

**NORTH TEXAS
GROUNDWATER
CONSERVATION
DISTRICT**

BOARD MEETING

**MUSTANG SUD ADMINISTRATIVE OFFICES
7985 FM 2931
AUBREY, TEXAS**

**TUESDAY
JULY 10, 2018
10:00 AM**

NOTICE OF MEETING AND PUBLIC HEARING

OF THE
BOARD OF DIRECTORS of the

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
at the

**Mustang SUD Administrative Offices
7985 FM 2931
Aubrey, Texas
Tuesday, July 10, 2018**

Public Hearing

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

Notice is hereby given that the Board of Directors of the North Texas Groundwater Conservation District ("District") will hold a show cause hearing and may discuss, consider, and take all necessary action regarding the subject matter of the hearing.

Agenda:

1. Call to Order, declare hearing open to the public, and take roll.
2. Conduct Show Cause hearing under Rule 9.6 on the following for alleged violations of District Rules, discuss, consider, receive testimony, and take appropriate action, including without limitation authorizing the District to initiate a civil lawsuit to enforce compliance with the District Rules, including recovery of civil penalties, costs, and attorney's fees, and all other appropriate legal and equitable relief.
 - A. Hydrous Americas Cable Park, LLC, 75387 Baxtershire Dr., Dallas 75230
3. Adjourn or continue show cause hearing.

Board Meeting

The regular Board Meeting will begin at 10:05 a.m. or upon the adjournment of the above-noticed Public Hearing, whichever is later.

Notice is hereby given that the Board of Directors of the North Texas 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 the minutes from the May 8, 2018, Board meeting.
5. Consider and act upon approval of invoices and reimbursements.
6. Consider and act upon 2017 Audit.
7. Receive reports from the following Committees*:
 - a. Budget and Finance Committee
 - 1) Receive Monthly Financial Information
 - 2) Consider and act upon 2019 Operating Budget and Adopt Rate Schedule
 - b. Groundwater Monitoring and Database Committee
 - c. Management Plan Committee
 - 1) Receive Quarterly Report
8. Consider and act upon a District Vehicle Replacement Policy
9. Consider and act upon opening an account with TexSTAR
10. Update and possible action regarding the process for the development of Desired Future Conditions (DFCs).
11. Consider and act upon compliance and enforcement activities for violations of District rules.
 - a. Hydrous Americas Cable Park, LLC
12. General Manager's Report: The General Manager will update the board on operational, educational and other activities of the District.
13. Receive presentation regarding permanent rules development.
 - a. Consider and act upon action items for rules development
14. Open forum / discussion of new business for future meeting agendas.
15. Adjourn public meeting.

* Reports from District standing committees will include a briefing by each committee for the Board on the activities of the committee, if any, since the last regular Board meeting.

The above agenda schedule represents an estimate of the order for the indicated items and is subject to change at any time.

These public meetings are available to all persons regardless of disability. If you require special assistance to attend the meeting, please call (855) 426-4433 at least 24 hours in advance of the meeting to coordinate any special physical access arrangements.

For questions regarding this notice, please contact Velma Starks at (855) 426-4433, at ntgcd@northtexasgcd.org, or at 5100 Airport Drive, Denison, TX 75020.

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 North Texas 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); deliberation regarding personnel matters (§551.074); deliberation regarding security devices (§551.076); and deliberation regarding cybersecurity (§551.089). Any subject discussed in executive session may be subject to action during an open meeting.

ATTACHMENT 4

**MINUTES OF THE BOARD OF DIRECTORS' BOARD MEETING
NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT**

TUESDAY MAY 8, 2018

**MUSTANG SUD ADMINISTRATIVE OFFICES
7985 FM 2931
AUBREY, TEXAS**

Members Present: Ronny Young, Joe Helmberger, Thomas Smith, David Flusche, Maurice Schwanke, Ron Sellman, Evan Groeschel and Chris Boyd

Members Absent: Allen Knight

Staff: Drew Satterwhite, Paul Sigle, Wayne Parkman, Theda Anderson, Carolyn Bennett, and Velma Starks

Visitors: Kristen Fancher, Fancher Law Firm
James Beach, WSP
Pete Schulmeyer, Collier Consulting
Neal Welch, City of Sanger, Director Public Works
Frank Sudduth

1. Pledge of Allegiance and Invocation

President Ronny Young led the group in the Pledge of Allegiance and provided the invocation.

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

President Young called the meeting to order 10:06 a.m., established a quorum was present, and declared the meeting open to the public.

3. Public Comment

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

4. Consider and act upon approval of the minutes from the March 13, 2018 board meeting

Motion was made by Joe Helmberger to approve the minutes of the March 13, 2018 meeting. The motion was seconded by Maurice Schwanke, and passed unanimously.

5. Consider and act upon approval of invoices and reimbursements

After review and brief discussion Joe Helmberger made the motion to approve Resolution No. 2016-05-10-01. Evan Groeschel seconded the motion. Motion passed unanimously.

6. Receive reports from the following Committees*:

a. Budget and Finance Committee

1) Receive Monthly Financial Information

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

b. Investment Committee

1) Receive Quarterly Investment Report

General Manager Drew Satterwhite reviewed the Quarterly Investment Report with the Board

c. Groundwater Monitoring and Database Committee

General Manager Drew Satterwhite informed the Board that INTERA and the staff are communicating on the database upgrade module by module, next conference call is to be held Wednesday. Roll out of the system is anticipated in two months to allow staff to use the system to determine any necessary remedies that may need to be undertaken and to test the system. Use of the new system is anticipated to start after the fall billing cycle.

d. Management Plan Committee

1) Receive Annual Report

A hard copy and presentation of the Annual Report was provided to the Board at their March meeting for review. Following the March meeting, the draft Annual Report was also posted to the District's website. Joe Helmberger made the motion to accept the Annual Report. Maurice Schwanke seconded the motion. Motion passed unanimously.

2) Receive Quarterly Report

General Drew Satterwhite presented the Quarterly Report to the Board.

7. Consider and act upon authorization to solicit proposals for 2018 audit services.

General Manager Drew Satterwhite presented background information to the Board. In 2013, the Board had instructed the staff to solicit proposals for audit services for the fiscal year ending December 31, 2013 through fiscal year ending December 31, 2017. Some entities consider it a best practice to rotate auditors and/or audit firms every 5 years. Therefore the staff requested the Board's guidance in this matter.

The Board advised the Staff to solicit for proposals, allowing the current firm to submit. If the current firm is ultimately selected, then the Board shall make a discuss in further detail as to whether the Lead Auditor should be changed.

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

Kristen Fancher, Legal Counsel advised the Board that the petition deadline for DFCs was past with no petitions filed.

General Manager Drew Satterwhite informed the Board that the GMA-8 meeting will be held June 27 at 10 a.m. at the Cleburne Conference Center. Ronny Young asked Joe Helmberger to be on standby to attend the GMA-8 meeting in the event he is unable to attend. Mr. Helmberger indicated he would mark his calendar to attend if need be.

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

a. Alpha Omega Water Well Service

The Board assessed a \$100 minor violation fine for failure to timely file well report.

b. Hydrous Americas Cable Park, LLC

Kristen Fancher advised the Board that Show Cause Hearing would be the next step.

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 reported the well registration for March and April to the Board. Lake Kiowa pumping test was completed Tuesday/Wednesday. Good data was obtained and sent to James Beach.

11. Receive presentation regarding permanent rules development.

a. Consider and act upon action items for rules development

Kristen Fancher, Legal Counsel and James Beach, District Hydrogeologist with WSP, discussed the feedback from previous meetings. The Board discussed various topics.

The Board decided that Historic Use District Data could be 2012 through effective date of rules, or TWDB 2010 or 2011 data.

The Board determined that the level of Drought Buffer should be 15% of Historical Use Permit.

If not long term usage, term permit is to be used.

The Board will look at details on how to consider a replacement well with a higher GPM, how historic permit credit or additional permit to be applied.

A rule will need to be added to address the well being drilled within 20 feet of the location stated in the application, to be verified by District field staff.

Management Zones will be used to handle conditions limited to one or more specific areas in the District.

James Beach provided the Board with a draft outline of hydrogeological report guidelines. Hydrogeological report requirements would include: Well Construction, Hydrogeological Setting, Water Quality, Interference Analysis and DFC/MAG Analysis.

12. Open forum/discussion of new business for future meetings

No new business was discussed

13. Adjourn public meeting

President Young declared the meeting adjourned at 11:49 a.m.

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Recording Secretary

Secretary-Treasurer

ATTACHMENT 5

RESOLUTION NO. 2018-07-10-01

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE NORTH TEXAS GROUNDWATER
CONSERVATION DISTRICT AUTHORIZING PAYMENT OF ACCRUED LIABILITIES FOR THE
MONTH OF MAY 2018 & JUNE

The following liabilities are hereby presented for payment:

<u>Administrative Services</u>	<u>Amount</u>
GTUA-May	29,209.84
GTUA-June	24,789.16
<u>Consultant</u>	
WSP USA - Professional Services March 2018	6,396.50
WSP USA - Professional Services April 2018	4,503.00
WSP USA - Professional Services May 2018	4,204.92
<u>Direct Costs</u>	
NexTraq-March 2018 GPS Tracking	39.95
NexTraq-April 2018 GPS Tracking	39.95
NexTraq-May 2018 GPS Tracking	39.95
TCEQ-Public information Request	34.20
USTI- E-billing costs from Jan-May 2018	8.88
<u>Equipment</u>	
USA Bluebook - Parts for spacing tests at Lake Kiowa SUD	7.58
<u>Insurance</u>	
TWCA Risk Management Fund - Policy Renewal 7/1/18-7/1/19	4,073.00
TWCA Risk Management Fund - AL/APD Contrib Surcharge 7/1/18-7/1/19	1,500.00
<u>Legal</u>	
Kristin Fancher PLLC - April 2018 General Services	2,442.00
<u>Legal-Injection Well Monitoring</u>	
Sledge Law - April 2018 Professional Services	3,321.35
<u>Meetings & Conferences</u>	
Mustang SUD-BOD Room Rental July 2018	75.00
<u>Software Maintenance</u>	
Aquaveo-April	500.00
Aquaveo-May	500.00
Intera - Phase 2 of Water Well data management system in development	43,544.53
<u>Well Monitoring</u>	
Statewide Plat Services-February 2018	50.00
Statewide Plat Services-March 2018	56.40
Statewide Plat Services-April 2018	62.80
<u>Well Production Fees</u>	

AGL - Refund, customer credit balance

9,325.11

GRAND TOTAL:

\$ 134,724.12

On motion of _____ and seconded by _____ the foregoing Resolution was passed and approved on this, the 10th day of July, 2018 by the following vote:

AYE:

NAY:

At a meeting of the Board of Directors of the North Texas Groundwater Conservation District.

President

ATTEST:

Secretary/Treasurer

ATTACHMENT 6



AGENDA COMMUNICATION

DATE: July 3, 2018

SUBJECT: AGENDA ITEM NO. 6

CONSIDER AND ACT UPON 2017 AUDIT

ISSUE

2017 Audit

BACKGROUND

Earlier this year, the Board engaged the services of Hankins Eastup Deaton Tonn & Seay to provide the independent audit of the District's accounting records for the 2017 fiscal year. The auditors have advised that they expect to be present at the July meeting to present the audit.

CONSIDERATIONS

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

STAFF RECOMMENDATIONS

The District Staff met with Carl Deaton, Partner, to review the audit and have no concerns about the information contained in the audit.

ATTACHMENTS

2017 Audit

RECOMMENDED BY:

Drew Satterwhite, P.E., General Manager

**NORTH TEXAS GROUNDWATER
CONSERVATION DISTRICT**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

**NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2017
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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977
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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
North Texas Groundwater Conservation District
5100 Airport Drive
Denison, TX 75020

We have audited the accompanying financial statements of the governmental activities and each major fund of North Texas Groundwater Conservation District (the "District"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North Texas Groundwater Conservation District as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Texas Groundwater Conservation District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2018 on our consideration of North Texas Groundwater Conservation District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Texas Groundwater Conservation District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

May 29, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

As management of North Texas Groundwater Conservation District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017. Please read this narrative in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements that begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of North Texas Groundwater Conservation District exceeded its liabilities at the close of the fiscal year by \$1,463,997 (Total Net Position). Of this amount, \$1,457,162 is unrestricted and may be used to meet the District's ongoing obligations and responsibilities to taxpayers and creditors.
- The District's net position increased by \$174,920, from \$1,289,077 in the prior year to \$1,463,997 as of December 31, 2017.
- At December 31, 2017, the District had a \$1,457,162 total fund balance in its General Fund, representing a \$178,730 or 14% increase from the \$1,278,432 fund balance in the previous year. \$628,269 of the fund balance is unassigned, constituting 122% of the \$513,623 in non-debt service General Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis is intended to serve as an introduction to North Texas Groundwater Conservation District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of North Texas Groundwater Conservation District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of District infrastructure in addition to the financial information provided in this report.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

The purpose of the District is to help accomplish the objectives set forth in Article XVI, Section 59 of the Texas Constitution related to the conservation and development of water resources of the State of Texas. With many other governmental entities, the aforementioned government-wide financial statements normally identify and distinguish between either governmental activities supported by general revenues and fees or business-type activities which are typically self-supported by user fees and charges. Both government-wide financial statements consist of one government fund principally supported by groundwater usage fees. The District has no business-type activities.

The governmental-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements: A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Depending upon their reporting needs and requirements, governmental entities utilize three types of funds, including governmental funds, proprietary funds, and fiduciary funds. The North Texas Groundwater Conservation District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Since the District has no legitimate need or requirement to have either proprietary or fiduciary funds, all of its funds are maintained and reported as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains a single governmental fund, its General Fund. The General Fund is used to account for the acquisition and use of the District's spendable financial resources and the related liabilities.

The government fund financial statements can be found on pages 12 and 14 of this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. It can be found in the "Basic Financial Statements" section of this report.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-24 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. Supplementary information follows the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, the North Texas Groundwater Conservation District's assets exceeded liabilities by \$1,463,997.

At December 31, 2017, \$1,535,218 in total assets were recorded. Of that amount, current and other assets (cash, receivables, and prepaid expenses) represented 99.6% and capital assets (vehicle and equipment) constituted 0.4%.

Total liabilities at year end equaled \$71,221, none of which consisted of long-term debt.

Of the \$1,463,997 in total net position, 0.5% or \$6,835 is in capital assets. The District uses these capital assets to carry out its responsibilities and to provide information and services to citizens and the taxpayers which support the District. Capital assets are non-liquid and cannot be used to satisfy District obligations. The unrestricted net position total of \$1,457,162 may be used to meet the District's ongoing obligations and responsibilities.

Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 1,528,383	\$ 1,331,746
Capital assets (net of depreciation)	6,835	10,645
Total Assets	<u>1,535,218</u>	<u>1,342,391</u>
Liabilities:		
Current liabilities	71,221	53,314
Long-term liabilities	-	-
Total Liabilities	<u>71,221</u>	<u>53,314</u>
Net Position:		
Net investment in capital assets	6,835	10,645
Unrestricted	1,457,162	1,278,432
Total Net Position	<u>\$ 1,463,997</u>	<u>\$ 1,289,077</u>

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

Governmental Activities: The following table provides a summary of the District's operations for the years ended December 31, 2017 and 2016.

Changes in Net Position

	<u>2017</u>	<u>2016</u>
Program Revenues:		
Charges for Services	\$ 688,319	\$ 722,388
General Revenues:		
Interest Income	<u>4,034</u>	<u>2,042</u>
Total Revenues	<u>692,353</u>	<u>724,430</u>
Expenditures By Governmental Activity:		
Administration	517,433	442,507
Debt Service - interest	<u>-</u>	<u>(7,518)</u>
Total Expenditures	<u>517,433</u>	<u>434,989</u>
Change in Net Position	174,920	289,441
Net Position – Beginning	<u>1,289,077</u>	<u>999,636</u>
Net Position – Ending	<u>\$ 1,463,997</u>	<u>\$ 1,289,077</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds: The focus of North Texas Groundwater Conservation District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing and budgeting requirements. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

At December 31, 2017, the District has a \$1,457,162 total fund balance. This is 14% higher than the \$1,278,432 prior-year fund balance – primarily due to no debt service loan repayments in 2017. \$825,000 of the fund balance is committed for various purposes identified by the Board and \$628,269 of the fund balance is unassigned.

General Fund Budgetary Highlights: There was one amendment to the originally adopted budget during the year. Actual expenditures for the year ended December 31, 2017 were \$513,623, that being \$76,777 or 13% less than the \$590,400 budgeted for the year. Actual expenditures were under budget primarily due to fewer personnel costs than were budgeted.

Actual revenues for the year were \$692,353 or 89.7% of the budgeted revenues for the year, primarily due to lower than expected groundwater usage fee revenue.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets for its governmental activities as of December 31, 2017 amounted to \$6,835 (net of accumulated depreciation). This represents a \$3,810 decrease from the previous fiscal year. There were no capital asset additions during the year. The following table portrays the District's mix of capital assets at December 31, 2017:

Vehicles	\$ 1,582
Equipment	<u>5,253</u>
	<u>\$ 6,835</u>

Debt Administration: At the end of the year, the District had no long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For fiscal year 2018 the District's latest adopted budget shows total anticipated expenditures of \$552,600, a \$38,977 increase from total actual expenditures of \$513,623 in fiscal year 2017. The majority of the increase is attributable to an expected increase in personnel costs. Rates assessed groundwater users are not expected to increase for fiscal year 2018.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact Drew Satterwhite, General Manager of the District, at 5100 Airport Drive, Denison, TX 75020, (855) 426-4433.

BASIC FINANCIAL STATEMENTS

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 349,845
Investments	1,000,000
Accounts Receivable	155,200
Other Receivables	19,445
Prepaid Expenses	3,893
Total Current Assets	<u>1,528,383</u>
Capital Assets:	
Vehicle and Equipment, net	6,835
Total Capital Assets	<u>6,835</u>
Total Assets	<u>1,535,218</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	47,421
Well Driller Deposits	23,800
Total Current Liabilities	<u>71,221</u>
Total Liabilities	<u>71,221</u>
<u>Net Position</u>	
Net Investment in Capital Assets	6,835
Unrestricted Unreserved	<u>1,457,162</u>
Total Net Position	<u>\$ 1,463,997</u>

The accompanying notes are an integral part of this statement.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
Governmental activities				
Administration	\$ 517,433	\$ 688,319	\$ -	\$ 170,886
Total Government Activities	517,433	688,319	-	170,886
Total Primary Government	\$ 517,433	\$ 688,319	\$ -	170,886
		General Revenues:		
		Interest income		4,034
		Total General Revenues		4,034
		Change in Net Position		174,920
		Net Position – beginning of year		1,289,077
		Net Position – end of year		\$ 1,463,997

The accompanying notes are an integral part of this statement.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**BALANCE SHEET
DECEMBER 31, 2017**

	<u>General Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 349,845
Investments	1,000,000
Accounts Receivable	155,200
Other Receivables	19,445
Prepaid Costs	3,893
Total Current Assets	<u>1,528,383</u>
 Total Assets	 <u>\$ 1,528,383</u>
 <u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	\$ 47,421
Well Driller Deposits	23,800
Total Current Liabilities	<u>71,221</u>
 Total Liabilities	 <u>71,221</u>
 Fund Balance:	
Nonspendable Fund Balance:	
Prepaid Costs	3,893
Committed Fund Balance	825,000
Unassigned Fund Balance	628,269
Total Fund Balances	<u>1,457,162</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,528,383</u>

The accompanying notes are an integral part of this statement.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total fund balance – governmental fund	\$ 1,457,162
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the governmental fund balance sheet.	<u>6,835</u>
Total net position - governmental activities	<u>\$ 1,463,997</u>

The accompanying notes are an integral part of this statement.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General Fund</u>
Revenues:	
Groundwater Usage Fees	\$ 646,099
Well Registration Fees	23,600
Well Driller Deposit Forfeitures	9,030
GMA8 Fees	1,849
Interest Earned	4,034
Penalties and Late Charges	7,741
Total Revenues	<u>692,353</u>
Expenditures:	
Administrative - General Manager	51,288
Administrative - Secretarial & Clerical	54,112
Administrative - Project Coordinator	20,292
Field Technicians	108,930
Field Permitting/Geologist	11,692
Consultants	94,660
Accounting and Auditing	26,486
Legal	73,209
Software Maintenance	39,611
Direct Costs Reimbursed	5,263
Insurance	4,478
Vehicle Costs	4,815
Office Rent	2,400
Telephone	2,073
GMA8 Costs	4,417
Legal Notices	2,003
Dues and Subscriptions	2,141
Meetings and Conferences	3,598
Injection Well Monitoring	634
Small Equipment	1,496
Bank Fees	25
Total Expenditures	<u>513,623</u>
Excess of revenues over expenditures and net change in fund balance	 178,730
Fund balance at beginning of year	 <u>1,278,432</u>
Fund balance at end of year	 <u><u>\$ 1,457,162</u></u>

The accompanying notes are an integral part of this statement.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

Net change in fund balance – total governmental fund	\$ 178,730
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense on capital assets is reported in the statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	<u>(3,810)</u>
Change in net position of governmental activities	<u>\$ 174,920</u>

The accompanying notes are an integral part of this statement.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance Positive/ (Negative)
	Original	Final		
Revenues:				
Groundwater Usage Fees	\$ 746,000	\$ 746,000	\$ 646,099	\$ (99,901)
Well Registration Fees	10,000	10,000	23,600	13,600
Well Driller Deposit Forfeitures	-	-	9,030	9,030
GMA8 Fees	10,000	10,000	1,849	(8,151)
Interest Earned	1,000	1,000	4,034	3,034
Penalties and Late Charges	4,500	4,500	7,741	3,241
Total Revenues	771,500	771,500	692,353	(79,147)
Expenditures:				
Administrative - General Manager	50,000	50,000	51,288	(1,288)
Administrative - Secretarial & Clerical	68,000	68,000	54,112	13,888
Administrative - Project Coordinator	8,500	8,500	20,292	(11,792)
Field Technicians	120,000	120,000	108,930	11,070
Consultants	95,000	95,000	94,660	340
Field Permitting/Geologist	70,000	70,000	11,692	58,308
Accounting and Auditing	25,400	25,400	26,486	(1,086)
Legal	80,000	85,000	73,209	11,791
Software Maintenance	30,000	30,000	39,611	(9,611)
Direct Costs Reimbursed	4,000	4,000	5,263	(1,263)
Insurance	5,000	5,000	4,478	522
Vehicle Costs	5,400	5,400	4,815	585
Office Rent	2,400	2,400	2,400	-
Telephone	2,000	2,000	2,073	(73)
GMA8 Costs	11,000	11,000	4,417	6,583
Legal Notices	1,000	1,000	2,003	(1,003)
Dues and Subscriptions	2,000	2,000	2,141	(141)
Meetings and Conferences	3,000	3,000	3,598	(598)
Injection Well Monitoring	700	700	634	66
Small Equipment	2,000	2,000	1,496	504
Bank Fees	-	-	25	(25)
Total Expenditures	585,400	590,400	513,623	76,777
Excess of revenues over expenditures and net change in fund balance	186,100	181,100	178,730	(2,370)
Fund balance at beginning of year	1,278,432	1,278,432	1,278,432	-
Fund balance at end of year	\$ 1,464,532	\$ 1,459,532	\$ 1,457,162	\$ (2,370)

The accompanying notes are an integral part of this statement.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision not to include a potential component unit in the reporting entity was made by applying the criterion set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units have been included in this report. The District has no ability to exercise influence or control any other government unit's operations, budgets, or funding.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – continued

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. The District has no proprietary activities, or non-major funds.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental fund:

General Fund

The General Fund is the main operating fund of the District. This is a budgeted fund and is used to account for the acquisition and use of the District's expendable financial resources and the related liabilities. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting – continued

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Assessments are recognized under the susceptible to accrual concept. Interest income is recorded as earned, since it is measurable and available.

Budgetary Data

The District uses the following procedures in establishing the budget reflected in the general purpose financial statements:

1. Prior to the beginning of each fiscal year, the Board of Directors is presented with a proposed budget for the year beginning on the following January 1. The budget includes proposed expenditures and the means of financing them. The budget is legally enacted through passage of a resolution.
2. Public hearings are conducted to obtain citizen's comments.
3. An annual budget is legally adopted for the General Fund. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
4. Revisions to the budget that alter General Fund expenditures must be approved by the Board of Directors. The fund level is the legal level of budgetary control. Appropriations lapse at year-end.
5. Original budgeted amounts presented in the budgetary comparison schedule are as originally adopted by the Board of Directors. The final amended budget is as amended by the Board during the year.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which can include land, buildings, vehicles, furniture and equipment, are reported in government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. The District's capital assets at December 31, 2017 consist of a vehicle and equipment that are being depreciated over a 7 year estimated useful life.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value or cost, if maturities are one year or less. Fair value is determined as the price at which two willing parties would complete an exchange.

Fund Balance

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District had no restricted fund balances at December 31, 2017.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2017

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Directors. The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District had \$825,000 of fund balances at December 31, 2017 committed for the following purposes: geodatabase upgrades, permanent well monitoring equipment, downhole well camera, well pulling program, legal, well plugging program and monitoring well maintenance/closure funds.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board delegating this responsibility to other individuals in the District. The District had no assigned fund balances at December 31, 2017.
- **Unassigned:** This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund. The District has adopted a fund balance policy that expresses an intent to maintain a level of unassigned fund balance equal to a minimum of 33% of total general fund expenditures.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

The District's funds are deposited and invested in Independent Bank, McKinney, TX. The bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At December 31, 2017, the carrying amount of the District's deposits in checking accounts and interest-bearing accounts was \$349,845 and the bank balance was \$349,845. The District's cash deposits at December 31, 2017 were entirely covered by FDIC insurance or pledged collateral.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2017

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) mutual funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2017, the District's cash balances totaled \$349,845. The District's deposits were not exposed to custodial credit risk at December 31, 2017.
- b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2017, the District was not exposed to custodial credit risk.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The District was not exposed to credit risk at December 31, 2017.
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk at December 31, 2017.
- e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At December 31, 2017, the District was not exposed to foreign currency risk.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2017

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At December 31, 2017, the District held 100% of its investments in certificates of deposit at Landmark Bank.

The District's investments at December 31, 2017, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 1,000,000	\$ 1,000,000
Total	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investment at December 31, 2017 were valued using Level 2 input measurements.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2017</u>
Governmental activities:				
Vehicle	\$ 16,624	\$ -	\$ -	\$ 16,624
Equipment	<u>10,042</u>	<u>-</u>	<u>-</u>	<u>10,042</u>
Totals at Historical Cost	<u>26,666</u>	<u>-</u>	<u>-</u>	<u>26,666</u>
Less accumulated depreciation:				
Vehicle	(12,667)	(2,375)	-	(15,042)
Equipment	<u>(3,354)</u>	<u>(1,435)</u>	<u>-</u>	<u>(4,789)</u>
Total accumulated depreciation	<u>(16,021)</u>	<u>(3,810)</u>	<u>-</u>	<u>(19,831)</u>
Governmental activities capital assets, net	<u>\$ 10,645</u>	<u>\$ (3,810)</u>	<u>\$ -</u>	<u>\$ 6,835</u>

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2017**

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three years.

NOTE 5 – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 6 – SUBSEQUENT EVENTS

Management has reviewed events subsequent to December 31, 2017 through May 29, 2018, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

OTHER SUPPLEMENTARY INFORMATION

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**COMPARATIVE BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and Cash Equivalents	\$ 349,845	\$ 1,152,637
Investments	1,000,000	-
Accounts Receivable	155,200	127,970
Other Receivables	19,445	46,573
Prepaid Costs	3,893	4,566
Total Assets	<u>\$ 1,528,383</u>	<u>\$ 1,331,746</u>
Liabilities and Fund Balance:		
Liabilities:		
Accounts Payable	\$ 47,421	\$ 25,783
Well Driller Deposits	23,800	27,531
Total Liabilities	<u>71,221</u>	<u>53,314</u>
Fund Balance:		
Nonspendable Fund Balance:		
Prepaid Costs	3,893	4,566
Committed Fund Balance	825,000	825,000
Unassigned Fund Balance	628,269	448,866
Total Fund Balance	<u>1,457,162</u>	<u>1,278,432</u>
Total Liabilities and Fund Balance	<u>\$ 1,528,383</u>	<u>\$ 1,331,746</u>

See accompanying auditors' report.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Revenues:		
Groundwater Usage Fees	\$ 646,099	\$ 625,978
Well Registration Fees	23,600	20,400
Well Driller Deposit Forfeitures	9,030	2,200
GMA8 Fees	1,849	51,043
Interest Earned	4,034	2,042
Penalties and Late Charges	7,741	22,767
Total Revenues	<u>692,353</u>	<u>724,430</u>
Expenditures:		
Administrative - General Manager	51,288	45,028
Administrative - Secretarial & Clerical	54,112	59,232
Administrative - Project Coordinator	20,292	13,618
Field Technicians	108,930	108,794
Consultants	94,660	29,013
Field Permitting/Geologist	11,692	-
Accounting and Auditing	26,486	31,546
Legal	73,209	60,236
Software Maintenance	39,611	7,934
Direct Costs Reimbursed	5,263	3,874
Insurance	4,478	3,724
Vehicle Costs	4,815	5,685
Office Rent	2,400	2,400
Telephone	2,073	1,913
GMA8 Costs	4,417	57,850
Legal Notices	2,003	1,303
Dues and Subscriptions	2,141	1,608
Meetings and Conferences	3,598	3,220
Injection Well Monitoring	634	626
Small Equipment	1,496	1,093
Bank Fees	25	-
Debt Service	-	300,000
Total Expenditures	<u>513,623</u>	<u>738,697</u>
Excess (deficit) of revenues over expenditures and net change in fund balance	178,730	(14,267)
Fund balance at beginning of year	<u>1,278,432</u>	<u>1,292,699</u>
Fund balance at end of year	<u>\$ 1,457,162</u>	<u>\$ 1,278,432</u>

See accompanying auditors' report.

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AMERICAN INSTITUTE OF
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CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
North Texas Groundwater Conservation District
Denison, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of North Texas Groundwater Conservation District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise North Texas Groundwater Conservation District's basic financial statements, and have issued our report dated May 29, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

May 29, 2018

ATTACHMENT 7 A-1

Balance Sheet

For General Fund (00)

June 30, 2018

Assets

00-01-10001	Checking Account	624,708.10
00-01-10005	Index Account	205,853.74
00-01-10010	Investments	500,000.00
00-01-10025	Accounts Receivable	25,781.45
00-01-10048	A/R Strittmatter Irrigation	14,000.00
00-01-10050	A/R 440 Ranch	1,500.00
00-01-10051	A/R Hydrous American Cable	1,000.00
00-01-10052	A/R Alpha Omega	100.00
00-01-12001	PP Expense	4,073.00
	Total	<u>1,377,016.29</u>
	Total Assets	<u>\$ 1,377,016.29</u>

Liabilities and Fund Balance

00-01-23100	Accounts Payable	5,588.00
00-01-23150	Well Drillers Deposits	31,900.00
	Total	<u>37,488.00</u>
	Total Liabilities	<u>37,488.00</u>
00-01-35100	Fund Balance	1,292,708.63
00-01-35110	Current Year Excess of Revenue over Expenses	163,166.99
	Total	<u>1,455,875.62</u>
	Excess of Revenue Over Expenditures	(116,347.33)
	Total Fund Balances	<u>1,339,528.29</u>
	Total Liabilities and Fund Balances	<u>\$ 1,377,016.29</u>

North Texas Groundwater Conservation District
Statement of Revenue and Expenditures

Revised Budget
For General Fund (00)
For the Fiscal Period 2018-6 Ending June 30, 2018

Account Number	Current Budget	Current Actual	Annual Budget	YTD Actual	Remaining Budget %
Revenues					
00-01-46001 Well Production Fees	\$ 174,500.00	\$ 0.00	\$ 698,000.00	\$ 127,944.53	81.67%
00-01-46003 Well Registration Fees	1,500.00	600.00	18,000.00	8,500.00	52.78%
00-01-46005 Well Drillers Fees	0.00	1,300.00	0.00	1,300.00	0.00%
00-01-46006 Out of District Fees	0.00	0.00	0.00	0.00	0.00%
00-01-46010 GMA8 Fees	5,000.00	0.00	10,000.00	0.00	100.00%
00-01-46015 Late Fees	0.00	0.00	0.00	3,613.50	0.00%
00-01-46016 Penalty and Fines	0.00	0.00	0.00	1,100.00	0.00%
00-01-46100 Interest Inc	0.00	0.00	1,500.00	1,575.89	(5.06%)
Total General Fund Revenues	\$ 181,000.00	\$ 1,900.00	\$ 727,500.00	\$ 144,033.92	80.20%
Expenditures					
00-01-77011 Admin-Operations	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00%
00-01-77012 Admin-Mileage	208.33	112.87	2,500.00	1,104.59	55.82%
00-01-77013 Admin-Secretarial	2,500.00	1,645.00	30,000.00	5,831.00	80.56%
00-01-77014 Admin-Project Coordinator	1,250.00	864.00	15,000.00	10,868.00	27.55%
00-01-77015 Admin-GM	4,583.33	4,048.00	55,000.00	28,704.00	47.81%
00-01-77016 Admin-Clerical	2,750.00	3,162.00	33,000.00	16,800.00	49.09%
00-01-77025 Accounting	2,083.33	951.00	25,000.00	11,311.50	54.75%
00-01-77027 Auditing	0.00	0.00	5,500.00	0.00	100.00%
00-01-77030 Advertising	83.33	0.00	1,000.00	0.00	100.00%
00-01-77050 Banking Fees	0.00	0.00	0.00	10.00	0.00%
00-01-77100 Consulting Services	0.00	0.00	0.00	0.00	0.00%
00-01-77150 Consulting- Hydrogeo	7,083.33	0.00	85,000.00	26,399.51	68.94%
00-01-77175 Consulting - Model Runs	0.00	0.00	0.00	0.00	0.00%
00-01-77325 Direct Cost	333.33	83.15	4,000.00	2,051.71	48.71%
00-01-77450 Dues & Subscription	166.67	0.00	2,000.00	411.33	79.43%
00-01-77480 Equipment	0.00	0.00	2,000.00	363.23	81.84%
00-01-77500 Fees-GMA8	916.67	225.00	11,000.00	225.00	97.95%
00-01-77550 Field Tech	10,416.67	8,526.00	125,000.00	54,443.50	56.45%
00-01-77560 Field Permitting/Geologist	5,833.33	3,663.00	70,000.00	19,758.00	71.77%
00-01-77650 Fuel/Maintenance	250.00	162.83	3,000.00	1,781.25	40.63%
00-01-77800 Injection Well Monitoring	58.33	0.00	700.00	219.20	68.69%
00-01-77810 Insurance	0.00	(4,085.00)	4,000.00	733.00	81.68%
00-01-77855 Internet Fees-CDM	0.00	0.00	0.00	0.00	0.00%
00-01-77970 Legal	4,166.67	2,442.00	50,000.00	20,686.00	58.63%
00-01-77975 Legal-Injection	833.33	3,321.35	10,000.00	5,370.70	46.29%
00-01-77980 Legal-Legislation	0.00	0.00	0.00	0.00	0.00%
00-01-78010 Meetings & Conferences	375.00	1,143.09	4,500.00	2,538.09	43.60%
00-01-78310 Rent	200.00	200.00	2,400.00	1,394.01	41.92%
00-01-78600 Software Maint	833.33	44,044.53	10,000.00	48,407.32	(384.07%)
00-01-78610 Telephone	166.67	194.02	2,000.00	970.31	51.48%
00-01-78775 Water Quality Issues	0.00	0.00	0.00	0.00	0.00%
Total General Fund Expenditures	\$ 45,091.65	\$ 70,702.84	\$ 552,600.00	\$ 260,381.25	52.88%
General Fund Excess of Revenues Over Expenditures	\$ 135,908.35	\$ (68,802.84)	\$ 174,900.00	\$ (116,347.33)	

ATTACHMENT 7 A-2



AGENDA COMMUNICATION

DATE: July 2, 2018

SUBJECT: AGENDA ITEM NO. 7 A-2

CONSIDER AND ACT UPON 2019 OPERATING BUDGET AND ADOPT RATE SCHEDULE

ISSUE

2019 operating budget and rate schedule

BACKGROUND

In the past, the Board of Directors of the North Texas Groundwater Conservation District ("District") has established the practice of trying to adopt a budget and rate schedule well ahead of the fiscal year. 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 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 2019 budget was presented to the Budget Committee on July 3, 2018 and their comments have been incorporated into the attached draft budget. A draft fee schedule is also attached.

STAFF RECOMMENDATIONS

The staff requests direction from the Board on the adoption of the 2019 Budget and Fee Schedule.

ATTACHMENTS

2019 Draft Budget
2019 Draft Fee Schedule
Resolutions

PREPARED AND SUBMITTED BY:

Drew Satterwhite, P.E., General Manager

Attachment "A"
NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT
BUDGET 2019

	Actual 2016	Actual 2017	Approved 2018	As of 6/30/2018	Projected 12/31/2018	Proposed 2019
Ordinary Income/Expense						
Income						
46003 GMA8	51,043	(900)	10,000	127,944.53	10,000.00	20,000
*46001 PRODUCTION FEES	675,676	624,058	698,000	1,300.00	511,778.12	686,000
46005 Drillers Fees	2,200	831		8,500.00	17,000.00	20,000
46006 WELL REG FEES	20,400	23,600	18,000	1,100.00	1,100.00	
46016 Penalty & Fines	15,250	2,600	1,500	1,575.89	3,000.00	3,000
46100 Interest	2,033	4,034		3,613.50	3,613.50	
46015 LATE FEES	5,852	5,141	727,500	144,033.92	547,791.62	729,000
Total Income	772,455	659,364				
Expense						
77012 ADMIN MILEAGE	2,174	1,975	2,500	1,404.59	2,809.18	3,000
77013 ADMIN-SECRETARIAL	26,880	22,393	30,000	5,831.00	11,662.00	25,000
77014 ADMIN-PROJECT COORD	13,618	20,292	15,000	10,868.00	21,736.00	20,000
77015 ADMIN-GM	45,028	51,288	55,000	28,704.00	57,408.00	60,000
77016 ADMIN-CLERICAL	32,352	32,864	33,000	16,800.00	33,600.00	34,000
77030 ADS-LEGAL	1,303	2,003	1,000			2,000
77025 ACCOUNTING	26,247	20,190	25,000	11,311.50	22,623.00	25,000
77027 AUDITING	5,300	5,400	5,500			5,500
77050 BANKING FEES	30			10.00	20.00	
77150 CONSULTING-HYDROGEO	45,687	94,660	85,000	26,399.51	52,799.02	60,000
77550 CONTRACT FIELD TECH	108,794	108,931	125,000	54,443.50	108,887.00	125,000
77560 CONTRACT PERMITTING/GEOLOGIST		11,692	70,000	19,758.00	39,516.00	70,000
77325 DIRECT COSTS-REIMB	3,234	5,263	4,000	2,051.71	4,103.42	4,200
77450 DUES & SUBSCRIPTION	2,072	3,079	2,000	411.33	822.66	3,000
77480 EQUIPMENT	1,093	1,496	2,000	363.23	726.46	10,000
77465 EQUIPMENT-DATABASE				43,544.53	87,089.06	14,000
77500 FEES-GMA8	41,326	3,399	11,000	225.00	450.00	22,000
77650 FUEL/MAINTENANCE	3,511	2,792	3,000	1,781.26	3,562.50	3,500
77800 Inject Well Monitoring	626	684	700	219.20	438.40	700
77810 INSURANCE & BONDING	3,812	4,968	4,000	1,233.00	2,466.00	4,622
77970 LEGAL	51,871	36,748	50,000	20,686.00	41,372.00	50,000
77980 LEGAL-LEGISLATION		15,000				15,000
77975 LEGAL-INJECTION	8,265	17,526	10,000	5,370.70	10,741.40	15,000
78010 MEETINGS & CONFERENCES	3,457	3,598	4,500	2,538.09	5,076.18	6,500
78310 RENT	2,400	2,400	2,400	1,200.00	2,400.00	2,400
78600 SOFTWARE MAINT	7,894	39,845	10,000	4,862.79	9,725.58	1,000
78810 TELEPHONE	1,913	2,073	2,000	1,164.32	2,328.65	2,400
78780 WELL MONITORING/TESTING						4,500
Total Expense	738,986	510,358	552,600	261,181.25	522,362.51	688,322
Net to Fund Balance	33,469	149,006	174,900			140,678

* Designating \$5,000 for Truck Purchase (1/2)



Draft 2019 Fee Schedule

Well Registration Fee****	\$100
Well Driller Log Deposit Fee***	\$100 (refundable if log submitted within 60 days)
Agricultural Water Use Fee**	\$1 per acre-foot
Non-Exempt Water use Fee**	\$0.10 per 1,000 gallons
Failure to Pay Water Use Fee within 30-days*	15%
Failure to Pay Water Use Fee within 60-days*	Major Violation – See Appendix A of the Temporary Rules for schedule of Violations

* Adopted on August 12, 2014 in Temporary Rules

** Adopted on July 14, 2015 by Resolution No. 2015-07-14-2

*** Adopted on January 10, 2012 by Resolution No. 2012-01-10-3

**** Adopted on February 12, 2013 by Resolution No. 2013-02-12-2

RESOLUTION 2018-07-10-02

ADOPTING A BUDGET FOR 2019

THE STATE OF TEXAS

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

Whereas, North Texas Groundwater Conservation District (the "District") was created as a groundwater conservation district by the 81st Texas Legislature under the authority of Section 59, Article XVI, of the Texas Constitution, and in accordance with Chapter 36 of the Texas Water Code by the Act of May 19, 2009, 81st Leg., R.S., ch. 248, 2009 Tex. Gen. Laws 686, codified at TEX. SPEC. DIST. LOC. LAWS CODE ANN. ch. 8856 ("the District Act");

Whereas, the District's Board of Directors ("Board") has considered the anticipated activities of the District for January 1, 2019 through December 31, 2019, all anticipated expenses and revenues, and has reviewed the proposed budget prepared by the District's Budget & Finance Committee;

Whereas, pursuant to §36.154 of the Texas Water Code, the District has developed 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 proposal budget, and the estimated fee revenues that will be required; and

Whereas, the Board finds that the adoption of the attached budget is merited to support the District's activities and related expenses from January 1, 2019 through December 31, 2019, 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 NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT AS FOLLOW:

- (1) The above recitals are true and correct.
- (2) The Board of Directors of the North Texas Groundwater Conservation District hereby adopts an operating budget for January 1, 2019, to December 31, 2019, as provided in the budget appended hereto as "Attachment A", which is incorporated herein by reference and 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.

PASSED AND ADOPTED on this 10th day of July, 2018.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

By: _____
President

SEAL

Secretary

RESOLUTION NO. 2018-07-10-3

**RESOLUTION TO ESTABLISH 2019 WATER USE FEE RATES
FOR THE NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT**

THE STATE OF TEXAS

§
§
§

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

WHEREAS, the North Texas 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 19, 2009, 81st Leg., R.S., ch. 248, 2009 Tex. Gen. Laws 686 codified at Chapter 8856 of the Texas Special District Local Laws Code (the "District Act");

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

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

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

WHEREAS, despite having authority to assess a production fee not to exceed 30 cents per each one thousand gallons of groundwater used annually for nonagricultural purposes, the Board determines that the production fee of \$0.10 cents per each one thousand gallons of groundwater used annually for nonagricultural purposes represents an appropriate, fiscally conservative fee that adequately addresses anticipated budgeting and revenue considerations for the District;

WHEREAS, in accordance with the District Act, the Board determines it necessary and appropriate to keep the production fee of \$1.00 per acre-foot used annually for agricultural purposes, which is the same as that set by the Board for the previous year;

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

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

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

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

- (1) Each of the above recitals are true and correct.
- (2) The Board of Directors of the North Texas Groundwater Conservation District hereby sets a water use fee rate for groundwater production for calendar year 2019 of Ten cents per each one thousand gallons (\$0.10/ 1,000 gallons) of groundwater produced annually for nonagricultural purposes, which includes all nonexempt commercial, municipal, industrial, manufacturing, public water supply, oil and gas, and other nonagricultural users within the District that are not exempt from the water use fee payment requirements set forth in the temporary rules adopted by the District. Such rate will be effective and assessed to groundwater production that occurs during 2019 (January 1, 2019 through December 31, 2019).
- (3) The Board of Directors of the North Texas Groundwater Conservation District hereby sets a water use fee rate for groundwater production for calendar year 2019 of one dollar per acre-foot (\$1.00 / acre-foot) of groundwater used annually for agricultural purposes. Such rate will be effective during 2019 (January 1, 2019 through December 31, 2019).
- (4) The Board of Directors, its officers, and the District staff are further authorized to take any and all actions necessary to implement this resolution.

AND IT IS SO ORDERED.

PASSED AND ADOPTED on this 10th day of July, 2018.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT

By: _____
Board President

ATTEST:

Board Secretary-Treasurer

ATTACHMENT 7 C-1

NTG NORTH TEXAS GCD GROUNDWATER CONSERVATION DISTRICT

COLLIN COUNTY - COOKE COUNTY - DENTON COUNTY

General Manager's Quarterly Report

Date: July 2, 2018

North Texas GCD Management Plan

This quarterly briefing is being provided pursuant to the adopted Management Plan for the quarter ending June 30, 2018.

Well Registration Program:

Current number of wells registered in the District: 2,186

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

Well Inspection/Audit Program:

**2018
Well Inspections**

Month	Collin	Cooke	Denton	Total
January	0	0	28	28
February	21	7	2	30
March	6	7	45	58
April	6	32	41	79
May	19	6	31	56
June	5	24	72	101
July				
August				
September				
October				
November				
December				
Total	57	76	219	352

ATTACHMENT 8



AGENDA COMMUNICATION

DATE: July 5, 2018

SUBJECT: AGENDA ITEM NO. 8

CONSIDER AND ACT UPON A DISTRICT VEHICLE REPLACEMENT POLICY

ISSUE

Adoption of a policy to provide future direction on replacement of District Vehicles

BACKGROUND

The District has one vehicle which is a 2011 Ford F-150 with 58,000 miles. During the budget discussions with the budget committee, the committee directed staff to put together a draft policy for the Board to consider at upcoming meeting.

Attached is a draft policy that was written per committee direction. The recommended schedule in the attached policy for replacement is 4 years or 75,000 miles, whichever is sooner.

CONSIDERATIONS

The District's Field Technicians are the primary drivers of the vehicle. They typically travel alone and sometimes to relatively remote locations.

STAFF RECOMMENDATIONS

The staff requests direction from the Board on this matter.

ATTACHMENTS

Draft Policy

PREPARED AND SUBMITTED BY:

Drew Satterwhite, P.E., General Manager

Exhibit "A"

**North Texas Groundwater Conservation District
Policy Relating to Replacement of District Vehicles**

1. When a District vehicle reaches 75,000 miles or 4 years-old, whichever is sooner, the District staff shall initiate efforts to seek prices on a new vehicle.
2. The District staff shall proceed to obtain proposals for a replacement vehicle.
3. The District staff shall present the proposals to the Board of Directors for authorization to purchase.

ATTACHMENT 9



AGENDA COMMUNICATION

DATE: July 5, 2018

SUBJECT: AGENDA ITEM NO. 9

CONSIDER AND ACT UPON OPENING AN ACCOUNT WITH TEXSTAR

ISSUE

The District currently uses a combination of a checking account, savings/index account and CDs to hold funds.

BACKGROUND

Upon creation of the District, one of the first action items was to open checking and savings/index accounts with Independent Bank. As the District began to accrue an operating reserve or fund balance, the District began investing in CDs as a means to earn more interest. As the Board is aware, interest rates have been rising which prompted the Staff to look into other options in addition to what we already have available.

The staff has identified TexSTAR as a potential option to utilize as a savings/index account. An information statement on TexSTAR is attached to this memorandum. TexSTAR is a local government investment pool which was organized to comply with the Interlocal Cooperation Act and the Public Funds Investment Act of the Texas Government Code.

OPTIONS/ALTERNATIVES

The District has the option to continue with our current account variety. The District can also explore other pool accounts as well as solicit for banking proposals.

CONSIDERATIONS

The current interest rate on our Checking and Savings are 0.15% and 0.30%, respectively. TexSTAR varies with current market, but currently has a 1.92% rate. TexSTAR is considered liquid as we are able to move money on a daily basis with no penalty.

The District staff has a working history with several local government investment pools and believes TexSTAR ranks near the top in regards to ease of use.

This information was also presented to the budget committee on July 3, 2018 which ultimately recommended bringing this matter to the Board for consideration.

STAFF RECOMMENDATIONS

The staff recommends authorizing the opening of an account with TexSTAR.

ATTACHMENTS

TexSTAR Application

TexSTAR Information Statement

SUBMITTED BY:

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

Drew Satterwhite, P.E., General Manager



APPLICATION FOR PARTICIPATION IN TEXSTAR

The undersigned local government (Applicant) applies and agrees to become a Participant in the Texas Short Term Asset Reserve Program (TEXSTAR).

- 1. Authorization.** The governing body of Applicant has duly authorized this application by adopting the following resolution at a meeting of such governing body duly called, noticed, and held in accordance with the Texas Open Meeting Law, chapter 551, Texas Government Code, on July 10, 2018:

WHEREAS, it is in the best interests of this governmental unit ("Applicant") to invest its funds jointly with other Texas local governments in the Texas Short Term Asset Reserve Program (TEXSTAR) in order better to preserve and safeguard the principal and liquidity of such funds and to earn an acceptable yield; and

WHEREAS, Applicant is authorized to invest its public funds and funds under its control in TEXSTAR and to enter into the participation agreement authorized herein;

NOW, THEREFORE, BE IT RESOLVED THAT:

SECTION 1. The form of application for participation in TEXSTAR attached to this resolution is approved. The officers of Applicant specified in the application are authorized to execute and submit the application, to open accounts, to deposit and withdraw funds, to agree to the terms for use of the website for online transactions, to designate other authorized representatives, and to take all other action required or permitted by Applicant under the Agreement created by the application, all in the name and on behalf of Applicant.

SECTION 2. This resolution will continue in full force and effect until amended or revoked by Applicant and written notice of the amendment or revocation is delivered to the TEXSTAR Board.

SECTION 3. Terms used in this resolution have the meanings given to them by the application."

- 2. Agreement.** Applicant agrees with other TexSTAR Participants and the TexSTAR Board to the Terms and Conditions of Participation in TEXSTAR, effective on this date, which are incorporated herein by reference. Applicant makes the representations, designations, delegations, and representations described in the Terms and Conditions of Participation.

- 3. Taxpayer Identification Number.** Applicant's taxpayer identification number is 30-0593873

- 4. Contact Information.**
Applicant primary mailing address: P O Box 508, Gainesville, Tx 76241
Applicant physical address (if different): 5100 Airport Dr, Denison Tx 75020
Applicant main phone number: (903) 786-3501
Applicants main fax number: (903) 786-8211

- 5. Authorized Representatives.** Each of the following Participant officials is designated as Participant's Authorized Representative authorized to give notices and instructions to the Board in accordance with the Agreement, the Bylaws, the Investment Policy, and the Operating Procedures:

1. Name: Drew Satterwhite Title: General Manager
Signature: _____ Phone: (903) 786-3501
Email: d.satterwhite@northtexasgcd.org

2. Name: Debi Atkins Title: Finance Officer
 Signature: _____ Phone: (903) 786-3501
 Email: debia@gtua.org

3. Name: Allen Knight Title: Secretary-Treasurer
 Signature: _____ Phone: (214) 212-9308
 Email: aknight@northcollinsud.com

4. Name: _____ Title: _____
 Signature: _____ Phone: _____
 Email: _____

{REQUIRED} PRIMARY CONTACT: List the name of the Authorized Representative listed above that will be designated as the Primary Contact and will receive all TexSTAR correspondence including transaction confirmations and monthly statements

Name: Debi Atkins, Finance Officer

{OPTIONAL} INQUIRY ONLY CONTACT: In addition, the following additional Participant representative (not listed above) is designated as an *Inquiry Only* Representative authorized to obtain account information:

Name: _____ Title: _____
 Signature: _____ Phone: _____
 Email: _____

Applicant may designate other authorized representatives by written instrument signed by an existing Applicant Authorized Representative or Applicant's chief executive officer.

DATED 7/10/18

REQUIRED
PLACE OFFICIAL SEAL OF ENTITY HERE

North Texas Groundwater Conservation District
 (NAME OF ENTITY/APPLICANT)

SIGNED BY:

 (Signature of official)
Ronnie Young, President
 (Printed name and title)

ATTESTED BY:

 (Signature of official)
Thomas Smith, Vice-President
 (Printed name and title)

FOR INTERNAL USE ONLY
 APPROVED AND ACCEPTED: TEXAS SHORT TERM ASSET RESERVE FUND

.....
 AUTHORIZED SIGNER V082011



**INFORMATION
STATEMENT
(CASH RESERVE FUND)**

**The Premier Investment Service for Texas
Local Governments**

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No person or entity has been authorized to provide or communicate any information or to make any representations other than those contained in this Information Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by TEXSTAR, its Board of Directors, the program administrators or any agent of the foregoing. The attachments are part of this Information Statement. The information contained in this document is subject to change without prior notice.

The TexSTAR Information Statement should be read carefully before investing. Investors should consider the investment objectives, risks, charges and expenses associated with this or any security prior to investing. Investments in TexSTAR are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and although TexSTAR seeks to preserve the value of the investment at a fixed price, it is possible to lose money by investing in the fund. For further information, contact TexSTAR Participant Services at (800) 839-7827.

TexSTAR is distributed by Hilltop Securities Inc., a registered broker dealer, member FINRA/SIPC. If you have any questions regarding this material, please contact:

TEXSTAR Participant Services
c/o Hilltop Securities Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
www.texstar.org

1-800-TEXSTAR (1-800-839-7827) • (214) 953-8890 • Fax (214) 953-8878
Email: texstar@hilltopsecurities.com

Organization and Structure

Texas Short Term Asset Reserve Program (“*TEXSTAR*”) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the “*PFIA*”). These two acts provide for the creation of public funds investment pools (including *TEXSTAR*) and authorize eligible governmental entities (“*Participants*”) to invest their public funds and funds under their control through the investment pools. *TEXSTAR* is governed by a board of directors (the “*Board*”).

The Board may establish separate Funds within *TEXSTAR* from time to time. Participants choose the Funds in which their deposits are invested. Participants’ assets in the Funds are represented by units of beneficial interest (“*units*”). The Board may issue an unlimited number of units in each Fund.

This Information Statement provides information relating to investments in the *TEXSTAR* Cash Reserve Fund (the “*Fund*”).

Public Funds Investment Act Disclosure Items

Section 2256.016 of the *PFIA* requires investment pools to provide an information statement to the investment officer or other authorized representative of an investing entity. This section provides the required information for *TEXSTAR*.

1. **Objectives of *TEXSTAR*.** The primary objectives of *TEXSTAR* are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participants’ needs, and yield. There is no sales charge and no investment minimum. *TEXSTAR* will invest only in instruments authorized under both the Public Funds Investment Act and the current *TEXSTAR* Investment Policy. See Item 2 of this section for a description of authorized *TEXSTAR* investments.

As a secondary objective to safety and liquidity, the Fund will be directed toward achieving a competitive rate of return for Participants. Efforts will be made to minimize market and credit risk through investment diversification.

2. **Types of Investments Authorized for *TEXSTAR* Cash Reserve Fund.** The investment policies and composition guidelines for the *TEXSTAR* Cash Reserve Fund are summarized below. The *TEXSTAR* Investment Policy restricts investment of the Fund portfolio as follows:

Authorized Investments:

- A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, and obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies or instrumentalities,

including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, except as prohibited by the PFIA;

- B. Fully collateralized repurchase agreements with a defined termination date not to exceed 95 calendar days and reverse repurchase agreements with a defined termination date not to exceed 90 days (unless the repurchase agreement has a put option that allows the fund to liquidate the position at principal plus accrued interest with no more than 7 days notice to the counterparty) and secured by cash or any obligations, including letters of credit, of the United States or its agencies or instrumentalities, including the Federal Home Loan Banks. The repurchase and reverse repurchase agreements must be placed with primary government securities dealers and/or financial institutions doing business in the State of Texas.
- C. No-load money market mutual funds which meet the requirements of the PFIA and which (1) are registered with and regulated by the United States Securities and Exchange Commission (SEC), (2) provide a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, (3) comply with SEC Rule 2a-7, (4) include in their investment objectives the maintenance of a stable net asset value of \$1 per share, and (5) invest only in obligations of the United States, its agencies and/or instrumentalities or repurchase agreements collateralized by obligations of the United States, its agencies and/or instrumentalities.

Prohibited Investments:

The TEXSTAR Cash Reserve Fund *will not* invest in:

- A. Derivatives, which include instruments which have embedded features that alter their character or income stream or allow holders to hedge or speculate on a market or spreads between markets that are external to the issuer or are not correlated on a one-on-one basis to the associated index or market.
- B. Commercial paper.
- C. Certificates of deposit.

Diversification Guidelines:

Specific Fund diversification limitations govern investments of the TEXSTAR Cash Reserve Fund portfolio, applied at the time of purchase.

- A. 100% of the Fund may be invested in obligations of, unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies or instrumentalities, including the Federal Home Loan Banks.
- B. 100% of the Fund may be invested in repurchase agreements. Not more than 25% of the Fund may be invested in term repurchase agreements.

- C. Reverse repurchase agreements will be used primarily to enhance Fund return and may not total more than one-third (1/3) of the total Fund assets.
 - D. A maximum of 10% of the Fund may be invested in any one money market mutual fund, and the Fund's investment in any one money market mutual fund may not exceed 10% of the total assets of that money market mutual fund.
 - E. A maximum of 60 percent (60%) of the Fund may be invested in eligible variable rate notes.
3. **Maximum Average Dollar-Weighted Maturity.** The dollar weighted average maturity of the TEXSTAR Cash Reserve Fund portfolio may not exceed (1) sixty (60) days calculated utilizing the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made, and may utilize the interest rate reset date for variable or floating rate securities; or (2) one hundred twenty (120) days calculated taking into account the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made.
 4. **Maximum Stated Maturity Date.** The maximum stated maturity for any securities that are obligations of or guaranteed or insured by the United States, its agencies or instrumentalities in the TEXSTAR Cash Reserve Fund portfolio is limited to 397 days for fixed rate securities and 24 months for variable rate notes.
 5. **Size of the Pool.** The current size of the TexSTAR Cash Reserve Fund is provided in the TEXSTAR monthly newsletter on the TexSTAR website at www.texstar.org or by contacting TEXSTAR Participant Services. A copy of the most recent newsletter may be obtained in connection with and in addition to this Information Statement.
 6. **TEXSTAR Advisory Board.** Section 2256.016(g)(1) of the Public Funds Investment Act requires TEXSTAR to establish and maintain an advisory board composed of Participants in TEXSTAR and other persons who do not have a business relationship with TEXSTAR. Members are appointed and serve at the will of the Board. The names of the Advisory Board members are available on the TexSTAR website at www.texstar.org.
 7. **Custodian and Transfer Agent for TEXSTAR.** JPMorgan Chase Bank, N.A. serves as custodian to TEXSTAR and Boston Financial Data Services, Inc. serves as transfer agent to TexSTAR. The transfer agent will receive and disburse all Participant deposits and withdrawals and the custodian will settle all Fund trades, safekeep securities, and collect all income or any other payments due in connection with purchased securities for TEXSTAR.
 8. **Net Asset Value.** The TEXSTAR Cash Reserve Fund seeks to maintain a net asset value of \$1.00 per unit (rounded to the nearest whole cent) and is designed to be used by Participants for investment of funds that require daily liquidity availability.

9. **Source of Payment.** The only source of payment to Participants is the market value of the assets of the TEXSTAR Fund in which they invest and the income and profits derived from those assets. There is no secondary source of payment such as insurance or guarantees.
10. **Independent Auditor.** TEXSTAR is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. PricewaterhouseCoopers LLP has been retained to provide independent auditing services for TEXSTAR. Its address is 1201 Louisiana Street, Suite 2900, Houston, Texas 77002.
11. **Operating Procedures.** Deposits and withdrawals may be made by wire transfer or automated clearinghouse (ACH) transfer according to established operating procedures. The requirements for TEXSTAR deposits and withdrawals, deadlines, and other operating procedures are summarized under the section entitled "Summary of Operating Procedures" later in this Information Statement.
12. **Performance History.** The performance history, including yield, weighted average maturity, expense ratios and average balance for the TEXSTAR Cash Reserve Fund are available on the TEXSTAR website at www.texstar.org.
13. **Policy on Holding Deposits in Cash.** To respond to unusual market conditions in a prudent manner, TexSTAR may be required to hold all or most of its total assets in cash, including for the purpose of assuring sufficient liquidity or due to the lack of eligible securities, among other circumstances. This may result in a lower yield and prevent the Fund portfolio from meeting all its investment objectives.
14. **Co-Administrators.** J.P. Morgan Investment Management Inc. (JPMIM) and Hilltop Securities Inc. ("HTS") serve as Co-Administrators for TexSTAR under a contract that may be extended periodically to a term of two years or less. JPMIM provides investment management services and HTS provides participant and marketing services for TexSTAR. JPMIM is an investment adviser registered under the Investment Advisers Act of 1940, as amended, and a subsidiary of JPMorgan Chase & Co. HTS is a registered broker dealer, member of the Financial Industry Regulatory Authority ("FINRA"), Municipal Securities Rulemaking Board ("MSRB") and Securities Investor Protection Corporation ("SIPC"). The parent company of HTS is Hilltop Holdings Inc.

The Co-Administrators may be replaced by the Board for cause and they may resign. Unless their replacements are affiliates, any replacements must be approved by Participants owning two-thirds of the units in TexSTAR.

Custodial, fund accounting and depository services for TexSTAR are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. JPMorgan Chase Bank, N.A. is the principal banking affiliate of JPMorgan Chase & Co. Transfer agency services are provided by DST Asset Manager Solutions, Inc. (DST). Each of JPMIM, HTS, DST, and JPMorgan Chase Bank, N.A. may provide certain services, including those described herein, through the use of subcontractors or delegates.

Understanding the Risks Associated with Investing in TEXSTAR

Unlike money market mutual funds which are registered with the Securities and Exchange Commission, TexSTAR operates in compliance with the PFIA and not with Rule 2a-7 of the Investment Company Act of 1940.

Before making an investment decision, each Participant should consider the applicable risks, including the following, in determining whether any investment, including TEXSTAR, is appropriate:

- Credit Risk.** Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. In general, the lower the credit quality of a security, the higher the yield and the higher the element of credit risk, all other factors being equal. In an attempt to minimize credit risk, the TEXSTAR investment policy allows investment of the TEXSTAR Cash Reserve Fund only in the obligations described above.

The credit risk associated with investments in direct obligations of the United States is considered low by most authoritative sources. Obligations issued or guaranteed by many Federal agencies or government-sponsored enterprises are not direct obligations of the United States and offer more varied credit risk. Noting that the United States government is not obligated to provide support or guarantees to its instrumentalities, TEXSTAR's investment manager will invest in obligations issued by an agency or instrumentality only after conducting appropriate credit risk analysis and believing that any credit risk with respect to the issuer is minimal.

TEXSTAR's investment manager will also invest in repurchase agreements and reverse repurchase agreements documented by a Master Repurchase Agreement in form approved by The Securities Industry and Financial Market Association ("SIFMA") and collateralized by cash or obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States and its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation. Repurchase agreement and reverse repurchase agreement transactions will be placed with an approved primary government securities dealers or financial institutions doing business in the State of Texas, and proceeds received under reverse repurchase agreements will be reinvested in securities with the same maturity as the term of the reverse agreement.

TexSTAR will invest only in those money market mutual funds which limit their investments to obligations of the United States, its agencies and/or instrumentalities or repurchase agreements collateralized by such obligations. TexSTAR's investment manager will invest in money market mutual funds only after conducting appropriate credit risk analysis with respect to each issuer. To the extent TexSTAR invests in money market mutual funds, TexSTAR Participants will bear a proportionate share of both TexSTAR's fees and expenses and those of the money market mutual fund.

- Market Risk.** Market risk is the potential for a decline in market value generally due to, but not limited exclusively to, rising interest rates. For example, a bond or other security issued or backed by the United States government is guaranteed only as to

the timely payment of interest and principal; its market price on any given day is not guaranteed and will fluctuate in value as market perceptions, market conditions and interest rates change. In general, the market value of a bond varies inversely with interest rates. If interest rates rise, then market values fall. If interest rates fall, then market values rise. Also, the volatility and related market values typically fluctuate more for longer-term securities than for shorter-term securities.

Restrictions on dollar weighted average maturity and maximum stated maturity for the Fund are used in an attempt to minimize certain market risks. TexSTAR's investment manager will maintain the dollar weighted average maturity of the Fund at sixty (60) days or less, and the maximum stated maturity for any obligation of the United States, its agencies or instrumentalities in the TexSTAR Cash Reserve Fund portfolio is limited to 397 days for fixed rate securities and 24 months for variable rate notes. TexSTAR will seek to maintain a stable \$1.00 net asset value (NAV) per unit (rounded to the nearest whole cent). The Co-Administrators have policies and procedures in place to monitor the Fund's NAV. These limitations are designed to attempt to minimize market risk. It must be noted that the value of the TexSTAR Cash Reserve Fund portfolio is dependent on timely receipt of principal and interest payments from the issuers of the respective investment securities. Any delays or failures in receipt of payments can and will have detrimental effects on the value of the Fund's portfolio and may cause loss of principal and interest to any Participant.

Administration of TEXSTAR

- TEXSTAR Board.** By executing and submitting an application to open an account, a Participant designates the Board as its agent for investing deposited funds. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TEXSTAR.

The business and affairs of TEXSTAR are managed by the Board in accordance with its bylaws (the "*Bylaws*"). The Bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TEXSTAR is maintained through various reporting requirements.

The Bylaws provide for a five-member Board consisting of three representatives of Participants and one member employed by each co-administrator or an affiliate. Board members serve for staggered three-year terms. Replacement Board members (other than the co-administrator representatives) are appointed by the Board or may be elected by the Participants in accordance with the Bylaws. Board members serve without compensation but are entitled to reimbursement of reasonable out-of-pocket expenses incurred in the performance of Board duties. The names, terms, and affiliations of Board members are listed on the TEXSTAR website.

- Investment Management.** TEXSTAR's Board has adopted (and will review and revise at least annually) a list of brokers that are authorized to engage in investment transactions with TEXSTAR.

A qualified representative of TexSTAR's investment manager must certify that the investment manager has received and reviewed the TexSTAR Investment Policy and the investment manager has implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by the TexSTAR Investment Policy, except to the extent that this authorization requires interpretation of subjective investment standards.

The investment manager may dispose of securities without regard to the time they have been held when such actions, for defensive or other Fund management reasons, appear advisable. Investments may be sold by one Fund to another Fund at prevailing market prices.

All securities purchased on behalf of TexSTAR must be delivered versus payment to the custodian bank for TexSTAR. All book entry securities, whether purchased outright or under repurchase agreements, shall be held in a custodial account at the Federal Reserve Bank. All securities not held in book entry form shall be held by the Custodian or its agent. Third party institutions must issue original safekeeping receipts to the Custodian. The Custodian shall keep accurate records reflecting TexSTAR's ownership of the securities. Money market fund accounts must be in the name of TexSTAR.

- **Ratings.** In compliance with Section 2256.016(h) of the Public Funds Investment Act, TEXSTAR will operate to maintain a AAA, AAA-m or equivalent rating for the Fund from at least one nationally recognized rating agency. As of the date hereof, the Fund was rated AAAM by Standard and Poor's Rating Service. An explanation of the significance of such rating may be obtained from Standard & Poor's at 1221 Avenue of the Americas, New York, New York 10020. Promptly upon notice, TEXSTAR will post on its website any change to the Fund's rating.
- **Determination of Net Income and Net Asset Values.** The net interest income of the Fund shall be determined each business day, and consists of (i) the sum of (a) interest accrued, (b) discount earned (including both original issue and market discount), and (c) realized capital gains (amortized over a period not to exceed 30 days) less (ii) the sum of (a) amortization of premium, (b) the estimated expenses of the Fund applicable to that distribution period, and (c) realized capital losses (amortized over a period not to exceed 30 days). All net income of the Fund so determined is declared as earnings to Participants each day. Earnings accrue throughout the month and are distributed as of the close of business on the last business day of the month. On the first business day of the following month, the earnings are reinvested as additional Units at the current Net Asset Value (expected to be \$1.00), unless the Participant has elected to have them paid out. If the entire balance in an account is withdrawn during the month, the accrued distributions will be paid on or before the first business day of the following month.

The Net Asset Value per Unit of the Fund is calculated each business day by adding the amortized book value of the Fund's securities and other assets, deducting accrued expenses and arrearages, and dividing by the number of Units outstanding. The result of this computation will be rounded to the nearest whole cent.

- **Valuation of TEXSTAR Assets.** The objective of the TexSTAR Cash Reserve Fund is to maintain a stable value of \$1.00 per unit (rounded to the nearest whole cent).

Although all securities in the Fund are marked to market daily using the fair value method, amortized cost, which generally approximates the market value of securities, is utilized. The Board, in its discretion, may elect to cease utilizing amortized accounting and to commence utilizing the fair value method at any time. To the extent that the Board elects to utilize a net asset value per share determined by using available market quotations in lieu of amortized accounting, the Fund will reflect market fluctuations and any unrealized gains and losses resulting from those fluctuations on a daily basis.

If, upon a daily calculation, the investment manager finds that the deviation between the amortized cost and market-determined values or the deviation between market-determined values and \$1.00 per unit of the Fund's assets exceeds \$0.0030, it shall promptly notify the Board. In the event that the deviation of market-determined values from amortized cost or \$1.00 per unit exceeds \$0.0040, the Board shall direct the investment manager to take such action, if any, as it determines is necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing Participants. Notwithstanding the foregoing, absent contrary instructions from the Board, the investment manager shall cause the subject investments to be sold promptly to attempt to bring the deviation back within the desired value band. However, the \$1.00 per unit value is not guaranteed or insured by TexSTAR or the co-administrators. There can be no assurance that the Fund will maintain a stable net asset value of \$1.00.

- **Ethics and Conflicts of Interest.** Each Co-Administrator is required to maintain a code of ethics which requires its employees working with TexSTAR to place the interests of TexSTAR before their personal interests and to avoid any actual or potential conflicts of interest. Each Co-Administrator must promptly report any material non-compliance with such requirements to the Board.

JPMIM acts as a fiduciary when providing investment management services to TexSTAR. JPMIM may order the purchase of investments from either itself, HTS, or their affiliates only on terms and conditions approved by a majority of the Participant members of the Board.

JPMIM has provided the following disclosures concerning its practices:

JPMIM and/or its affiliates ("JPMorgan Chase") perform investment services, including rendering investment advice, to varied clients. JPMIM, JPMorgan Chase and its or their directors, officers, agents, and/or employees may render similar or differing investment advisory services to clients and may give advice or exercise investment responsibility and take such other action with respect to any of their other clients that differs from the advice given or the timing or nature of action taken with respect to another client or group of clients. It is JPMIM's policy, to the extent practicable, to allocate, within its reasonable discretion, investment opportunities among clients over a period of time on a fair and equitable basis. One or more of JPMIM's other client accounts may at any time hold, acquire, increase, decrease, dispose, or otherwise deal with positions in investments in which another client account may have an interest from time-to-time.

JPMIM, JPMorgan Chase, and any of its or their directors, partners, officers, agents or employees, may also buy, sell, or trade securities for their own accounts or the

proprietary accounts of JPMIM and/or JPMorgan Chase. JPMIM and/or JPMorgan Chase, within their discretion, may make different investment decisions and other actions with respect to their own proprietary accounts than those made for client accounts, including the timing or nature of such investment decisions or actions. Further, JPMIM is not required to purchase or sell for any client account securities that it, JPMorgan Chase, and any of its or their employees, principals, or agents may purchase or sell for their own accounts or the proprietary accounts of JPMIM, or JPMorgan Chase or its clients.

JPMIM and its related persons may recommend securities to clients that JPMIM and its related persons may also purchase or sell. As a result, positions taken by JPMIM and its related persons may be the same as or different from, or made contemporaneously or at different times than, positions taken for clients of JPMIM. As these situations may involve potential conflicts of interest, JPMIM has adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding preclearance of employee trading, reporting requirements and supervisory procedures that are designed to address potential conflicts of interest with respect to the activities and relationships of related persons that might interfere or appear to interfere with making decisions in the best interest of clients, including the prevention of front-running. In addition, JPMIM has implemented monitoring systems designed to ensure compliance with these policies and procedures.

- **Fees and Expenses.** In return for contracted service, TEXSTAR has agreed to pay service fees to the co-administrators and custodian totaling twelve (12) basis points per year, calculated daily on the total fund balances. The co-administrators may (but are not obligated to) waive all or a portion of their fees from time to time. The service fees cover all normal services provided to the Board by the co-administrators, the custodian and the transfer agent. Additional expenses required to attain TEXSTAR objectives and conduct on-going operations will be incurred by TEXSTAR. These include expenses for independent auditors, legal representation, liability insurance, board meeting attendance, and ratings.

The TEXSTAR service fee and other expenses are deducted from the gross interest earnings daily and charged monthly. There is no direct reduction to the Participant's principal account related to the payment of fees and expenses, but only the remaining net income after deduction of the applicable fees and expenses is credited to the Participant's account. All TEXSTAR rates are quoted net of fees and expenses. There are no hidden costs or additional reductions to Participants' accounts. In the event a Fund does not earn adequate interest income and profits to cover allocable expenses and fees for a given month or period, the deficit will be carried over to future months or periods when adequate income and profits have been received.

- **Liability.** TEXSTAR directors and officers will not be liable for (and TEXSTAR earnings may be applied to indemnify them against) loss and liability that may arise from or in connection with any of their acts or omissions, including acts and omissions caused by their negligence, to the extent permitted by law.

Participation in TEXSTAR

Participation in TEXSTAR is limited to eligible governmental entities that have authorized, executed, and submitted an application to participate in TEXSTAR.

- **Eligibility to Invest.** Only eligible local governments and agencies of the State of Texas may become Participants. Eligible local governments include any municipality, school district, county, special district, junior college district, or other legally constituted political subdivision of the State or a combination of political subdivisions (e.g., a combination by means of an interlocal agreement). Eligible state agencies generally include any office, department, commission, board or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.
- **Establishment of Accounts.** To participate in TEXSTAR, an eligible local government or state agency must duly authorize, complete, execute, and submit an application for participation. By executing and submitting an application, a Participant agrees to the terms and conditions governing TEXSTAR as well as its Bylaws, Investment Policy, and Operating Procedures. Application forms (including forms of authorizing resolutions) may be obtained from TEXSTAR Participant Services. In their applications, Participants must designate authorized representatives who have authority to transfer funds for investment, to withdraw funds, to issue letters of instructions, and to take all other actions necessary or appropriate for the investment of funds in TEXSTAR. A Participant must also provide a separate bank information sheet for each account and sub-account, signed by two authorized Participant representatives unless otherwise permitted by the Operating Procedures. The Operating Procedures describe in detail the procedures required for the establishment of account(s), deposits to and withdrawals from TEXSTAR, and related information. A copy of the Operating Procedures may be obtained from TEXSTAR Participant Services.
- **Amendments.** The Board may amend the TEXSTAR terms and conditions, Bylaws, Investment Policy, and Operating Procedures. It must give Participants at least 30 days advance notice of each amendment. Participants are deemed to have accepted the amendments unless they withdraw from TEXSTAR before the amendments are effective.

Summary of Operating Procedures

Deposits to and withdrawals from TEXSTAR may be made by wire transfer or automated clearinghouse (ACH) transfer according to established operating procedures. Excerpts from the current Operating Procedures are provided below.

- **Wire Transfers.** Wire transfer requests will be executed on the same day as initiated if requested in accordance with the daily transaction deadlines for the pool. TEXSTAR must be notified of any wire transaction requests by **4:00 p.m. CST** if using the pool's internet transaction system or by **3:30 p.m. CST** when contacting a Participant Services Representative. All incoming wire deposits must be received

by **4:00 p.m. CST**, to earn interest for that day. In addition, any wire deposits received after **4:00 p.m. CST** will not be invested until the following business day. Outgoing wire transfers from TEXSTAR received by the transfer agent by 10:30 a.m. are typically sent for processing between 12:00 noon and 12:30 p.m. central time. Some delay may occur, depending on unforeseen circumstances, including, but not limited to, delays or failures unrelated to TEXSTAR.

TEXSTAR reserves the right to suspend the right of withdrawal or to postpone the date of payment in the event that the Federal Reserve is closed other than for customary weekend and holiday closings, in the event of a general suspension of trading in any securities market which affects TEXSTAR operations, or if, in the opinion of the Board, an emergency exists so that the disposal of TEXSTAR's securities or determination of its net asset value is not reasonably practical.

TEXSTAR will process deposits and withdrawal requests only on the days the Federal Reserve is open for business. TEXSTAR may also be closed or have limited trading hours on any Friday preceding or Monday following a weekend, which includes a national holiday provided that notice has been given to Participants at least 30 days prior to such a day, or whenever The Bond Market Association recommends that markets for fixed income securities close.

- **Automated Clearing House (“ACH”) Transfers.** ACH transaction requests will be executed on the business day following the date the transaction was initiated if requested in accordance with the daily transaction deadlines for the pool. TEXSTAR must be notified of any next day ACH transaction requests by **4:00 p.m. CST** if using the pool's internet transaction system or by **3:30 p.m. CST** when contacting a Participant Services Representative for all ACH transfer activity, one day prior to the actual settlement of the funds. ACH transfer withdrawals are sent in accordance with the prearranged Participant information as provided on the bank information sheet corresponding to that specific TEXSTAR account or subaccount. In the event of an ACH rejection, TEXSTAR will contact the Participant to confirm the rejection. TEXSTAR will credit/debit the Participant's account accordingly.
- **Account to Account Transfers.** Funds may be transferred between TexSTAR accounts in the same Fund without transferring the money to the Participant's local bank. Transactions transferring funds between accounts will be executed as of the close of business on the same day as initiated, if received by the deadline. TexSTAR must be notified of any same day interaccount transaction activity by **4:00 p.m. CST** if using the pool's internet transaction system or by **3:30 p.m. CST** when contacting a Participant Services Representative.
- **Methods of Notification.** Participants may notify TEXSTAR of wire transfer or ACH activity by:
 - a. Internet access system; or
 - b. Verbal notification to a TEXSTAR Participant Services representative followed by a fax confirmation.
- **Reports.** A Participant's monthly statement will be mailed within the first five (5) business days of the respective succeeding month. The monthly statement will

include a detailed listing of the balance in the Participant's accounts as of the date of the statement; all account activity for the previous month, including deposits and withdrawals; daily and monthly yield information; and any special fees and expenses charged to the Participant. Additionally, copies of the Participant's reports will be maintained and made available for a minimum of three prior TEXSTAR fiscal years in either physical or electronic form.

A complete copy of the TEXSTAR Operating Procedures may be obtained by contacting TEXSTAR Participant Services.

March 2018

ATTACHMENT 12

North Texas Groundwater Conservation District

Well Registration Summary
As of May-31-2018

Well Type	Total Registered Collin County	Total Registered Cooke County	Total Registered Denton County	Total NTGCD	New Registrations since Apr-30-2018
Agriculture	6	11	33	50	0
Commercial / Small Business	7	8	27	42	0
Domestic Use (household / lawn watering at residence)	74	337	592	1006	18
Filling a pond or other surface impoundment**	43	14	66	124	2
Golf course irrigation	15	2	21	38	0
Industrial / Manufacturing	7	11	8	27	0
Irrigation	77	4	180	261	2
Leachate	0	0	0	0	0
Livestock Watering	7	58	39	104	0
Monitoring	0	0	0	0	0
Municipal / Public Water System	33	70	222	326	0
Other	10	6	32	48	1
Piezometer	0	0	0	0	0
Poultry	0	0	0	0	0
Solely to supply water for rig actively***	1	1	7	9	0
Supplying water for oil or gas production*	0	5	54	60	0
Not Specified	16	9	39	64	0
SUM	296	536	1320	2159	23

North Texas Groundwater Conservation District

Well Registration Summary
As of June-29-2018

Well Type	Total Registered Collin County	Total Registered Cooke County	Total Registered Denton County	Total NTGCD	New Registrations since May-31-2018
Agriculture	6	11	33	50	0
Commercial / Small Business	7	8	27	42	0
Domestic Use (household / lawn watering at residence)	74	346	604	1026	24
Filling a pond or other surface impoundment**	43	14	67	125	1
Golf course irrigation	15	2	21	38	0
Industrial / Manufacturing	7	11	8	27	0
Irrigation	77	4	184	265	1
Leachate	0	0	0	0	0
Livestock Watering	7	58	39	104	0
Monitoring	0	0	0	0	0
Municipal / Public Water System	33	70	224	328	2
Other	10	6	32	48	0
Piezometer	0	0	0	0	0
Poultry	0	0	0	0	0
Solely to supply water for rig actively***	1	1	7	9	0
Supplying water for oil or gas production*	0	5	54	60	0
Not Specified	16	9	39	64	1
SUM	296	545	1339	2186	29

ADJOURN