

**RED RIVER
GROUNDWATER
CONSERVATION
DISTRICT**

BOARD MEETING

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

**THURSDAY
OCTOBER 20, 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, OCTOBER 20, 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 September 15, 2016, Board Meeting
4. Review and approval of monthly invoices
5. Receive monthly financial information
6. Consider and act upon Engagement Letter for Audit Services for Fiscal Year Ending December 31, 2016
7. Consider and act upon 2017 Operating Budget
8. Discuss Potential Amendments Temporary Rules
9. Update and possible action regarding the process for the development of Desired Future Conditions (DFCs)
10. Consider and act upon compliance and enforcement activities for violations of District Rules
11. Receive 2016 3rd Quarter Report
12. General Manager's report: The General Manager will update the Board on operational, educational and other activities of the District
13. Open forum / discussion of new business for future meeting agendas

14. 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.

³Persons 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.

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

ATTACHMENT 3

MINUTES OF THE BOARD OF DIRECTORS' BOARD MEETING
RED RIVER GROUNDWATER CONSERVATION DISTRICT

THURSDAY, SEPTEMBER 15, 2016

GREATER TEXOMA UTILITY AUTHORITY
BOARD ROOM
5100 AIRPORT DRIVE
DENISON TX 75020

Members Present: David Gattis, P.E., Mark Gibson, P.E., Harold Latham, Mark Patterson, William Purcell, Don Wortham, PhD

Members Absent: Mark Newhouse

Staff: Drew Satterwhite, P.E., Debi Atkins, Tasha Hamilton, Velma Starks, Carolyn Bennett

Visitors: None

1. Call to order, establish quorum; declare meeting open to the public.

President Patterson called the meeting to order at 2:02 pm, established a quorum was present, and declared the meeting open to the public.

2. Public comment

There were no citizens present requesting to appear before the Board of Directors for public comment.

3. Consider and act upon approval of Minutes from the July 21, 2016 board meeting

William Purcell requested that Item 7 on the Minutes from the July 21, 2016 meeting be revised to state the motion to limit the balance reserve to 150% failed because the resolution was ruled to be out of order and not posted on the agenda for action. Minutes were revised to reflect:

“Board Member Purcell made a motion for a proposed resolution that the RRGCD limit its fund balance reserve to 150% of the proposed budget expenses for the next year. The proposed resolution was determined to be out of order. The fund balance policy will be placed on the agenda for the next Board meeting for discussion.”

With this revision to the minutes, a motion was made by David Gattis and seconded by William Purcell to approve the Minutes from the July 21, 2016 board meeting. Motion passed unanimously.

4. Review and approval of monthly invoices.

After a brief discussion, David Gattis made a motion to approve Resolution 2016-09-15-01. Mark Gibson, seconded the motion. Motion passed unanimously.

5. Receive monthly financial information

General Manager Drew Satterwhite reviewed the monthly financial information with the Board.

6. Consider and act upon District's Fund Balance Policy

General Manager Drew Satterwhite reviewed the current fund balance policy with the Board. A listing of possible uses of the fund balance was provided to the Board for discussion.

William Purcell made a motion for a resolution regarding fund balance: Whereas the RRGCD unrestricted fund balance has a minimum balance but no maximum balance; Whereas the unrestricted fund balance has increase 20 fold over the five year life of the RRGCD; Whereas every dollar reposing in the RRGCD unrestricted fund becomes a dead dollar to the individual and private sector, lost for investment, purchasing, and other personal use; Whereas that same dead dollar will never benefit the private sector through its multiplier effect; Now therefore be it resolved the RRGCD fund balance be limited to some maximum of the annual budget, e.g. 150%. Any excess to that maximum shall result in a fee holiday for the members of RRGCD until the balance drops below the stated maximum.

President Patterson asked if there was any discussion by the Board concerning the motion. Harold Latham stated that when the Red River GCD began operations and was addressing the necessary steps to be a successful groundwater district, the purchase of a truck was even out of the question due to limited funds. The District is in the process of accomplishing the tasks necessary to protect groundwater and ensuring a long term groundwater supply for the communities and residents represented by the Board. He further stated that he was not sure this is the appropriate time to cap the fund balance.

President Patterson called for a second to the motion on the table. The motion failed due to lack of second.

7. Consider and act upon 2017 Budget and adopt Rate Schedule

General Manager Dew Satterwhite, reviewed the proposed budget and rate schedule with the Board of Directors. The proposed budget remains the same, the fees remaining the same, \$0.07 per thousand for non-exempt water use.

William Purcell stated that he would like for administrative expenses, item 77010, to be reflected in a dollar amount, to reflect transparency. After discussion, it was the consensus of the rest of the Board that the budget remain in the format presented and approved by the Budget Committee.

General Manager Drew Satterwhite, asked for direction from the Board in regard to the geologist position being added to staff. It was the consensus of the Board that a job description be developed and presented to the board at a later date, and the position be put into place next year.

David Gattis, made a motion to adopt the budget for 2017. The motion was seconded by Mark Gibson. Five members voted yes, and one voted no. Motion did not pass, as six votes are needed when voting on a budget matter.

David Gattis made a motion to adopt the draft fee schedule as presented:

Draft 2017 Fee Schedule

Well Registration Fee	\$100
Well Driller Report Deposit Fee	\$100 refundable
Agricultural Water Use Fee	\$0
Non-Exempt Water Use Fee	\$0.07 per 1,000 gallons
Meter seal replacement fee	\$100*
Failure to Report Meter Readings within 30-days	Major violation – See Appendix A of the Temporary Rules for Schedule of Violations
Failure to Pay Water Use Fee within 30-days	15%
Failure to Pay Use Fee within 60-days	Major Violation – See Appendix A of the Temporary Rules for Schedule of Violations

* For replacing seals for reasons other than well or meter failure

Mark Gibson seconded the motion. Motion passed unanimously.

8. Update and possible action regarding the development of Desired Future Conditions (DFCs)

General Manager Drew Satterwhite informed the Board the next GMA-8 meeting is scheduled for September 29th. Mr. Drew Satterwhite requested the Board consider of authorizing David Gattis to vote yes on behalf of the District during the September 29th GMA-8 meeting to authorize LBG Guyton to develop the technical memorandum for Run 10. Motion was made by Mark Gibson to authorize David Gattis to vote yes to authorize LBG Guyton to begin drafting the Run 10 Technical Memorandum. Harold Latham seconded the motion, and the motion passed unanimously.

9. Consider and act upon compliance and enforcement activities for violations of District Rules

General Manager Drew Satterwhite informed the Board that Texas Rain is delinquent in reporting usage and providing meter readings. Notice has been given to them and 30 days provided for them to rectify this matter.

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

General Manager Drew Satterwhite reviewed the wells registered as of August 2016, 672 wells total in the District. Mr. Drew Satterwhite reported the RRGCD staff attended a presentation

provided by the TDLR staff. The presentation was very informative and staff believes this should provide the District with additional tools to protect the aquifers from pollution. The Board discussed the sand mining plant in Fannin County, instructing staff to pass information on to the owner relating to the TCEQ and their involvement in sand mining and its regulations in Texas. RFQs are due by the end of the month for the District's geodatabase.

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

President Patterson asked if there were any items of discussion requested by the Board for future agendas. It was the consensus of the Board that the next meeting will be October 20th.

12. Adjourn public meeting

David Gattis motioned to adjourn the meeting. The motion was seconded by Harold Latham and passed unanimously. The Board adjourned at 3:38 pm.

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Recording Secretary

Secretary-Treasurer

ATTACHMENT 6



**RED RIVER GROUNDWATER CONSERVATION
DISTRICT
AGENDA COMMUNICATION**



DATE: October 13, 2016

SUBJECT: AGENDA ITEM NO. 6

CONSIDER AND ACT UPON ENGAGEMENT LETTER FOR AUDIT SERVICES FOR FISCAL YEAR ENDING DECEMBER 31, 2016

ISSUE

Consider and act upon confirming execution of engagement letter for audit services fiscal year ending December 31, 2016

BACKGROUND

In 2013, the Board instructed the staff to solicit proposals for audit services for a period up to five (5) years. The staff initiated invitations to several firms in North Central Texas. As a result of that solicitation, four proposals were received. The audit selection committee reviewed the proposals and selected McClanahan and Holmes, LLP of Bonham, Texas. This selection was confirmed at the March 2014 meeting. The Board has subsequently proceeded to engage the services of McClanahan and Holmes for each audit since this time.

OPTIONS/ALTERNATIVES

The Board has the option to re-solicit for proposals or to engage with McClanahan and Holmes, LLP of Bonham, Texas.

CONSIDERATIONS

District staff is of the opinion that McClanahan and Holmes, LLP of Bonham, Texas has provided thorough and quality audits during their tenure with the District.

STAFF RECOMMENDATIONS

The staff recommends the Board authorize an engagement letter with McClanahan and Holmes, LLP of Bonham, Texas for the 2016 audit

ATTACHMENTS

Engagement Letter

PREPARED AND SUBMITTED BY:



Drew Satterwhite, General Manager

RECOMMENDED BY:



Debi Atkins, Finance Officer

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

226 SIXTH STREET S.E.
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903-465-6070
FAX 903-465-6093

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

Bonham, Texas
October 7, 2016

Members of Management
Red River Groundwater Conservation District

We are pleased to confirm our understanding of the services we are to provide Red River Groundwater Conservation District for the year ended December 31, 2016. We will audit the financial statements of the governmental activities and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Red River Groundwater Conservation District as of and for the year ended December 31, 2016. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Red River Groundwater Conservation District's basic financial statements. Such information, although not a part of the basic financial statements, is required by 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. As part of our engagement, we will apply certain limited procedures to Red River Groundwater Conservation District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedule

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the first paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Red River Groundwater Conservation District's financial statements. Our report will be addressed to members of the board of Red River Groundwater Conservation District. We cannot provide assurance that unmodified opinions will be expressed. Circumstance may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that Red River Groundwater Conservation District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also prepare the financial statements and related notes of Red River Groundwater Conservation District in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of McClanahan and Holmes, LLP and constitutes confidential information. However, subject to applicable laws or regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to an oversight agency or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of McClanahan and Holmes, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit approximately in May 2017 and to issue our reports no later than June 1, 2017. Andrew B. Reich is the engagement partner and is responsible for supervising the engagement and signing the report.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs except that we agree that our gross fee, including expenses will not exceed \$4,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoice for these fees will be rendered upon completion of the audit and is payable upon presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the Red River Groundwater Conservation District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

McClanahan and Holmes, LLP
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of the Red River Groundwater Conservation District.

Signature: _____

Title: _____

Date: _____

ATTACHMENT 7



RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION



DATE: **OCTOBER 13, 2016**

SUBJECT: **AGENDA ITEM NO. 7**

CONSIDER AND ACT UPON 2017 OPERATING BUDGET

ISSUE

2017 operating budget

BACKGROUND

In the past, the Board of Directors of the Red River Groundwater Conservation District ("District") 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 1st through December 31st, while many of the groundwater producers who pay production fees operate on fiscal years that begin October 1st and go through September 30th. For this reason, the Board has attempted to establish production fees as early as possible in the budget planning process.

A draft 2017 budget was approved by the Budget Committee and subsequently to the Board at the July Meeting. After discussion at the July meeting, the Board decided to table the budget and requested that the staff revise the 2016 year budget projections and look into the fund balance policy before adopting the rates and budget for 2017. At the September meeting, the budget vote failed as the District has unique enabling legislation which requires 6 of 7 votes for budget, rates, rules and enforcement actions.

An item of note in the draft budget is for the addition of a Permitting Specialist/Geologist. The staff believes it will be important to have a position created to fill this role in time for the permitting process to begin and preferably while the District is developing permanent rules. This would be a shared position, just like all of the staff, and would focus their efforts on the technical aspects of well permitting, administering the database, administering the water level monitoring plan as well as public presentations.

OPTIONS/ALTERNATIVES

The Board has the option to review this information and not take action at the October meeting as the rates for next fiscal year have already been set by the board. The staff is available to meet with the Budget Committee again or the staff is prepared to move forward with the current proposed budget.

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

The staff requests direction from the Board on the budget.

ATTACHMENTS

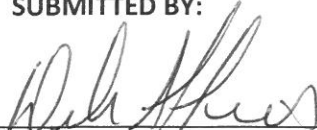
Draft 2017 Operating Budget
Resolution

PREPARED AND SUBMITTED BY:



Drew Satterwhite, P.E., General Manager

SUBMITTED BY:



Debi Atkins, Finance Officer

**RED RIVER GROUNDWATER CONSERVATION DISTRICT
BUDGET YEAR 2017**

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Approved 2016	Actual thru July 2016	EST @ 12/31/2016	Proposed 2017
Income									
46002 GW Production Cost	\$148,116.67	\$298,044.87	297,037.92	284,250.06	\$322,861.01	325,000.00	132,274.80	309,330.00	325,000.00
46007 Registration Fees			8,900.00	5,200.00	\$6,300.00		2,700.00	4,628.57	5,000.00
46005 Late Fees				1,306.23	\$65.88				
46006 Violation Fees				1,600.00	\$500.00		500.00	500.00	
46010 Drillers Dep Forfeit					\$600.00				
46100 Interest Inc					\$888.36		480.33		500.00
Total Income	<u>\$148,116.67</u>	<u>\$298,044.87</u>	<u>\$305,937.92</u>	<u>\$292,356.29</u>	<u>\$331,215.25</u>	<u>\$325,000.00</u>	<u>134,974.80</u>	<u>313,958.57</u>	<u>330,500.00</u>
Gross Profit	\$148,116.67	\$298,044.87	\$305,937.92	\$292,356.29	\$331,215.25				
Expense									
77010 ADMINISTRATIVE COST	\$68,057.56	\$79,748.58	94,767.47	89,183.92	90,177.60	115,000.00	55,059.50	94,387.71	105,000.00 ¹
77033 ADS-LEGAL	0.00	300.87		383.65	78.00	1,000.00	521.08	521.08	1,000.00
77027 AUDITING	0.00	3,250.00	3,500.00	3,750.00	3,750.00	4,000.00	4,250.00	4,250.00	4,500.00
77031 BANKING FEES					134.39		18.00		
77855 CONTRACT SERVICES		83,980.54	18,300.00	7,200.00	7,200.00	7,200.00	4,800.00	7,200.00	7,200.00
Web Maintenance									
Hydro-Geologist									
GAM Runs					25,099.53 *	43,900.00	12,432.29	37,432.29	65,000.00 ²
77040 DIRECT COST	4,737.80	3,367.37	3,116.52	2,533.68	2,087.97	3,000.00	2,213.18	3,794.02	4,000.00
77450 DUES & SUBSCRIPTIONS	500.00	136.88	1,064.00	1,302.50	1,332.75	1,400.00	413.50	1,413.50	1,400.00
77650 EQUIPMENT	445.00	15,166.95	2,188.77	2,188.77	1,460.25	21,500.00	1,678.71	25,218.71	2,000.00
77655 FEES-GMA8		624.78		5,744.44	3,836.86	4,000.00	2,194.33	2,394.33	1,000.00
77035 FIELD SERVICES		4,338.00	53,130.45	21,222.00	22,852.00	70,000.00	31,308.00	58,188.00	80,000.00 ⁵
77040 FIELD PERMITTING SPECIALIST									30,000.00 ⁴
77810 INSURANCE & BONDING	300.00	2,158.12	2,573.50	2,942.00	2,903.50	3,000.00	1,453.00	3,580.75	5,000.00
77840 INTERNET SERVICES	8,478.00		2,591.90	4,557.75	6,330.27	6,500.00	6,453.77	6,453.77	6,500.00
77970 LEGAL	17,964.68	11,701.50	13,443.50	13,479.22	21,780.51	25,000.00	15,820.99	21,820.99	35,000.00 ³
78010 MEETINGS AND CONFEREN	1,379.86	441.06	1,047.91	2,216.53	1,454.94	2,000.00	1,173.67	1,873.67	2,500.00
78310 RENT			2,400.00	2,400.00	2,400.00	2,400.00	1,400.00	2,400.00	2,400.00
78600 SOFTWARE MAINT	268.46	2,000.00	1,285.00	1,750.00	1,415.00	2,000.00	1,170.00	1,170.00	2,000.00
78770 TRANSPORTATION/FUEL/MAINT		73.26	2,323.84	2,435.56	2,295.61	5,000.00	3,395.41	5,820.70	5,000.00
78750 TELEPHONE	821.23	943.18	1,385.15	1,336.99	1,321.06	2,000.00	1,154.16	1,978.56	2,000.00
Total Expense	<u>\$102,952.59</u>	<u>\$208,231.09</u>	<u>\$200,929.24</u>	<u>\$181,890.65</u>	<u>\$213,480.97</u>	<u>\$323,900.00</u>	<u>146,909.59</u>	<u>281,998.09</u>	<u>361,500.00</u>
Contingencies									
Total Expenditures	102,952.59	208,231.09	200,929.24	\$181,890.65	\$213,480.97	\$323,900.00			
Net Income	<u>\$45,164.08</u>	<u>\$89,813.78</u>	<u>\$105,008.68</u>	<u>\$110,465.64</u>	<u>117,734.28</u>	<u>1,100.00</u>			

RESOLUTION NO. _____

**A RESOLUTION BY THE BOARD OF DIRECTORS OF THE RED RIVER
GROUNDWATER CONSERVATION DISTRICT RELATING TO THE ADOPTION
OF A 2017 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, 2017 – December 31, 2017 budget cycle and, after giving much consideration to these important factors, has developed a proposed 2017 budget for the Board’s consideration and deliberation (the “2017 Budget”); and

WHEREAS, the Board has reviewed and considered the 2017 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 2017 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, 2017, through December 31, 2017, 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, 2017, to December 31, 2017, 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 20th day of October, 2016, 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

ATTACHMENT 8



**RED RIVER GROUNDWATER CONSERVATION
DISTRICT
AGENDA COMMUNICATION**



DATE: OCTOBER 13, 2016

SUBJECT: AGENDA ITEM NO. 8

DISCUSS POTENTIAL AMENDMENTS TEMPORARY RULES

ISSUE

Discuss potential amendments to the Temporary Rules

BACKGROUND

The Board previously adopted Temporary Rules and amended them on May 15, 2014. The staff has recognized a potential need for rule amendments prior to the end of the year.

CONSIDERATIONS

The staff is going to try to organize a Rules Committee conference call and will be prepared to discuss any potential amendments that the committee recommends.

STAFF RECOMMENDATIONS

The staff requests direction from the Board on any amendments to the Board's Temporary Rules.

PREPARED AND SUBMITTED BY:

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

Drew Satterwhite, P.E., General Manager

ATTACHMENT 11



**RED RIVER
GROUNDWATER CONSERVATION DISTRICT
FANNIN COUNTY AND GRAYSON COUNTY**



General Manager's Quarterly Report
September 30, 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 September 2016 the Texas Water Development Board website reflected no drought in Grayson County, and abnormally dry and moderate drought in Fannin County, with stream flow near or above normal for both counties.

Attached are the drought maps for July, August, and September 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	July 2016	August 2016	September 2016
Bonham, Fannin County	.80"	3.39"	4.28"
Sherman, Grayson County	3.95"	4.95"	2.97"

The Texas Water Development Board website's latest report reflects Lake Bonham was at 84% of its conservation storage capacity in August 2016, and Lake Texoma at 97%.

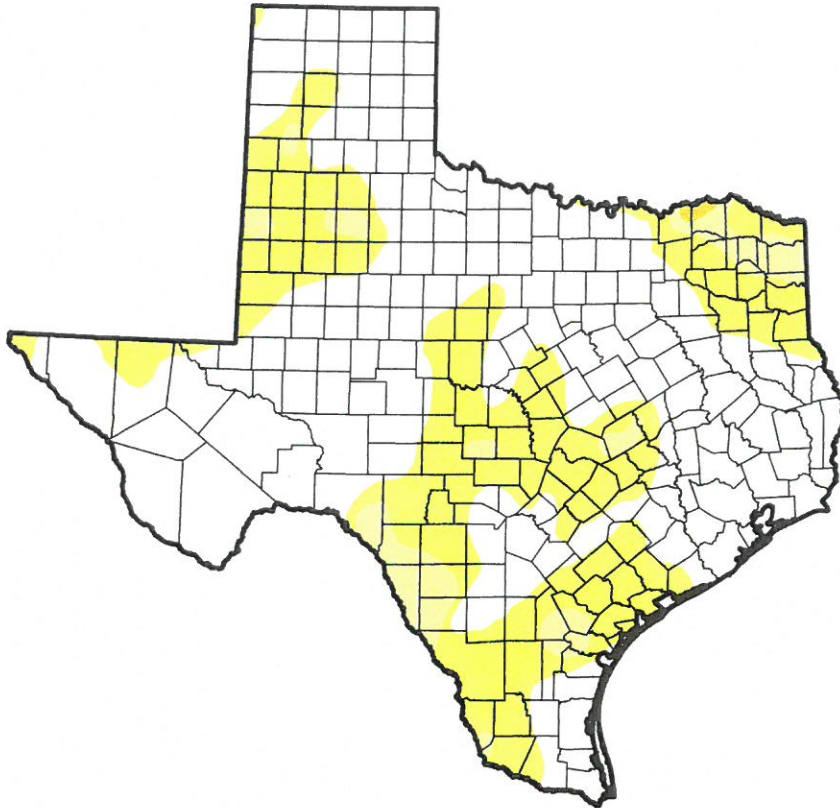
The Climate Prediction Center/NCEP/NWS reported ENSO-Neutral conditions (neither El Nino nor La Nina) were observed during September, trending toward La Nina conditions, which are now slightly favored at ~55% chance for winter 2016-2017.

U.S. Drought Monitor Texas

July 26, 2016
(Released Thursday, Jul. 28, 2016)
Valid 8 a.m. EDT

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	63.03	36.97	5.89	0.18	0.00	0.00
Last Week <i>7/19/2016</i>	86.88	13.12	1.66	0.00	0.00	0.00
3 Months Ago <i>4/26/2016</i>	86.91	13.09	2.28	0.27	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>7/28/2015</i>	86.45	13.55	0.65	0.00	0.00	0.00



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



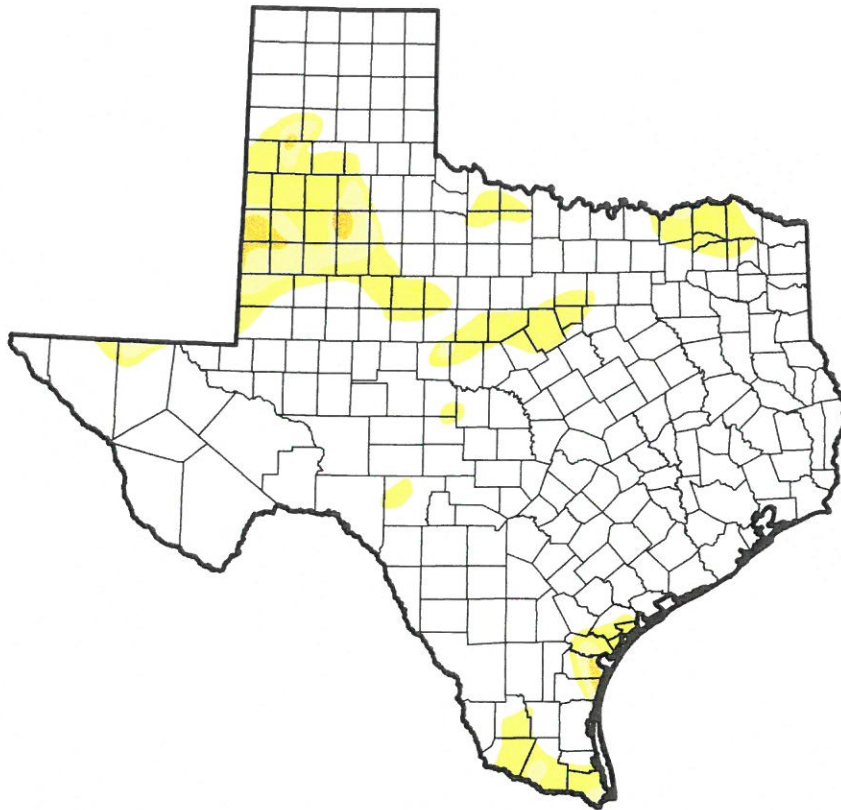
<http://droughtmonitor.unl.edu/>

U.S. Drought Monitor Texas

August 23, 2016
(Released Thursday, Aug. 25, 2016)
Valid 8 a.m. EDT

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	85.07	14.93	3.91	0.74	0.00	0.00
Last Week <i>8/16/2016</i>	71.24	28.76	5.31	0.63	0.00	0.00
3 Months Ago <i>5/24/2016</i>	97.30	2.70	0.00	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>8/25/2015</i>	59.34	40.66	23.52	6.37	0.00	0.00



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.

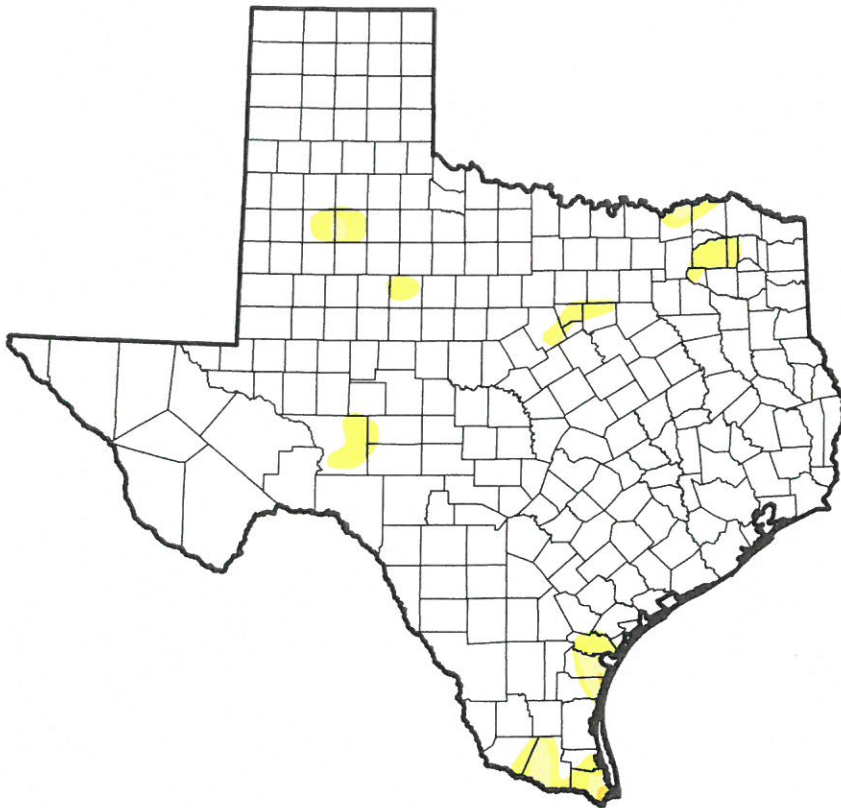
Author:
Brad Rippey
U.S. Department of Agriculture



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

U.S. Drought Monitor Texas

September 20, 2016
(Released Thursday, Sep. 22, 2016)
Valid 8 a.m. EDT



Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	95.44	4.56	0.94	0.12	0.00	0.00
Last Week 9/13/2016	96.22	3.78	0.67	0.09	0.00	0.00
3 Months Ago 6/21/2016	98.62	1.38	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 9/22/2015	40.27	59.73	30.40	14.04	4.72	0.00

Intensity:

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

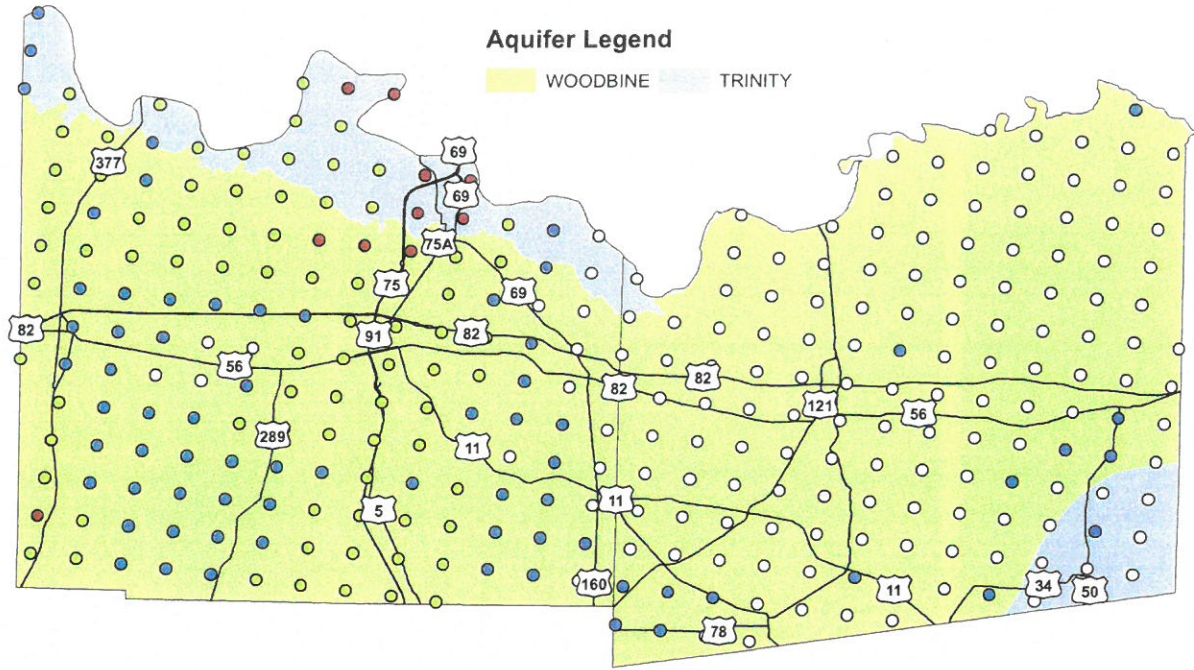
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:
Anthony Artusa
NOAA/NWS/NCEP/CPC



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

Rainfall Totals for July 2016



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

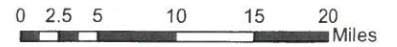
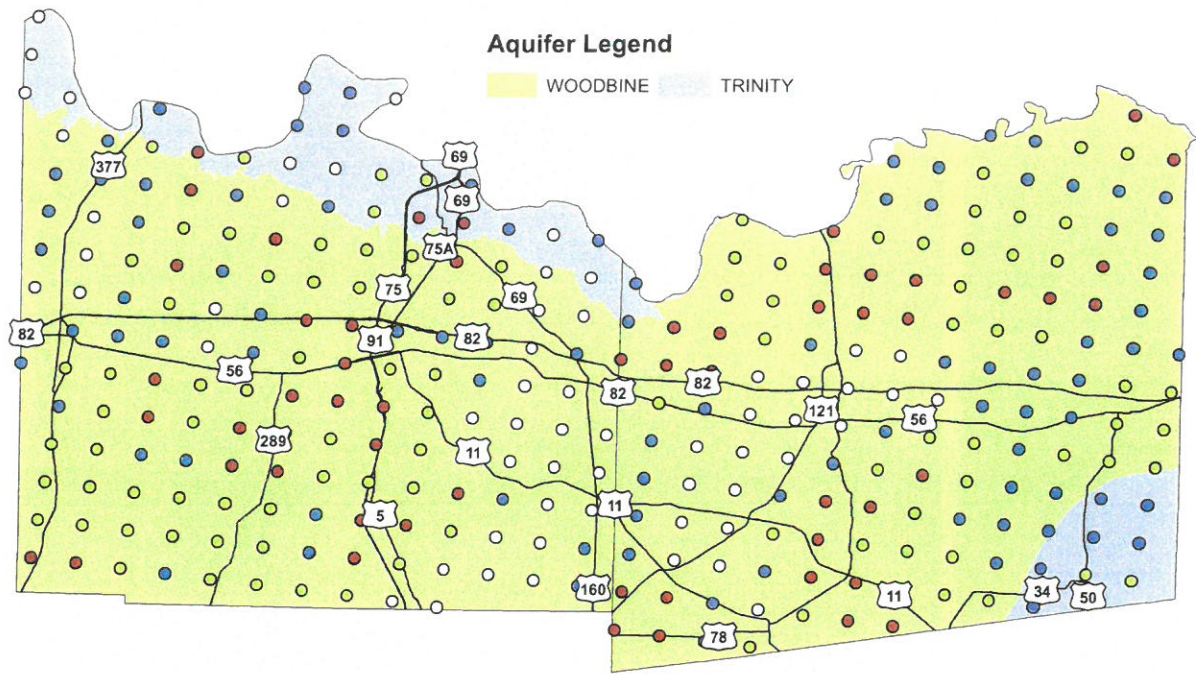


Data Source:
 National Weather Service
 Precipitation Analysis

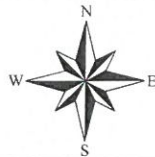
Rainfall in Inches

- | | | | |
|---|-------------|---|-------------|
| ○ | 0.21 - 1.18 | ● | 2.27 - 3.62 |
| ● | 1.19 - 2.26 | ● | 3.63 - 5.51 |

Rainfall Totals for August 2016



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

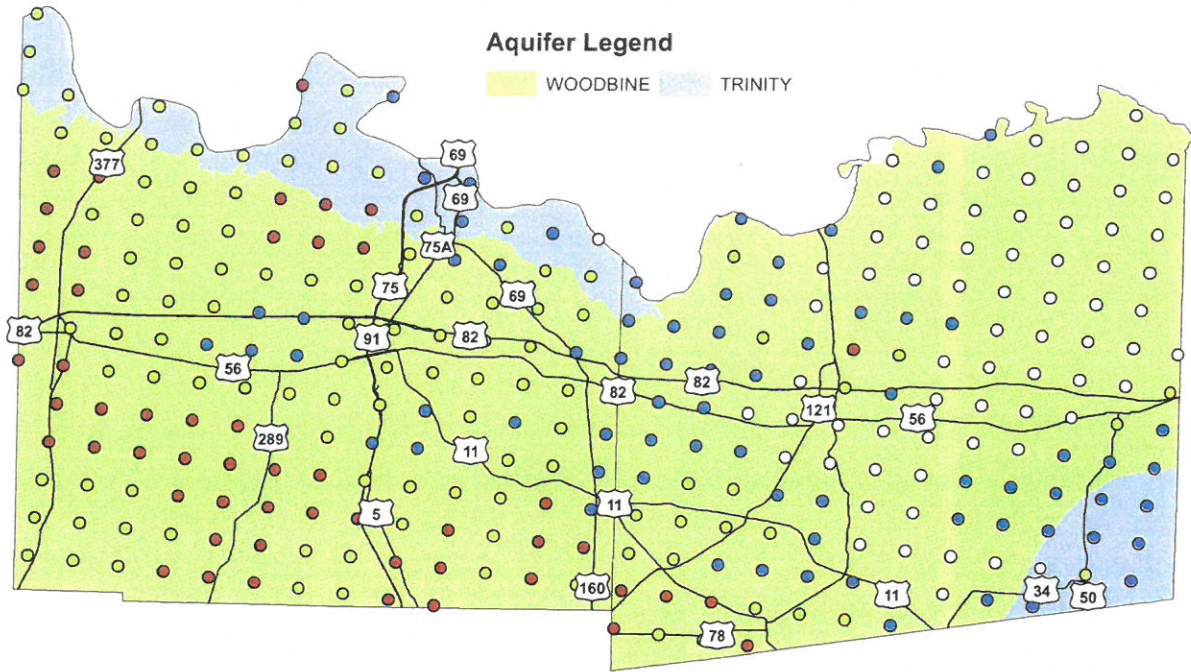


Data Source:
 National Weather Service
 Precipitation Analysis

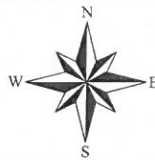
Rainfall in Inches

- | | | | |
|---|-------------|---|-------------|
| ○ | 1.96 - 3.41 | ● | 4.18 - 4.83 |
| ● | 3.42 - 4.17 | ● | 4.84 - 6.37 |

Rainfall Totals for September 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

- | | | | |
|---|-------------|---|-------------|
| ○ | 0.86 - 1.58 | ● | 2.23 - 2.96 |
| ● | 1.59 - 2.22 | ● | 2.97 - 4.25 |

ATTACHMENT 12

Red River Groundwater Conservation District

Well Registration Summary As of September 30, 2016

Well Type	Total Registered Fannin County	Total Registered Grayson County	Total RRGCD	New Registrations
Domestic	103	183	286	14
Agriculture	15	25	40	0
Oil/Gas	0	20	20	0
Surface Impoundments	4	12	16	0
Commercial	5	4	9	0
Golf Course	0	15	15	0
Livestock	12	18	30	0
Irrigation	0	5	5	0
Public Water	55	209	264	0
Monitoring	0	1	1	0
Total	194	492	686	14

ADJOURN