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

January 2021  
Report No. 21-008



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## Overall Conclusion

Auditors selected five groundwater conservation districts (districts) and audited their compliance with selected statutory requirements of Texas Water Code, Chapter 36, for each district’s fiscal year 2019. The districts selected were:

- Lipan-Kickapoo Water Conservation District.
- Bandera County River Authority and Groundwater District.
- Comal Trinity Groundwater Conservation District.
- Medina County Groundwater Conservation District.
- Reeves County Groundwater Conservation District.

### Background Information

Texas Water Code, Chapter 36, specifies requirements for the operations of groundwater conservation districts. The Commission on Environmental Quality has the authority to enforce districts’ compliance with the statutory requirements.

As of July 2020, there were 101 confirmed groundwater conservation districts. See Appendix 3 for a map showing the five districts audited.

Table 1 summarizes the selected Texas Water Code compliance requirements audited for the five districts selected for fiscal year 2019. Fiscal year ending dates varied among the five districts audited.

Table 1

Selected Compliance Requirements by Category		
Administration	Powers and Duties	Finances
Board Meetings	Management Plan Goals	Directors’ Expenditures
Directors’ Bonds	Joint Planning	Annual Audit
Employee Bonds	Rules of Enforcement	Annual Budget
District Policies		Depository Bank Requirements

This audit was conducted in accordance with Texas Water Code, Chapter 36.

For more information regarding this report, please contact Michael Simon, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

Lipan-Kickapoo Water Conservation District fully complied with all of the selected statutory requirements tested. The remaining districts fully complied with the majority of the selected statutory requirements. Table 2 summarizes the districts' compliance with selected statutory requirements of Texas Water Code, Chapter 36.

Table 2

Districts' Compliance with Selected Statutory Requirements	
Fully Complied with All Tested Requirements	Fully Complied with the Majority of Tested Requirements
<ul style="list-style-type: none"> <li>Lipan-Kickapoo Water Conservation District</li> </ul>	<ul style="list-style-type: none"> <li>Bandera County River Authority and Groundwater District</li> <li>Comal Trinity Groundwater Conservation District</li> <li>Medina County Groundwater Conservation District</li> <li>Reeves County Groundwater Conservation District</li> </ul>

Table 3 presents a summary of the findings in this report and the related issue rating. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 3

Summary of Chapters and Related Issue Ratings		
Chapter	Title	Issue Rating <sup>a</sup>
1	Lipan-Kickapoo Water Conservation District Fully Complied with All Statutory Requirements Tested	Low
2	Bandera County River Authority and Groundwater District Fully Complied with a Majority of the Statutory Requirements Tested	Low
3	Comal Trinity Groundwater Conservation District Fully Complied with a Majority of the Statutory Requirements Tested	Low
4	Medina County Groundwater Conservation District Fully Complied with a Majority of the Statutory Requirements Tested	Low
5	Reeves County Groundwater Conservation District Fully Complied with a Majority of the Statutory Requirements Tested	Low

<sup>a</sup> A chapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A chapter is rated **High** if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A chapter is rated **Medium** if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

Summary of Chapters and Related Issue Ratings		
Chapter	Title	Issue Rating <sup>a</sup>
A chapter is rated <b>Low</b> if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.		

Auditors communicated other, less significant issues separately in writing to the districts.

### ***Summary of Management Responses***

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. Bandera County River Authority and Groundwater District, Comal Trinity Groundwater Conservation District, Medina County Groundwater Conservation District, and Reeves County Groundwater Conservation District agreed with the recommendations in this report. There were no recommendations addressed to Lipan-Kickapoo Water Conservation District.

### ***Audit Objectives and Scope***

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

The scope of this audit covered five groundwater conservation districts. The audit scope covered each district's fiscal year 2019. This audit did not include a review of the general controls over the districts' information technology environments, including access controls, change management processes, and password controls.

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# Detailed Results

Chapter 1

## Lipan-Kickapoo Water Conservation District Fully Complied with All Statutory Requirements Tested

**Chapter 1  
Rating:  
Low <sup>1</sup>**

During fiscal year 2019, Lipan-Kickapoo Water Conservation District (District) fully complied with all 10 of the applicable statutory requirements tested. The remaining compliance requirement, directors' expenditures, was not applicable because the District did not have these expenditures in fiscal year 2019.

Table 4 summarizes the District's compliance with the statutory requirements audited.

Table 4

Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited			
Compliance Area	Criteria	Additional Criteria Information	Compliance
1. Board Meetings	Texas Water Code, Section 36.064  Texas Government Code, Section 551.054(a)	The board is required to provide notice of and conduct meetings at least quarterly.  The governing body of a water district that extends into fewer than four counties shall: 1) post notice of each meeting at a place convenient to the public in the administrative office of the district or political subdivision; and 2) either provide notice of each meeting to the county clerk of each county in which the district or political subdivision is located or post notice of each meeting on the district's or political subdivision's Internet website.	Fully Complied
2. Directors' Bonds	Texas Water Code, Section 36.055(c)	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.	Fully Complied
3. Employee Bonds	Texas Water Code, Section 36.057(d)	The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, or consultants who collect, pay, or handle district funds.	Fully Complied
4. District Policies	Texas Water Code, Section 36.061(a)	The district shall adopt in writing the following related to: 1) Ethics 2) Travel 3) Investments 4) Professional Services 5) Management Information such as budgets in planning and controlling costs and an audit or finance committee of the board.	Fully Complied

<sup>1</sup> The risk related to the issues discussed in Chapter 1 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

**Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited**

Compliance Area	Criteria	Additional Criteria Information	Compliance
5. Management Plan Goals	Texas Water Code, Section 36.1071	For each applicable goal in its Texas Water Development Board approved groundwater management plan, the District must develop objectives and performance standards. Management plan goals relate to: <ul style="list-style-type: none"> <li>a. Efficient use of groundwater;</li> <li>b. Controlling and preventing waste of groundwater;</li> <li>c. Controlling and preventing subsidence;</li> <li>d. Addressing conjunctive surface water management issues;</li> <li>e. Addressing natural resource issues;</li> <li>f. Addressing drought conditions;</li> <li>g. Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost-effective; and</li> <li>h. Addressing the desired future conditions adopted under Section 36.108</li> </ul>	Fully Complied
6. Joint Planning	Texas Water Code, Section 36.108(c)	The district representative shall meet at least annually to conduct joint planning with the other districts in the management area and to review the management plans.	Fully Complied
7. Rules of Enforcement	Texas Water Code, Section 36.101(b)	The board shall adopt and enforce rules to implement Texas Water Code, Chapter 36, including rules governing procedure before the board.	Fully Complied
8. Directors' Expenditures	Texas Water Code, Section 36.060	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. In addition, the district payments for Director's payments for fee of office should not be more than \$250/day and shall not exceed \$9,000 for fiscal year 2019.	Not Applicable <sup>a</sup>
9. Annual Audit	Texas Water Code, Section 36.153	The district shall have an annual audit made of the financial condition of the district and shall be performed according to the generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants.	Fully Complied
10. Annual Budget	Texas Water Code, Section 36.154	The district's board shall prepare and approve an annual budget and the budget should contain a complete financial statement.	Fully Complied
11. Depository Bank Requirements	Texas Water Code, Section 36.155	The board shall name one or more banks to serve as depository for the district funds.	Fully Complied

<sup>a</sup> The requirement related to directors' expenditures was not tested because the district did not have this type of expenditures in fiscal year 2019.

Table 5 summarizes the District’s annual audited financial statements for the fiscal year ending September 30, 2019.

Table 5

Selected Financial Information for Fiscal Year 2019 for Lipan-Kickapoo Water Conservation District	
Assets and Liabilities	
Total Assets	\$230,256
Total Liabilities	\$3,533
Revenues and Expenditures	
Total Revenues	\$171,508
Total Expenses	\$150,424

Source: The District’s annual audited financial statements for the fiscal year ending September 30, 2019.



## ***Bandera County River Authority and Groundwater District Fully Complied with a Majority of the Statutory Requirements Tested***

**Chapter 2  
Rating:  
Low <sup>2</sup>**

During fiscal year 2019, Bandera County River Authority and Groundwater District (District) fully complied with 8 (80 percent) of 10 applicable statutory requirements tested. The District partially complied with the two remaining applicable requirements, directors’ bonds and employee bond requirements. The remaining compliance requirement, directors’ expenditures, was not applicable because the District did not have these expenditures in fiscal year 2019.

Table 6 summarizes the District’s compliance with the statutory requirements audited.

Table 6

Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited			
Compliance Area	Criteria	Additional Criteria Information	Compliance
1. Board Meetings	Texas Water Code, Section 36.064  Texas Government Code, Section 551.054(a)	The board is required to provide notice of and conduct meetings at least quarterly.  The governing body of a water district that extends into fewer than four counties shall:  1) post notice of each meeting at a place convenient to the public in the administrative office of the district or political subdivision; and  2) either provide notice of each meeting to the county clerk of each county in which the district or political subdivision is located or post notice of each meeting on the district’s or political subdivision’s Internet website.	Fully Complied
2. Directors’ Bonds	Texas Water Code, Section 36.055(c)	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.	Partially Complied <sup>a</sup>
3. Employee Bonds	Texas Water Code, Section 36.057(d)	The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, or consultants who collect, pay, or handle district funds.	Partially Complied <sup>b</sup>
4. District Policies	Texas Water Code, Section 36.061(a)	The district shall adopt in writing the following related to:  1) Ethics 2) Travel 3) Investments 4) Professional Services 5) Management Information such as budgets in planning and controlling costs and an audit or finance committee of the board.	Fully Complied

<sup>2</sup> The risk related to the issues discussed in Chapter 2 is rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

**Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited**

Compliance Area	Criteria	Additional Criteria Information	Compliance
5. Management Plan Goals	Texas Water Code, Section 36.1071	For each applicable goal in its Texas Water Development Board approved groundwater management plan, the District must develop objectives and performance standards. Management plan goals relate to: <ul style="list-style-type: none"> <li>a. Efficient use of groundwater;</li> <li>b. Controlling and preventing waste of groundwater;</li> <li>c. Controlling and preventing subsidence;</li> <li>d. Addressing conjunctive surface water management issues;</li> <li>e. Addressing natural resource issues;</li> <li>f. Addressing drought conditions;</li> <li>g. Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost-effective; and</li> <li>h. Addressing the desired future conditions adopted under Section 36.108</li> </ul>	Fully Complied
6. Joint Planning	Texas Water Code, Section 36.108(c)	The district representative shall meet at least annually to conduct joint planning with the other districts in the management area and to review the management plans.	Fully Complied
7. Rules of Enforcement	Texas Water Code, Section 36.101(b)	The board shall adopt and enforce rules to implement Texas Water Code, Chapter 36, including rules governing procedure before the board.	Fully Complied
8. Directors' Expenditures	Texas Water Code, Section 36.060	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. In addition, the district payments for Director's payments for fee of office should not be more than \$250/day and shall not exceed \$9,000 for fiscal year 2019.	Not Applicable <sup>c</sup>
9. Annual Audit	Texas Water Code, Section 36.153	The district shall have an annual audit made of the financial condition of the district and shall be performed according to the generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants.	Fully Complied
10. Annual Budget	Texas Water Code, Section 36.154	The district's board shall prepare and approve an annual budget and the budget should contain a complete financial statement.	Fully Complied
11. Depository Bank Requirements	Texas Water Code, Section 36.155	The board shall name one or more banks to serve as depository for the district funds.	Fully Complied

<sup>a</sup> The District ensured that each director executed a bond payable to the district in the amount of \$10,000 and conditioned on the faithful performance of that director's duties before the director began to perform the duties of the office; however, the District was not able to provide documentation that the bonds were approved by the Board as required by Texas Water Code, Section 36.055(c). As a result, auditors determined the District partially complied with the directors' bonds requirement.

<sup>b</sup> The District ensured that the District's officers, employees, or consultants who collected, paid, or handled funds of the district were bonded and had those bonds made payable to the District; however, the District was unable to provide documentation that the Board determined the bond amount to be sufficient to safeguard the district as required by Texas Water Code, Section 36.057(d). As a result, auditors determined the District partially complied with the employee bonds requirement.

<sup>c</sup> The requirement related to directors' expenditures was not tested because the district did not have this type of expenditure in fiscal year 2019.

Table 7 summarizes the District’s annual audited financial statements for the fiscal year ending September 30, 2019.

Table 7

Selected Financial Information for Fiscal Year 2019 for Bandera County River Authority and Groundwater District	
Assets and Liabilities	
Total Assets	\$547,700
Total Liabilities	\$26,300
Revenues and Expenditures	
Total Revenues	\$1,142,700
Total Expenses	\$1,229,900

Source: The District’s annual audited financial statements for the fiscal year ending September 30, 2019.

### Recommendations

The Bandera County River Authority and Groundwater District should ensure that it complies with all applicable Texas Water Code requirements. Specifically, it should:

- Obtain the Board’s approval for each director’s bond.
- Ensure that the Board determines the bond amounts for all applicable officers, employees, or consultants who collect, pay, or handle District funds is sufficient to safeguard the District.

### Management’s Response

*With regards to the audit of Chapter 36 Compliance, the District has always had bonds set in place for our Directors and staff, however it was an oversight that the Board of Directors needed to approve the bonds prior to taking office. Once this oversight was brought to the attention of the District, we quickly corrected our error and set in place a procedure to ensure this was done every November prior to the swearing in of new officers.*

## ***Comal Trinity Groundwater Conservation District Fully Complied with a Majority of the Statutory Requirements Tested***

**Chapter 3  
Rating:  
Low<sup>3</sup>**

During fiscal year 2019, Comal Trinity Groundwater Conservation District (District) fully complied with 10 (91 percent) of 11 applicable statutory requirements tested. The District partially complied with the remaining requirement, management plan goals.

Table 8 summarizes the District’s compliance with the statutory requirements audited.

Table 8

Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited			
Compliance Area	Criteria	Additional Criteria Information	Compliance
1. Board Meetings	Texas Water Code, Section 36.064  Texas Government Code, Section 551.054(a)	The board is required to provide notice of and conduct meetings at least quarterly.  The governing body of a water district that extends into fewer than four counties shall: <ol style="list-style-type: none"> <li>1) post notice of each meeting at a place convenient to the public in the administrative office of the district or political subdivision; and</li> <li>2) either provide notice of each meeting to the county clerk of each county in which the district or political subdivision is located or post notice of each meeting on the district's or political subdivision's Internet website.</li> </ol>	Fully Complied
2. Directors' Bonds	Texas Water Code, Section 36.055(c)	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.	Fully Complied
3. Employee Bonds	Texas Water Code, Section 36.057(d)	The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, or consultants who collect, pay, or handle district funds.	Fully Complied
4. District Policies	Texas Water Code, Section 36.061(a)	The district shall adopt in writing the following related to: <ol style="list-style-type: none"> <li>1) Ethics</li> <li>2) Travel</li> <li>3) Investments</li> <li>4) Professional Services</li> <li>5) Management Information such as budgets in planning and controlling costs and an audit or finance committee of the board.</li> </ol>	Fully Complied

<sup>3</sup> The risk related to the issues discussed in Chapter 3 is rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

**Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited**

Compliance Area	Criteria	Additional Criteria Information	Compliance
5. Management Plan Goals	Texas Water Code, Section 36.1071	For each applicable goal in its Texas Water Development Board approved groundwater management plan, the District must develop objectives and performance standards. Management plan goals relate to: <ul style="list-style-type: none"> <li>a. Efficient use of groundwater;</li> <li>b. Controlling and preventing waste of groundwater;</li> <li>c. Controlling and preventing subsidence;</li> <li>d. Addressing conjunctive surface water management issues;</li> <li>e. Addressing natural resource issues;</li> <li>f. Addressing drought conditions;</li> <li>g. Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost-effective; and</li> <li>h. Addressing the desired future conditions adopted under Section 36.108</li> </ul>	Partially Complied <sup>a</sup>
6. Joint Planning	Texas Water Code, Section 36.108(c)	The district representative shall meet at least annually to conduct joint planning with the other districts in the management area and to review the management plans.	Fully Complied
7. Rules of Enforcement	Texas Water Code, Section 36.101(b)	The board shall adopt and enforce rules to implement Texas Water Code, Chapter 36, including rules governing procedure before the board.	Fully Complied
8. Directors' Expenditures	Texas Water Code, Section 36.060	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. In addition, the district payments for Director's payments for fee of office should not be more than \$250/day and shall not exceed \$9,000 for fiscal year 2019.	Fully Complied
9. Annual Audit	Texas Water Code, Section 36.153	The district shall have an annual audit made of the financial condition of the district and shall be performed according to the generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants.	Fully Complied
10. Annual Budget	Texas Water Code, Section 36.154	The district's board shall prepare and approve an annual budget and the budget should contain a complete financial statement.	Fully Complied
11. Depository Bank Requirements	Texas Water Code, Section 36.155	The board shall name one or more banks to serve as depository for the district funds.	Fully Complied

<sup>a</sup> The District fully achieved 4 (67 percent) of 6 applicable goals in its management plan approved by the Texas Water Development Board. The four applicable goals the District fully complied with were **Goal a:** Providing the most efficient use of groundwater; **Goal d:** Addressing conjunctive surface water management issues; **Goal f:** Addressing drought conditions; and **Goal h:** Addressing the desired future conditions adopted. The two remaining applicable goals the District partially complied with were **Goal b:** Controlling and preventing waste of groundwater and **Goal g:** Addressing conservation. The following goals were not applicable to the District's approved management plan: **Goal c:** Controlling and preventing subsidence and **Goal e:** Addressing natural resource issues.

Table 9 summarizes the District’s annual audited financial statements for the fiscal year ending December 31, 2019.

Table 9

Selected Financial Information for Fiscal Year 2019 for Comal Trinity Groundwater Conservation District	
<b>Assets and Liabilities</b>	
Total Assets	\$479,350
Total Liabilities	\$0
<b>Revenues and Expenditures</b>	
Total Revenues	\$292,378
Total Expenses	\$75,717

Source: The District’s annual audited financial statements for the fiscal year ending December 31, 2019.

### Recommendation

The Comal Trinity Groundwater Conservation District should perform all actions required by its groundwater management plan to meet all of its goals.

### Management’s Response

1. *The Comal Trinity Groundwater Conservation District agrees with the findings of the State Auditor’s Report.*
  
2. *The General Manager will be responsible for implementing corrective action. The two applicable Management Plan Goals that the District did not fully comply with were Goal 2b: Controlling and preventing waste of groundwater and Goal 2g: Addressing conservation. Management Response: The corrective action will be presented to the Board of Directors of the Comal Trinity Groundwater Conservation District during the first quarter board of directors meeting in a written Annual Report, as recommended by the State Auditor’s Office, on February 16, 2021. The recommended report format will be presented for adoption for the 2020 Annual Report and future years.*

## Medina County Groundwater Conservation District Fully Complied with a Majority of the Statutory Requirements Tested

**Chapter 4 Rating:**  
Low<sup>4</sup>

During fiscal year 2019, Medina County Groundwater Conservation District (District) fully complied with 9 (82 percent) of 11 statutory requirements tested. The District partially complied with the two remaining requirements, the directors’ bonds and employee bonds requirements.

Table 10 summarizes the District’s compliance with the statutory requirements audited.

Table 10

Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited			
Compliance Area	Criteria	Additional Criteria Information	Compliance
1. Board Meetings	Texas Water Code, Section 36.064  Texas Government Code, Section 551.054(a)	The board is required to provide notice of and conduct meetings at least quarterly.  The governing body of a water district that extends into fewer than four counties shall: 1) post notice of each meeting at a place convenient to the public in the administrative office of the district or political subdivision; and 2) either provide notice of each meeting to the county clerk of each county in which the district or political subdivision is located or post notice of each meeting on the district's or political subdivision's Internet website.	Fully Complied
2. Directors’ Bonds	Texas Water Code, Section 36.055(c)	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.	Partially Complied <sup>a</sup>
3. Employee Bonds	Texas Water Code, Section 36.057(d)	The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, or consultants who collect, pay, or handle district funds.	Partially Complied <sup>b</sup>
4. District Policies	Texas Water Code, Section 36.061(a)	The district shall adopt in writing the following related to: 1) Ethics 2) Travel 3) Investments 4) Professional Services 5) Management Information such as budgets in planning and controlling costs and an audit or finance committee of the board.	Fully Complied

<sup>4</sup> The risk related to the issues discussed in Chapter 4 is rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

## Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited

Compliance Area	Criteria	Additional Criteria Information	Compliance
5. Management Plan Goals	Texas Water Code, Section 36.1071	For each applicable goal in its Texas Water Development Board approved groundwater management plan, the District must develop objectives and performance standards. Management plan goals relate to: <ul style="list-style-type: none"> <li>a. Efficient use of groundwater;</li> <li>b. Controlling and preventing waste of groundwater;</li> <li>c. Controlling and preventing subsidence;</li> <li>d. Addressing conjunctive surface water management issues;</li> <li>e. Addressing natural resource issues;</li> <li>f. Addressing drought conditions;</li> <li>g. Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost-effective; and</li> <li>h. Addressing the desired future conditions adopted under Section 36.108.</li> </ul>	Fully Complied
6. Joint Planning	Texas Water Code, Section 36.108(c)	The district representative shall meet at least annually to conduct joint planning with the other districts in the management area and to review the management plans.	Fully Complied
7. Rules of Enforcement	Texas Water Code, Section 36.101(b)	The board shall adopt and enforce rules to implement Texas Water Code, Chapter 36, including rules governing procedure before the board.	Fully Complied
8. Directors' Expenditures	Texas Water Code, Section 36.060	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. In addition, the district payments for Director's payments for fee of office should not be more than \$250/day and shall not exceed \$9,000 for fiscal year 2019.	Fully Complied
9. Annual Audit	Texas Water Code, Section 36.153	The district shall have an annual audit made of the financial condition of the district and shall be performed according to the generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants.	Fully Complied
10. Annual Budget	Texas Water Code, Section 36.154	The district's board shall prepare and approve an annual budget and the budget should contain a complete financial statement.	Fully Complied
11. Depository Bank Requirements	Texas Water Code, Section 36.155	The board shall name one or more banks to serve as depository for the district funds.	Fully Complied

<sup>a</sup> The District ensured that each director executed a bond payable to the district in the amount of \$10,000. The District ensured that the majority of directors' bonds were conditioned on the faithful performance of that director's duties before the director began to perform the duties of the office. However, the District was not able to provide documentation that the bonds were approved by the Board as required by Texas Water Code, Section 36.055(c). As a result, auditors determined the District partially complied with the directors' bonds requirement.

<sup>b</sup> The District ensured that the District's officers, employees, or consultants who collected, paid, or handled funds of the district were bonded and had those bonds made payable to the District; however, the District was unable to provide documentation that the Board determined the bond amount to be sufficient to safeguard the district as required by Texas Water Code, Section 36.057(d). As a result, auditors determined the District partially complied with the employee bonds requirement.



Table 11 summarizes the District’s annual audited financial statements for the fiscal year ending September 30, 2019.

Table 11

Selected Financial Information for Fiscal Year 2019 for Medina County Groundwater Conservation District	
Assets and Liabilities	
Total Assets	\$784,472
Total Liabilities	\$3,677
Revenues and Expenditures	
Total Revenues	\$338,495
Total Expenses	\$183,669

Source: The District’s annual audited financial statements for the fiscal year ending September 30, 2019.

### Recommendations

The Medina County Groundwater Conservation District should ensure that it complies with all applicable Texas Water Code requirements. Specifically, it should:

- Obtain the Board’s approval for each director’s bond.
- Ensure that the Board determines the bond amounts for all applicable officers, employees, or consultants who collect, pay, or handle District funds is sufficient to safeguard the District.

### Management’s Response

*The District agrees with the findings and will take action to provide and ensure full compliance with Texas Water Code. This includes the area of provision of executable bond for all directors before beginning to perform the duties of the office. The district will, further, ensure appropriate bonding, by the director’s determination of sufficiency, for employees handling district funds.*

## ***Reeves County Groundwater Conservation District Fully Complied with a Majority of the Statutory Requirements Tested***

**Chapter 5  
Rating:  
Low <sup>5</sup>**

During fiscal year 2019, Reeves County Groundwater Conservation District (District) fully complied with 9 (90 percent) of 10 applicable statutory requirements tested. The District partially complied with the remaining applicable requirement, the annual budget. The remaining compliance requirement, directors’ expenditures, was not applicable because the District did not have these expenditures in fiscal year 2019.

Table 12 summarizes the District’s compliance with the statutory requirements audited.

Table 12

Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited			
Compliance Area	Criteria	Additional Criteria Information	Compliance
1. Board Meetings	Texas Water Code, Section 36.064  Texas Government Code, Section 551.054(a)	The board is required to provide notice of and conduct meetings at least quarterly.  The governing body of a water district that extends into fewer than four counties shall: 1) post notice of each meeting at a place convenient to the public in the administrative office of the district or political subdivision; and 2) either provide notice of each meeting to the county clerk of each county in which the district or political subdivision is located or post notice of each meeting on the district's or political subdivision's Internet website.	Fully Complied
2. Directors’ Bonds	Texas Water Code, Section 36.055(c)	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.	Fully Complied
3. Employee Bonds	Texas Water Code, Section 36.057(d)	The district is required to obtain bonds in an amount determined by the board to be sufficient to safeguard the district for officers, employees, or consultants who collect, pay, or handle district funds.	Fully Complied
4. District Policies	Texas Water Code, Section 36.061(a)	The district shall adopt in writing the following related to: 1) Ethics 2) Travel 3) Investments 4) Professional Services 5) Management Information such as budgets in planning and controlling costs and an audit or finance committee of the board.	Fully Complied

<sup>5</sup> The risk related to the issues discussed in Chapter 5 is rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

**Summary of Texas Water Code, Chapter 36 Compliance Requirements Audited**

Compliance Area	Criteria	Additional Criteria Information	Compliance
5. Management Plan Goals	Texas Water Code, Section 36.1071	For each applicable goal in its Texas Water Development Board approved groundwater management plan, the District must develop objectives and performance standards. Management plan goals relate to: <ul style="list-style-type: none"> <li>a. Efficient use of groundwater;</li> <li>b. Controlling and preventing waste of groundwater;</li> <li>c. Controlling and preventing subsidence;</li> <li>d. Addressing conjunctive surface water management issues;</li> <li>e. Addressing natural resource issues;</li> <li>f. Addressing drought conditions;</li> <li>g. Addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost-effective; and</li> <li>h. Addressing the desired future conditions adopted under Section 36.108</li> </ul>	Fully Complied
6. Joint Planning	Texas Water Code, Section 36.108(c)	The district representative shall meet at least annually to conduct joint planning with the other districts in the management area and to review the management plans.	Fully Complied
7. Rules of Enforcement	Texas Water Code, Section 36.101(b)	The board shall adopt and enforce rules to implement Texas Water Code, Chapter 36, including rules governing procedure before the board.	Fully Complied
8. Directors' Expenditures	Texas Water Code, Section 36.060	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. In addition, the district payments for Director's payments for fee of office should not be more than \$250/day and shall not exceed \$9,000 for fiscal year 2019.	Not Applicable <sup>a</sup>
9. Annual Audit	Texas Water Code, Section 36.153	The district shall have an annual audit made of the financial condition of the district and shall be performed according to the generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants.	Fully Complied
10. Annual Budget	Texas Water Code, Section 36.154	The district's board shall prepare and approve an annual budget and the budget should contain a complete financial statement.	Partially Complied <sup>b</sup>
11. Depository Bank Requirements	Texas Water Code, Section 36.155	The board shall name one or more banks to serve as depository for the district funds.	Fully Complied

<sup>a</sup> The requirement related to directors' expenditures was not tested because the district did not have this type of expenditure in fiscal year 2019.

<sup>b</sup> The District's Board prepared and approved its annual budget for fiscal year 2019; however, the District did not include any of the statements required by Texas Water Code, Section 36.154.

Table 13 summarizes the District’s annual audited financial statements for the fiscal year ending December 31, 2019.

Table 13

Selected Financial Information for Fiscal Year 2019 for Reeves County Groundwater Conservation District	
Assets and Liabilities	
Total Assets	\$512,058
Total Liabilities	\$59,745
Revenues and Expenditures	
Total Revenues	\$496,022
Total Expenses	\$366,444

Source: The District’s annual audited financial statements for the fiscal year ending December 31, 2019.

**Recommendation**

The Reeves County Groundwater Conservation District should prepare and approve an annual budget that includes all statutorily required financial statement components.

**Management’s Response**

*RCGCD agrees that our annual budget was not prepared using the statutorily required financial statements. Though these items were considered in our preparation of the budget, we did not document them. We have made the required forms available to the person responsible for gathering and completing them for management's use and going forward, these forms will be completed.*

# Appendices

Appendix 1

## **Objectives, Scope, and Methodology**

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### **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 the compliance with Texas Water Code, Chapter 36, requirements for five groundwater conservation districts during fiscal year 2019. Auditors also requested and summarized information from the districts' fiscal year 2019 audited financial statements. The five districts were:

- Lipan-Kickapoo Water Conservation District.
- Bandera County River Authority and Groundwater District.
- Comal Trinity Groundwater Conservation District.
- Medina County Groundwater Conservation District.
- Reeves County Groundwater Conservation District.

### **Methodology**

The audit methodology included:

- Assessing whether each district complied with 11 requirements selected from Texas Water Code, Chapter 36.
- Obtaining each selected district's fiscal year 2019 annual financial report and summarizing the financial information within those reports.

### **Data Reliability and Completeness**

For all of the districts, auditors assessed the reliability of the financial data by reconciling expenditures to the districts' audited financial statements or bank

statements. Auditors determined that the data was sufficiently reliable for purposes of the audit. Those districts were:

- Lipan-Kickapoo Water Conservation District.
- Bandera County River Authority and Groundwater District.
- Comal Trinity Groundwater Conservation District.
- Medina County Groundwater Conservation District.
- Reeves County Groundwater Conservation District.

#### **Sampling Methodology**

Auditors selected nonstatistical samples of four to nine board meetings to test compliance with Texas Water Code requirements for all of the groundwater conservation districts to which the requirement applied. The sample items were generally not representative of the population; therefore, it would not be appropriate to project those test results to the population.

Information collected and reviewed included the following:

- District board of directors' meeting minutes and posted notices.
- Bond coverage for district officers, employees, or consultants who handled district funds.
- District directors' bonds.
- District rules, policies, and bylaws.
- District groundwater management plans.
- Documentation of achievement of groundwater management plan objectives submitted by each district.
- Groundwater Management Area meeting minutes.
- Annual financial statements and audit reports.
- District budgets.
- Documentation supporting district directors' expenditures, such as checks, invoices, receipts, and statements signed by directors.
- Documentation of district bank depositories and bank signature cards.

Procedures and tests conducted included the following:

- Comparison of district activities with written groundwater management plan goals, objectives, and performance standards.
- Review of Groundwater Management Area meeting minutes; audited financial statements; bonds for district directors and officers, employees, or consultants responsible for handling district funds; district rules and policies; district board meeting minutes and notices; annual budgets; bank depositories; and supporting documentation for selected expenditures for compliance with statutory requirements.

This audit did not include a review of the general controls over the districts' information technology environments, including access controls, change management processes, and password controls.

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 July 2020 through November 2020. 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:

- Lilia C. Srubar, CPA (Project Manager)
- Armando S. Sanchez, MBA (Assistant Project Manager)
- Kirstin Adamcik, MBA
- Alton Gamble
- Jennifer Grant, CFE
- William J. Morris, CPA
- Dana Musgrave, MBA (Quality Control Reviewer)
- Michael Simon, MBA, CGAP (Audit Manager)

## Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 14 provides a description of the issue ratings presented in this report.

Table 14

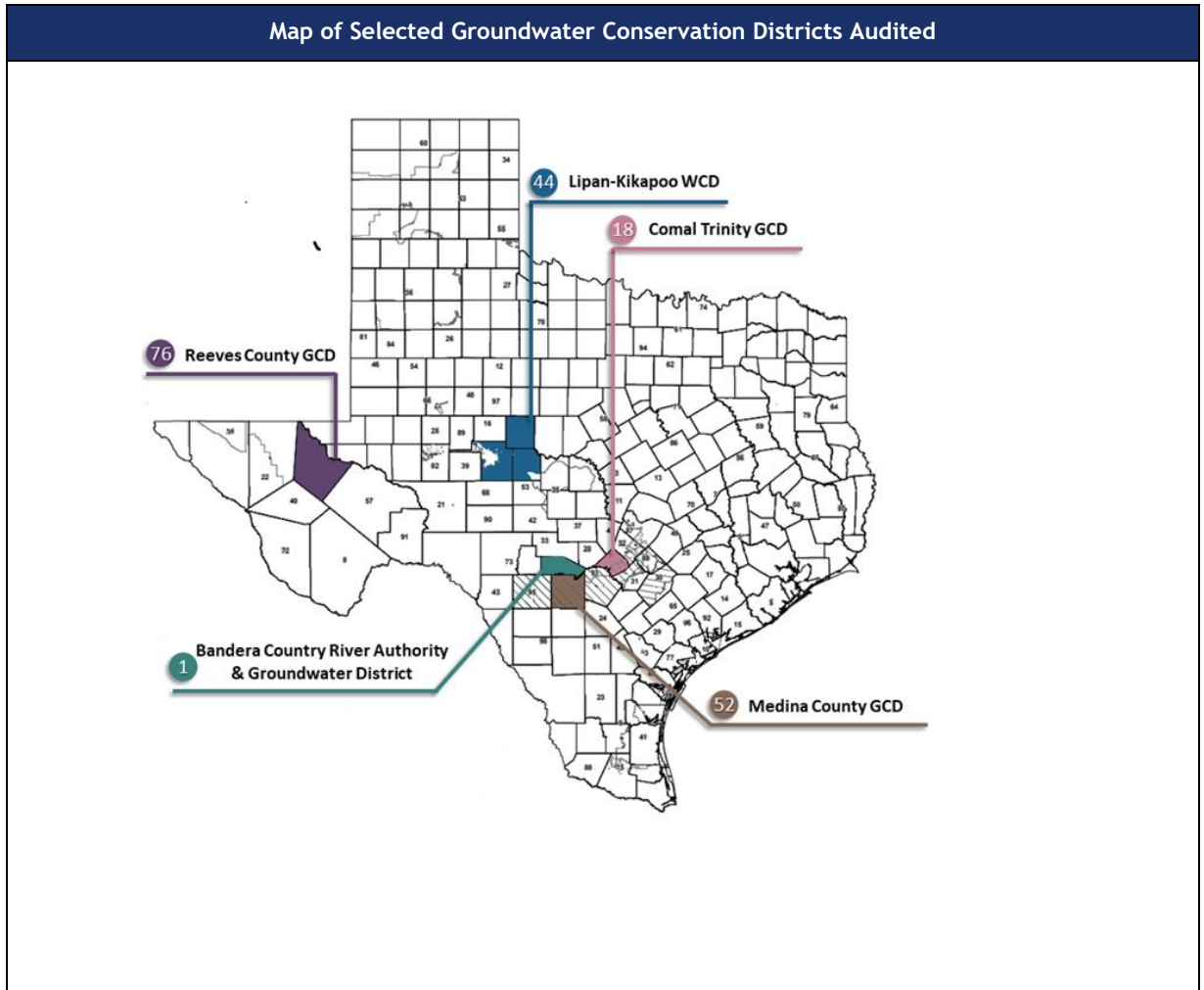
Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.



## Map of Audited Groundwater Conservation Districts

Figure 1 shows the five groundwater conservation districts audited. As of June 2020, the State of Texas had 101 active groundwater conservation districts.

Figure 1



Source: The map was created by the Water Development Board, and the districts were identified by the State Auditor's Office.

**Related State Auditor's Office Reports**

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Table 15

Related State Auditor's Office Reports		
Number	Report Name	Release Date
19-039	<i>An Audit Report on Selected Groundwater Conservation Districts</i>	July 2019
18-030	<i>An Audit Report on Selected Groundwater Conservation Districts</i>	May 2018
15-005	<i>An Audit Report on Selected Groundwater Conservation Districts</i>	October 2014
14-004	<i>An Audit Report on Selected Groundwater Conservation Districts</i>	October 2013

Copies of this report have been distributed to the following:

### **Legislative Audit Committee**

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Giovanni Capriglione, House Appropriations Committee

The Honorable Dustin Burrows, House Ways and Means Committee

### **Office of the Governor**

The Honorable Greg Abbott, Governor

### **Board Members and General Managers of the Following Groundwater Conservation Districts**

Bandera County River Authority and Groundwater District

Comal Trinity Groundwater Conservation District

Lipan-Kickapoo Water Conservation District

Medina County Groundwater Conservation District

Reeves County Groundwater Conservation District



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