

2013 Annual Report

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

Board of Directors

Collin County

Dan Collins, Member	6/01/2015
Philip Sanders, Vice-President	6/01/2015
Eddy Daniel, Member	6/01/2013

Cooke County

Ronny Young, Secretary/Treasurer	6/01/2013
Kenny Klement, Member	6/01/2013
Ron Sellman, Member	6/01/2015

Denton County

Thomas Smith, President	6/01/2013
Chris Boyd, Member	6/01/2015
Evan Groeschel, Member	6/01/2013

Staff

Drew Satterwhite, P.E., General Manager
Jerry Chapman, Consulting General Manager
Debi Atkins, Finance Officer
Laurie Killian, Accounting Assistant
Alan Moore, Operations Supervisor
Wayne Parkman, Field Technician
Carmen Catterson, Secretary/Mapping Technician
Carolyn Bennett, Administrative Assistant/Project Coordinator
Theda Anderson, Clerk

I. Introduction

In 1997 Senate Bill 1, enacted by the Texas Legislature, confirmed a state policy that “groundwater conservation districts... are the state’s preferred method of groundwater management through rules developed, adopted and promulgated by a district...” Subsequently, the Texas Commission on Environmental Quality issued a report in 2007 advising that one or more groundwater conservation districts would need to be created in the 13-county area of North Central Texas, including the Counties of Collin, Cooke and Denton. North Texas Groundwater Conservation District (“District”) was created by Senate Bill 2497, May 27, 2009. Creation of the District was confirmed by Commissioners Court of Collin County August 10, 2009, Commissioners Court of Cooke County August 10, 2009 and Commissioners Court of Denton County August 11, 2009.

Temporary Rules were adopted by the Board of Directors October 19, 2010. As required by Chapter 36 of the Texas Water Code, the District provides for conserving, preserving, protecting, recharging and preventing the waste of groundwater. The adopted Rules provide protection to existing wells, prevent waste, promote conservation, provide a framework to allow availability and accessibility of groundwater for future generations, protect quality of ground water in recharge zone of aquifer, and insure residents of Collin, Cooke and Denton Counties maintain local control over their groundwater. The Rules also insure the District operates in a fair and equitable manner for all residents of the District. The Rules were updated in November of 2013.

The District adopted its Management Plan April 19, 2012. One requirement of the Management Plan is for an Annual Report to be provided to the Board of Directors. This report is presented to the Board of Directors of the North Texas Groundwater Conservation District pursuant to this requirement.

II. General Manager's Report

The District adopted its Management Plan in April of 2012. Pursuant to that Plan, this annual report has been prepared by District staff for presentation to the Board to keep them informed of the status of goals adopted by the Plan, and subsequently approved by the Texas Water Development Board.

Wells drilled after April 1, 2011 and all existing non-exempt wells are required to be registered with the District. Monthly briefings are presented in the General Manager's Report at District Board meetings.

Temporary Rules were amended November 2013. These amendments are as follows:

- Rule 3.5(b) regarding registration of wells was amended to include an expiration date for applications to drill a new well. A registrant now has 180 days from the date the application is approved for the well driller to commence drilling the new well. If drilling has not commenced within 180 days from the date of the approval of the application, the well registration becomes expired.
- Rule 3.10 – Water Production Reports – was revised to provide for quarterly reporting in lieu of semi-annual reporting.
- Rule 7.2 – Groundwater Transport Fees – was amended to impose a Groundwater Transport Fee of 1.5 times the District's Water Use Fee rate for in-District use for groundwater produced in the District that is transported outside of the District.
- Rule 7.3 – Payments of Water Use and Groundwater Transport Fees – was revised to provide for quarterly payments in lieu of semi-annual payment.
- Rule 7.8 – Well Registration Fee was established to allow for provision of a non-refundable well registration fee.
- Rule 7.9 – Meter Sealing Fee – was initiated to establish a fee to recover costs for removing and applying a District seal and verifying relevant well and meter information in situations when an owner or operator submits a request to move a meter from one well to another.
- Rule 8.1 – Water Meter Required – was amended to address meters being sealed in place, meters remaining with the well on which installed, moving meters and sealing same, providing for readings immediately prior to removal and at time of reinstallation.
- Rule 8.5 – Removal of Meter for Repairs – Revised to allow that a water meter may be removed for repairs provided the District is notified prior to the removal and if the well is to remain operational, repairs be completed in a timely manner. In addition, the District shall remove a seal on a water meter within five (5) business days of receipt of a request from the well owner.
- Rule 8.6 – Water Meter Reading – Revised to allow for quarterly readings in lieu of semi-annual readings.
- Appendix A – Enforcement Policy and Civil Penalty Schedule
 - Section I – Minor Violations
 - Added: 7. Drilling an exempt or non-exempt well with an expired well registration
 - Section II – Major Violations
 - Added: 10. Tampering with or disabling a required meter or tampering with a District seal.

During 2013, the North Texas GCD Board of Directors and staff accomplished the following tasks:

- Meter inspection program continued, including the establishment of a meter sealing policy to assure meters stay with the well for which it is assigned
- Annual well inspection program sustained

- Coordination with the Texas Water Development Board, Texas Railroad Commission and Texas Commission on Environmental Quality regarding addressing potential impacts
- Continued well monitor training activities with the Texas Water Development Board
- Continued public information program in each county by providing brochures regarding registering wells to cities, counties, water providers and other entities involved in groundwater production
- Provided information to public agencies regarding the North Texas GCD
- Provided programs to civic clubs
- Researched state database to determine well drillers drilling wells without obtaining permits
 - Notified well drillers identified during research of the need to register all wells drilled after April 1, 2011 and all new wells drilled
- Established a procedure for collecting water loss data

III. Management Goals

The District Management Plan, adopted April 19, 2012, provides that an Annual Report be prepared by the General Manager and staff of the District, covering the activities of the District, including information concerning the District's performance in regards to achieving the District's management goals and objectives.

Goal 1 – Providing the most efficient use of water

Management Objective 1.1A – All new wells drilled after April 1, 2011 and all existing non-exempt wells are required to be registered with the District.

Performance Standard 1.1A – Subsequent to adoption of the Plan, briefings are being provided by the General Manager to the Board of Directors regarding well registration program at the monthly board meetings.

Current number of wells registered in the District: 1,025

Aquifers in which the wells have been completed: Trinity and Woodbine

Management Objective 1.1B – Beginning in April 2011 District launched an on-line registration program in order to register and collect important information regarding all non-exempt wells drilled on or after April 1, 2011. In order to ensure all wells required to be registered are registered, an on-going media outreach program to educate the citizens of the requirement to register wells has been developed.

Identified local and regional media outlets:

1. County tax offices
2. Boards of Realtors (Collin, Cooke and Denton Counties)
3. Title Companies
4. County Extension Services (Collin, Cooke and Denton)/Texas AgriLife Extension Service
5. Municipalities and other water providers, i.e. water supply corporations, special utility districts, etc.

Performance Standard 1.1B - Media Outreach Program has been developed to educate the citizens of the requirement to register wells, a summary of media outlets for which Public Service Announcements were distributed are being reported on a quarterly basis, and also will be included in Annual Report presented by the General Manager.

Summary of Public Service Announcements for 2013

Number of media outlets for which Public Service Announcements were distributed for the year: 5

Presentations:

April 2013 General Manager presented a program at Myers Park in McKinney regarding preventing waste of groundwater.

April 2013 Program presented by Texas A&M AgriLife Extension Service "50-Plus Ways to be Water Smart" to Gainesville Lions Club

November 2013 Report to Collin County Commissioners' Court regarding status of District by Board Member Daniel.

During 2013 District staff concentrated on notifying well drillers of the requirement to register wells prior to drilling. State websites were researched, and letters mailed to drillers identified on Well Driller's Reports reflecting wells drilled within the District after April 1, 2011 which were not registered in the District's records.

Management Objective 1.1C – All non-exempt and exempt wells drilled on or after April 1, 2011 are required to be registered with the District. Beginning in November 2011 the District initiated a field inspection/audit program, with the objective of inspecting 5 wells per month. These inspections/audits will confirm a well has been registered, accuracy of the well location, and accuracy of certain other required well registration information.

Performance Standard 1.1C – Requirement to inspect/audit well sites each month to confirm well registration requirements has been met. This information is reported in Table 1.1C.

2013

Well Inspections

Table 1.1C

Month	Cooke	Denton	Collin	Total
January	0	0	0	0
February	0	0	0	0
March	0	0	1	1
April	0	2	0	2
May	0	0	0	0
June	0	0	0	0
July	0	0	0	0
August	0	3	0	3
September	0	13	2	15
October	0	0	0	0
November	0	0	0	0
December	0	10	0	10
Total	3	28	0	31

This information is updated and presented monthly to the Board of Directors.

Management Objective 1.2A – A groundwater monitoring program was launched in 2013, to collect information on the quantity and quality of groundwater resources throughout the District. For the first two years, beginning in 2013, District staff will work with Texas Water Development Board (“TWDB”) staff to monitor water levels in wells the TWDB staff currently monitors on an annual basis. After the initial two-year period, District staff will assume the responsibility of monitoring these wells at least annually. In addition, one additional well will be added in each county, for a total of three wells to the system. For the purpose of water quality sampling, the samples collected for water quality taken by the Texas Commission on Environmental Quality staff every five years will be used for monitoring purposes initially, and may be supplemented as determined by the Board in the future. All information collected will be entered into the District’s geodatabase.

Upon implementation of the groundwater monitoring program, District staff will provide updates concerning this program. This information is provided in a quarterly report to the Board of Directors in an effort to keep the Board apprised of all activities of the District required by the Plan, both current and future.

Performance Standard 1.2A (1) – Number of wells in Collin, Cooke and Denton Counties for which water levels were measured per year:

Wells Measured

Table 1.2A

Year	Wells Measured
2013	22

District Field Technician followed Texas Water Development Board staff on January 13, 14 and 15 of 2014. This event took place in January 2014 since the December 2013 annual event for measuring water well levels were postponed due to inclement weather. This event represents the 2013 event for measuring water well levels in monitoring wells for the North Texas Groundwater Conservation District. Twenty-seven wells were visited, with two having been capped since the previous measurement, two exceeded the limits of the equipment available to measure the levels, and one shallow well had become dry.

Performance Standard 1.2A (2) – Number of wells per year in Collin, Cooke and Denton Counties for which water samples were collected for testing of water quality:

2013 – District staff is in the process of researching Texas Commission on Environmental Quality website to reflect information provided by the State regarding testing of water quality for wells within the District.

Management Objective 1.2B – In order to ensure the efficient use of groundwater, adequate data must be collected to facilitate groundwater availability modeling activities necessary to understand current groundwater resources and the projected availability of those resources in the future. Monitoring wells will be established by the District for continuous time information on water levels in targeted locations on a schedule as determined by the District’s Board of Directors, as funds become available.

Performance Standard 1.2B – Number of wells for which water levels in targeted locations will be available for viewing on the District’s website as they are established.

Management Objective 1.3A – All non-exempt wells are to be equipped with meters to measure use of groundwater. Meter logs with at least monthly records of water use are required to be kept by the well owner/operator. Cumulative water use to be reported by well owner/operator on a quarterly basis. General Manager will report to Board of Directors at the first meeting practicable at the conclusion of each reporting period. District’s objective is that 95% of all registered non-exempt wells will report water use by the reporting deadlines established by the District’s rules.

Performance Standard 1.3A – Percentage of registered non-exempt wells meeting reporting requirements of water use:

Percentage of Registered Non-Exempt Wells Meeting Reporting Requirements of Water Use

Table 1.3A

Year	Percentage Meeting Reporting Requirements
2012	85
2013	89

Management Objective 1.3B(1) – A meter inspection program has been implemented by District staff, so that meters for all registered non-exempt wells will be inspected on at least a five-year cycle by District personnel. These inspections at a minimum verify proper installation and operational status of meters and record the meter reading at the time of inspection. This meter reading is compared to the most recent water

use report for the inspected well. Any potential violation of District Rules regarding meter installation and reporting requirements will be reported to the Board of Directors at their next practicable meeting for consideration of possible enforcement actions.

Management Objective 1.3B(2) – Information containing annual water use, by registered well, by county, and by aquifer, will be included in the Annual Report presented by the General Manager. The report will include a comparison of reported water use versus the estimate of modeled available groundwater (the sum of exempt and permitted groundwater) established as a result of the Desired Future Conditions for aquifers in the District.

Performance Standard 1.3B (1) - Percentage of registered non-exempt wells inspected by District personnel annually to verify meters meet District requirements:

**Percentage of Registered Non-Exempt Wells
Inspected Annually**

Table 1.3B

Year	Percentage of Wells Inspected
2012	50%
2013	6%

Performance Standard 1.3B (2)- Comparison of annual water use versus estimates of modeled available groundwater established as a result of the adopted Desired Future Conditions to be included in Annual Report provided by the General Manager at the first regularly scheduled meeting after which adopted Desired Future Conditions are available.

Goal 2 – Controlling and preventing waste of groundwater

Management Objective 2.1A – An outreach strategy is being developed for waste prevention. The District website provides a link containing Best Management Practices and helpful tips to control and prevent waste of groundwater. Outreach opportunities will be developed with regional and local water providers to increase public awareness for the prevention of groundwater waste. Presentations developed will be delivered by Board and staff to civic groups and other public opportunities regarding the mission of the District with a focus on the need to prevent waste of groundwater.

Performance Standard 2.1A (1) – A link has been provided on the District website to Best Management Practices and helpful hints to control and prevent waste of groundwater.

The following is an excerpt of information available on the District website:

Conservation:

Best Management Practices

[TWDB Best Management Practices for Conservation](#)

[Agricultural Best Management Practices](#)

[Municipal Best Management Practices](#)

[Wholesale Supplier Best Management Practices](#)

2011 Region C Water Plan - Chapter 4 - Identification, Evaluation, and Selection of Water Management Strategies ([4A](#), [4B](#), [4C](#), [4D](#), [4E](#), [4F](#), [4G](#), [4H](#))

Performance Standard 2.1A (2) – Participation with regional and local water providers in public outreach opportunities will be reported in Annual Report presented by General Manager.

During the first quarter of 2013, General Manager Jerry Chapman presented a program at Myers Park in McKinney (April 2013) on behalf of the North Texas GCD regarding preventing waste of groundwater, Texas A&M AgriLife Extension Service “50-Plus Ways to be Water Smart” program presented to Gainesville Lions Club in April 2013.

Performance Standard 2.1A (3) – Number of total presentations made by Board and staff for the year will be provided by General Manager in Annual Report.

Presentations made by Board and staff during 2013 with a focus on the need to prevent waste of groundwater: 2

Goal 3 – Controlling and preventing subsidence – not applicable to North Texas GCD

Goal 4 – Addressing conjunctive surface water management issues

Management Objective 4.1A – Coordinating with surface water management agencies. Designated board member or General Manager shall attend a minimum of 75 percent of meetings and events of Region C Water Planning Group. Participation in the regional water planning process will ensure coordination with surface water management agencies that are participating in the regional water planning process.

Performance Standard 4.1A – Report on actions of Region C Water Planning Group shall be provided to the Board as appropriate. General Manager to document meetings attended and significant actions of the planning group in Annual Report.

General Manager Jerry Chapman attended all meetings held by Region C Water Planning Group in 2013 (March 25, 2013, August 5, 2013 and December 2, 2013). General Manager Drew Satterwhite, P.E. attended the December 2, 2013 meeting.

During the March meeting the Group discussed approval of the Final Mining Water Use Projections, discussed Task 4D Scope of Work, New Rules and Regulations for Regional Planning, discussed TWDB Draft Population and Demand Projections, received Survey of Water Users Groups Update, TWDB safety factor requirements, current supplies and reuse projects, and received reports from Texas Water Development Board, Texas Department of Agriculture and Texas Parks and Wildlife.

During the August meeting, the Group received a report from the Texas State Climatologist, Dr. John Nielsen-Gammon, considered appointing representatives to mediate on behalf of the 2011 Region C Water Planning Group to resolve the interregional conflict between Region D and Region C Regional Water Plans concerning Marvin Nichols Reservoir, considered adopting a resolution authorizing Region C Water Planning Group Chairman to participate in Stakeholder Committee to develop prioritization standards for State Water Implementation Fund for Texas (SWIFT) and State Water Implementation Revenue Fund for Texas (SWIRFT), discussed approval of population and municipal water use projections, considered approval of TWDB required values for mining water use projections in three counties, discussed recent administrative law judge’s recommendation regarding Lake Ralph Hall water right, recent court ruling regarding Oklahoma water supply, allocation of current supplies, received update on water management strategies, overall project status update and schedule, and received reports from the Chair, regional liaisons, Texas Water Development Board, Texas Department of Agriculture, and Texas Parks and Wildlife Department.

During the December meeting the Group discussed vacancies on the Board for Steve Berry’s position representing environmental interests, and Jerry Chapman’s position representing Water District interests and presented Steve Berry and Jerry Chapman with resolutions thanking them for their service to the

Region C Water Planning Group. The Group received an announcement of vacancies for nine expired terms representing public, industries, counties, municipalities, environmental electric generating utilities, water districts, water utilities, and river authorities interests. The Group subsequently voted to fill Jerry Chapman's position representing Water District interests with Drew Satterwhite, P.E., General Manager of the North Texas Groundwater Conservation District. The Group elected the 2014 slate of officers, discussed electricity rates to be used in cost estimates for the 2016 Plan, management supply factor, Proposition 5 and prioritization of projects in the 2012 State Water Plan, potentially feasible water management strategies, received an update on Tasks 3, 4 and 10, and updates from the Chair, Regional Liaisons, the Texas Water Development Board, Texas Department of Agriculture, and Texas Parks and Wildlife Department.

Management Objective 4.2A – Designated technical representative of the District will monitor and participate in all stakeholder meetings of the ongoing and future Northern Trinity/Woodbine Aquifer and other meetings if necessary.

Performance Standard 4.2A – Report on activities of the ongoing Northern Trinity/Woodbine Aquifer stakeholder meetings provided to Board of Directors monthly by Board Member Eddy Daniel.

See attached Contract Manager Activities Report dated December 2013, Appendix B.

Goal 5 – Addressing natural resource issues

Management Objective 5.1 – Addressing potential impacts

General Manager shall contact representatives of the Texas Railroad Commission, Texas Commission on Environmental Quality, Bureau of Economic Geology and other organizations as appropriate to assess and understand potential impacts. Contacts need to be renewed on a bi-annual basis.

General Manager Jerry Chapman met with Leslie Savage, Chief Geologist with the Texas Railroad Commission August 28, 2013 and discussed spacing between wells and maintaining public water supplies and expressed his concern regarding contamination by injection wells and exploration close to public water supply wells. Ms. Savage stated that she would make her water quality staff members aware of the District's concerns regarding this subject.

Performance Standard 5.1A – General Manager will present findings and any recommendations resulting from contacts with these entities as appropriate for the Board to consider.

Findings and recommendations resulting from these contacts for consideration by the Board during 2013: At this time there are no recommendations to be made.

Performance Standard 5.1B – District will initiate and implement an injection well monitoring program by entering into an agreement with a firm that will monitor all injection well applications and notify the district of any potential impacts.

District has entered into an agreement, through the District's General Counsel, with a firm to monitor all injection well applications and notification of any potential impacts.

Goal 6 – Addressing drought conditions

Management Objective 6.1A - Provide ongoing and relevant drought-related meteorological information

The District has made available through the District website easily accessible drought information with an emphasis on developing droughts and on any current drought conditions.

Performance Standard 6.1 – Current drought conditions information from multiple resources including Palmer Drought Severity Index for the region and Drought Preparedness Council Situation Report is available to the public on the District’s website.

The following is an excerpt of information available on the District website.

Drought Management:

Drought Information Websites

Drought Sense

TWDB Drought Information

Drought Preparedness Council Situation Report

State Impact: Dried Out - Confronting the Texas Drought

Articles

It's All the Same Water

Texas Coop Power

Water for All

Texas Coop Power

Water crisis conference scheduled in Amarillo

Amarillo.com

Area in extreme drought increases by size of Texas, report says

CNN (blog)

Texas farmers using smartphones to manage drought

CBSNews

Expert: East and Central producers with hay will likely hold onto it

AgriLife Today

Half of US counties now considered disaster areas

Associated Press

Texas agency warns it may curtail water rights

CBS News

TEXT-Fitch: small water utilities at risk if drought continues

Reuters

Texas part of growing drought in U.S. that rivals Dust Bowl years

San Antonio Express

What We Learned About Water in Texas at the 'Life By the Drop' Panel

StateImpact Texas

Stress on N. Texas groundwater eases, but elsewhere in state it's drier

Fort Worth Star Telegram

What We Learned About Water in Texas at the 'Life By the Drop' Panel

StateImpact Texas

That Sinking Feeling About Groundwater in Texas

National Geographic

Palmer Hydrological Drought Index

Goal 7 – Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, and brush control

The District has reviewed this goal and determined that only conservation, rainwater harvesting and brush control are applicable to the District. The District has determined that a goal addressing recharge

enhancement and precipitation enhancement would not be appropriate or cost effective, and therefore is not applicable to the District.

Management Objective 7.1A – Provide for water conservation.

Performance Standard 7.1A – Link to electronic library of water conservation resources supported by the Water Conservation Advisory Council is available on the District website.

The following is an excerpt of information available on the District website:

Conservation

How much water do you use at your home? Estimate your daily and annual water use and learn methods to conserve water at the [Home Water Works site](#).

Water Conservation Information Websites:

[Texas Water Conservation Association](#)

[Texas Water Development Board](#)

[Water Conservation Advisory Council](#)

[Texas Water Foundation](#)

[Texas Water Conservation Association](#)

[Water IQ](#)

[Save Texas Water](#)

[Region C Water Conservation Tips](#)

[Region C Water Planning Group](#)

Best Management Practices

[TWDB Best Management Practices for Conservation](#)

[Agricultural Best Management Practices](#)

[Municipal Best Management Practices](#)

[Wholesale Supplier Best Management Practices](#)

2011 Region C Water Plan - Chapter 4 - Identification, Evaluation, and Selection of Water Management Strategies ([4A](#), [4B](#), [4C](#), [4D](#), [4E](#), [4F](#), [4G](#), [4H](#))

Articles

[Water Is Life](#)

Texas Coop Power

[Private-public partnership aims to save water](#)

San Antonio Express

[Taking the Ick Factor Out of Recycled Water](#)

New York Times

[Agriculture commissioner urges water conservation](#)

Times Record News

[In wake of Texas drought, water and politics mix](#)

Austin American-Statesman

Brochures

[A Watering Guide for Texas Landscapes](#)

[Water Conservation for Industries, Businesses and Institutions](#)

[Water Conserving Tips](#)

[Conserving Water Indoors](#)

Conserving Water Outdoors

Agricultural Water Conservation Irrigation Water Use Management Best Management Practices

Agricultural Water Conservation Best Management Practices Overview

Brochures in Spanish

Cuarenta Y Nueve Consejos Practicos Para Conservar Agua (Forty-Nine Water Saving Tips)

Xeriscape (Xeriscape - Principles and Benefits)

The Dillos Demonstrate Wordless Water Conservation

Management Objective 7.2A – Addressing rainwater harvesting.

Performance Standard 7.2A – Link to rainwater harvesting resources at the TWDB is available on the District website.

The following is an excerpt of information available on the District website.

Rainwater Harvesting

TWDB Rainwater Harvesting Information

Texas Water by Texas A&M

TWDB Manual on Rainwater Harvesting

Articles

Save It for a Sunny Day

Texas Coop Power

Management Objective 7.3A – Educate public on importance of brush control as it related to water table consumption.

Performance Standard 7.3A – Link has been provided to information concerning brush control on the District website.

The following is an excerpt of information available on the District website.

Brush Control

2009 State Brush Control Plan

Texas State Soil and Water Conservation Board

AgriLife Extension Texas A&M System Brush Control Program

Goal 8 – Achieving Desired Future Conditions of groundwater resources

Management Objective 8.1A – Continuous review to work towards achieving Desired Future Conditions. Statute requires groundwater conservation districts to review, amend as necessary, and re-adopt Management Plans at least every five years. Beginning with the Annual Report presented by the General Manager at the first regularly scheduled meeting in 2013 and every year thereafter, the General Manager will present a summary report on the status of achieving the adopted Desired Future Conditions (“DFC”). Four years after the adoption of the Plan the General Manager will work with the Board to conduct a focused review to determine if any elements of the Plan or Rules need to be amended in order to achieve the adopted DFC, or if the adopted DFC need to be revised to better reflect the needs of the District.

Performance Standard 8.1A – Beginning with Annual Report presented by General Manager at January 2013 meeting (or first meeting in 2013) and every year thereafter, General Manager shall present a summary report on the status of achieving the adopted Desired Future Conditions.

Until completion of the updated information on the Northern Trinity/Woodbine GAM Overhaul Project, the information necessary to determine the status of achieving the adopted Desired Future Conditions will not be available.

Performance Standard 8.1B – Beginning four years after adoption of the Plan, General Manager will work with Board of Directors to conduct a focused review to determine if any elements of this Plan or the District Rules need to be amended to achieve the adopted Desired Future Conditions, or if the Desired Future Conditions need to be reviewed/revised to better reflect the needs of the District. Possible results of the five-year review: (1) determination that current Plan and Rules are working effectively to achieve Desired Future Conditions, (2) specific amendments need to be made to the Plan and/or Rules to achieve the adopted Desired Future Conditions, (3) amendments are needed to the adopted Desired Future Conditions to better meet the needs of the District, or (4) a combination of (2) and (3). This determination to be made at a regularly scheduled meeting of the Board of Directors no later than five years after adoption of the Plan.

The North Texas Groundwater Conservation District is currently participating with Upper Trinity Groundwater Conservation District, Northern Trinity Groundwater Conservation District and Prairielands Groundwater Conservation District in a project to update the Groundwater Availability Model of the Northern Trinity/Woodbine Aquifers. Board Member Eddy Daniel is Chairman of the GMA8 Group, which will be responsible for establishing the Defined Future Condition levels by May 2016. A Draft Conceptual Plan was provided during the summer of 2013 by the consultants performing the tasks associated with the update of the GAM. The update of the computer model will identify drawdown levels and Desired Future Conditions of the Northern Trinity/Woodbine Aquifers. This report will assist the District when the new Desired Future Conditions are required to be approved by the District and Groundwater Management Area 8. The Groundwater Availability Model is scheduled for completion the summer of 2014.

Attachment A - Contract Manager Activity Report

Mullican and Associates

19212 Luedtke Lane
Pflugerville, TX 78660

Contract Manager Activity Report (CMAR) # 19 – December 2013, Northern Trinity/Woodbine Groundwater Availability Model Overhaul (NTWO) Project

This CMAR covers the time period from December 1 - 31, 2013. Transmitted along with this CMAR are the following additional documents;

- INTERA Inc., Activity Report #19 for December 2013, and
- CMC Meeting Minutes for December 18, 2013 meeting.

CMC Coordination

The last regularly scheduled monthly CMC meeting was held December 18, 2013. The minutes from this meeting were subsequently circulated with the CMC for review and comment. No comments or suggested edits were received from the CMC after being circulated. A copy of the meeting minutes is attached to this communication for consideration and possible approval during the January 24, 2014 CMC meeting.

Contract Manager Review and Recommendation on Consultant Invoice

Progress on the NTWO Project continued in December. Activities continued on the construction (Task 4) and calibration (Task 5) of the updated NTW GAM. For a summary discussion of active tasks and subtasks, please refer to the INTERA, Inc., Activity Report #19 for December, 2013. I continued routine communications with INTERA, Inc., on project status including a project team meeting to receive an update regarding modeling tasks and also reviewed invoices, and continued ongoing liaison efforts with the Texas Water Development Board (TWDB). The relative brevity of this activity report is primarily a function of the fact that project efforts are limited to a very narrowly defined activity; final model construction and calibration. This will be the nature of the project through March.

I have reviewed INTERA Inc., Invoice #12-13-28 for \$31,961.25 for December 2013, and recommend to the CMC that it be approved. This month's invoice brings the project total expended to \$1,158,032.24 representing 69.0 percent of

the total project budget. For a detailed breakdown of budgeted and expended funds on a task and project basis, please see the budget tracker at the bottom of this activity report.

Significant NTWO Project Activity Summary

Task 2 – GCD Stakeholder Communications – Communications continue with the TWDB Groundwater Resources Division regarding the process to be utilized for the TWDB review of the Draft and Final NTW GAM. The primary message has been that due to the participation by the TWDB since the inception of the project, significant challenges are not expected during the review.

Task 3 – Conceptual Model Development – Activities for Task 3 have effectively been completed.

Task 4 – Model Construction/Implementation

Model construction efforts continue, with activity on Subtask 4.3 – Model Parameterization and Subtask 4.7 – Groundwater Pumping. The primary focus in December was on development of the pumping input datasets that will be utilized during transient calibrations.

Task 5 – Model Calibrations and Predictions

Model calibration efforts in December focused on Subtask 5.2 – Steady-state calibration and Subtask 5.3 – Transient Calibrations. The most significant and important challenge being addressed at this time for Task 5 is the refinement of model calibration techniques so as to reduce simulation time. Significant progress was made in December to reduce computer processing times on the transient model. As of this writing (January 20, 2014) it is expected that transient model simulations for the parameter estimation effort will begin in the next week or two.

Mullican and Associates
19212 Luedtke Lane
Pflugerville, TX 78660

Project Task	Budget (\$)	Spent (\$)	Remaining (\$)	Period of Performance	CM Status
1.0 Project Management					
1.1 Project Management and Reporting		\$ 39,990.02	\$ 6,945.98	May 2012 - August 2014	
TOTALS	\$ 46,936.00	\$ 39,990.02	\$ 6,945.98	May 2012 - August 2014	
2.0 GCD Stakeholder Communication					
2.1 Contract Management Meetings		\$ -	\$ 4,407.00	May 2012 - August 2014	
2.2 Technical Committee Meetings		\$ 23,193.04	\$ (14,379.04)	July 2012 - August 2014	
2.3 GMA/TWDB Meetings		\$ 6,156.25	\$ (1,749.25)	July 2012 - August 2014	
2.4 General Support		\$ 13,892.02	\$ (9,485.02)	October 2012 - August 2014	
TOTALS	\$ 22,035.00	\$ 43,241.31	\$ (21,206.31)	May 2012 - August 2014	
3.0 Conceptual Model Development					
3.1 Data Collection		\$ 135,996.61	\$ (45,996.61)	May 2012 - June 2013	
3.2 Physiography/Climate/Setting		\$ 9,880.00	\$ 11,570.00	July 2012 - June 2013	
3.3 Hydrostratigraphic Analysis		\$ 228,092.25	\$ (28,689.25)	August 2012 - June 2013	
3.4 Regional Hydrogeology - Water Levels		\$ 81,915.99	\$ (38,915.99)	June 2012 - June 2013	
3.5 Recharge / ET		\$ 5,832.50	\$ 55,474.50	July 2012 - June 2013	
3.6 Surface Water Interaction		\$ 48,708.00	\$ (20,108.00)	August 2012 - June 2013	
3.7 Hydraulic Properties		\$ 95,437.98	\$ (9,637.98)	August 2012 - June 2013	
3.8 Groundwater Demand/Pumping		\$ 99,627.88	\$ (6,787.88)	July 2012 - June 2013	
3.9 Geodatabase Development		\$ 16,231.00	\$ 12,369.00	August 2012 - June 2013	
3.10 Conceptual Model Report		\$ 114,794.70	\$ (50,794.70)	January 2013 - June 2013	
TOTALS	\$ 715,000.00	\$ 836,516.91	\$ (121,516.91)	January 2013 - June 2013	
4.0 Model Construction/Implementation					
4.1 Model Design		\$ 37,500.00	\$ (25,166.40)	October 2012 - December 2013	
4.2 Model Discretization		\$ 37,398.75	\$ (397.95)	October 2012 - December 2013	
4.3 Model Parameterization		\$ 38,760.51	\$ 10,573.89	March 2013 - December 2013	
4.4 Recharge / ET		\$ 7,392.50	\$ 11,107.90	March 2013 - December 2013	
4.5 Surface Water		\$ 19,945.00	\$ (1,444.60)	March 2013 - December 2013	
4.6 Boundary Implementation		\$ 4,572.50	\$ 7,761.10	March 2013 - December 2013	
4.7 Groundwater Pumping Implementation		\$ 38,902.50	\$ 22,765.50	March 2013 - December 2013	
4.8 Calibration Targets		\$ 2,488.75	\$ 34,512.05	March 2013 - December 2013	
TOTALS	\$ 246,672.00	\$ 186,960.51	\$ 59,711.49	October 2012 - December 2013	

Attachment B – Financial Information

**NORTH TEXAS GROUNDWATER
CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2012**

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2012

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**RUTHERFORD,
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INDEPENDENT AUDITOR'S REPORT

Members of the Board:

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Texas Groundwater Conservation District (District), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North Texas Groundwater Conservation District as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report – Continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

August 7, 2013
Greenville, Texas

**RUTHERFORD,
TAYLOR &
COMPANY, P.C.**
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the North Texas Groundwater Conservation District (District), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 7, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Report on Internal Control – Continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 7, 2013
Greenville, Texas

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012

North Texas Groundwater Conservation District (District) is pleased to present its financial statements. This required supplementary information presents our discussion and analysis of the District's financial performance during the year ended December 31, 2012. Please read this section in conjunction with the basic financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was negative \$ 18,063 at December 31, 2012.
- During the year, the District's expenses were \$ 420,998 less than the \$ 855,336 generated from groundwater production fees and other revenues.
- The General Fund presents a year end fund balance of \$ 882,795 at December 31, 2012.

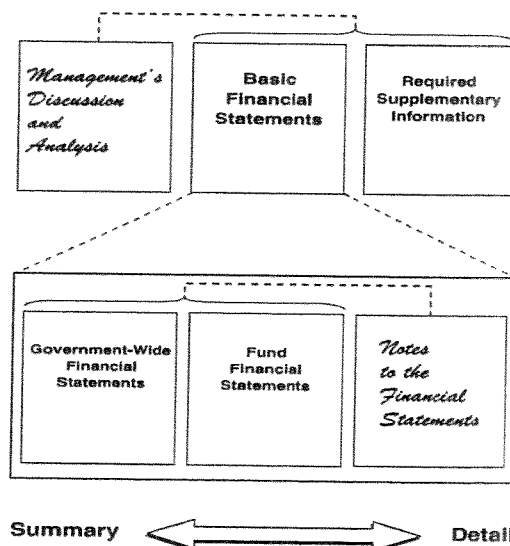
OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this Management's Discussion and Analysis, this report consists of government-wide financial statements, fund financial statements, and the notes to the financial statements. The first two statements are condensed and present a government-wide view of the District's finances. The government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, the statement presents a snapshot of the assets of the District, the liabilities it owes, and the net difference. The net difference is further separated into amounts restricted for specific purposes, if any, and unrestricted amounts. The information presented in this statement is reported on the accrual basis of accounting.
- The Statement of Activities focuses on gross and net costs of the District's programs and the extent to which such programs rely on general revenues. The statement summarizes and simplifies the users analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on individual funds, including assets liabilities and fuel equity. Separate revenues and expenditures analysis are presented to each major fund.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

Figure A-1, Required Components of the
District's Annual Financial
Report



NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. For the District, the total combined net position was negative \$ 18,063 at year end. A comparative condensed summary of the District's statements of net position for years ended December 31, 2012 and 2011 is presented here:

North Texas Groundwater Conservation District's Net Position			Table A-1
	2012	2011	Total Percentage Change 2011 - 2012
Assets:			
Cash and Cash Equivalents	\$ 474,202	\$ 474,879	-0.14%
Accounts Receivable and other Current Assets	467,714	2,109	22077.05%
Capital Assets, Net of Accumulated Depreciation	13,457	15,832	-15.00%
Total Assets	\$ 955,373	\$ 492,820	93.86%
Liabilities:			
Current Liabilities	\$ 309,081	\$ 165,849	86.36%
Long-term Liabilities	664,355	766,032	-13.27%
Total Liabilities	\$ 973,436	\$ 931,881	4.46%
Net Position:			
Invested in Capital Assets, Net of Related Debt	\$ 13,457	\$ 15,832	-15.00%
Unrestricted	(31,520)	(454,893)	-93.07%
Total Net Position	\$ (18,063)	\$ (439,061)	-95.89%

At current year end, the largest portion of the District's total assets, (49.6%), represents its cash and cash equivalents. These assets are available for future spending, which is why they are a major component of unrestricted net position in the financial statements. 49.0% represents prepaid expenses and accounts receivable for groundwater production fees, while the remaining 1.4% represents the District's investment in fixed assets, net of accumulated depreciation.

The District's liabilities consist of accounts payable for items or services received during the year, but not paid out in cash until after year end, as well as interest payable on long-term debt and deferred revenues, which represents cash receipts from participating counties but not yet recognized as revenue or intergovernmental support.

Unrestricted net position represents amounts available for future spending.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012

CHANGES IN NET POSITION

The District's total revenues were \$ 855,336, including intergovernmental support and interest earned on cash deposits.

The total cost of all services was \$ 434,338, for legal fees and administration of the program.

A condensed summary of the District's statements of activities and changes in net position for the years ended December 31, 2012 and 2011 is presented here:

Changes in North Texas Groundwater Conservation District's Net Position			Table A-2
	2012	2011	Total Percentage Change 2011 - 2012
Operating Revenues:			
Charges for Services	\$ 827,522	\$ -	100.00%
Total Revenues	\$ 827,522	\$ -	100.00%
Operating Expenses:			
Administrative Services	\$ 434,338	\$ 355,231	22.27%
Total Expenses	\$ 434,338	\$ 355,231	22.27%
Nonoperating Revenues (Expenses):			
Interest Income	\$ 1,669	\$ 2,885	-42.15%
Intergovernmental Support	26,145	25,242	100.00%
Total Nonoperating Revenues (Expenses)	\$ 27,814	\$ 28,127	-1.11%
Increase (Decrease) in Net Position	\$ 420,998	\$ (327,104)	-228.70%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The governmental funds of the District reported general revenues in the amount of \$ 827,522 during the current year, and earned \$ 1,669 in interest income on cash deposits.

BUDGETARY HIGHLIGHTS

The District's Board of Directors adopted a final operating budget for the 2012 fiscal year, based on actual receipts and expenditures (unaudited), prior to year end. The budget encompasses all the activities of the District, including both revenues and expenditures.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2012, the District had invested \$ 16,624 in fixed assets.

North Texas Groundwater Conservation District's Capital Assets			Table A-3
	2012	2011	Total Percentage Change 2011 - 2012
Vehicles	\$ 16,624	\$ 16,624	0.00%
Totals at Historical Cost	\$ 16,624	\$ 16,624	0.00%
Total Accumulated Depreciation	(3,167)	(792)	299.87%
Net Capital Assets	\$ 13,457	\$ 15,832	-15.00%

Debt

The District maintains a loan payable, received from the Counties participating in the District, for organizational costs and administration of the program. At December 31, 2012, the District's outstanding debt balance was \$ 766,032.

North Texas Groundwater Conservation District's Long Term Debt			Table A-4
	2012	2011	Total Percentage Change 2011 - 2012
Loans Payable	\$ 766,032	\$ 766,032	0.00%
Total Debt Payable	\$ 766,032	\$ 766,032	0.00%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District adopted the next year's budget to provide for the developing nature of the services provided by the District, which will increase over the current year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jerry Chapman, General Manager of the District.

BASIC FINANCIAL STATEMENTS

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 474,202
Accounts Receivable	465,940
Prepaid Expenses	1,774
Total Current Assets	<u>\$ 941,916</u>
Non-Current Assets:	
Capital Assets	
Vehicles, Net	\$ 13,457
Total Non Current Assets	<u>\$ 13,457</u>
Total Assets	<u>\$ 955,373</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 59,121
Interest Payable	65,702
Deferred Revenue	82,581
Current Portion of Long-term Debt	101,677
Total Current Liabilities	<u>\$ 309,081</u>
Non-Current Liabilities:	
Long-term Debt, less Current Portion	\$ 664,355
Total Non-Current Liabilities	<u>\$ 664,355</u>
Total Liabilities	<u>\$ 973,436</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	\$ 13,457
Unrestricted	<u>(31,520)</u>
Total Net Position	<u>\$ (18,063)</u>

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Administration	\$ 434,338	\$ 827,522	\$ 26,145	\$ 419,329
Total Governmental Activities	\$ 434,338	\$ 827,522	\$ 26,145	\$ 419,329
Total Primary Government	\$ 434,338	\$ 827,522	\$ 26,145	\$ 419,329
General Revenues:				
Interest Income				\$ 1,669
Total General Revenues				\$ 1,669
Change in Net Position				\$ 420,998
Net Position - Beginning (January 1)				(439,061)
Net Position - Ending (December 31)				\$ (18,063)

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 474,202
Accounts Receivable	465,940
Prepaid Insurance, Supplies and Materials	1,774
Total Current Assets	<u>\$ 941,916</u>
 Total Assets	 <u><u>\$ 941,916</u></u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 59,121
Total Current Liabilities	<u>\$ 59,121</u>
 Total Liabilities	 <u><u>\$ 59,121</u></u>
 Equity	
Unrestricted	\$ 882,795
Total Equity	<u>\$ 882,795</u>
 Total Liabilities & Equity	 <u><u>\$ 941,916</u></u>

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total fund balance - governmental funds (Exhibit C-1)	\$ 882,795
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore not reported in the balance sheet.	13,457
Interest portion of note proceeds recorded in the current period as deferred revenues are recognized as earned in the current period in the fund.	(82,581)
Noncurrent liabilities are not due and payable in the current period and therefore not reported in the funds	(766,032)
Interest payable on noncurrent liabilities is not due and payable in the current period and is not reported in the funds	(65,702)
	<hr/>
Total net position - governmental activities (Exhibit A-1)	<u><u>\$ (18,063)</u></u>

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND BALANCE - GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2012

	General Fund
OPERATING REVENUES	
Groundwater Usage Fees	\$ 827,522
Total Operating Revenues	\$ 827,522
OPERATING EXPENSES	
Administration	\$ 210,799
Legal Fees	46,406
Consulting Fees	134,298
Total Operating Expenses	\$ 391,503
Operating Revenue (Expenses)	\$ 436,019
NON-OPERATING REVENUE (EXPENSES)	
Interest Income	\$ 1,669
Total Non-Operating Revenue (Expenses)	\$ 1,669
Net Change in Fund Balance	\$ 437,688
Fund Balance - Beginning (January 1)	445,107
Fund Balance - Ending (December 31)	\$ 882,795

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2012

Net change in fund balance - total governmental funds (Exhibit C-3)	\$ 437,688
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital asset cost is allocated over the estimated useful life and reported as depreciation in the Statement of Activities	(2,375)
Interest accrued in the current year is reported as an expense in the SOA	(40,460)
Intergovernmental Support is recognized as revenue in the SOA	26,145
	<hr/>
Change in net position of governmental activities (Exhibit B-1)	<u>\$ 420,998</u>

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

A. Summary of Significant Accounting Policies

The basic financial statements of the North Texas Groundwater Conservation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The North Texas Groundwater Conservation District (District), is a political subdivision of the State of Texas, created under the authority of Article XVI, Section 59, Texas Constitution, and operating pursuant to the provisions of the Texas Water Code, Chapter 36, and Senate Bill 2497, Acts of the 81st Texas Legislature, Regular Session, 2010. The District encompasses the North Texas counties of Collin, Cooke, and Denton. The Board of Directors (Board), a nine member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities within the jurisdiction of the District. The Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Reporting Standards, since Board members are appointed, have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

As required by accounting principles generally accepted in the United States of America, the basic financial statements of the reporting entity include those of the District (primary government) and its component units. There are no component units included in these basic financial statements.

2. Basis of Presentation – Basis of Accounting

Government-wide Statements – The statement of net position (SNA) and the statement of activities (SOA) include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, and other charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxing entities allocations and investments, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Any remaining governmental funds are aggregated and reported as non-major funds.

District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations or other appropriate requirements. The fund types and funds utilized by the District are described below:

Governmental fund types include the following –

The *General Fund* is used to account for financial resources used for general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds are accounted for in this fund.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

3. Measurement Focus - Basis of Accounting

Government-wide Statements – These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxing entity allocations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Fund Financial Statements – The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenue in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long term debt, which is recognized when due. Expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

4. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

B. Deposits, Securities and Investments

The District's funds are deposited and invested in the Independent Bank, McKinney, Texas. During the year ended December 31, 2012, all District cash deposits appeared to have been covered by FDIC insurance or by pledged securities held by other banks in the name of the depository bank. The District's deposits appear to have been properly secured throughout the fiscal year.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District does not appear to be exposed to custodial credit risk.

C. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2012, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the last fiscal year, and there were no settlements exceeding insurance coverage in the past year.

D. Litigation

The District does not appear to be involved in any pending litigation as of December 31, 2012.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

E. Capital Assets

The following is a summary of changes in capital assets during the year:

	Beginning Balances 1/01/2012	Additions and Reclassifications	Deletions	Ending Balances 12/31/2012
Vehicles	\$ 16,624	\$ -	\$ -	\$ 16,624
Totals at Historical Cost	\$ 16,624	\$ -	\$ -	\$ 16,624
Less Accumulated Depreciation for:				
Vehicles	\$ 792	\$ 2,375	\$ -	\$ 3,167
Total Accumulated Depreciation	\$ 792	\$ 2,375	\$ -	\$ 3,167
Net Capital Assets	\$ 15,832	\$ (2,375)	\$ -	\$ 13,457

F. Long-term Obligations

Changes In General Long Term Debt

	Beginning Balance 1/01/2012	Additions	Deletions	Ending Balance 12/31/2012	Current Portion of Debt
Loans Payable	\$ 766,032	\$ -	\$ -	\$ 766,032	\$ 101,677
Total Debt Payable	\$ 766,032	\$ -	\$ -	\$ 766,032	\$ 101,677

Loans

The District is obligated under a contract executed by the Board for the organizational and operational costs of the District prior to the receipt of revenues necessary for operations. This contract is with the participating counties, those of Collin, Cooke and Denton. This loan, in the contract-stated amount of \$ 900,000, incurs no interest and has a payback schedule that calls for full repayment of the loan, in equal annual payments to each county, beginning in 2013 and maturing fully in 2017. Though the contract terms of the agreement state that the loan carries no interest, GAAP requires that interest be imputed on long-term loans, thus converting \$ 133,968 of the loan repayment to interest, and causing the remaining \$ 766,032 to be reflected as principal payable on the Statement of Net Position. Interest expense, as imputed, will accrue in the 2012 year, and will be reflected as interest expense, but will not be paid out until the 2013 year, when the first annual payment is required. Amounts representing the current year portion of interest expense, calculated at 3.25% based on market rates for loans of similar amounts and terms, appear on the Statement of Net Position as "Interest Payable." Amounts representing subsequent years' portions of interest expense, having been received but not yet recognized, appear on the Statement of Net Position as "Deferred Revenue".

Year Ending December 31	Principal	Interest	Total Requirements
2013	\$ 101,677	\$ 26,935	\$ 128,612
2014	158,109	21,891	180,000
2015	163,319	16,681	180,000
2016	168,669	11,331	180,000
2017	174,258	5,742	180,000
Totals	\$ 766,032	\$ 82,580	\$ 848,612

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

G. Subsequent Events

Subsequent events have been evaluated through August 7, 2013, which is the date the financial statements were available to be issued. There do not appear to be any events occurring after year end that could have an impact on the financial statements at December 31, 2012 as presented.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Groundwater Usage Fees	\$ 234,619	\$ 313,200	\$ 827,522	\$ 514,322
Total Operating Revenues	\$ 234,619	\$ 313,200	\$ 827,522	\$ 514,322
OPERATING EXPENSES				
Administration	\$ 222,097	\$ 207,205	\$ 210,799	\$ (3,594)
Legal Fees	30,500	46,500	46,406	94
Consulting Fees	226,000	226,000	134,298	91,702
Total Operating Expenses	\$ 478,597	\$ 479,705	\$ 391,503	\$ 88,202
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 75	\$ -	\$ 1,669	\$ 1,669
Total Nonoperating Revenues (Expenses)	\$ 75	\$ -	\$ 1,669	\$ 1,669
Change in Net Assets	\$ (243,903)	\$ (166,505)	\$ 437,688	\$ 604,193
Net Assets - Beginning (January 1)	445,107	445,107	445,107	-
Net Assets - Ending (December 31)	\$ 201,204	\$ 278,602	\$ 882,795	\$ 604,193