

**RED RIVER
GROUNDWATER
CONSERVATION
DISTRICT**

BOARD MEETING

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

**THURSDAY
MAY 26, 2016**

AGENDA
RED RIVER GROUNDWATER CONSERVATION DISTRICT
BOARD OF DIRECTORS BOARD MEETING
GREATER TEXOMA UTILITY AUTHORITY BOARD ROOM
5100 AIRPORT DRIVE
DENISON, TEXAS 75020
THURSDAY, MAY 26, 2016

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 March 24, 2016, Board Meeting
4. Review and approval of monthly invoices
5. Receive monthly financial information
6. Consider and act upon 2015 Audit
7. Consider and Act upon authorizing purchase of equipment
8. Update and possible action regarding the process for the development of Desired Future Conditions (DFCs)
9. Consider and act upon compliance and enforcement activities for violations of District Rules
10. General Manager's report: The General Manager will update the Board on operational, educational and other activities of the District
11. Open forum / discussion of new business for future meeting agendas
12. Adjourn

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

²At 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.

³ *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.*

⁴ *For questions regarding this notice, please contact Velma Starks at (800) 256-0935, at rrqcd@redriverqcd.org or at 5100 Airport Drive, Denison, TX 75020.*

ATTACHMENT 3

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

THURSDAY, MARCH 24, 2016

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

Members Present:	David Gattis, Mark Gibson, Mark Newhouse, Mark Patterson, William Purcell, Don Wortham, Harold Latham
Members Absent:	Mark Gibson
Staff:	Drew Satterwhite, P.E., Velma Starks, Carolyn Bennett
Visitors:	Kristen Fancher, Smith Robertson

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

President Patterson declared a quorum was present and called the meeting to order as 2:05pm.

2. Public Comment.

There were no citizens present requesting to be heard before the Board.

3. Consider and act upon approval of Minutes of January 21, 2016 Board Meeting.

One change requested to the Minutes of the January 21, 2016 meeting, to add Texas DPS as the capacity for James Purcell, who was present at the January board meeting. Board Member Gattis made a motion to approve the Minutes of the January 21, 2016 board meeting with the correction. Board Member Purcell seconded the motion, Vice President Latham abstained, as he was not present at the last meeting. Motion passed.

4. Review and approval of monthly invoices.

General Manager Satterwhite reviewed the monthly invoices with the Board of Directors. Board Member Newhouse made a motion to approve payment of the monthly invoices. Secretary/Treasurer Wortham seconded the motion. Motion passed unanimously.

5. Receive Monthly Financial Information.

General Manager Satterwhite reviewed the monthly financial information with the Board. Presenting a year to year comparison of financials was discussed. The Board agreed that providing this comparison during the budget process would be sufficient.

6. Update and possible action regarding the process for the development of Desired Future Conditions (DFCs).

General Manager Satterwhite briefed the Board of Directors on the actions of the last two GMA-8 meetings.

Kristen Fancher with Smith Robertson, the District's Legal Counsel, provided the Board with a presentation regarding the nine factors in Chapter 36 and the balancing tests required. The Board of Directors reviewed and discussed each of the nine factors and the balancing tests.

The Board discussed authorization for the District's Representative, David Gattis, to vote on behalf of the Red River GCD at the next GMA-8 meeting regarding the DFCs. Vice President Latham made a motion to authorize Board Member David Gattis, Red River GCD's GMA-8, Representative to formally propose GAM Run 10 for adoption for the DFCs as it applies to Red River GCD. Board Member Wortham seconded the motion, and it passed unanimously.

7. Consider and act upon responses to the Groundwater Management Area 8 Survey related to the Texas Water Code Sections 36.108(d) (6 and 7)

General Manager Satterwhite discussed the responses to the Groundwater Management Area 8 Survey related to the Texas Water Code, Sections 36.108(d) (6 and 7). Board Member Gattis made a motion to authorize the DFC Committee to conduct the final review of the Red River GCD survey and authorized submission to the GMA-8. Board Member Newhouse seconded the motion and it passed unanimously.

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

There were no enforcement activities for violations needing discussion.

9. Receive 2015 Annual Report

Carolyn Bennett provided the Board with a review of the District's Management Plan Annual Report for 2015, as required by the Management Plan adopted by the Board in 2012.

10. Consider and act upon a Resolution to designate investment officers

General Manager Satterwhite discussed with the Board the necessity for the Board to adopt a resolution to address signatories for investments by the District. Currently, Officers of the Board are required to authorize each investment. The resolution presented will allow Debi Atkins, Finance Officer, and Drew Satterwhite, General Manager, to sign for authorization for investments.

Board Member Gattis made a motion to approve authorizing Debi Atkins, Finance Officer, and Drew Satterwhite, General Manager, to sign for investments made on behalf of the Red River GCD. Board Member Newhouse seconded the motion, and it passed unanimously.

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

General Manager Satterwhite reviewed the Well Registration Summary Reports with the Board, and discussed a citizen's complaint in Fannin County concerning a company mining sand.

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

President Patterson stated the next meeting of the Red River GCD is scheduled for April 21, 2016.

13. Adjourn.

Board Member Gattis made a motion to adjourn. President Patterson seconded the motion and the Board adjourned at 3:35pm. Motion passed unanimously.

Recording Secretary

Secretary-Treasurer

ATTACHMENT 6



RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION



DATE: May 23, 2016

SUBJECT: AGENDA ITEM NO. 6

CONSIDER AND ACT UPON 2015 AUDIT

ISSUE

2015 Audit

BACKGROUND

Earlier this year, the Board engaged the services of McClanahan and Holmes, LLP, to undertake the 2015 audit for the District.

OPTIONS/ALTERNATIVES

If all questions are satisfactorily answered, the Board could accept the audit.

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

2015 Audit

PREPARED BY:

Debi Atkins, Finance Officer

RECOMMENDED BY:

Drew Satterwhite, P.E., General Manager

**RED RIVER GROUNDWATER
CONSERVATION DISTRICT**

**Communication with Those
Charged With Governance**

December 31, 2015

McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
ANDREW B. REICH, CPA
RUSSELL P. WOOD, CPA
DEBRA J. WILDER, CPA
TEFFANY A. KAVANAUGH, CPA

228 SIXTH STREET S.E.
PARIS, TEXAS 75460
903-784-4316
FAX 903-784-4310

304 WEST CHESTNUT
DENISON, TEXAS 75020
903-465-6070
FAX 903-465-6093

1400 WEST RUSSELL
BONHAM, TEXAS 75418
903-583-5574
FAX 903-583-9453

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, 2015. 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 October 1, 2015. 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 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no disclosures that are considered sensitive because of their significance to the financial statement users.

The disclosures in the financial statement are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

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, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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, 2016.

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.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the budgetary comparison schedule, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
May 12, 2016

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Misstatements Corrected by Management
December 31, 2015

Appendix A

<u>Description</u>	<u>Debit</u>	<u>Credit</u>
GW Production Cost	\$ 1,047.66	\$ -
Fund Balance	-	1,047.66
	<u>\$ 1,047.66</u>	<u>\$ 1,047.66</u>

**RED RIVER GROUNDWATER
CONSERVATION DISTRICT**

Annual Financial Report

Year Ended December 31, 2015

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Annual Financial Report
Year Ended December 31, 2015

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McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

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, 2015, 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.

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, 2015, 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.

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

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, 2016, 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.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
May 12, 2016

RED RIVER GROUNDWATER CONSERVATION DISTRICT
 Management's Discussion and Analysis
 Year Ended December 31, 2015

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, 2015. Please read this section in conjunction with the basic financial statements which follow this section.

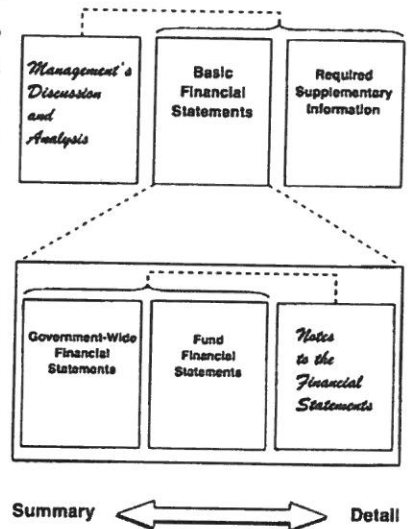
FINANCIAL HIGHLIGHTS

- The District's total net position was \$443,812 at December 31, 2015.
- During the year, the District's expenses were \$116,686 less than the \$330,167 generated from groundwater production fees and other revenues.
- The General Fund presents a year end fund balance of \$443,812 at December 31, 2015.

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

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Management's Discussion and Analysis
Year Ended December 31, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Other Information

In addition to the basis financial statements and accompanying notes, this report also presents required supplementary information concerning the District's budgetary comparison schedule. Requires supplementary information can be found on page 15 of this report.

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 \$443,812 at year end. A comparative condensed summary of the District's statements of net position is presented here.

Red River Groundwater Conservation District's Net Position			Table A-1
	<u>2015</u>	<u>2014</u>	<u>Total Percentage Change 2014-2015</u>
Assets:			
Cash and Cash Equivalents	\$ 179,316	\$ 259,421	-30.88%
Certificates of Deposit	200,000	-	100.00%
Receivables and Other Assets	<u>88,049</u>	<u>82,695</u>	6.47%
Total Assets	<u>467,365</u>	<u>342,116</u>	36.61%
Liabilities:			
Current Liabilities	<u>23,553</u>	<u>14,990</u>	57.12%
Total Current Liabilities	<u>23,553</u>	<u>14,990</u>	57.12%
Net Position:			
Unrestricted	<u>443,812</u>	<u>327,126</u>	35.67%
Total Net Position	<u>\$ 443,812</u>	<u>\$ 327,126</u>	35.67%

At year end, 81.2% of the District's total assets were held in cash and cash equivalents and certificates of deposit, with fees receivable and prepaid expenses representing 18.8%.

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.

RED RIVER GROUNDWATER CONSERVATION DISTRICT
 Management's Discussion and Analysis
 Year Ended December 31, 2015

CHANGES IN NET POSITION

The District's total revenues were \$330,167 generated from Groundwater Production Fees assessed upon residents of the District and other revenues.

The total cost of all services was \$213,481, 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, 2015 and 2014 is presented here:

Changes in Red River Groundwater Conservation District's Net Position			Table A-2
	<u>2015</u>	<u>2014</u>	Total Percentage Change 2014-2015
General Revenues:			
Groundwater Production Fees	\$ 329,279	\$ 293,403	12.23%
Interest Income	<u>888</u>	<u>-</u>	100.00%
Total Revenues	<u>330,167</u>	<u>293,403</u>	12.53%
Expenses:			
Administration	<u>213,481</u>	<u>181,900</u>	17.36%
Total Expenses	<u>213,481</u>	<u>181,900</u>	17.36%
Increase (Decrease) in Net Position	<u>\$ 116,686</u>	<u>\$ 111,503</u>	4.65%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The governmental funds of the District reported revenues of \$330,167 during the year, with total expenditures of \$213,481.

BUDGETARY HIGHLIGHTS

The District's Board of Directors adopted a final operating budget for the 2015 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.

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Management's Discussion and Analysis
Year Ended December 31, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2015, the District has not invested in any capital assets.

Debt

As of December 31, 2015, 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.

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Statement of Net Position
December 31, 2015

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 179,316
Certificates of Deposit	200,000
Accounts Receivable, Net of Allowance for Uncollectibles of \$1,530	82,965
Prepaid Expenses	5,084
Total Current Assets	467,365
Total Assets	467,365
 LIABILITIES	
Current Liabilities	
Accounts Payable	23,553
Total Current Liabilities	23,553
Total Liabilities	23,553
 NET POSITION	
Unrestricted	443,812
Total Net Position	\$ 443,812

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

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Statement of Activities
For the Year Ended December 31, 2015

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	\$ 213,481	\$ -	\$ -	\$ (213,481)
Total Governmental Activities	213,481	-	-	(213,481)
Total Primary Government	\$ 213,481	\$ -	\$ -	(213,481)
General Revenues:				
Groundwater Production Fees				329,279
Interest Income				888
Total General Revenues				330,167
Change in Net Position				116,686
Net Position - Beginning (January 1)				327,126
Net Position - Ending (December 31)				\$ 443,812

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

RED RIVER GROUNDWATER CONSERVATION DISTRICT
 Balance Sheet - Governmental Fund
 December 31, 2015

	General Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 179,316
Certificates of Deposit	200,000
Accounts Receivable, Net	82,965
Prepaid Expenses	5,084
Total Current Assets	467,365
Total Assets	\$ 467,365
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 23,553
Total Current Liabilities	23,553
Total Liabilities	23,553
FUND BALANCE	
Unassigned	443,812
Total Fund Balance	443,812
Total Liabilities and Fund Balance	\$ 467,365

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

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Governmental Fund
For the Year Ended December 31, 2015

	General Fund
REVENUES	
Groundwater Usage Fees	\$ 329,279
Interest Income	888
Total Revenues	330,167
EXPENDITURES	
Administration	191,700
Legal Fees	21,781
Total Expenditures	213,481
Excess (Deficiency) of Revenues over Expenditures	116,686
Net Change in Fund Balance	116,686
Fund Balance - Beginning (January 1)	327,126
Fund Balance - Ending (December 31)	\$ 443,812

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, 2015

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 81st 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.

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Notes to the Basic Financial Statements (Continued)
December 31, 2015

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.

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Notes to the Basic Financial Statements (Continued)
December 31, 2015

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	\$ 443,812	\$ -	\$ 443,812
Totals	\$ 443,812	\$ -	\$ 443,812

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>
None	\$ -

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Notes to the Basic Financial Statements (Continued)
December 31, 2015

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 District was not exposed to custodial credit risk as its deposits were fully insured with FDIC insurance at year-end.

The District maintains certificates of deposit at two different banks as of December 31, 2015. The District was not exposed to custodial credit risk as its deposits were fully insured with FDIC insurance at year-end.

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.

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, 2015, 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, 2015.

VI. Concentrations

Two customers individually comprised approximately 43% of gross accounts receivable at December 31, 2015. One of these customer's individually comprised approximately 36% of revenue for the year ended December 31, 2015. One vendor comprised approximately 61% of expenses for the year ended December 31, 2015.

RED RIVER GROUNDWATER CONSERVATION DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Groundwater Usage Fees	\$ 275,600	\$ 275,600	\$ 329,279	\$ 53,679
Interest Income	-	-	888	888
Total Revenues	<u>275,600</u>	<u>275,600</u>	<u>330,167</u>	<u>54,567</u>
EXPENDITURES				
Administration	250,600	250,600	191,700	58,900
Legal Fees	25,000	25,000	21,781	3,219
Total Expenditures	<u>275,600</u>	<u>275,600</u>	<u>213,481</u>	<u>62,119</u>
Net Change in Fund Balance	-	-	116,686	116,686
Fund Balance - Beginning (January 1)	<u>327,126</u>	<u>327,126</u>	<u>327,126</u>	<u>-</u>
Fund Balance - Ending (December 31)	<u>\$ 327,126</u>	<u>\$ 327,126</u>	<u>\$ 443,812</u>	<u>\$ 116,686</u>

McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
ANDREW B. REICH, CPA
RUSSELL P. WOOD, CPA
DEBRA J. WILDER, CPA
TEFFANY A. KAVANAUGH, CPA

228 SIXTH STREET S.E.
PARIS, TEXAS 75460
903-784-4316
FAX 903-784-4310

304 WEST CHESTNUT
DENISON, TEXAS 75020
903-465-6070
FAX 903-465-6083

1400 WEST RUSSELL
BONHAM, TEXAS 75418
903-583-5574
FAX 903-583-8453

Independent Auditors' 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, 2015, 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, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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. We consider the following deficiencies to be material weaknesses in internal control over financial reporting.

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

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.

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.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
May 12, 2016

ATTACHMENT 7



RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION



DATE: May 23, 2016

SUBJECT: AGENDA ITEM NO. 7

CONSIDER AND ACT UPON AUTHORIZING PURCHASE OF EQUIPMENT

ISSUE

Consider and act upon authorizing the purchase of equipment previously authorized in the budget for the District's field technician.

BACKGROUND

During the 2016 budget planning, the Board authorized the hire of a new Groundwater Field Technician to help with workload in the District. Also approved in the budget was \$21,500 to purchase necessary equipment to support the new position.

CONSIDERATIONS

On May 9th, the new Field Technician began employment and has been training with existing staff.

The staff is seeking several proposals from pickup dealers to provide to the Board. We have received a few, but do not have all of them in hand to provide to the Board in this memo. The staff has contacted dealers directly, as well as gone through Texas purchasing cooperatives.

STAFF RECOMMENDATIONS

The staff will discuss and provide quotes for pickup trucks at the Board Meeting.

PREPARED AND SUBMITTED BY:

A handwritten signature in blue ink, appearing to read "Drew Satterwhite", written over a horizontal line.

Drew Satterwhite, P.E., General Manager

ATTACHMENT 10



RED RIVER
GROUNDWATER CONSERVATION DISTRICT
FANNIN COUNTY AND GRAYSON COUNTY



General Manager's Quarterly Report
March 31, 2016

Management Plan
Assessment of the Status of Drought in the District

The following is a quarterly report on the existing drought conditions:

As of March 29, 2016 the Texas Water Development Board website reflected no drought in the North Central Texas Area, with stream flow near or above normal.

Attached are the drought maps for January, February and March 2016. Rainfall maps are also attached to this report for this time period for your information and use.

The NOAA website reflects the following rainfall data in Fannin and Grayson Counties during this quarter:

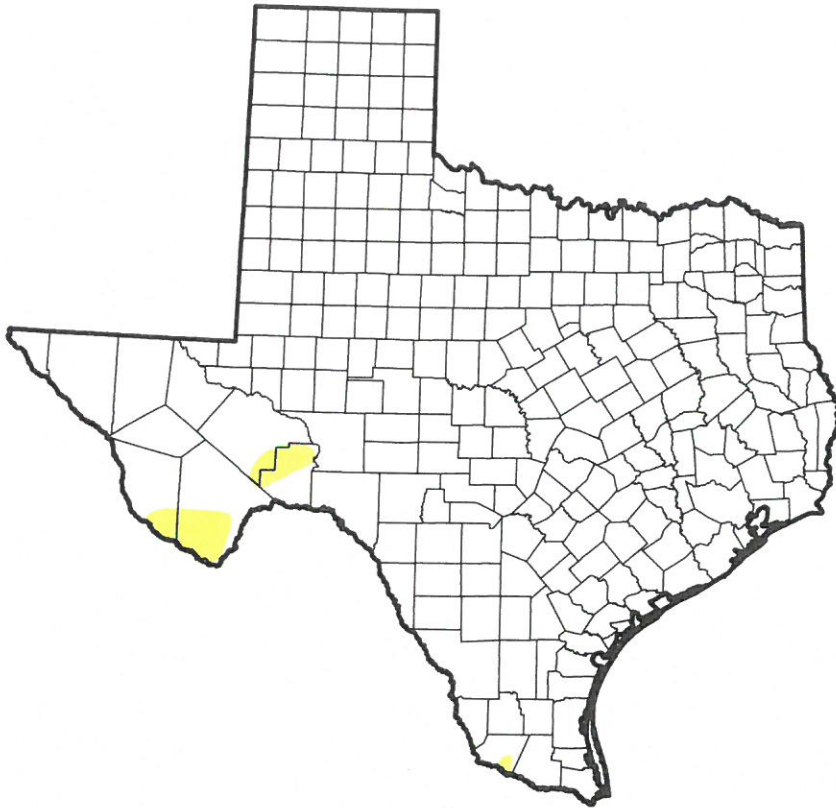
Location	January 2016	February 2016	March 2016
Bonham, Fannin County	1.78"	2.41"	4.96"
Sherman, Grayson County	1.11"	2.24"	4.74"

The Texas Water Development Board website reflects Lake Bonham was at 100% of its conservation storage capacity in March 2016, and Lake Texoma at 96%.

The Climate Prediction Center (NOAA) reflects a transition to ENSO-neutral (periods when neither El Nino nor La Nina are present) anticipated during late spring/early summer 2016, with a close to 50% chance for La Nina conditions to develop by fall.

U.S. Drought Monitor Texas

January 19, 2016
(Released Thursday, Jan. 21, 2016)
Valid 7 a.m. EST



Drought Conditions (Percent Area)

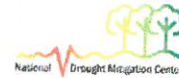
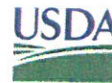
	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	98.31	1.69	0.00	0.00	0.00	0.00
Last Week 1/12/2016	98.31	1.69	0.00	0.00	0.00	0.00
3 Months Ago 10/20/2015	34.75	65.25	50.28	41.88	21.40	5.52
Start of Calendar Year 12/29/2015	95.48	4.52	0.00	0.00	0.00	0.00
Start of Water Year 9/29/2015	34.51	65.49	38.32	17.55	6.27	0.00
One Year Ago 1/20/2015	39.80	60.20	40.64	24.74	11.34	3.05

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

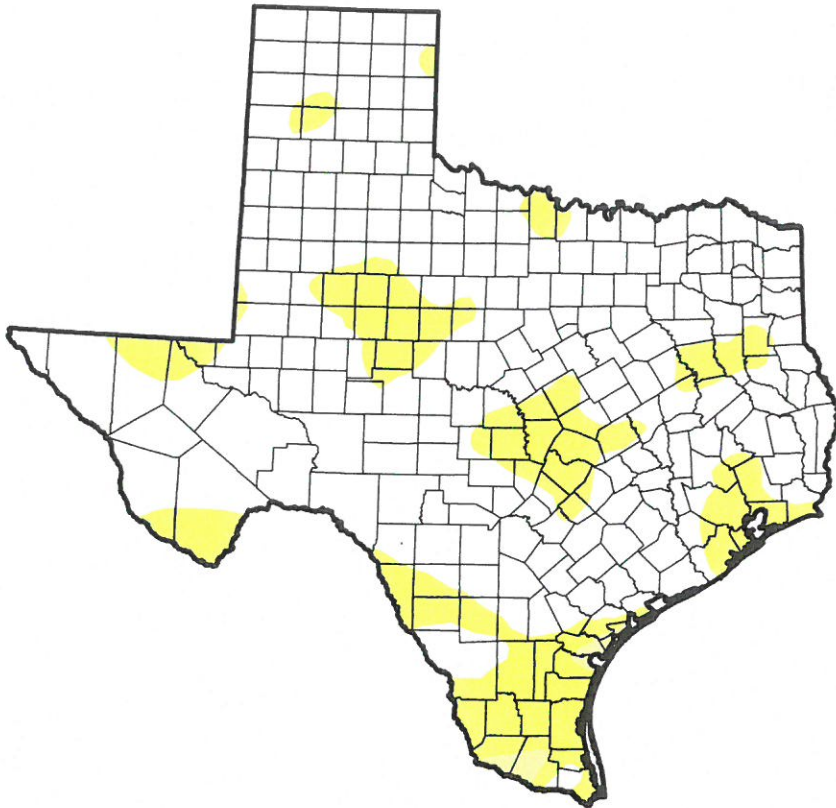
Author:
Mark Svoboda
National Drought Mitigation Center



<http://droughtmonitor.unl.edu/>

U.S. Drought Monitor Texas

February 23, 2016
(Released Thursday, Feb. 25, 2016)
Valid 7 a.m. EST



Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	77.61	22.39	0.79	0.00	0.00	0.00
Last Week <i>2/16/2016</i>	55.16	44.84	3.57	0.00	0.00	0.00
3 Months Ago <i>11/24/2015</i>	92.65	7.35	0.61	0.00	0.00	0.00
Start of Calendar Year <i>12/29/2015</i>	95.48	4.52	0.00	0.00	0.00	0.00
Start of Water Year <i>9/29/2015</i>	34.51	65.49	38.32	17.55	6.27	0.00
One Year Ago <i>2/24/2015</i>	38.35	61.65	43.39	27.86	14.34	4.46

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

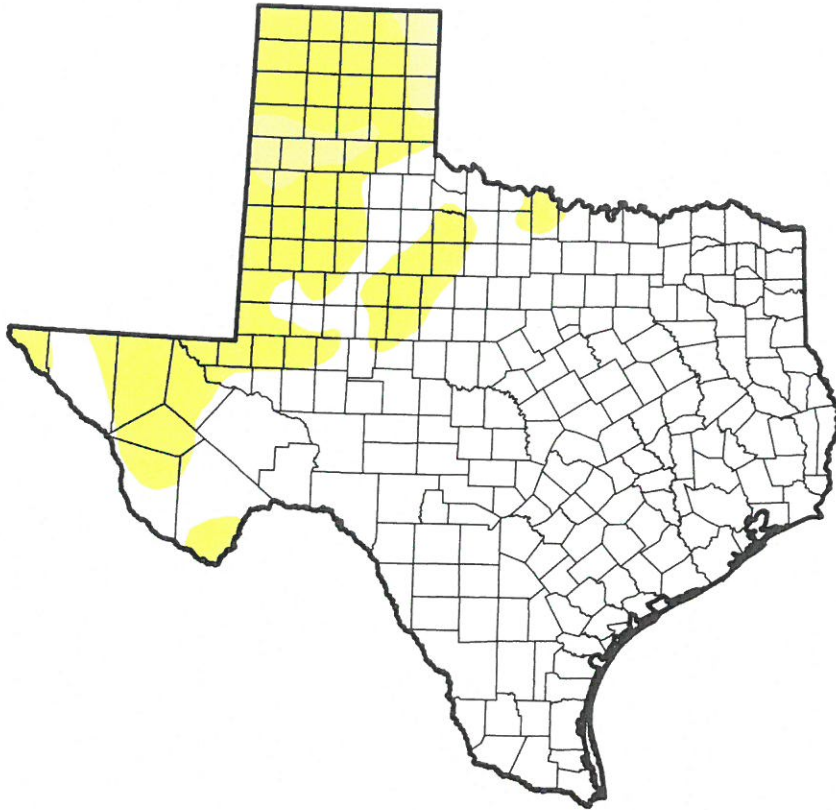
Author:
Eric Luebehusen
U.S. Department of Agriculture



<http://droughtmonitor.unl.edu/>

U.S. Drought Monitor Texas

March 29, 2016
(Released Thursday, Mar. 31, 2016)
Valid 8 a.m. EDT



Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	75.16	24.84	2.96	0.00	0.00	0.00
Last Week 3/22/2016	85.64	14.36	0.68	0.00	0.00	0.00
3 Months Ago 12/29/2015	95.48	4.52	0.00	0.00	0.00	0.00
Start of Calendar Year 12/29/2015	95.48	4.52	0.00	0.00	0.00	0.00
Start of Water Year 9/29/2015	34.51	65.49	38.32	17.55	6.27	0.00
One Year Ago 3/31/2015	50.74	49.26	36.62	25.44	15.10	3.31

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

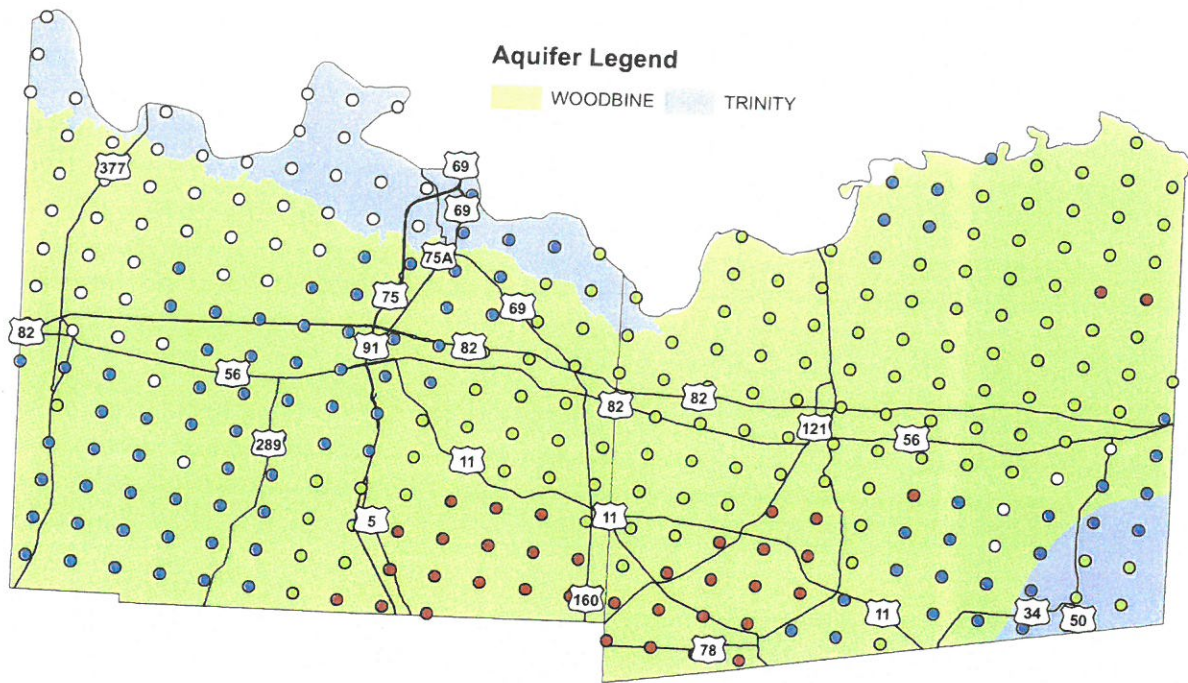
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:
Brad Rippey
U.S. Department of Agriculture

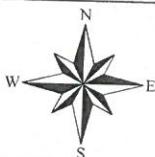


<http://droughtmonitor.unl.edu/>

Rainfall Totals for January 2016



Red River Groundwater Conservation District
 PO Box 1214
 Sherman, TX 75091-1214
 (800) 256-0935

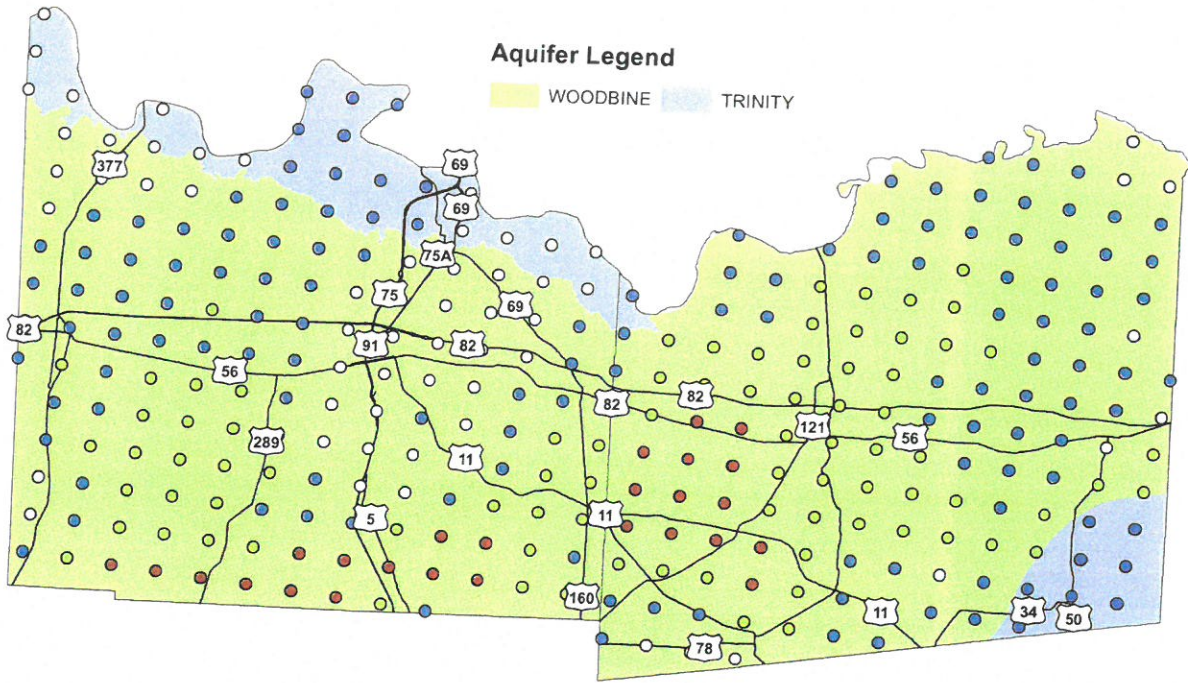


Data Source:
 National Weather Service
 Precipitation Analysis

Rainfall in Inches

- | | | | |
|---|-------------|---|-------------|
| ○ | 0.67 - 1.08 | ● | 1.32 - 1.56 |
| ● | 1.09 - 1.31 | ● | 1.57 - 2.07 |

Rainfall Totals for February 2016

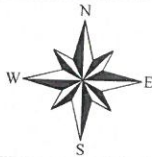


Aquifer Legend

WOODBINE TRINITY



Red River Groundwater Conservation District
 PO Box 1214
 Sherman, TX 75091-1214
 (800) 256-0935

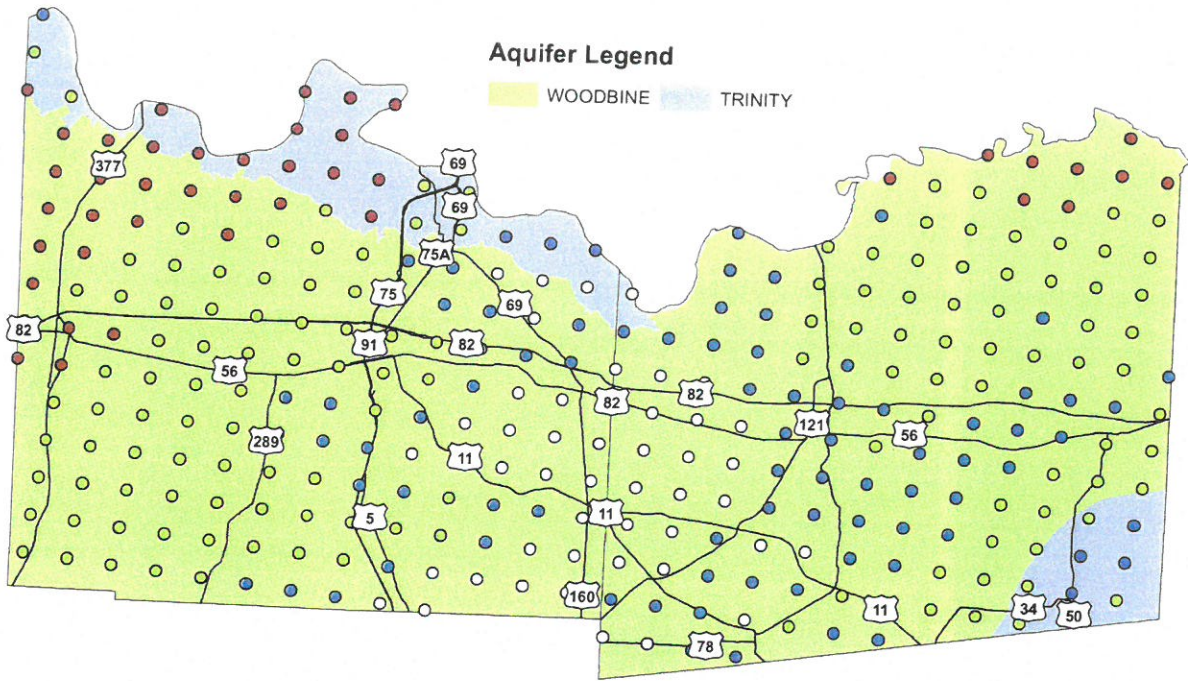


Data Source:
 National Weather Service
 Precipitation Analysis

Rainfall in Inches

- | | | | |
|---|-------------|---|-------------|
| ○ | 1.49 - 2.09 | ● | 2.32 - 2.56 |
| ● | 2.10 - 2.31 | ● | 2.57 - 3.11 |

Rainfall Totals for March 2016



Red River Groundwater Conservation District
 PO Box 1214
 Sherman, TX 75091-1214
 (800) 256-0935



Data Source:
 National Weather Service
 Precipitation Analysis

Rainfall in Inches

- | | | | |
|---|-------------|---|-------------|
| ○ | 3.50 - 4.23 | ● | 4.84 - 5.56 |
| ● | 4.24 - 4.83 | ● | 5.57 - 7.19 |

Red River Groundwater Conservation District

Well Registration Summary As of March 31, 2016

Well Type	Total Registered Fannin County	Total Registered Grayson County	Total RRGCD	New Registrations
Domestic	97	150	247	3
Agriculture	12	24	36	0
Oil/Gas	0	18	18	0
Surface Impoundments	5	12	17	1
Commercial	4	3	7	0
Golf Course	0	15	15	0
Livestock	12	17	29	0
Irrigation	0	4	4	0
Public Water	54	208	262	0
Total	184	451	635	4

Red River Groundwater Conservation District

Well Registration Summary As of April 30, 2016

Well Type	Total Registered Fannin County	Total Registered Grayson County	Total RRGCD	New Registrations
Domestic	97	154	251	4
Agriculture	12	24	36	0
Oil/Gas	0	18	18	0
Surface Impoundments	5	12	17	0
Commercial	4	3	7	0
Golf Course	0	15	15	0
Livestock	12	17	29	0
Irrigation	0	4	4	0
Public Water	54	208	262	0
Total	184	455	639	4

ADJOURN