

**RED RIVER  
GROUNDWATER  
CONSERVATION  
DISTRICT**

**BOARD MEETING**

**BOARD ROOM  
GREATER TEXOMA UTILITY AUTHORITY  
5100 AIRPORT DRIVE  
DENISON, TEXAS 75020**

**THURSDAY  
JULY 23, 2015**

**AGENDA**  
**RED RIVER GROUNDWATER CONSERVATION DISTRICT**  
**BOARD OF DIRECTORS BOARD MEETING**  
**GREATER TEXOMA UTILITY AUTHORITY BOARD ROOM**  
**5100 AIRPORT DRIVE**  
**DENISON, TEXAS 75020**  
**THURSDAY, JULY 23, 2015**

**Board Meeting**

The Board Meeting will begin at 2:00 p.m.

The Board of Directors may discuss, consider, and take all necessary action, including expenditure of funds, regarding each of the agenda items below:

**Agenda:**

1. Call to order, declare meeting open to the public, and take roll
  2. Public Comment
  3. Consider and act upon approval of Minutes of May 21, 2015 Show Cause Hearing and Board Meeting
  4. Consider and act upon approval of Minutes of December 11, 2014 Correction of item 3 from” August 21, 2014 to October 9, 2014 ”
  5. Review and approval of monthly invoices
  6. Receive monthly financial information
  7. Consider and act upon 2014 Audit
  8. Consider and act upon budget and establish production rates for FY 2016
  9. Receive update and possible action on GMA-8 activities and development of Desired Future Conditions
  10. Consider and act upon compliance and enforcement activities for violations of District rules
  11. Consider and act upon authorizing a letter to the Railroad Commission regarding unplugged wells located within the district
  12. Consideration and possible action regarding the District’s Legal Counsel
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13. General Manager's report: The General Manager will update the Board on operational, educational and other activities of the District
14. Open forum / discussion of new business for future meeting agendas
15. Adjourn

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<sup>1</sup>The Board may vote and/or act upon each of the items listed in this agenda.

<sup>2</sup>At any time during the meeting or work session and in compliance with the Texas Open Meetings Act, Chapter 551, Government Code, Vernon's Texas Codes, Annotated, the Red River Groundwater Conservation District Board may meet in executive session on any of the above agenda items or other lawful items for consultation concerning attorney-client matters (§551.071); deliberation regarding real property (§551.072); deliberation regarding prospective gifts (§551.073); personnel matters (§551.074); and deliberation regarding security devices (§551.076). Any subject discussed in executive session may be subject to action during an open meeting.

<sup>3</sup>Persons with disabilities who plan to attend this meeting, and who may need assistance, are requested to contact Velma Starks at (800) 256-0935 two (2) working days prior to the meeting, so that appropriate arrangements can be made.

<sup>4</sup>For questions regarding this notice, please contact Velma Starks at (800) 256-0935, at [rrgcd@redrivergcd.org](mailto:rrgcd@redrivergcd.org) or at 5100 Airport Drive, Denison, TX 75020.

ATTACHMENT 3

**MINUTES OF THE BOARD MEETING  
RED RIVER GROUNDWATER CONSERVATION DISTRICT**

**THURSDAY, MAY 21, 2015**

**AT THE GREATER TEXOMA UTILITY AUTHORITY  
BOARD ROOM  
5100 AIRPORT DRIVE  
DENISON, TX 75020**

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Members Present: Harold Latham, Mark Gibson, Don Wortham, Mark Newhouse, William Purcell, Mark Patterson

Members Absent: David Gattis

Staff: Drew Satterwhite, P.E., Debi Atkins, Carolyn Bennett

Visitors: Sandra Barbey, Lass Water System  
Rockie Martin, Pintail Farms  
Chuck Dodd, Starr Water Supply Corporation

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1. Call to order, declare meeting open to the public, and take roll.

President Patterson called the meeting to order at 3:15 pm.

2. Public Comment.

Rockie Martin addressed the Board, specifically Fannin County representatives on how they correspond with landowners in Fannin County. Board Member Harold Latham replied public notices are posted for each meeting in media and at the county courthouse. Mr. Latham further stated Fannin County water users are required to report, without discrimination.

Chuck Dodd, representing Starr Water Supply Corporation addressed the Board concerning the District keeping expenses to a minimum, avoiding being big and intrusive – just performing activities of the bare minimum. Mr. Dodd expressed his discontent with the increase in fees in 2015 by \$0.01, salaries of the District staff, and questioned the District for its past meetings addressing investment of funds. Mr. Dodd invited the Board to meet with the area water supply corporations the first Thursday night of the month at the Golden Corral in Sherman, during which communication about the District's activities could be provided to the group.

President Patterson informed Mr. Dodd if he investigated the Groundwater Districts in Texas he would find the fees charged by the District are one of the lowest in the entire state. Mr. Patterson further stated there is a minimum level at which the District can be run, and as far as the fund balance, the District is facing expenses for groundwater availability modeling and setting the desired future conditions for the District. President Patterson stated the District is trying to protect the water and infrastructure for all entities. There is no intention to expend funds unnecessarily. Mr. Dodd stated he would appreciate communication from the Board on a regular basis.

3. Consider approval of Minutes of March 19, 2015 board meeting

Board Member Purcell asked that the March 19<sup>th</sup> meeting be amended to reflect that he had made a statement regarding Pintail Farms' violations that it would be best to issue a major violation on Pintail Farms as opposed to sequential fines which would have resulted in a larger amount in fines. The intent was to be lenient. Board Member Purcell motioned approve the March 19<sup>th</sup> minutes to reflect this information. The motion was seconded by Board Member Gibson and passed unanimously, with one member absent.

4. Review and approval of monthly invoices.

General Manager Satterwhite reviewed the monthly invoices with the Board for March and April. Board Member Newhouse moved to approve the monthly invoices for March and April. The motion was seconded by Secretary-Treasurer Wortham and passed unanimously, with one board member absent.

5. Receive Monthly Financial Information

Mr. Purcell commended on the fund balance reflecting the amount of \$350,000. Of this amount, \$60,000 is Accounts Receivable. The reason the Board had previous discussions regarding investing is that the Board was attempting to get the best interest earnings available. Mr. Satterwhite reviewed the monthly financial information with the Board.

6. Receive update and possible action on GMA 8 activities and development of Desired Future Conditions

Mr. Satterwhite reported to the Board on the current status of GMA8 and the modeling efforts. The GMA8 discussed Intera's proposal at their last meeting, and voted unanimously to approve Runs 5 and 6. Several of the Districts expressed a desire to have more of the Runs developed at a later date. The Red River Groundwater Conservation District's portion of the costs for these Runs 5 and 6 is \$7,521.00.

A Desired Future Conditions ("DFC") committee conference was held Monday, May 8<sup>th</sup> during which the committee discussed providing the DFC committee authorization to discuss Runs 7 and 8 and make a decision for the District regarding these runs and the funds to be expended. Board Member Purcell motioned to allow the DFC Committee to instruct Board Member Gattis on moving forward on the DFC process and the runs necessary to assist in this process. The motion was seconded by Board Member Newhouse and passed unanimously with one board member absent.

General Manager Satterwhite informed the Board Bill Mullican had requested all Districts in the GMA8 declare their non-relevant aquifers. Motion was made by Board Member Newhouse for the purpose of joint groundwater management planning that groundwater planning be for the Trinity and Woodbine Aquifers in the Red River Groundwater Conservation District. The motion was seconded by Board Member Latham and passed unanimously with one member absent.

At this time Kristen Fancher provide the Board with an update on legislative matters.

7. Consider and act upon compliance and enforcement activities for violations of District rules

No report was provided. President Patterson asked the staff about Northern Challenge. Field Technician Wayne Parkman stated they are in compliance but their electric system has been hacked.

8. Receive 2014 Annual Report and 2015 1<sup>th</sup> Quarterly Report

Carolyn Bennett provided the 2014 Annual Report and the 1<sup>st</sup> Quarterly Report for 2015.

9. Consider and act upon establishing a budget committee for development of a 2016 budget

President Patterson, Board Member Purcell, and Vice President Mark Gibson volunteered to serve on the Budget Committee for development of the 2016 budget

10. Consider and act upon contract with LBG Guyton for support and technical assistance related to Desired Future Conditions

General Manager Satterwhite discussed with the Board of Directors the requirements for the Red River Groundwater Conservation District (“RRGCD”) to develop Desired Future Conditions (“DFC”), and the District’s past experience with LBG Guyton Associates thus far in providing the services necessary to develop the required DFC. A proposal from LBG Guyton to provide assistance to the District for this process. Mr. Satterwhite reviewed the proposal with the Board. Motion was made by Vice President Gibson, seconded by Board Member Latham, and passed unanimously to accept LBG Guyton’s proposal for assistance in the development of the District’s DFC.

11. Consideration and possible action regarding the District’s Legal Counsel

Mr. Satterwhite informed the Board of Directors that the partners of Sledge Fancher PLLC amicably decided to part ways last month. Since the split, the business name to Sledge Law and Public Strategies PLLC. Kristen Fancher has now moved to Smith, Robertson, Elliot and Douglas LLP. District staff has kept communication with both partners, Brian Sledge and Kristen Fancher, since the split to discuss the options going forward. The Board discussed the options regarding legal counsel for the District moving forward. The Board requested the staff to obtain a proposal from Kristen Fancher for legal counsel.

12. General Manager’s Report: The General Manager will update the Board on operational, educational and other activities of the District

Mr. Satterwhite reported as of March 31, 2015 the total number of registered wells in Grayson County were 396 and Fannin County 142.

13. Open forum / discussion of new business for future meeting agendas

The next meeting was tentatively scheduled for July 23<sup>rd</sup> at 2:00pm.

11. Adjourn

The Board of Directors adjourned at 4:20pm.

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Recording Secretary

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Secretary-Treasurer

**MINUTES OF THE BOARD OF DIRECTORS' SHOW CAUSE HEARING  
RED RIVER GROUNDWATER CONSERVATION DISTRICT  
THURSDAY, MAY 21, 2015**

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Members Present: Harold Latham, Mark Gibson, Don Wortham, Mark Newhouse, William Purcell, Mark Patterson

Members Absent: David Gattis

Staff: Drew Satterwhite, P.E., Carolyn Bennett, Velma Starks, Wayne Parkman

Visitors: Sandra Barbey, Lass Water System  
Rockie Martin, Pintail Farms  
Chuck Dodd, Starr Water Supply Corporation

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1. Call to order, declare show cause hearing open to the public, and take roll

President Patterson convened the show cause hearing at 2:02pm. All Board members were present except Board Member Gattis. President Patterson determined there was a quorum present.

2. Conduct Show Cause Hearing under Rule 9.6 on the following for alleged violations of District Rules; discuss, consider, receive testimony, and take appropriate action, including without limitation authorizing the District to initiate a civil lawsuit to enforce compliance with the District rules, including recovery of civil penalties, costs, and attorneys fees, and all other appropriate legal and equitable relief:

A. Lass Water System, Ms. Sandra Barbey, P.O. Box 314, Magnolia, TX 77353

Mr. Satterwhite provided the Board with the evidence necessitating the Show Cause Hearing, including violations of District Rules 8.1 and 7.3 (a) pertaining to installation of meters and failure to submit water usage fees, respectively.

The first violation for failure to submit water use fees within 60 days of payment being due. Staff, in consultation with the President, allowed Lass Water System six months to pay off the balance at the owners' request. One payment was submitted in the amount of \$1,000. The first quarterly readings for 2015 have not been provided either.

Mrs. Sandra Barbey was present at the meeting representing Lass Water System. Mrs. Barbey informed the Board she has inherited the system from her father, who had passed in December 2014. She stated her father was not good with finances, and passed leaving the system in a great deal of debt. She stated she would like to work out a payment plan. Mrs. Barbey also stated she is in the process of attempting to relinquish the system to someone else. She asked for \$500.00 down and \$250.00 per month to pay off the fees for the violations to date.



B. Pintail Farms, Mr. Rockie Martin, 6730 Horizon Rd. #B, Heath, TX 75032

General Manager Satterwhite provided the Board with the evidence necessitating the Show Cause Hearing, including violations of failure to register non-exempt wells. There were 4 major violations in the amount of \$500.00 assessed at the last Board meeting for failure to register non-exempt wells. Pintail farms has since registered the four (4) wells on this property, which were drilled for wildlife. The wells in question have a wildlife exemption, thus the wells are required to be metered and usage provided to the District, but no production fee is required at this time based on the District's current fee schedule. Rockie Martin was present at the Show Cause Hearing to discuss the wells.

Rockie Martin addressed the Board and stated that ten years ago he had the four wells drilled. Mr. Martin stated he was not aware of the Red River Groundwater Conservation District, and did not understand why the certified letters were sent to the farm instead of the address on the permit or the address on the tax rolls. Mr. Martin stated Alan Scott is his ranch hand and is only on the property from November to the end of February. Mr. Martin stated he first found out about the circumstances at the end of February, when the District's attorney telephoned him and informed him he was in violation of the District's rules and was being assessed a fine. He stated as soon as he found out about the circumstances he telephoned the District offices. District staff informed him the application was incomplete and missing two signatures. Mr. Martin stated the documents have been corrected, and the proper forms provided. He stated the land is in the wetlands, with the wells designed to maintain integrity of wetlands. Mr. Martin further stated the wells were struck by lightning and are not currently in service. Mr. Martin stated he did not understand why he has to meter his wells. He stated he would like to work out the violations with the Board, and asked for forgiveness of the \$2,000 fine and work out a schedule for the meters necessary for each well.

Wayne Parkman, District Field Technician stated his inspection of the property found the wells to be disconnected at well head. He stated he found four wells within 50 – 60 yards of each other, and a shed in which the controls are located. Mr. Parkman stated he was unsure if the shed or the line got struck not positive if the controls are fried or well components.

Kristen Fancher, District's Legal Counsel, asked Mr. Martin if he had considered capping the wells. Mr. Martin stated that he had not, and indicated he would be getting them repaired.

Vice President Gibson asked Mr. Martin if under the federal program he received any benefits. Mr. Martin responded negatively, and stated only the previous owner received \$500.00 per acre for the program. Mr. Martin stated he has not received anything from the federal program for the use of the property, and that he does use the property for commercial hunting purposes.

Pursuant to Government Code 551.071, the Board of Directors adjourned into closed Executive Session at 2:21 pm

The Board reconvened the show cause hearing at 3:08pm. No action was taken in executive session.

Board Member Purcell stated a resolution for the issues discussed in Executive Session would be made in Open Session in public forum so the public can be aware the Board is trying to make sure all well owners are in compliance with state law. Board Member Purcell made a motion to offer Lass a 12-month payment plan with payments of \$1,013.33 due the last day of each month, with the first payment due June 30<sup>th</sup>, with failure to pay the past de balance or keep the account current on fees or reporting use resulting in additional enforcement being enacted. The motion was seconded by Board Member Newhouse and abstained by President Patterson, the motion passed, with one board member absent.

Motion was made by Mark Patterson to require Pintail Farms to meter or cap the four (4) non-exempt wells within 60 days, in lieu of the \$2,000.000 fine assessed for not following the District Rules, specifically Section 8. The motion was seconded by Board Member Wortham, and passed unanimously, with one board member absent.

3. Adjourn or continue show cause hearing.

The show cause hearing adjourned at 3:14pm.

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Recording Secretary

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Secretary-Treasurer

ATTACHMENT 4

**MINUTES OF THE BOARD MEETING  
RED RIVER GROUNDWATER CONSERVATION DISTRICT**

**THURSDAY, DECEMBER 11, 2014**

**AT THE GREATER TEXOMA UTILITY AUTHORITY  
BOARD ROOM  
5100 AIRPORT DRIVE  
DENISON, TX 75020**

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Members Present: Mark Patterson, David Gattis, Mark Gibson, Harold Latham, Mark Newhouse, William Purcell

Members Absent: Don Wortham

Staff: Drew Satterwhite, Wayne Parkman and Carmen Catterson

Visitors: James Beach, LBG Guyton (by conference call)  
Alex Moser, AL Moser Drilling

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1. Call to order, declare meeting open to the public, and take roll.

President Patterson called the meeting to order at 2:03 PM. All members were present except Board Member Wortham.

2. Public Comment.

No comments received.

3. Consider approval of Minutes of October 9, 2014 board meeting

The Board discussed a statement made in the minutes that presentations made to larger, more focused, groups may be more beneficial.

Board Member Purcell motioned to approve the Minutes of the ~~August 21, 2014~~ October 9, 2014 board meeting with the striking of the comment discussed. The motion died for a lack of second. Vice President Latham motioned to adopt the minutes as presented. The motion was seconded by Board Member Gattis and passed with Board Member Purcell opposing.

4. Review and approval of monthly invoices.

Mr. Satterwhite reviewed the monthly invoices. The legal services invoices were for enforcement activities.

Board Member Gattis motioned to approve the monthly invoices for a total of \$15,205.88. The motion was seconded by Vice President Latham and passed unanimously.

5. Receive Monthly Financial Information

Mr. Satterwhite reviewed the monthly financial information. The Board discussed possible enforcement on the one outstanding account. The Board agreed that a letter should be drafted providing until January 1<sup>st</sup> for the well owner to come into compliance with paying past due charges. They also agreed that the legal counsel should review the letter.

President Patterson requested that the staff pursue the Preston Club Golf Course, which has a non-exempt well that is not registered, but runs on a regular basis. Mr. Satterwhite agreed to pursue the situation in order to gain compliance.

6. Consider and act upon investment strategies

At the August and October meetings, the staff provided information on possible investment strategies. The District's Investment Policy does not allow for investments to extend past 12 months. The Public Investment Funds Act requires that all investments be made with organizations that have a physical location in the State of Texas.

The Board discussed possible investment strategies. Board Member Purcell asked if the fees with American Bank of Texas had been requested to be reduced. Mr. Satterwhite stated that the fee was to offset interest earnings that would not be made on a smaller balance in the account. He agreed to ask the bank if they would consider reducing the fee.

Board Member Gattis motioned to invest the funds as recommended. The motion was seconded by Board Member Purcell and passed unanimously.

7. Consider and act upon amended budget for 2014

This is the second amendment to the 2014 budget. This is the final amendment, which adjusts for actual costs. The most significant increase was to increase the legal budget to \$16,500. The overall budget is being decreased. Mr. Satterwhite reviewed the changes to the budget. The Board discussed the need to hire a field technician in 2015.

Board Member Newhouse motioned to approve the amended budget for 2014. The motion was seconded by Board Member Gattis and passed unanimously.

8. Consider and act upon engagement letter for audit services for fiscal year ending December 31, 2014

McClanahan and Holmes, LLP was awarded the 2013 audit and performed satisfactorily. Their amount has not changed for 2014.

Board Member Gattis motioned to approve an engagement letter with McClanahan and Holmes, LLP for audit services for fiscal year December 31, 2014. The motion was seconded by Vice President Latham and passed unanimously.

9. Consider and act upon 2015 Administrative Services contract with the Greater Texoma Utility Authority

Mr. Satterwhite explained that this is a renewal of the current contract between the District and the Greater Texoma Utility Authority (GTUA). The GTUA Board of Directors felt the agreement worked out

well for both organizations and approved the contract on November 10, 2014. No changes have been made to staff hourly charges.

Board Member Gattis motioned to approve the 2015 Administrative Services contract with GTUA. The motion was seconded by Board Member Gibson and passed unanimously.

10. Consider and act upon draft irrigation use estimates

Each year the Texas Water Development Board (TWDB) submits draft irrigation use estimates to the District for revision and approval. Mr. Parkman contacted the local extension agents and the US Department of Agriculture (USDA). The local agents did not have any recommendations and the USDA felt that the hay estimates might be a little high, but did not have any suggestions. The hay estimates do include sod farms.

Board Member Gattis motioned to approve the draft irrigation use estimates as provided by the TWDB. The motion was seconded by Board Member Newhouse and passed unanimously.

11. Receive update on GMA 8 activities and development of Desired Future Conditions (DFCs)

The new Groundwater Availability Model (GAM) was adopted by the TWDB last month. INTERA finalized the initial four GAM runs and presented them to the November 3<sup>rd</sup> Groundwater Management Area 8 (GMA 8) meeting. A meeting was held in Austin in November with all the technical consultants for all the groundwater districts in GMA 8.

Board Member Gattis stated that the information was provided in such a manner at the previous GMA 8 meeting that was beyond some participants understanding. He requested that the information be provided in a manner that was more approachable and less technical. Mr. Satterwhite reported that the next GAM runs should be presented in a format that would provide a better understanding of the drawdown effects.

12. Consider and discuss the Northern Trinity/Woodbine Aquifer GAM Predictive Simulations

INTERA provided a proposal to perform the four described scenarios. Board Member Gattis expressed that he felt the estimate was reasonable. He stated each run provides additional information and expands on previously generated runs.

Mr. Moser commented that the Woodbine Aquifer holds an abundance of water that is high mineral and not in demand. Drilling a high quality drinking water well in the Woodbine Aquifer is difficult.

Mr. James Beach joined the meeting by conference call at 2:59 PM. Mr. Beach provided a summary of the four recommended GAM runs. GAM run 4 utilized 2010 production and held it steady. GAM run 5 is similar to GAM 4 with minor changes as requested by several groundwater districts that have better information on their production. GAM run 6 is a set of four runs where pumping is reduced to 70% and then increased to 130%, 160% and 190%. GAM run 7 is a series of local runs where all 52 counties are considered. In this scenario, each county's production would be individually increased by 5,000 acre-feet and all other counties left static. This would help show the effects that an individual county would have on surrounding counties. The amount of acre-feet used in the scenario will be discussed at the January 6, 2015 GMA 8 meeting. GAM run 8 is stopping all pumpage immediately to see the effect on aquifers and the rebound experienced over time.

Board Member Purcell asked about the statement on GAM run 8 that states it is not to be used as a possible management strategy. Mr. Beach responded that GAM run 8 would eliminate all current pumping and prevent any pumping from taking place in the next 50 years in order to attempt to restore pre-development conditions in the aquifer. These runs are educational in nature.

Board Member Purcell asked how he should explain this to the well owners and groundwater users. The Board stated that they did not have any knowledge at this time so any impact is unknown. The decisions that will need to be made on DFCs are still in development and will be in development for most of the next year. Board Member Gattis stated that a great deal of work is happening outside of meetings and at GMA 8 meetings.

Mr. Satterwhite recommended the Board determine which GAM runs they support and the amount they would be willing to fund. The process is time consuming and time is running short. The Board discussed the importance of each model run.

Board Member Newhouse motioned to authorize Board Member Gattis to utilize the information provided by the Board members to take action on the GAM runs at the GMA 8 meeting up to the budgeted amount of \$20,000. The motion was seconded by Vice President Latham and passed unanimously.

13. Consider and act upon compliance and enforcement activities for violations of District rules

This was discussed earlier in the meeting. The Board instructed the staff to pursue compliance from Lass Water Co. by January 1<sup>st</sup> and to pursue compliance from Preston Club Golf Course.

14. General Manager's Report

Mr. Satterwhite provided an update on the State Audit completed earlier this year. The District received high marks for being in compliance. The items out of compliance were employee bonding in the name of the District and District policies. These items have been corrected.

15. Open forum / discussion of new business for future meeting agendas

The next meeting was tentatively scheduled for February 26, 2015 at 2:00 PM.

Mr. Moser expressed to the Board that the registration process initially was intended to take 24 hours to complete. However, in a particular situation, a man owned four pieces of property and the process took several days. The staff explained the permitting process and the reason for the delay.

14. Adjourn

The Board adjourned at approximately 3:59 PM.

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Recording Secretary

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Secretary-Treasurer

ATTACHMENT 5



RESOLUTION NO. 2015-07-23-01

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER CONSERVATION DISTRICT AUTHORIZING PAYMENT OF ACCRUED LIABILITIES FOR THE MONTH OF JUNE 2015, AND JULY 2015

The following liabilities are hereby presented for payment:

**Accounting**

USTI - eBilling Fees-June	10.16
USTI - eBilling Fees- May	11.20
McClanahan & Holmes-Auditing	3,750.00

**Administrative Services**

GTUA- June	12,583.84
GTUA - May	9,614.06

**Banking Fees**

Bank of Oklahoma-Safekeeping Fees	29.50
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**Contract Services**

IT Nexus - Aug	600.00
IT Nexus - July	600.00
IT Nexus - April	600.00
IT Nexus - May	600.00
LBG Guyton - May	397.80
LBG Guyton - April	384.80

**Insurance**

TWCA-Risk management	2,261.00
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**Legal**

Sledge Law & Public Strategies -April	364.00
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**Reimbursements**

Harold Latham - GMA8	114.37
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GRAND TOTAL: \$ 31,920.73

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER CONSERVATION DISTRICT THAT the Secretary-Treasurer is hereby authorized to make payments in the amounts listed above.

On motion of \_\_\_\_\_ and seconded by \_\_\_\_\_, the foregoing Resolution was passed and approved on this, the 21st day of May 2015 by the following vote:

AYE:  
NAY:

At a meeting of the Board of Directors of the Red River Groundwater Conservation District.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary/Treasurer

ATTACHMENT 6

**Balance Sheet**

For General Fund (00)

June 30, 2015

**Assets**

00-01-10001	Checking Account	181,430.28
00-01-10010	Investments-CD	150,000.00
00-01-10025	Accounts Receivable	5,491.83
00-01-10027	A/R -NTGCD	.00
00-01-10028	A/R Preston Club Golf Course	500.00
00-01-10029	A/R Pintail Farms	2,000.00
00-01-10030	Undeposited Funds	.00
00-01-10101	Allowance for Uncollectible Accounts	(1,530.00)
00-01-10200	PP Expense	3,945.32
<b>Total Assets</b>		<b>\$ 341,837.43</b>

**Liabilities and Fund Balance**

00-01-23010	Due to GTUA	.00
00-01-23100	Accounts Payable	10,160.30
00-01-23150	Deposits to be Refunded	3,700.00
00-01-23642	Due to Sh 03	.00
<b>Total Liabilities</b>		<b>13,860.30</b>
00-01-35100	Fund Balance	73,069.05
00-01-35120	Current Year Excess of Revenue over Expenses	253,009.59
	Excess of Revenue Over Expenditures	1,898.49
<b>Total Fund Balances</b>		<b>327,977.13</b>
<b>Total Liabilities and Fund Balances</b>		<b>\$ 341,837.43</b>

**Red River Groundwater Conservation District**  
**Statement of Revenue and Expenditures**

Revised Budget  
 For General Fund (00)  
 For the Fiscal Period 2015-6 Ending June 30, 2015

Account Number	Current Budget	Current Actual	Annual Budget	YTD Actual	Remaining Budget %
<b>Revenues</b>					
00-01-46002 GW Production Cost	\$ 68,400.00	\$ (6,770.14)	\$ 273,600.00	\$ 68,534.70	74.95%
00-01-46005 Late Fees	0.00	0.00	0.00	65.88	0.00%
00-01-46006 Violation Fees	0.00	0.00	0.00	3,000.00	0.00%
00-01-46007 Registration Fees	166.67	800.00	2,000.00	3,300.00	(65.00%)
00-01-46010 Well Drillers Deposit	0.00	0.00	0.00	0.00	0.00%
00-01-46100 Interest Income	0.00	0.00	0.00	167.12	0.00%
<b>Total General Fund Revenues</b>	<b>\$ 68,566.67</b>	<b>\$ (5,970.14)</b>	<b>\$ 275,600.00</b>	<b>\$ 75,067.70</b>	<b>72.76%</b>
<b>Expenditures</b>					
00-01-77010 Administrative Cost	\$ 9,583.33	\$ 8,862.50	\$ 115,000.00	\$ 42,312.65	63.21%
00-01-77020 Advertising	83.33	0.00	1,000.00	0.00	100.00%
00-01-77027 Auditing	0.00	0.00	4,000.00	0.00	100.00%
00-01-77030 Accounting	0.00	0.00	0.00	0.00	0.00%
00-01-77031 Banking Fees	0.00	35.96	0.00	70.68	0.00%
00-01-77032 Contract Services	3,716.67	600.00	44,600.00	4,382.60	90.17%
00-01-77035 Field Technician	4,166.67	2,984.00	50,000.00	10,496.00	79.01%
00-01-77040 Direct Cost	333.33	29.64	4,000.00	1,189.47	70.26%
00-01-77450 Dues & Subscription	83.33	0.00	1,000.00	332.75	66.73%
00-01-77480 Equipment	250.00	0.00	3,000.00	0.00	100.00%
00-01-77500 Fees- GMA8	583.33	0.00	7,000.00	434.45	93.79%
00-01-77610 Fuel	0.00	0.00	0.00	0.00	0.00%
00-01-77810 Insurance	250.00	0.00	3,000.00	1,291.68	56.94%
00-01-77855 Internet Fees	383.33	0.00	4,600.00	6,316.03	(37.31%)
00-01-77970 Legal	2,083.33	0.00	25,000.00	1,616.50	93.53%
00-01-78010 Meetings and Conferences	166.67	231.49	2,000.00	394.22	80.29%
00-01-78030 Office Supplies	0.00	0.00	0.00	0.00	0.00%
00-01-78310 Rent	200.00	200.00	2,400.00	1,200.00	50.00%
00-01-78600 Software Maintenance	166.67	0.00	2,000.00	1,415.00	29.25%
00-01-78750 Telephone	166.67	112.72	2,000.00	647.72	67.61%
00-01-78770 Transportation-Mileage	416.67	173.65	5,000.00	1,069.46	78.61%
<b>Total General Fund Expenditures</b>	<b>\$ 22,633.33</b>	<b>\$ 13,229.96</b>	<b>\$ 275,600.00</b>	<b>\$ 73,169.21</b>	<b>73.45%</b>
<b>General Fund Excess of Revenues Over Expenditures</b>	<b>\$ 45,933.34</b>	<b>\$ (19,200.10)</b>	<b>\$ 0.00</b>	<b>\$ 1,898.49</b>	<b>0.00%</b>

**Red River Groundwater Conservation District**  
**Statement of Revenue and Expenditures**  
*Revised Budget*

*For the Fiscal Period 2015-6 Ending June 30, 2015*

Account Number	Current Budget	Current Actual	Annual Budget	YTD Actual	Remaining Budget %
Total Revenues	\$ 68,566.67	\$ (5,970.14)	\$ 275,600.00	\$ 75,067.70	72.76%
Total Expenditures	\$ 22,633.33	\$ 13,229.96	\$ 275,600.00	\$ 73,169.21	73.45%
Total Excess of Revenues Over Expenditures	\$ 45,933.34	\$ (19,200.10)	\$ 0.00	\$ 1,898.49	0.00%

ATTACHMENT 7



**RED RIVER GROUNDWATER  
CONSERVATION DISTRICT  
AGENDA COMMUNICATION**

---



**DATE:** July 16, 2015

**SUBJECT:** AGENDA ITEM NO. 7

**CONSIDER AND ACT UPON 2014 AUDIT**

**ISSUE**

2014 Audit

**BACKGROUND**

Earlier this year, the Board engaged the services of McClanahan and Holmes, LLP, to undertake the 2014 audit for the District.

**CONSIDERATIONS**

If there are questions or concerns about the audit, the Board will have the opportunity to further discuss them with the auditor.

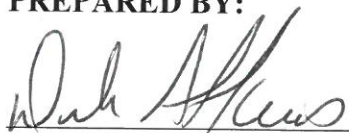
**STAFF RECOMMENDATIONS**

The District Staff has reviewed the audit and have no questions or concerns about the information contained in the audit.

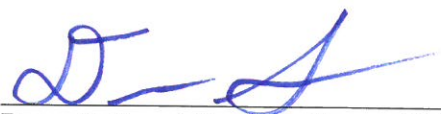
**ATTACHMENTS**

2014 Audit

**PREPARED BY:**

  
\_\_\_\_\_  
Debi Atkins, Finance Officer

**RECOMMENDED BY:**

  
\_\_\_\_\_  
Drew Satterwhite, P.E., General Manager

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

RED RIVER GROUNDWATER  
CONSERVATION DISTRICT

FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT THEREON

DECEMBER 31, 2014

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY



TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Annual Financial Report  
Year Ended December 31, 2014

	<u>Page Number</u>
<u>Independent Auditors' Reports:</u>	
Report on Basic Financial Statements Accompanied by Required Supplementary Information	1
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	3
Management's Discussion and Analysis (Required Supplementary Information)	5
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	12
Notes to the Basic Financial Statements	13
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule	17
<u>Auditors' Communication:</u>	
Communication with Those Charged with Governance	18
Appendix A	20

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DISCUSSION PURPOSE ONLY

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

**McClanahan and Holmes, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA  
GEORGE H. STRUVE, CPA  
ANDREW B. REICH, CPA  
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INDEPENDENT AUDITORS' REPORT

Report on Basic Financial Statements  
Accompanied by Required Supplementary Information

Members of the Board  
Red River Groundwater Conservation District  
Denison, Texas

*Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities and each major fund of the Red River Groundwater Conservation District (District), as of and for the year ended December 31, 2014, 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 auditors' 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.

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DISCUSSION PURPOSE ONLY

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

Members of the Board  
Red River Groundwater Conservation District  
Denison, Texas

*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 Red River Groundwater Conservation District as of December 31, 2014, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule 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 May 12, 2015, 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 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.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

Certified Public Accountants

Bonham, Texas  
May 12, 2015

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY  
**McClanahan and Holmes, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA  
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INDEPENDENT AUDITORS' REPORT

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  
Red River Groundwater Conservation District  
Denison, Texas

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 Red River Groundwater Conservation District (District), as of and for the year ended December 31, 2014, and the related notes to the Financial Statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 12, 2015.

***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. We consider the following deficiencies to be material weaknesses in internal control over financial reporting.

Financial Accounting and Reporting:

The District does not prepare the financial statements nor control the period-end financial reporting process, including controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles; controls over procedures used to analyze transactions comprising general ledger activity; controls over initiating, authorizing, recording and processing journal entries into the general ledger; and controls over recording recurring and nonrecurring adjustments to the financial statements.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

Members of the Board  
Red River Groundwater Conservation District  
Denison, Texas

Segregation of Duties:

A critical element in any internal control structure is the characteristic known as segregation of duties. Assigning different personnel the responsibility of authorizing transactions, recording transactions, and maintaining custody of assets achieve this internal control structure attribute. Due to the District's small number of personnel, there is limited segregation of duties in substantially all areas of the accounting system. To the extent possible, every effort should be made to utilize a "best practices" approach when considering controls over cash transactions and preparation of accounting records. We encourage the board to closely monitor its financial activities which may help offset the weaknesses associated with limited segregation of duties.

*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*.

*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.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

Certified Public Accountants

Bonham, Texas  
May 12, 2015

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY  
RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Management's Discussion and Analysis  
Year Ended December 31, 2014

The Red River 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, 2014. Please read this section in conjunction with the basic financial statements which follow this section.

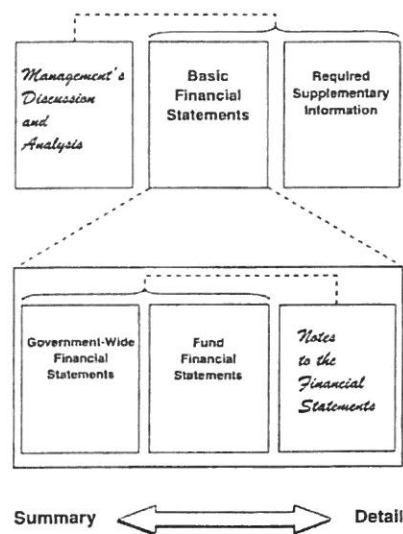
**FINANCIAL HIGHLIGHTS**

- The District's total net position was \$327,126 at December 31, 2014.
- During the year, the District's expenses were \$111,503 less than the \$293,403 generated from groundwater production fees and other revenues.
- The General Fund presents a year end fund balance of \$327,126 at December 31, 2014.

**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.

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



*Basic Financial Statements*

- The Statements 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.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Management's Discussion and Analysis  
Year Ended December 31, 2014

**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 \$327,126 at year end. A comparative condensed summary of the District's statements of net position is presented here.

<b>Red River Groundwater Conservation District's Net Position</b>			<b>Table A-1</b>
	<u>2014</u>	<u>2013</u>	<u>Total Percentage Change 2013-2014</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 259,421	\$ 139,580	85.86%
Receivables and Other Assets	<u>82,695</u>	<u>89,237</u>	-7.33%
<b>Total Assets</b>	<u><b>342,116</b></u>	<u><b>228,817</b></u>	49.52%
<b>Liabilities:</b>			
Current Liabilities	<u>14,990</u>	<u>13,194</u>	13.61%
<b>Total Current Liabilities</b>	<u><b>14,990</b></u>	<u><b>13,194</b></u>	13.61%
<b>Net Position:</b>			
Unrestricted	<u>327,126</u>	<u>215,623</u>	51.71%
<b>Total Net Position</b>	<u><b>\$ 327,126</b></u>	<u><b>\$ 215,623</b></u>	51.71%

At year end, 75.8% of the District's total assets were held in cash and cash equivalents, with fees receivable and prepaid expenses representing 24.2%.

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.

Unrestricted net position represents amounts available for future spending.

TENTATIVE DRAFT - FOR  
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TENTATIVE DRAFT - FOR  
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RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Management's Discussion and Analysis  
Year Ended December 31, 2014

**CHANGES IN NET POSITION**

The District's total revenues were \$293,403 generated from Groundwater Production Fees assessed upon residents of the District.

The total cost of all services was \$181,900, for third party 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, 2014 and 2013 is presented here:

<b>Changes in Red River Groundwater Conservation District's Net Position</b>			<b>Table A-2</b>
	<u>2014</u>	<u>2013</u>	<u>Total Percentage Change 2013-2014</u>
Operating Revenues:			
Groundwater Production Fees	\$ 293,403	\$ 273,137	7.42%
Total Revenues	<u>293,403</u>	<u>273,137</u>	7.42%
Operating Expenses:			
Administrative Services	<u>181,900</u>	<u>200,929</u>	-9.47%
Total Expenses	<u>181,900</u>	<u>200,929</u>	-9.47%
Increase (Decrease) in Net Position	<u>\$ 111,503</u>	<u>\$ 72,208</u>	54.42%

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The governmental funds of the District reported revenues of \$293,403 during the year, with total expenditures of \$181,900.

**BUDGETARY HIGHLIGHTS**

The District's Board of Directors adopted a final operating budget for the 2014 fiscal year, based on anticipated receipts and expenditures (unaudited), prior to year end. The budget encompasses all the activities of the District, which would normally include both revenues and expenditures.

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DISCUSSION PURPOSE ONLY



RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Management's Discussion and Analysis  
Year Ended December 31, 2014

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2014, the District has not invested in any capital assets.

**Debt**

As of December 31, 2014, the District has not entered into any debt agreements. The District has no outstanding long-term debt at year end.

**ECONOMIC FACTORS AND NET 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 Drew Satterwhite, General Manager for the District.

TENTATIVE DRAFT - FOR  
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RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Statement of Net Position  
December 31, 2014

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 259,421
Accounts Receivable, Net of Allowance for Uncollectibles of \$1,530	81,523
Prepaid Expenses	1,172
Total Current Assets	342,116
Total Assets	342,116
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	14,990
Total Current Liabilities	14,990
Total Liabilities	14,990
 <b>NET POSITION</b>	
Unrestricted	327,126
Total Net Position	\$ 327,126

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

The notes to financial statements are an integral part of this statement.

TENTATIVE DRAFT - FOR  
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RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Statement of Activities  
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
Governmental Activities:				
Administration	\$ 181,900	\$ -	\$ -	\$ (181,900)
Total Governmental Activities	181,900	-	-	(181,900)
Total Primary Government	\$ 181,900	\$ -	\$ -	(181,900)
General Revenues:				
Groundwater Production Fees				293,403
Total General Revenues				293,403
Change in Net Position				111,503
Net Position - Beginning (January 1)				215,623
Net Position - Ending (December 31)				\$ 327,126

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

The notes to financial statements are an integral part of this statement.

RED RIVER GROUNDWATER CONSERVATION DISTRICT  
 Balance Sheet - Governmental Fund  
 December 31, 2014

	General Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 259,421
Accounts Receivable, Net	81,523
Prepaid Expenses	1,172
Total Current Assets	342,116
Total Assets	\$ 342,116
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 14,990
Total Current Liabilities	14,990
Total Liabilities	14,990
 <b>FUND BALANCE</b>	
Unassigned	327,126
Total Fund Balance	327,126
Total Liabilities and Fund Balance	\$ 342,116

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

The notes to financial statements are an integral part of this statement.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Statement of Revenues, Expenses and Changes  
In Fund Balance - Governmental Fund  
For the Year Ended December 31, 2014

	<u>General Fund</u>
Operating Revenues	
Groundwater Usage Fees	\$ 293,403
Total Operating Revenues	<u>293,403</u>
Operating Expenses	
Administration	168,421
Legal Fees	<u>13,479</u>
Total Operating Expenses	<u>181,900</u>
Operating Revenues (Expenses)	<u>111,503</u>
Net Change in Fund Balance	111,503
Fund Balance - Beginning (January 1)	<u>215,623</u>
Fund Balance - Ending (December 31)	<u>\$ 327,126</u>

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

The notes to financial statements are an integral part of this statement.

RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Notes to the Basic Financial Statements  
December 31, 2014

I. Summary of Significant Accounting Policies

The basic financial statements of the Red River 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.

A. Reporting Entity

The Red River 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 81<sup>st</sup> Texas Legislature, Regular Session, 2010. The District encompasses the Red River counties of Grayson and Fannin. The Board of Directors (Board), a six 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.

B. Basis of Presentation – Basis of Accounting

*Government-Wide Statements* - The statement of net position and the statement of activities 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 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 (1) fees, and other charges paid by the recipients of goods or services offered by the programs and (2) 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.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY  
RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Notes to the Basic Financial Statements (Continued)  
December 31, 2014

I. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Basis of Accounting (continued)

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:

Government fund types include the following:

The *General Fund* is used to account for financial resources used for general operating. 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.

C. 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, including 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 – These financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

D. 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.

E. Financial Statement Amounts

Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of deposits in financial institutions, including time deposits. A cash equivalent is considered any highly liquid investment with a maturity of three months or less. Restricted assets and temporary investments are not included.

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY  
RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Notes to the Basic Financial Statements (Continued)  
December 31, 2014

I. Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts (continued)

Fund Balance (continued)

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal or a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. The District does not have any restricted fund balances by enabling legislation.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

*Unassigned fund balances* – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for the purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Unassigned	\$ 327,126	\$ -	\$ 327,126
Totals	<u>\$ 327,126</u>	<u>\$ -</u>	<u>\$ 327,126</u>

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations.

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
Legal Fees	\$ 2,479



TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY  
RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Notes to the Basic Financial Statements (Continued)  
December 31, 2014

III. Deposits, Securities and Investments

The District's maintains deposits in American Bank of Texas, Sherman, Texas that at times exceed the insured amount of \$250,000 provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The excess amount at December 31, 2014, is \$4,637, and was not collateralized.

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 is exposed to custodial credit risk for deposit amounts not covered by depository insurance.

IV. 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, 2014, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the last year, and there were no settlements exceeding insurance coverage in the past year.

V. Litigation

The District does not appear to be involved in any pending litigation as of December 31, 2014.

VI. Concentrations

Two customers individually comprised approximately 43% of gross accounts receivable at December 31, 2014. One of these customer's individually comprised approximately 32% of revenue for the year ended December 31, 2014. One vendor comprised approximately 69% of expenses for the year ended December 31, 2014.

VII. Subsequent Events

Subsequent events have been evaluated through May 12, 2015, 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 would or could have been an impact on the financial statements at December 31, 2014 as presented.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

RED RIVER GROUNDWATER CONSERVATION DISTRICT  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating Revenues				
Groundwater Usage Fees	\$ 250,000	\$ 250,000	\$ 293,403	\$ 43,403
Total Operating Revenues	250,000	250,000	293,403	43,403
Operating Expenses				
Administration	245,000	242,350	168,421	73,929
Legal Fees	5,000	11,000	13,479	(2,479)
Total Operating Expenses	250,000	253,350	181,900	71,450
Net Change in Fund Balance	-	(3,350)	111,503	114,853
Fund Balance - Beginning (January 1)	215,623	215,623	215,623	-
Fund Balance - Ending (December 31)	\$ 215,623	\$ 212,273	\$ 327,126	\$ 114,853

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

**McClanahan and Holmes, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA  
GEORGE H. STRUVE, CPA  
ANDREW B. REICH, CPA  
RUSSELL P. WOOD, CPA  
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903-583-5574  
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Communication with Those Charged  
With Governance

Members of the Board  
Red River Groundwater Conservation District  
Denison, Texas

We have audited the financial statements of the Red River Groundwater Conservation District ("District") for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2014. Professional Standards also require that we communicate to you the following information related to our audit.

Auditors' Responsibilities Under U.S. General Accepted Auditing Standards

As stated in our engagement letter and as described by professional standards, our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you and management of your responsibilities.

Significant Auditing Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The District's significant accounting policies are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management that required management's judgments based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events affecting them may differ significantly from management's expectations. There were no significant or sensitive accounting estimates by management included in the financial statements.

The disclosures in the financial statement are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

Members of the Board  
Red River Groundwater Conservation District  
Denison, Texas

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Appendix A summarizes misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 12, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters similar to obtaining a "second opinion" or certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of management, the Board members, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

Certified Public Accountants

Bonham, Texas  
May 12, 2015

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

RED RIVER GROUNDWATER CONSERVATION DISTRICT  
Misstatements Corrected by Management  
December 31, 2014

Appendix A

<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Accounts Receivable	\$ 17,927	\$ -
Deposits to be Refunded (Liability)	1,900	-
Fund Balance	-	19,427
Well Drillers' Deposit (Income)	-	400
	<u>\$ 19,827</u>	<u>\$ 19,827</u>

TENTATIVE DRAFT - FOR  
DISCUSSION PURPOSE ONLY

ATTACHMENT 8



# RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION

---



**DATE:** July 16, 2015

**SUBJECT:** AGENDA ITEM NO. 8

## CONSIDER AND ACT UPON BUDGET AND ESTABLISH PRODUCTION RATES FOR FY 2016

### ISSUE

2016 operating budget and rate schedule

### BACKGROUND

In past years, the Board of Directors of the Red River Groundwater Conservation District (District) has established the practice of trying to adopt a budget and rate schedule as early as possible. The District's fiscal year is based on a calendar year from January 1<sup>st</sup> through December 31<sup>st</sup>, while many of the well owners who must pay production fees have fiscal years that begin October 1<sup>st</sup> through September 30<sup>th</sup>. For this reason, the Board has attempted to provide information on production fees required to operate the District as early as possible in the budget planning process.

A draft 2016 budget and rate schedule was presented to the budget committee in early July. The attached draft budget addresses all comments received by the budget committee. The proposed budget reflects a fee schedule which is identical to the 2015 fee schedule.

### OPTIONS/ALTERNATIVES

The Board has the option to review this information and not take action until August, which would provide a short period of time for water suppliers to adopt their fiscal year budgets beginning October 1, 2015.

The staff is available to meet with the Budget Committee again or the staff is prepared to move forward with the current proposed budget and rate schedule.

### CONSIDERATIONS

The Board should feel an additional level of confidence in the District's budget and rate schedule being that the District's rates are among the lowest in the region.


### STAFF RECOMMENDATIONS

After discussing this matter with the Budget Committee, we believe the attached budget reflects a conservative estimate of revenues and expenses for the coming year and can be adopted by the board with confidence that the financial projections can be achieved.

### ATTACHMENTS

Draft 2016 Operating Budget  
Draft 2016 Fee Schedule

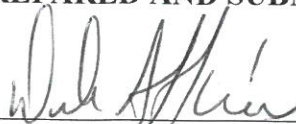
**PREPARED AND SUBMITTED BY:**



---

Drew Satterwhite, P.E., General Manager

**PREPARED AND SUBMITTED BY:**



---

Debi Atkins, Finance Officer



RED RIVER GROUNDWATER CONSERVATION BUDGET

SUMMARY AND SUPPORT INFORMATION

Fiscal Year 2016

Administrative	General Manager duties, recording and communication services, database collection and well registration services, developing policies, District rules, Bylaws and management plan. Keeping financial records, issuing invoices, paying invoices, preparing for audit, preparing budget
Ads-Legal	Legal Ads
Audit	Fees paid to independent auditor for annual audit services.
Contract Services	Hydrological Study, GAM Runs and Development, maintain web site, Well monitoring, Vision Workshop, Spacing requirements, and Permitting workshops
Direct costs	Office supplies, postage, copies
Dues	Membership for the Texas Water Conservation Association, Texas Assoc of Groundwater Districts
Equipment	Desk, Chair, Truck, laptop, phone, and GPS
GMA8	1/11 <sup>th</sup> share for the GMA8 expenses
Field Services	Person in the field inspecting wells and assisting well owners and drillers with complying with GCD rules
Insurance & Bonding	Insurance for GL, Errors and Omissions, Directors' bonds
Internet Services	Web hosting and Licensing Fee
Legal	Legal costs
Meetings & Conferences	Expenses included in this line item are proposed to meet the monthly costs of meetings of the Board of Directors, as well as any other meetings or conferences required throughout the course of the fiscal year.
Rent	Office Space rental
Software Maint	Accounting and computer software maintenance
Transportation	Mileage charged for field services and going to and from meetings
Telephone	This line item includes projected costs for telephone services, cell phone and internet usage on phone.

**RED RIVER GROUNDWATER CONSERVATION DISTRICT  
BUDGET YEAR 2016**

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Approved 2015	Actual @4-30-15	Est cost @12-31-15	Proposed 2016
<b>Income</b>								
46002 GW Production Cost	\$148,116.67	\$298,044.87	297,037.92	284,250.06	\$273,600.00	75,304.84	301,219.36	325,000.00
46007 Registration Fees			8,900.00	5,200.00	\$2,000.00	2,100.00		
46005 Late Fees				1,306.23		65.88		
46006 Violation Fees						3,000.00		
46010 Drillers Dep Forfeit								
<b>Total Income</b>	<u>\$148,116.67</u>	<u>\$298,044.87</u>	<u>\$305,937.92</u>	<u>\$292,356.29</u>	<u>\$275,600.00</u>	<u>\$77,404.84</u>	<u>\$301,219.36</u>	<u>\$325,000.00</u>
<b>Gross Profit</b>	\$148,116.67	\$298,044.87	\$305,937.92	\$292,356.29	\$275,600.00	\$77,404.84		\$325,000.00
<b>Expense</b>								
77010 ADMINISTRATIVE COST	\$68,057.56	\$79,748.58	94,767.47	89,183.92	115,000.00	27,245.40	81,736.20	115,000.00
77033 ADS-LEGAL	0.00	300.87		383.65	1,000.00		1,000.00	1,000.00
77027 AUDITING	0.00	3,250.00	3,500.00	3,750.00	4,000.00		4,000.00	4,000.00
77855 CONTRACT SERVICES		83,980.54	18,300.00					
Web Maintenance								
Hydro-Geologist				7,200.00	7,200.00	2,400.00	7,200.00	7,200.00
GAM Runs				17,263.64	17,400.00	384.80	17,400.00 *	43,900.00
77040 DIRECT COST	4,737.80	3,367.37	3,116.52	2,533.68	4,000.00	651.17	1,953.51	5,000.00
77450 DUES & SUBSCRIPTIONS	500.00	136.88	1,064.00	1,302.50	1,000.00	332.75	998.25	3,000.00
77550 EQUIPMENT	445.00	15,166.95		2,188.77	3,000.00		3,000.00	1,400.00
77555 FEES-GMA8		624.78		5,744.44	7,000.00	434.45	7,000.00	21,500.00
77035 FIELD SERVICES		4,338.00	53,130.45	21,222.00	50,000.00	5,020.00	15,060.00	4,000.00
77810 INSURANCE & BONDING	300.00	2,158.12	2,573.50	2,942.00	3,000.00	1,096.34	2,700.00	70,000.00
77840 INTERNET SERVICES	8,478.00		2,591.90	4,557.75	4,600.00	6,316.03	6,316.03	3,000.00
77970 LEGAL	17,964.68	11,701.50	13,443.50	13,479.22	25,000.00	1,252.50	20,000.00	6,500.00
78010 MEETINGS AND CONFEREN	1,379.86	441.06	1,047.91	2,216.53	2,000.00	102.73	2,000.00	25,000.00
78310 RENT			2,400.00	2,400.00	2,000.00		2,000.00	2,000.00
78600 SOFTWARE MAINT	268.46	2,000.00	1,285.00	1,750.00	2,400.00	800.00	2,400.00	2,400.00
78770 TRANSPORTATION/FUEL/MAINT		73.26	2,323.84	2,435.56	2,000.00	1,415.00	1,415.00	2,000.00
78750 TELEPHONE		943.18	1,385.15	1,336.99	5,000.00	661.26	1,983.78	5,000.00
<b>Total Expense</b>	<u>\$102,952.59</u>	<u>\$208,231.09</u>	<u>\$200,929.24</u>	<u>\$181,890.65</u>	<u>\$275,600.00</u>	<u>\$48,547.76</u>	<u>\$197,468.76</u>	<u>\$275,600.00</u>
Contingencies								
<b>Total Expenditures</b>	102,952.59	208,231.09	200,929.24	\$181,890.65	\$275,600.00	\$48,547.76	\$197,468.76	\$323,900.00
<b>Net Income</b>	<u>\$45,164.08</u>	<u>\$89,813.78</u>	<u>\$105,008.68</u>	<u>\$110,465.64</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,100.00</u>

- \*1. LBG General DFC Guidance - similar to last year @ \$17,400
- 2. Development of Well Monitoring Program- \$10k
- 3. Visioning workshop - \$4k
- 4. Develop spacing requirements - \$4-5k
- 5. Permitting workshops - \$8k

**RESOLUTION NO. 2015-07-23-02**

**A RESOLUTION BY THE BOARD OF DIRECTORS OF THE RED RIVER  
GROUNDWATER CONSERVATION DISTRICT RELATING TO THE ADOPTION  
OF A 2016 BUDGET FOR THE DISTRICT**

WHEREAS, the Red River Groundwater Conservation District (the “District”) is a political subdivision of the State of Texas organized and existing under and by virtue of Article XVI, Section 59, of the Texas Constitution as a groundwater conservation district, acting pursuant to and in conformity with Chapter 36, Texas Water Code and Act of May 25, 2009, 81st Leg., R.S., ch. 884, 2009 Tex. Gen. Laws 2313 codified at Chapter 8859 of the Texas Special District Local Laws Code (the “District Act”);

WHEREAS, the District Board of Directors (the “Board”) Budget & Finance Committee has worked diligently to identify all reasonably anticipated District revenues, expenses, and activities for the January 1, 2016 – December 31, 2016 budget cycle and, after giving much consideration to these important factors, has developed a proposed 2016 budget for the Board’s consideration and deliberation (the “2016 Budget”); and

WHEREAS, the Board has reviewed and considered the 2016 Budget; and

WHEREAS, pursuant to Section 36.154 of the Texas Water Code, the District has prepared a budget that contains a complete financial statement, including a statement of the outstanding obligations of the District, the amount of cash on hand to the credit of each fund of the District, the amount of money received by the District from all sources during the previous year, the amount of money available to the District from all sources during the ensuing year, the amount of the balances expected at the end of the year in which the budget is being prepared, the estimated amount of revenues and balances available to cover the proposed budget, and the estimated fee revenues that will be required; and

WHEREAS, the Board finds that the adoption of the 2016 Budget, attached hereto as Attachment A and incorporated herein by this reference for all purposes, is merited to support the District’s activities and related expenses from January 1, 2016, through December 31, 2016, and that the attached budget will allow the District to carry out the District’s objectives and responsibilities as prescribed by the District Act and Chapter 36 of the Texas Water Code.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE  
RED RIVER GROUNDWATER CONSERVATION DISTRICT AS FOLLOWS:**

- (1) The above recitals are true and correct.
- (2) The Board of Directors of the Red River Groundwater Conservation District hereby adopts an operating budget for January 1, 2016, to December 31, 2016, as provided in

the budget appended hereto as "Attachment A," which is incorporated herein by this reference and is hereby approved and adopted.

- (3) The Board of Directors, its officers, and the District employees are further authorized to take any and all actions necessary to implement this resolution.

AND IT IS SO ORDERED.

Upon motion by \_\_\_\_\_ seconded by \_\_\_\_\_, the foregoing Resolution was passed and approved on this 23<sup>rd</sup> day of July, 2015, by the following vote:

AYE:

NAY:

ABSTAIN:

At a meeting of the Board of Directors of the Red River Groundwater Conservation District.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary-Treasurer

**RESOLUTION NO. 2015-07-23-03**

**RESOLUTION TO ESTABLISH 2016 WATER USE FEE RATES  
FOR THE RED RIVER GROUNDWATER CONSERVATION DISTRICT**

THE STATE OF TEXAS

§  
§  
§

RED RIVER GROUNDWATER CONSERVATION DISTRICT

WHEREAS, the Red River Groundwater Conservation District (the "District") is a political subdivision of the State of Texas organized and existing under and by virtue of Article XVI, Section 59, of the Texas Constitution as a groundwater conservation district, acting pursuant to and in conformity with Chapter 36, Texas Water Code and Act of May 25, 2009, 81st Leg., R.S., ch. 884, 2009 Tex. Gen. Laws 2313 codified at Chapter 8859 of the Texas Special District Local Laws Code (the "District Act");

WHEREAS, the District is a governmental agency and a body politic and corporate that is statutorily charged under Chapter 36 of the Texas Water Code and the District Act with protecting the quantity and the quality of groundwater within Grayson County and Fannin County;

WHEREAS, the District by rule, resolution, or order may establish, amend, pledge, encumber, and spend the proceeds from, and assess to any person production fees, based on the amount of groundwater authorized by permit to be withdrawn from a well or on the amount of water actually withdrawn, to enable the District to fulfill its purposes and regulatory functions as provided by the District Act;

WHEREAS, the District may assess a production fee for groundwater produced from a well or class of wells exempt from permitting under Section 36.117 of the Texas Water Code, except for a well exempt from permitting under Section 36.117(b)(1), which must be based on the amount of groundwater actually withdrawn from the well and may not exceed the amount established by the District for uses recognized as non-exempt pursuant to Chapter 36 of the Texas Water Code, the District Act, and rules promulgated by the District pursuant to the authority delegated therefrom;

WHEREAS, despite having authority to assess a production fee not to exceed 30 cents per each one thousand gallons of groundwater used annually for nonagricultural purposes, the Board determines that a production fee of seven (7) cents per each one thousand gallons of groundwater used annually for nonagricultural purposes represents an appropriate, fiscally conservative fee that adequately addresses anticipated budgeting and revenue considerations for the District;

WHEREAS, the District may adopt a different fee for groundwater used for agricultural purposes not to exceed \$1.00 per acre-foot used annually, and the Board determines it necessary and appropriate to keep the production fee of zero (0) dollars per acre-foot of groundwater used annually for agricultural purposes the same as that set by the Board in previous years;

WHEREAS, the Board recognizes that the assessment of such fees serves a legitimate regulatory purpose;

WHEREAS, the Board finds that the notice and hearing requirements for the meeting of the Board, held this day, to take up and consider adoption of this resolution have been, and are, satisfied; and

WHEREAS, the Board finds that the proposed resolution is merited and necessary to support the District's efforts in managing the groundwater resources within the boundaries of the District in a manner consistent with the requirements of Chapter 36, Water Code, and the District Act, and that it is supportable under the laws of the State of Texas.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER CONSERVATION DISTRICT AS FOLLOWS:**

- (1) Each of the above recitals are true and correct.
- (2) The Board of Directors of the Red River Groundwater Conservation District hereby sets a water use fee rate for groundwater production for calendar year 2016 of seven cents per each one thousand gallons (\$.07 / 1,000 gallons) of groundwater produced annually for nonagricultural purposes, which includes all commercial, municipal, industrial, manufacturing, public water supply, oil and gas, and other nonagricultural users within the District that are not exempt from the water use fee payment requirements set forth in the temporary rules adopted by the District. Such rate will be effective and assessed to groundwater production that occurs during 2016 (January 1, 2016 through December 31, 2016).
- (3) The Board of Directors of the Red River Groundwater Conservation District hereby sets a water use fee rate for groundwater production for calendar year 2016 of zero dollars per acre-foot (\$.00 / acre-foot) of groundwater used annually for agricultural purposes. Such rate will be effective during 2016 (January 1, 2016 through December 31, 2016).
- (4) The Board of Directors, its officers, and the District staff are further authorized to take any and all actions necessary to implement this resolution.

AND IT IS SO ORDERED.

PASSED AND ADOPTED on this 23rd day of July, 2015.

**RED RIVER GROUNDWATER CONSERVATION DISTRICT**

By: \_\_\_\_\_  
Board President

ATTEST:  
\_\_\_\_\_  
Board Secretary-Treasurer

ATTACHMENT 11



# RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION

---



**DATE:** July 20, 2015

**SUBJECT:** AGENDA ITEM NO. 11

## CONSIDER AND ACT UPON AUTHORIZING A LETTER TO THE TEXAS RAILROAD COMMISSION REGARDING UNPLUGGED WELLS LOCATED WITHIN THE DISTRICT

### ISSUE

Consider and act upon authorizing a letter to the Texas Railroad Commission (“RRC”) regarding unplugged wells located within the District.

### BACKGROUND

In the June 29<sup>th</sup> issue of the Herald Democrat, there was an article regarding abandoned unplugged oil and gas wells on the RRC’s “Wells Remaining to be Plugged with State Managed Funds” list. This article brought to the staff’s attention that there is an active list published by the RRC and that there have been past successes with requests that certain wells receive attention.

In the Wells Remaining to be Plugged with State Managed Funds document, there are two wells listed within the District. Both of these wells are listed with a level “2-H”, meaning that fluid level in the well is at or above the base of usable ground water.

### OPTIONS

The District has the option to draft a letter to the RRC requesting that the wells located within the district receive attention if this is something the Board sees as a good use of resources.

### CONSIDERATIONS

The District’s Legal Counsel has informed staff that other Groundwater Conservation Districts have had success in the past with contacting the RRC about wells on this list.

### STAFF RECOMMENDATIONS

The District staff recommends authorizing a letter to be drafted to the RRC requesting that the wells located within the District receive attention as necessary. The staff proposes this letter be drafted for the Board President’s signature and in consultation with the District’s Legal Counsel.

**PREPARED AND SUBMITTED BY:**

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Drew Satterwhite, P.E., General Manager



ATTACHMENT 12



# RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION

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**DATE:** July 20, 2015

**SUBJECT:** AGENDA ITEM NO. 12

## CONSIDERATION AND POSSIBLE ACTION REGARDING THE DISTRICT'S LEGAL COUNSEL

### ISSUE

Consideration and possible action regarding the Red River Groundwater Conservation District's ("District") legal counsel.

### BACKGROUND

In April 2015, the partners of the District's law firm, Sledge Fancher PLLC, amicably decided to part ways. Since the split, Sledge Fancher PLLC has changed the business name to Sledge Law and Public Strategies PLLC. Kristen Fancher has now moved to Smith, Robertson, Elliot, and Douglas LLP.

The District staff has been in communication with both of the partners, Brian Sledge and Kristen Fancher, since the split to discuss our options going forward.

At the May 2015 meeting, the Board directed Staff to pursue a proposal from Kristen Fancher at Smith, Robertson, Elliot and Douglas, LLP.

### OPTIONS/ALTERNATIVES

Ms. Fancher has provided the two (2) attached proposals. The attached proposals allow for different fee structures should the Board choose to engage with Ms. Fancher's firm. The first option would be similar to the existing and past engagements the District has had in that the Legal Counsel is provided at an hourly rate of \$260 per hour.

The second option allows for a flat-fee arrangement of \$3,250 per month. Expenses related to travel or any other out-of-pocket costs related to our representation are not included. Also, this flat-fee does not include litigation or hearings associated with a DFC petition being filed to challenge your DFCs.

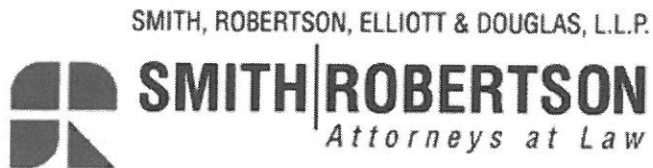
The Board has the authority to choose whatever legal representation it deems is in its best interest.

### STAFF RECOMMENDATIONS

The staff requests the Board provide direction on the legal representation they feel is in the best interest of the District.

### PREPARED AND SUBMITTED BY:

Drew Satterwhite, P.E., General Manager



SMITH, ROBERTSON, ELLIOTT & DOUGLAS, L.L.P.

KRISTEN O. FANCHER

Phone: 512.225.1705 • Direct Fax: 512.225.5838  
Email kfancher@smith-robertson.com

July 17, 2015

Board of Directors  
Mr. Drew Satterwhite, General Manager  
Red River Groundwater Conservation District  
P.O. Box 1214  
Sherman, Texas 75901-1214

(Via Electronic Mail)

Re: Legal Representation of Red River Groundwater Conservation District

Dear Board of Directors and Mr. Satterwhite:

Thank you for the opportunity to provide the Red River Groundwater Conservation District ("District") with my engagement letter for legal services. I value our relationship and look forward to continuing to provide you with high-quality and cost-effective legal representation.

I enclosed two options of engagement letters for your review. The first letter is a standard engagement letter that includes an hourly rate for my services, which is the same as our current arrangement. The second letter enclosed is a flat-fee engagement letter, which provides a monthly fee in exchange for my unlimited services on general counsel-related matters. The flat-fee arrangement includes all general counsel matters that arise in the course of the District's business, but excludes any litigation or other administrative hearing (e.g., a DFC challenge) type of matters. Some of my governmental entity clients prefer to use a flat-fee arrangement to ensure that there is a cap to legal fees during times when there is a large amount of legal work to be done. I calculated the flat-fee amount in the second letter based on my understanding of the legal work to be done during the DFC adoption process over the next year, and in addition to the other activities of the District. I would be happy to discuss either of these options in more detail with you if you would like.

Please let me know if you have any questions, and thank you again for the opportunity to be of service to you.

Regards,

Kristen O. Fancher

Enclosures



July 17, 2015

Board of Directors  
Mr. Drew Satterwhite, General Manager  
Red River Groundwater Conservation District  
P.O. Box 1214  
Sherman, Texas 75901-1214

**(Via Electronic Mail)**

Re: Representation of Red River Groundwater Conservation District  
Billing File No. 15005-0

Dear Board of Directors and Mr. Satterwhite:

Thank you very much for allowing Smith, Robertson, Elliott & Douglas, L.L.P. to have the opportunity to represent the Red River Groundwater Conservation District ("you" or "the District"). We will show you how much we value our relationship with you by providing efficient and high-quality legal representation of your interests. As a part of our regular procedure in establishing a client relationship, I would like to take this opportunity to set out the specific terms of our relationship, and request that you acknowledge your receipt and understanding of this letter by signing and returning an original to me at your earliest convenience.

We have previously discussed an arrangement that includes my continued work on assisting you with general counsel matters for the District. The scope of our initial engagement shall be limited to the specific matter described above. However, should you expressly request additional matters and responsibilities in the future, the provisions in this letter will govern our continuing relationship.

My current hourly rate to work on or supervise each of the above-listed matters is \$260.00 per hour, which is my reduced governmental entity rate. It is anticipated that I will perform most of the work on this matter; however, I reserve the right to utilize other lawyers in our firm to work on your matters if, in my professional judgment, that becomes necessary or desirable.

We are conscious of the fact that legal fees on a substantial matter can quickly accumulate, and we attempt to maintain reasonable fee levels under the circumstances by, among other things, minimizing duplication of effort on a project, utilizing our experience and preexisting resources, and applying some cost-benefit analyses to most sub-projects. Moreover, when unforeseen extraordinary fees or expenses appear necessary, we will consult with you beforehand.

Expenses related to travel or any other out-of-pocket costs related to your representation will be billed separately and included on each monthly invoice. Also, our billing practices with respect to most internal office expenses are different from many law firms and hopefully will be viewed favorably by you. We do not charge for in-house facsimile, long distance, postage, secretarial overtime, or other similar overhead items. It is our belief that our fees should include and cover these types of expenses. We will charge for most in-house copies at a rate of \$.0.20 per page for black and white copies and \$.0.40 per page for color copies. We may from time to time adjust the copy rate as costs change. It is necessary, however, for us to

pass along to you charges incurred from all outside vendors, such as, by way of example, but not limitation, court reporters, process servers, expert witnesses or consultants, copy services, overnight delivery charges, court costs, filing fees, and electronic research. Unless special arrangements are otherwise made, fees and expenses of third parties are your responsibility and will be billed directly to you. Further, all third-party invoices in excess of \$350.00 will usually be forwarded to you for direct payment. Should you have any questions as to any statement, please contact me at your earliest convenience so that we can resolve any problems without delay.

Under our normal billing procedures, we will submit statements to you on a monthly basis. Statements are always due and payable upon receipt. However, there may be occasions involving unforeseen circumstances when an account will go unpaid, and, in such instances, we will attempt to work with you if you communicate the nature of the delay to us. However, we reserve the right to discontinue work on pending matters or terminate our attorney-client relationship at any time that any statement remains due and unpaid or that a requested advance retainer deposit against any clearly foreseeable charge is not received.

I ran a conflicts check under our firm's standard procedures on each of the matters listed above with the firm's existing clients and no conflicts were reported. I will notify you in the unlikely event a conflict arises in the future, and we can discuss it at that time. You have requested our advice and counsel as a part of our services to you. In the event that you fail to follow our advice and counsel, or otherwise fail to cooperate reasonably with us, we reserve the right to withdraw from representing you upon short notice, regardless of the then status of your matter, and to collect all fees and expenses accrued to date. Of course, at any time that you wish, you may cease to use our services and to incur future fees and expenses through us by notifying us in writing to that effect.

As you know, I cannot make representations to you as to the probability of ultimate success in a given matter, and similarly I cannot guarantee any particular result. However, I do agree to exert in good faith my reasonable, ethical professional efforts on your behalf.

Please let me know if you have any questions regarding this engagement agreement. I truly appreciate the opportunity to be of service to you.

Regards,

SMITH, ROBERTSON, ELLIOTT & DOUGLAS, L.L.P.



By: \_\_\_\_\_

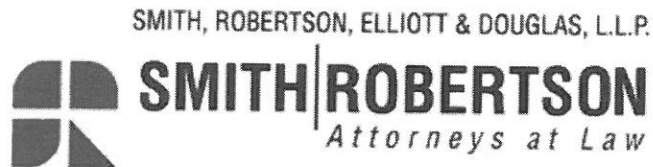
Kristen O. Fancher

**AGREED AND ACCEPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2015.**

Red River Groundwater Conservation District

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_



**KRISTEN O. FANCHER**

Phone: 512.225.1705 • Direct Fax: 512.225.5838  
Email kfancher@smith-robertson.com

July 17, 2015

Board of Directors  
Mr. Drew Satterwhite, General Manager  
Red River Groundwater Conservation District  
P.O. Box 1214  
Sherman, Texas 75901-1214

**(Via Electronic Mail)**

Re: Representation of Red River Groundwater Conservation District  
Billing File No. 15005-0

Dear Board of Directors and Mr. Satterwhite:

Thank you very much for allowing Smith, Robertson, Elliott & Douglas, L.L.P. to have the opportunity to represent the Red River Groundwater Conservation District ("you" or "the District"). We will show you how much we value our relationship with you by providing efficient, high-quality legal representation of your interests. As a part of our regular procedure in establishing a client relationship, I would like to take this opportunity to set out the specific terms of our relationship, and request that you acknowledge your receipt and understanding of this letter by signing and returning an original to me at your earliest convenience.

We have previously discussed an arrangement that includes my continued work on performing representation as general counsel for the District. The scope of our initial engagement shall be limited to the specific matter described above. However, should you expressly request additional matters and responsibilities in the future, the provisions in this letter will govern our continuing relationship.

We agree that my services will be performed under a flat-fee arrangement of \$3,250 per month beginning on August 1, 2015 and ending August 1, 2016 (the "term"). This fee includes all work conducted for the District in a general counsel capacity, including all regulatory compliance matters, Board governance issues, enforcement matters, DFCs (including assistance throughout the DFC adoption process, hearings and summary report developed by the District), rulemaking, attendance at Board meetings and GMA meetings as needed, and all other issues that arise in the day-to-day operations of the District. Expenses related to travel or any other out-of-pocket costs related to your representation will be separately and included on your monthly invoice. This flat-fee does not include litigation or hearings associated with a DFC petition being filed to challenge your DFCs. Upon expiration of the term of this flat-fee arrangement, we can discuss whether to continue a flat-fee arrangement, and if so, whether there should be an increase or decrease in the flat-fee amount. The term of this arrangement applies only to the expected term by which a flat-fee arrangement exists between us, and does not prevent you from terminating my representation or ending our flat-fee arrangement and converting back to an hourly basis arrangement as you see fit.

It is anticipated that I will perform most of the work on this matter; however, I reserve the right to utilize other lawyers in our firm to work on your matters if, in my professional judgment, that becomes necessary or desirable. We are conscious of the fact that legal fees on a substantial matter can quickly accumulate, and we attempt to maintain reasonable fee levels under the circumstances by, among other

things, minimizing duplication of effort on a project, utilizing our experience and preexisting resources, and applying some cost-benefit analyses to most sub-projects. Moreover, when unforeseen extraordinary fees or expenses appear necessary, we will consult with you beforehand.

Expenses related to travel or any other out-of-pocket costs related to your representation will be billed separately and included on each monthly invoice. Also, our billing practices with respect to most internal office expenses are different from many law firms and hopefully will be viewed favorably by you. We do not charge for in-house facsimile, long distance, postage, secretarial overtime, or other similar overhead items. It is our belief that our fees should include and cover these types of expenses. We will charge for most in-house copies at a rate of \$.0.20 per page for black and white copies and \$.0.40 per page for color copies. We may from time to time adjust the copy rate as costs change. It is necessary, for us to pass along to you charges incurred from all outside vendors, such as, by way of example, but not limitation, court reporters, process servers, expert witnesses or consultants, copy services, overnight delivery charges, court costs, filing fees, and electronic research. Unless special arrangements are otherwise made, fees and expenses of third parties are your responsibility and will be billed directly to you. Further, all third-party invoices in excess of \$350.00 will usually be forwarded to you for direct payment. Should you have any questions as to any statement, please contact me at your earliest convenience so that we can resolve any problems without delay.

Under our normal billing procedures, we will submit statements to you on a monthly basis. Statements are always due and payable upon receipt. However, there may be occasions involving unforeseen circumstances when an account will go unpaid, and, in such instances, we will attempt to work with you if you communicate the nature of the delay to us. However, we reserve the right to discontinue work on pending matters or terminate our attorney-client relationship at any time that any statement remains due and unpaid or that a requested advance retainer deposit against any clearly foreseeable charge is not received.

I ran a conflicts check under our firm's standard procedures on each of the matters listed above with the firm's existing clients and no conflicts were reported. I will notify you in the unlikely event a conflict arises in the future, and we can discuss it at that time. You have requested our advice and counsel as a part of our services to you. In the event that you fail to follow our advice and counsel, or otherwise fail to cooperate reasonably with us, we reserve the right to withdraw from representing you upon short notice, regardless of the then status of your matter, and to collect all fees and expenses accrued to date. Of course, at any time that you wish, you may cease to use our services and to incur future fees and expenses through us by notifying us in writing to that effect.

As you know, I cannot make representations to you as to the probability of ultimate success in a given matter, and similarly I cannot guarantee any particular result. However, I do agree to exert in good faith my reasonable, ethical professional efforts on your behalf.

Please let me know if you have any questions regarding this engagement agreement. I truly appreciate the opportunity to be of service to you.

Regards,

SMITH, ROBERTSON, ELLIOTT & DOUGLAS, L.L.P.



*Kristen Fancher*

By: \_\_\_\_\_

Kristen O. Fancher

**AGREED AND ACCEPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2015.**

Red River Groundwater Conservation District

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

ATTACHMENT 15

# Red River Groundwater Conservation District

## Well Registration Summary As of May 29, 2015

Well Type	Total Registered Fannin County	Total Registered Grayson County	April 2015	New Registrations
Domestic	67	116	171	12
Agriculture	11	21	32	0
Oil/Gas	0	18	18	0
Surface Impoundments	4	10	10	4
Commercial	4	2	6	0
Golf Course	0	15	14	1
Livestock	9	13	21	1
Irrigation	0	4	4	0
Public Water	54	208	262	0
<b>Total</b>	<b>149</b>	<b>407</b>	<b>538</b>	<b>18</b>

# Red River Groundwater Conservation District

## Well Registration Summary As of July 2, 2015

Well Type	Total Registered Fannin County	Total Registered Grayson County	May 2015	New Registrations
Domestic	68	120	183	5
Agriculture	11	23	32	2
Oil/Gas	0	19	18	1
Surface Impoundments	4	10	14	0
Commercial	4	2	6	0
Golf Course	0	15	15	0
Livestock	10	13	22	1
Irrigation	0	4	4	0
Public Water	54	208	262	0
<b>Total</b>	<b>151</b>	<b>414</b>	<b>556</b>	<b>9</b>

ADJOURN