

**RED RIVER
GROUNDWATER
CONSERVATION
DISTRICT**

**RULES AND DFCS PUBLIC HEARINGS, AND
BOARD MEETING**

**Greater Texoma Utility Authority Board Room
5100 Airport Drive
Denison, Texas 75020**

**THURSDAY
OCTOBER 20, 2022
10:00 AM**

NOTICE OF PUBLIC MEETING
OF THE
BOARD OF DIRECTORS OF THE

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Thursday, October 20, 2022, at 10:00 a.m.

MEETING LOCATION:
Greater Texoma Utility Authority Board Room
5100 Airport Drive
Denison, Texas 75020

Public Hearing to Adopt District Rules for Water Wells in Fannin and Grayson Counties,
Texas

The Public Hearing will begin at 10:00 a.m.

Notice is hereby given that the Board of Directors of the Red River Groundwater Conservation District (“District”) will hold a public hearing, accept public comment, and may discuss and consider adoption of the District’s Rules for Water Wells in Fannin and Grayson Counties, Texas.

Agenda

1. Call to Order; establish quorum; declare hearing open to the public; introduction of Board.
2. Review of Rules for Water Wells applicable to the District.
3. Public Comment on District’s Rules for Water Wells (verbal comments limited to three (3) minutes each).
4. Consider and act upon adoption of the Rules for Water Wells applicable to the District.

Public Meeting to Adopt Desired Future Conditions

Agenda:

1. Call to Order; establish quorum; declare meeting open to the public; introduction of Board.
2. Review of Desired Future Conditions applicable to the District.
3. Public Comment on District Desired Future Conditions (verbal comments limited to three (3) minutes each).
4. Consider and act upon adoption of the Desired Future Conditions applicable to the District.

Board Meeting

The regular Board Meeting will begin upon adjournment of the above noticed Public Hearing.

Notice is hereby given that the Board of Directors of the Red River Groundwater Conservation District (“District”) may discuss, consider, and take all necessary action, including expenditure of funds, regarding each of the agenda items below:

Agenda:

1. Pledge of Allegiance and Invocation.
2. Call to order, establish quorum; declare meeting open to the public.
3. Public Comment.
4. Consider and act upon approval of Minutes of September 15, 2022, Board Meeting.
5. Budget and Finance.
 - a. Review and approval of monthly invoices.
 - b. Receive monthly financial information.
6. Receive Quarterly Investment Report.
7. Consider and act upon updating the Investment Policy.
8. Consider and act upon Engagement Letter for Audit Services for Fiscal Year Ending December 31, 2022.
9. Consider and act upon Resolution of Appreciation for Drew Satterwhite.
10. Discussion and possible action on the District’s Flow Testing Procedure.
11. Consider and act upon Administrative Service Contract with the Greater Texoma Utility Authority.
12. Receive Quarterly Report on Management Plan.
13. Update and possible action regarding the process for the development of Desired Future Conditions (DFC).
14. Consider and act upon compliance and enforcement activities for violations of District Rules.
15. General Manager’s report: The General Manager will update the Board on operational, educational and other activities of the District.
 - a. Well Registration Summary
 - b. Update on Injection/Disposal Well Monitoring Program
16. Open forum / discussion of new business for future meeting agendas.

17. Adjourn.

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

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

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 rrgcd@redrivergcd.org or at 5100 Airport Drive, Denison, TX 75020.*

ATTACHMENT 4

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

Thursday, September 15, 2022

**MEETING LOCATION:
GREATER TEXOMA UTILITY AUTHORITY
BOARD ROOM
5100 AIRPORT DRIVE
DENISON TX 75020**

Members Present: Chuck Dodd, David Gattis, Mark Gibson, Harold Latham, Mark Patterson, and Billy Stephens.

Members Absent: Mark Newhouse

Staff: Drew Satterwhite, Nichole Sims Murphy, Theda Anderson, Allen Burks, Paul Sigle, Debi Atkins, Stacy Patrick, and Velma Starks

Visitors: Kristen Fancher, Fancher Legal

Board Meeting

1. Pledge of Allegiance and Invocation.

Board Vice President Harold Latham led the group in the Pledge of Allegiance and Board Member Chuck Dodd offered the invocation for the group.

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

Board Vice President Harold Latham called the meeting to order at 10:00 a.m., established a quorum was present, and declared the meeting open to the public.

3. Public Comment.

No Public Comment. General Manager Drew Satterwhite informed board that Theda Anderson is retiring, and Stacy Patrick is taking her position. Paul Sigle will be taking Drew Satterwhite's position as General Manager. Allen Burks is taking Paul Sigle's position as Technical Lead.

4. Consider and act upon approval of Minutes of June 23, 2022, Board Meeting.

Board Member Chuck Dodd made a motion to approve the minutes of the June 23, 2022, meeting. The motion was seconded by Board Member Mark Gibson. The motion passed unanimously.

5. Budget and Finance.

- a. Review and approval of monthly invoices.

General Manager Drew Satterwhite reviewed the invoices with the Board. Brief discussion was held. Board Member David Gattis made the motion to approve the June - August invoices. Board Member Chuck Dodd seconded the motion. Motion passed unanimously.

- b. Receive monthly financial information.

General Manager Drew Satterwhite reviewed the District's monthly financial information with the Board. Brief discussion was held.

- c. Consider and act upon 2023 Operating Budget.

General Manager Drew Satterwhite set up a conference call with Mark Patterson and Billy Stephens. The Budget committee met and suggested the following:

- Set the rate at 6.5 cents per 1000 gallons
- \$25,000 for GMA 8 model update

Discussion was held. Board Member David Gattis made the motion to approve the budget as presented. Board Member Chuck Dodd seconded the motion. Motion approved unanimously.

- d. Consider and act upon 2023 Groundwater Production Fee and Fee Schedule.

General Manager Drew Satterwhite clarified the fee schedule. The zero fee on agricultural to be amended at a later date. Board Member Chuck Dodd made a motion to approve the fees as presented. Board Member Mark Gibson seconded the motion. Motion passed unanimously.

- e. Receive Quarterly Investment Report

General Manager Drew Satterwhite reviewed the Quarterly Investment Report with the Board. Discussion was held.

6. Receive Quarterly Report on Management Plan.

General Manager Drew Satterwhite reviewed the Quarterly Report on Management Plan with the Board.

7. Discuss 2021 Annual Report on Management Plan.

Paul Sigle reviewed the 2021 Annual Report on Management Plan with the Board. Discussion was held.

8. Discuss potential amendments of the District's Rules

General Manager Drew Satterwhite reviewed the rules and discussed what changes are to be made in the future. Look at rules at next meeting. Discussion was held.

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

DFCs review next meeting.

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

General Manager Drew Satterwhite informed the Board that there was nothing to report at this time.

A request was made regarding an update on the pond legal case.

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

- a. Well Registration Summary

General Manager Drew Satterwhite reviewed the well registration summary with the Board. Nine new wells were registered in June. Three new wells were registered in July. Nineteen new wells were registered in August.

- b. Update on Injection/Disposal Well Monitoring Program

General Manager Drew Satterwhite informed the Board that one well in July met railroad rules and therefore was not protested.

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

One more meeting this year required possible items rules, DFCs, permits

13. Adjourn.

Board Vice President Harold Latham declared the meeting adjourned at 11:42 a.m.

Recording Secretary

Secretary-Treasurer

ATTACHMENT 5 a.

RESOLUTION NO. 2022-10-01

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER
CONSERVATION DISTRICT AUTHORIZING PAYMENT OF ACCRUED LIABILITIES FOR THE MONTH
OF SEPTEMBER

The following liabilities are hereby presented for payment:

	<u>Amount</u>
<u>Advertising</u>	
Column - Public notice for District Rules & DFC's.	184.14
<u>Administrative Services</u>	
GTUA - September	18,786.38
<u>Direct Costs</u>	
Awards Unlimited - Appreciation plaque for DS	111.40
NexTraq - October	34.95
<u>Legal</u>	
Fancher Law - BOD general legal services through September	2,326.00
GRAND TOTAL:	<u>\$ 21,442.87</u>

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

On motion of _____ and seconded by:

_____, the foregoing Resolution was passed and approved on this, the 20th. day of October 2022

by the following vote:

AYE:

NAY:

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

President

ATTEST:

Secretary/Treasurer

ATTACHMENT 5 b.

RED RIVER GROUNDWATER

Balance Sheet

As of September 30, 2022

ASSETS

Current Assets

Checking/Savings

10001 CASH-First United	427,161.10
10010 CASH-LEGEND	277,000.00
10025 A/R CONSUMPTION	1,268.53
10026 A/R Texas Rain Holding Co	2,990.00
10230 A/R Violation Fees	500.00
10101 ALLOWANCE FOR UNCOLLECT	-1,530.00
10230 PP EXPENSES	2,925.00

TOTAL ASSETS 710,314.63

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

23100 ACCOUNTS PAYABLE	21,191.58
23150 DRILLERS DEPOSIT LIAB	19,760.00

Total Other Current Liabilities 40,951.58

Total Current Liabilities 40,951.58

Total Liabilities 40,951.58

Equity

35100 RETAINED EARNINGS	661,018.06
Net Income	8,344.99

Total Equity 669,363.05

TOTAL LIABILITIES & EQUITY 710,314.63

RED RIVER GROUNDWATER
Profit & Loss Budget vs. Actual
September 30, 2022

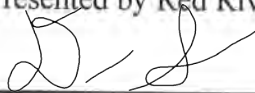
	<u>Current Actual</u>	<u>Current Budget</u>	<u>YTD Actual</u>	<u>Total Budget</u>	<u>% of Budget Remaining</u>
Income					
46002 GW PRODUCTION	0.00	78,153.75	173,489.63	312,615.00	44.50%
46005 LATE FEES	0.00	0.00	2,305.86	0.00	0.00%
46006 VIOLATION FEES	0.00	0.00	0.00	0.00	0.00%
46015 REGISTRATION FEES	600.00	533.33	11,100.00	6,400.00	-73.44%
46020 PERMITTING FEES	0.00	200.00	11,600.00	2,400.00	0.00%
46100 INTEREST INCOME	0.00	50.00	208.50	600.00	65.25%
Total Income	<u>600.00</u>	<u>78,937.08</u>	<u>198,703.99</u>	<u>322,015.00</u>	<u>38.29%</u>
Gross Profit	600.00	78,937.08	198,703.99	322,015.00	
Expense					
77010 ADMINISTRATIVE COST	8,723.75	8,750.00	64,934.05	105,000.00	38.16%
77020 ADVERTISING	79.20	58.33	1,441.91	700.00	-105.99%
77027 AUDITING	0.00	425.00	5,125.00	5,100.00	-0.49%
77031 BANKING FEES	6.80	83.33	414.49	1,000.00	58.55%
77032 CONTRACT SERVICES	0.00	1,250.00	13,570.00	15,000.00	9.53%
77035 FIELD TECH	4,534.00	7,916.67	46,162.00	95,000.00	51.41%
77040 DIRECT COST	121.08	383.33	2,813.84	4,600.00	38.83%
77045 FIELD PERMITTING SPECIAL	3,762.00	2,916.67	24,813.40	35,000.00	29.10%
77450 DUES & SUBSCRIPTIONS	0.00	332.33	416.00	3,988.00	89.57%
77480 EQUIPMENT	0.00	166.67	646.36	2,000.00	67.68%
77500 FEES-GMA8	0.00	41.67	1,876.51	500.00	-275.30%
77810 INSURANCE AND BONDING	325.00	366.67	3,479.96	4,400.00	20.91%
77855 INTERNET FEES	0.00	458.33	0.00	5,500.00	100.00%
77970 LEGAL	2,326.00	2,916.67	11,364.00	35,000.00	67.53%
78010 MEETINGS AND CONFEREN	984.61	433.33	4,870.96	5,200.00	6.33%
78310 RENT	200.00	200.00	1,800.00	2,400.00	25.00%
78600 SOFTWARE MAINTENANCE	0.00	1,250.00	1,160.14	15,000.00	92.27%
78750 TELEPHONE	37.50	225.00	1,838.15	2,700.00	31.92%
78770 - TRANSPORTATION	458.39	291.67	3,632.23	3,500.00	-3.78%
Total Expense	<u>21,558.33</u>	<u>28,465.67</u>	<u>190,359.00</u>	<u>341,588.00</u>	<u>44.27%</u>
Net Income	<u><u>-20,958.33</u></u>	<u><u>50,471.42</u></u>	<u><u>8,344.99</u></u>	<u><u>-19,573.00</u></u>	

ATTACHMENT 6

Red River Groundwater Conservation District
Quarterly Investment Report
For the Quarter Ended
September 30, 2022

The investment portfolio of the Red River Groundwater Conservation District is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.

Presented by Red River Groundwater Conservation District Investment Officers:



Drew Satterwhite
General Manager



Debi Atkins
Finance Officer

Investment Holdings
9/30/2022

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Face Amount/Par Value	Book Value	Market Price	Market Value	Life (Day)	Yield
First United (DDA)		0.00%	10/1/2022	9/30/2022	\$ 427,069.65	\$ 427,069.65	1.00	\$ 427,069.65	1	0.00%
Legend Bank (CDARS)		0.89%	11/10/2022	5/12/2022	\$ 138,500.00	\$ 138,500.00	1.00	\$ 138,500.00	41	0.89%
Legend Bank (CDARS)		1.44%	5/11/2023	5/12/2022	\$ 138,500.00	\$ 138,500.00	1.00	\$ 138,500.00	223	1.45%
Weighted Ave Maturity in yrs					\$ 704,069.65	\$ 704,069.65			(1)	0.14

(1) Weighted average life - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

Book/Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2022			September 30, 2022		
			Face Amount/ Par Value	Book/Market Value	Purchases/ Adjustments	Sales/Adjust/ Call Maturity	Face Amount/ Par Value	Book/Market Value
First United (DDA)	0.00%	4/1/2022	\$ 184,514.03	\$ 184,514.03	307,894.11	65,338.49	427,069.65	\$ 427,069.65
Legend Bank (CDARS)	0.89%	11/10/2022	138,500.00	138,500.00			138,500.00	\$ 138,500.00
Legend Bank (CDARS)	1.44%	5/11/2023	138,500.00	138,500.00			138,500.00	\$ 138,500.00
OZK	0.15%	8/5/2022	200,000.00	200,000.00	200,000.00		-	-
			\$ 650,533.54	\$ 650,533.54	\$ 307,894.11	\$ 65,338.49	\$ 704,069.65	\$ 704,069.65

ATTACHMENT 7



RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION



DATE: October 14, 2022

SUBJECT: AGENDA ITEM NO. 7

CONSIDER AND ACT UPON APPROVAL OF INVESTMENT POLICY

ISSUE

Consider and act upon approval of the Investment Policy as required by the Public Funds Investment Act (“PFIA”).

BACKGROUND

The Red River Groundwater Conservation District initially adopted an Investment Policy in 2012. This policy is required to be reviewed annually in order to comply with Public Funds Investment Act. During this last legislative session, nothing changed in regard to the PFIA act that would necessitate any amendments to our current policy.

The policy states that the Board of Directors will approve broker/dealers and PFIA training sources on an annual basis. Below, is a list of the broker/dealers and PFIA training sources:

Independent training sources:

- Association of Water Board Directors
- Texas Rural Water Association
- Texas Water Utilities Association
- Government Finance Officers’ Association
- Government Finance Officers’ Association of Texas
- Government Treasurers’ Organization of Texas
- Council of Governments
- University of North Texas Center for Public Management
- American Institute of Certified Public Accountants
- Association of Governmental Accountants

Broker/Dealer List:

- BOKF Financial
- FTN Financial
- Multi-Bank Securities
- SAMCO Capital Markets
- Wells Fargo Securities

OPTIONS/ALTERNATIVES

The Board could adopt the attached policy, modify the policy, or defer to committee for review.

CONSIDERATIONS

The approval of this policy will be evidence that the Board is responsible in its use of public funds.

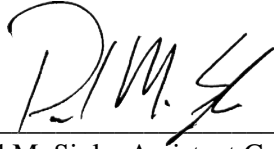
STAFF RECOMMENDATIONS

The staff recommends approving the Investment Policy as well as the broker/dealers and PFIA training sources.

ATTACHMENTS

Investment Policy
Resolution

PREPARED AND SUBMITTED BY:

A handwritten signature in black ink, appearing to read "P.M. Sigle". The signature is written in a cursive, flowing style with a large initial "P" and a distinct "S" at the end.

Paul M. Sigle, Assistant General Manager

EXHIBIT "A"

RED RIVER GROUNDWATER CONSERVATION DISTRICT

INVESTMENT POLICY

REVIEWED AND APPROVED: ~~October 28, 2021~~ October 20, 2022

EXHIBIT "A"

1.01 PURPOSE

This policy with respect to district investments has been adopted by the Board of Directors (the "Board") of Red River Groundwater Conservation District (the "District") to establish the principles and criteria by which the funds of the District should be invested and secured (a) to preserve the principal, (b) to earn interest, (c) to address investment diversification, yield, and maturity, (d) to fulfill the duties of the designated Investment Officer of the District, (e) to comply with the types of authorized investments and to specify the maximum allowable stated maturity of the District's investments, and (f) to comply with the provisions of Texas law related to the investment and security of funds applicable to groundwater conservation districts ("Investment Laws"). The provisions of Chapter 36 of the Texas Water Code relating to investments and securities, the Public Funds Investment Act (the "Act") as amended in Chapter 2256 of the Texas Government Code, and other appropriate statutes are applicable to the investment of the District's funds.

1.02 POLICY OF INVESTMENT

- A. The preservation of principal shall be the primary concern of the District and the District Investment Officer. To the extent that the principal is protected, District funds shall be invested to yield the highest possible rate of return to meet the current and future financial needs of the District and to maintain liquidity, all while taking into consideration the strength of the financial institution, and complying with any Internal Revenue Code laws or regulations and procedures set forth in any bond resolutions or orders, adopted from time to time by the Board. Funds of the District shall be invested by the District's staff in accordance with the policy. Any resolution or order adopted by the Board relating to investment policies or procedures shall be in writing and shall be made available to requesting members of the public.
- B. Investment of funds shall be governed by the following investment objectives, in order of priority:
 - 1. Understanding suitability of investments to the District's requirements,
 - 2. Preservation and safety of principal,
 - a. Credit risk - the District will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment
 - b. Interest rate risk - the District will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates
 - 3. Liquidity,
 - 4. Marketability prior to maturity of each investment,
 - 5. Diversification, and
 - 6. Yield.
- C. The investment of the District's funds should be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. The

Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching securities with cash flow dates will normally increase yield, will lock in higher yields, and reduce the need to sell securities prior to maturity, thus reducing market risk.

1.03 DELEGATION OF INVESTMENT AUTHORITY

- A. The Board shall designate by resolution one or more officers and/or General Manager and Finance Officer of the District to be responsible for the investment of its funds and be the District's Investment Officer(s). The Board resolution shall also authorize the Investment Officer to engage in investment transactions, deposit, withdraw, wire funds for investments, transfer and manage funds on behalf of the District. However, there shall be no transfer, expenditure, or appropriation of District funds, other than a transfer of the funds from one District account to another account of the District as stated above, unless by check or draft signed by two (2) members of the Board or authorized by separate order or resolution of the Board.
- B. The Investment Officer is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. The Board retains ultimate fiduciary responsibility.
- C. The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include reference to safekeeping, wire transfer agreements, banking services contracts, and other investment related activities.
- D. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.
- E. The Investment Officer's authority is effective until the District rescinds the authority or until: (1) termination of employment with the District for an Investment Officer who is an employee of the District; or (2) vacating the office of director for an Investment Officer who is a director of the Board.
- F. An officer or employee of a regional planning commission, council of governments or similar regional planning agency created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under this policy.
- G. No person may deposit, withdraw, invest, transfer, or manage in any other manner funds of the District without the express written authority of the Investment Officer.
- H. Obtain and review competitive rates from qualified investment providers, financial institutions and broker/dealers.

1.04 PRUDENT PERSON RULE

- A. The actions of the Investment Officer in the performance of his or her duties as manager of the District's funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care under prevailing circumstances which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.
- B. The Investment Officer acting in accordance with written procedures exercising due diligence shall be relieved by personal responsibility for an individual security's performance provided that deviations from expectations are reported in a timely fashion to the governing body and appropriate action is taken to control adverse developments.

1.05 INVESTMENT STRATEGY BY FUND

Funds in the District accounts shall be invested by the Investment Officer as follows:

- a. Capital Projects Account: The District may choose to have a Capital Projects Account from time to time, and, if so, shall maintain as its primary objective to maximize the suitability of the investment in such funds to the financial requirements of the District while preserving the safety of principal with regard to monies collected or allocated for such fund.
- b. Operating Account: Funds in this account shall be invested to meet the operating requirements of the District as determined by the annual operating budget of the District, or by resolution of the Board.
- c. Debt Service Account: Funds in this account shall be invested to meet the debt service requirements of the District. In order to accomplish this, the District will invest such funds in amounts and maturity dates that most likely match the debt service requirements of the District.

1.06 AUTHORIZED INVESTMENTS

- A. Acceptable investments under this Policy shall be limited to the instruments listed below and as further described by the Act. If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the District until this Policy has been amended and the amended version is adopted by the Board:
 - 1. Obligations of the United States Government, its agencies and instrumentalities, including the Federal Home Loan Banks, but excluding principal-only and interest-only mortgage backed securities, collateralized mortgage obligations, and real estate mortgage investment conduits; not to exceed two years to stated maturity;
 - 2. Fully insured by the Federal Deposit Insurance Corporation (FDIC), or its successor; or the National Credit Union Share Insurance Fund (NCUSIF), or its successor, or collateralized certificates of deposit and other forms of deposit placed in compliance with the Act from any bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity, to include certificates of deposit purchased through the CDARS program with a Texas bank; and
 - 3. AAA-rated, constant dollar Texas Local Government Investment Pools as defined by the

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Act.

- B. Bids for investments, including certificates of deposit, may be solicited:
 - 1. Orally;
 - 2. In writing;
 - 3. Electronically; or
 - 4. In any combination of those methods.
- C. All purchases of securities shall be made on a delivery versus payment basis assuring that no District funds are released before the security is received by the custodian.

1.07 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- A. All investments made by the District will be made through either the District's banking services bank or an approved broker/dealer. The Board will review the list of broker/dealers annually. A list of at least three broker/dealers will be maintained of approved investment broker/dealers. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 153C-1 (uniform net capital rule).
- B. Securities broker/dealers must supply the following as appropriate and when requested:
 - 1. Proof of certification by the Financial Industry Regulatory Authority (FINRA) and provision of FINRA CRD number,
 - 2. Audited financial statements, and
 - 3. Proof of current registration with the Texas State Securities Board.
- C. Every broker/dealer and bank with which the District transacts business will be provided a copy of this Investment Policy for review. A qualified representative of the business organization shall execute a written instrument substantially to the effect that the organization has received and reviewed this policy. The business organization acknowledges the implementation of procedures and controls to preclude imprudent investment activities that are not authorized by the Investment Policy.

1.08 SAFEKEEPING AND COLLATERALIZATION

- A. Safekeeping of District Owned Securities.
 - 1. All purchased securities shall be cleared to safekeeping on a delivery versus payment basis and held in safekeeping by an independent third party financial institution, or the District's banking services depository.
 - 2. All safekeeping arrangements shall be approved by the Investment Officer and an agreement of the terms executed in writing. The independent third party custodian shall be required to issue safekeeping receipts to the District listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is being held for the District or pledged to the District.
- B. Securities Pledged as Collateral

1. All securities pledged to the District for all bank time or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which securities are pledged.
2. Collateralization is required on all time and demand deposits over the FDIC insurance coverage.
 - a. In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level will be 102% of the deposit amount plus accrued interest on the deposit, less the applicable level of FDIC or NCUSIF insurance. The minimum level of Letters of Credit shall be 100% of principal plus anticipated accrued interest, less the applicable level of FDIC or NCUSIF insurance.
 - b. Collateral will be held by an independent third party custodian. The custodian shall provide a written monthly report directly to the District listing all pledged collateral by description and par at a minimum. The investment officers will monitor adequacy of collateralization levels to verify market values and total collateral positions.
 - c. If the collateral pledged for a deposit falls below the deposit value of the deposit, plus accrued interest, less FDIC or NCUSIF insurance, the institution holding the deposit will be notified by the investment officers and will be required to pledge additional collateral no later than the end of the next succeeding business day.

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C. Authorized Collateral

1. The only types of collateral authorized by the District are:
 - a. Obligations of the U. S. Government, its agencies and instrumentalities including mortgage-backed securities which pass the bank test.
 - b. Obligations of a state or subdivision, city, county, school district of any state which is rated A or better by two nationally recognized rating agencies.
 - c. Letters of Credit issued by a Federal Agency or Instrumentality.
2. If the depository proposes a collateral pooling program, the Investment Officer will review and evaluate the program's risk and cost to the District for presentation to the Board. The pooling of collateral allows a bank to create a pool of securities for collateral purposes for multiple governments and will not result in securities pledged directly/specifically to each government.
3. Collateralized deposits often require release or substitution of collateral. Any broker/, dealer, or financial institution may automatically collateral of equal or greater value than the replaced security. The investment officers, or a designee, must provide written notification of the decision to the custodian/safekeeping agent holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The investment officers may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

1.09 INVESTMENT TRAINING

- A. The Investment Officer shall attend training as required by Water Code 36.151 from an independent source approved by the Board involving at least six (6) hours of instruction. The initial training shall occur within 12 months after the Investment Officer takes office or assumes his or her duty. The Investment Officer shall attend an investment training session

not less than once in a two-year period and receive not less than four (4) hours of instruction related to the duties and investment responsibilities under Subchapter 2256 of the Act from an independent source approved by the Board.

- B. Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.

1.10 REPORTING AND PERFORMANCE EVALUATION

- A. The Investment Officer shall submit a monthly report to the District Manager.
- B. Not less than quarterly, the Investment Officer shall prepare and submit to the Board a written report of investment transactions for all funds subject to this policy for the preceding reporting period. The report must:
 - 1. Describe in detail the District's investment position on the date of the report;
 - 2. Be prepared by the Investment Officer;
 - 3. Be signed by the Investment Officer;
 - 4. State the maturity date of each separately invested asset that has a maturity date;
 - 5. State the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested; and
 - 6. State the compliance of the investment portfolio of the District with:
 - a. The investment strategy expressed in the District's Investment Policy; and
 - b. Relevant provisions of the Act.
- C. Market prices for market evaluations will be obtained from an independent source.
- D. In addition, the report shall explain the quarter's total investment return and compare the return with budgetary expectations.
- E. All reports shall be in compliance with the Act.

1.11 MISCELLANEOUS

- A. The District, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies to review investment performance and to ensure investment security. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions.
- B. The District shall review this policy at least annually and adopt a resolution confirming the continuance of the policy without amendment or adopt an amended investment policy.
- C. This investment policy adopted on November 19, 2020, supersedes any prior policies adopted by the Board regarding investment or securitization of District funds.

RESOLUTION NO. 2022-10-20-02

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER CONSERVATION DISTRICT RELATING TO AN INVESTMENT POLICY

WHEREAS, the Red River Groundwater Conservation District (“District”) was created by an act of the 81st Legislature in 2009; and

WHEREAS, the District has a responsibility of approving investments for the resources in its care and custody; and

WHEREAS, the District has appointed an Investment Committee of its membership to compose an Investment Policy; and

WHEREAS, that Committee prepared a document attached hereto as Exhibit “A” ; and

WHEREAS, the Board has reviewed this document and believes it to be in conformance with the State statutes regarding the investment of public funds;

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

1. The Investment Policy attached as Exhibit “A” is hereby adopted by this resolution and shall be in full force until further change by Board action.
2. The District’s Investment officers are designated by this resolution to be the Secretary of the Board of Directors, the General Manager and the Finance Officer.

Upon motion by _____, seconded by _____, the foregoing Resolution was passed and approved on this 20th day of October, 2022 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 14, 2022

SUBJECT: AGENDA ITEM NO. 8

**CONSIDER AND ACT UPON ENGAGEMENT LETTER FOR AUDIT SERVICES FOR FISCAL YEAR ENDING
DECEMBER 31, 2022**

ISSUE

Consider and act upon confirming execution of engagement letter for audit services fiscal year ending December 31, 2022

BACKGROUND

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

At the May 2018 meeting, the Board directed the Staff to request another 5-year term with McClanahan and Holmes. The Board also requested the lead auditor be changed which was ultimately agreed to by all parties.

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. The fees for the 2022 audit services will not exceed \$5,400, which is within the previously agreed upon threshold.

STAFF RECOMMENDATIONS

The staff recommends the Board authorize an engagement letter with McClanahan and Holmes, LLP of Bonham, Texas for the 2022 audit

ATTACHMENTS

Engagement Letter

PREPARED AND SUBMITTED BY:

Paul M. Sigle, Assistant General Manager

RECOMMENDED BY:

Debi Atkins, Finance Officer

McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
DEBRA J. WILDER, CPA
TEFFANY A. KAVANAUGH, CPA
APRIL J. HATFIELD, CPA
BRITTANY L. MARTIN, 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

Bonham, Texas
October 13, 2022

Members of Management and Board
Red River Groundwater Conservation District

We are pleased to confirm our understanding of the services we are to provide Red River Groundwater Conservation District (the District) for the year ended December 31, 2022.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities and each major fund, and the disclosures, which collectively comprise the basic financial statements of the District as of and for the year ended December 31, 2022. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's 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. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 GAAP and will be subjected to certain limited procedures, but will not be audited:

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

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records of the District and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. 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 waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or 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 an unavoidable risk exists that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS 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 later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry.

We have identified the following significant risks of material misstatement as part of our audit planning:

- 1) Management Override of Controls
- 2) Improper Revenue Recognition Due to Fraud

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures – Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. 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, agreements, and grants. 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 assist in preparing the financial statements and related notes of the District in conformity with accounting principles generally accepted in the United States of America 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.

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.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for 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 accounting principles generally accepted in the United States of America with the oversight of those charged with governance, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). 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, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (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. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written 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 of each opinion unit 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 that we report.

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 Scope and 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.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, 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 and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to an oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. 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.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or any additional period requested by regulators. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

April J. Hatfield is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit in approximately April 2023 and to issue our reports no later than June 1, 2023, unless extenuating circumstances occur.

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 \$5,400. 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 on 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.

Reporting

We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to management and those charged with governance of Red River Groundwater Conservation District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. 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 issue reports, or we 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 state (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 report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the 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.

We appreciate the opportunity to be of service to 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 Red River Groundwater Conservation District.

Management Signature: _____

Title: General Manager

Date: _____

Red River Groundwater Conservation District

Page 6

October 13, 2022

Governance Signature: _____

Title: President _____

Date: _____

Briscoe, Burke & Grigsby LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report on the Firm's System of Quality Control

August 19, 2021

To the Partners of McClanahan and Holmes, LLP
and the Peer Review Committee of the Texas Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of McClanahan and Holmes, LLP (the firm) in effect for the year ended March 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards). A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of McClanahan and Holmes, LLP in effect for the year ended March 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. McClanahan and Holmes, LLP has received a peer review rating of *pass*.


Certified Public Accountants

ATTACHMENT 9



RED RIVER GROUNDWATER
CONSERVATION DISTRICT
AGENDA COMMUNICATION



DATE: October 14, 2022

SUBJECT: AGENDA ITEM NO. 9

CONSIDER AND ACT UPON RESOLUTION OF APPRECIATION FOR DREW SATTERWHITE.

ISSUE

Resolution of Appreciation for Drew Satterwhite.

BACKGROUND

Drew Satterwhite was hired as the General Manager in September of 2013. Mr. Satterwhite has accepted an opportunity to move closer to his and his wife's family and his last day with the District is October 20th. Mr. Satterwhite has served honorably as the General Manager and his contributions to the District are much appreciated.

STAFF RECOMMENDATIONS

The staff recommends the Board consider adopting Resolution of Appreciation for his service and present him with a plaque.

ATTACHMENTS

Resolution of Appreciation

PREPARED AND SUBMITTED BY:

Paul M. Sigle, Assistant General Manager

RESOLUTION NO. 2022-10-20-03

RED RIVER GROUNDWATER CONSERVATION DISTRICT

A RESOLUTION BY THE RED RIVER GROUNDWATER CONSERVATION DISTRICT RECOGNIZING

DREW SATTERWHITE

WHEREAS, the Red River Groundwater Conservation District wishes to recognize

DREW SATTERWHITE

for contributing toward furthering economic development of this area and for helping to promote effective planning and utilization of groundwater by faithfully participating in the activities of the District.

NOW, THEREFORE, BE IT RESOLVED BY THE RED RIVER GROUNDWATER CONSERVATION DISTRICT THAT: the District conveys its sincere appreciation and gratitude to

DREW SATTERWHITE

for service provided to the District.

On motion of _____, seconded by _____, the foregoing Resolution was passed and approved on this the 20th day of October, 2022 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 10



RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION



DATE: October 14, 2022

SUBJECT: AGENDA ITEM NO. 10

DISCUSSION AND POSSIBLE ACTION ON THE DISTRICT'S FLOW TESTING PROCEDURE.

ISSUE

The District staff is recommending revisions to the Flow Testing Procedure.

BACKGROUND

In conjunction with the adoption of permanent rules that became effective January 1, 2019, the District also adopted a Flow Testing Procedure to lay out the process and requirements for flow tests that are now being performed on every new well. This document was developed in response to comments and conversations with several drillers and pump representatives that operate in the District. The conclusion from these conversations was that it would be exceedingly difficult to meet a desired flow rate on a new well without a margin for error. This document laid out the process and provided for a margin for error in sizing pumps.

CONSIDERATIONS

The proposed amendments to the Flow Testing Procedure are intended to lay out requirements for the well Driller or Pump Installer representatives to make the wells available so that the District can clear them from the inspection queue. In an ideal situation, the Driller or Pump Installer would give the District staff advance notice of when they anticipate developing the well when they are completing a job. However, we understand that this will not always work for schedules, so we have outlined a process for providing us with at least 3 dates that would work for our staff to meet with them. Our goal is to get the flow test and inspections completed following the completion of a well as soon as possible.

STAFF RECOMMENDATIONS

The staff recommends that the Board review and consider adopting amendments to the Flow Testing Procedure.

ATTACHMENTS

Redlined Flow Testing Procedure

PREPARED AND SUBMITTED BY:

Paul M. Sigle, Assistant General Manager

District Flow Testing Procedure

The purpose of this document is to provide the District staff and water well contractors with guidance as to how the District will test the flow rates of new wells ~~following the adoption of permanent rules~~. It is understood that ~~spacing requirements will take effect upon adoption of permanent rules and that the~~ new wells will be spaced from existing wells using a formula based upon the maximum flow rate of the new well. Furthermore, the District recognizes the difficulty in selecting a pump that will pump exactly what is desired by the well owner or contractor. This document explains the process the District will go through to determine the flow rate of a well and the acceptable margin for error allowed for pump selection.

Upon completion (pump installed) of the well, the well ~~owner representative~~driller or pump installer shall provide the District with at least 3 dates (Monday-Friday) and times (between 8 am and 4 pm) **within the 60 days** following completion to meet for the purposes of conducting the flow test. If given advance notice, the District will strive to meet the well driller or pump installer at the site during the final stages of the well development.

Process

- ✓ Check for the presence of flow restricting devices and ensure pump is running at 100% speed if equipped with VFD.
 - If VFD speed is not readily available, it is up to the well ~~owner representative~~driller or pump installer to demonstrate/prove the VFD is set to 100% speed.
- ✓ The well ~~owner representative~~driller or pump installer is responsible for having the well configured ahead of time so that the District staff can test the well by either of 2 methods described below:
 - ~~1.~~ 1. At the well head before the well is tied into the system that it will ultimately serve; or
 - ~~1-2.~~ 1-2. At the well head tee where the blowoff valve is normally located as long as the tee does not reduce from its original diameter; or
 - ~~23.~~ 23. Through a bypass installed immediately downstream of the meter, but located within 50 feet downstream of the well head.
 - ~~A "bypass" for these purposes means an installation downstream of the meter that is of equal size to the discharge pipe so that there is unobstructed flow for purposes of measuring the maximum flow capacity from a well. Using the permanently installed flow meter if the piping is in an open flow condition.~~
- ✓ After District staff arrives on site and has flow metering equipment in place to record a reading, the well ~~owner representative~~driller or pump installer may run the pump for up to 15 minutes continuously prior to taking final flow reading.
 - The well ~~owner representative~~driller or pump installer can run the well ahead of the site visit in order to further stabilize water levels if desired, but District staff should not wait longer than 15 minutes for flow and water levels in well to stabilize once District staff has the metering equipment in place to record a flow reading.
- ✓ At the point where the flow has stabilized or the 15 minutes of run-time has concluded, whichever occurs first, the District staff will document the maximum flow rate.
 - The maximum flow rate will be allowed up to a 10% or up to 25 gpm margin for error based upon the approved for well capacity, whichever is less.
 - Example 1: 17.36 gpm well must read < 19.1 gpm
 - Example 2: 500 gpm must read < 525gpm
- ✓ If a re-test is requested by the well ~~owner representative~~driller or pump installer, the District will re-visit the site one (1) additional time for the purposes of testing the flow.

ATTACHMENT 11



RED RIVER GROUNDWATER
CONSERVATION DISTRICT
AGENDA COMMUNICATION



DATE: October 12, 2022

SUBJECT: AGENDA ITEM NO. 11

**CONSIDER AND ACT UPON ADMINISTRATIVE SERVICES CONTRACT WITH GREATER
TEXOMA UTILITY AUTHORITY**

ISSUE

Renewal of contract with Greater Texoma Utility Authority (“GTUA”) for 2023 Administrative Services.

BACKGROUND

In November 2010, the District and GTUA entered into an agreement for administrative services to be provided by GTUA for the District. The Board of Directors of GTUA has continued to indicate their satisfaction with the outcome of the agreement. This agreement was considered and approved at GTUA’s October 17, 2022, Board meeting.

CONSIDERATIONS

In conjunction with the Board’s prudent management of funds, this relationship has helped the District operate with the lowest production fees in the region.

The budgeted amounts identified in the contract are consistent with the 2023 budget adopted by the District.

STAFF RECOMMENDATIONS

The staff recommends that the contract between the District and GTUA be approved.

ATTACHMENTS

2023 Administrative Services Contract with GTUA.
2023 Budget

PREPARED AND SUBMITTED BY:

A handwritten signature in black ink, appearing to read "P.M. Sigle", written over a horizontal line.

Paul M. Sigle, Assistant General Manager

**ADMINISTRATIVE SERVICES AGREEMENT
BETWEEN THE GREATER TEXOMA UTILITY AUTHORITY AND
THE RED RIVER GROUNDWATER CONSERVATION DISTRICT**

STATE OF TEXAS	§	STATE OF TEXAS
	§	
GREATER TEXOMA UTILITY AUTHORITY	§	RED RIVER GROUNDWATER
	§	CONSERVATION DISTRICT

This Agreement, made and entered into by and between the Greater Texoma Utility Authority, hereinafter referred to as (“Authority”) and the Red River Groundwater Conservation District in Fannin and Grayson Counties, Texas, hereinafter referred to as (“District”).

WITNESSETH:

WHEREAS, the District is experiencing a need for administrative services in order to achieve the objectives provided in its enabling legislation and Chapter 36 of the Texas Water Code; and

WHEREAS, the Authority has staff experienced in water related activities; and

WHEREAS, the District has determined that it is in the best interest of the District to engage the Authority to assist in providing administrative assistance in establishing the District’s programs and activities; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and of the terms and conditions hereinafter set forth, the parties agree as follows:

1. The Scope of Services. The term "Scope of Services" as used herein refers to the Scope of Services made and submitted by the Authority to the District as amended, modified, or supplemented herein. (attached hereto as “Exhibit A”)

The Scope of Services is a general guideline for the commencement of administrative activities and related services. Said Scope of Services is amended and superseded by specific terms of this Agreement, which may be amended in writing from time to time upon agreement of the Authority and the District.

2. Administrative Services. The Authority shall perform administrative services for the District at the direction of the District Board, and the District Board President to the extent that the Board President’s direction does not conflict with any District, State or Federal Laws, or Authority rule, policy, or order of the District or Authority Board. Such directions from the District Board and Board President regarding the performance of administrative services shall supplement any specific services delineated in this Agreement or the attached Scope of Services. Administrative services shall include, but not be limited to recording and communication services, database collection and well registration services, as well as assistance in developing personnel policies, operating procedures, refining of temporary rules and developing a management plan. Administrative services shall also include performance of the duties of the “General Manager” as set forth in the District’s Temporary District Rules, Bylaws, rules and orders, subject to the directions and orders of the District Board and Board President. The Authority shall not retain outside professional services to be reimbursed by the District without prior authorization from the District. The District Board shall retain ultimate authority in decision-making under the District’s Rules.

3. Charges and Payment. Monthly payments shall be made by the District to the Authority for actual costs incurred including hourly wages and benefits of the Authority employees, insurance costs, extra travel costs to and from the District, overhead, and other direct costs, including fees for professional services. The Authority shall invoice the District for any such services performed hereunder during the preceding thirty (30) day period, said invoice to be presented by the 25th day of the following month. Said invoice shall be itemized in such a manner that the District may determine the reasonableness of the charges submitted. The District shall pay the full amount of invoices received from the Authority by the tenth day of the month following receipt of any such invoice unless notice of protest or disagreement is given to the Authority within seven (7) business days after receipt of said invoice. Failure of the Authority and the District to agree upon payment of such invoice within thirty (30) days of protest shall be grounds for termination under Paragraph 4 unless the parties can otherwise agree in writing to a schedule of payment.

4. Terms of Agreement. The Term of this Agreement shall be for a 12-month period commencing as of the effective date of this Agreement, which shall be the later date that the District or the Authority executes this Agreement. This Agreement may be renewed upon expiration of the 12-month term of this Agreement by written agreement between the parties. Either the District or the Authority may terminate this agreement for any reason at any time upon ninety (90) days written notice of termination to the other party. Should the Authority or the District elect to terminate this Agreement, the District shall remain responsible for its share of any costs for which it is obligated that remain existing and unpaid as of the effective date of termination.

5. Indemnity. Neither the District nor the Authority shall be liable to the other for loss, either direct or consequential. All such claims for any and all loss, however caused, are hereby waived. Said absence of liability shall exist whether or not the damage, destruction, injury, or loss of life is caused by the negligence of either party or of any of their respective agents, servants, or employees. It is contemplated that each party shall look to its respective insurance carriers for reimbursement of any such loss. Neither party shall have any interest or claim in the other's insurance policy or policies, or the proceeds thereof, unless it is specifically covered therein as an additional insured. Nothing contained in this Agreement is intended by either party to create a partnership or joint venture, and any implication to the contrary is hereby expressly disavowed. It is understood and agreed that this Agreement does not create a joint enterprise, nor does it appoint any party as an agent of any other party, for any purpose whatsoever. It is understood and agreed that by execution of this Agreement, no governmental powers or immunities are waived or surrendered by either the District or the Authority.

6. Independent Contractor. The Authority is, and shall perform this agreement as, an independent contractor, and as such, shall have and maintain complete control over all of its employees, subcontractors, agents, and operations. Neither the Authority nor anyone employed by it shall be, represent, act, purport to act or be deemed to be the agent, representative, subcontractor, employee, officer or servant of the District. No employee or agent of the District shall be, represent, act, or purport to act or be deemed to be the agent, representative, subcontractor, employee, officer, or servant of the Authority.

7. Surety Bond. Any officer, employee, or agent of the Authority who collects, pays, or handles any funds of the District shall furnish good and sufficient bond payable to the District in an amount determined by the District Board to safeguard the District. The bond shall be conditioned on the faithful performance of that person's duties and on accounting for all funds and property of the District. The bond shall be signed or endorsed by a surety company authorized to do business in Texas. The District Board hereby determines that the initial amount of each bond shall be set at \$50,000.00, and may alter the amount pursuant to a minute order or resolution adopted at a properly noticed meeting. The District Board shall provide the Authority with notice of any such alternative amount. The District shall reimburse the Authority for costs incurred in connection with providing administrative services to the District. Any such out-of-pocket costs exceeding \$2,500.00 per year shall require

prior approval of the District Board. The Authority shall limit the collection, payment, or handling of District funds only to the officers, employees, and agents of the Authority who have been bonded in accordance with this paragraph.

8. No Third Party Rights. Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the parties hereto, and all duties and responsibilities undertaken pursuant to this Agreement shall be for the sole and exclusive benefit of the parties hereto, and not for the benefit of any other party. There are no third party beneficiaries to this Agreement.

9. Assignment. This Agreement shall not be assignable except at the written consent of the Authority and the District hereto, and if so assigned, shall extend to and be binding upon the successors and assigns of the Authority and the District thereto.

10. Notices. All notices given under this agreement shall be deemed properly served if delivered in writing personally, or sent by certified mail to Mark Patterson, President, Red River Groundwater Conservation District, PO Box 1214, Sherman, TX 75091-1214, and to the Authority addressed to the President, Greater Texoma Utility Authority, 5100 Airport Drive, Denison, TX 75020-8448. Date of service of notice served by mail shall be the date on which such notice is deposited in a post office of the United States Postal Service. Either party may change their respective addresses for notice by providing notice of such address change in the aforesaid manner with specific reference to this Agreement.

11. Authority Financial Obligations. Nothing in this agreement shall be construed to require the Authority to expend funds from any source other than the revenues received hereunder. All costs required by valid rules, regulations, laws, or orders passed or promulgated by the United States of America, the State of Texas, and regulatory or judicial branches thereof having lawful jurisdiction shall be the responsibility of the District.

12. Entire Agreement. This agreement embodies the entire understanding between the Authority and the District hereto relative to the subject matter hereof and shall not be modified, changed or altered in any respect except in writing signed by the Authority and the District.

13. Governing Law and Severability. This agreement shall be governed by the laws of the State of Texas and the venue in Grayson County, Texas. The provisions of this agreement shall be deemed to be severable and the invalidity of or inability to enforce other provisions hereof. In the event of a conflict between the terms of this Agreement and any exhibit attached hereto, the terms and conditions of this Agreement shall take precedence. Venue shall be in Grayson County, Texas.

14. Interpretation. Although drawn by the Authority, this contract shall, in the event of any dispute over its meaning or application, be interpreted fairly and reasonably, and neither more strongly for or against either party. Captions and headings used in this Agreement are for reference purposes only and shall not be deemed a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused the signatures of their legally authorized representatives to be affixed hereto, having been duly approved by the respective governing bodies and effective on the last date of execution as set forth below.

GREATER TEXOMA UTILITY AUTHORITY
5100 AIRPORT DRIVE
DENISON TX 75020-8448

RED RIVER GCD
PO BOX 1214
SHERMAN TX 75091-1214

BY: _____
President

BY: _____
President

DATE: _____

DATE: _____

ATTEST:

ATTEST:

Secretary-Treasurer

Secretary-Treasurer

Exhibit "A"

Scope of Services

- I. Recording and Communication Services
 - Act as point of contact for well owners by answering questions regarding rules
 - Provide all postings for meetings
 - Provide notice postings in timely manner
 - Mail notices and rules as needed
 - Prepare agenda after consultation with President
 - Prepare and e-mail draft minutes to Board of Directors
 - Complete minutes after review by Board of Directors
 - Maintain website as needed
 - Establish and maintain paper and electronic filing system
 - Provide written communications to well owners, TWDB and others as needed
 - Draft correspondence for signature by designated persons
- II. Database Collection for Registered and Non-Registered Wells in the District
 - Work with chosen database development firm to create the well registration system for the District
 - Operate and maintain well registration website and map, which will depict wells in each District county
 - Work with well owners to register wells and collect well registration fees
 - Employ field technician to locate and verify wells in each District county
- III. Development of Personnel and Other Policies
 - Prepare and present drafts of personnel policies for review by appropriate committee and Board of Directors
 - Prepare and present drafts of operating procedures for future staff to follow
 - Assist Board of Directors in training personnel for District at appropriate time
- IV. Assistance for Rule Development
 - Assist Board of Directors in development of permanent rules
 - Assist Board of Directors in the development and implementation of a Management Plan
- V. Accounting
 - Provide accounting services including keeping financial records, issuing invoices, paying invoices, etc.
 - Prepare and present monthly financial statements
 - Assist Board of Directors with development of budget
 - Prepare and provide documentation for audit

Approach to Provision of Services

- Staff is able to work diplomatically with well owners and others
- Use 800 number on all letterhead and other communication for calls to make contact easier for well owners
- Well-acquainted with TWDB staff
- Utilize assistance from Texas Alliance of Groundwater District members
- Coordinate District activities with GMA 8 activities
- Develop records and procedures in a manner that will make for easy transition when desired

Estimated Cost of Services

The Authority is a public agency. The Board's approach to provision of services has always been to seek reimbursement for the costs of providing the services requested. These costs include:

- The salary and employer personnel costs (social security, worker's compensation insurance, retirement, and accounting, etc.)
- Mileage for travel required at the rate set annually by IRS
- Any direct expenses required to provide the services requested (telephone charges, copies, postage, and similar expenses directly associated with the project)
- The contract for services will not exceed \$105,000 for administration and accounting, \$95,000 for the field technicians, and \$35,000 for field permitting specialist without prior authorization from the Board of Directors
- Field personnel costs will be an expense of the District, which will include salary, benefits, transportation and other costs directly associated with verification of well and pumping information
- Billing Rates:
 - General Manager – \$86 per hour
 - Project Coordinator - \$54 per hour
 - Administrative Assistant - \$33 per hour
 - Finance Officer - \$83 per hour
 - Accountant- \$32 per hour
 - Office Clerk - \$32 per hour
 - Field Technician - \$50 per hour
 - Field Technician (2) - \$43 per hour
 - Groundwater Technical Lead - \$47 per hour
 - Operation Supervisor - \$52 per hour
 - Data Administrator - \$50

**RED RIVER GROUNDWATER
CONSERVATION DISTRICT
BUDGET YEAR 2023**

	Approved 2023
Income	
46002 GW Production Fees	327,000.00
46007 Registration Fees	6,300.00
46005 Late Fees	-
46006 Violation Fees	-
46010 Drillers Dep Forfeit	-
46020 Permitting Fees	6,000.00
46100 Interest Inc	8,000.00
Total Income	347,300.00

Gross Profit

Expense	
77010 ADMINISTRATIVE COST	105,000.00
77033 ADS-LEGAL	1,000.00
77027 AUDITING	5,300.00
77031 BANKING FEES	1,100.00
77032 CONTRACT SERVICES	
Hydrogeologist Consultant	17,000.00
GAM Runs & Update	25,000.00
77040 DIRECT COST	4,800.00
77450 DUES & SUBSCRIPTIONS	4,000.00
77550 EQUIPMENT	2,000.00
77555 FEES-GMA8	1,000.00
77035 FIELD SERVICES	95,000.00
77045 FIELD PERMITTING SPECIALIST	35,000.00
77810 INSURANCE & BONDING	4,315.00
77855 GENERIC SOFTWARE SERVICES	2,500.00
77970 LEGAL	30,000.00
78010 MEETING AND CONFERENCE	5,200.00
78310 RENT	2,400.00
78600 DATABASE (DRIPDROP)	15,000.00
78770 TRANSPORTATION/FUEL/MAINT	5,000.00
78750 TELEPHONE	2,700.00
Total Expense	363,315.00
Contingencies	
Total Expenditures	363,315.00
	(16,015.00)

ATTACHMENT 12



**RED RIVER
GROUNDWATER CONSERVATION DISTRICT**



FANNIN COUNTY AND GRAYSON COUNTY

**General Manager's Quarterly Report
Date: September 30, 2022
Red River GCD Management Plan**

This quarterly briefing is being provided pursuant to the adopted Management Plan for the quarter ending September 30, 2022.

Well Registration Program:

Current number of wells registered in the District: **1101**

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

Well Inspection/Audit Program:

**2022
Well Inspections**

Month	Fannin	Grayson	Total
January	0	6	6
February	3	11	14
March	9	25	34
April	3	9	12
May	1	12	13
June	24	36	60
July	14	11	25
August	7	14	21
September	0	2	2
Total	61	126	187

Number of Exempt wells inspected (as of September 30, 2022)

County	Number of Wells Inspected (2022)	Total Number of Completed Wells*	%
Fannin	28	227	12%
Grayson	40	455	9%
Total	68	682	10%

Number of Non-Exempt wells inspected (as of September 30, 2022)

County	Number of Wells Inspected (2022)	Total Number of Completed Wells*	%
Fannin	33	78	42%
Grayson	83	227	37%
Total	116	305	38%

*Plugged wells have been excluded

ATTACHMENT 15 a

RED RIVER GROUNDWATER CONSERVATION DISTRICT
Well Registration Summary
 (as of 9/30/2022)

Well Type	Fannin	Grayson	Total RRGCD	New Registrations September 2022
Domestic	240	401	641	6
Public Water	59	194	253	0
Livestock	17	29	46	0
Agriculture	20	25	45	1
Commercial	10	17	27	0
Surface Impoundments	16	14	30	0
Oil / Gas	0	20	20	0
Golf Course	0	14	14	0
Irrigation	1	11	12	0
Monitoring	2	6	8	0
Industrial	0	4	4	1
*Other	1	0	1	0
TOTALS	366	735	1101	8

NOTE: Plugged wells have been excluded
***Construction Water**

ADJOURN