during fiscal year 2017 in the achievement of management plan goals and compliance with applicable statutory requirements audited.

The District asserted in writing that it had determined that funding or subsidizing the District was not “economically viable or feasible,” for the citizens of Starr County; therefore, it did not have any revenues or expenditures during fiscal year 2017. The District further asserted that, as a result of not having any revenues, it was unable to carry out any actions to achieve its management plan goals and ensure compliance with statutory requirements. Finally, the District asserted that it is “not an active entity,” and it anticipates remaining inactive for the “foreseeable future.”

As a result of its lack of active engagement, the District did not achieve 6 (86 percent) of its 7 management plan goals and did not comply with 4 (80 percent) of the 5 applicable Texas Water Code requirements audited.

Failure to achieve its management plan goals or perform the actions required by statute increases the risk that groundwater resources within the District will not be properly managed to protect, preserve, conserve, and recharge groundwater.

Texas Water Code, Section 36.0015(b), states that groundwater conservation districts are the State’s preferred method of groundwater management, including the conservation, preservation, protection, recharging, and prevention of waste of groundwater (see text box).

Selected Financial Information for Fiscal Year 2017

Starr County Groundwater Conservation District asserted that it had no revenues or expenditures during fiscal year 2017.

The District did not compile any financial statements or have an annual audit performed for its fiscal year 2017.

Purpose of Groundwater Conservation Districts

To provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and to control subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution, groundwater conservation districts may be created as provided by this chapter.

Groundwater conservation districts created as provided by this chapter are the state’s preferred method of groundwater management in order to protect property rights, balance the conservation and development of groundwater to meet the needs of this state, and use the best available science in the conservation and development of groundwater through rules developed, adopted, and promulgated by a district in accordance with the provisions of this chapter.

Source: Texas Water Code, Chapter 36.

Starr County Groundwater Conservation District Did Not Achieve Most of Its Management Plan Goals

The District did not achieve 6 (86 percent) of the 7 applicable management plan goals during fiscal year 2017. Those six goals were:

- Providing the most efficient use of groundwater.
- Addressing conjunctive³ surface water management issues.
- Addressing natural resource issues.
- Addressing drought conditions.
- Addressing conservation.
- Addressing the desired future conditions adopted.⁴

Chapter 1-A
Rating:
Priority ²

The Water Development Board approved the District's current management plan on July 25, 2014, and that plan remains valid until July 25, 2019. That plan contains the goals listed above. The District asserted that it had not actively performed any activities toward achieving those six goals during fiscal year 2017. Failure to achieve management plan goals increases the risk of wasting groundwater resources, failing to conserve those resources, and not meeting desired future conditions.

For each applicable goal in its approved groundwater management plan, the District developed objectives and performance standards that described the activities the District must perform to achieve each goal. Table 2 on the next page provides additional information.

² Chapter 1-A is rated as Priority because the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

³ Texas Water Code, Section 36.001(21), defines conjunctive use as the combined use of groundwater and surface water sources that optimizes the beneficial characteristics of each source.

⁴ Texas Water Code, Section 36.108, requires groundwater conservation districts within the same groundwater management area to perform joint planning activities that include the adoption of desired future conditions for the groundwater management area. Texas Water Code, Section 36.001(30), defines desired future conditions as the desired conditions of the groundwater resources in a management area at one or more specified future times.

Table 2

Starr County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
<u>Objective/Plan of Implementation:</u> Provide guidance for the most efficient use, conservation, and long-term sustainability of the groundwater resources within the District. The District will establish a schedule of regular Board meetings and notification for the general public in order to invite comment and participation by the stakeholders of the District by the end of calendar year 2013. The District will also establish an annual training program for the Board members and any interested stakeholders within the District. The District's Board will develop and establish a protocol for the development of groundwater resources within the District by the end of calendar year 2013. An annual meeting will be established for review and discussion of programs, policies, and procedures in order to ensure compliance with those rules and procedures adopted by the District, Regional Water Planning Group (RWPG), and the State.	No	The District asserted that it did not perform any activities related to the achievement of this objective/plan of implementation during fiscal year 2017.
Goal 2: Controlling and Preventing Waste of Groundwater		
<u>Objective/Plan of Implementation:</u> Provide control for the use, and prevent the waste, of groundwater resources within the District. The District has adopted a set of rules (Appendix I [in the District's groundwater management plan]) which outline permit fees, requirements, procedures, enforcement, and penalties pertaining to well drilling and use of the underlying water resources. The rules are available for viewing at http://www.co.starr.tx.us .	Yes	It should be noted that, as of the time of this audit, the District's rules were not available on the referenced Web site. Therefore, auditors obtained a copy of the District's rules from the Water Development Board.
Goal 3: Controlling and Preventing Subsidence ^a		
According to the District's management plan, this goal is not applicable due to a lack of subsidence concerns in the District.		
Goal 4: Addressing Conjunctive Surface Water Management Issues		
<u>Objective/Plan of Implementation:</u> The District will participate in the regional planning process by attending meetings of the RWPG. The attendance at any RWPG meeting will be noted in the annual report. The District will provide oversight, guidance for groundwater users and enforcement of the Desired Future Conditions (DFC) as adopted by Groundwater Management Area (GMA) 16. The District's Board will be an active Member of the GMA and attend all scheduled meetings in order to stay abreast of current developments and pertinent discussions within the GMA, the RWPG, and the State, within 30 days of adoption, of any new rules and/or procedures relating to groundwater conservation, development, enforcement, or changes to the Management Plan. Time will be allowed on the agenda for public comment and input regarding the District's Board's actions, policies, and procedures.	No	The District asserted that it did not perform any activities related to the achievement of this objective/plan of implementation during fiscal year 2017.
Goal 5: Addressing Natural Resources Issues		
<u>Objective/Plan of Implementation:</u> The District will monitor water levels in the District boundaries on an annual basis by measuring the level of 10 water wells dispersed throughout the District on an annual basis. Well location, description, and measured water levels will be included in the Annual Report. The District will also track the location of any saltwater disposal wells permitted in the District and provide location, depth, and disposal rates for each well in the Annual Report.	No	The District asserted that it did not perform any activities related to the achievement of this objective/plan of implementation during fiscal year 2017.

Starr County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives

Goal and Objective Audited	Achieved?	Additional Information
These activities will serve to help the District address natural resource issues that may impact the use and availability of groundwater within the District.		
Goal 6: Addressing Drought Conditions		
<u>Objective/Plan of Implementation:</u> Identify and address the effects of drought conditions on groundwater resources within the District. The District will publish monthly update reports of the Palmer Drought Severity Index (PDSI) map and a rainfall map indicating year-to-date rainfall within the District that will include water conservation tips and recommendations. These updates will be posted for public review and comment, and a report will be made to the District's Board at the annual meeting. Statewide drought information and coping suggestions and tips are provided by the Texas Water Development Board on its Web site at https://waterdatafortexas.org/drought .	No	The District asserted that it did not perform any activities related to the achievement of this objective/plan of implementation during fiscal year 2017.
Goal 7: Addressing Conservation (Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost-effective.)		
<u>Objective/Plan of Implementation:</u> Conservation - The District's Board will publish a monthly water conservation tip or recommendation along with the monthly update to the PDSI update. These articles will be presented to the District's Board at the annual meeting.	No	The District asserted that it did not perform any activities related to the achievement of this objective/plan of implementation during fiscal year 2017.
<u>Objective/Plan of Implementation:</u> Recharge enhancement - Aquifer recharge in the District is mostly accomplished by normal rainfall infiltration. No specific surface recharge formations have been identified in Starr County for either of the two affected aquifers. The District will publish a monthly tip or watch guide for possible surface sources of groundwater contamination and recommendations for the prevention and remediation of surface contamination, which may affect the District's groundwater resources.	No	The District asserted that it did not perform any activities related to the achievement of this objective/plan of implementation during fiscal year 2017.
<u>Objective/Plan of Implementation:</u> Rainwater Harvesting - The District will publish, with the monthly conservation tip/recommendation and PDSI update, a current article regarding rainwater harvesting for garden watering and non-potable use. These articles will be presented to the District's Board at the annual meeting.	No	The District asserted that it did not perform any activities related to the achievement of this objective/plan of implementation during fiscal year 2017.
<u>Objective/Plan of Implementation:</u> Brush Control - The District will be presented with and will publish at the annual meeting the Natural Resources Conservation Service recommendations for brush control within the District.	No	The District asserted that it did not perform any activities related to the achievement of this objective/plan of implementation during fiscal year 2017.
<u>Objective/Plan of Implementation:</u> Precipitation enhancement is not a goal applicable to the District.	Not Applicable	
Goal 8: Addressing the Desired Future Conditions Adopted		
<u>Objective/Plan of Implementation:</u> The District will, by the end of the year 2014, establish and adopt a well monitoring plan that will serve to indicate whether or not the District is adhering to the Desired Future Conditions (DFC) adopted by the GMA. The well registration program proposed to be adopted by the end of the year 2013 will serve as the basis for the monitoring program. Well level measurements and water quality tests will be made on a randomly selected number of non-exempt wells with broad distribution throughout the District on an annual basis. A report of the findings will be	No	The District asserted that it did not perform any activities related to the achievement of this objective/plan of implementation during fiscal year 2017.

Starr County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
published and made available to the District's Board and the stakeholders at the annual meeting. Any deviation from the adopted DFC will be reported to the District and the Water Development Board within 30 days of the report.		
^a Texas Water Code, Section 36.001(10), defines subsidence as the lowering in elevation of the land surface caused by withdrawal of groundwater.		

Chapter 1-B

Starr County Groundwater Conservation District Did Not Comply with the Majority of Statutory Requirements

Texas Water Code, Chapter 36, specifies requirements for the manner in which groundwater conservation districts must operate. The District did not comply with 4 (80 percent) of the 5 applicable Texas Water Code requirements audited. Those four requirements were:

Chapter 1-B
Rating:
Priority ⁵

- Holding regular board meetings in accordance with statute.
- Adopting written policies.
- Participating in joint planning meetings with other groundwater conservation districts within the same Groundwater Management Area.
- Obtaining bonds for its board members.

The District asserted that it did not perform any activities related to those four requirements during its fiscal year 2017 due to a lack of available funding. Failure to comply with applicable statutory requirements increases the risk that groundwater resources will not be sufficiently protected or conserved and desired future conditions will not be met.

Table 3 on the next page summarizes the District's compliance with the statutory requirements audited.

⁵ Chapter 1-B is rated as Priority because the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

Table 3

Starr County Groundwater Conservation District's Compliance with Texas Water Code Requirements ^a		
Fiscal Year 2017		
Texas Water Code Requirement	Compliance	Additional Information
Board Meetings	Did Not Comply	The District did not have any meetings during fiscal year 2017.
District Rules	Fully Complied	The District complied with all requirements.
District Policies	Did Not Comply	The District had not formulated or adopted any policies.
Joint Planning	Did Not Comply	The District is a member of Groundwater Management Area (GMA) 16. However, it did not send any representatives to GMA 16 joint planning meetings during fiscal year 2017.
Annual Financial Audit	Not Applicable	The District asserted that it had no revenues or expenses. Therefore, the District is exempt from this requirement in accordance with Texas Water Code, Section 36.153(c). However, the District should consider submitting a financial dormancy affidavit to the executive director of the Commission on Environmental Quality rather than having a financial audit performed in accordance with Texas Water Code, Section 36.153(d).
Annual Budget	Not Applicable	The District asserted that it had no revenues or expenditures during fiscal year 2017. Therefore, this requirement was not applicable.
Employee Bonds	Not Applicable	The District did not have any employees or consultants responsible for handling District funds.
Board Member Bonds	Did Not Comply	The District had not obtained bonds for its board members as required.
Bank Depository and Expenditures	Not Applicable	The District asserted that it had no revenues or other district funds and had no expenditures during fiscal year 2017. Therefore, this requirement was not applicable.

^a Texas Water Code, Chapter 36, statutory requirements:

Board Meetings: The board is required to provide notice of and conduct meetings at least quarterly. Districts are required to provide notice of meetings of the board (Texas Water Code, Section 36.063). A quorum is required to conduct business (Texas Water Code, Sections 36.064 and 36.053). The board also is required to keep complete records of its meetings and proceedings (Texas Water Code, Section 36.065).

District Rules: The board is required to adopt rules to implement Chapter 36 of the Texas Water Code (Texas Water Code, Sections 36.101 (b), 36.1071(f), 36.111 through 36.113, 36.1145, 36.201, and 36.454 (a) and (b)).

District Policies: The board is required to adopt written policies addressing specified areas (Texas Water Code, Section 36.061): policies for a code of ethics, travel expenditures, district investments, professional services, and management information, which includes policies on (1) budgeting and (2) establishing an audit or finance committee.

Joint Planning: The district is required to meet annually with any other districts in the groundwater management area in which it is located to set desired future conditions for aquifers in the area (Texas Water Code, Section 36.108).

Annual Financial Audit: The board is required to obtain an annual audit of the financial condition of the district (Texas Water Code, Section 36.153).

Annual Budget: The board is required to prepare and approve an annual budget including specified components (Texas Water Code, Section 36.154).

Employee Bonds: The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, and consultants who collect, pay, or handle district funds (Texas Water Code, Section 36.057 (d)).

Board Member Bonds: Each director is required to execute a bond for \$10,000 payable to the district and conditioned on the faithful performance of that director's duties before beginning to perform the duties of office (Texas Water Code, Section 36.055(c)).

Bank Depository and Expenditures: The board is required to name one or more banks to serve as depository for the district's funds (Texas Water Code, Section 36.155) and obtain dual signatures on district disbursements, excluding federal reserve wire transfers or electronic fund transfer (Texas Water Code, Section 36.151). To receive fees of office and to receive reimbursement for expenses, each director shall file with the district a verified statement showing the number of days actually spent in the service of the district and a general description of the duties performed for each day of service (Texas Water Code, Section 36.060(c)).

Recommendations

The Starr County Groundwater Conservation District should:

- Develop and implement processes to meet its management plan goals and comply with statutory requirements, or
- Coordinate with the Commission on Environmental Quality for guidance on determining appropriate actions to address the District's needs while also protecting its groundwater resources.

Terrell County Groundwater Conservation District Did Not Achieve the Majority of Its Management Plan Goals and Fully Complied with All But One of the Statutory Requirements

Terrell County Groundwater Conservation District (District) did not achieve 4 (57 percent) of 7 applicable management plan goals during fiscal year 2017. Failure to achieve management plan goals increases the risk that groundwater resources will not be adequately preserved, conserved, or protected.

The District fully complied with 7 (88 percent) of 8 applicable statutory requirements audited during fiscal year 2017.

Chapter 2-A

Terrell County Groundwater Conservation District Did Not Achieve the Majority of Its Management Plan Goals

The District did not achieve 4 (57 percent) of 7 applicable management plan goals during fiscal year 2017. Those 4 goals were:

Chapter 2-A
Rating:
High ⁶

- Addressing conjunctive⁷ surface water management issues.
- Addressing natural resource issues.
- Addressing drought conditions.
- Addressing conservation.

The District fully achieved the remaining three management plan goals during fiscal year 2017:

- Providing the most efficient use of groundwater.

Selected Financial Information for Fiscal Year 2016	
<u>Assets and Liabilities</u>	
Total Assets	\$27,113
Total Liabilities	\$3,669
<u>Revenues and Expenditures</u>	
Total Revenues	\$49,686
Total Expenses	\$23,679
Source: These amounts were from the District's annual audited financial statements for the District's fiscal year ending September 30, 2016. The District had not prepared its financial statements for fiscal year 2017 at the time of this audit.	

⁶ The risk related to the issues discussed in Chapter 2-A is rated as High because the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

⁷ Texas Water Code, Section 36.001(21), defines conjunctive use as the combined use of groundwater and surface water sources that optimizes the beneficial characteristics of each source.

- Controlling and preventing waste of groundwater.
- Addressing the desired future conditions adopted⁸.

Failure to achieve its management plan goals increases the risk that groundwater resources within the District will not be properly managed to protect, preserve, conserve, and recharge groundwater.

Texas Water Code, Section 36.0015(b), states that groundwater conservation districts are the State’s preferred method of groundwater management, including the conservation, preservation, protection, recharging, and prevention of waste of groundwater (see text box).

For each applicable goal in its approved groundwater management plan, the District developed objectives and performance standards that described the activities the District must perform to achieve each goal. Table 4 provides additional information.

Purpose of Groundwater Conservation Districts

To provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and to control subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution, groundwater conservation districts may be created as provided by this chapter.

Groundwater conservation districts created as provided by this chapter are the State’s preferred method of groundwater management in order to protect property rights, balance the conservation, and development of groundwater to meet the needs of this state, and use the best available science in the conservation and development of groundwater through rules developed, adopted, and promulgated by a district in accordance with the provisions of this chapter.

Source: Texas Water Code, Chapter 36.

Table 4

Terrell County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
<u>Objective:</u> The District’s rules will require the registration of all existing and new wells within the District’s boundaries. The District will establish a well registration process in the District’s rules.		
<u>Performance Standard:</u> The District Board will review and discuss the number of existing and new wells registered with the District during at least one meeting of the Board each year.	Yes	
<u>Objective:</u> The District’s rules will require permits for all groundwater use located in the District that is considered to be non-exempt from the District’s permitting requirements based upon Chapter 36 of the Texas Water Code and the District’s rules. The District will establish a permitting process in the District’s rules.		

⁸ Texas Water Code, Section 36.108, requires groundwater conservation districts within the same groundwater management area to perform joint planning activities that include the adoption of desired future conditions for the groundwater management area. Texas Water Code, Section 36.001(30), defines desired future conditions as the desired conditions of the groundwater resources in a management area at one or more specified future times.

Terrell County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives

Goal and Objective Audited	Achieved?	Additional Information
<u>Performance Standard:</u> The District will accept and process permit applications for all non-exempt groundwater use pursuant to the permitting process described in the District rules. The District Board will review and discuss the number of permit applications accepted and processed by the District during at least one meeting of the Board each year.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
<u>Objective:</u> Each year the District will provide information to the public on reducing and preventing the waste of groundwater. The District will use one of the methods set forth below to provide information to the public: a. Offer public presentations on groundwater issues, including waste prevention; b. Sponsor an educational program or course; c. Distribute literature packets or brochures; d. Provide information on the District's Web site addressing the prevention of waste; or e. Submit newspaper articles to the newspapers of general circulation within the District for publication.		
<u>Performance Standard:</u> The District will provide information to the public on reducing and preventing the waste of groundwater at least once each year.	Yes	
<u>Objective:</u> The District will prohibit waste as defined by Chapter 36 of the Texas Water Code within its boundaries and will implement this prohibition through its rules.		
<u>Performance Standard:</u> The District Board will review and discuss the number of well owners who violated the District's prohibition on waste and any action taken by the District during at least one Board meeting each year.	Yes	
Goal 3: Controlling and Preventing Subsidence ^a		
According to the District's management plan, this goal is not applicable due to a lack of subsidence issues in the District.		
Goal 4: Addressing Conjunctive Surface Water Management Issues		
<u>Objective:</u> The District will send a District representative to attend meetings of the Far West Texas Regional Water Planning Group (Region E).		
<u>Performance Standard:</u> A representative of the District will attend at least one Region E meeting each calendar year and will provide an update to the District Board at a District Board meeting.	No	According to the District's fiscal year 2017 Annual Report to its Board, no representative of the District attended a Region E meeting during fiscal year 2017.
Goal 5: Addressing Natural Resource Issues		
<u>Objective:</u> The District will monitor water quality on an annual basis within the District by obtaining water quality samples from at least one water well in the District.		
<u>Performance Standard:</u> The District's Annual Report will include a summary of the number of water quality samples obtained and the results of the water quality tests for each well sampled.	No	While the District achieved the performance standard, it did not achieve the objective because it did not monitor water quality on an annual basis by obtaining water quality samples from at least one water well in the District. It did include a summary in its 2017 Annual Report stating that it did not perform any water quality sampling during the year.
Goal 6: Addressing Drought Conditions		
<u>Objective:</u> The District will access the updated Palmer Drought Severity Index (PDSI) map and will check for updates to the Drought Preparedness Council Situation Report (Situation Report) posted on the following Web site: http://www.dps.texas.gov/dem/sitrep/default.aspx .		

Terrell County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives

Goal and Objective Audited	Achieved?	Additional Information
<p><u>Performance Standard:</u> The District will review and discuss current drought conditions based on information from PDSI maps and Situation Reports during at least one Board meeting each year.</p>	No	While the District asserted that its Board discussed weather and water availability at all Board meetings and that three of its directors have access to PDSI maps, it was unable to provide documentation showing that it accessed, reviewed, and discussed the PDSI maps and Situation Reports during a Board Meeting held in fiscal year 2017.
<p>Goal 7: Addressing Conservation (Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost effective.)</p>		
<p><u>Objective:</u> The District will provide information to the public on water conservation by one of the following methods:</p> <ul style="list-style-type: none"> a. Distribute literature packets or brochures within the District; b. Provide information to the public on the District's Web site; c. Conduct public presentations; d. Submit newspaper articles to newspapers of general circulation in the District for publication; or e. Present exhibits at local public events. 		
<p><u>Performance Standard:</u> The District will provide information to the public on water conservation at least once each year.</p>	No	While the District provided documentation of a presentation a high school student made to its Board, the District was unable to provide documentation showing that it provided information to the public on water conservation during fiscal year 2017.
<p><u>Objective:</u> The District will promote rainwater harvesting by providing information to the public by one of the following methods:</p> <ul style="list-style-type: none"> a. Distribute literature packets or brochures within the District; b. Provide information to the public on the District's Web site; c. Conduct public presentations; d. Submit newspaper articles to newspapers of general circulation in the District for publication; or e. Present exhibits at local public events. 		
<p><u>Performance Standard:</u> The District will provide information on rainwater harvesting to the public at least once each year.</p>	No	The District did not provide any information to the public on rainwater harvesting during fiscal year 2017.
<p><u>Objective:</u> The District will inform the public about the benefits of brush control by one of the following methods:</p> <ul style="list-style-type: none"> a. Distribute literature packets or brochures within the District; b. Provide information to the public on the District's Web site; c. Conduct public presentations; d. Submit newspaper articles to newspapers of general circulation in the District for publication; or e. Present exhibits at local public events. 		
<p><u>Performance Standard:</u> The District will provide information to the public on brush control at least once each year.</p>	No	The District was unable to provide documentation showing that it provided information to the public on brush control during fiscal year 2017.
<p>Goal 8: Addressing the Desired Future Conditions Adopted</p>		
<p><u>Objective:</u> The District will develop a groundwater well network to monitor water well levels within the District. The District will work with the Water Development Board, the United States Geological Survey, and any other applicable agencies and develop a plan to utilize data from existing monitoring wells in the District for purposes of monitoring water levels. The District will also develop a plan for adding new monitoring wells into its monitoring network. The District will take periodic readings from the monitoring wells in its monitoring well network and will utilize the information to help implement its regulatory and permitting program. The District will use the data received from its monitoring well network to monitor water level trends and actual achievement of its desired future conditions.</p>		

Terrell County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives

Goal and Objective Audited	Achieved?	Additional Information
<u>Performance Standard:</u> Upon development of the District's monitoring well network, a summary of the District's monitoring well network, including the number and general location of each of the wells in the network, will be included in the District's Annual Report.	Not Applicable	This performance standard was not applicable because the District had not developed a monitoring well network as of fiscal year 2017. The District asserted that it would begin to implement its well monitoring network in fiscal year 2018.
<u>Objective:</u> Upon development of the District's monitoring well network, the District will conduct water level measurements from at least 50 percent of the wells in the network on an annual basis.		
<u>Performance Standard:</u> The District's Annual Report will evaluate water level measurements taken during the previous calendar year and will include a discussion of the water levels and progress towards achieving the District's desired future conditions.	Not Applicable	This performance standard was not applicable because the District had not developed a monitoring well network as of fiscal year 2017. The District asserted that it would begin to implement its well monitoring network in fiscal year 2018.
<u>Objective:</u> After the District adopts permanent rules, the District will monitor estimates of non-exempt groundwater production within the District for use in evaluating achievement of the desired future conditions.		
<u>Performance Standard:</u> After the District adopts permanent rules, the District will provide an update on the estimates of non-exempt groundwater production within the District and will include a discussion of the estimates in light of the desired future conditions.	Yes	
^a Texas Water Code, Section 36.001(10), defines subsidence as the lowering in elevation of the land surface caused by withdrawal of groundwater.		

Chapter 2-B

Terrell County Groundwater Conservation District Fully Complied with All but One of the Statutory Requirements

Texas Water Code, Chapter 36, specifies requirements for the manner in which groundwater conservation districts must operate. The District fully complied with 7 (88 percent) of the 8 applicable Texas Water Code requirements audited. Those seven requirements were:

Chapter 2-B
Rating:
Low⁹

- Holding regular Board meetings in accordance with statute.
- Adopting written district rules.
- Adopting written policies.
- Participating in joint planning activities with other groundwater conservation districts within the same Groundwater Management Area.
- Obtaining an annual audit of the financial condition of the district.
- Obtaining bonds for Board members.
- Maintaining at least one bank as the official depository for district funds, obtaining dual signatures on fund disbursements in fiscal year 2017, and ensuring that payments made to board members are supported by verified statement. It should be noted that the District's board members did not receive (1) fees of office paid under Texas Water Code, Section 36.060, or (2) reimbursement for actual expenses incurred while on District business.

The District partially complied with the remaining requirement, which was preparing and obtaining board approval on an annual budget that includes a complete financial statement.

Table 5 on the next page summarizes the District's compliance with the statutory requirements audited.

⁹ The risk related to the issues discussed in Chapter 2-B is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Table 5

Terrell County Groundwater Conservation District's Compliance with Texas Water Code Requirements ^a		
Fiscal Year 2017		
Texas Water Code Requirement	Compliance	Additional Information
Board Meetings	Fully Complied	The District complied with all requirements.
District Rules	Fully Complied	The District complied with all requirements.
District Policies	Fully Complied	The District complied with all requirements.
Joint Planning	Fully Complied	The District complied with all requirements.
Annual Financial Audit	Fully Complied	The District complied with all requirements. It should be noted that auditors reviewed the District's fiscal year 2016 audit because its fiscal year 2017 annual financial audit had not been completed at the time of this audit.
Annual Budget	Partially Complied	While the District's Board approved a budget for fiscal year 2017, that budget did not contain any of the seven financial statement components required by Texas Water Code, Section 36.154(b). Failure to include the required financial statements increases the risk of District management making decisions based on incomplete information when compiling the District's annual budget.
Employee Bonds	Not Applicable	The District did not have any employees or consultants responsible for handling District funds.
Board Member Bonds	Fully Complied	The District complied with all requirements.
Bank Depository and Expenditures	Fully Complied	The District complied with all requirements. Board members were volunteers and were not paid fees of office or reimbursed for actual expenses.
<p>^a Texas Water Code, Chapter 36, statutory requirements:</p> <p>Board Meetings: The board is required to provide notice of and conduct meetings at least quarterly. Districts are required to provide notice of meetings of the board (Texas Water Code, Section 36.063). A quorum is required to conduct business (Texas Water Code, Sections 36.064 and 36.053). The board also is required to keep complete records of its meetings and proceedings (Texas Water Code, Section 36.065).</p> <p>District Rules: The board is required to adopt rules to implement Chapter 36 of the Texas Water Code (Texas Water Code, Sections 36.101 (b), 36.1071(f), 36.111 through 36.113, 36.1145, 36.201, and 36.454 (a) and (b)).</p> <p>District Policies: The board is required to adopt written policies addressing specified areas (Texas Water Code, Section 36.061): policies for a code of ethics, travel expenditures, district investments, professional services, and management information, which includes policies on (1) budgeting and (2) establishing an audit or finance committee.</p> <p>Joint Planning: The district is required to meet annually with any other districts in the groundwater management area in which it is located to set desired future conditions for aquifers in the area (Texas Water Code, Section 36.108).</p> <p>Annual Financial Audit: The board is required to obtain an annual audit of the financial condition of the district (Texas Water Code, Section 36.153).</p> <p>Annual Budget: The board is required to prepare and approve an annual budget including specified components (Texas Water Code, Section 36.154).</p> <p>Employee Bonds: The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, and consultants who collect, pay, or handle district funds (Texas Water Code, Section 36.057 (d)).</p> <p>Board Member Bonds: Each director is required to execute a bond for \$10,000 payable to the district and conditioned on the faithful performance of that director's duties before beginning to perform the duties of office (Texas Water Code, Section 36.055(c)).</p> <p>Bank Depository and Expenditures: The board is required to name one or more banks to serve as depository for the district's funds (Texas Water Code, Section 36.155) and obtain dual signatures on district disbursements, excluding federal reserve wire transfers or electronic fund transfer (Texas Water Code, Section 36.151). To receive fees of office and to receive reimbursement for expenses, each director shall file with the district a verified statement showing the number of days actually spent in the service of the district and a general description of the duties performed for each day of service (Texas Water Code, Section 36.060(c)).</p>		

Recommendations

The Terrell County Groundwater Conservation District should:

- Perform all actions required by its management plan. Specifically, it should:
 - ♦ Ensure that a representative of the District attends at least one Far West Texas Regional Water Planning Group meeting annually.
 - ♦ Obtain water quality samples and document a summary of those samples in its Annual Report.
 - ♦ Review and discuss Palmer Drought Severity Index maps and Drought Preparedness Council Situation Reports during at least one board meeting every year and maintain documentation of those discussions.
 - ♦ Provide information to the public on water conservation, rainwater harvesting, and brush control on an annual basis.
- Include all financial statement components in its annual budget required by Texas Water Code, Section 36.154(b).

Management's Response

We agree with all of the SAO's recommendations.

The Board President is currently a member of the Far West Texas Regional Water Planning Group ("RWPG") and has already begun working with representatives of the RWPG to be informed of the RWPG's meeting dates so that he or another individual from Terrell County GCD can plan to attend at least one RWPG meeting per year. The District's Board is responsible for implementation of this corrective action. This will be implemented before the end of the 2018 calendar year.

The District Board has already initiated discussions at a Board meeting to begin coordinating with the Texas Water Development Board ("TWDB"), the Texas Commission on Environmental Quality ("TCEQ"), and Texas A&M AgriLife Extension Service to make a plan to collect water quality samples as laid out in the District's Management Plan. The District plans to include a summary of the samples taken in each Annual Report going forward. The District's Board is responsible for implementation of this corrective action. This will be implemented before the end of the 2018 calendar year.

The District intends to comply with its Management Plan objective of reviewing and discussing Palmer Drought Severity Index maps and Drought

Preparedness Council Situation Reports during at least one board meeting every year, and documenting those discussions in the Board meeting minutes. The Board already began taking this action for the 2018 calendar year at its Board meeting on March 6, 2018. The District's Board is responsible for implementation of this corrective action. This was already implemented on March 6, 2018.

Going forward, the District intends to comply with its Management Plan objectives of providing information to the public on water conservation, rainwater harvesting, and brush control on an annual basis. The District's Board is responsible for implementation of this corrective action. This will be implemented before the end of the 2018 calendar year.

While the District Board has consistently adopted an annual budget, and the District Board has consistently been cognizant of the components required by Texas Water Code § 36.154(b) because they are included in the Annual Audit Report and Financial Statement that the District has completed by an outside auditor, going forward, the Board intends to amend the format of its annual budget to include all of the components listed in § 36.154(b). The District's Board is responsible for implementation of this corrective action. This will be implemented before the end of the District's fiscal year ending September 30, 2018.

Duval County Groundwater Conservation District Fully or Partially Achieved the Majority of Its Management Plan Goals and Fully Complied with All Statutory Requirements

Duval County Groundwater Conservation District (District) fully achieved five of the eight applicable goals in its management plan during fiscal year 2017. Additionally, it partially achieved two goals and did not achieve one goal. The District fully complied with all nine applicable statutory requirements audited.

Chapter 3-A

Duval County Groundwater Conservation District Fully or Partially Achieved the Majority of Its Management Plan Goals

The District fully achieved 5 (63 percent), partially achieved 2 (25 percent), and did not achieve 1 (12 percent) of its 8 management plan goals during fiscal year 2017.

Chapter 3-A
Rating:
Medium¹⁰

The five goals the District fully achieved were:

- Controlling and preventing waste of groundwater.
- Controlling and preventing subsidence¹¹.
- Addressing conjunctive¹² surface water management issues.
- Addressing drought conditions.
- Addressing the desired future conditions adopted¹³.

Selected Financial Information for Fiscal Year 2017	
<u>Assets and Liabilities</u>	
Total Assets	\$827,222
Total Liabilities	\$677
<u>Revenues and Expenditures</u>	
Total Revenues	\$277,460
Total Expenses	\$404,527
Source: These amounts were from the District's annual audited financial statements for the District's fiscal year ending September 30, 2017.	

¹⁰ The risk related to the issues discussed in Chapter 3-A is rated Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

¹¹ Texas Water Code, Section 36.001(10), defines subsidence as the lowering in elevation of the land surface caused by withdrawal of groundwater.

¹² Texas Water Code, Section 36.001(21), defines conjunctive use as the combined use of groundwater and surface water sources that optimizes the beneficial characteristics of each source.

¹³ Texas Water Code, Section 36.108, requires groundwater conservation districts within the same groundwater management area to perform joint planning activities that include the adoption of desired future conditions for the groundwater management area. Texas Water Code, Section 36.001(30), defines desired future conditions as the desired conditions of the groundwater resources in a management area at one or more specified future times.

The two management plan goals that the District partially achieved were:

- Addressing natural resource issues.
- Addressing conservation.

The management plan goal that the District did not achieve was providing the most efficient use of groundwater.

Failure to fully achieve all management plan goals increases the risk that the District will not adequately preserve, conserve, or prevent the waste of groundwater resources.

Texas Water Code, Section 36.0015(b), states that groundwater conservation districts are the State’s preferred method of groundwater management, including the conservation, preservation, protection, recharging, and prevention of waste of groundwater (see text box).

For each applicable goal in its approved groundwater management plan, the District developed objectives and performance standards that described the activities the District must perform to achieve each goal. Table 6 provides additional information.

Purpose of Groundwater Conservation Districts

To provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and to control subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution, groundwater conservation districts may be created as provided by this chapter.

Groundwater conservation districts created as provided by this chapter are **the State’s preferred method of** groundwater management in order to protect property rights, balance the conservation, and development of groundwater to meet the needs of this state, and use the best available science in the conservation and development of groundwater through rules developed, adopted, and promulgated by a district in accordance with the provisions of this chapter.

Source: Texas Water Code, Chapter 36.

Table 6

Duval County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
<u>Objective:</u> The District will encourage the efficient use of groundwater by informing the public about the need for and methods of groundwater use efficiency.		
<u>Performance Standard:</u> The District will publish one article in a local publication media or will acquire one informational bulletin on groundwater efficiency at least once annually.	No	The District asserted it had published information related to efficient use of groundwater on both its Web site and in its monthly newsletters during fiscal year 2017. However, those sources did not have any articles related to the efficient use of groundwater.
Goal 2: Controlling and Preventing Waste of Groundwater		
<u>Objective:</u> The District will address and attempt to control the waste of groundwater resources.		
<u>Performance Standard:</u> The District will adopt a set of rules that address the waste of groundwater within the District by no later than the end of 2012.	Yes	

Duval County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives

Goal and Objective Audited	Achieved?	Additional Information
<u>Performance Standard:</u> The District will conduct a thorough review of these adopted rules at least annually to assure that they are current and that they are being enforced as intended. This annual review will be recorded in the official minutes of the District's meetings.	Yes	
<u>Performance Standard:</u> The District will develop or acquire an informational bulletin that addresses and explains the need for the prevention of waste in groundwater. A copy of this bulletin will be delivered to each entity that drills a well within the District.	Yes	
Goal 3: Controlling and Preventing Subsidence		
<u>Objective:</u> Monitor possible subsidence problems that might occur within the District.		
<u>Performance Standard:</u> The District will investigate any reports of subsidence occurrence or of potential subsidence problems within the county. The month following such a report or annually if no such report or occurrence is noted, a briefing will be presented to the District Board to determine what, if any, course of action is needed. This briefing will be recorded in the official minutes of the District's meetings.	Yes	
Goal 4: Addressing Conjunctive Surface Water Management Issues		
<u>Objective:</u> The District will participate in the regional water planning process by reviewing current issues and by maintaining contact with the Region N Regional Water Planning Group.		
<u>Performance Standard:</u> A representative of the District will attend at least one or as many meetings as deemed needed per year of the Region N Regional Water Planning Group. Following any such meeting attendance, a report will be given by the District representative to the District Board of Directors and such report will be recorded in the official meeting minutes for the District.	Yes	
<u>Objective:</u> The District will participate and coordinate its efforts with all surface water entities that have jurisdiction or operate within the District boundaries.		
<u>Performance Standard:</u> Letters will be sent to the Nueces River Authority and to the South Texas Watermasters Program introducing the District and indicating the District's desire to cooperate with these surface water entities. These letters will be sent by March 30, 2012.	Yes	
<u>Performance Standard:</u> Following initial contact with each of the surface water entities, the District will review their response and decide what further contact is needed and what cooperative efforts will be planned. This decision will be noted in the District's meeting minutes by no later than July 31, 2013.	Yes	
Goal 5: Addressing Natural Resource Issues		
<u>Objective:</u> Monitor soil salinity levels on soils that are irrigated with the use of groundwater.		
<u>Performance Standard:</u> Conduct or obtain at least one annual soil salinity test from each, an irrigated cropland field and an irrigated pasture within the District. Monitor salinity changes annually and maintain a log of such soil salinity test results.	Yes	

Duval County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives

Goal and Objective Audited	Achieved?	Additional Information
<u>Objective:</u> Monitor groundwater quality within the District.		
<u>Performance Standard:</u> The District will conduct or will arrange to have water in selected wells tested for salinity (total salts) and for nitrate (NO ₃). Starting in 2013, at least one new well drilled each year will be tested. Test results will be kept on file with the District.	No	While the District contracted with a third-party vendor to perform testing of water samples from selected wells, that testing for fiscal year 2017 did not include testing for nitrate because the District did not request that the vendor include that in the testing.
<u>Performance Standard:</u> The District will partner with the local County Agricultural Extension Service (Extension Service) office to participate or sponsor an annual water well sample testing day conducted by the Extension Service. Test results will be recorded and maintained by the District.	Not Applicable	During fiscal year 2017, the Extension Service's position for Duval County was vacant; as a result, the District was unable to coordinate with the Extension Service to hold an annual water well sample testing day. Therefore, this performance standard was not applicable for fiscal year 2017.
<u>Objective:</u> Maintain vigilance on activities dealing with potential pollution and governmental regulations that impact groundwater.		
<u>Performance Standard:</u> The District will review all correspondence or reports that it receives pertaining to injection well permitting and land treatment facilities. Such reviews will be recorded in the minutes of the District meetings.	Yes	
Goal 6: Addressing Drought Conditions		
<u>Objective:</u> Maintain vigilance and monitor groundwater levels to determine what effect droughts are having on groundwater tables within the District.		
<u>Performance Standard:</u> The District will monitor changes in groundwater levels that occur annually and historically by reviewing water level measurements conducted annually by the Texas Water Development Board. This annual review will be discussed with the District Board of Directors and the findings will be recorded in the District's meeting minutes.	Yes	
<u>Performance Standard:</u> The District will initiate its own groundwater level monitoring system by starting an annual water level measurement on at least one new well that is drilled each year within the District, starting in 2013.	Yes	
<u>Objective:</u> Monitor the Palmer Drought Severity Index conditions for Duval County and correlate to groundwater levels within the District.		
<u>Performance Standard:</u> Each month the District will download the most recent Palmer Drought Severity Index, review it, and keep it on file.	Yes	
<u>Performance Standard:</u> At least annually, a report will be made to the District Board of Directors on the most recent Palmer Drought Severity Index conditions and the conditions that occurred throughout the last year and will be compared to groundwater levels in the District. This annual review will be recorded in the District's official meeting minutes.	Yes	
Goal 7: Conservation (Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost effective.)		
<u>Objective:</u> The District will address and will encourage the conservation of the groundwater resources within the District and elsewhere.		
<u>Performance Standard:</u> The District will adopt a set of rules that address the conservation of groundwater resources by no later than the end of 2012.	Yes	

Duval County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives

Goal and Objective Audited	Achieved?	Additional Information
<u>Performance Standard:</u> The District will conduct a thorough review of the District rules at least annually to assure that the rules are current and that they are being enforced as intended to conserve water. This review will be recorded in the official minutes of the District meetings prior to the end of each year.	Yes	
<u>Performance Standard:</u> The District will develop or will acquire an informational bulletin that addresses and explains the need for conservation of groundwater. A copy of this bulletin will be delivered to each entity that drills a well within the District.	No	The District asserted it had published information related to conservation of groundwater in its monthly newsletters during fiscal year 2017. However, the newsletters published during 2017 did not include any articles related to the conservation of groundwater.
<u>Performance Standard:</u> At least one informational article that addresses conservation of the District's groundwater will be made available for public viewing by one of the following: 1. Submit article to a local newspaper publication. 2. Conduct a public presentation. 3. Present exhibits at local events. 4. Publicize in the District's Web page.	Yes	
<u>Objective:</u> Promote the use of rainwater harvesting.		
<u>Performance Standard:</u> The District will partner with the U.S. Department of Agriculture's Natural Resources Conservation Service (USDA-NRCS) and the County AgriLife Extension Service office within the District to publicize and promote rainwater harvesting during at least one annual public event.	Yes	
<u>Performance Standard:</u> The District will help distribute informational materials on rainwater harvesting by posting the information on the District's Web site.	No	The District asserted that it did not publish any informational materials on rainwater harvesting during fiscal year 2017.
<u>Objective:</u> Promote the use of brush control.		
<u>Performance Standard:</u> Sponsor or co-sponsor at least one annual demonstration or field day on brush control with the USDA-NRCS, the local Agua Poquita Soil and Water Conservation District, and/or the Agricultural Extension Service office.	Yes	
Goal 8: Addressing the Desired Future Conditions Adopted		
<u>Objective:</u> Monitor groundwater pumping changes in the District.		
<u>Performance Standard:</u> The District will review groundwater pumping figures within the District to determine compliance with the Desired Future Conditions. An annual report of the data will be compiled by October of the following year.	Yes	
<u>Performance Standard:</u> Every five years the District will review the pumping figures for the prior five years within the District to determine if the Desired Future Condition is still applicable. The first review will be made by October 2017.	Yes	
<u>Objective:</u> Monitor groundwater levels within the District.		
<u>Performance Standard:</u> The District will annually review groundwater well measurements conducted by the Texas Water Development Board to determine long-term trends. The annual review will be noted in the official minutes of the District meetings.	Yes	

Duval County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
<u>Performance Standard:</u> The District will initiate a groundwater monitoring system by starting an annual water level measurement on at least one new well annually, starting in 2013.	Yes	

Chapter 3-B
Duval County Groundwater Conservation District Fully Complied
with All Statutory Requirements

Texas Water Code, Chapter 36, specifies requirements for the manner in which groundwater conservation districts must operate. The District fully complied with all nine Texas Water Code requirements audited. Those nine requirements were:

Chapter 3-B
Rating:
Low¹⁴

- Holding regular board meetings in accordance with statute.
- Adopting written district rules.
- Adopting written policies.
- Participating in joint planning meetings with other groundwater conservation districts within the same Groundwater Management Area.
- Obtaining an annual audit of the financial condition of the district.
- Preparing and obtaining board approval on an annual budget that includes a complete financial statement.
- Obtaining bonds for its board members.
- Obtaining bonds for district employees who are responsible for handling district funds.
- Maintaining at least one bank as the official depository for district funds, obtaining dual signatures on fund disbursements in fiscal year 2017, and

¹⁴ The risk related to the issues discussed in Chapter 3-B is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

ensuring that payments made to board members are supported by a verified statement.

Table 7 summarizes the District’s compliance with the statutory requirements audited.

Table 7

Duval County Groundwater Conservation District Compliance with Texas Water Code Requirements ^a		
Fiscal Year 2017		
Texas Water Code Requirement	Compliance	Additional Information
Board Meetings	Fully Complied	The District complied with all requirements.
District Rules	Fully Complied	The District complied with all requirements.
District Policies	Fully Complied	The District complied with all requirements.
Joint Planning	Fully Complied	The District complied with all requirements.
Annual Financial Audit	Fully Complied	The District complied with all requirements.
Annual Budget	Fully Complied	The District complied with all requirements.
Employee Bonds	Fully Complied	The District complied with all requirements.
Board Member Bonds	Fully Complied	The District complied with all requirements.
Bank Depository and Expenditures	Fully Complied	The District complied with all requirements.

^a Texas Water Code, Chapter 36, statutory requirements:

Board Meetings: The board is required to provide notice of and conduct meetings at least quarterly. Districts are required to provide notice of meetings of the board (Texas Water Code, Section 36.063). A quorum is required to conduct business (Texas Water Code, Sections 36.064 and 36.053). The board also is required to keep complete records of its meetings and proceedings (Texas Water Code, Section 36.065).

District Rules: The board is required to adopt rules to implement Chapter 36 of the Texas Water Code (Texas Water Code, Sections 36.101 (b), 36.1071(f), 36.111 through 36.113, 36.1145, 36.201, and 36.454 (a) and (b)).

District Policies: The board is required to adopt written policies addressing specified areas (Texas Water Code, Section 36.061): policies for a code of ethics, travel expenditures, district investments, professional services, and management information, which includes policies on (1) budgeting and (2) establishing an audit or finance committee.

Joint Planning: The district is required to meet annually with any other districts in the groundwater management area in which it is located to set desired future conditions for aquifers in the area (Texas Water Code, Section 36.108).

Annual Financial Audit: The board is required to obtain an annual audit of the financial condition of the district (Texas Water Code, Section 36.153).

Annual Budget: The board is required to prepare and approve an annual budget including specified components (Texas Water Code, Section 36.154).

Employee Bonds: The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, and consultants who collect, pay, or handle district funds (Texas Water Code, Section 36.057 (d)).

Board Member Bonds: Each director is required to execute a bond for \$10,000 payable to the district and conditioned on the faithful performance of that director’s duties before beginning to perform the duties of office (Texas Water Code, Section 36.055(c)).

Bank Depository and Expenditures: The board is required to name one or more banks to serve as depository for the district’s funds (Texas Water Code, Section 36.155) and obtain dual signatures on district disbursements, excluding federal reserve wire transfers or electronic fund transfer (Texas Water Code, Section 36.151). To receive fees of office and to receive reimbursement for expenses, each director shall file with the district a verified statement showing the number of days actually spent in the service of the district and a general description of the duties performed for each day of service (Texas Water Code, Section 36.060(c)).

Recommendations

The Duval County Groundwater Conservation District should:

- Publish at least one article or acquire an informational bulletin annually on the (1) efficient use of groundwater and (2) conservation of groundwater, as required by its management plan.
- Distribute informational materials related to rainwater harvesting on its Web site, as required by its management plan.
- Ensure that the testing of its water well samples includes testing for all chemical compounds required by its management plan.

Management's Response

The Duval County Groundwater District agrees with the above recommendations and has already started to publish tips on the (1) efficient use of groundwater and (2) conservation of groundwater, as required by its management plan by placing them on their monthly newsletter and adding it to their website on Duvalgcd.com. The District's General Manager and Web Site Designer completed implementation of these actions in April 2018.

The District will also distribute informational materials related to rainwater harvesting on its Duvalgcd.com website, as required by our management plan. The District's General Manager and Web Site Designer implemented this action on February 7, 2018.

The District on February 22, 2018 added onto their contract with Test America testing for nitrates to ensure that the testing of its water well samples includes testing for all chemical compounds required by its management plan. The District's General Manager was responsible for ensuring implementation.

Brush Country Groundwater Conservation District Fully Achieved the Majority of Its Management Plan Goals and Fully Complied with All Statutory Requirements

Brush Country Groundwater Conservation District (District) fully achieved 7 (88 percent) of 8 management goals audited and fully complied with all 9 statutory requirements tested.

Chapter 4-A

Brush Country Groundwater Conservation District Fully Achieved the Majority of Its Management Plan Goals

The District fully achieved 7 (88 percent) of 8 management goals. Those seven goals were:

Chapter 4-A
Rating:
Low¹⁵

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Controlling and preventing subsidence¹⁶.
- Addressing conjunctive¹⁷ surface water management issues.
- Addressing natural resource issues.
- Addressing conservation.
- Addressing the desired future conditions adopted.¹⁸

Selected Financial Information for
Fiscal Year 2016

Assets and Liabilities

Total Assets	\$2,202,596
Total Liabilities	\$3,417

Revenues and Expenses

Total Revenues	\$546,210
Total Expenses	\$212,487

Source: These amounts were from the District's annual audited financial statements for the District's fiscal year ending September 30, 2016. The District had not prepared its financial statements for fiscal year 2017 at the time of this audit.

¹⁵ The risk related to the issues discussed in Chapter 4-A is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

¹⁶ Texas Water Code, Section 36.001(10), defines subsidence as the lowering in elevation of the land surface caused by withdrawal of groundwater.

¹⁷ Texas Water Code, Section 36.001(21), defines conjunctive use as the combined use of groundwater and surface water sources that optimizes the beneficial characteristics of each source.

¹⁸ Texas Water Code, Section 36.108, requires groundwater conservation districts within the same groundwater management area to perform joint planning activities that include the adoption of desired future conditions for the groundwater management area. Texas Water Code, Section 36.001(30), defines desired future conditions as the desired conditions of the groundwater resources in a management area at one or more specified future times.

The District did not achieve the remaining management plan goal of addressing drought conditions.

For each applicable goal in its approved groundwater management plan, the District developed objectives and performance standards that described the activities the District must perform to achieve each goal. Table 8 provides additional information.

Table 8

Brush Country Groundwater Conservation District Achievement of Groundwater Management Plan Objectives ^a		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
<u>Objective:</u> Beginning in 2012, the District will require the registration of wells not otherwise exempt from registration within the District's boundaries each year. Each year the District will locate and register a minimum of one well.		
<u>Performance Standard:</u> The number of new and existing wells registered with the District will be provided in the Annual Report for each fiscal year.	Yes	
<u>Objective:</u> The District requires permits for all groundwater use considered non-exempt within District boundaries each year. The District will establish a permitting process in the District's rules.		
<u>Performance Standard:</u> The District will accept and process permit applications for all non-exempt groundwater use pursuant to the permitting process described in the District Rules each year. The Annual Report for each year will contain a summary of the number of applications submitted to the District requesting authorization for the permitted use of groundwater and the number and type of permits issued by the District.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
<u>Objective:</u> Each year the District will provide information to the public on reducing and preventing the waste of groundwater. The District will use one of the methods set forth below to provide information to the public at least once during each fiscal year: a. Offer public presentations on groundwater issues, including waste prevention; b. Sponsor an educational program or course; c. Distribute literature packets or brochures; d. Provide information on the District's Web site addressing the prevention of waste; or e. Submit newspaper articles to the newspapers of general circulation within the District for publication.		
<u>Performance Standard:</u> The Annual Report will include a summary of the District's efforts during the previous year to provide information to the public on the reducing and preventing the waste of groundwater.	Yes	
<u>Objective:</u> The District will prohibit waste as defined by Chapter 36 of the Texas Water Code within its boundaries and will implement this prohibition through its rules.		
<u>Performance Standard:</u> The District's Annual Report will include a summary of the number of well owners who violated the District's prohibition on waste and any action taken by the District.	Yes	

Brush Country Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives ^a

Goal and Objective Audited	Achieved?	Additional Information
Goal 3: Controlling and Preventing Subsidence		
<u>Objective:</u> The District will monitor for any signs of subsidence within its boundaries.		
<u>Performance Standard:</u> The District will indicate in its Annual Report that it has monitored for signs of subsidence and, if evidence of subsidence is found, shall provide an explanation in its Annual Report.	Yes	
<u>Objective:</u> The District will stay abreast of subsidence issues within the Groundwater Management Area (GMA) 16.		
<u>Performance Standard:</u> The District will indicate in its Annual Report that it has stayed abreast of subsidence issues within the GMA 16 and will provide a list of those groundwater conservation districts or other entities that have experienced any new evidence of subsidence within the previous year.	Yes	
Goal 4: Addressing Conjunctive Surface Water Management Issues		
<u>Objective:</u> The District will participate in the regional water planning process by sending a District representative to attend at least one meeting of the Rio Grande Regional Water Planning Group (Region M) and one meeting of the Coastal Bend Regional Water Planning Group (Region N) each year. The District will coordinate with the Nueces River Authority, a member of Region N, during attendance of the Region N Meeting.		
<u>Performance Standard:</u> Attendance at the Region M meeting and the Region N meeting by a representative of the District will be included in the Annual Report and will provide the dates of attendance.	Yes	
Goal 5: Addressing Natural Resource Issues		
<u>Objective:</u> Each year, the District will collect at least 10 water level measurements from District monitor wells. The 10 water level measurements will be taken from 3 wells in Brooks County, 3 wells in Jim Hogg County, 3 wells in Jim Wells County, and 1 well in Hidalgo County.		
<u>Performance Standard:</u> Beginning in 2012, the District's Annual Report will include a description of the number of wells measured and the monitoring results of each well measured.	Yes	
<u>Objective:</u> The District will monitor whether there are any significant impacts to wildlife common to the District that rely on the District's groundwater resources.		
<u>Performance Standard:</u> The District's Annual Report will indicate that the District monitored any impacts to wildlife and, if any significant impacts are found, will describe such impacts in its Annual Report.	Yes	
Goal 6: Addressing Drought Conditions		
<u>Objective:</u> The District will access at least one updated Palmer Drought Severity Index (PDSI) map each quarter and will check for updates to the Drought Preparedness Council Situation Report (Situation Report) posted on the following Web site: http://www.dps.texas.gov/dem/sitrep/default.aspx . The District also will access useful drought information on the Water Development Board's Web site: http://www.waterdatafortexas.org/drought .		
<u>Performance Standard:</u> The District will include the PDSI maps and Situation Reports it has reviewed in its Annual Report each year and will include a discussion of the current drought status of the District.	No	The District did not document PDSI maps and Situation Reports reviewed in its Annual Report as required by the performance standard. The District asserted that PDSI maps and Situation Reports were unnecessary because the District received more than average rainfall during fiscal year 2016. Failure to achieve its performance standard and objective increases the risk that the District will not identify in a timely manner drought conditions that may negatively affect groundwater resources.

Brush Country Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives ^a

Goal and Objective Audited	Achieved?	Additional Information
Goal 7: Addressing Conservation (Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost effective.)		
<p><u>Objective:</u> The District will provide information to the public on water conservation at least once each fiscal year by one of the following methods:</p> <ul style="list-style-type: none"> a. Distribute literature packets or brochures within the District; b. Provide information to the public on the District's Web site; c. Conduct public presentations; d. Submit newspaper articles to newspapers of general circulation in the District for publication; or e. Present exhibits at local public events. 		
<u>Performance Standard:</u> The District's Annual Report will provide a description of the District's efforts and a copy of any information provided to the public during the previous year to promote conservation.	Yes	
<u>Objective:</u> The District will provide information to the public by providing literature at the District's office, after the District establishes an office.		
<u>Performance Standard:</u> The District's Annual Report will include a copy of the information provided to the public at the District's office.	Yes	
<u>Objective:</u> The District will promote rainwater harvesting by providing information on rainwater harvesting on the District's Web site at least once each year, once a Web site is established for the District.		
<u>Performance Standard:</u> The District's Annual Report will include a copy of the information on rainwater harvesting that has been provided on the District's Web site within the previous fiscal year.	Yes	
<u>Objective:</u> The District will inform the public about the brush control activities within the District's boundaries and the benefits of brush control by providing literature at the District's office, after the District establishes an office.		
<u>Performance Standard:</u> The District's Annual Report will include an update on the brush control activities within the District's boundaries and will provide a copy of the literature provided to the public at the District's office.	Yes	
<u>Objective:</u> The District will begin to identify recharge areas within the District.		
<u>Performance Standard:</u> Any recharge areas identified during the year will be discussed in the District's Annual Report.	Yes	
Goal 8: Addressing the Desired Future Conditions Adopted		
<u>Objective:</u> Each year, the District will collect at least 10 water level measurements from District monitor wells. The 10 water level measurements will be taken from 3 wells in Brooks County, 3 wells in Jim Hogg County, 3 wells in Jim Wells County, and 1 well in Hidalgo County.		
<u>Performance Standard:</u> Each year the District will post the water level measurement collected and identify the aquifer from which the measurement is taken in the District's Annual Report and Web site. The District will include a discussion of the change in water level in each aquifer as compared to previous years' water levels.	Yes	
<p>^a It should be noted that for goals that required information to be included in the District's Annual Report, auditors relied on the District's Annual Report for 2016 because the District had not prepared its 2017 Annual Report at the time of this audit.</p>		

Brush Country Groundwater Conservation District Fully Complied with All Statutory Requirements

Texas Water Code, Chapter 36, specifies requirements for the manner in which groundwater conservation districts must operate. The District fully complied with all nine applicable Texas Water Code requirements audited. Those nine requirements were:

Chapter 4-B
Rating:
Low¹⁹

- Holding regular board meetings in accordance with statute.
- Adopting written district rules.
- Adopting written policies.
- Participating in joint planning meetings with other groundwater conservation districts within the same Groundwater Management Area.
- Obtaining an annual audit of the financial condition of the district.
- Preparing and obtaining board approval on an annual budget that includes a complete financial statement.
- Obtaining bonds for its board members.
- Obtaining bonds for district employees who are responsible for handling District funds.
- Maintaining at least one bank as the official depository for district funds, obtaining dual signatures on fund disbursements in fiscal year 2017, and ensuring that payments made to board members are supported by a verified statement.

Table 9 on the next page summarizes the District's compliance with the statutory requirements audited.

¹⁹ The risk related to the issues discussed in Chapter 4-B is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Table 9

Brush Country Groundwater Conservation District's Compliance with Texas Water Code Requirements ^a		
Fiscal Year 2017		
Texas Water Code Requirement	Compliance	Additional Information
Board Meetings	Fully Complied	The District complied with all requirements.
District Rules	Fully Complied	The District complied with all requirements.
District Policies	Fully Complied	The District complied with all requirements.
Joint Planning	Fully Complied	The District complied with all requirements.
Annual Financial Audit	Fully Complied	The District complied with all requirements. It should be noted that auditors reviewed the District's fiscal year 2016 annual financial audit because the District's fiscal year 2017 annual financial audit had not been completed at the time of this audit.
Annual Budget	Fully Complied	The District complied with all requirements.
Employee Bonds	Fully Complied	The District complied with all requirements.
Board Member Bonds	Fully Complied	The District complied with all requirements.
Bank Depository and Expenditures	Fully Complied	The District complied with all requirements.
<p>^a Texas Water Code, Chapter 36, statutory requirements:</p> <p>Board Meetings: The board is required to provide notice of and conduct meetings at least quarterly. Districts are required to provide notice of meetings of the board (Texas Water Code, Section 36.063). A quorum is required to conduct business (Texas Water Code, Sections 36.064 and 36.053). The board also is required to keep complete records of its meetings and proceedings (Texas Water Code, Section 36.065).</p> <p>District Rules: The board is required to adopt rules to implement Chapter 36 of the Texas Water Code (Texas Water Code, Sections 36.101 (b), 36.1071(f), 36.111 through 36.113, 36.1145, 36.201, and 36.454 (a) and (b)).</p> <p>District Policies: The board is required to adopt written policies addressing specified areas (Texas Water Code, Section 36.061): policies for a code of ethics, travel expenditures, district investments, professional services, and management information, which includes policies on (1) budgeting and (2) establishing an audit or finance committee.</p> <p>Joint Planning: The district is required to meet annually with any other districts in the groundwater management area in which it is located to set desired future conditions for aquifers in the area (Texas Water Code, Section 36.108).</p> <p>Annual Financial Audit: The board is required to obtain an annual audit of the financial condition of the district (Texas Water Code, Section 36.153).</p> <p>Annual Budget: The board is required to prepare and approve an annual budget including specified components (Texas Water Code, Section 36.154).</p> <p>Employee Bonds: The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, and consultants who collect, pay, or handle district funds (Texas Water Code, Section 36.057 (d)).</p> <p>Board Member Bonds: Each director is required to execute a bond for \$10,000 payable to the district and conditioned on the faithful performance of that director's duties before beginning to perform the duties of office (Texas Water Code, Section 36.055(c)).</p> <p>Bank Depository and Expenditures: The board is required to name one or more banks to serve as depository for the district's funds (Texas Water Code, Section 36.155) and obtain dual signatures on district disbursements, excluding federal reserve wire transfers or electronic fund transfer (Texas Water Code, Section 36.151). To receive fees of office and to receive reimbursement for expenses, each director shall file with the district a verified statement showing the number of days actually spent in the service of the district and a general description of the duties performed for each day of service (Texas Water Code, Section 36.060(c)).</p>		

Recommendations

The Brush Country Groundwater Conservation District should:

- Review the Palmer Drought Severity Index maps at least once per quarter.
- Check for updates to the Drought Preparedness Council Situation Report.
- Include the maps and reports reviewed and a discussion of the current drought status within the District in its Annual Report as required by its management plan.

Management's Response

Brush Country GCD has taken the following actions to correct deficiencies found by SAO in the 2017 Brush Country Audit:

- 1. General Manager has provided Drought Monitor Maps for 1st and 2nd quarters of fiscal year 2018. Local and Texas Drought Maps were presented at BCGCD Directors meetings held on January 23, 2018 and April 24, 2018. Local drought and State of Texas drought conditions were also discussed at these same meetings.*
- 2. General Manager has advised BCGCD Board of Directors that he will presenting drought monitoring reports at least once a quarter from now on.*
- 3. General Manager will also check for updates to the Drought Preparedness Council Situation Report and present it to the board when they become available. Copies of maps and drought report discussions will be included as attachments to each annual report from here on.*

Post Oak Savannah Groundwater Conservation District Fully Achieved All of Its Management Plan Goals and Fully Complied with All Statutory Requirements

Post Oak Savannah Groundwater Conservation District (District) fully achieved all eight of its management plan goals during fiscal year 2017 and fully complied with all nine applicable statutory requirements audited.

Chapter 5-A

Post Oak Savannah Groundwater Conservation District Fully Achieved All of Its Management Plan Goals

The District fully achieved the following eight goals in its groundwater management plan during fiscal year 2017:

Chapter 5-A
Rating:
Low ²⁰

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Controlling and preventing subsidence²¹.
- Addressing conjunctive²² surface water management issues.
- Addressing natural resource issues.
- Addressing drought conditions.
- Addressing conservation.
- Addressing the desired future conditions adopted²³.

Selected Financial Information for Fiscal Year 2016	
<u>Assets and Liabilities</u>	
Total Assets	\$3,544,624
Total Liabilities	\$39,459
<u>Revenues and Expenditures</u>	
Total Revenues	\$1,807,814
Total Expenses	\$1,467,655
Source: These amounts were from the District's annual audited financial statements for the District's fiscal year ending December 31, 2016. The District had not prepared its financial statements for fiscal year 2017 at the time of this audit.	

²⁰ The risk related to the issues discussed in Chapter 5-A is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

²¹ Texas Water Code, Section 36.001(10), defines subsidence as the lowering in elevation of the land surface caused by withdrawal of groundwater.

²² Texas Water Code, Section 36.001(21), defines conjunctive use as the combined use of groundwater and surface water sources that optimizes the beneficial characteristics of each source.

²³ Texas Water Code, Section 36.108, requires groundwater conservation districts within the same groundwater management area to perform joint planning activities that include the adoption of desired future conditions for the groundwater management area. Texas Water Code, Section 36.001(30), defines desired future conditions as the desired conditions of the groundwater resources in a management area at one or more specified future times.

For each applicable goal in its approved groundwater management plan, the District developed objectives and performance standards that described the activities the District must perform to achieve each goal. Table 10 provides additional information.

Table 10

Post Oak Savannah Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
<u>Objective:</u> The District will maintain a monitoring well network with at least 50 monitoring wells to provide coverage across management zones and aquifers within the District. The District will measure water levels at the monitoring well locations at least once every calendar year. A written analysis of the water level measurements from the monitoring wells will be made available through a presentation to the Board of the District at least once every three years.		
<u>Performance Standard:</u> Maintain a monitoring well network and its criteria, and measure at least 50 monitoring wells at least once every calendar year.	Yes	
<u>Performance Standard:</u> Number of monitoring wells measured annually by the District. Written report presented to the Board to document that water levels at these monitoring wells have been measured a minimum of once each year.	Yes	
<u>Objective:</u> The District will provide educational leadership to citizens within the District concerning this subject. The activity will be accomplished annually through at least one printed publication, such as a brochure, and public speaking at service organizations and public schools as provided for in the District's Public Education Program.		
<u>Performance Standard:</u> The number of publications and speaking appearances by the District each year under the District's Public Education Program.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
<u>Objective:</u> The District will provide educational leadership to citizens within the District concerning this subject. The activity will be accomplished annually through at least one printed publication, such as a brochure, and public speaking at service organizations and public schools as provided for in the District's Public Education Program. During years when District revenues are sufficient, the District will consider funding a grant to obtain a review, study, or report of pertinent groundwater issues, or to sponsor the attendance of students at summer camps/seminars that place emphasis on the conservation of water resources.		
<u>Performance Standard:</u> The number of publications and speaking appearances by the District each year, and the number of grants considered and students actually accepting and attending an educational summer camp or seminar.	Yes	
Goal 3: Controlling and Preventing Subsidence		
<u>Objective:</u> The District will monitor drawdowns with due consideration to the potential for land subsidence. At least once every three years, the District will report projected land subsidence for areas where water levels will decrease more than 300 feet (over a 50-year period from the year 2000 baseline condition) based on groundwater availability model simulations used for the joint planning process.		
<u>Performance Standard:</u> The number of reports that provide estimates of projected land subsidence.	Yes	
Goal 4: Addressing Conjunctive Surface Water Management Issues		
<u>Objective:</u> The District will confer annually with the Brazos River Authority (BRA) on cooperative opportunities for conjunctive resource management.		
<u>Performance Standard:</u> The number of conferences with the BRA on conjunctive resource management.	Yes	
<u>Performance Standard:</u> The number of times each year in which the applicant, general manager, or the Board considers conjunctive use in the permitting process.	Yes	

Post Oak Savannah Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives

Goal and Objective Audited	Achieved?	Additional Information
Goal 5: Addressing Natural Resource Issues		
<u>Objective:</u> The District will confer at least once every two years with appropriate agencies on the impact of groundwater resources in the District.		
<u>Performance Standard:</u> The number of conferences with a representative of appropriate agencies.	Yes	
<u>Objective:</u> The District will evaluate permit applications for new wells and the information submitted by the applicants on those wells prior to drilling. The District will assess the impact of these wells on the groundwater resources in the District.		
<u>Performance Standard:</u> Reports to the Board on the number of new well permit applications filed, and the possible impacts of those new wells on the groundwater resources in the District.	Yes	
<u>Objective:</u> The District will implement the District's Well Closure Program. The objective of the well closure program is to obtain the closure and plugging of derelict and abandoned wells in a manner that is consistent with state law, for the protection of the aquifers, the environment, and the public safety. The District will conduct a program to identify, inspect, categorize, and cause abandoned and derelict water, oil, and gas wells to be closed and plugged by annually funding the program or segments or phases of the program appropriate to be funded in such fiscal year. The District will fund the closure of at least one abandoned well during years when the District's revenues remain at a level sufficient to fund the program.		
<u>Performance Standard:</u> Annual funding, when applicable, for the District's Well Closure Program, and the number of wells closed and plugged as a result of the Well Closure Program.	Yes	
Goal 6: Addressing Drought Conditions		
<u>Objective:</u> When permits or contracts are issued, as applicable, the District will confirm that all entities have an approved Drought Management Plan.		
<u>Performance Standard:</u> Documentation of District review of the State-approved Drought Management Plans.	Yes	
Goal 7: Addressing Conservation (Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost effective.)		
<u>Objective:</u> The District will provide educational leadership to citizens within the District concerning this subject. The educational efforts will be through at least one printed publication, such as a brochure, and at least one public speaking program at a service organization and/or public school as provided for in the District's Public Education Program. Each of the following topics will be addressed in that program: A. Conservation B. Rainwater Harvesting C. Brush Control D. Recharge Enhancement E. Conjunctive Use F. Precipitation Enhancement		
<u>Performance Standard:</u> The number of publications and speaking appearances by the District each year under the District's Public Education Program.	Yes	
<u>Objective:</u> During years when District revenues are sufficient, the District will consider sponsoring the attendance of students and/or teachers at summer camps/seminars that place emphasis on the conservation of groundwater, rainwater harvesting, brush control, groundwater recharge enhancement, conjunctive use, precipitation enhancement of water resources, or a combination of such groundwater management programs.		
<u>Performance Standard:</u> The number of students sponsored to attend a summer camp/seminar emphasizing the conservation of water.	Yes	

Post Oak Savannah Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives

Goal and Objective Audited	Achieved?	Additional Information
<p><u>Objective:</u> The District will encourage and support projects and programs to conserve and/or preserve groundwater, and/or enhance groundwater recharge, by annually funding the District's Groundwater Conservation and Enhancement Grant Program, during years when the District's revenues remain at a level sufficient to fund the program. The objective of this program is to obtain the active participation and cooperation of local water utilities, fire departments, and public agencies in the funding and successful completion of programs and projects that will result in the conservation of groundwater and the protection or enhancement of the aquifers in the District. The qualifying water conservation projects and programs will include, as appropriate, projects that: result in the conservation of groundwater, reduce the loss or waste of groundwater, recharge enhancement, rainwater harvesting, precipitation enhancement, brush control, or any combination thereof. The District's objective is to benefit the existing and future users of groundwater in the District by providing for the more efficient use of water, increasing recharge to aquifers, reducing waste, limiting groundwater level declines, and maintaining or increasing the amount of groundwater available, by awarding at least one grant under the program in each county annually.</p>		
<p><u>Performance Standard:</u> Annual funding, when applicable, for the District's Groundwater Conservation and Enhancement Grant Program, and the number of projects and programs reviewed, approved, and funded under that program. A written report providing estimated benefit of the amount of groundwater conserved, of the recharge enhancement, and/or of addition groundwater protection provided by the program.</p>	Yes	
<p><u>Performance Standard:</u> The number and content of reports submitted regarding sponsored programs.</p>	Yes	
<p>Goal 8: Addressing the Desired Future Conditions Adopted</p>		
<p><u>Objective:</u> At least once every three years, the District will monitor water levels and evaluate whether the change in water levels is in conformance with the desired future conditions (DFC) adopted by the District. The District will estimate total annual groundwater production for each aquifer based on the water use reports, estimated exempted use, and other relevant information, and compare these production estimates to the modeled available groundwater (MAG) adopted in the District's management plan.</p>		
<p><u>Performance Standard:</u> At least once every three years, the general manager will report to the Board the measured water levels obtained from the monitoring wells within each Management Zone, the average measured drawdown for each Management Zone calculated from the measured water levels of the monitoring wells within the Management Zone, a comparison of the average measured drawdowns for each Management Zone with the DFCs for each Management Zone, and the District's progress in conforming with the DFCs.</p>	Yes	
<p><u>Performance Standard:</u> At least once every three years, the general manager will report to the Board the total permitted production and the estimated total annual production for each aquifer and compare these amounts to the MAGs listed in the District's management plan for each aquifer.</p>	Yes	

Chapter 5-B
Post Oak Savannah Groundwater Conservation District Fully
Complied with All Statutory Requirements

Texas Water Code, Chapter 36, specifies requirements for the manner in which groundwater conservation districts must operate. The District fully complied with all nine applicable Texas Water Code requirements audited. Those nine requirements were:

Chapter 5-B
Rating:
Low ²⁴

- Holding regular board meetings in accordance with statute.
- Adopting written district rules.
- Adopting written policies.
- Participating in joint planning meetings with other groundwater conservation districts within the same Groundwater Management Area.
- Obtaining an annual audit of the financial condition of the district.
- Preparing and obtaining board approval on an annual budget that includes a complete financial statement.
- Obtaining bonds for its board members.
- Obtaining bonds for district employees who are responsible for handling district funds.
- Maintaining at least one bank as the official depository for district funds, obtaining dual signatures on fund disbursements in fiscal year 2017, and ensuring that payments made to board members are supported by a verified statement. It should be noted that the District's board members did not receive fees of office paid under Texas Water Code, Section 36.060; instead, the members received reimbursement only for actual expenses incurred while on District business.

²⁴ The risk related to the issues discussed in Chapter 5-B is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Table 11 summarizes the District’s compliance with the statutory requirements audited.

Table 11

Post Oak Savannah Groundwater Conservation District Compliance with Texas Water Code Requirements ^a		
Fiscal Year 2017		
Texas Water Code Requirement	Compliance	Additional Information
Board Meetings	Fully Complied	The District complied with all requirements.
District Rules	Fully Complied	The District complied with all requirements.
District Policies	Fully Complied	The District complied with all requirements.
Joint Planning	Fully Complied	The District complied with all requirements.
Annual Financial Audit	Fully Complied	The District complied with all requirements. It should be noted that auditors reviewed the District’s fiscal year 2016 audit because its fiscal year 2017 annual financial audit had not been completed at the time of this audit.
Annual Budget	Fully Complied	The District complied with all requirements.
Employee Bonds	Fully Complied	The District complied with all requirements.
Board Member Bonds	Fully Complied	The District complied with all requirements.
Bank Depository and Expenditures	Fully Complied	The District complied with all requirements.
<p>^a Texas Water Code, Chapter 36, statutory requirements:</p> <p><u>Board Meetings</u>: The board is required to provide notice of and conduct meetings at least quarterly. Districts are required to provide notice of meetings of the board (Texas Water Code, Section 36.063). A quorum is required to conduct business (Texas Water Code, Sections 36.064 and 36.053). The board also is required to keep complete records of its meetings and proceedings (Texas Water Code, Section 36.065).</p> <p><u>District Rules</u>: The board is required to adopt rules to implement Chapter 36 of the Texas Water Code (Texas Water Code, Sections 36.101 (b), 36.1071(f), 36.111 through 36.113, 36.1145, 36.201, and 36.454 (a) and (b)).</p> <p><u>District Policies</u>: The board is required to adopt written policies addressing specified areas (Texas Water Code, Section 36.061): policies for a code of ethics, travel expenditures, district investments, professional services, and management information, which includes policies on (1) budgeting and (2) establishing an audit or finance committee.</p> <p><u>Joint Planning</u>: The district is required to meet annually with any other districts in the groundwater management area in which it is located to set desired future conditions for aquifers in the area (Texas Water Code, Section 36.108).</p> <p><u>Annual Financial Audit</u>: The board is required to obtain an annual audit of the financial condition of the district (Texas Water Code, Section 36.153).</p> <p><u>Annual Budget</u>: The board is required to prepare and approve an annual budget including specified components (Texas Water Code, Section 36.154).</p> <p><u>Employee Bonds</u>: The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, and consultants who collect, pay, or handle district funds (Texas Water Code, Section 36.057 (d)).</p> <p><u>Board Member Bonds</u>: Each director is required to execute a bond for \$10,000 payable to the district and conditioned on the faithful performance of that director’s duties before beginning to perform the duties of office (Texas Water Code, Section 36.055(c)).</p> <p><u>Bank Depository and Expenditures</u>: The board is required to name one or more banks to serve as depository for the district’s funds (Texas Water Code, Section 36.155) and obtain dual signatures on district disbursements, excluding federal reserve wire transfers or electronic fund transfer (Texas Water Code, Section 36.151). To receive fees of office and to receive reimbursement for expenses, each director shall file with the district a verified statement showing the number of days actually spent in the service of the district and a general description of the duties performed for each day of service (Texas Water Code, Section 36.060(c)).</p>		

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether selected groundwater conservation districts (districts) complied with applicable statutes.
- Summarize information from districts' audited financial statements.

Scope

The scope of this audit covered the achievement of groundwater management plan goals and objectives, and compliance with Texas Water Code, Chapter 36, requirements for five groundwater conservation districts during fiscal year 2017. Auditors also requested and summarized information from the districts' most recently audited financial statements. If fiscal year 2017 documentation was not available, auditors reviewed documentation for fiscal year 2016. The five districts were:

- Brush Country Groundwater Conservation District.
- Duval County Groundwater Conservation District.
- Post Oak Savannah Groundwater Conservation District.
- Starr County Groundwater Conservation District.
- Terrell County Groundwater Conservation District.

Methodology

The audit methodology included:

- Assessing whether each district achieved the applicable goals from its groundwater management plan, as required by Texas Water Code, Chapter 36. For the applicable goals, assessing whether the districts achieved management objectives and performance standards.
- Assessing whether each district complied with nine requirements selected from Texas Water Code, Chapter 36.

- Obtaining each selected district's most recent completed annual financial report and summarizing the financial information within those reports.

Data Reliability and Completeness

For four of the districts, auditors assessed the reliability of the financial data by reconciling expenditures to the districts' audited financial statements or bank statements. Those four districts were:

- Brush Country Groundwater Conservation District.
- Duval County Groundwater Conservation District.
- Post Oak Savannah Groundwater Conservation District.
- Terrell County Groundwater Conservation District.

Starr County Groundwater Conservation District asserted that it did not have any revenues or expenditures during fiscal year 2017; therefore, there was not any financial data for auditors to assess.

Sampling Methodology

Auditors selected a risk-based sample of four board meetings, one from each quarter within each district's fiscal year 2017, to test compliance with Texas Water Code requirements for all of the groundwater conservation districts to which the requirement applied. The sample items were generally not representative of the population and, therefore, it would not be appropriate to project those test results to the population.

Auditors selected a nonstatistical sample of expenditures through random selection for testing compliance with Texas Water Code requirements for the four groundwater conservation districts with expenditure activity. In some cases, auditors selected additional expenditures for testing compliance with Texas Water Code requirements based on risk. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- District groundwater management plans.
- Documentation of achievement of groundwater management plan objectives submitted by each district.
- District board of directors' meeting minutes and posted notices.
- District rules, policies, and bylaws.

- Groundwater Management Area meeting minutes.
- Annual financial statements and audit reports.
- District budgets.
- Bond coverage for employees or others who handled district funds.
- Board member bonds.
- Documentation supporting expenditures, such as checks, invoices, receipts, and statements signed by board members.
- Documentation of district bank depositories.

Procedures and tests conducted included the following:

- Comparison of district activities to written groundwater management plan goals, objectives, and performance standards.
- Review of Groundwater Management Area meeting minutes; audited financial statements; bonds for board members and any employees or others responsible for handling district funds; district rules and policies; district board meeting minutes and notices; annual budget; bank depositories; and supporting documentation for selected expenditures for compliance with statutory requirements.

This audit did not include a review of the general controls over the districts' information technology environments, including access controls, change management processes, and password controls.

Criteria used included the following:

- Texas Water Code, Chapter 36.
- Each district's groundwater management plan and related performance standards.

Project Information

Audit fieldwork was conducted from January 2018 through March 2018. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Scott Armstrong, CGAP (Project Manager)
- Namita Pai, MS, CPA (Assistant Project Manager)
- Jennifer Fries, MS
- Elijah Marchlewski
- Tony White, CFE
- Robert G. Kiker, CGAP (Quality Control Reviewer)
- Courtney Ambres-Wade, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 12 provides a description of the issue ratings presented in this report.

Table 12

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

State Agency Roles in Groundwater Management Process

Texas Water Code, Chapter 36, describes the roles the Water Development Board, the Commission on Environmental Quality, and the State Auditor's Office play in the groundwater management process.

Texas Water Code, Sections 36.1071 and 36.1072, require groundwater conservation districts (districts) to develop groundwater management plans. Each district must submit a groundwater management plan to the Water Development Board for review and certification within three years of the confirmation election to approve the district's creation. The Water Development Board reviews and approves the groundwater management plans for administrative completeness. A district's groundwater management plan is complete when it:

- Addresses the eight statutory goals in Texas Water Code, Chapter 36.
- Identifies the performance standards and management objectives for each of the goals and specifies the actions, procedures, performance, and avoidance that are or may be necessary to affect the groundwater management plan.
- Includes specified groundwater estimates, such as the annual amount of recharge from precipitation and annual volume of water flow into and out of the district.
- Considers the water supply needs and water management strategies in the adopted state water plans.

Texas Water Code, Section 36.061, states that the State Auditor may audit the records of any district for which the State Auditor determines an audit is necessary. Texas Water Code, Section 36.302, states that the State Auditor's Office may audit a district's activities under the direction of the Legislative Audit Committee. The State Auditor makes a determination about whether a district is actively engaged in achieving the objectives in its groundwater management plan based on an analysis of the district's activities.

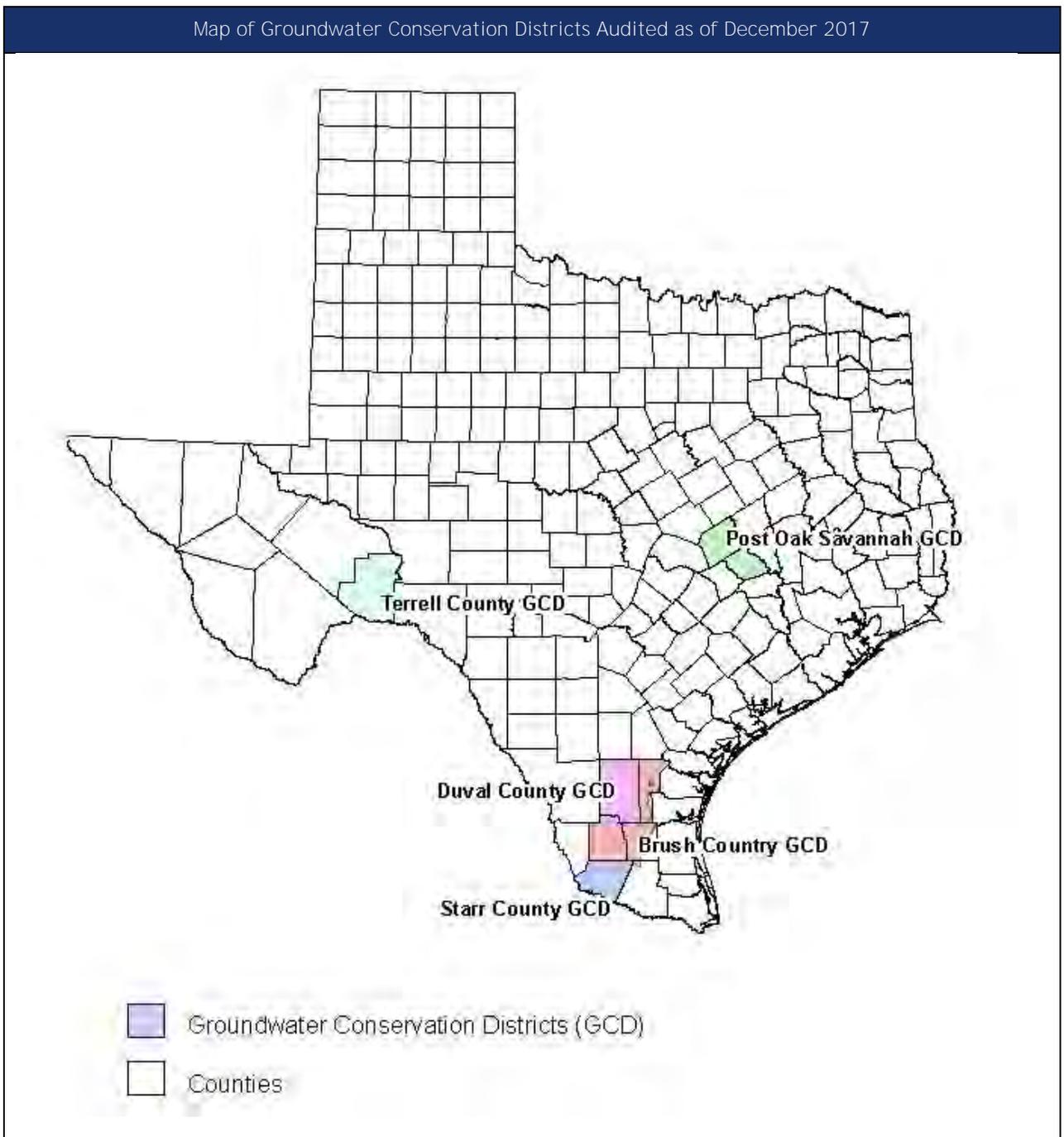
Texas Water Code, Section 36.303, specifies that if a district fails to comply with the provisions of Texas Water Code, Chapter 36, the Commission on Environmental Quality must implement an enforcement action. The Commission on Environmental Quality has several enforcement action options established under the Texas Water Code. Those options include:

- Requiring a district to take or refrain from certain actions.
- Dissolving a district's board and calling for the election of a new board.
- Requesting that the Office of the Attorney General bring suit for the appointment of a receiver to collect the assets and carry on the district's business.
- Dissolving the district.

Map of Audited Groundwater Conservation Districts

Figure 1 shows the 5 groundwater conservation districts (districts) audited. As of December 2017, there were 100 active districts with 1 additional district awaiting confirmation from the district's voters.

Figure 1



Source: Map was created by the Water Development Board.

Related State Auditor's Office Work

Related State Auditor's Office Work		
Number	Product Name	Release Date
15-005	An Audit Report on Selected Groundwater Conservation Districts	October 2014
14-004	An Audit Report on Selected Groundwater Conservation Districts	October 2013
12-028	An Audit Report on Selected Groundwater Conservation Districts	April 2012

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Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Zerwas, House Appropriations Committee

The Honorable Dennis Bonnen, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Board Members and General Managers of the Following Groundwater Conservation Districts

Brush Country Groundwater Conservation District

Duval County Groundwater Conservation District

Post Oak Savannah Groundwater Conservation District

Starr County Groundwater Conservation District

Terrell County Groundwater Conservation District



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