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An Audit Report on
**Selected Groundwater
Conservation Districts**

April 2012
Report No. 12-028

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Overall Conclusion

Auditors selected 14 groundwater conservation districts (districts) and audited their (1) achievement of selected groundwater management plan goals and (2) compliance with selected statutory requirements. Results are summarized below.

Districts' Achievement of Groundwater Management Plan Goals

Six (43 percent) of the 14 districts fully or partially achieved all of the applicable objectives for groundwater management plan goals audited. Texas Water Code, Chapter 36, requires districts to establish groundwater management plans (see text box for additional details on those plans). Those six districts were:

- The Bee Groundwater Conservation District.
- The Central Texas Groundwater Conservation District.
- The Lone Wolf Groundwater Conservation District.
- The Pecan Valley Groundwater Conservation District.
- The Southeast Texas Groundwater Conservation District.
- The Victoria County Groundwater Conservation District.

Six (43 percent) of the 14 districts fully or partially achieved objectives for all but one applicable groundwater management plan goals audited. Those six districts were:

- The Brazoria County Groundwater Conservation District.
- The Brewster County Groundwater Conservation District.
- The Guadalupe County Groundwater Conservation District.

Background Information

Texas Water Code, Chapter 36, requires groundwater conservation districts (districts) to develop groundwater management plans that show the steps the districts will take to protect and manage groundwater.

Each district's groundwater management plan must contain goals that are applicable to each district as described in Texas Water Code, Section 36.1071. Districts develop one or more objectives to support each goal.

The Water Development Board reviews and approves districts' groundwater management plans, including the goals and objectives. The Commission on Environmental Quality has the authority to enforce districts' compliance with the statutory requirements outlined in Texas Water Code, Chapter 36. See Appendix 2 for a more detailed description of state agency roles in the groundwater management process.

As of February 2012, there were 96 confirmed districts. Three additional districts await confirmation by voters in local elections. See Appendix 3 for a map showing the districts audited and the groundwater management areas in which they are located.

- The Kenedy County Groundwater Conservation District.¹
- The Middle Trinity Groundwater Conservation District.
- The Panola County Groundwater Conservation District.

Two (14 percent) of the 14 districts—the Red Sands Groundwater Conservation District and the Refugio Groundwater Conservation District— fully achieved one or fewer of the groundwater management plan goals audited.

Auditors reviewed activities that the districts performed to achieve selected management plan goals. Examples of those goals were the goals of providing the most efficient use of groundwater, controlling and preventing waste, addressing drought conditions, and addressing conservation. A list of the eight statutorily required groundwater management plan goals is presented in Appendix 4.

Districts' Compliance with Statutory Requirements

Twelve (86 percent) of the 14 districts audited fully or partially complied with 7 or more of the 10 Texas Water Code statutory requirements audited. Two of those 12 districts, the Central Texas Groundwater Conservation District and the Pecan Valley Groundwater Conservation District, fully complied with all applicable Texas Water Code requirements audited.

The remaining 2 districts fully complied with 5 or fewer of the 10 Texas Water Code requirements audited. Specifically:

- The Red Sands Groundwater Conservation District fully complied with 2 (20 percent) of the 10 audited Texas Water Code requirements, partially complied with 5 (50 percent) requirements, and did not comply with 3 (30 percent) requirements.
- The Refugio Groundwater Conservation District fully complied with 5 (56 percent) of the 9 audited Texas Water Code requirements that were applicable to it and partially complied with 4 (44 percent) requirements.

Examples of the Texas Water Code requirements audited included requirements for the districts to obtain surety bonds for employees and members of their boards of directors, obtain an annual financial audit, adopt annual budgets, hold quarterly board meetings, and adopt policies and rules. In some instances, certain statutory requirements did not apply to a district. See Table 16 in Chapter 2 for detailed results.

Of the 10 Texas Water Code statutory requirements audited, the highest level of noncompliance was with Section 36.057(d), which requires districts to obtain

¹ The Kenedy County Groundwater Conservation District had one goal that it did not have an opportunity to meet; therefore, auditors deemed that goal not applicable.

surety bonds for employees or others handling district funds. Seven (50 percent) of the 14 districts audited did not fully comply with that requirement. Surety bonds protect districts from financial loss and provide some assurance that the districts properly safeguard funds and can meet financial obligations.

Texas Water Code, Section 36.060, which allows districts to pay board members for verified fees of office and reimburse them for reasonable and necessarily incurred expenses, did not apply to 8 (57 percent) of the 14 districts audited because those districts did not pay board members. The remaining six districts either fully or partially complied with that requirement.

Summary of Management's Response

Eleven districts agreed with all recommendations addressed to them. Those districts were:

- The Bee Groundwater Conservation District.
- The Brazoria County Groundwater Conservation District.
- The Brewster County Groundwater Conservation District.
- The Guadalupe County Groundwater Conservation District.
- The Kenedy County Groundwater Conservation District.
- The Lone Wolf Groundwater Conservation District.
- The Panola County Groundwater Conservation District.
- The Pecan Valley Groundwater Conservation District.
- The Red Sands Groundwater Conservation District.
- The Southeast Texas Groundwater Conservation District.
- The Victoria County Groundwater Conservation District.

The Middle Trinity Groundwater Conservation District and the Refugio Groundwater Conservation District substantially agreed with the recommendations addressed to them. The Central Texas Groundwater Conservation District was not required to provide responses to this report because auditors did not identify any findings or make any recommendations for that district.

Managements' responses are provided after the recommendations in each chapter of this report. In addition, a letter that the Brazoria County Groundwater Conservation District requested be included in addition to its management responses is presented in Appendix 6.

Summary of Objectives, Scope, and Methodology

The audit objectives were to determine whether selected districts complied with applicable statutes and to summarize information from districts' audited annual financial statements.

The scope of this audit covered 14 districts located in 9 of the 16 groundwater management areas. The audit scope covered each district's fiscal years 2008, 2009, and 2010, except as noted (the months within each district's fiscal year varied). This audit did not include a review of districts' information technology systems.

The audit methodology included:

- Assessing whether each district was actively engaged in achieving four goals from its groundwater management plan, including all objectives related to each selected goal. If a district achieved all the objectives for a goal during all fiscal years reviewed, auditors concluded that the district had fully achieved that goal. If a district achieved at least part of all objectives related to a goal, auditors concluded that the district had partially achieved that goal. If a district did not achieve any parts of any objectives related to a goal, auditors concluded that the district did not achieve that goal.
- Assessing whether each district complied with 10 requirements selected from Texas Water Code, Chapter 36.
- Obtaining an understanding of statutory requirements by reviewing the Texas Water Code and each district's enabling legislation.

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Detailed Results

Chapter 1

Districts' Achievement of Groundwater Management Plan Goals

Six (43 percent) of the 14 groundwater conservation districts (districts) audited fully or partially achieved all of the applicable objectives for groundwater management plan goals audited. Of the remaining eight districts:

- Six (43 percent) fully or partially achieved objectives for all but one applicable groundwater management plan goals audited.
- Two (14 percent) fully achieved one or fewer of the groundwater management plan goals audited.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal.

If a district achieved all the objectives for a goal during all fiscal years reviewed, auditors concluded that the district had fully achieved that goal. If a district achieved at least part of one objective related to a goal, auditors concluded that the district had partially achieved that goal. If a district did not achieve any parts of any objectives related to a goal, auditors concluded that the district did not achieve that goal. Table 1 summarizes districts' achievement of those goals.

Table 1

Fourteen Districts' Achievement of Groundwater Management Plan Goals						
District	Goal	Number of Objectives Audited	Achievement			Number of Objectives Not Applicable
			Number of Objectives Fully Achieved	Number of Objectives Partially Achieved	Number of Objectives Not Achieved	
1 Bee Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	1	1	-	-	-
	Controlling and Preventing Waste of Groundwater	1	1	-	-	-
	Addressing Drought Conditions	1	1	-	-	-
	Addressing Conservation	2	2	-	-	-

Fourteen Districts' Achievement of Groundwater Management Plan Goals						
District	Goal	Number of Objectives Audited	Achievement			Number of Objectives Not Applicable
			Number of Objectives Fully Achieved	Number of Objectives Partially Achieved	Number of Objectives Not Achieved	
2 Brazoria County Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	3	-	2	-	1
	Controlling and Preventing Waste of Groundwater	3	-	3	-	-
	Addressing Drought Conditions	1	-	1	-	-
	Addressing Conservation	7	4	2	1	-
3 Brewster County Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	3	1	1	1	-
	Controlling and Preventing Waste of Groundwater	1	-	1	-	-
	Addressing Drought Conditions	1	-	1	-	-
	Addressing Desired Future Conditions of the Groundwater Resources ²	1	-	1	-	-
4 Central Texas Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	2	2	-	-	-
	Controlling and Preventing Waste of Groundwater	1	1	-	-	-
	Addressing Drought Conditions	1	1	-	-	-
	Addressing Conservation	3	3	-	-	-
5 Guadalupe County Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	1	1	-	-	-
	Controlling and Preventing Waste of Groundwater	1	-	-	1	-
	Addressing Drought Conditions	1	-	1	-	-
	Addressing Conservation	1	-	1	-	-

² At this district, auditors tested achievement of the goal to address the desired future conditions of the groundwater resources instead of the goal of addressing conservation. This district's groundwater management plan indicated that conservation was not an applicable goal for the district.

Fourteen Districts' Achievement of Groundwater Management Plan Goals

District	Goal	Number of Objectives Audited	Achievement			Number of Objectives Not Applicable
			Number of Objectives Fully Achieved	Number of Objectives Partially Achieved	Number of Objectives Not Achieved	
6 Kenedy County Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	6		6	-	-
	Controlling and Preventing Waste of Groundwater	1	-	-	-	1
	Addressing Drought Conditions	1	-	1	-	-
	Addressing Conservation	4	1	-	2	1
7 Lone Wolf Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	1	-	1	-	-
	Controlling and Preventing Waste of Groundwater	1	1	-	-	-
	Addressing Drought Conditions	1	-	1	-	-
	Addressing Conservation	1	-	1	-	-
8 Middle Trinity Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	4	4	-	-	-
	Controlling and Preventing Waste of Groundwater	6	5	-	1	-
	Addressing Drought Conditions	1	1	-	-	-
	Addressing Conservation	6	6	-	-	-
9 Panola County Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	2	2	-	-	-
	Controlling and Preventing Waste of Groundwater	2	2	-	-	-
	Addressing Drought Conditions	1	1	-	-	-
	Addressing Conservation	3	2	-	1	-

Fourteen Districts' Achievement of Groundwater Management Plan Goals

District	Goal	Number of Objectives Audited	Achievement			Number of Objectives Not Applicable
			Number of Objectives Fully Achieved	Number of Objectives Partially Achieved	Number of Objectives Not Achieved	
10 Pecan Valley Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	2	2	-	-	-
	Controlling and Preventing Waste of Groundwater	3	2	1	-	-
	Addressing Drought Conditions	2	1	1	-	-
	Addressing Conservation	4	4	-	-	-
11 Red Sands Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	1	-	-	1	-
	Controlling and Preventing Waste of Groundwater	1	-	-	1	-
	Addressing Drought Conditions	1	-	-	1	-
	Addressing Conservation	3	-	-	3	-
12 Refugio Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	5	-	1	4	-
	Controlling and Preventing Waste of Groundwater	5	1	1	2	1
	Addressing Drought Conditions	2	-	1	1	-
	Addressing Conservation	3	-	-	3	-
13 Southeast Texas Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	1	1	-	-	-
	Controlling and Preventing Waste of Groundwater	2	2	-	-	-
	Addressing Drought Conditions	1	1	-	-	-
	Addressing Conservation	2	2	-	-	-

Fourteen Districts' Achievement of Groundwater Management Plan Goals

District	Goal	Number of Objectives Audited	Achievement			Number of Objectives Not Applicable
			Number of Objectives Fully Achieved	Number of Objectives Partially Achieved	Number of Objectives Not Achieved	
14 Victoria County Groundwater Conservation District	Providing the Most Efficient Use of Groundwater	2	2	-	-	-
	Controlling and Preventing Waste of Groundwater	2	2	-	-	-
	Addressing Drought Conditions	1	1	-	-	-
	Addressing Conservation	4	2	2	-	-

The Bee Groundwater Conservation District Fully Achieved All Four of the Goals Audited

The Bee Groundwater Conservation District fully achieved the following four goals audited:

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Addressing drought conditions.
- Addressing conservation.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. Table 2 provides additional information.

Selected Financial Information for Fiscal Year 2010	
<u>Balance Sheet</u>	
Cash	\$333,831
Other Assets	<u>28,834</u>
Total Assets	\$362,665
Total Liabilities	\$ 28,834
<u>Statement of Revenues and Expenditures</u>	
Total Revenues	\$ 90,098
Total Expenditures	\$ 59,577
<p>Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending December 31, 2010.</p>	

Table 2

Bee Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
<u>Objective:</u> Each year the District will provide education materials concerning the efficient use of groundwater.		
<u>Performance Standard:</u> Provide educational materials to at least one school annually.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
<u>Objective:</u> Measure water levels from the land surface on strategic wells on an annual basis and report waste to the District Board.		
<u>Performance Standard:</u> 1. Report to the District Board annually the number of water level measurements. 2. The District will investigate all reports of waste of groundwater within five working days. The number of reports of waste as well as the investigation findings will be reported to the District Board in the annual report.	Yes	
Goal 3: Addressing Drought Conditions		
<u>Objective:</u> The District will monitor the Palmer Drought Severity Index.		
<u>Performance Standard:</u> A report of the Palmer Drought Severity Index will be presented to the District board on an annual basis.	Yes	

**Bee Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives**

Goal and Objective Audited	Achieved?	Additional Information
Goal 4: Addressing Conservation		
Objective: Each year the district will make educational material to the public promoting conservation methods and concepts.		
Performance Standard: The district will make at least one educational brochure available per year through service organizations, and on a continuing basis at the district office.	Yes	
Objective: The district will participate in the South Texas Weather Modification Program.		
Performance Standard: A district representative will attend a meeting of the South Texas Weather Modification Association annually.	Yes	

The Brazoria County Groundwater Conservation District Partially Achieved Three of the Four Goals Audited

The Brazoria County Groundwater Conservation District did not fully achieve the goal of addressing conservation; it partially achieved the following three goals audited:

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Addressing drought conditions.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. The Brazoria County Groundwater Conservation District's current groundwater management plan was approved in February 2009. As a result, auditors did not test this district's achievement of goals in fiscal year 2008. Table 3 provides additional information.

Selected Financial Information for Fiscal Year 2010	
<u>Balance Sheet</u>	
Cash	\$239,244
Other Assets	<u>40,956</u>
Total Assets ¹	\$280,300
Total Liabilities	\$ 6,360
<u>Statement of Revenues and Expenditures</u>	
Total Revenues	\$387,670
Total Expenditures	\$235,965
Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending September 30, 2010.	
¹ Cash and other assets total \$280,200, but the amount shown was the amount in the financial statements.	

Table 3

Brazoria County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Each year, the District will require all new exempt or permitted wells that are constructed within the boundaries of the District to be registered or permitted with the District in accordance with the District rules.		
Performance Standard: The number of exempt and permitted wells registered or permitted by the District for the year will be incorporated into the Annual Report submitted to the Board of Directors of the District.	Partially	The district met this objective for fiscal year 2009. However, it did not prepare an annual report for fiscal year 2010.
Objective: Each year, the District will regulate the production of groundwater by maintaining a system of permitting the use and production of groundwater within the boundaries of the District in accordance with the District Rules.		
Performance Standard: Each year the District will accept and process applications for the permitted use of groundwater in the District in accordance with the permitting process established by the District Rules. The number and type of applications made for the permitted use of groundwater in the District, and the number and type of permits issued by the District, will be included in the Annual Report given to the Board of Directors.	Partially	The district met this objective for fiscal year 2009. However, it did not prepare an annual report for fiscal year 2010.
Objective: The District will conduct investigations to evaluate the aquifers of the district and the production of groundwater within the district in preparation of establishing a monitor well network within the boundaries of the District.		

**Brazoria County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives**

Goal and Objective Audited	Achieved?	Additional Information
<p>Performance Standard:</p> <p>1. Studies may be conducted on the hydrogeologic and geographic characteristics of the District, and may include, but not necessarily be limited to, amount of aquifer structure and extent, water use, water quality, and water levels. This work will be an update of the work already conducted within the District.</p> <p>2. The District may utilize the monitor well network to take samples of water quality and to conduct regular measurements of the changing water levels in the aquifers of the District, as needed. A progress report on the work of the District regarding monitoring the water quality and water-levels of aquifers within the District will be included in the Annual Report of the District, if applicable.</p>	Not Applicable	The district was required to report information on this objective only if it performed the related studies and used a monitor well network.
Goal 2: Controlling and Preventing Waste of Groundwater		
<p>Objective: Each year, the District will make an evaluation of the District Rules to determine whether any amendments are recommended to decrease the amount of waste of groundwater within the District.</p>		
<p>Performance Standard: The District will include a discussion of the annual evaluation of the District Rules and the determination of whether any amendments to the rules are recommended to prevent the waste of groundwater in the Annual Report of the District provided to the Board of Directors.</p>	Partially	The district met this objective for fiscal year 2009. However, it did not prepare an annual report for fiscal year 2010.
<p>Objective: Each year, the District will apply a water use fee structure to the permitted use of groundwater in the District to encourage the elimination and reduction of waste of groundwater.</p>		
<p>Performance Standard: Each year, with the exception of wells exempt from permitting, the District will apply a water use fee to the permitted use of groundwater in the District pursuant to District rules. The amount of the fees generated by the water use fee structure and the amount of water used for each type of permitted use of groundwater will be included in a section of the Annual Report given to the Board of Directors of the District.</p>	Partially	The district met this objective for fiscal year 2009. However, it did not prepare an annual report for fiscal year 2010.
<p>Objective: Each year, the District will provide information to the public on eliminating and reducing wasteful practices in the use of groundwater by including information on groundwater waste reduction on the District's website.</p>		
<p>Performance Standard: Each year, a copy of the information provided on the groundwater waste reduction page of District's website will be included in the District's Annual Report to be given to the District's Board of Directors.</p>	Partially	The district met this objective for fiscal year 2009. However, it did not prepare an annual report for fiscal year 2010.
Goal 3: Addressing Drought Conditions		
<p>Objective: Each month, the District will download the updated Palmer Drought Severity Index (PDSI) map and check for the periodic updates to the Drought Preparedness Council Situation Report (Situation Report).</p>		
<p>Performance Standard: Quarterly, the district will make an assessment of the status of drought in the District and prepare a quarterly briefing to the Board of Directors. The downloaded PDSI maps and Situation Reports will be included with copies of the quarterly briefing in the District Annual Report to the Board of Directors.</p>	Partially	The district included the PDSI maps in its annual report for fiscal year 2009, but it did not prepare quarterly drought assessments. In addition, the district did not prepare an annual report for fiscal year 2010.

Brazoria County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 4: Addressing Conservation		
Objective: The District will annually submit an article regarding water conservation for publication to at least one newspaper of general circulation in Brazoria County.		
Performance Standard: A copy of the article submitted by the District for publication to a newspaper of general circulation in Brazoria County regarding water conservation will be included in the Annual Report to the Board of Directors.	Partially	The district met this objective for fiscal year 2009. However, it did not submit an article and did not prepare an annual report for fiscal year 2010.
Objective: The District will develop or implement a pre-existing educational program for the use in public or private schools in Brazoria County to educate students on the importance of water conservation by January 1, 2010.		
Performance Standard: A description of the educational program developed or implemented by the District for use in Brazoria County public or private schools will be included in the Annual Report to the Board of Directors for the year 2010.	No	The district did not prepare an annual report for fiscal year 2010.
Objective: Each year, the District will include an informative flier on water conservation within at least one mail out to groundwater use permit holders distributed in the normal course of business for the District.		
Performance Standard: The District's Annual Report will include a copy of the informative flier distributed to groundwater use permit holders regarding water conservation and the number of fliers distributed.	Partially	The district met this objective for fiscal year 2009. However, it did not prepare an annual report for fiscal year 2010.
Objective: The District will provide the public information regarding brush control through newspaper articles of general circulation.		
Performance Standard: Annually provide one article (or a link to the article) regarding brush control.	Yes	
Objective: The District will provide the public information regarding rainwater harvesting through newspaper articles of general circulation.		
Performance Standard: Annually provide one article (or a link to the article) regarding rainwater harvesting.	Yes	
Objective: The District will provide the public information regarding recharge enhancement through newspaper articles of general circulation.		
Performance Standard: Annually provide one article (or a link to the article) regarding recharge enhancement.	Yes	
Objective: The District will provide the public information regarding precipitation enhancement through newspaper articles of general circulation.		
Performance Standard: Annually provide one article (or a link to the article) regarding precipitation enhancement.	Yes	

Recommendations for the Brazoria County Groundwater Conservation District

The Brazoria County Groundwater Conservation District should:

- Prepare required annual reports each year and submit them to its board of directors as required by its groundwater management plan.

- Comply with its groundwater management plan objectives to:
 - Include the number of exempt and permitted wells registered or permitted by the district each year in its annual report to the board of directors.
 - Include the number and type of applications made for the permitted use of groundwater in the district and the number and type of permits issued by the district each year in its annual report to the board of directors.
 - Perform an annual evaluation of its rules, and include its determination regarding whether any amendments are needed in its annual report to the board of directors.
 - Include the amount of fees generated and the amount of water used for each type of permitted use of groundwater in the district each year in its annual report to the board of directors.
 - Include the information provided on the district's groundwater waste reduction Web site each year in its annual report to the board of directors.
 - Prepare quarterly drought assessments; provide briefings to the board of directors; and include the Palmer Drought Severity Index (PDSI) maps, *Drought Preparedness Council Situation Reports* reviewed, and the quarterly drought assessment briefings made to the board in its annual report to the board of directors.
 - Submit an article related to water conservation at least once each year to a newspaper of general circulation in Brazoria County, and include a copy of the article in its annual report to the board of directors.
 - Develop or implement an educational program for use in the public or private schools in Brazoria County regarding water conservation, and include a description of the program in its annual report to the board of directors.
 - Distribute an informative flier to groundwater use permit holders regarding water conservation, and include a copy of the flier and specify the number of fliers distributed in its annual report to the board of directors.

Management's Response from the Brazoria County Groundwater Conservation District

The BCGCD prepared and submitted to the Board of Directors an Annual Report for FY 2009 and FY 2011. Management agrees with recommendation and General Manager is responsible for preparing Annual Report and

submitting report to Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The BCGCD included this information in the Annual Reports for FY 2009 and FY 2011. Management agrees with recommendation and General Manager is responsible for including this information in the Annual Report which is to be prepared and submitted to the Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The BCGCD included this information in the Annual Reports for FY 2009 and FY 2011. Management agrees with recommendation and General Manager is responsible for including this information in the Annual Report which is to be prepared and submitted to the Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The BCGCD included this information in the Annual Reports for FY 2009 and FY 2011. Management agrees with recommendation and General Manager is responsible for including this information in the Annual Report which is to be prepared and submitted to the Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The BCGCD included this information in the Annual Reports for FY 2009 and FY 2011. Management agrees with recommendation and General Manager is responsible for including this information in the Annual Report which is to be prepared and submitted to the Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The BCGCD included this information in the Annual Reports for FY 2009 and FY 2011. Management agrees with recommendation and General Manager is responsible for including this information in the Annual Report which is to be prepared and submitted to the Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The BCGCD included the PDSI maps in the Annual Reports for FY 2009 and FY 2011. Management agrees with recommendation and General Manager is responsible for including the maps and quarterly drought assessments in the Annual Report which is to be prepared and submitted to the Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The BCGCD submitted an article related to water conservation to the Brazosport Facts in FY 2009 and FY 2011 and included a copy of the article in the Annual Reports for FY 2009 and FY 2011. Management agrees with recommendation and General Manager is responsible for submitting an article related to water conservation to the Brazosport Facts at the end of each Fiscal Year and including a copy of the article in the Annual Report which is to be prepared and submitted to the Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The BCGCD has selected an educational program for use in public or private schools in Brazoria County regarding water conservation and included a description of the program in the Annual Report for FY 2011. Management agrees with recommendation and General Manager is responsible for implementing the educational program in a public or private school in Brazoria County prior to the end of each Fiscal Year and including a description of the program in the Annual Report which is to be prepared and submitted to the Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The BCGCD distributed an informative flier to groundwater use permit holders regarding water conservation in FY 2009, FY 2010, and FY 2011 and included a copy of the flier in the Annual Reports for FY 2009 and FY 2011. Management agrees with recommendation and General Manager is responsible for distributing the flier prior to the end of each Fiscal Year and including a copy of the flier in the Annual Report which is to be prepared and submitted to the Board of Directors within ninety (90) days following the completion of each Fiscal Year.

The Brewster County Groundwater Conservation District Partially Achieved Three of the Four Goals Audited

The Brewster County Groundwater Conservation District did not fully achieve the goal of providing the most efficient use of groundwater; it partially achieved the following three goals audited:

Selected Financial Information for Fiscal Year 2010

The Brewster County Groundwater Conservation District (District) did not obtain an annual audit of its financial statements for the fiscal year ending December 31, 2010. Therefore, no financial information is presented in this report. (See Chapter 2 for additional information on this district's compliance with the annual audit requirement.)

- Controlling and preventing waste of groundwater.
- Addressing drought conditions.
- Addressing the desired future conditions of the groundwater resources.³

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. Table 4 provides additional information.

Table 4

Brewster County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Prepare and distribute minutes of each meeting of the Board and make them available to the press and public within two weeks after approval by the Board, stressing the Board's efforts to increase efficient use of groundwater, conservation, and sustainability.		
Performance Standard: Prepare and distribute minutes of each meeting of the Board and make them available to the press and public within two weeks after approval by the Board, stressing the Board's efforts to increase efficient use of groundwater, conservation, and sustainability.	Partially	The district met this objective for fiscal year 2008. However, it did not post or otherwise make its board meeting minutes available in fiscal years 2009 and 2010.
Objective: At each meeting of the Board, the District will register and permit all new wells, unless exempt by the District Rules.		
Performance Standard: At each meeting of the Board, the District will register and permit all new wells, unless exempt by the District Rules.	Yes	
Objective: The District will maintain completion reports or acceptable alternatives for each new well drilled within the District that is submitted by the driller.		
Performance Standard: The District will maintain completion reports or acceptable alternatives for each new well drilled within the District that is submitted by the driller.	No	The district did not maintain completion reports for each new well drilled within the district.

³ At this district, auditors tested achievement of the goal to address the desired future conditions of the groundwater resources instead of the goal of addressing conservation. This district's groundwater management plan indicated that conservation was not an applicable goal for the district.

Brewster County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: File and discuss at each meeting of the Board all reports of wasteful practices within the District that are reported to the District and consider appropriate measures.		
Performance Standard: File and discuss at each meeting of the Board all reports of wasteful practices within the District that are reported to the District and consider appropriate measures.	Partially	The district discussed waste policies at one meeting of its board of directors in fiscal year 2008. However, it did not discuss reports of wasteful practices in any of its board meetings for fiscal years 2008, 2009, and 2010.
Goal 3: Addressing Drought Conditions		
Objective: File and discuss at each meeting of the Board, drought emergency contingency plans received since the last meeting.		
Performance Standard: File and discuss at each meeting of the Board, drought emergency contingency plans received since the last meeting.	Partially	The district discussed drought plans at two meetings of its board of directors in fiscal year 2008. However, it did not discuss drought plans in any of its board meetings for fiscal years 2009 and 2010.
Goal 4: Addressing Desired Future Conditions of the Groundwater Resources		
Objective: Discuss at each meeting of the Board any Desired Future Condition reported to the Board by any other districts in Groundwater Management Area #4.		
Performance Standard: Discuss at each meeting of the Board any Desired Future Condition reported to the Board by any other districts in Groundwater Management Area #4.	Partially	The district met this objective for fiscal years 2008 and 2009. However, it did not meet this objective for fiscal year 2010.

Recommendations for the Brewster County Groundwater Conservation District

The Brewster County Groundwater Conservation District should comply with its groundwater management plan objectives to:

- Prepare, distribute, and make available to the public minutes of each meeting of the board of directors stressing the board's efforts to increase efficient use of groundwater, conservation, and sustainability.
- Maintain completion reports, or acceptable alternatives, for each new well drilled in the district.
- File and discuss at each meeting of the board of directors all reports of wasteful practices within the district that are reported to the district.
- File and discuss at each meeting of the board of directors drought emergency contingency plans received.
- Discuss at each meeting of the board of directors all desired future conditions reported to the board by other districts within the district's groundwater management area.

**Management's Response from the Brewster County Groundwater
Conservation District**

*Recommendations will be addressed and complied with pursuant to State
Audit findings.*

The Central Texas Groundwater Conservation District Fully Achieved All Four of the Goals Audited

The Central Texas Groundwater Conservation District fully achieved the following four goals audited:

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Addressing drought conditions.
- Addressing conservation.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. Table 5 provides additional information.

Selected Financial Information for Fiscal Year 2010	
<u>Balance Sheet</u>	
Cash	\$662,863
Other Assets	<u>24,327</u>
Total Assets	\$687,190
Total Liabilities	\$ 44,371
<u>Statement of Revenues and Expenditures</u>	
Total Revenues	\$562,014
Total Expenditures	\$351,093
<p>Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending September 30, 2010.</p>	

Table 5

Central Texas Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
<u>Objective:</u> Each year, beginning in 2007, the District will require the registration of all wells within the District's jurisdiction.		
<u>Performance Standard:</u> Each year, the number of new and existing wells registered with the District will be presented in the District's annual report.	Yes	
<u>Objective:</u> Each year, beginning in FY2008 the District will require permits for all non-exempt use of groundwater in the District as defined in the District's rules, in accordance with adopted procedures.		
<u>Performance Standard:</u> Each year, a summary of the number applications for the drilling of nonexempt wells, the number of applications for the permitted use of groundwater and the disposition of the applications will be presented in the District's annual report.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
<u>Objective:</u> Each year, the District will provide information on eliminating and reducing the waste of groundwater and focusing on water quality protection. This may be accomplished annually by one of the following methods: (1) compile literature packets for distribution to schools in Burnet County; (2) conduct classroom presentations; (3) sponsor an educational program/curriculum; (4) post information on the District's website; (5) submit newspaper articles for publication; (6) conduct public presentations; (7) set up displays at public events; (8) distribute brochures/literature.		

**Central Texas Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives**

Goal and Objective Audited	Achieved?	Additional Information
Performance Standard: The annual report will include a summary of the District activities during the year to disseminate educational information on eliminating and reducing the wasteful use of groundwater focusing on water quality protection.	Yes	
Goal 3: Addressing Drought Conditions		
Objective: Each month, the District will download the updated Palmer Drought Severity Index (PDSI) map and check for the periodic updates to the Drought Preparedness Council Situation Report (Situation Report).		
Performance Standard: Each year, the downloaded PDSI maps and Situation Reports will be included in the District Annual Report to the Board of Directors.	Yes	
Goal 4: Addressing Conservation		
Objective: Each year, the District will promote rainwater harvesting by posting information on rainwater harvesting on the District web site.		
Performance Standard: Each year, the annual report will include a copy of the information on rainwater harvesting that is provided on the District web site.	Yes	
Objective: Each year, the District will provide information relating to recharge enhancement and brush control on the District web site.		
Performance Standard: Each year, the District annual report will include a copy of the information that has been provided on the District web site relating to recharge enhancement and brush control.	Yes	
Objective: Each year, the District will promote conservation by one of the following methods: (1) conduct an annual contest on water conservation; (2) distribute conservation literature packets to schools in Burnet County; (3) conduct classroom conservation presentations; (4) sponsor an educational conservation program/curriculum; (5) post conservation information on the District's web site; (6) provide a newspaper article on conservation for publication; (7) publish an article on conservation in the District newsletter; (8) conduct a public conservation presentation; (9) set up a conservation display at a public event or; (10) distributing conservation brochures/literature to the public.		
Performance Standard: Each year, the annual report will include a summary of the District activity during the year to promote conservation.	Yes	

Management's Response from the Central Texas Groundwater Conservation District

The Management of the Central Texas Groundwater Conservation District has reviewed the Draft Audit Report of our District. We are pleased to have met the goals of the Chapter 36, Texas Water Code and our Management Plan Goals.

We agree with your assessment of our operations and will continue to serve the citizens of Burnet County to the best of our abilities.

We appreciate the courtesy your staff extended to this office during the audit process.

The Guadalupe County Groundwater Conservation District Fully or Partially Achieved Three of the Four Goals Audited

Selected Financial Information for Fiscal Year 2010

Balance Sheet

Cash	\$ 6,789
Other Assets	<u>30,327</u>
Total Assets	\$37,116
Total Liabilities	\$19,712

Statement of Revenues and Expenditures

Total Revenues	\$47,157
Total Expenditures	79,441

Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending September 30, 2010.

The Guadalupe County Groundwater Conservation District:

- Fully achieved the goal of providing the most efficient use of groundwater.
- Partially achieved the goals of addressing drought conditions and addressing conservation.
- Did not achieve the goal of controlling and preventing waste of groundwater.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. Table 6 provides additional information.

Table 6

Guadalupe County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: District will establish a Carrizo-Wilcox aquifer water-level observation well program with a minimum of nine (9) observation wells. The nine observation wells will be measured twice annually, in January and September.		
Performance Standard: Number of times the wells are measured per year. The water level database will be maintained by the District office.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: The district will once a year provide public information on closure of abandoned water wells and uncontrolled flowing wells through articles in local newspapers or the District's newsletter and website.		
Performance Standard: Number of times a year the District will address the proper closure of abandoned water wells and uncontrolled flowing wells in the local newspaper or the District's newsletter and website.	No	The district could not provide support for any public information provided as part of this objective.
Goal 3: Addressing Drought Conditions		
Objective: The district developed and adopted a Drought Management Plan in 2007. The District will obtain the Palmers Drought Severity Index (PDSI) each month, as per the District's Drought Management Plan.		
Performance Standard: Number of reports made to the board each year on the PDSI.	Partially	The district obtained and reported the PDSI to the board of directors less frequently than monthly in fiscal years 2008 and 2009, and it made no such reports in fiscal year 2010.

Guadalupe County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 4: Addressing Conservation		
Objective: The District once a year will provide public information on water conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, and brush control through articles published in local newspapers or the District's newsletter and website.		
Performance Standard: Number of articles published in local newspapers or the District's newsletter and website each year. The articles will be on a five year rotating basis, so that at least one topic is covered each year.	Partially	The district met this objective for fiscal year 2008. However, it could not provide support for any public information provided in 2009 and 2010.

Recommendations for the Guadalupe County Groundwater Conservation District

The Guadalupe County Groundwater Conservation District should comply with its groundwater management plan objectives to:

- Provide information to the public each year on the closure of abandoned water wells and uncontrolled flowing wells through articles in local newspapers or the district's newsletter and Web site.
- Monitor the Palmer Drought Severity Index (PDSI) each month and report the PDSI each month to the board of directors.
- Provide information to the public each year on water conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, and brush control through articles in local newspapers or the district's newsletter or Web site.

Management's Response from the Guadalupe County Groundwater Conservation District

At the present time we are in the process of updating our management plan, which has to be completed and approved by the Texas Water Development Board before the end of 2012.

GCGCD assumed that the water conservation plans our large pumper had in their plans were adequate, we will publish in the local news papers water conservation of water and especially groundwater. The GCGCD has started referring to the Palmer Drought Index. With reference to abandoned water wells, we have tried to get owners to close abandoned wells, this was done in the early stages of the GCGCD and received no report of wells being plugged, capped or closed. We have in the northeast area of the district an old oil field with many open wells and this area is over the recharge of the Wilcox Aquifer and no one knows where these wells are located.

The Kenedy County Groundwater Conservation District Partially Achieved Two of the Four Goals Audited

The Kenedy County Groundwater Conservation District did not fully achieve the goal of addressing conservation and partially achieved the following two goals audited:

- Providing the most efficient use of groundwater.
- Addressing drought conditions.

The goal of controlling and preventing waste of groundwater was not applicable because the Kenedy County Groundwater Conservation District reported receiving no groundwater waste reports for the time period audited.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. Table 7 provides additional information.

Selected Financial Information for Fiscal Year 2010	
<u>Balance Sheet</u>	
Cash	\$458,855
Other Assets	<u>99,720</u>
Total Assets	\$558,575
Total Liabilities	\$129,023
<u>Statement of Revenues and Expenditures</u>	
Total Revenues	\$231,246
Total Expenditures	\$221,541
Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending December 31, 2010.	

Table 7

Kenedy County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: The first year after this Plan is approved, the District will identify all public water supply (PWS) wells located within the District that are listed on the Texas Commission on Environmental Quality PWS database. The district will register these wells and will process permit applications for those wells requiring a permit under District Rules.		
Performance Standard: The identity and location of the public water supply wells and the status of their registration and permitting will be presented in the District's annual report.	Partially	The district indicated in its fiscal year 2008 annual report that public supply wells (PSW) were identified. However, it did not present the identity, location, and permitting or registration status of the PSWs in its annual reports.
Objective: Each year thereafter, the District will locate and register a minimum of 25 existing wells and all new wells.		
Performance Standard: Each year the number of existing and new wells registered with the District will be presented in the District's annual report.	Partially	The district registered and reported more than the minimum number of existing and new wells required by this objective in its 2009 annual report. However, it did not present the number of existing and new wells registered each year in its 2008 and 2010 annual reports.

**Kenedy County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives**

Goal and Objective Audited	Achieved?	Additional Information
Objective: Each year the District will require registration of and a plugging report on all wells that are plugged during that year.		
Performance Standard: Each year the number of plugging reports received by the District for wells plugged during that year will be presented in the District's annual report.	Partially	The district did not present the number of plugging reports it received in its annual report for fiscal year 2010.
Objective: At least once annually, the District will contact all licensed water well drillers and pump installers doing business in the District and will provide written educational information about District Rules and policies.		
Performance Standard: Each year include in the District's annual report a list of licensed water well drillers and pump installers doing business in the District and a description of the educational information provided.	Partially	The district met this objective for fiscal year 2010. However, it did not contact all licensed water well drillers and pump installers doing business in the district in fiscal years 2008 and 2009.
Objective: Each year the District will maintain a database containing all registration data obtained during the year.		
Performance Standard: Each year the information in the District's annual report regarding Items A.1 through A.3 will be compiled from the database. The report will also include an evaluation of the software being used and any recommendations regarding needed changes.	Partially	The district has maintained a database containing registration data. However, the district has not used that database to compile the annual report items listed in this objective's performance standard.
Objective: The District will implement a District-wide voluntary monitoring network to evaluate groundwater availability. Wells will be monitored annually for static water levels.		
Performance Standard: The number of wells involved in the project and the respective static levels will be included in the District's annual report. All wells in the project will be registered.	Partially	<p>The district reported the number of wells included in its well monitoring network and the number of wells measured for hydrostatic water levels in its 2010 annual report. However, it did not report the static water levels of those wells in the annual report.</p> <p>In 2008, the district had not implemented the well monitoring network, and in 2009, it did not report the number of wells in its network and the hydrostatic water levels of those wells in its annual report.</p>
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: Within two working days of receiving each report of waste of groundwater, the District will conduct an on-site investigation.		
Performance Standard: A discussion of the waste of groundwater observed by the District, including the number of reports of waste received during the year and the District's response to the reports will be included in the District's annual report.	Not Applicable	The district reported receiving no reports of waste of groundwater.

Kenedy County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 3: Addressing Drought Conditions		
Objective: Each month the District will download the updated Palmer Drought Severity Index (PDSI) map and check for the periodic updates to the Drought Preparedness Council Situation Report posted on the Texas Water Information Network website.		
Performance Standard: At least quarterly, the District will make an assessment of the status of drought in the District and prepare a quarterly briefing to the Board. The District's annual report will include the downloaded PDSI maps, Situation Reports, and copies of the quarterly briefing.	Partially	The district included a link to the PDSI map on its Web site. However, it did not make an assessment of the drought status in the district, and it did not provide quarterly briefings to the board of directors. In addition, the district did not include copies of the PDSI maps and quarterly briefings in its annual reports.
Goal 4: Addressing Conservation		
Objective: The district will submit an article regarding water conservation for publication each year to at least one newspaper of general circulation in the District.		
Performance Standard: A copy of the article on conservation submitted for publication will be included in the District's annual report.	No	The district did not submit any articles regarding water conservation for publication.
Objective: District personnel will be available to present water conservation programs to school, 4H, scouting, and community groups per request. These programs will be scheduled through the administrative office, and will be appropriate to the audience. The manager will present programs at least twice a year.		
Performance Standard: A summary of programs presented, content, and audience group will be submitted in the annual report. A bibliography of any conservation literature provided to the audience by the District will be included in the report with the summary.	Not Applicable	The district indicated it did not receive any requests for conservation programs or presentations.
Objective: The District will begin to identify recharge areas in the District.		
Performance Standard: All recharge areas identified during the year will be discussed in the District's annual report.	No	This district did not identify any recharge areas.
Objective: Each year, the District will contact the Natural Resources Conservation Service (NRCS) and Kelberg-Kenedy Soil and Water Conservation District (SWCD) offices and obtain information about brush control and make that information available to the public.		
Performance Standard: Information about brush control obtained from the NRCS and the Kelberg-Kenedy SWCD offices and provided to the public will be included in the District's annual report.	Yes	

Recommendations for the Kenedy County Groundwater Conservation District

The Kenedy County Groundwater Conservation District should comply with its groundwater management plan objectives to:

- Present the identity, location, and registration and permitting status of all public water supply wells in its annual report to the board of directors.
- Present the number of existing and new wells registered with the district each year in its annual report to the board of directors.

- Present the number of plugging reports received by the district for all wells plugged each year in its annual report to the board of directors.
- Contact all licensed water well drillers and pump installers doing business in the district, at least once a year, and provide them information about the district's rules and policies, and include a list of drillers and installers and a description of the information provided in its annual report to the board of directors.
- Use its registration database to compile related well permitting and registration information to include in its annual report to the board of directors.
- Include the number of wells in the district-wide monitoring network and the wells' static levels in its annual report to the board of directors.
- Prepare quarterly drought assessments and briefings to the board of directors, and include the Palmer Drought Severity Index (PDSI) maps and copies of the quarterly briefings made in its annual report to the board of directors.
- Submit for publication an article on water conservation each year in a newspaper of general circulation, and include a copy of the article submitted for publication in its annual report to the board of directors.
- Identify all recharge areas in the district, and discuss those areas in its annual report to the board of directors.

Management's Response from the Kenedy County Groundwater Conservation District

In response to the State Auditor's recommendations, the Kenedy County Groundwater Conservation District's management agrees with the recommendations brought forth by the Auditors and will comply by taking the following actions:

- *Present the identity, location and registration and permitting status of all public water supply wells in its annual report to the Board of Directors;*
- *Present the number of existing and new wells registered with the District each year in its annual report to the Board of Directors;*
- *Present the number of plugging reports received by the district for all wells plugged each year in its annual report to the Board of Directors;*
- *Contact all licensed water well drillers and pump installers doing business in the District, at least once a year, and provide them information about the District's rules and policies, and include a list of drillers and installers*

and a description of the information provided in its annual report to the Board of Directors;

- *Use its registration database to compile related well permitting and registration information to include in its annual report to the Board of Directors;*
- *Include the number of wells in the District-wide monitoring network and the wells' static levels in its annual report to the Board of Directors;*
- *Prepare quarterly drought assessments and briefings to the Board of Directors, and include the Palmer Drought Severity Index (PDSI) maps and copies of the quarterly briefing made in its annual report to the Board of Directors;*
- *Submit for publication an article on water conservation each year in a newspaper of general circulation, and include a copy of the article submitted for publication in its annual report to the Board of Directors;*
- *Identify all recharge areas in the District, and discuss those areas in its annual report to the Board of Directors.*

The Lone Wolf Groundwater Conservation District Fully or Partially Achieved All Four of the Goals Audited

The Lone Wolf Groundwater Conservation District fully achieved the goal of controlling and preventing waste of groundwater and partially achieved the following three goals:

- Providing the most efficient use of groundwater.
- Addressing drought conditions.
- Addressing conservation.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. The Lone Wolf Groundwater Conservation District's current groundwater management plan was approved in November 2009. As a result, auditors did not test this district's achievement of goals in fiscal years 2008 and 2009. Table 8 provides additional information.

Selected Financial Information for Fiscal Year 2010	
<u>Balance Sheet</u>	
Cash	\$277,518
Other Assets	<u>197,949</u>
Total Assets	\$475,467
Total Liabilities	\$244,546
<u>Statement of Revenues and Expenditures</u>	
Total Revenues	\$183,567
Total Expenditures	\$167,439
Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending December 31, 2010.	

Table 8

Lone Wolf Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Each year measure, record, and accumulate an historic record of static water levels in at least 20 monitor wells.		
Performance Standard: 1. District will maintain a water level monitoring network and annually measure the water levels in the well monitor network. 2. Annual report to Board of Directors listing the number of wells measured in the water level monitoring network.	Partially	The district did not list the number of wells measured in the water level monitoring network in its annual report for fiscal year 2010.
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: Each year, register 100 percent of new water wells drilled in the district.		
Performance Standard: 1. District will maintain files including information on the drilling and completion of all new wells drilled within the District. 2. Annual report to the Board of Directors on the number of new wells drilled during the year.	Yes	
Goal 3: Addressing Drought Conditions		
Objective: The District will monitor the Palmer Drought Severity Index by downloading a PDSI map (or Drought Preparedness Situation Report) at least once monthly.		

Lone Wolf Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
<p><u>Performance Standard:</u></p> <p>1. District staff will monitor the Texas Palmer Drought Severity Index and maintain a link to the index on the District website for public access. Additional drought information will be available to the public at the District office. Annual report to Board of Directors listing the number of times drought information was provided to the public.</p> <p>2. Annual report to Board of Directors listing the number of PDSI maps downloaded monthly.</p>	Partially	The district did not monitor the PDSI maps each month of fiscal year 2010. In addition, the district did not report the number of times drought information was provided to the public and the number of times PDSI maps were downloaded in its annual report for fiscal year 2010.
Goal 4: Addressing Conservation		
<u>Objective:</u> Each year provide and distribute water conservation literature to District residents to promote the efficient use of water.		
<p><u>Performance Standard:</u></p> <p>1. Water conservation information will be available to the District residents at the District office.</p> <p>2. Annual report to the Board of Directors listing the number of times water conservation information was distributed to area residents.</p>	Partially	The district did not report the number of times water conservation information was provided to the public in its annual report for fiscal year 2010.

Recommendations for the Lone Wolf Groundwater Conservation District

The Lone Wolf Groundwater Conservation District should prepare an annual report to its board of directors that specifies:

- The number of wells measured in the water level monitoring network each year.
- The number of PDSI maps downloaded monthly and the number of times drought information was provided to the public.
- The number of times the district distributed water conservation information to area residents.

Management's Response from the Lone Wolf Groundwater Conservation District

In response to the recommendations resulting from your audit of the Lone Wolf Groundwater Conservation District, our plans for correcting underachieved goals are as follows:

- *Goal 1: The general manager, in preparing her annual report to the Board of Directors will include a list of wells measured in the water leveling monitoring program. An amendment will be attached to the 2011*

report which has been delivered; further, each year hereafter, the report will contain a detailed list of the monitor wells.

- *Goal 2: Each year the District measures, records and accumulates an historic record of static water levels in at least 20 monitor wells. This goal was achieved.*
- *Goal 3: The District has been monitoring drought indices more frequently than monthly. The general manager was remiss in not reporting the number of times the Palmer Drought Severity Index was referenced monthly. Henceforth, the Board will be made aware at each meeting of each downloaded report and when the report was provided to the public. This information will also be included in the annual report to the Board of Directors.*
- *Goal 4: Rather than report only the type of water conservation information provided and distributed to area residents, the general manager will incorporate into the annual report to the Board a listing of the number of times each type of information was presented.*

The Middle Trinity Groundwater Conservation District Fully Achieved Three of the Four Goals Audited

The Middle Trinity Groundwater Conservation District did not fully achieve the goal of controlling and preventing waste of groundwater; it fully achieved the following three goals:

- Providing the most efficient use of groundwater.
- Addressing drought conditions.
- Addressing conservation.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. The Middle Trinity Groundwater Conservation District's current groundwater management plan was approved in May 2009. As a result, auditors did not test this district's achievement of goals in fiscal year 2008. Table 9 provides additional information.

Selected Financial Information for Fiscal Year 2010

Balance Sheet

Cash	\$ 228,603
Other Assets	<u>1,181,816</u>
Total Assets	\$1,410,419
Total Liabilities	\$ 467,571

Statement of Revenues and Expenditures

Total Revenues	\$ 687,251
Total Expenditures	\$ 887,041

Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending December 31, 2010.

Table 9

Middle Trinity Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Annually, the District will require all new water wells that are constructed within the boundaries of the District to be registered with the District pursuant to the District Rules.		
Performance Standard: The number of water wells registered by the District for each year will be included in the Annual Report submitted to the Board of Directors of the District.	Yes	
Objective: The District will annually require all water wells subject to the District's permitting requirements to be permitted pursuant to the District Rules.		
Performance Standard: The number of water wells permitted by the District for each year will be included in the Annual Report submitted to the Board of Directors of the District.	Yes	
Objective: The District will annually regulate the production of groundwater by maintaining a system of permitting which authorizes the use and production of groundwater within the boundaries of the District pursuant to the District Rules.		
Performance Standard: The District will annually accept and process applications for the permitted use of groundwater in the District in accordance with the permitting system established by the District Rules. The number and type of applications made for the permitted use of groundwater in the District, and the number and type of permits issued by the District, will be included in the Annual Report given to the Board of Directors.	Yes	

**Middle Trinity Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives**

Goal and Objective Audited	Achieved?	Additional Information
Objective: The District will annually attempt to increase the public awareness regarding the purpose, objectives, and mission of the District.		
Performance Standard: The District will provide at least two of the following on annual basis: informational presentations to public service organizations or community groups; informational radio spots; or manned kiosks at public expositions.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: At least once each year, the District will evaluate the District Rules to identify whether any amendments are needed to reduce the amount of waste of groundwater within the boundaries of the District.		
Performance Standard: The District will include a discussion of the annual evaluation of the District Rules and the determination of whether any amendments to the rules are needed to prevent the waste of groundwater in the Annual Report of the District provided to the Board of Directors.	Yes	
Objective: The District will annually provide information to the public on eliminating and reducing wasteful practices in the use of groundwater by publishing information on groundwater waste reduction on the District's website at least once a year.		
Performance Standard: A copy of the information on groundwater waste reduction will be provided on the District's website and the information published on the website will be included in the District's Annual Report to be provided to the District's Board of Directors.	Yes	
Objective: The District will require the plugging of at least one (1) deteriorated or abandoned well identified by the District in accordance with the Texas Department of Licensing and Regulation, Water Well Drillers and Pump Installers Rules (16 Texas Administrative Code, Chapter 76).		
Performance Standard: At least once each year, the District will produce a report that describes the activities of the District in plugging a deteriorated or abandoned water well identified by the District and the report will be included in the Annual Report given to the Board of Directors of the District.	Yes	
Objective: The District will submit at least one request each year to the Texas Railroad Commission by the end of each fiscal year asking for the location of existing salt water or waste disposal injection wells which have been permitted by the Texas Railroad Commission within the District within the most recent fiscal year.		
Performance Standard: A copy of each request letter that was submitted to the Texas Railroad Commission asking for the location of existing salt water or waste disposal wells permitted to operate within the District will be included in the Annual Report submitted to the Board of Directors of the District for each fiscal year.	No	The district did not submit a written request to the Texas Railroad Commission asking for the location of existing salt water or waste disposal injection wells permitted to operate within the district.
Objective: The District will provide at least one request each year to the Texas Railroad Commission which asks whether any new salt water or waste disposal injection wells have been permitted by the Texas Railroad Commission to operate within the District within the most recent fiscal year.		
Performance Standard: A copy of each request provided to the Texas Railroad Commission each year which requests information regarding the location of any new salt water or waste disposal wells permitted to operate within the District will be included in the Annual Report submitted to the Board of Directors of the District.	Yes	
Objective: The District will transmit at least one request each year to the Texas Railroad Commission which asks that the Commission provide a copy of the results of integrity tests performed on salt water or waste disposal injection wells permitted by the Texas Railroad Commission to operate within the District.		

**Middle Trinity Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives**

Goal and Objective Audited	Achieved?	Additional Information
Performance Standard: A copy of each letter sent to the Texas Railroad Commission each year requesting the results of the integrity testing performed on salt water or waste disposal injection wells permitted by the Texas Railroad Commission to operate within the District will be included in the Annual Report submitted to the Board of Directors of the District.	Yes	
Goal 3: Addressing Drought Conditions		
Objective: On a monthly basis, the District will download the updated Palmer Drought Severity Index (PDSI) map and check for the periodic updates to the Drought Preparedness Council Situation Report (Situation Report) posted on the Texas Water Information Network website - http://www.txdps.state.tx.us/dem/sitrepindex.htm .		
Performance Standard: Quarterly, the district will make an assessment of the status of drought in the District and prepare a quarterly briefing to the Board of Directors. The downloaded PDSI maps and Situation Reports will be included with copies of the quarterly briefing in the District Annual Report that is provided to the Board of Directors.	Yes	
Goal 4: Addressing Conservation		
Objective: The District will submit at least one article regarding water conservation for publication each year to at least one newspaper of general circulation in Comanche and Erath Counties.		
Performance Standard: A copy of the article submitted by the District for publication to a newspaper of general circulation in Comanche and Erath Counties regarding water conservation will be included in the Annual Report given to the Board of Directors.	Yes	
Objective: The District will present a pre-existing educational program for use in public or private schools in Comanche and Erath Counties at least once each year to educate students on the importance of water conservation.		
Performance Standard: A description of the educational program presentation(s) by the District for use in the public and private schools in Comanche and Erath Counties will be included in the Annual Report to the Board of Directors each year.	Yes	
Objective: On an bi-annual basis, the District will include an informational flier on water conservation within at least one mail-out to permit holders distributed in the normal course of business for the District.		
Performance Standard: The District's Annual Report will include a copy of the most recent informational flier distributed to permit holders regarding water conservation and identify the number of fliers distributed.	Yes	
Objective: The District will provide information relating to recharge enhancement on the District's web site at least once each year.		
Performance Standard: The District's Annual Report will include a copy of the information provided on the District web site related to recharge enhancement.	Yes	
Objective: The District will provide information on rainwater harvesting each year by offering new information about rainwater harvesting on the District web site at least once each year.		
Performance Standard: The District's Annual Report will provide a copy of the information on rainwater harvesting which has been posted on the District web site in the previous year.	Yes	

Middle Trinity Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Objective: The District will evaluate the State Brush Control Plan as it is revised from time to time at least once each year to determine whether projects within the District will increase the groundwater resources of the District.		
Performance Standard: Upon review of a newly revised State Brush Control Plan, the District's Annual Report will include a copy of the most recent brush control information pertaining to the District.	Yes	

Recommendations for the Middle Trinity Groundwater Conservation District

The Middle Trinity Groundwater Conservation District should comply with its groundwater management plan objective to:

- Submit a written request to the Texas Railroad Commission asking for the location of existing salt water or waste disposal injection wells permitted to operate within the district.
- Include a copy of the request to the Texas Railroad Commission in its annual report to the board of directors.

Management's Response from the Middle Trinity Groundwater Conservation District

The MTGCD finds it is unconventional that the State Auditor's Office would change from reporting on GCD's attainment of Management Plan Goals, as the case in the 2010 GCD audits, to reporting on GCD's attainment of the individual objectives that comprise the Management Plan Goals. This is important because of the similarity of the terms goal and objective. The average reader of this audit could misinterpret that a missed objective, typically just one of several objectives that make up a Management Plan Goal, is a major event of non-performance. The Middle Trinity GCD fully or partially met all of the Management Plan Goals audited. In the case of the partially achieved Goal, five (5) of (6) of the associated objectives were met. The one objective that was cited by the SAO as not met, was a onetime objective met in fiscal 2004; however, the audit window was only 2008 through 2010. Regardless, the MTGCD has remedied the situation by removing the objective in question from its newly adopted Management Plan effective March 5, 2012. This corrective action was taken by the General Manager of the Middle Trinity GCD and approved by the MTGCD Board of Directors.

The Panola County Groundwater Conservation District Fully Achieved Three of the Four Goals Audited

The Panola County Groundwater Conservation District did not fully achieve the goal of addressing conservation; it fully achieved the following three

goals:

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Addressing drought conditions.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. The Panola County Groundwater Conservation District's current groundwater management plan was approved in March 2009. As a result, auditors did not test this district's achievement of goals in fiscal year 2008. Table 10 provides additional information.

Selected Financial Information for Fiscal Year 2010

Balance Sheet

Cash	\$398,260
Other Assets	141,597
Total Assets	\$539,857
Total Liabilities	\$284,594

Statement of Revenues and Expenditures

Total Revenues	\$332,623
Total Expenditures	\$214,556

Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending December 31, 2010.

Table 10

Panola County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Beginning in 2008, the District will require the registration of all wells within the District's boundaries each year.		
Performance Standard: The number of new and existing wells registered with the District will be provided in the Annual Report for each fiscal year.	Yes	
Objective: The District will require permits for all non-exempt groundwater use within District boundaries pursuant to the District Rules each year.		
Performance Standard: The District will accept and process applications for permits for all non-exempt groundwater use pursuant to the permitting process described in the District Rules each year. The Annual Report for each fiscal year will contain a summary of the number of applications for the permitted use of groundwater and the number and type of permits issued.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: The District will provide information on an annual basis to the public on the elimination, reduction, and prevention of the waste of groundwater and information focused on water quality protection each year. The District will use one of the following methods to provide information to the public at least once during each fiscal year: distribute literature packets or brochures within Panola County and the surrounding areas; provide public presentations on groundwater and water issues, including waste prevention; sponsor an educational program/course; provide information on the District's web site; submit newspaper articles to local paper for publication; present displays at local public events; or become involved in the distribution of information, such as brochures, in schools in Panola County.		

Panola County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Performance Standard: The District's Annual Report will include a summary of the District's efforts during the fiscal year to provide educational information to the public on the elimination, reduction and prevention of the waste of groundwater.	Yes	
Objective: The District will make an annual evaluation of its Rules to determine whether any amendments are necessary to facilitate prevention of waste of the groundwater within District boundaries.		
Performance Standard: The District's Annual Report will include a summary of the evaluation of the District Rules and will provide a recommendation as to whether any amendments to the Rules are needed to facilitate prevention of waste.	Yes	
Goal 3: Addressing Drought Conditions		
Objective: The District will download at least one updated Palmer Drought Severity Index ("PDSI") map each month and will check for the regular updates to the Drought Preparedness Council Situation Report ("Situation Report") posted on the following website: http://www.txdps.state.tx.us/dem/sitrepindex.htm .		
Performance Standard: The District will include the 12 monthly downloaded PDSI maps and Situation Reports in the Annual Report for each fiscal year.	Yes	
Goal 4: Addressing Conservation		
Objective: The District will promote conservation at least once during each fiscal year by one of the following methods: distribute literature packets or brochures; conduct public presentations; sponsor an educational program/curriculum; provide information on the District's web site; submit newspaper articles to local newspaper for publication; present displays at local public events; annually conduct a local contest on water conservation; or conduct classroom presentations on conservation.		
Performance Standard: The District's Annual Report will provide a summary of the District efforts and a copy of any information provided by the District to the public during the previous fiscal year to promote conservation.	Yes	
Objective: The District will provide information relating to recharge enhancement on the District web site at least one time each fiscal year.		
Performance Standard: Each year, the District's Annual Report will include a copy of the information that has been provided on the District web site relating to recharge enhancement.	No	The district did not provide information relating to recharge enhancement on its Web site.
Objective: The District will advocate rainwater harvesting each year by providing updated information about rainwater harvesting on the District web site at least once each fiscal year.		
Performance Standard: The Annual Report for the District will include a copy of the information on rainwater harvesting which has been provided on the District web site within the previous fiscal year.	Yes	

Recommendations for the Panola County Groundwater Conservation District

The Panola County Groundwater Conservation District should comply with its groundwater management plan objective to:

- Provide information on recharge enhancement on its Web site each year.

- Include a copy of the information provided on recharge enhancement in its annual report to the board of directors.

Management's Response from the Panola County Groundwater Conservation District

The Panola County Groundwater Conservation District ("District") agrees with this recommendation. On March 30, 2012, the District staff began modifying the District's website to provide links to recharge enhancement websites, data on local rainfall amounts, and aquifer level changes. The publication of the information on the District's website is part of the District's goal of building a database to correlate precipitation trends with changes in the aquifer. Since the recharge enhancement information were not incorporated into the District's website until 2012, the annual report covering 2012 District activities will be the first annual report to reflect the recharge enhancement information.

The Pecan Valley Groundwater Conservation District Fully or Partially Achieved All Four of the Goals Audited

Selected Financial Information for Fiscal Year 2010

Balance Sheet

Cash	\$375,756
Other Assets	<u>44,525</u>
Total Assets	\$420,281
Total Liabilities	\$ 28,823

Statement of Revenues and Expenditures

Total Revenues	\$206,688
Total Expenditures	\$135,796

Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending September 30, 2010.

The Pecan Valley Groundwater Conservation District partially achieved the goals of controlling and preventing waste of groundwater and addressing drought conditions; it fully achieved the following two goals:

- Providing the most efficient use of groundwater.
- Addressing conservation.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. Table 11 provides additional information.

Table 11

Pecan Valley Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Develop and maintain a Water Well Registration Program for tracking well information for wells within the District's boundaries.		
Performance Standard: Each year the District will summarize within the annual report the changes related to water well registration including the number of new and existing wells registered.	Yes	
Objective: Develop and maintain a Water Well Permitting Program for tracking all permits authorizing water well operation and groundwater production.		
Performance Standard: Each year the District will summarize within the annual report the changes related to water well permitting including the number of new applications and the disposition of the applications.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: Initiate a program to identify the location of abandoned wells that will include a survey of landowners, well drillers, and the Texas Railroad Commission regarding any known abandoned wells, and initiate actions as necessary to enforce the notice, plugging and other requirements of Section 1901.255, Occupations Code.		
Performance Standard: Include in the annual report the number of water well inspections resulting from these activities.	Partially	The district published information on plugging abandoned wells, but it did not include in its annual report the number of water well inspections performed.
Objective: Develop and maintain a Water Well Inspection Program for non-exempt wells.		

**Pecan Valley Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives**

Goal and Objective Audited	Achieved?	Additional Information
Performance Standard: Each year the District will summarize within the annual report the findings of the inspection activities including the number of water wells inspected and information regarding the number of wells that require improvement in order to prevent waste and/or prevent groundwater contamination.	Yes	
Objective: Develop and maintain a Groundwater Conservation Education Program.		
Performance Standard: Each year the District will summarize within the annual report the educational activities including the number of educational materials developed and/or delivered to local schools, the number of public speaking events and presentations, the number of community events participated in, and the number of educational publications.	Yes	
Goal 3: Addressing Drought Conditions		
Objective: Compare static levels of wells in the District's database with historical rainfall to determine a correlation.		
Performance Standard: Report the correlation to the Board and to water suppliers as often as necessary, but at least annually, to assist water suppliers in implementing their drought management plans.	Partially	The district's annual report included rainfall levels. But the district did not report correlations between static well levels or indicate that those correlations were shared with area water suppliers.
Objective: Collect and review drought condition information related to DeWitt County and the surrounding region of Texas on a monthly basis.		
Performance Standard: Each year the District will summarize within the annual report the monthly drought information including Palmer Drought Severity Index (PDSI) maps and the Drought Preparedness Council Situation Report period updates. Additionally, the number of weeks and/or months that the District experienced drought based on the PDSI will be reported in the annual report.	Yes	
Goal 4: Addressing Conservation		
Objective: Promote groundwater conservation within DeWitt County.		
Performance Standard: Each year the District will summarize within the annual report the number of activities participated in and educational materials disseminated that are directly related to groundwater conservation.	Yes	
Objective: Promote rainwater harvesting within DeWitt County.		
Performance Standard: Each year the District will summarize within the annual report all efforts made in promoting rainwater harvesting including providing educational links to the district website and any other educational avenues. The annual report will include the number of activities participated in and the number of educational materials disseminated each year.	Yes	
Objective: Promote recharge enhancement within DeWitt County.		

Pecan Valley Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Performance Standard: Each year the District will summarize within the annual report the activities directly related to promoting recharge enhancement including the dissemination of educational links via the district website and other educational avenues. The annual report will include the number of activities participated in and the number of educational materials disseminated.	Yes	
Objective: Promote brush control within DeWitt County.		
Performance Standard: Each year the District will summarize within the annual report the activities directly related to promoting brush control including the dissemination of educational links via the district website and other educational avenues. The annual report will include the number of activities participated in and the number of educational materials disseminated.	Yes	

Recommendations for the Pecan Valley Groundwater Conservation District

The Pecan Valley Groundwater Conservation District should comply with its groundwater management plan objectives to:

- Include in its annual report to the board of directors the number of water well inspections performed resulting from the identification of abandoned wells in the district.
- Report to the board of directors and water suppliers in the district the correlations between static water well levels and historical rainfall totals.

Management's Response from the Pecan Valley Groundwater Conservation District

The Pecan Valley GCD should comply with its groundwater management plan objectives to:

- *Include in its annual report to the board of directors the number of water well inspections performed resulting from the identification of abandoned wells in the district. PVGCD agrees with this recommendation. As of the Fiscal Year 2012 Annual Report this will be included in all future reports.*
- *Report to the board of directors and water suppliers in the district the correlations between static water well levels and historic rainfall totals. PVGCD agrees with this recommendation. Static level changes will be reported to the municipalities and water supply corporations. They will also be given the historic rainfall totals once a year.*

The Red Sands Groundwater Conservation District Did Not Achieve Any of the Four Goals Audited

The Red Sands Groundwater Conservation District did not achieve the following four goals audited:

Selected Financial Information for Fiscal Year 2010

The Red Sands Groundwater Conservation District did not obtain an annual audit of its financial statements for its fiscal year ending August 31, 2010. Therefore, no financial information is presented in this report. (See Chapter 2 for additional information on this district's compliance with the annual audit requirement.)

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Addressing drought conditions.
- Addressing conservation.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. Table 12 provides additional information.

Table 12

Red Sands Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Each year, the District will require the registration of all wells within the District's jurisdiction.		
Performance Standard: Each year, beginning in fiscal year 2008, the number of new and existing wells registered with the District will be presented in the District's annual report.	No	The district did not prepare an annual report in each of the three fiscal years tested: 2008, 2009, and 2010. As a result, auditors could not determine whether the district achieved the stated objective.
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: Each year, the District will disseminate educational information on eliminating and reducing the wasteful use of groundwater focusing on water quality protection. This may be accomplished annually by two of the following methods: conduct an annual contest on water quality protection; compile literature packets for distribution to schools in Hidalgo County; conduct classroom presentations; sponsor an educational program/curriculum; post information on the District's web site; provide newspaper articles for publication; publish District newsletter; conduct public presentations; set up displays at public events; distribute brochures/literature.		
Performance Standard: The annual report will include a summary of the District activities during the year to disseminate educational information on eliminating and reducing the wasteful use of groundwater focusing on water quality protection.	No	The district did not prepare an annual report in each of the three fiscal years tested: 2008, 2009, and 2010. As a result, auditors could not determine whether the district achieved the stated objective.
Goal 3: Addressing Drought Conditions		
Objective: Each month, the District will download the updated Palmer Drought Severity Index (PDSI) map and check for the periodic updates to the Drought Preparedness Council Situation Report (Situation Report).		

Red Sands Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Performance Standard: Each year, the downloaded PDSI maps and Situation Reports will be included in the District Annual Report to the Board of Directors.	No	The district did not prepare an annual report in each of the three fiscal years tested: 2008, 2009, and 2010. As a result, auditors could not determine whether the district achieved the stated objective.
Goal 4: Addressing Conservation		
Objective: Each year, the District will promote conservation by one of the following methods: conduct an annual contest on water conservation; distribute conservation literature packets to schools in Hidalgo County; conduct classroom conservation presentations; sponsor an educational conservation program/curriculum; post conservation information on the District's web site; provide a newspaper article on conservation for publication; publish an article on conservation in the District newsletter; conduct a public conservation presentation; set up a conservation display at a public event; distribute conservation brochures/literature to the public.		
Performance Standard: Each year, the annual report will include a summary of the District activity during the year to promote conservation.	No	The district did not prepare an annual report in each of the three fiscal years tested: 2008, 2009, and 2010. As a result, auditors could not determine whether the district achieved the stated objective.
Objective: Each year, the District will promote rainwater harvesting by posting information on rainwater harvesting on the District web site.		
Performance Standard: Each year, the annual report will include a copy of the information on rainwater harvesting that is provided on the District web site.	No	The district did not prepare an annual report in each of the three fiscal years tested: 2008, 2009, and 2010. As a result, auditors could not determine whether the district achieved the stated objective.
Objective: Each year, the District will provide information relating to recharge enhancement and brush control on the District web site.		
Performance Standard: Each year, the District annual report will include a copy of the information that has been provided on the District web site relating to recharge enhancement and brush control.	No	The district did not prepare an annual report in each of the three fiscal years tested: 2008, 2009, and 2010. As a result, auditors could not determine whether the district achieved the stated objective.

Recommendations for the Red Sands Groundwater Conservation District

The Red Sands Groundwater Conservation District should:

- Prepare the required annual reports and submit them to its board of directors as required by its groundwater management plan.
- Comply with its groundwater management plan objectives to:
 - Present the number of new and existing water wells registered with the district each year in its annual report to the board of directors.
 - Include a summary of the activities performed each year to disseminate educational information on eliminating and reducing the

wasteful use of groundwater in its annual report to the board of directors.

- Download and monitor the Palmer Drought Severity Index (PDSI) maps each month and include the PDSI maps in its annual report to the board of directors.
- Include a summary of the activities performed each year to promote conservation in its annual report to the board of directors.
- Include a copy of rainwater harvesting, recharge enhancement, and brush control information provided on the district Web site each year in its annual report to the board of directors.

Management's Response from the Red Sands Groundwater Conservation District

Red Sands will implement a process, whereby notices will be given to all owners within the district about the necessity of registering existing wells, along with the requirements of obtaining well permits for the drilling of new wells. Furthermore, Red Sands will make it a goal to prepare literature packets with information regarding efficient use of groundwater, controlling and preventing waste of groundwater, addressing drought conditions and water conservation. The goal is to distribute this information to all known landowners as well as making this information available on the district's website.

The district is working on implementing a process whereby the information from the Palmer Drought Severity Index will be available online on the district's website, and will provide information on the rainwater harvesting on its website, too.

An annual report will be provided to the board of directors of Red Sands which will include the number of new wells drilled, existing wells registered, information on eliminating and reducing the wasteful use of groundwater, activities performed during the year to promote conservation and rainwater harvesting records for the year.

The Refugio Groundwater Conservation District Did Not Fully Achieve Any of the Four Goals Audited

The Refugio Groundwater Conservation District did not fully achieve the following four goals audited:

Selected Financial Information for Fiscal Year 2010

Balance Sheet

Cash	\$348,281
Other Assets	<u>37,894</u>
Total Assets	\$386,175
Total Liabilities	\$ 5,719

Statement of Revenues and Expenditures

Total Revenues	\$212,711
Total Expenditures	\$200,364

Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending September 30, 2010.

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Addressing drought conditions.
- Addressing conservation.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. The Refugio Groundwater Conservation District's current groundwater management plan was approved in March 2009. As a result, auditors did not test this district's achievement of goals in fiscal year 2008. Many of this district's objectives required information to be included in its annual report, but its annual report did not have the required information. Table 13 provides additional information.

Table 13

Refugio Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Each year the District will provide educational materials to the public (the District may provide speakers to address water topics, distribute water resource education packets for use in classrooms, articles on website, etc.)		
Performance Standard: Include summary of activities in annual report.	No	The district did not include a summary of activities performed in its annual reports.
Objective: Register and permit wells.		
Performance Standard: Track number of wells registered and permitted annually and include information in annual report.	No	The district did not include the number of wells registered and permitted annually in its annual reports.
Objective: Maintain groundwater database.		
Performance Standard: Report progress in annual report.	No	The district did not report the progress of its groundwater database in its annual reports.
Objective: Measure water levels annually.		

Refugio Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Performance Standard: Monitor thirty wells and report annually.	Partially	The district's annual report included water level measurements for 7 of the 30 wells required for its annual reports.
Objective: Meter permitted wells.		
Performance Standard: Report volume used annually.	No	The district did not report the annual volume used from permitted wells in its annual reports.
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: Measure water quantity and quality on strategic wells annually.		
Performance Standard: Measure depth to water on thirty wells annually and measure chemical analysis of five wells annually.	Partially	The district's annual report included water depth on 7 wells, but the district did not report on the chemical analysis of water wells in its annual reports. It also did not report the depth to water for 30 wells.
Objective: Identify polluted wells and pollution sources and take appropriate action.		
Performance Standard: Report to Board of Directors at next meeting on all complaints after complaint filed.	Not Applicable	The district received no complaints of polluted wells.
Objective: Investigate all identified wasteful practices within determined period of time after identification or complaint received.		
Performance Standard: Track wasteful practices identified and time frame taken to respond or investigate, plus actions taken to remedy.	Yes	
Objective: Meter permitted wells.		
Performance Standard: Track metered wells.	No	The district did not report on metered and permitted wells in its annual reports.
Objective: Water use fee.		
Performance Standard: Track fee amounts and amount of water used for each permitted use to be included in Annual Report.	No	The district did not report fee and water use amounts for each permitted use in its annual reports.
Goal 3: Addressing Drought Conditions		
Objective: Monitor the Palmer Drought Severity Index.		
Performance Standard: A report of the Palmer Drought Severity Index will be presented to the Board of Directors on an annual basis.	No	The district did not report on the Palmer Drought Severity Index in its annual reports.
Objective: Monitor rainfall.		
Performance Standard: Maintain weather stations, and report data collected quarterly to the Board of Directors, and final report in the Annual Report.	Partially	The district reported maintaining weather stations, but it did not report data collected quarterly and annually in its annual reports.
Goal 4: Addressing Conservation		
Objective: Promote conservation through the District working with landowners and other local agencies such as the Copano Bay Soil and Water Conservation District. A summary of those joint activities will be included in the annual report.		

Refugio Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Performance Standard: Number of meetings attended by the District each year with landowners or the Copano Bay Soil and Water Conservation District.	No	The district did not report the number of meetings attended or joint activities performed in its annual reports.
Objective: Promote rainwater harvesting.		
Performance Standard: Include a copy of promotional rainwater harvesting material in Annual Report.	No	The district did not include a copy of promotional rainwater harvesting material in its annual reports.
Objective: Promote brush control through the District working with landowners and the Copano Bay Soil and Water Conservation District. A summary of those joint activities will be included in the annual report.		
Performance Standard: Number of meetings attended by the District each year with landowners or the Copano Bay Soil and Water Conservation District.	No	The district did not report the number of meetings attended or joint activities performed in its annual reports.

Recommendations for the Refugio Groundwater Conservation District

The Refugio Groundwater Conservation District should comply with its groundwater management plan objectives to:

- Include a summary of activities performed each year in its annual report to the board of directors.
- Include the number of wells registered and permitted each year in its annual report to the board of directors.
- Report on the progress of its groundwater database in its annual report to the board of directors.
- Measure, monitor, and report on the water levels of 30 wells each year in its annual report to the board of directors.
- Report the annual volume used from permitted wells each year in its annual report to the board of directors.
- Measure and report the depth to water for 30 wells and the chemical analysis of 5 wells each year in its annual report to the board of directors.
- Track and report on metered and permitted wells each year in its annual report to the board of directors.
- Track and report on fee amounts and water use amounts for each permitted use each year in its annual report to the board of directors.
- Monitor and report on the Palmer Drought Severity Index each year in its annual report to the board of directors.

- Report data collected from its weather stations on a quarterly basis to the board of directors and on an annual basis in its annual report to the board of directors.
- Report on the number of meetings attended and joint activities performed each year to promote conservation and brush control in its annual report to the board of directors.
- Promote rainwater harvesting and include a copy of the promotional rainwater harvesting material in its annual report to the board of directors.

Management's Response from the Refugio Groundwater Conservation District

Management agrees to comply with the following Groundwater Management Plan Objectives. Previously these items were included orally on an annual basis to the Board of Directors. In the future, beginning with this Fiscal Year, Management shall include the following in its Annual Written Report to the Board.

- *Summary of activities performed each year*
- *Number of wells registered and permitted each year*
- *Progress of its groundwater database*
- *Measure, monitor and report water levels on 30 wells per year*
- *Report the annual volume used from permitted wells each year*
- *Measure and report the depth to water on 30 wells and the chemical analysis of 5 wells per year*
- *Track and report on metered and permitted wells each year*
- *Track and report on fee amounts and water use amounts for each permitted use each year*
- *Monitor and report on the Palmer Drought Severity Index each year*
- *Report data collected from its Weather Stations on a quarterly and annual basis*
- *Report on the number of meetings attended and joint activities performed each year to promote conservation and brush control*
- *Promote rainwater harvesting and include a copy of the promotional rainwater harvesting material*

The Southeast Texas Groundwater Conservation District Fully Achieved All Four of the Goals Audited

Selected Financial Information for Fiscal Year 2010	
<u>Balance Sheet</u>	
Cash	\$212,694
Other Assets	39,548
Total Assets	\$252,242
Total Liabilities	\$ 17,213
<u>Statement of Revenues and Expenditures</u>	
Total Revenues	\$147,642
Total Expenditures	\$118,264
Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending December 31, 2010.	

The Southeast Texas Groundwater Conservation District fully achieved the following four goals audited:

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Addressing drought conditions.
- Addressing conservation.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. Table 14 provides additional information.

Table 14

Southeast Texas Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Each year, the District will require all new exempt or permitted wells that are constructed within the boundaries of the District to be registered or permitted with the District in accordance with the District Rules.		
Performance Standard: The number of exempt and permitted wells registered or permitted by the District for the year will be incorporated into the Annual Report submitted to the Board of Directors of the District.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: Each year, the District will make an evaluation of the District Rules to determine whether any amendments are recommended to decrease the amount of waste of groundwater within the District.		
Performance Standard: The District will include a discussion of the annual evaluation of the District Rules and the determination of whether any amendments to the rules are recommended to prevent the waste of groundwater in the Annual Report of the District provided to the Board of Directors.	Yes	
Objective: Each year, the District will provide information to the public on eliminating and reducing wasteful practices in the use of groundwater by an article on groundwater waste reduction on the District's website.		
Performance Standard: Each year, a copy of the information provided in the groundwater waste reduction article on the District's website will be included in the District's Annual Report to be given to the District Board of Directors.	Yes	

**Southeast Texas Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives**

Goal and Objective Audited	Achieved?	Additional Information
Goal 3: Addressing Drought Conditions		
Objective: The District will post an article at least annually regarding drought conditions in the District on the District website.		
Performance Standard: A copy of the article or articles posted on the District website regarding drought conditions will be included in the annual report to the Board of Directors.	Yes	
Goal 4: Addressing Conservation		
Objective: The District will annually submit an article regarding water conservation for publication to at least one newspaper of general circulation in Jasper, Newton, Tyler and Hardin Counties.		
Performance Standard: A copy of the article submitted by the District for publication to a newspaper of general circulation in Jasper, Newton, Tyler and Hardin Counties regarding water conservation will be included in the Annual Report to the Board of Directors.	Yes	
Objective: Each year, the District will include an informative flier on water conservation within at least one mail out to groundwater use permit holders distributed in the normal course of business for the District.		
Performance Standard: The District's Annual Report will include a copy of the informative flier distributed to groundwater use permit holders regarding water conservation and the number of fliers distributed.	Yes	

The Victoria County Groundwater Conservation District Fully or Partially Achieved All Four of the Goals Audited

The Victoria County Groundwater Conservation District partially achieved the goal of addressing conservation; it fully achieved the following three goals:

Selected Financial Information for Fiscal Year 2010

Balance Sheet

Cash	\$ 970,211
Other Assets	<u>34,830</u>
Total Assets	\$1,005,041
Total Liabilities	\$ 31,091

Statement of Revenues and Expenditures

Total Revenues	\$ 510,829
Total Expenditures	\$ 262,285

Source: These amounts were from the district's annual audited financial statements and were not verified as part of this audit. These amounts are for the district's fiscal year ending September 30, 2010.

- Providing the most efficient use of groundwater.
- Controlling and preventing the waste of groundwater.
- Addressing drought conditions.

For each goal in the groundwater management plan, there are one or more objectives and related performance standards that describe the activities the district must perform to achieve the goal. The Victoria County Groundwater Conservation District's current groundwater management plan was approved in December 2008. As a result, auditors did not test this district's achievement of goals in fiscal year 2008. Table 15 provides additional information.

Table 15

Victoria County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
Goal 1: Providing the Most Efficient Use of Groundwater		
Objective: Develop and maintain a Water Well Registration Program (WWRP) for tracking well information for wells within the District's boundaries.		
Performance Standard: Each year, beginning in 2008, the District will summarize within the annual report the changes related to water well registration including the number of new and existing wells registered.	Yes	
Objective: Develop and maintain a Water Well Permitting Program (WWPP) for tracking all permits authorizing water well operation and groundwater production.		
Performance Standard: Each year, beginning in 2008, the District will summarize within the annual report the changes related to water well permitting including the number of new applications and the disposition of the applications.	Yes	
Goal 2: Controlling and Preventing Waste of Groundwater		
Objective: Develop and maintain a Water Well Inspection Program (WWIP) for non-exempt wells.		
Performance Standard: Each year, beginning in 2008, the District will summarize within the annual report the findings of the inspection activities including information regarding the number of wells that require improvement to prevent waste and/or prevent groundwater contamination.	Yes	
Objective: Develop and maintain a Groundwater Conservation Education Program (GCEP).		

**Victoria County Groundwater Conservation District
Achievement of Groundwater Management Plan Objectives**

Goal and Objective Audited	Achieved?	Additional Information
<p>Performance Standard: Each year, beginning in 2008, the District will summarize within the annual report the educational activities including the number of educational materials developed and delivered to local schools, the number of cooperative educational contributions and grants, the number of public speaking events and presentations, the number of community events participated in, and the number of educational publications.</p>	Yes	
Goal 3: Addressing Drought Conditions		
<p>Objective: Collect and review drought condition information related to Victoria County and the surrounding region of Texas on a monthly basis.</p>		
<p>Performance Standard: Each year, beginning in 2008, the District will summarize within the annual report the monthly drought information including Palmer Drought Severity Index (PDSI) maps and the Drought Preparedness Council Situation Report period updates. Additionally, the number of weeks and/or months that the District experienced drought based on the PDSI will be reported in the annual report.</p>	Yes	
Goal 4: Addressing Conservation		
<p>Objective: Promote groundwater conservation within Victoria County.</p>		
<p>Performance Standard: Each year, beginning in 2008, the District will summarize within the annual report the activities directly related to groundwater conservation including educational materials developed and delivered to local schools, cooperative educational contributions and grants, public speaking events and presentations, community event participation, and educational publications. Additionally, the number of activities participated in and the number of educational materials developed or disseminated each year will be reported in the annual report.</p>	Yes	
<p>Objective: Promote rainwater harvesting within Victoria County.</p>		
<p>Performance Standard: Each year, beginning in 2008, the District will summarize within the annual report the activities directly related to promoting rainwater harvesting including the development and dissemination of educational materials via the district website and other educational events. Additionally, the number of activities participated in and the number of educational materials developed or disseminated each year will be reported in the annual report.</p>	Yes	
<p>Objective: Promote recharge enhancement within Victoria County.</p>		
<p>Performance Standard: Each year, beginning in 2008, the District will summarize within the annual report the activities directly related to promoting recharge enhancement including the development and dissemination of educational materials via the district website and other educational events. Additionally, the number of activities participated in and the number of educational materials developed or disseminated each year will be reported in the annual report.</p>	Partially	The district did not actively promote recharge enhancement in fiscal year 2009.
<p>Objective: Promote brush control within Victoria County.</p>		

Victoria County Groundwater Conservation District Achievement of Groundwater Management Plan Objectives		
Goal and Objective Audited	Achieved?	Additional Information
<p>Performance Standard: Each year, beginning in 2008, the District will summarize within the annual report the activities directly related to promoting brush control including the development and dissemination of educational materials via the district website and other educational events. Additionally, the number of activities participated in and the number of educational materials developed or disseminated each year will be reported in the annual report</p>	Partially	The district did not actively promote brush control in fiscal year 2009.

Recommendations for the Victoria County Groundwater Conservation District

The Victoria County Groundwater Conservation District should continue to comply with its groundwater management plan objectives to:

- Promote recharge enhancement within the district each year and summarize and report on the related activities and the number of activities performed each year in its annual report to the board of directors.
- Promote brush control within the district each year and summarize and report on the related activities and the number of activities performed each year in its annual report to the board of directors.

Management's Response from the Victoria County Groundwater Conservation District

The District agrees with the recommendation to comply with its management plan and had implemented the needed changes in fiscal year 2010. The general manager will continue to actively promote recharge enhancement and brush control as required and described in the District's management plan. The general manager will continue to summarize and report the related activities and number of activities in the District's annual report.

Districts' Compliance with Statutory Requirements

Texas Water Code, Chapter 36, specifies requirements for the manner in which districts must operate. Twelve (86 percent) of the 14 districts audited fully complied with 7 or more of the 10 Texas Water Code statutory requirements audited. The remaining two districts fully complied with five or fewer requirements.

Two audited districts, the Central Texas Groundwater Conservation District and the Pecan Valley Groundwater Conservation District, fully complied with all applicable Texas Water Code requirements audited. Additionally, all 14 districts fully complied with requirements to adopt certain district rules and with requirements to maintain district funds in bank depositories.

Of the Texas Water Code requirements audited, the highest level of noncompliance was with Texas Water Code, Section 36.057(d), which requires districts to obtain surety bonds for individuals who handle district funds. Seven (50 percent) of the 14 districts audited did not fully comply with that requirement. Surety bonds protect districts from financial loss and provide some assurance that the districts properly safeguard funds and can meet financial obligations. Districts that do not obtain those bonds may be at an increased risk of misuse of district funds, and they may not be able to recover funds that an employee or another individual mishandles.

It is also important to note that 7 (50 percent) of the 14 districts audited fully complied with Texas Water Code, Section 36.061, which requires districts to establish policies for:

- A code of ethics.
- Travel expenditures.
- District investments.
- Professional services.
- Management information.

Five (36 percent) of the 14 districts audited partially complied with the requirement to establish policies because their policies addressed four or fewer of the five audited components. Two (14 percent) of the 14 districts audited had not established any district policies. Policies are intended to assist districts in accomplishing their objectives.

One Texas Water Code requirement was not applicable to a significant number of the districts audited. Specifically, Texas Water Code, Section 36.060, allows districts to pay board members for verified fees of office and

reimburse them for reasonable and necessary expenses incurred. However, 8 (57 percent) of the 14 districts audited chose not to make either of those types of payments to board members. The remaining six districts audited either fully or partially complied with the requirement to pay board members.

Table 16 summarizes the districts' compliance with the Texas Water Code requirements audited.

Table 16

Districts' Compliance with Statutory Requirements Fiscal Years 2008 through 2010												
District	Texas Water Code Requirements ^a										Additional Information	
	Board Meetings	District Rules	District Policies	Joint Planning	Annual Financial Audit	Annual Budget	Surety Bonds	Board Member Bonds	Board Member Payments	Bank Depository		
● = Fully complied ◐ = Partially complied ○ = Did not comply ⊗ = Not applicable												
1	Bee Groundwater Conservation District	◐	●	○	●	●	●	●	●	⊗	●	This district: <ul style="list-style-type: none"> Held some board meetings in 2008 and 2010 but not on a quarterly basis. Its board met as required in 2009. Did not have written policies for any of the five audited requirements. This district made no payments to board members during the time period audited.
2	Brazoria County Groundwater Conservation District	●	●	◐	●	●	●	○	●	●	●	This district: <ul style="list-style-type: none"> Did not have policies that complied with three of five requirements, including policies for a code of ethics, reimbursement of travel expenditures, or management information in the areas of establishing an audit or finance committee or uniform reporting requirements. Did not have surety bonds for an employee who handled district funds. This district did not pay fees of office to board members during the time period audited, but it reimbursed board members for actual expenses as required.
3	Brewster County Groundwater Conservation District	●	●	●	●	○	●	○	●	⊗	●	This district: <ul style="list-style-type: none"> Did not obtain annual financial audits as required for 2008, 2009, and 2010. Did not have surety bonds for an employee who handled district funds. This district made no payments to board members during the time period audited.

**Districts' Compliance with Statutory Requirements
Fiscal Years 2008 through 2010**

District	Texas Water Code Requirements ^a										Additional Information	
	Board Meetings	District Rules	District Policies	Joint Planning	Annual Financial Audit	Annual Budget	Surety Bonds	Board Member Bonds	Board Member Payments	Bank Depository		
<p align="center">● = Fully complied ◐ = Partially complied ○ = Did not comply ⊗ = Not applicable</p>												
4	Central Texas Groundwater Conservation District	●	●	●	●	●	●	●	●	●	●	This district complied with all statutory requirements audited.
5	Guadalupe County Groundwater Conservation District	●	●	●	●	●	◐	○	○	●	●	<p>This district:</p> <ul style="list-style-type: none"> Did not provide evidence that its board of directors reviewed and approved its 2009 budget. Its board of directors approved the 2008 and 2010 budgets as required. Did not have surety bonds for employees who handled district funds. Did not have surety bonds for all members of its board of directors. <p>This district reimbursed its board of directors for some expenses, but it did not pay fees of office to board members.</p>
6	Kenedy County Groundwater Conservation District	●	●	●	●	●	●	○	●	⊗	●	<p>This district did not have surety bonds for an employee who handled district funds.</p> <p>This district made no payments to board members during the time period audited.</p>
7	Lone Wolf Groundwater Conservation District	●	●	◐	●	●	●	●	○	⊗	●	<p>This district:</p> <ul style="list-style-type: none"> Did not have policies addressing two of five requirements, including (1) policies for selection, monitoring, or review of professional services and (2) policies for aspects of management information in the areas of budgeting, an audit or finance committee, and uniform reporting requirements. Did not have surety bonds for its board of directors. <p>This district made no payments to board members during the time period audited.</p>
8	Middle Trinity Groundwater Conservation District	●	●	●	●	●	●	●	●	◐	●	<p>This district could not provide the required verified statements showing the number of days of service that directors worked and a description of duties they performed for the district. Instead, the district relied on board meeting roll calls or signatures on board minutes.</p>

**Districts' Compliance with Statutory Requirements
Fiscal Years 2008 through 2010**

District	Texas Water Code Requirements ^a										Additional Information	
	Board Meetings	District Rules	District Policies	Joint Planning	Annual Financial Audit	Annual Budget	Surety Bonds	Board Member Bonds	Board Member Payments	Bank Depository		
<p align="center">● = Fully complied ◐ = Partially complied ○ = Did not comply ⊗ = Not applicable</p>												
9	Panola County Groundwater Conservation District	●	●	●	●	●	●	○	◐	⊗	●	<p>This district:</p> <ul style="list-style-type: none"> Did not have surety bonds for employees who handled district funds. Did not have surety bonds for two of the nine members of its board of directors. <p>This district made no payments to board members during the time period audited.</p>
10	Pecan Valley Groundwater Conservation District	●	●	●	●	●	●	●	●	⊗	●	<p>This district made no payments to board members during the time period audited.</p>
11	Red Sands Groundwater Conservation District	◐	●	○	◐	○	◐	○	◐	◐	●	<p>This district:</p> <ul style="list-style-type: none"> Could not provide evidence that it gave advance notice of its quarterly board meetings. It held those meetings on a quarterly basis with a quorum present. Did not have written policies for any of the five requirements audited. Did not participate in joint planning meetings with other districts in its area in 2008 or 2009. However, it participated in joint planning meetings in 2010. Did not obtain annual financial audits as required for 2008, 2009, and 2010. Did not provide evidence that its board of directors reviewed and approved its 2008 and 2009 budgets. Its board of directors approved the district's 2010 budget. Did not have surety bonds for employees who handled district funds. Did not have surety bonds for two current board members or for three former board members during the time in which they served on the district's board of directors. <p>This district did not pay fees of office to board members during the time period audited; it provided evidence for some reimbursements that it made, but not all of those reimbursements were made to members of its board of directors.</p>

**Districts' Compliance with Statutory Requirements
Fiscal Years 2008 through 2010**

District	Texas Water Code Requirements ^a										Additional Information	
	Board Meetings	District Rules	District Policies	Joint Planning	Annual Financial Audit	Annual Budget	Surety Bonds	Board Member Bonds	Board Member Payments	Bank Depository		
<p align="center">● = Fully complied ◐ = Partially complied ○ = Did not comply ⊗ = Not applicable</p>												
12	Refugio Groundwater Conservation District	◐	●	◐	●	●	◐	◐	●	⊗	●	<p>This district:</p> <ul style="list-style-type: none"> Could not provide evidence that it gave advance notice of its quarterly board meetings. It held those meetings on a quarterly basis with a quorum present. Had a policy addressing professional services, but that policy did not address monitoring or review of professional services. The district had the four other policies audited. Did not provide documentation that its board of directors approved its 2008 budget. Its board approved budgets in 2009 and 2010 as required. Did not have surety bonds for employees who handled district funds in 2008 and 2009. It obtained surety bonds for employees in 2010 as required. <p>This district made no payments to board members during the time period audited.</p>
13	Southeast Texas Groundwater Conservation District	●	●	◐	●	●	●	●	●	⊗	●	<p>This district did not have written policies that addressed aspects of management information, such as budgeting and uniform reporting requirements until after the period covered by this audit. It had policies for the other four requirements audited.</p> <p>This district made no payments to board members during the time period audited.</p>
14	Victoria County Groundwater Conservation District	●	●	◐	●	●	●	●	●	●	●	<p>This district did not have written policies that addressed aspects of management information, such as audit committee policies and uniform reporting requirements until after the period covered by this audit. This district had policies for the other four requirements audited.</p>

^a Texas Water Code, Chapter 36, statutory requirements:

- Board Meetings: The board is required to have meetings at least quarterly. A quorum is required to conduct business (Texas Water Code, Sections 36.064 and 36.053). The board also is required to keep complete records of its meetings and proceedings (Texas Water Code, Section 36.065).
- District Rules: The board is required to adopt rules to implement Chapter 36 of the Texas Water Code (Texas Water Code, Sections 36.101(b), 36.1071(f), and 36.111 to 113).
- District Policies: The board is required to adopt certain specified policies in writing (Texas Water Code, Section 36.061), including policies for a code of ethics, travel expenditures, district investments, professional services, and management information.
- Joint Planning: The district is required to develop a comprehensive management plan and to meet annually with any other districts in the

**Districts' Compliance with Statutory Requirements
Fiscal Years 2008 through 2010**

District	Texas Water Code Requirements ^a										Additional Information
	Board Meetings	District Rules	District Policies	Joint Planning	Annual Financial Audit	Annual Budget	Surety Bonds	Board Member Bonds	Board Member Payments	Bank Depository	
<p align="center">● = Fully complied ◐ = Partially complied ○ = Did not comply ⊗ = Not applicable</p>											
<p>groundwater management area in which it is located to set desired future conditions for aquifers in the area (Texas Water Code, Section 36.108).</p> <p>5. <u>Annual Financial Audit</u>: The board is required to obtain an annual audit made of the financial condition of the district (Texas Water Code, Section 36.153).</p> <p>6. <u>Annual Budget</u>: The board is required to prepare and approve an annual budget including specified components (Texas Water Code, Section 36.154).</p> <p>7. <u>Surety Bonds</u>: The district is required to obtain surety bonds in an amount determined by the board to be sufficient to safeguard the district for board members, employees, and consultants who collect, pay, or handle district funds (Texas Water Code, Section 36.057(d)).</p> <p>8. <u>Board Member Bonds</u>: Each director is required to execute a bond for \$10,000 payable to the district and conditioned on the faithful performance of that director's duties before beginning to perform the duties of office (Texas Water Code, Section 36.055(c)).</p> <p>9. <u>Board Members Payments</u>: In order to receive fees of office and to receive reimbursement for expenses, each director shall file with the district a verified statement showing the number of days actually spent in the service of the district and a general description of the duties performed for each day of service (Texas Water Code, Section 36.060(c)).</p> <p>10. <u>Bank Depository</u>: The board is required to name one or more banks to serve as depository for the district funds (Texas Water Code, Section 36.155).</p>											

Recommendations for the Bee Groundwater Conservation District

The Bee Groundwater Conservation District should:

- Hold board meetings at least once every quarter.
- Develop, document, and implement policies and procedures as required by Texas Water Code, Section 36.061, for:
 - A code of ethics.
 - Travel expenditures.
 - District investments.
 - Selection, monitoring, or review and evaluation of professional services.
 - Management of information, including:
 - Budgets for use in planning and controlling costs.
 - An audit or finance committee of the board.
 - Uniform reporting requirements.

Management's Response from the Bee Groundwater Conservation District

1. Hold board meetings at least once every quarter:

The district agrees with the recommendation and will strive to hold quarterly meetings. All of the board members work for a living, are serving at their own expense, and has chosen not to hold a meeting unless a meeting is necessary.

2. Develop, document, and implement policies and procedures as required by TWC, Section 36.061, for:

A code of ethics, travel expenditures, District investments, selection, monitoring, or review and evaluation of professional services:

The District agrees with the recommendation and will appoint a committee to develop the necessary policies at the next meeting, and will implement the policies by the end of 2012.

3. Management of information, including:

Budgets for use in planning and controlling cost, audit or finance committee:

The District agrees with the recommendation, will appoint a committee, to develop the necessary procedures for preparing budgets and audits in the future.

Uniform reporting requirements:

The District agrees with the recommendation, and will approve a yearly audit that conforms to the government accounting principles and statutes. By approving a yearly audit, the board is confident that the requirements of the statute will be met. A balance sheet, profit and loss statement with budget comparison, and check register will be provided by the manager to the board on a monthly basis using quicken accounting program.

Recommendations for the Brazoria County Groundwater Conservation District

The Brazoria County Groundwater Conservation District should:

- Develop, document, and implement policies and procedures as required by Texas Water Code, Section 36.061, for:
 - A code of ethics.
 - Travel expenditures.
 - Management of information, including:
 - An audit or finance committee of the board.
 - Uniform reporting requirements.
- Obtain surety bonds sufficient to safeguard the district for employees and consultants who collect, pay, or handle district funds.

Management's Response from the Brazoria County Groundwater Conservation District

Management agrees with recommendation and General Manager is responsible for developing, documenting, and implementing a policy and procedure for a Code of Ethics prior to June 15, 2012.

The BCGCD Board of Directors approved a mileage reimbursement policy for Board Members on September 16, 2010. Management agrees with

recommendation and General Manager is responsible for developing, documenting, and implementing a policy and procedure for Travel Expenses prior to June 15, 2012.

Management agrees with recommendation and General Manager is responsible for developing, documenting, and implementing a policy and procedure for Management of Information, including an Audit or Finance Committee of the Board prior to June 15, 2012.

Management agrees with recommendation and General Manager is responsible for developing, documenting, and implementing a policy and procedure for Management of Information, including a Uniform Reporting Requirements prior to June 15, 2012.

Management agrees with recommendation and the BCGCD obtained a surety bond in the amount of \$10,000 on January 25, 2012 for the employee who collects, pays, and/or handles BCGCD funds.

Recommendations for the Brewster County Groundwater Conservation District

The Brewster County Groundwater Conservation District should:

- Obtain annual financial audits.
- Obtain surety bonds sufficient to safeguard the district for employees and consultants who collect, pay, or handle district funds.

Management's Response from the Brewster County Groundwater Conservation District

Recommendations will be addressed and complied with pursuant to State Audit findings.

Recommendations for the Guadalupe County Groundwater Conservation District

The Guadalupe County Groundwater Conservation District should:

- Submit annual budgets to board members and obtain their approval.
- Obtain surety bonds sufficient to safeguard the district for employees and consultants who collect, pay, or handle district funds.
- Ensure that each member of its board of directors executes a bond for \$10,000 payable to the district and conditioned on the faithful performance of his or her duties before beginning to perform the duties of office.

Management's Response from the Guadalupe County Groundwater Conservation District

With reference to annual budget, surety bonds for employees and directors, at this time we had a change in management and had appointed a person to fill a vacant seat on the board and it was an oversight. We corrected this at the time there may have been a short period of time that one director and one employee were not covered. All money or check writing are done by an outside auditor and checks are signed by the president of the board, so no one who handles money was handling district funds was not bonded.

Recommendations for the Kenedy County Groundwater Conservation District

The Kenedy County Groundwater Conservation District should obtain surety bonds sufficient to safeguard the district for employees and consultants who collect, pay, or handle district funds.

Management's Response from the Kenedy County Groundwater Conservation District

The District will obtain a surety bond sufficient to safeguard the District for employees and consultants who collect, pay, or handle district funds. A surety bond for this purpose will be obtained by June 1, 2012.

Recommendations for the Lone Wolf Groundwater Conservation District

The Lone Wolf Groundwater Conservation District should:

- Develop, document, and implement policies and procedures as required by Texas Water Code, Section 36.061, for:
 - Selection, monitoring, or review and evaluation of professional services.
 - Management of information including:
 - Budgets for use in planning and controlling costs.
 - An audit or finance committee of the board.
 - Uniform reporting requirements.
- Ensure that each member of its board of directors executes a bond for \$10,000 payable to the district and conditioned on the faithful performance of his or her duties before beginning to perform the duties of office.

Management's Response from the Lone Wolf Groundwater Conservation District

In response to the District's compliance with statutory requirements of Texas Water Code, Chapter 36, the Lone Wolf Groundwater Conservation District will:

- *Develop, document and implement a policy for selecting, monitoring and evaluating professional services.*
- *Develop, document and implement a policy for use in planning budgets and controlling costs.*
- *Develop, document and implement a policy for establishing an audit and finance committee of the Board.*
- *Develop, document and implement a policy pertaining to the requirements for uniform reporting.*

The general manager will present the new policies for approval by the Board of Directors at the May, 2012 meeting.

The District has, since its inception, had a surety bond in place that covers some of the circumstances required by the Water Code. We have been researching the deficits in the bond in place at this time. We have asked our insurer to rewrite the bond to include for \$10,000.00 payable to the District and conditioned on the faithful performance of his or her duties. This will

pertain to our present board members and will be obtained before the beginning of duties of office for new members.

The District believes the audit was helpful in addressing shortfalls in the operation of the District. The management agrees with the recommendations and are currently addressing issues which should be fully implemented by June, 2012.

Recommendations for the Middle Trinity Groundwater Conservation District

The Middle Trinity Groundwater Conservation District should obtain verified statements from board members before making payment for fees of office and reimbursing board members for their expenses.

Management's Response from the Middle Trinity Groundwater Conservation District

The Middle Trinity GCD agrees with the SAO's recommendation. In January, 2012, the MTGCD began using a form that obtains verified statements from board members before making payments for fees of office and reimbursing board members for their expenses. This corrective action was taken by the Administrative Assistant of the Middle Trinity GCD and approved by the General Manager of the Middle Trinity GCD.

Recommendations for the Panola County Groundwater Conservation District

The Panola County Groundwater Conservation District should:

- Obtain surety bonds sufficient to safeguard the district for employees and consultants who collect, pay, or handle district funds.
- Ensure that each member of its board of directors executes a bond for \$10,000 payable to the district and conditioned on the faithful performance of his or her duties before beginning to perform the duties of office.

Management's Response from the Panola County Groundwater Conservation District

Surety bonds are beneficial to safeguard the district from employees and consultants who collect, pay, and handle district funds. The District began its attempts to obtain employee surety bonds from our local insurance agent in May 2011 when the new General Manager became aware such bond coverage did not exist. After several months of working with the local agent, the General Manager finally looked to the Texas Water Conservation Association to help provide the proper bond coverage required by Chapter 36, Texas Water Code. On October 26, 2011, the District obtained the proper bond coverage and will maintain that coverage as required in the years to come.

The District maintained bonds on all nine members of the District's Board of Directors until two board members vacated their positions on the Board. On October 26, 2010, those two vacancies on the Board were filled. The Office Manager for the District realized the surety bond coverage for the two former board members had not been transferred to the two new directors. On June 20, 2011, the surety bonds were obtained for the two new directors bringing the surety bond coverage for all nine directors into compliance with Chapter 36, Texas Water Code.

Recommendations for the Red Sands Groundwater Conservation District

The Red Sands Groundwater Conservation District should:

- Provide the public with advance notice of its board meetings.
- Develop, document, and implement policies and procedures as required by Texas Water Code, Section 36.061, for:
 - A code of ethics.
 - Travel expenditures.
 - District investments.
 - Selection, monitoring, or review and evaluation of professional services.
 - Management of information.
- Meet annually in a joint planning session with other districts in its groundwater management area to set desired future conditions for aquifers.

- Obtain annual financial audits.
- Submit annual budgets to board members and obtain their approval.
- Obtain surety bonds sufficient to safeguard the district for employees and consultants who collect, pay, or handle district funds.
- Ensure that each member of its board of directors executes a bond for \$10,000 payable to the district and conditioned on the faithful performance of his or her duties before beginning to perform the duties of office.
- Obtain verified statements from board members before reimbursing their expenses.

Management's Response from the Red Sands Groundwater Conservation District

Red Sands Groundwater Conservation District (Red Sands) recognizes the deficiencies as set forth in the State Auditor's Report and has begun to take measures to comply with the state requirements, particularly in the areas of deficiency. For example, in 2009, Red Sands contracted with the services of an attorney to draft a set of rules for the district. The district adopted its district rules in November 2009. In the Fall of 2009, Red Sands hired an attorney as its general counsel, and has also hired a law firm to assist with any legal issues that arise. An accounting firm is currently handling the financial audit for Red Sands. As a result of their auditing procedures, the accounting firm requested records as far back as 2006, for their audit.

The district will take measures to correct any deficiencies identified in the State Auditor's report, or any deficiencies pointed out by any of the law firms or accounting firms that have been retained, including advance notice of board meetings, obtaining financial audits, adopting annual budgets, and any other professional, financial or legal matters. Red Sands will also look to other groundwater conservation districts for assistance in areas where Red Sands is deficient and will look at other districts for examples of policies and procedures or practices that meet the state's requirements.

Another goal of the board is to establish policies for travel expenditures, district investments, professional services, and management information. The board will also draft and adopt a code of ethics and a reimbursement policy for expenditures incurred by board members or employees.

The board is currently in the process of curing and defects in bonding of current board members.

Recommendations for the Refugio Groundwater Conservation District

The Refugio Groundwater Conservation District should:

- Provide the public with advance notice of its board meetings.
- Develop, document, and implement policies and procedures for monitoring or review and evaluation of professional services.
- Submit annual budgets to board members and obtain their approval.
- Maintain surety bonds sufficient to safeguard the district for employees and consultants who collect, pay, or handle district funds.

Management's Response from the Refugio Groundwater Conservation District

The Refugio Groundwater Conservation District has provided copies of all Public Notices for Board Meetings as required by the Texas Open Meetings Act. The District shall continue to provide these notices and maintain such evidence of these postings.

Management agrees with the development, documentation and implementation of policies and procedures for monitoring, reviewing and evaluation of professional services and will implement at the next scheduled Board of Director's Meeting.

The Refugio Groundwater Conservation District Annual Budgets have been submitted and approved by all Board Members. The District shall continue to have the Annual Budgets approved by the Board of Director's and shall maintain the copies of such.

Management agrees to maintain Surety Bonds sufficient to safeguard the District for employees and consultants who collect, pay or handle District funds. This was implemented at the end of the 2010 Fiscal Year and the District will continue to maintain as required.

Auditor Follow-up Comment

We requested that Refugio Groundwater Conservation District management provide documentation for public notice postings and board approval of the district's annual budget. Also, we requested that management send us a representation letter that, in part, affirms that the district has made available to the auditors all the information relevant to our objectives. The district's management did not provide the requested documentation or a signed representation letter.

Recommendations for the Southeast Texas Groundwater Conservation District

The Southeast Texas Groundwater Conservation District should develop, document, and implement policies and procedures as required by Texas Water Code, Section 36.061, for management of information, including:

- Budgets for use in planning and controlling costs.
- Uniform reporting requirements.

Management's Response from the Southeast Texas Groundwater Conservation District

After having reviewed the draft audit report, generally speaking, the Southeast Texas Groundwater Conservation District agrees with the State Auditor's Office's (SAO) findings with regards to the Southeast Texas G.C.D.

As to the SAO's recommendation, the Southeast Texas G.C.D., on January 12, 2012, incorporated the missing policy elements into the District's existing Fiscal Management & Investment Policy.

Recommendations for the Victoria County Groundwater Conservation District

The Victoria County Groundwater Conservation District should maintain policies and procedures as required by Texas Water Code, Section 36.061, for management of information, including:

- Budgets for use in planning and controlling costs.
- An audit or finance committee of the board.
- Uniform reporting requirements.

Management's Response from the Victoria County Groundwater Conservation District

The District agrees with the recommendation to maintain policies and procedures as required by Texas Water Code, Section 36.061. The District revised its by-laws on September 16, 2011. The revision included the development of policies and procedures for management of information as required by Texas Water Code, Section 36.061.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether selected groundwater conservation districts (districts) complied with applicable statutes.
- Summarize information from districts' audited annual financial statements.

Scope

The scope of this audit covered 14 districts located in 9 of the 16 groundwater management areas. The 14 districts were:

- The Bee Groundwater Conservation District.
- The Brazoria County Groundwater Conservation District.
- The Brewster County Groundwater Conservation District.
- The Central Texas Groundwater Conservation District.
- The Guadalupe County Groundwater Conservation District.
- The Kenedy County Groundwater Conservation District.
- The Lone Wolf Groundwater Conservation District.
- The Middle Trinity Groundwater Conservation District.
- The Panola County Groundwater Conservation District.
- The Pecan Valley Groundwater Conservation District.
- The Red Sands Groundwater Conservation District.
- The Refugio Groundwater Conservation District.
- The Southeast Texas Groundwater Conservation District.
- The Victoria County Groundwater Conservation District.

The audit scope covered each district's fiscal year 2008, 2009, and 2010 (the months within each district's fiscal year varied). The audit of six districts' groundwater management plans was limited to the period of time after the Water Development Board approved those districts' most recent groundwater management plans. Those districts and the dates on which their groundwater management plans were approved were as follows:

- The Brazoria County Groundwater Conservation District (February 2009).
- The Lone Wolf Groundwater Conservation District (November 2009).
- The Middle Trinity Groundwater Conservation District (May 2009).
- The Panola County Groundwater Conservation District (March 2009).
- The Refugio Groundwater Conservation District (March 2009).
- The Victoria County Groundwater Conservation District (December 2008).

Auditors also requested and summarized districts' audited annual financial statements for fiscal years 2008, 2009, and 2010. Two districts—the Brewster County Groundwater Conservation District and the Red Sands Groundwater Conservation District—did not obtain financial audits as required by Texas Water Code, Section 36.153. Therefore, auditors did not summarize financial information for those districts.

This audit did not include a review of districts' information technology systems.

Methodology

The audit methodology included:

- Assessing whether each district was actively engaged in achieving four goals from its groundwater management plan, including all objectives related to each selected goal. If a district achieved all the objectives for a goal during all fiscal years reviewed, auditors concluded that the district had fully achieved that goal. If a district achieved at least part of all objectives related to a goal, auditors concluded that the district had partially achieved that goal. If a district did not achieve any parts of any objectives related to a goal, auditors concluded that the district did not achieve that goal.
- Assessing whether each district complied with 10 requirements selected from Texas Water Code, Chapter 36.
- Obtaining an understanding of statutory requirements by reviewing the Texas Water Code and each district's enabling legislation.

Information collected and reviewed included the following:

- District groundwater management plans.
- Documentation of achievement of groundwater management plan objectives submitted by the districts.
- District board of directors' meeting minutes.
- District manager reports to the board.
- District rules, policies, and bylaws.
- Groundwater management area planning group meeting minutes.
- Annual financial audit reports and management letters.
- District budgets.
- Surety bonds for employees or others who handle district funds.
- Board member bonds.
- Documentation of payments made to board members.
- Documentation of district bank depositories.

Procedures and tests conducted included the following:

- Comparison of district activities to written groundwater management plan performance standards.
- Analysis of district board meeting minutes, financial statements, annual financial audit reports, surety bonds, and payments to board members.
- Review of district rules, policies and procedures, agendas, budgets, and bank depositories for compliance with statutory requirements.
- Review of documentation provided by the districts to show compliance with statutory requirements.

Criteria used included the following:

- Texas Water Code, Chapter 36.
- Each district's groundwater management plan and related performance standards.

Project Information

Audit fieldwork was conducted from October 2011 through January 2012. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Kels Farmer, MBA, CISA (Project Manager)
- Juan R. Sanchez, MPA, CIA, CGAP (Assistant Project Manager)
- W. Chris Ferguson, CIDA
- Frances Anne Hoel, CIA, CGAP
- Barrett Sundberg, CPA, CIA, MPA
- J. Scott Killingsworth, CIA, GCAP, CGFM (Quality Control Reviewer)
- Sandra Vice, CIA, CGAP, CISA (Assistant State Auditor)

State Agency Roles in the Groundwater Management Process

Texas Water Code, Chapter 36, describes the roles the Water Development Board, the Commission on Environmental Quality, and the State Auditor's Office play in the groundwater management process.

Texas Water Code, Section 36.1071, requires groundwater conservation districts (districts) to develop groundwater management plans. Each district must submit a groundwater management plan to the Water Development Board for review and certification within three years of the confirmation election to approve the district's creation. The Water Development Board reviews and approves the groundwater management plans for administrative completeness. A district's groundwater management plan is complete when it:

- Addresses the eight statutory goals in Texas Water Code, Chapter 36 (see Appendix 4 for a list of the goals).
- Identifies the performance standards and management objectives for each of the goals and specifies the actions, procedures, performance, and avoidance that are or may be necessary to effect the groundwater management plan.

Texas Water Code, Section 36.061, states that the State Auditor may audit the records of any district for which the State Auditor determines an audit is necessary. Texas Water Code, Section 36.302, states that the State Auditor's Office may audit a district's activities under the direction of the Legislative Audit Committee. The State Auditor makes a determination about whether a district is actively engaged in achieving the objectives in its groundwater management plan based on an analysis of the district's activities.

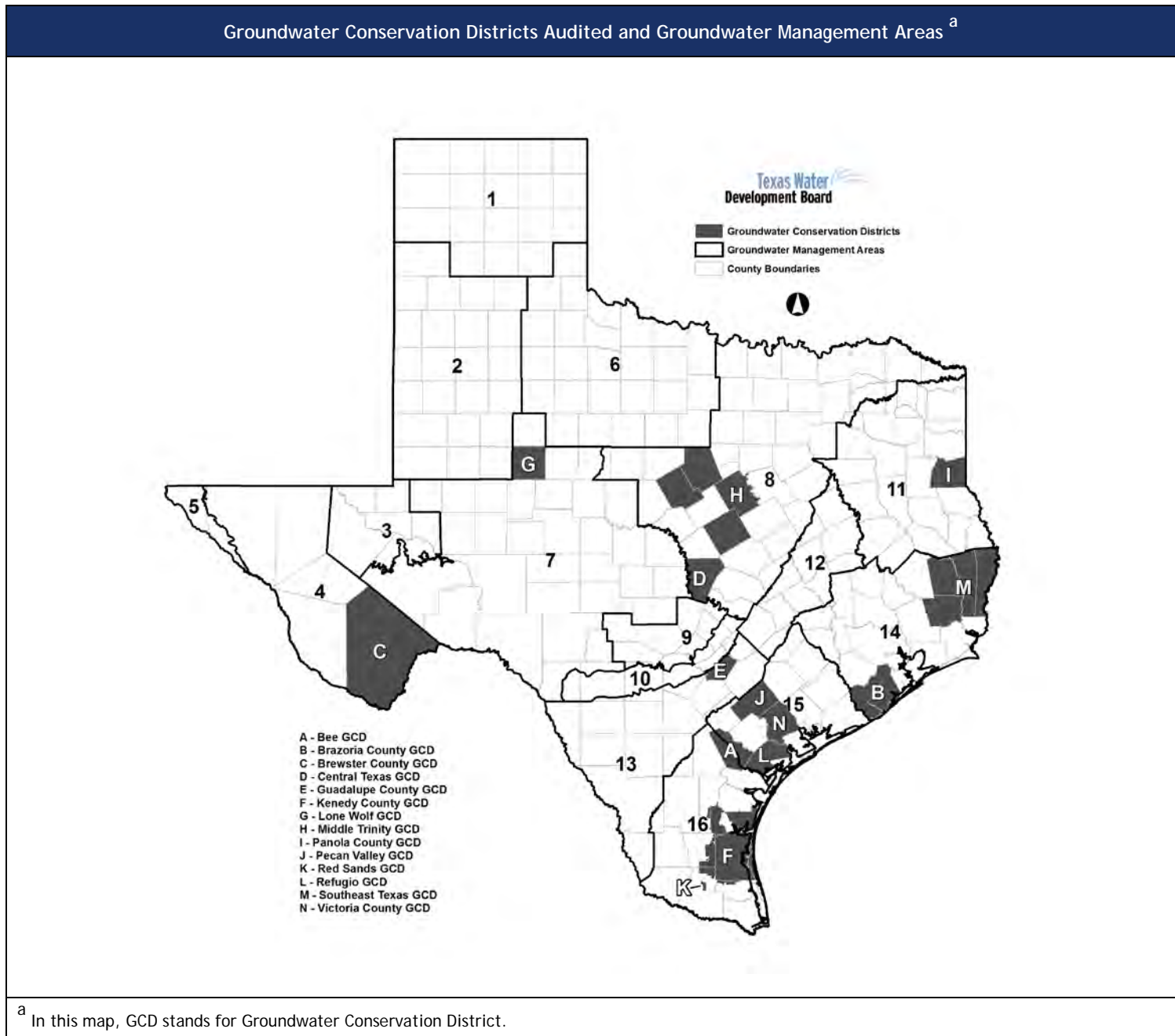
Texas Water Code, Section 36.303, specifies that if a district fails to comply with the provisions of Texas Water Code, Chapter 36, the Commission on Environmental Quality must implement an enforcement action. The Commission on Environmental Quality has several enforcement action options established under the Texas Water Code. Those options include:

- Dissolving a district.
- Requesting that the Office of the Attorney General bring suit for the appointment of a receiver to collect the assets and carry on the business of the district.
- Dissolving a district's board and calling for an election to elect a new board.
- Requiring a district to take or refrain from certain actions.

Map of Groundwater Conservation Districts Audited and Groundwater Management Areas

Figure 1 shows the 14 groundwater conservation districts (districts) audited and the groundwater management areas in which they are located. The Water Development Board has designated 16 groundwater management areas in the state. The districts audited were located in 9 of the 16 groundwater management areas.

Figure 1



Source: Water Development Board.

Statutorily Required Groundwater Management Plans and Related Goals

During the scope of this audit⁴, Texas Water Code, Section 36.1071, required each groundwater conservation district's (district) groundwater management plan to address the following goals:

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Controlling and preventing subsidence.
- Addressing conjunctive surface water management issues.
- Addressing natural resource issues.
- Addressing drought conditions.
- Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost effective.
- Addressing in a quantitative manner the desired future conditions of the groundwater resources.

Each district determines which goals are applicable to its needs and develops objectives and performance standards for them.

During this audit, auditors reviewed groundwater management plans for the districts audited and selected the most common goals to audit. The goals selected for audit were:

- Providing the most efficient use of groundwater.
- Controlling and preventing waste of groundwater.
- Addressing drought conditions.
- Addressing conservation.

One audited district, the Brewster County Groundwater Conservation District, chose not to establish any objectives for addressing conservation. Therefore, instead of auditing achievement of the goal to address conservation, auditors audited that district's achievement of its goal to address the desired future conditions of the groundwater resources.

⁴ Texas Water Code, Section 36.1071, was updated as of September 1, 2011, which was after the scope of this audit.

Selected Financial Information for Groundwater Conservation Districts Audited

Tables 17 and 18 on the next page summarize selected financial information and financial ratios calculated for each groundwater conservation district (district) audited. The financial information presented is from each district's audited annual financial statements for fiscal year 2010. Auditors used that information to calculate the following financial ratios:

- **Debt Ratio.** Auditors calculated each district's debt ratio by dividing total liabilities (debt) by total assets. A value of less than 1 indicates that a district is holding assets that are more valuable than the liabilities it owes; this may indicate that the district is worth more than its financial obligations. A value of more than 1 indicates that a district owes more in liabilities than the value of its assets; this may indicate that the district is worth less than its financial obligations.
- **Efficiency Ratio.** Auditors calculated each district's efficiency ratio by dividing total expenses by total revenue. A value of less than 1 indicates that a district is receiving more revenue than it is paying in expenses for the fiscal year; this may indicate that the district can consistently pay its expenses. A value of more than 1 indicates a district is not receiving as much revenue as it is paying in expenses for the fiscal year; this may indicate that the district cannot consistently pay its expenses.

The amounts presented are for informational purposes only and were not verified as part of this audit.

Table 17

Districts' Selected Financial Information As of the End of Each District's Fiscal Year 2010							
	Bee Groundwater Conservation District	Brazoria County Groundwater Conservation District	Brewster County Groundwater Conservation District	Central Texas Groundwater Conservation District	Guadalupe County Groundwater Conservation District	Kenedy County Groundwater Conservation District	Lone Wolf Groundwater Conservation District
Selected Account Balances							
Total Assets	\$362,665	\$280,300	-	\$687,190	\$37,116	\$558,575	\$475,467
Total Liabilities	\$28,834	\$6,360	-	\$44,371	\$19,712	\$129,023	\$244,546
Total Revenue	\$90,098	\$387,670	-	\$562,014	\$47,157	\$231,246	\$183,567
Total Expenses	\$59,577	\$235,965	-	\$351,093	\$79,441	\$221,541	\$167,439
Selected Financial Ratios							
Debt Ratio	0.08	0.02	-	0.06	0.53	0.23	0.51
Efficiency Ratio	0.66	0.61	-	0.62	1.68	0.96	0.91
Sources: The account balance amounts were from each district's audited annual financial statements and were not verified as part of this audit. The State Auditor's Office used those amounts to calculate each district's debt ratio and efficiency ratio. It is important to note that the dates of districts' fiscal years varied.							
The Brewster County Groundwater Conservation District did not obtain an audit of its annual financial statements for its fiscal year ending December 31, 2010. Therefore, no financial information for that district is presented in this report.							

Table 18

Districts' Selected Financial Information As of the End of Each District's Fiscal Year 2010							
	Middle Trinity Groundwater Conservation District	Panola County Groundwater Conservation District	Pecan Valley Groundwater Conservation District	Red Sands Groundwater Conservation District	Refugio Groundwater Conservation District	Southeast Texas Groundwater Conservation District	Victoria County Groundwater Conservation District
Selected Account Balances							
Total Assets	\$1,410,419	\$539,857	\$420,281	-	\$386,175	\$252,242	\$1,005,041
Total Liabilities	\$467,571	\$284,594	\$28,823	-	\$5,719	\$17,213	\$31,091
Total Revenue	\$687,251	\$332,623	\$206,688	-	\$212,711	\$147,642	\$510,829
Total Expenses	\$887,041	\$214,556	\$135,796	-	\$200,364	\$118,264	\$262,285
Selected Financial Ratios							
Debt Ratio	0.33	0.53	0.07	-	0.01	0.07	0.03
Efficiency Ratio	1.29	0.65	0.66	-	0.94	0.80	0.51
Sources: The account balance amounts were from each district's audited annual financial statements and were not verified as part of this audit. The State Auditor's Office used those amounts to calculate each district's debt ratio and efficiency ratio. It is important to note that the dates of districts' fiscal years varied.							
The Red Sands Groundwater Conservation District did not obtain an audit of its annual financial statements for its fiscal year ending August 31, 2010. Therefore, no financial information for that district is presented in this report.							

Management Response Letter from Brazoria County Groundwater Conservation District

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT



451 N. Velasco Street, Suite 140, Angleton, Texas 77515

Mailing Address: 111 E. Locust, Bldg. A-29, Suite 140, Angleton, Texas 77515

Board of Directors:

John Pyburn, President
Donald Mudd, Vice President
Raymond Felder, Secretary
Patrick O'Day, Assistant Secretary
Alan Mueller, Director

Office Staff:

Kent Burkett, General Manager
Sherilyn Plentl, Administrative Assistant

March 29, 2012

Mr. Kels Farmer
Project Manager
State Auditor's Office
P.O. Box 12067
Austin, Texas 78711-2067

Subject: Brazoria County Groundwater Conservation District Management Response regarding Report on Selected Groundwater Conservation Districts

Dear Mr. Farmer:

We appreciate your assistance throughout this audit of the Brazoria County Groundwater Conservation District (BCGCD). We have reviewed the draft sections of the report on Selected Groundwater Conservation District's Management Plans that pertain to the BCGCD and drafted the Management Formal Responses to the issues and recommendations in the report.

BCGCD Achievement of Groundwater Management Plan Goals / Objectives

The report states the BCGCD partially achieved three (3) of the four (4) goals audited by your office; these three (3) goals included: providing the most efficient use of groundwater, controlling and preventing waste of groundwater, and addressing drought conditions. The report states the BCGCD did not achieve the goal of addressing conservation.

In regards to auditing the BCGCD achievement of these four (4) goals, the report indicates your office audited the BCGCD fourteen (14) objectives associated with these four (4) goals. The report indicates the BCGCD fully achieved four (4) of the fourteen (14) objectives; partially achieved eight (8) of the objectives; and not achieved one of the objectives.

BCGCD Compliance with Statutory Requirements

The report indicates the BCGCD fully complied with eight (8) of the ten (10) statutory requirements audited by your office; partially complied with one of the statutory requirements; and did not comply with one of the statutory requirements.

The eight (8) statutory requirements in which the report indicates the BCGCD fully complied with the statutory requirements includes Board Meetings, District Rules, Joint Planning, Annual Financial Audit, Annual Budget, Board Member Bonds, Board Member Payments, and Bank Depository.

The one statutory requirement in which the report indicates the BCGCD partially complied with the statutory requirements is District Policies; the report states the BCGCD did not have policies that complied with three (3) of five (5) requirements, including policies for a code of ethics, reimbursement of travel expenditures, or management information in the areas of establishing an audit or finance committee or uniform reporting requirements.

The one statutory requirement in which the report indicates the BCGCD did not comply with the statutory requirement is Surety Bonds; the report states the BCGCD did not have surety bonds for an employee who handled district funds. Of the ten (10) statutory requirements audited by your office, the report states this requirement experienced the highest level of noncompliance. Seven (50 percent) of the fourteen districts audited did not fully comply with this requirement. Please note per your recommendation, the BCGCD obtained a surety bond in the amount of \$10,000 on January 25, 2012 from Victory Insurance for the employee who collects, pays, and/or handles BCGCD funds.

BCGCD Selected Financial Information as of the end of FY 2010

Debt Ratio – Auditors calculated each district’s debt ratio by dividing total liabilities (debt) by total assets. A value of less than one (1) indicates that a district has assets that are more valuable than the liabilities owed by the district; indicating that the district is worth more than its financial obligations. The report includes this financial ratio for twelve (12) of the fourteen (14) districts audited by your office.

In comparison with these twelve (12) districts, the BCGCD ranked number two (#2) with a Debt Ratio of 0.02.

Efficiency Ratio – Auditors calculated each district’s efficiency ratio by dividing total expenses by total revenue. A value of less than one (1) indicates that a district is receiving more revenue than it is paying in expenses for the fiscal year; indicating that the district can consistently pay its expenses. The report includes this financial ratio for twelve (12) of the fourteen (14) districts audited by your office.

In comparison with these twelve (12) districts, the BCGCD ranked number two (#2) with an Efficiency Ratio of 0.61.

Our mission is to maintain the quality and availability of Brazoria County's groundwater resources for current users and future generations.

(979) 864-1078 * (979) 388-1078 * (281) 756-1078
Website: www.bcgroundwater.org

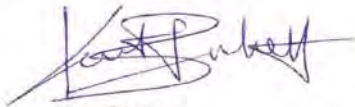
FAX: (979) 864-1079* (979) 388-1079 * (281) 756-1079
E-mail: sherry@brazoria-county.com

Report Recommendations and BCGCD Management Responses

The Brazoria County Groundwater Conservation District Management Responses to your recommendations incorporated in this Report on Selected Groundwater Conservation Districts are included in the Attachment.

Thanks for your considerable time and attention to this matter.

Sincerely,



Kent Burkett
General Manager

Attachment: Report Recommendations and BCGCD Management Responses

Cc: BCGCD Director Raymond Felder
BCGCD Director Donald Mudd
BCGCD Director Alan Mueller
BCGCD Director Patrick O'Day
BCGCD Director John Pyburn

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for current users and future generations.*

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Related State Auditor's Office Work

Related State Auditor's Office Work		
Number	Product Name	Release Date
10-036	An Audit Report on Groundwater Conservation Districts	August 2010
10-023	A Follow-up Audit Report on the Kinney County Groundwater Conservation District	February 2010
06-021	An Audit Report on the Kinney County Groundwater Conservation District	January 2006

Copies of this report have been distributed to the following:

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The Honorable David Dewhurst, Lieutenant Governor, Joint Chair
The Honorable Joe Straus III, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Jim Pitts, House Appropriations Committee
The Honorable Harvey Hilderbran, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Commissioners, Board Members, Executive Directors, and General Managers of the Following Entities

Commission on Environmental Quality
Water Development Board
The Bee Groundwater Conservation District
The Brazoria County Groundwater Conservation District
The Brewster County Groundwater Conservation District
The Central Texas Groundwater Conservation District
The Guadalupe County Groundwater Conservation District
The Kenedy County Groundwater Conservation District
The Lone Wolf Groundwater Conservation District
The Middle Trinity Groundwater Conservation District
The Panola County Groundwater Conservation District
The Pecan Valley Groundwater Conservation District
The Red Sands Groundwater Conservation District
The Refugio Groundwater Conservation District
The Southeast Texas Groundwater Conservation District
The Victoria County Groundwater Conservation District



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