



Lisa R. Collier, CPA, CFE, CIDA
State Auditor

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

November 2021
Report No. 22-008



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

SAO Report No. 22-008
 November 2021

Overall Conclusion

Six groundwater conservation districts (districts) were audited for compliance with selected requirements of Texas Water Code, Chapter 36, for each district’s fiscal year 2020.

Table 1 summarizes the results for the six districts’ compliance. See Chapters 1 through 6 for additional information.

Table 1

Districts’ Compliance with Selected Statutory Requirements for Fiscal Year 2020						
Statutory Requirements	Coke County UWCD ^a	Hudspeth County UWCD ^a No.1	Lost Pines GCD ^b	Mesquite GCD ^b	Rusk County GCD ^b	San Patricio County GCD ^b
Annual Audit						
Annual Budget						
Board Meetings						
Depository Bank Requirements						
Director & Others’ Bonds						
Directors’ Expenditures		N/A				N/A
District’s Policies						
Joint Planning						
Management Plan Goals						
Rules of Enforcement						
Fully Complied Partially Complied Did Not Comply						
^a Underground Water Conservation District. ^b Groundwater Conservation District.						

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

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

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

Table 2

Summary of Chapters and Related Issue Ratings		
Chapter	Title	Issue Rating ^a
1	Coke County Underground Water Conservation District Complied or Partially Complied With Most Statutory Requirements	Medium
2	Hudspeth County Underground Water Conservation District No. 1 Partially Complied or Did Not Comply With Some of the Statutory Requirements	High
3	Lost Pines Groundwater Conservation District Complied or Partially Complied With Most Statutory Requirements	Medium
4	Mesquite Groundwater Conservation District Complied With a Majority of the Statutory Requirements	Low
5	Rusk County Groundwater Conservation District Fully Complied With All Statutory Requirements Tested	Low
6	San Patricio County Groundwater Conservation District Partially Complied or Did Not Comply With Some of the Statutory Requirements	High

^a 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.

A chapter is rated **Low** 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.

Summary of Management Responses

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. Coke County Underground Water Conservation District, Hudspeth County Underground Water Conservation District No. 1, Lost Pines Groundwater Conservation District, Mesquite Groundwater Conservation District, and San Patricio County Groundwater Conservation District agreed with the recommendations in this report. There were no recommendations addressed to Rusk County Groundwater Conservation District.

Audit Objectives and Scope

The audit objectives were to:

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

The scope of this audit covered compliance with Texas Water Code, Chapter 36, requirements for six districts during their fiscal year 2020. The scope of this audit also included summarizing information from the districts' fiscal year 2020 audited financial statements. The six districts were:

- Coke County Underground Water Conservation District
- Hudspeth County Underground Water Conservation District No. 1
- Lost Pines Groundwater Conservation District
- Mesquite Groundwater Conservation District
- Rusk County Groundwater Conservation District
- San Patricio County Groundwater Conservation District

Contents

Detailed Results

Chapter 1 Coke County Underground Water Conservation District Complied or Partially Complied With Most Statutory Requirements	1
Chapter 2 Hudspeth County Underground Water Conservation District No. 1 Partially Complied or Did Not Comply With Some of the Statutory Requirements.....	5
Chapter 3 Lost Pines Groundwater Conservation District Complied or Partially Complied With Most Statutory Requirements	9
Chapter 4 Mesquite Groundwater Conservation District Complied With a Majority of the Statutory Requirements.....	13
Chapter 5 Rusk County Groundwater Conservation District Fully Complied With All Statutory Requirements Tested.....	16
Chapter 6 San Patricio County Groundwater Conservation District Partially Complied or Did Not Comply With Some of the Statutory Requirements	18

Appendices

Appendix 1 Objectives, Scope, and Methodology	22
Appendix 2 Issue Rating Classifications and Descriptions.....	26
Appendix 3 Map of Audited Groundwater Conservation Districts.....	27
Appendix 4 Related State Auditor’s Office Reports	28

Detailed Results

Chapter 1

Coke County Underground Water Conservation District Complied or Partially Complied With Most Statutory Requirements

Chapter 1 Rating:
Medium ¹

During fiscal year 2020, the Coke County Underground Water Conservation District (District) **fully complied** with 6 (60 percent) and **partially complied** with 4 (40 percent) of the 10 statutory requirements tested. The following two tables summarize the District’s compliance.

Table 3 shows the requirements with which the District **fully complied**.

Table 3

The District <u>Fully Complied</u> With 6 Requirements		
Compliance Area	Criteria	Detailed Results
1. Annual Audit	Texas Water Code, Section 36.153	<ul style="list-style-type: none"> ▪ The District obtained an audit of its financial statements for fiscal year 2020 that was performed in accordance with standards adopted by the American Institute of Certified Public Accountants.
2. Annual Budget	Texas Water Code, Section 36.154	<ul style="list-style-type: none"> ▪ The District prepared and approved its annual budget for fiscal year 2020. ▪ The budget included the required components: <ul style="list-style-type: none"> ♦ Amount of cash on hand for each District fund. ♦ Amount of money received by the District from all sources during the previous and ensuing years. ♦ Amount of balances expected at the end of the fiscal year in which the budget is being prepared. ♦ Estimated amount of revenues and balances to cover the proposed budget. ♦ Estimated tax rate or fee revenues that will be required. ▪ The District did not have any outstanding obligations during fiscal year 2020.
3. Depository Bank Requirements	Texas Water Code, Section 36.155(a)(b)	<ul style="list-style-type: none"> ▪ The Board of Directors (Board) named a bank to serve as depository for District funds. ▪ District funds were deposited as received with the depository bank and remained on deposit.
4. Director and Others’ Bonds	Texas Water Code, Sections 36.055(c) and 36.057(d)	<ul style="list-style-type: none"> ▪ The District had bonds during fiscal year 2020 that covered its directors, for \$10,000 each, and one employee who handled District funds, in an amount the Board deemed sufficient to safeguard the District.
5. District Policies	Texas Water Code, Section 36.061(a)	<ul style="list-style-type: none"> ▪ The District established a code of ethics for directors and employees, as well as policies for travel expenditures, investments, professional services, and the better use of management information.
6. Joint Planning	Texas Water Code, Section 36.108(c)	<ul style="list-style-type: none"> ▪ The District coordinated planning of groundwater with the Groundwater Management Area (GMA) by attending at least one GMA meeting annually, as required.

¹ The risk related to the issues discussed in Chapter 1 is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

Table 4 shows the requirements with which the District **partially complied**.

Table 4

The District <u>Partially Complied</u> With 4 Requirements		
Compliance Area	Criteria	Detailed Results
1. Board Meetings	Texas Water Code, Section 36.064	<ul style="list-style-type: none"> ▪ The District did not hold 2 (50 percent) of 4 required quarterly board meetings in fiscal year 2020. ▪ The Board posted and provided the required notice of the meetings that occurred during the year.
2. Directors' Expenditures	Texas Water Code, Section 36.060	<ul style="list-style-type: none"> ▪ Auditors tested 20 payments for fees of office and reimbursements and determined that all payments were supported by a verified statement and did not exceed \$250 per day or \$9,000 for fiscal year 2020. ▪ However, for 10 (50 percent) of the 20 payments tested, directors were paid fees of office and reimbursement for mileage when Board meetings were canceled in advance.
3. Management Plan Goals	Texas Water Code, Section 36.1071	<ul style="list-style-type: none"> ▪ The District fully achieved 5 (71 percent) of 7 of its management plan goals during fiscal year 2020, including (1) providing the most efficient use of groundwater, (2) controlling and preventing the waste of groundwater, (3) addressing conjunctive surface water management issues, (4) addressing natural resource issues, and (5) addressing drought conditions. ▪ However, the District partially achieved its goal for addressing the desired future conditions adopted and did not achieve its goal for addressing conservation.
4. Rules of Enforcement	Texas Water Code, Sections 36.101(b), 36.1071(f), 36.111, 36.112, 36.113(a)(b), 36.1145(b)	<ul style="list-style-type: none"> ▪ The District established 2 (33 percent) of the 6 applicable rules tested, including rules for drillers' logs and permits for wells, but it did not establish rules related to: <ul style="list-style-type: none"> ♦ Governing procedures before the Board. ♦ Implementation of a management plan. ♦ Records and reports. ♦ Operating permit renewals.

Table 5 displays selected financial information for the District for the fiscal year ending December 31, 2020.

Table 5

Selected Financial Information for Fiscal Year 2020 for Coke County Underground Water Conservation District	
Assets and Liabilities	
Total Assets	\$202,373
Total Liabilities	\$515
Revenues and Expenditures	
Total Revenues	\$55,594
Total Expenses	\$40,428

Recommendations

The Coke County Underground Water Conservation District should:

- Hold board meetings at least once every quarter.
- Ensure that it only pays its directors fees of office and reimbursements for actual meetings attended.
- In accordance with its management plan, ensure that it performs all actions for its management goals, specifically for addressing the desired future conditions adopted and conservation.
- Establish rules in accordance with Chapter 36 of the Texas Water Code regarding (1) governing procedure before the board, (2) implementation of a management plan, (3) records and reports, and (4) operating permit renewals.

Management's Response

In reviewing the draft Audit Report, it is the opinion of the staff and management of the district that the report correctly reflects the actions of the Coke County Underground Water Conservation District for 2020. However, the district management believes some additional explanations are in order to better understand the reasons for some of the deficiencies.

1. **Recommendation:** *Hold board meetings at least once every quarter.*

Management Response: *The board will continue to hold quarterly meetings as in the past. Prior to 2020, the district held-meetings at least once a quarter as required by statute. However, in 2020 some quarterly meetings were cancelled due to the Covid pandemic. Some of the board members were infected with the virus. Since the manager is also in the "at risk" group because of age and health issues as defined by the CDC and government-pandemic protocols, the cancelled 2020 quarterly meetings were not rescheduled.*

2. **Recommendation:** *Ensure that it only pays its Directors fees of office and reimbursements for actual meetings attended.*

Management Response: *This was an oversight due to the cancellation of scheduled meetings due to the Covid pandemic. Management has corrected this issue to insure this doesn't happen in the future.*

3. **Recommendation:** *In accordance with its management plan, ensure that it performs all actions for its management goals, specifically for addressing the desired future conditions adopted and conservation.*

Management Response: *The Management Plan currently in place lacks a degree of flexibility in certain circumstances that would prevent staff from achieving these goals. A review of the current Management Plan and ways to correct this issue are scheduled for the upcoming new fiscal year.*

4. **Recommendation:** *Establish rules in accordance with Chapter 36 of the Texas Water Code regarding (1) governing procedure before the board, (2) implementation of a management plan, (3) records and reports, and (4) operating permit renewals.*

Management Response: *The district is aware that the district rules are outdated and need to be revised or amended to meet current statutory requirements. The manager and board of directors have begun discussions to review the current rules and to revise or amend them as necessary to comply with statutory requirements.*

Hudspeth County Underground Water Conservation District No. 1 Partially Complied or Did Not Comply With Some of the Statutory Requirements

Chapter 2 Rating:
High ²

During fiscal year 2020, Hudspeth County Underground Water Conservation District No. 1 (District) **fully complied** with 6 (67 percent), **partially complied** with 2 (22 percent), and **did not comply** with 1 (11 percent) of the 9 statutory requirements tested.³ The following three tables summarize the District’s compliance.

Table 6 shows the requirements with which the District **fully complied**.

Table 6

The District <u>Fully Complied</u> With 6 Requirements		
Compliance Area	Criteria	Detailed Results
1. Annual Budget	Texas Water Code, Section 36.154	<ul style="list-style-type: none"> ▪ The District prepared and approved its annual budget for fiscal year 2020. ▪ The budget included the required components: <ul style="list-style-type: none"> ♦ Outstanding obligations of the District. ♦ Amount of cash on hand for each District fund. ♦ Amount of money received by the District from all sources during the previous and ensuing years. ♦ Amount of balances expected at the end of the fiscal year in which the budget is being prepared. ♦ Estimated amount of revenues and balances to cover the proposed budget. ♦ Estimated tax rate or fee revenues that will be required. ▪ The budget was amended and approved by the Board of Directors (Board), as required.
2. Board Meetings	Texas Water Code, Section 36.064	<ul style="list-style-type: none"> ▪ The District held board meetings at least quarterly, and the Board posted and provided notice of those meetings as required.
3. Depository Bank Requirements	Texas Water Code, Section 36.155(a)(b)	<ul style="list-style-type: none"> ▪ The Board named banks to serve as depository institutions for the District. ▪ District funds were deposited as received with the depository bank and remained on deposit.
4. District Policies	Texas Water Code, Section 36.061(a)	<ul style="list-style-type: none"> ▪ The District established a code of ethics for directors and employees, as well as policies for travel expenditures, investments, professional services, and the better use of management information.
5. Joint Planning	Texas Water Code, Section 36.108(c)	<ul style="list-style-type: none"> ▪ The District coordinated planning of groundwater with the Groundwater Management Area (GMA) by attending at least one GMA meeting annually, as required.

² The risk related to the issues discussed in Chapter 2 is rated as High because 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(s) and reduce risks to the audited entity.

³ The remaining compliance requirement, Directors’ Expenditures, was not applicable because the District did not pay directors’ fees of office or reimbursements during its fiscal year 2020.

The District <u>Fully Complied</u> With 6 Requirements		
Compliance Area	Criteria	Detailed Results
6. Rules of Enforcement	Texas Water Code, Section 36.101(b), 36.1071(f), 36.111, 36.112, 36.113(a)(b), 36.1145(b), 36.454	<ul style="list-style-type: none"> ▪ The District established rules related to: <ul style="list-style-type: none"> ♦ Governing procedures before the Board. ♦ Implementation of a management plan. ♦ Records and reports. ♦ Drillers' logs. ♦ Permits for wells. ♦ Operating permit renewals. ♦ Permitting, spacing, and production requirements for aquifer storage and recovery wells.

Table 7 shows the requirements with which the District **partially complied**.

Table 7

The District <u>Partially Complied</u> With 2 Requirements		
Compliance Area	Criteria	Detailed Results
1. Director and Others' Bonds	Texas Water Code, Sections 36.055(c) and 36.057(d)	<ul style="list-style-type: none"> ▪ Directors had a bond in place for fiscal year 2020; however, it covered less than the statutory required amount of \$10,000. ▪ In addition, the District did not obtain bonds for its employees who handled District funds during fiscal year 2020.
2. Management Plan Goals	Texas Water Code, Section 36.1071	<ul style="list-style-type: none"> ▪ The District fully achieved 3 (50 percent) of 6 of its management plan goals during fiscal year 2020, including (1) providing the most efficient use of groundwater, (2) addressing natural resource issues, and (3) addressing the desired future conditions adopted. ▪ However, it partially achieved its goal for addressing conservation, and it did not achieve the performance standards set for its goals for (1) controlling and preventing the waste of groundwater or (2) addressing drought conditions. Specifically, the district did not: (1) include an article on irrigation water management its annual newsletter, (2) complete an annual report that included the District's monitoring of well groundwater elevation, or report on whether the permitted withdrawals were curtailed at any time during the year because of drought condition.

Table 8 shows the requirement with which the District **did not comply**.

Table 8

The District <u>Did Not Comply</u> With 1 Requirement		
Compliance Area	Criteria	Detailed Results
1. Annual Audit	Texas Water Code, Section 36.153	<ul style="list-style-type: none"> ▪ The District did not obtain an audit of its financial statements for fiscal year 2020.

The District did not obtain an audit of its financial statements for fiscal year 2020 as required; therefore, auditors could not summarize the financial information for the District.

Recommendations

Hudspeth County Underground Water Conservation District No. 1 should:

- In accordance with its management plan, ensure that it performs all actions for its management goals, specifically for addressing conservation and drought conditions and controlling and preventing the waste of groundwater.
- Obtain an annual audit of its financial statements.
- Obtain bonds for its Board of Directors in an amount of \$10,000 payable to the District for each director and conditioned on the faithful performance of the directors' duties.
- Obtain bonds for all applicable officers, employees, or consultants who collect, pay, or handle District funds, in an amount determined by the board to be sufficient to safeguard the District.

Management's Response

HCUWCD agrees with the SAO's Issue Rating for the District in that the District fully complied with 6 requirements, partially complying with 2 requirements, and failing to comply with 1 requirement. The district has taken action to resolve all deficiencies raised during SAO's audit.

Table 7, item 1 Director and Others' Bonds (Partially Complied)

HCUWCD agrees with the SAO finding. Upon discovering that the bonded amount for 2020 was lower than required, the District has increased the bond for each covered individual (five board members, general manager, and book keeper) to \$30,000, which exceeds the required level.

Table 7, item 2 Management Plan Goals (partially complied)

*HCUWCD agrees with the SAO finding that the District fully achieved 3 of 6 of its management plan goals during fiscal year 2020, including (1) providing the most efficient use of groundwater, (2) addressing natural resource issues, and (3) addressing the desired future conditions adopted, but failed to include an article on irrigation water management in the District's annual newsletter, failed to complete a **written** annual report that included information regarding the District's monitoring of well groundwater elevation, and failed to complete a **written** report on whether*

permitted withdrawals were curtailed at any time during the year because of drought conditions.

*HCUWCD's general manager and engineer did provide several **verbal** reports during board meetings to the District's directors and the public regarding groundwater elevation monitoring and ongoing curtailment of groundwater allocations because of drought conditions. The agenda for board meetings typically includes an item labeled "Report from the District Engineer and General Manager." These reports included graphics showing groundwater elevation changes and tables of water level elevation. The District also provided documentation to the SAO that:*

- 1) the HCUWCD Board of Directors undertook efforts, at considerable expense, to control and prevent waste of groundwater, including conducting an investigation on whether water use on the Chapman farm constituted waste, and*
- 2) HCUWCD provided documentation to the SAO that the HCUWCD Board of Directors addressed drought conditions. Specifically, HCUWCD ordered a 25% curtailment of permitted water allocations due to declining water levels in the aquifer managed by the District. This curtailment resulted in both the reduction of water use and an associated reduction in agricultural production, along with the related economic impacts on users of groundwater in particular and the farming community more generally.*

Table 8, item 1 Annual Audit (Did Not Comply)

HCUWCD's agrees with the SAO finding that the District's 2020 financial audit had not been completed at the time of the SAO audit. HCUWCD's Board of Directors had authorized the 2020 audit in early 2021 by contracting with a Certified Public Accountant based in El Paso, Texas. The CPA is scheduled to deliver the 2020 financial audit to the District in early December of 2021.

Lost Pines Groundwater Conservation District Complied or Partially Complied With Most Statutory Requirements

Chapter 3 Rating:
Medium ⁴

During fiscal year 2020, the Lost Pines Groundwater Conservation District (District) **fully complied** with 6 (60 percent) and **partially complied** with 4 (40 percent) of the 10 statutory requirements tested. The following two tables summarize the District’s compliance.

Table 9 shows the requirements with which the District **fully complied**.

Table 9

The District <u>Fully Complied</u> With 6 Requirements		
Compliance Area	Criteria	Detailed Results
1. Annual Audit	Texas Water Code, Section 36.153	<ul style="list-style-type: none"> ▪ The District obtained an audit of its financial statements for fiscal year 2020 that was performed in accordance with standards adopted by the American Institute of Certified Public Accountants.
2. Annual Budget	Texas Water Code, Section 36.154	<ul style="list-style-type: none"> ▪ The District prepared and approved its annual budget for fiscal year 2020. ▪ The budget included the required components: <ul style="list-style-type: none"> ♦ Amount of cash on hand for each District fund. ♦ Amount of money received by the District from all sources during the previous and ensuing years. ♦ Amount of balances expected at the end of the fiscal year in which the budget is being prepared. ♦ Estimated amount of revenues and balances to cover the proposed budget. ♦ Estimated tax rate or fee revenues that will be required. ▪ The District stated that it did not have any outstanding obligations during fiscal year 2020. ▪ The budget was amended and approved by the Board, as required.
3. Board Meetings	Texas Water Code, Section 36.064	<ul style="list-style-type: none"> ▪ The District held board meetings at least quarterly and the Board of Directors (Board) posted and provided notice of those meetings as required.
4. Depository Bank Requirements	Texas Water Code, Section 36.155(a)(b)	<ul style="list-style-type: none"> ▪ The Board named banks to serve as depository institutions for the District. ▪ District funds were deposited as received with the depository bank and remained on deposit.
5. Joint Planning	Texas Water Code, Section 36.108(c)	<ul style="list-style-type: none"> ▪ The District coordinated planning of groundwater with the Groundwater Management Area (GMA) by attending at least one GMA meeting annually, as required.
6. Rules of Enforcement	Texas Water Code, Sections 36.101(b), 36.1071(f), 36.111, 36.112, 36.113(a)(b), 36.1145(b)	<ul style="list-style-type: none"> ▪ The District established applicable rules related to: <ul style="list-style-type: none"> ♦ Governing procedures before the Board. ♦ Implementation of a management plan. ♦ Records and reports. ♦ Drillers’ logs. ♦ Permits for wells.

⁴ The risk related to the issues discussed in Chapter 3 is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

The District <u>Fully Complied</u> With 6 Requirements		
Compliance Area	Criteria	Detailed Results
		♦ Operating permit renewals.

Table 10 shows the requirements with which the District **partially complied**.

Table 10

The District <u>Partially Complied</u> With 4 Requirements		
Compliance Area	Criteria	Detailed Results
1. Director and Others' Bonds	Texas Water Code, Sections 36.055(c) and 36.057(d)	<ul style="list-style-type: none"> ▪ The District obtained bond coverage for its directors as required. ▪ However, it did not obtain bond coverage for its two employees who had the ability to collect, pay, or handle District funds during fiscal year 2020.
2. Directors' Expenditures	Texas Water Code, Section 36.060	<ul style="list-style-type: none"> ▪ Ten (24 percent) of 42 payments to directors did not include a general description of duties performed or the number of days spent in service to the District. In addition, 1 (2 percent) of the payments was not supported by a verified statement.
3. District Policies	Texas Water Code, Section 36.061(a)	<ul style="list-style-type: none"> ▪ The District did not establish 3 (60 percent) of the 5 required written policies. Specifically it did not have policies relating to (1) district investments, (2) selection, monitoring, or review and evaluation of professional services, or (3) use of management information. ▪ The District did establish a code of ethics and a policy related to travel expenditures.
4. Management Plan Goals	Texas Water Code, Section 36.1071	<ul style="list-style-type: none"> ▪ The District fully achieved 2 (29 percent) of 7 applicable management goals during fiscal year 2020. Those goals included (1) addressing conjunctive surface water management issues and (2) addressing the desired future conditions adopted. ▪ However, it partially achieved or did not achieve the 5 remaining goals. The District partially achieved its goals for (1) providing the most efficient use of groundwater, (2) controlling and preventing the waste of groundwater in the district, and (3) addressing drought conditions. It did not achieve its goals for (1) addressing natural resource issues or (2) addressing conservation.

Table 11 displays selected financial information for the District for the fiscal year ending December 31, 2020.

Table 11

Selected Financial Information for Fiscal Year 2020 for Lost Pines Groundwater Conservation District	
Assets and Liabilities	
Total Assets	\$3,646,894
Total Liabilities	\$54,749
Revenues and Expenditures	
Total Revenues	\$1,328,816
Total Expenses	\$716,539

Recommendations

The Lost Pines Groundwater Conservation District should:

- Obtain bonds for all applicable officers, employees, or consultants who collect, pay, or handle District funds, in an amount determined by the board to be sufficient to safeguard the District.
- Ensure that all payments to its directors for fees of service and reimbursements (1) list a general description of duties they performed and the number of days spent in service to the District on its verified statements and (2) are supported by a verified statement.
- Establish policies in accordance with Chapter 36 of the Texas Water Code relating to (1) District investments, (2) selection, monitoring, or review and evaluation of professional services, and (3) use of management information.
- In accordance with its management plan, ensure that it performs all actions for its management goals, specifically for providing the most efficient use of groundwater; controlling and preventing the waste of groundwater; and addressing drought conditions, natural resource issues, and conservation.

Management's Response

The Lost Pines Groundwater Conservation District should:

Obtain bonds for all applicable officers, employees, or consultants who collect, pay, or handle District funds, in an amount determined by the board to be sufficient to safeguard the District.

Agree. The General Manager and District staff will seek additional bonds for staff who collect, pay or handle District funds in an amount determined by the Board to be sufficient to safeguard the District before the end of the current fiscal year.

Ensure that all payments to its directors for fees of service and reimbursements (1) list a general description of duties they performed and the number of days spent in service to the District on its verified statements and (2) are supported by a verified statement.

Agree. The General Manager, staff and the District budget committee will develop new standards of documentation required for all fees of services and reimbursements for Board activities for board adoption at the start of the fiscal year.

Establish policies in accordance with Chapter 36 of the Texas Water Code relating to (1) District investments, (2) selection, monitoring, or review and evaluation of professional services, and (3) use of management information.

Agree. The General manager and District budget committee will develop new policies for Board approval governing investments, evaluation of professional services and management information for adoption at the start of the fiscal year.

In accordance with its management plan, ensure that it performs all actions for its management goals, specifically for providing the most efficient use of groundwater; controlling and preventing the waste of groundwater; and addressing drought conditions, natural resource issues and conservation.

Agree. The General Manager and District staff are developing a compliance calendar that includes management plan goals and other state reporting requirements to ensure that all necessary actions are taken to maintain compliance with District rules, management plan and current state law. The majority of cited deficiencies can be corrected through a formalized annual report which will be included as part of the compliance calendar. The General Manager has updated the District website with drought related information and links for documentation and reports on other issues are being added. The District is evaluating increasing its budget for educational outreach for the coming budget year to help address the remaining issues.

Mesquite Groundwater Conservation District Complied With a Majority of the Statutory Requirements

Chapter 4 Rating:
Low ⁵

During fiscal year 2020, the Mesquite Groundwater Conservation District (District) **fully complied** with 8 (80 percent) and **partially complied** with 2 (20 percent) of the 10 statutory requirements tested. The following two tables summarize the District’s compliance.

Table 12 shows the requirements with which the District **fully complied**.

Table 12

The District <u>Fully Complied</u> With 8 Requirements		
Compliance Area	Criteria	Detailed Results
1. Annual Audit	Texas Water Code, Section 36.153	<ul style="list-style-type: none"> ▪ The District obtained an audit of its financial statements for fiscal year 2020 that was performed in accordance with standards adopted by the American Institute of Certified Public Accountants.
2. Annual Budget	Texas Water Code, Section 36.154	<ul style="list-style-type: none"> ▪ The District prepared and approved its annual budget for fiscal year 2020. ▪ The budget included the required components: <ul style="list-style-type: none"> ♦ Outstanding obligations of the District. ♦ Amount of cash on hand for each District fund. ♦ Amount of money received by the District from all sources during the previous and ensuing years. ♦ Amount of balances expected at the end of the fiscal year in which the budget is being prepared. ♦ Estimated amount of revenues and balances to cover the proposed budget. ♦ Estimated tax rate or fee revenues that will be required. ▪ The budget was amended and approved by the Board of Directors (Board), as required.
3. Board Meetings	Texas Water Code, Section 36.064	<ul style="list-style-type: none"> ▪ The District held board meetings at least quarterly, and the Board posted and provided notice of those meetings as required.
4. Director and Others’ Bonds	Texas Water Code, Sections 36.055(c) and 36.057(d)	<ul style="list-style-type: none"> ▪ The District had bonds during fiscal year 2020 that covered its directors, for \$10,000 each, and employees who had the ability to collect, pay, or handle District funds, in an amount the board deemed sufficient to safeguard the District.
5. Directors’ Expenditures	Texas Water Code, Section 36.060	<ul style="list-style-type: none"> ▪ The District ensured that fees of office paid to each director were supported by verified statements and did not surpass \$250 per day or \$9,000 for fiscal year 2020, as required.
6. Joint Planning	Texas Water Code, Section 36.108(c)	<ul style="list-style-type: none"> ▪ The District coordinated planning of groundwater with the Groundwater Management Area (GMA) by attending at least one GMA meeting annually, as required.

⁵ 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)/functions(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.

The District <u>Fully Complied</u> With 8 Requirements		
Compliance Area	Criteria	Detailed Results
7. Management Plan Goals	Texas Water Code, Section 36.1071	<ul style="list-style-type: none"> ▪ The District fully achieved all five of its management plan goals during fiscal year 2020, including (1) providing the most efficient use of groundwater, (2) controlling and preventing the waste of groundwater, (3) addressing drought conditions, (4) addressing conservation, and (5) addressing the desired future conditions adopted.
8. Rules of Enforcement	Texas Water Code, Section 36.101(b), 36.1071(f), 36.111, 36.112, 36.113(a)(b), 36.1145(b)	<ul style="list-style-type: none"> ▪ The District established applicable rules related to: <ul style="list-style-type: none"> ♦ Governing procedures before the Board. ♦ Implementation of a management plan. ♦ Records and reports. ♦ Drillers' logs. ♦ Permits for wells. ♦ Operating permit renewals.

Table 13 shows the requirements with which the District **partially complied**.

Table 13

The District <u>Partially Complied</u> With 2 Requirements		
Compliance Area	Criteria	Detailed Results
1. Depository Bank Requirements	Texas Water Code, Section 36.155(a)(b)	<ul style="list-style-type: none"> ▪ The Board named banks to serve as depository institutions for the District, and District funds were deposited as received with the depository banks and remained on deposit. ▪ However, the District's authorized signatories for its depository institutions listed individuals who are no longer affiliated with the District.
2. District Policies	Texas Water Code, Section 36.061(a)	<ul style="list-style-type: none"> ▪ The District established a code of ethics for directors and employees, as well as policies for travel expenditures, investments, selection of professional services, and the better use of management information. ▪ However, it did not establish policies that address the monitoring or review and evaluation of professional services contracts.

Table 14 displays selected financial information for the District for the fiscal year ending September 30, 2020.

Table 14

Selected Financial Information for Fiscal Year 2020 for Mesquite Groundwater Conservation District	
Assets and Liabilities	
Total Assets	\$180,828
Total Liabilities	\$38,986
Revenues and Expenditures	
Total Revenues	\$228,472
Total Expenses	\$220,720

Recommendations

The Mesquite Groundwater Conservation District should:

- Ensure that it removes individuals who are no longer affiliated with the district as authorized signatories for its depository institutions.
- Establish policies that address the monitoring or review and evaluation of professional services contracts.

Management's Response

Summary

The Mesquite Groundwater Conservation District concurs with the State Auditor's Office findings in each of the two areas of deficiency. The District has taken action to address each of those areas as discussed in detail within this report. The District looks forward to our next audit from the State Auditor's Office so that we might further improve our operation.

Specifics

The Mesquite Groundwater Conservation District (District) concurs with the State Auditor's Office findings and provides the following responses to the SAO's two recommendations as follows:

- 1. The District's Board has taken actions to remove signatory authority for individuals who are no longer affiliated with the District or who have died. All depository institutions for the District now have the correct authorized signatories on file. The District has provided evidence of these actions and the corrected signature forms for each depository institution to the State Auditor's Office. The District will maintain the accuracy of those signature forms as District staff and board members change moving forward.*
- 2. The General Manager has placed an item on the agenda for the next Board meeting that will address creating a policy for the monitoring or review and evaluation of professional services contracts. After the policy is in place, professional services contracts will be regularly scrutinized to confirm that they are being performed as stipulated in the contracts and/or that deficiencies are corrected. This policy will be evaluated and/or updated annually at the time all other policies are evaluated.*

Rusk County Groundwater Conservation District Fully Complied With All Statutory Requirements Tested

**Chapter 5
Rating:**
Low ⁶

During fiscal year 2020, the Rusk County Groundwater Conservation District (District) **fully complied** with all 10 (100 percent) of the statutory requirements tested.

Table 15 shows the requirements with which the District **fully complied**.

Table 15

The District Fully Complied With 10 Requirements		
Compliance Area	Criteria	Detailed Results
1. Annual Audit	Texas Water Code, Section 36.153	<ul style="list-style-type: none"> ▪ The District obtained an audit of its financial statements for fiscal year 2020 that was performed in accordance with standards adopted by the American Institute of Certified Public Accountants.
2. Annual Budget	Texas Water Code, Section 36.154	<ul style="list-style-type: none"> ▪ The District prepared and approved its annual budget for fiscal year 2020. ▪ The budget included the required components: <ul style="list-style-type: none"> ◆ Outstanding obligations of the District. ◆ Amount of cash on hand for each District fund. ◆ Amount of money received by the District from all sources during the previous and ensuing years. ◆ Amount of balances expected at the end of the fiscal year in which the budget is being prepared. ◆ Estimated amount of revenues and balances to cover the proposed budget. ◆ Estimated tax rate or fee revenues that will be required. ▪ The budget was amended and approved by the Board of Directors (Board), as required.
3. Board Meetings	Texas Water Code, Section 36.064	<ul style="list-style-type: none"> ▪ The District held board meetings at least quarterly, and the Board posted and provided notice of those meetings as required.
4. Depository Bank Requirements	Texas Water Code, Section 36.155(a)(b)	<ul style="list-style-type: none"> ▪ The Board named banks to serve as depository institutions for the District. ▪ District funds were deposited as received with the depository banks and remained on deposit.
5. Director and Others' Bonds	Texas Water Code, Sections 36.055(c) and 36.057(d)	<ul style="list-style-type: none"> ▪ The District had bonds during fiscal year 2020 that covered its directors, for \$10,000 each, and employees who had the ability to collect, pay, or handle District funds, in an amount the board deemed sufficient to safeguard the District.
6. Directors' Expenditures	Texas Water Code, Section 36.060	<ul style="list-style-type: none"> ▪ The District ensured that fees of office paid to each director were supported by verified statements and did not surpass \$250 per day or \$9,000 for fiscal year 2020, as required.
7. District Policies	Texas Water Code, Section 36.061(a)	<ul style="list-style-type: none"> ▪ The District established a code of ethics for directors and employees, as well as policies for travel expenditures, investments, professional services, and the better use of management information.

⁶ 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)/functions(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.

The District Fully Complied With 10 Requirements		
Compliance Area	Criteria	Detailed Results
8. Joint Planning	Texas Water Code, Section 36.108(c)	<ul style="list-style-type: none"> ▪ The District coordinated planning of groundwater with the Groundwater Management Area (GMA) by attending at least one GMA meeting annually, as required.
9. Management Plan Goals	Texas Water Code, Section 36.1071	<ul style="list-style-type: none"> ▪ The District fully achieved all seven of its management plan goals during fiscal year 2020, including (1) providing the most efficient use of groundwater, (2) controlling and preventing the waste of groundwater, (3) addressing conjunctive surface water management issues, (4) addressing natural resource issues, (5) addressing drought conditions, (6) addressing conservation, and (7) addressing the desired future conditions adopted.
10. Rules of Enforcement	Texas Water Code, Sections 36.101(b), 36.1071(f), 36.111, 36.112, 36.113(a)(b), 36.1145(b)	<ul style="list-style-type: none"> ▪ The District established applicable rules related to: <ul style="list-style-type: none"> ♦ Governing procedures before the Board. ♦ Implementation of a management plan. ♦ Records and reports. ♦ Drillers' logs. ♦ Permits for wells. ♦ Operating permit renewals.

Table 16 displays selected financial information for the District for the fiscal year ending August 31, 2020.

Table 16

Selected Financial Information for Fiscal Year 2020 for Rusk County Groundwater Conservation District	
Assets and Liabilities	
Total Assets	\$565,108
Total Liabilities	\$10,231
Revenues and Expenditures	
Total Revenues	\$202,792
Total Expenses	\$179,170

San Patricio County Groundwater Conservation District Partially Complied or Did Not Comply With Some of the Statutory Requirements

Chapter 6 Rating:
High ⁷

During fiscal year 2020, the San Patricio County Groundwater Conservation District (District) **fully complied** with 4 (44 percent), **partially complied** with 4 (44 percent), and **did not comply** with 1 (11 percent)⁸ of the 9 statutory requirements tested. ⁹ The following three tables summarize the District’s compliance.

Table 17 shows the requirements with which the District **fully complied**.

Table 17

The District <u>Fully Complied</u> With 4 Requirements		
Compliance Area	Criteria	Detailed Results
1. Annual Audit	Texas Water Code, Section 36.153	<ul style="list-style-type: none"> ▪ The District obtained an audit of its financial statements for fiscal year 2020 that was performed in accordance with standards adopted by the American Institute of Certified Public Accountants.
2. Annual Budget	Texas Water Code, Section 36.154	<ul style="list-style-type: none"> ▪ The District prepared and approved its annual budget for fiscal year 2020. ▪ The budget included the required components: <ul style="list-style-type: none"> ♦ Amount of cash on hand to the credit of each fund of the district. ♦ Amount of money received by the District from all sources during the previous and ensuing years. ♦ Amount of balances expected at the end of the fiscal year in which the budget is being prepared. ♦ Estimated amount of revenues and balances to cover the proposed budget. ♦ Estimated tax rate or fee revenues that will be required. ▪ The District did not have any outstanding obligations during fiscal year 2020.
3. Joint Planning	Texas Water Code, Section 36.108(c)	<ul style="list-style-type: none"> ▪ The District coordinated planning of groundwater with the Groundwater Management Area (GMA) by attending at least one GMA meeting annually, as required.
4. Rules of Enforcement	Texas Water Code, Sections 36.101(b), 36.1071(f), 36.111, 36.112, 36.113(a)(b), 36.1145(b)	<ul style="list-style-type: none"> ▪ The District established applicable rules related to: <ul style="list-style-type: none"> ♦ Governing procedures before the Board of Directors (Board). ♦ Implementation of a management plan. ♦ Records and reports. ♦ Drillers’ logs. ♦ Permits for wells. ♦ Operating permit renewals.

⁷ The risk related to the issues discussed in Chapter 6 is rated as High because 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(s) and reduce risks to the audited entity.

⁸ Percentages do not sum to 100 percent because of rounding.

⁹ The remaining compliance requirement, Directors’ Expenditures, was not applicable because the District did not pay any director’s fees of office or reimbursements in fiscal year 2020.

Table 18 shows the requirements with which the District **partially complied**.

Table 18

The District <u>Partially Complied</u> With 4 Requirements		
Compliance Area	Criteria	Detailed Results
1. Board Meetings	Texas Water Code, Section 36.064	<ul style="list-style-type: none"> The District did not hold 2 (50 percent) of 4 required quarterly board meetings in fiscal year 2020. For the 2 meetings that did occur, the Board posted and provided notice of those meetings as required.
2. Depository Bank Requirements	Texas Water Code, Section 36.155(a)(b)	<ul style="list-style-type: none"> The District funds were deposited as received with a depository bank and remained on deposit as required. However, the Board did not name that bank to serve as its depository institution for the District. Auditors also noted that the District’s authorized signatories for its depository institutions listed an individual who was no longer affiliated with the District.
3. District Policies	Texas Water Code, Section 36.061(a)	<ul style="list-style-type: none"> The District established a code of ethics for directors and employees, as well as policies for travel expenditures, professional services, and the better use of management information. However, although the District had an investment policy that requires that purchases and sales of investments are initiated by authorized individuals and are approved, the policy does not require that (1) purchases and sales of investments conform to investment objectives and regulations or are properly documented and (2) periodic review is made of District investments to evaluate investment performance and security.
4. Management Plan Goals	Texas Water Code, Section 36.1071	<ul style="list-style-type: none"> The District fully achieved 4 (67 percent) of 6 of its applicable management goals during fiscal year 2020. Those goals included: (1) providing the most efficient use of groundwater, (2) controlling and preventing the waste of groundwater in the district, (3) addressing natural resource issues, and (4) addressing the desired future conditions adopted. However, it partially achieved its goal for addressing conservation, and it did not achieve its goal for addressing drought conditions.

Table 19 shows the requirement with which the District **did not comply**.

Table 19

The District <u>Did Not Comply</u> With 1 Requirement		
Compliance Area	Criteria	Detailed Results
1. Director and Others’ Bonds	Texas Water Code, Sections 36.055(c) and 36.057(d)	<ul style="list-style-type: none"> The District did not obtain bonds during fiscal year 2020 that covered its directors for \$10,000 each, or its employees who had the ability to collect, pay, or handle District funds during fiscal year 2020.

Table 20 displays selected financial information for the District for the fiscal year ending December 31, 2020.

Table 20

Selected Financial Information for Fiscal Year 2020 for San Patricio County Groundwater Conservation District	
Assets and Liabilities	
Total Assets	\$140,562
Total Liabilities	\$0
Revenues and Expenditures	
Total Revenues	\$72,394
Total Expenses	\$23,716

Recommendations

The San Patricio County Groundwater Conservation District should:

- Hold board meetings at least once every quarter.
- Ensure that its Board of Directors names a bank to serve as the depository institution for the District.
- Ensure that it removes individuals who are no longer affiliated with the District as authorized signatories for its depository institution.
- Ensure that its investment policy includes requirements that (1) purchases and sales of investments conform to investment objectives and regulations or are properly documented and (2) periodic review is made of District investments to evaluate investment performance and security.
- In accordance with its management plan, ensure that it performs all actions for its management goals, specifically for addressing conservation and drought conditions.
- Obtain bonds for its Board of Directors in an amount of \$10,000 payable to the District for each director and conditioned on the faithful performance of the directors' duties.
- Obtain bonds for all applicable officers, employees, or consultants who collect, pay, or handle District funds, in an amount determined by the board to be sufficient to safeguard the District.

Management's Response

- *The board will hold quarterly meetings as required by statute. Last year was difficult to obtain a quorum, but we will strive to rectify that situation.*
- *The board will name a bank to serve as the depository at the next meeting.*
- *The board voted to change the signature card at the last meeting and will change the card with the bank after the next meeting.*
- *The board does not currently have any investments, so at this time it not necessary to change the policy. When the board has investments the policy will be changed and the board will evaluate the performance and security of those investments.*
- *Our management plan is due next year. The board has changed its conservation method and a drought condition report is given every year with the annual management report.*
- *The board had a bond in place for \$25,000; however, the terms of that bond did not meet the criteria tested. The board has changed the bond terms to comply with all requirements.*
- *Same as above.*

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 compliance with Texas Water Code, Chapter 36, requirements for six districts during their fiscal year 2020. The scope of this audit also included summarizing information from the districts' fiscal year 2020 audited financial statements. The six districts were:

- Coke County Underground Water Conservation District.
- Hudspeth County Underground Water Conservation District No. 1.
- Lost Pines Groundwater Conservation District.
- Mesquite Groundwater Conservation District.
- Rusk County Groundwater Conservation District.
- San Patricio County Groundwater Conservation District.

Methodology

The audit methodology included:

- Assessing whether each selected district complied with 10 requirements selected from Texas Water Code, Chapter 36.
- Obtaining each selected district's fiscal year 2020 annual financial report and summarizing the financial information within those reports.

Data Reliability and Completeness

Auditors assessed the reliability of the expenditure data by reconciling expenditures from the districts' accounting records to the districts' audited

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

- Lost Pines Groundwater Conservation District
- Mesquite Groundwater Conservation District
- Rusk County Groundwater Conservation District
- San Patricio County Groundwater Conservation District

For Coke County Underground Water Conservation District, auditors compiled expenditure data from the district's bank statements and reconciled expenditures to the district's audited financial statements. Auditors determined that the data was sufficiently reliable for purposes of the audit.

For Hudspeth County Underground Water Conservation District No. 1, auditors relied on the districts' bank statements to verify director's expenditures during fiscal year 2020. Auditors determined that the data was sufficiently reliable for purposes of the audit.

Sampling Methodology

Auditors did not use a sampling methodology on this audit; instead, auditors tested the entire population of the districts' director expenditures with Texas Water Code requirements, as applicable.

Information collected and reviewed included the following:

- District Board of Directors' meeting notices and minutes.
- District budgets and supporting documents.
- Annual financial statements and audit reports.
- District directors' bonds.
- Bond coverage for district officers, employees, or consultants who handled any funds of the district.
- District rules, policies, and bylaws.
- District groundwater management plans.
- Documentation of achievement of groundwater management plan objectives submitted by each district.

- Documentation supporting district directors' expenditures, such as checks, reports, and verified statements signed by directors.
- Groundwater Management Area meeting minutes and sign-in sheets.
- 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 June 2021 through September 2021. 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:

- Michelle Rodriguez, CFE (Project Manager)
- Ally Carter
- Lance Cofield
- Sterling Pape
- Nakeesa Shahparasti, CPA, CFE, CISA
- Ryan Walther
- Brenda Zamarripa, CGAP
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- Hillary Eckford, CIA, CFE (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 21 provides a description of the issue ratings presented in this report.

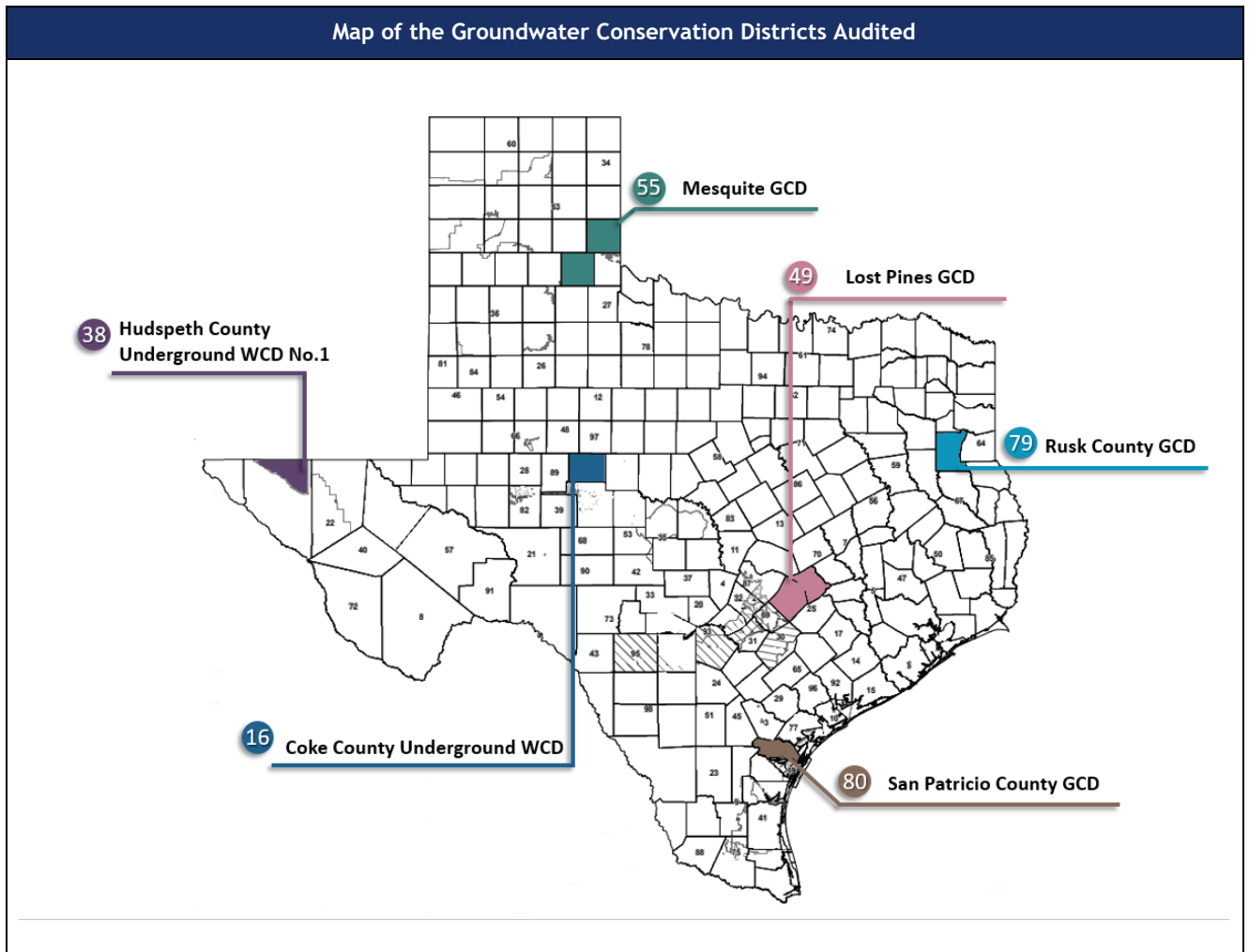
Table 21

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 six groundwater conservation districts audited. As of May 2021, the State of Texas had 101 active groundwater conservation districts (GCDs), including underground water conservation districts (WCDs).

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

Table 22

Related State Auditor's Office Reports		
Number	Report Name	Release Date
21-008	<i>An Audit Report on Selected Groundwater Conservation Districts</i>	January 2021
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

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 Greg Bonnen, House Appropriations Committee
The Honorable Morgan Meyer, 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

Coke County Underground Water Conservation District
Hudspeth County Underground Water Conservation District No. 1
Lost Pines Groundwater Conservation District
Mesquite Groundwater Conservation District
Rusk County Groundwater Conservation District
San Patricio County Groundwater Conservation District



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: www.sao.texas.gov.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government visit <https://sao.fraud.texas.gov>.