

**CITY OF DORCHESTER, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**OPERATING REVENUES**

Charges for services:

Water	\$	388,002
Other Income		52

**TOTAL OPERATING REVENUES**

388,054

**OPERATING EXPENSES**

Depreciation		23,163
General and administrative		10,330
Contract labor		15,611
Payroll expenses		68,469
Repairs and maintenance		63,870
Supplies		37,612
Insurance		17,199
Utilities		45,274
Professional Fees		16,007
Lease payments		30,527
Miscellaneous		15,845

**TOTAL OPERATING EXPENSES**

343,907

**OPERATING INCOME (LOSS)**

44,147

**NONOPERATING REVENUES (EXPENSES)**

Interest Income		696
Interest Expense		-

**TOTAL NONOPERATING REVENUES (EXPENSES)**

696

**NET INCOME BEFORE TRANSFERS**

44,843

**TRANSFERS IN (OUT)**

Transfers from General Fund		(648)
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**CHANGE IN NET POSITION**

44,195

**NET POSITION-October 1**

1,050,981

**NET POSITION-September 30**

\$ 1,095,176

The notes to the financial statements are an integral part of this statement.

**CITY OF DORCHESTER, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	\$ 391,398
Payments to Employees	(66,771)
Payments to Suppliers	(243,430)

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

81,197

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Transfers In (Out)	<u>(648)</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Fixed Assets	-
Interest Paid	-
Principal Paid on Bonds Payable	-

**NET CASH PROVIDED (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

-

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	<u>696</u>
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**INCREASE (DECREASE) IN CASH DURING YEAR**

81,245

**CASH-October 1**

408,020

**CASH-September 30**

\$ 489,265

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED  
(USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 44,147
Adjustments	
Depreciation Expense	23,163
Change in Assets and Liabilities	
Receivables	1,702
Accounts Payable	8,493
Customer Deposits	1,639
Accrued Vacation	2,053

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

\$ 81,197

The notes to the financial statements are an integral part of this statement.

**CITY OF DORCHESTER, TEXAS**  
**Notes to the Basic Financial Statements**  
**September 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Dorchester, Texas (the City), is a political subdivision and municipal corporation of the State of Texas (the State), organized and existing under the laws of the State. The City is governed by a mayor and city council that are elected.

The services provided by the City are diverse. The City's services include, but are not limited to, the traditional local government responsibilities of public safety, street maintenance, and water utilities. The respective fund financial statements and budgets (where legally adopted) of these multi-faceted services are all included in the City's financial "reporting entity" as more fully described in the immediately subsequent section of this Note and the City's government-wide financial statements.

The City's basic financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the City are described in the notes following.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. Activities for the primary government are reported separately in the government-wide financial statements. For the most part, the effect of interfund activity between governmental activities and business-type activities has been eliminated in these statements.

*Governmental activities* are normally supported by sales taxes, franchise taxes, and rental income from the federal government and the State. Governmental activities are reported separately from *business-type activities*, which rely to a large extent on fees and charges for support. Significant revenues generated from business-type activities include charges to customers for water utilities and tap and reconnection fees.

The statement of activities reports the change in the City's net position from October 1, 2012 to September 30, 2013. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Specifically, the City has identified the following functions of government: support services, public safety services, development services, and water utilities. *Direct expenses* are those that are clearly identifiable with a specific function of City government. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included with program revenues are reported instead as *general revenues* in the statement of activities.

In addition to the government-wide financial statements, the City also reports separate financial statements for major governmental funds and proprietary funds; these statements are classified as *fund financial statements*. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. Governmental resources are

**CITY OF DORCHESTER, TEXAS**  
**Notes to the Basic Financial Statements**  
**September 30, 2013**

allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are ordered into two distinct categories: governmental and proprietary. Information in the fund financial statements is reported on a major fund basis. The City conducts the calculation of major funds each year under the methods outlined in GASB Statement No. 34. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the aggregate and separately reported in the combining fund financial statements. The various funds are summarized by type in the fund financial statements.

The City reports the following major governmental funds at September 30, 2013:

General Fund – The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except those that are required to be accounted for in another fund.

The City reports the following major proprietary fund at September 30, 2013:

Utilities Fund – This fund accounts for water utilities provided for residents of the City. Revenues are generated through fees charged to City residents on their monthly utility billing. Expenditures include administration, operations, maintenance, debt service, and billing and collection.

**C. Measurement Focus and Basis of Accounting**

**Governmental Funds**

The City uses the *modified accrual* basis of accounting and the flow of *current financial resources* measurement focus for all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when both "measurable and available." Measurable means knowing, or being capable of calculating or estimating, the amount to be received.

Available means collectible within the current period or soon enough thereafter to pay current liabilities (generally 60 days). Also, under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded in the period in which the related fund liability is incurred, except for general obligation bond principal and interest, which is recorded when due, rather than when incurred.

**Proprietary Funds**

The *accrual* basis of accounting and flow of *economic resources* measurement focus are used for the government-wide statements and in all proprietary fund types. Under the accrual basis of accounting, revenues are recognized when earned, and expenses (including depreciation) are recorded when the liability is incurred.

The accounting objectives are a determination of net income, financial position and cash flows. On the government-wide and proprietary fund statements of net position, equity is segregated into (1) capital assets, net of related debt; (2) restricted net position; and (3) unrestricted net position.

**CITY OF DORCHESTER, TEXAS**  
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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for water sales. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise Funds** – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City Council has decided that periodic determination of revenues earned, expenses incurred and/or net income (loss), is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise funds of the City are classified as business-type activities in the government-wide statements of net position and activities.

**D. Assets, Liabilities, Fund Balance and Other**

**Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of one year or less from the date of acquisition. The City operates under a depository contract in accordance with State law.

**Receivables and Payables**

Accounts Receivable – Utility customers are billed monthly on a regular cycle basis as meters are read, or services are performed, with revenue recorded when customers are billed.

Sales Taxes – Sales taxes are collected by the State and remitted to the City monthly in 60 days arrears. The City recognizes sales tax revenues when collected from the State.

**Capital Assets**

Capital assets (i.e. land, buildings, equipment, improvements other than buildings, and construction in progress) of all funds are stated at historical cost or estimated historical cost if historical cost is not known. Donated fixed assets are recorded at their fair market value on the date donated. An item is classified as an asset if the initial, individual cost is \$500 or greater. Capital assets of the City are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Assets subject to depreciation are depreciated using the *straight-line* method. The estimated useful lives of all depreciable assets are as follows:

Buildings, systems, and improvements	25-50 years
Streets and improvements	15-50 years
Furniture, plant, and equipment	3-20 years

**CITY OF DORCHESTER, TEXAS**  
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**Fund Balance**

The City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

- **Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- **Restricted**—Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed**—Amounts that can be used only for specific purposes determined by a formal action by City Council policy or resolution. This includes the budget reserve account.
- **Assigned**—Amounts that are designated by the City for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.
- **Unassigned**—All amounts not included in other spendable classifications.

As discussed in Note I, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the City. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The details of the fund balances are included in the Governmental Funds Balance Sheet.

**Compensated Absences**

The city accrues accumulated vacation leave when earned by the employee. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary, and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees, which are included in wages and benefits payable.

Upon termination of employment with the City, employees do not receive compensation for accrued but unused sick leave; therefore, no liability is recorded for accumulated sick leave.

**Interfund Transactions**

Limited interfund transactions occur during the fiscal year because the City utilizes separate operating accounts for each of the primary funds' transactions. On an ordinary basis, no interfund payables and receivables are recorded, but in the instance of a transfer of capital assets or similar transaction an interfund payable and receivable are recorded.

**Property Tax Revenue**

The City does not levy a tax against property.

**CITY OF DORCHESTER, TEXAS**  
**Notes to the Basic Financial Statements**  
**September 30, 2013**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budget Policies**

The City's fiscal year begins on October 1 and ends on September 30 of the following calendar year. Prior to the beginning of each fiscal year, the City Secretary submits to the City Council a proposed budget for all City departments, divisions, and offices for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan of the ensuing fiscal year, includes proposed expenditures or expenses and the means of financing them. Public hearings are conducted at which all interested persons are encouraged to comment concerning the proposed budget.

The budget for the subsequent fiscal year, as well as the current year revised budget, is legally enacted by the City Council through passage of an ordinance prior to October 1 each year.

Annual budgets are legally adopted for all City departments, divisions, and offices on a basis consistent with GAAP, except that depreciation is not budgeted in the enterprise funds. Formal budgetary accounting is employed as a management control technique to assist controlling revenues and expenditures or expenses in the general fund and the enterprise fund. Appropriations for certain non-budgeted special revenue funds and capital projects funds are controlled on a project basis and are carried forward each year until the project is completed or the grant receipts are expended.

Adjustments to the original adopted budget must be either approved on an individual item basis or through the overall revised budget. During the fiscal year, it was not necessary to amend the original budget by City Council action. The general fund original budget and amended budget are presented in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual. This statement is presented on page 20.

**B. Excess of Expenditures over Appropriations**

For the year ended September 30, 2013, expenditures did not exceed appropriations in any of the governmental activity funds.

**C. Deficit Fund Equity**

At September 30, 2013, there were no funds with a deficit fund balance (or net position).

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

At September 30, 2013, cash and cash equivalents consisted of the following:

**CITY OF DORCHESTER, TEXAS**  
**Notes to the Basic Financial Statements**  
**September 30, 2013**

Cash in banks	\$ 524,426
Cash equivalents-Certificates of Deposits	111,606
Total cash and cash equivalents	<u>\$ 636,032</u>

	Governmental Activities	Business Type Activities	Total
Cash and cash equivalents	\$ 146,767	\$ 489,265	\$ 636,032

The funds of the City must be deposited and invested under the terms of a depository contract, contents of which are set out in the *Depository Contract Law*. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

**Deposits** - At September 30, 2013, the carrying amount of the City's cash in bank totaled \$636,032 and bank balance was \$635,202. The City's deposits at September 30, 2013, were fully covered by a combination of Federal Depository Insurance and with securities held by the pledging financial institution in the depositor-government's name.

**Investments** - The City is required by Government Code Chapter 2256, the *Public Funds Investment Act*, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit.

The *Public Funds Investment Act* ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

**Interest Rate Risk** - Interest rate risk is the risk that occurs when changes in market interest rates adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All of the City's investments have maturities of less than 12 months.

**Credit Risk** - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At year end, the City was not significantly exposed to credit risk.



**CITY OF DORCHESTER, TEXAS**  
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**Concentration of Credit Risk** - This risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. At year-end, the City was not exposed to concentration of credit risk.

**B. Receivables**

Receivables as of September 30, 2013, are comprised of the following:

	Governmental Activities	Business-Type Activities
Services	\$ -	\$ 37,822
Less Allowance for Uncollectibles	-	(6,221)
Net Receivables	<u>\$ -</u>	<u>\$ 31,601</u>

**C. Capital Assets**

Capital assets as of September 30, 2013, were as follows:

	Balance 10/1/2012	Current Year		Balance 9/30/2013
		Additions	Deletions	
<b>Governmental Activities</b>				
<u>Non-Depreciable Capital Assets:</u>				
Land	\$ 1,120	\$ -	\$ -	\$ 1,120
<u>Depreciable Capital Assets:</u>				
Buildings & Improvements	16,308	1,349	-	17,657
Furniture, Fixtures & Equipment	1,282	-	-	1,282
	17,590	1,349	-	18,939
Accumulated Depreciation	(10,619)	(721)	-	(11,340)
Net Depreciable Capital Assets	<u>6,971</u>	<u>628</u>	<u>-</u>	<u>7,599</u>
Net Capital Assets	<u>\$ 8,091</u>	<u>\$ 628</u>	<u>\$ -</u>	<u>\$ 8,719</u>
<b>Proprietary Fund</b>				
<u>Non-Depreciable Capital Assets:</u>				
Land	\$ 18,151	\$ -	\$ -	\$ 18,151
<u>Depreciable Capital Assets:</u>				
Plant & Equipment	1,065,825	-	-	1,065,825
Furniture & Fixtures	6,161	-	-	6,161
	1,071,986	-	-	1,071,986
Accumulated Depreciation	(434,995)	(23,163)	-	(458,158)
Net Depreciable Capital Assets	<u>636,991</u>	<u>(23,163)</u>	<u>-</u>	<u>613,828</u>
Net Capital Assets	<u>\$ 655,142</u>	<u>\$ (23,163)</u>	<u>\$ -</u>	<u>\$ 631,979</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

**CITY OF DORCHESTER, TEXAS**  
**Notes to the Basic Financial Statements**  
**September 30, 2013**

**Governmental Activities:**

General Government	\$ 421
Public Safety	
Fire	249
Street and Improvements	51
Total Depreciation Expense	
for Governmental Activities	<u>\$ 721</u>

**Proprietary Fund:**

Water and Sewer System	<u>\$ 23,163</u>
Total Depreciation Expense	
for Proprietary Funds	<u>\$ 23,163</u>

**D. Long-Term Debt**

As of September 30, 2013, the City had no long-term debt outstanding.

**E. Fund Equity and Net Position**

**Net Position: Invested in Capital Assets, Net of Related Debt** – This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements and represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

**Net Position: Unrestricted** – This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements and represents the difference between assets and liabilities that is not reported in net position invested in capital assets, net of related debt or net position restricted for specific purposes.

It is the City's policy to spend funds available from restricted sources prior to unrestricted sources.

**IV. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. During fiscal 2013, the City was covered under a general liability insurance policy plan with a combined single limit of \$1 million.

The City has commercial insurance for all other risks of loss, including employee health benefits, workers' compensation, and employee life and accident insurance.

There have been no settlements in excess of insurance coverage during the past three fiscal years.

**B. Contingent Liabilities**

**Litigation** – The City may be contingently liable in respect of lawsuits and claims in the ordinary course of operations that, in the opinion of management, will not have material adverse effect on the combined financial statements.

**CITY OF DORCHESTER, TEXAS**  
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**C. Contracts**

**Greater Texoma Utility Authority (GTUA)** – In 2002, the City entered into an agreement with GTUA, whereby GTUA agreed to issue revenue bonds on behalf of the City. GTUA subsequently issued \$600,000 in contract revenue bonds. Net proceeds of approximately \$577,000 were received by GTUA, of which \$491,102 was used to retire other long-term debt of the City and \$86,478 was paid to the City for future utilization in capital projects. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due.

The following outstanding bonds were included in total liabilities on GTUA's financial statement:

In 2002, GTUA issued \$600,000 in Dorchester Contract Revenue Bonds having a variable interest rate that is adjusted annually. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2013, was \$459,000.

Contractual commitments to be paid to GTUA by the City on the revenue bonds are provided on the following schedule:

Year Ending September 30,	Principal	Interest	Total Due
2014	18,000	21,343	39,343
2015	27,000	20,506	47,506
2016	27,000	19,251	46,251
2017	30,000	17,995	47,995
2018	30,000	16,600	46,600
2019-2023	160,000	62,075	222,075
2024-2027	167,000	24,550	191,550
Totals	<u>\$ 459,000</u>	<u>\$ 182,320</u>	<u>\$ 641,320</u>

The debt obligation for GTUA's revenue bonds is not reflected in the City's financial statements and is presented for disclosure purposes only. The liability for the debt obligation, however, is separately presented in the publicly available September 30, 2013, financial statements of GTUA.

**D. Subsequent Events**

The City had no material subsequent events. Subsequent events were evaluated through December 20, 2013, which is the financial statement issuance date.

## **OTHER INDEPENDENT AUDITOR COMMUNICATIONS**



**SCHALK & SMITH PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**A PROFESSIONAL CORPORATION**

Thomas E. Schalk, CPA  
Judy Smith, CPA  
Cynthia Muñoz, CPA

December 20, 2013

City Council  
City of Dorchester  
373 Main Street  
Dorchester, Texas 75459

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Dorchester (the City) as of and for the year ended September 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 7, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements. The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows or Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the current year. The application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Dorchester's financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical utility billing collections. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

There were no sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 20, 2013.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. This information is intended solely for the use of the City Council of the City of Dorchester and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Schalk & Smith, PC  
Certified Public Accountants

2.B. Walton Texas, LP, 1445 Ross Avenue, Suite 4775, Dallas, Texas 75202, owns most of the land that will be added to the applicant's service area and has requested that the applicant provide water service. The land will be developed as a master planned residential community and will require centralized water service.

5.G. Granting the certificate amendment will provide the applicant with a larger customer base, thereby allowing economies of scale and potential lowering of costs to customers and regionalizing water service over a larger area. No other retail public utility will be affected; the applicant is the only retail public utility serving in the area sought by the amendment. Walton Texas, LP owns most of the land that will be added to the applicant's service area and has requested that the applicant provide water service. The land will be developed as a master planned residential community and will require centralized water service. One other landowner, the Robert L. Catching Sr. and Joyce A. Catching Revocable Living Trust, owns property within the amendment area and is already receiving water service from the applicant.

5.I. The applicant is an existing retail public utility operating in compliance with TCEQ standards, and with the cooperation of the major landowner, will extend its system as necessary to serve the master planned residential development proposed for the land to be included in the certificate.

Landowners with 25 acres or more for notice list:

Walton Texas, LP  
1445 Ross Avenue, Suite 4775  
Dallas, Texas 75202

Neighboring utilities within two miles for notice list:

Marilee Special Utility District – CCN No. 10150  
City of Gunter – CCN No. 13105  
City of Sherman – CCN No. 10203  
City of Howe – CCN No. 11011  
Luella Water Supply Corporation – CCN No. 10179  
South Grayson Water Supply Corporation – CCN No. 10182  
Double Platinum Ranch Water Control and Improvement District No. 1 of Grayson County  
Cottonwood Municipal Utility District Nos. 2 and 2B of Grayson County

**RESOLUTION NO. 2013-007**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF MARILEE SPECIAL UTILITY DISTRICT CONSENTING TO A DUAL CERTIFICATE OF CONVENIENCE AND NECESSITY WITH THE CITY OF DORCHESTER IN AN AREA ON HALL CEMETERY ROAD AND ON FARMINGTON ROAD IN GRAYSON COUNTY, TEXAS.**

**WHEREAS**, the Marilee Special Utility District (the "District") holds a water Certificate of Convenience and Necessity ("CCN") Number 10150 issued by the Texas Commission on Environmental Quality ("TCEQ");

**WHEREAS**, the City of Dorchester has filed an application with the TCEQ to amend its water CCN Number 12013 in order to expand its certificated service area;

**WHEREAS**, the new area to be added to Dorchester's CCN encroaches on two small areas located in Marilee's CCN on Hall Cemetery Road and Farmington Road in Grayson County, Texas, as shown on Exhibit A attached hereto; and

**WHEREAS**, the District's Board of Directors find that it is in the best interests of the District to consent to a dual CCN only for the areas highlighted in yellow, as shown on Exhibit A, attached hereto.

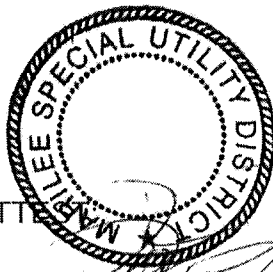
**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MARILEE SPECIAL UTILITY DISTRICT THAT:**

**SECTION 1.** Marilee Special Utility District hereby consents to the dual certification for water service with the City of Dorchester in the two small areas highlighted in yellow as shown on Exhibit A, attached hereto.

**SECTION 2.** The President, general manager or the District's legal counsel are authorized to execute any documents required by the TCEQ to approve such dual CCN.

**SECTION 3.** This resolution shall take effect immediately from and after its passage.

**ADOPTED** by the Board of Directors of Marilee Special Utility District on this the 4<sup>th</sup> day of November, 2013.



ATTEST

Joe Fuller, Secretary

APPROVED:

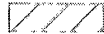
Denny Brackeen  
Denny Brackeen, President

APPROVED AS TO FORM:

John Rapier  
John Rapier, District Counsel



CITY OF DORCHESTER EXISTING CCN



MARILEE S.U.D. FACILITIES +200'  
EXISTING CCN



CITY OF DORCHESTER PROPOSED CCN  
(WALTON TRACT)



CITY OF HOWE EXISTING CCN

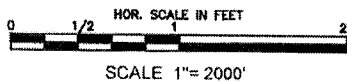
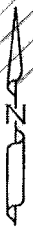
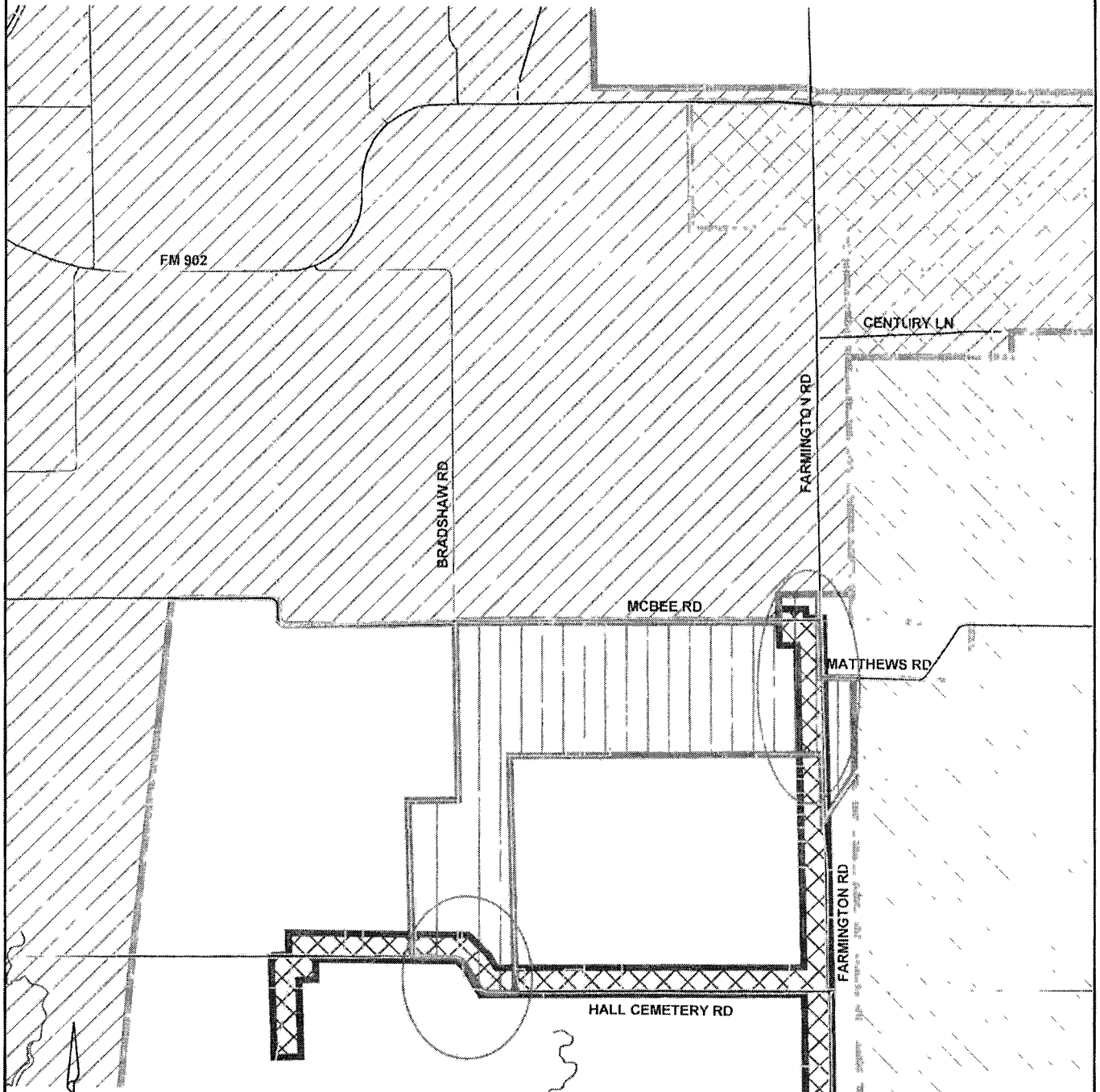


EXHIBIT "A"  
FOR  
MARILEE SPECIAL UTILITY DISTRICT

CERTIFICATE FOR RESOLUTION CONSENTING TO EXPANSION OF  
CERTIFICATE OF CONVENIENCE AND NECESSITY BY THE CITY OF DORCHESTER, TEXAS

THE STATE OF TEXAS

COUNTY OF GRAYSON

COTTONWOOD MUNICIPAL UTILITY DISTRICT NO. 2 OF GRAYSON COUNTY

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We, the undersigned officers of the Board of Directors (the "Board") of Cottonwood Municipal Utility District No. 2 of Grayson County (the "District"), hereby certify as follows:

1. The Board convened in special session, open to the public, on the 19th day of February, 2014 at a designated meeting place outside the District, and the roll was called of the members of the Board, to-wit:

Gary Baker	-	President
Allison Leigh	-	Vice President
Ryan Burkhardt	-	Secretary
Steve Maglisceau	-	Assistant Secretary
Guymon Phillips	-	Assistant Secretary

All members of the Board were present, except the following Director(s): \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transaction at such meeting:

RESOLUTION CONSENTING TO EXPANSION OF  
CERTIFICATE OF CONVENIENCE AND NECESSITY BY THE CITY OF DORCHESTER, TEXAS

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted; and, after due discussion, such motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

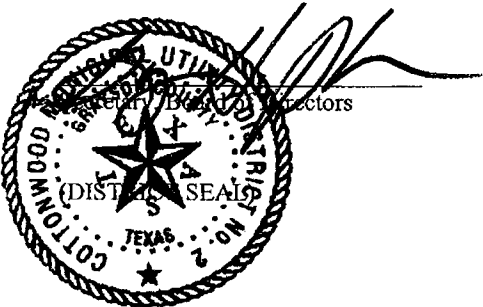
AYES: 5

NOES: 0

2. A true, full, and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Resolution has been duly recorded in said Board's minutes of such meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such meeting pertaining to the adoption of such Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance of the time, place, and purpose of such meeting and that such Resolution would be introduced and considered for adoption at such meeting and each of such officers and members consented, in advance, to the holding of such meeting for such purpose; such meeting was open to the public, as required by law, and public notice of the time, place and purpose of such meeting was given as required by V.T.C.A. Government Code, Chapter 551, as amended.

SIGNED AND SEALED this 19th day of February, 2014.

  
\_\_\_\_\_  
President, Board of Directors



RESOLUTION CONSENTING TO EXPANSION OF  
CERTIFICATE OF CONVENIENCE AND NECESSITY BY THE CITY OF DORCHESTER, TEXAS

THE STATE OF TEXAS

COUNTY OF GRAYSON

COTTONWOOD MUNICIPAL UTILITY DISTRICT NO. 2 OF GRAYSON COUNTY

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WHEREAS, the City of Dorchester, Texas (the "City") is in the process of making application to the Texas Commission on Environmental Quality (the "TCEQ") for approval to expand the service area its water Certificate of Convenience and Necessity ("CCN") Number 12013;

WHEREAS, a portion of the new area to be added to the City's water CCN encroaches on property currently located within the boundaries of Cottonwood Municipal Utility District No. 2 of Grayson County (the "District"); and

WHEREAS, the District's Board of Directors find that it is in the best interests of the District to consent to the expansion of the service area of the City's water CCN Number 12013 over the property located within the boundaries of the District.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF COTTONWOOD MUNICIPAL UTILITY DISTRICT NO. 2 OF GRAYSON COUNTY THAT:

SECTION 1. The District hereby consents to the expansion of the service area of the City's water CCN Number 12013 over the property located within the boundaries of the District.

SECTION 2. The President of the Board of Directors or the District's legal counsel are authorized to execute any documents required by the TCEQ to obtain approval of the expansion of the service area of the City's water CCN.

SECTION 3. This resolution shall take effect immediately from and after its passage.

PASSED and APPROVED, this 19th day of February, 2014.

/s/ Gary Baker  
President, Board of Directors

ATTEST:

/s/ Guymon Pillips  
Assistant Secretary, Board of Directors

CERTIFICATE FOR RESOLUTION CONSENTING TO EXPANSION OF  
CERTIFICATE OF CONVENIENCE AND NECESSITY BY THE CITY OF DORCHESTER, TEXAS

THE STATE OF TEXAS

COUNTY OF GRAYSON

COTTONWOOD MUNICIPAL UTILITY DISTRICT NO. 2B OF GRAYSON COUNTY

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We, the undersigned officers of the Board of Directors (the "Board") of Cottonwood Municipal Utility District No. 2B of Grayson County (the "District"), hereby certify as follows:

1. The Board convened in special session, open to the public, on the 19th day of February, 2014 at a designated meeting place outside the District, and the roll was called of the members of the Board, to-wit:

Bruce Prine	-	President
Pat O'Hanlon	-	Vice President
Erik Norgello	-	Secretary
Michael Landgraf	-	Assistant Secretary
Kent Anderson	-	Assistant Secretary

All members of the Board were present, except the following Director(s): Bruce Prine and Michael Landgraf, this constituting a quorum. Whereupon, among other business, the following was transaction at such meeting:

RESOLUTION CONSENTING TO EXPANSION OF  
CERTIFICATE OF CONVENIENCE AND NECESSITY BY THE CITY OF DORCHESTER, TEXAS

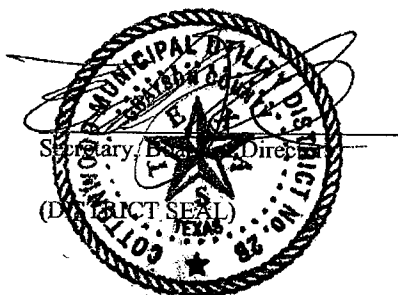
was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted; and, after due discussion, such motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: 3

NOES: 0

2. A true, full, and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Resolution has been duly recorded in said Board's minutes of such meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such meeting pertaining to the adoption of such Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance of the time, place, and purpose of such meeting and that such Resolution would be introduced and considered for adoption at such meeting and each of such officers and members consented, in advance, to the holding of such meeting for such purpose; such meeting was open to the public, as required by law, and public notice of the time, place and purpose of such meeting was given as required by V.T.C.A. Government Code, Chapter 551, as amended.

SIGNED AND SEALED this 19th day of February, 2014.



Pat O'Hanlon  
Vice President, Board of Directors

RESOLUTION CONSENTING TO EXPANSION OF  
CERTIFICATE OF CONVENIENCE AND NECESSITY BY THE CITY OF DORCHESTER, TEXAS

THE STATE OF TEXAS

COUNTY OF GRAYSON

COTTONWOOD MUNICIPAL UTILITY DISTRICT NO. 2B OF GRAYSON COUNTY

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WHEREAS, the City of Dorchester, Texas (the "City") is in the process of making application to the Texas Commission on Environmental Quality (the "TCEQ") for approval to expand the service area its water Certificate of Convenience and Necessity ("CCN") Number 12013;

WHEREAS, a portion of the new area to be added to the City's water CCN encroaches on property currently located within the boundaries of Cottonwood Municipal Utility District No. 2B of Grayson County (the "District"); and

WHEREAS, the District's Board of Directors find that it is in the best interests of the District to consent to the expansion of the service area of the City's water CCN Number 12013 over the property located within the boundaries of the District.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF COTTONWOOD MUNICIPAL UTILITY DISTRICT NO. 2B OF GRAYSON COUNTY THAT:

SECTION 1. The District hereby consents to the expansion of the service area of the City's water CCN Number 12013 over the property located within the boundaries of the District.

SECTION 2. The President of the Board of Directors or the District's legal counsel are authorized to execute any documents required by the TCEQ to obtain approval of the expansion of the service area of the City's water CCN.

SECTION 3. This resolution shall take effect immediately from and after its passage.

PASSED and APPROVED, this 19th day of February, 2014.

/s/ Pat O'Hanlon  
Vice President, Board of Directors

ATTEST:

/s/ Erik Norgello  
Secretary, Board of Directors

**LEGAL DESCRIPTION**  
**369.689 ACRES**

BEING A 369.689 ACRE TRACT OF LAND SITUATED IN THE DANIEL LLOYD SURVEY, ABSTRACT NO. 706, THE JOHN M. HILLIS SURVEY, ABSTRACT NO. 534, THE JAMES McKINNEY SURVEY, ABSTRACT NO. 777 AND THE ELIHU REYNOLDS SURVEY, ABSTRACT NO. 1008, GRAYSON COUNTY, TEXAS, SAID 369.689 ACRE TRACT BEING ALL OF A CALLED 99.012 ACRE TRACT OF LAND CONVEYED TO WALTON TEXAS, L.P., AS RECORDED IN COUNTY CLERK'S FILE NO. 2009-00018804, OFFICIAL RECORDS, GRAYSON COUNTY, TEXAS, PART OF A CALLED 502.182 ACRE TRACT OF LAND CONVEYED AS "TRACT 1" TO WALTON TEXAS, L.P., AS RECORDED IN COUNTY CLERK'S FILE NO. 2007-00025070, OFFICIAL RECORDS, GRAYSON COUNTY, TEXAS AND PART OF A CALLED 266.200 ACRE TRACT OF LAND CONVEYED TO WALTON TEXAS, L.P., AS RECORDED IN COUNTY CLERK'S FILE NO. 2007-00028862, OFFICIAL RECORDS, GRAYSON COUNTY, TEXAS. SAID 369.689 ACRE TRACT WITH BEARING BASIS BEING GRID NORTH, TEXAS STATE PLANE COORDINATES, NORTH CENTRAL ZONE, NAD83 (CORS96, EPOCH DATE 2002), DETERMINED BY GPS OBSERVATIONS BETWEEN JULIAN DAY 253, 2004 AND JULIAN DAY 259, 2004, CALCULATED FROM COLLIN CORS ARP (PID-DF8982) AND DENTON CORS ARP (PID-DF8986), BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A P.K. NAIL SET FOR THE SOUTHEAST CORNER OF SAID 99.012 ACRE TRACT, SAID POINT BEING ON THE NORTH LINE OF A TRACT OF LAND CONVEYED TO WAYNE CAVENDER, AS RECORDED IN VOLUME 953, PAGE 529, DEED RECORDS, GRAYSON COUNTY, TEXAS AND IN HALL CEMETERY ROAD (A VARIABLE WIDTH PRESCRIPTIVE RIGHT-OF-WAY);

THENCE, ALONG THE SOUTH LINE OF SAID 99.012 ACRE TRACT AND GENERALLY ALONG SAID HALL CEMETERY ROAD, THE FOLLOWING COURSES AND DISTANCES:

SOUTH 89 DEGREES 18 MINUTES 15 SECONDS WEST, A DISTANCE OF 524.30 FEET TO A 5/8 INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR CORNER AT AN ANGLE POINT ON THE EAST LINE OF A TRACT OF LAND CONVEYED TO DAVID CATCHING, AS RECORDED IN VOLUME 1438, PAGE 765, DEED RECORDS, GRAYSON COUNTY, TEXAS;

NORTH 29 DEGREES 20 MINUTES 45 SECONDS WEST, ALONG THE EAST LINE OF SAID DAVID CATCHING TRACT, A DISTANCE OF 590.10 FEET TO A 5/8 INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR THE NORTHEAST CORNER OF SAID DAVID CATCHING TRACT;

NORTH 89 DEGREES 57 MINUTES 45 SECONDS WEST, ALONG THE NORTH LINE OF SAID DAVID CATCHING TRACT, A DISTANCE OF 734.90 FEET TO A P.K. NAIL SET FOR THE SOUTHWEST CORNER OF SAID 99.012 ACRE TRACT AND THE SOUTHEAST CORNER OF A TRACT OF LAND CONVEYED TO MURRY H. AKINS, AS RECORDED IN VOLUME 2352, PAGE 350, DEED RECORDS, GRAYSON COUNTY, TEXAS;

THENCE, NORTH 01 DEGREES 20 MINUTES 45 SECONDS WEST, ALONG THE WEST LINE OF SAID 99.012 ACRE TRACT AND THE EAST LINE OF SAID MURRY H. AKINS TRACT, PASSING AT A DISTANCE OF 25.01 FEET A 1/2 INCH IRON ROD FOUND AT A FENCE CORNER POST, CONTINUING IN ALL A TOTAL DISTANCE OF 2134.20 FEET TO A 5/8 INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR A NORTHWEST CORNER OF SAID 99.012 ACRE TRACT, SAID POINT BEING ON THE SOUTH LINE OF A TRACT OF LAND CONVEYED TO ERNEST B. STRAWN, AS RECORDED IN VOLUME 1094, PAGE 234, DEED RECORDS, GRAYSON COUNTY, TEXAS;

THENCE, NORTH 88 DEGREES 41 MINUTES 48 SECONDS EAST, ALONG A NORTH LINE OF SAID 99.012 ACRE TRACT AND THE SOUTH LINE OF SAID ERNEST B. STRAWN TRACT, A DISTANCE OF 752.93 FEET TO A 5/8 INCH IRON ROD FOUND FOR THE SOUTHEAST CORNER OF SAID ERNEST B. STRAWN TRACT;

THENCE, NORTH 00 DEGREES 34 MINUTES 58 SECONDS WEST, ALONG A WEST LINE OF SAID 99.012 ACRE TRACT AND THE EAST LINE OF SAID ERNEST B. STRAWN TRACT, PASSING AT A DISTANCE OF 869.39 FEET A 5/8 INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR THE NORTHWEST CORNER OF SAID 99.012 ACRE TRACT, CONTINUING IN ALL A TOTAL DISTANCE OF 915.93 FEET TO A POINT FOR CORNER ON THE SOUTH LINE OF AFORESAID 502.182 ACRE TRACT;

THENCE, SOUTH 89 DEGREES 19 MINUTES 53 SECONDS WEST, ALONG THE SOUTH LINE OF SAID 502.182 ACRE TRACT, A DISTANCE OF 34.32 FEET TO A 5/8 INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR THE SOUTHWEST CORNER OF SAID 502.182 ACRE TRACT, SAID POINT BEING ON THE EAST LINE OF SAID ERNEST B. STRAWN TRACT;

THENCE, NORTH 00 DEGREES 40 MINUTES 07 SECONDS WEST, ALONG THE WEST LINE OF SAID 502.182 ACRE TRACT AND THE EAST LINE OF SAID ERNEST B. STRAWN TRACT, A DISTANCE OF 1947.25 FEET TO A 1/2 INCH IRON ROD FOUND FOR THE NORTHEAST CORNER OF SAID ERNEST B. STRAWN TRACT, SAID POINT BEING AT THE INTERSECTION OF BRADSHAW ROAD (A VARIABLE WIDTH PRESCRIPTIVE RIGHT-OF-WAY) AND McBEE ROAD (A VARIABLE WIDTH PRESCRIPTIVE RIGHT-OF-WAY), SAID POINT ALSO BEING ON THE SOUTH LINE OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY (C.C.N.) NO. 12013 FOR THE CITY OF DORCHESTER, AS DESCRIBED IN COUNTY CLERK'S FILE NO. 2006-00031428, OFFICIAL RECORDS, GRAYSON COUNTY, TEXAS AND BEING THE BEGINNING OF A NON-TANGENT CURVE TO THE RIGHT HAVING A CENTRAL ANGLE OF 04 DEGREES 38 MINUTES 22 SECONDS, A RADIUS OF 7665.00 FEET, AND A LONG CHORD THAT BEARS NORTH 87 DEGREES 10 MINUTES 12 SECONDS EAST A DISTANCE OF 620.51 FEET;

THENCE, OVER AND ACROSS SAID 502.182 ACRE TRACT, ALONG THE SOUTH LINE OF SAID CITY OF DORCHESTER C.C.N. AND GENERALLY ALONG SAID McBEE ROAD, THE FOLLOWING COURSES AND DISTANCES:

ALONG SAID NON-TANGENT CURVE TO THE RIGHT, AN ARC DISTANCE OF 620.68 FEET TO A POINT FOR CORNER;

NORTH 89 DEGREES 29 MINUTES 23 SECONDS EAST, PASSING AT A DISTANCE OF 1727.49 FEET THE EAST LINE OF SAID 502.182 ACRE TRACT AND THE WEST LINE OF AFORESAID 266.200 ACRE TRACT, CONTINUING

OVER AND ACROSS SAID 266.200 ACRE TRACT, IN ALL A TOTAL DISTANCE OF 4184.96 FEET TO A POINT FOR CORNER;

THENCE, CONTINUING OVER AND ACROSS SAID 266.200 ACRE TRACT AND ALONG THE SOUTH LINE OF SAID CITY OF DORCHESTER C.C.N., THE FOLLOWING COURSES AND DISTANCES:

NORTH 01 DEGREES 03 MINUTES 09 SECONDS WEST, A DISTANCE OF 384.31 FEET TO A POINT FOR CORNER;

NORTH 89 DEGREES 12 MINUTES 50 SECONDS EAST, A DISTANCE OF 608.94 FEET TO A POINT FOR CORNER ON THE EAST LINE OF SAID 266.200 ACRE TRACT AND THE WEST LINE OF A TRACT OF LAND CONVEYED TO C.J. MATTHEWS, AS RECORDED IN VOLUME 1180, PAGE 590, DEED RECORDS, GRAYSON COUNTY, TEXAS, SAID POINT BEING IN FARMINGTON ROAD (A VARIABLE WIDTH PRESCRIPTIVE RIGHT-OF-WAY);

THENCE, ALONG THE EAST LINE OF SAID 266.200 ACRE TRACT, THE WEST LINE OF SAID C.J. MATTHEWS TRACT AND GENERALLY ALONG SAID FARMINGTON ROAD, THE FOLLOWING COURSES AND DISTANCES:

SOUTH 00 DEGREES 41 MINUTES 51 SECONDS EAST, A DISTANCE OF 386.15 FEET TO A 1/2 INCH IRON ROD FOUND FOR CORNER;

SOUTH 02 DEGREES 13 MINUTES 13 SECONDS EAST, A DISTANCE OF 845.92 FEET TO A RAILROAD SPIKE FOUND FOR THE SOUTHWEST CORNER OF SAID C.J. MATTHEWS TRACT, SAID POINT BEING AT THE INTERSECTION OF SAID FARMINGTON ROAD AND MATTHEWS ROAD (A VARIABLE WIDTH PRESCRIPTIVE RIGHT-OF-WAY);

THENCE, SOUTH 89 DEGREES 44 MINUTES 34 SECONDS EAST, ALONG THE NORTH LINE OF SAID 266.200 ACRE TRACT, THE SOUTH LINE OF SAID C.J. MATTHEWS TRACT AND GENERALLY ALONG SAID MATTHEWS ROAD, A DISTANCE OF 450.97 FEET TO A POINT FOR CORNER ON THE WEST LINE OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY (C.C.N.) NO. 11011 FOR THE CITY OF HOWE, AS DESCRIBED IN COUNTY CLERK'S FILE NO. 2006-00031429, OFFICIAL RECORDS, GRAYSON COUNTY, TEXAS;

THENCE, SOUTH 00 DEGREES 50 MINUTES 53 SECONDS EAST, OVER AND ACROSS SAID 266.200 ACRE TRACT AND ALONG THE WEST LINE OF SAID CITY OF HOWE C.C.N., A DISTANCE OF 1496.92 FEET TO A POINT FOR CORNER ON THE SOUTH LINE OF SAID 266.200 ACRE TRACT AND THE NORTH LINE OF A TRACT OF LAND CONVEYED TO AP HOWE LIMITED PTN., AS RECORDED IN VOLUME 3705, PAGE 905, DEED RECORDS, GRAYSON COUNTY, TEXAS;

THENCE, SOUTH 34 DEGREES 46 MINUTES 41 SECONDS WEST, ALONG THE SOUTH LINE OF SAID 266.200 ACRE TRACT AND THE NORTH LINE OF SAID AP HOWE LIMITED PTN. TRACT, A DISTANCE OF 767.38 FEET TO A 5/8 INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR A SOUTHWEST CORNER OF SAID 266.200 ACRE TRACT, SAID POINT BEING ON THE EAST LINE OF A TRACT OF LAND CONVEYED TO RICHARD HUNSINGER, AS RECORDED IN VOLUME 3717, PAGE 251, DEED RECORDS, GRAYSON COUNTY, TEXAS AND ALSO BEING IN AFORESAID FARMINGTON ROAD;



THENCE, NORTH 01 DEGREES 01 MINUTES 56 SECONDS WEST, ALONG A WEST LINE OF SAID 266.200 ACRE TRACT, GENERALLY ALONG SAID FARMINGTON ROAD AND ALONG THE EAST LINES OF THE FOLLOWING TRACTS; SAID RICHARD HUNSINGER TRACT, A TRACT OF LAND CONVEYED TO FREDDY HOLCOMB, AS RECORDED IN VOLUME 1317, PAGE 403, DEED RECORDS, GRAYSON COUNTY, TEXAS, A TRACT OF LAND CONVEYED TO FREDDY HOLCOMB, AS RECORDED IN VOLUME 1510, PAGE 642 AND A TRACT OF LAND CONVEYED TO JIMMY RODGERS, AS RECORDED IN VOLUME 1417, PAGE 737, DEED RECORDS, GRAYSON COUNTY, TEXAS, A DISTANCE OF 992.91 FEET TO A 5/8 INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR THE NORTHEAST CORNER OF SAID JIMMY RODGERS TRACT;

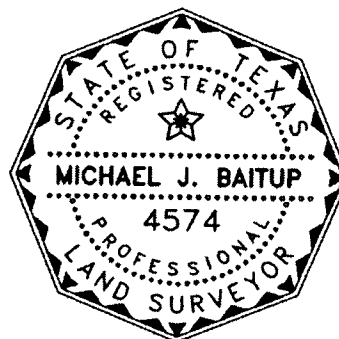
THENCE, SOUTH 89 DEGREES 46 MINUTES 07 SECONDS WEST, ALONG THE SOUTH LINE OF SAID 266.200 ACRE TRACT AND THE NORTH LINES OF THE FOLLOWING TRACTS; SAID JIMMY RODGERS TRACT, A TRACT OF LAND CONVEYED JACK HOLCOMB, AS RECORDED IN VOLUME 2290, PAGE 392, DEED RECORDS, GRAYSON COUNTY, TEXAS AND A TRACT OF LAND CONVEYED TO CHARLES ANGEL, AS RECORDED IN VOLUME 3929, PAGE 231, DEED RECORDS, GRAYSON COUNTY, TEXAS, A DISTANCE OF 3091.30 FEET TO A 5/8 INCH IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR THE SOUTHWEST CORNER OF SAID 266.200 ACRE TRACT AND THE SOUTHEAST CORNER OF AFORESAID 502.182 ACRE TRACT;

THENCE, SOUTH 89 DEGREES 19 MINUTES 53 SECONDS WEST, ALONG THE SOUTH LINE OF SAID 502.182 ACRE TRACT AND THE NORTH LINE OF SAID CHARLES ANGEL TRACT, A DISTANCE OF 1543.37 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 01 DEGREES 21 MINUTES 45 SECONDS EAST, PASSING AT A DISTANCE OF 52.91 FEET A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR THE NORTHEAST CORNER OF AFORESAID 99.012 ACRE TRACT, CONTINUING ALONG THE EAST LINE OF SAID 99.012 ACRE TRACT, IN ALL A TOTAL DISTANCE OF 3585.11 FEET TO THE **POINT OF BEGINNING**, CONTAINING 369.689 ACRES OR OF LAND MORE OR LESS.

---

Michael J. Baitup, R.P.L.S.  
Registered Professional Land Surveyor  
Texas Registration No. 4574  
Jacobs Engineering Group, Inc.  
7950 Elmbrook Dr  
Dallas, Texas 75429  
214-638-0145



HERLEY

FM 902

CENTURY

CLEGG

BRADSHAW

FARMINGTON

SMITH

MCBEE

MATTHEWS

YOUNG


369.689 AC  
Proposed Dorchester Water CCN

WESTERN HILLS

HALL CEMETERY

BOST

Legend

 Proposed Dorchester Water CCN Expansion

Path: I:\SLD\Walton International\Tracts\Grayson County\South Grayson County Planning Book\Hughes & Luce\Howe\TCEQ Exhibit Water CCN - Dorchester.mxd

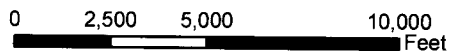


1 inch = 2,000 feet

0 1,000 2,000 4,000 Feet

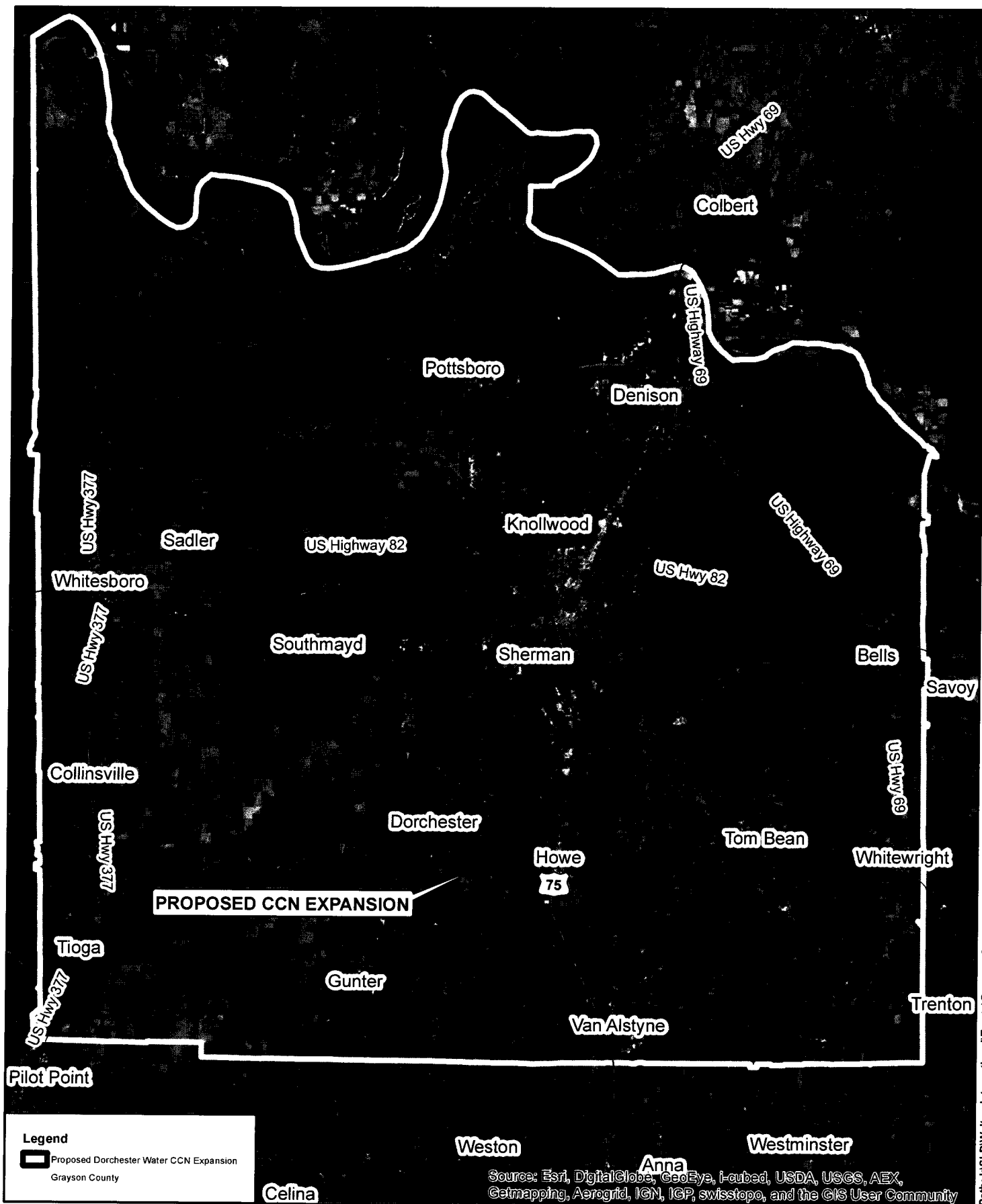
PROPOSED DORCHESTER  
WATER CCN EXPANSION

**JACOBS**

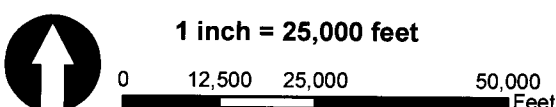


## PROPOSED DORCHESTER WATER CCN EXPANSION AND EXISTING FACILITIES

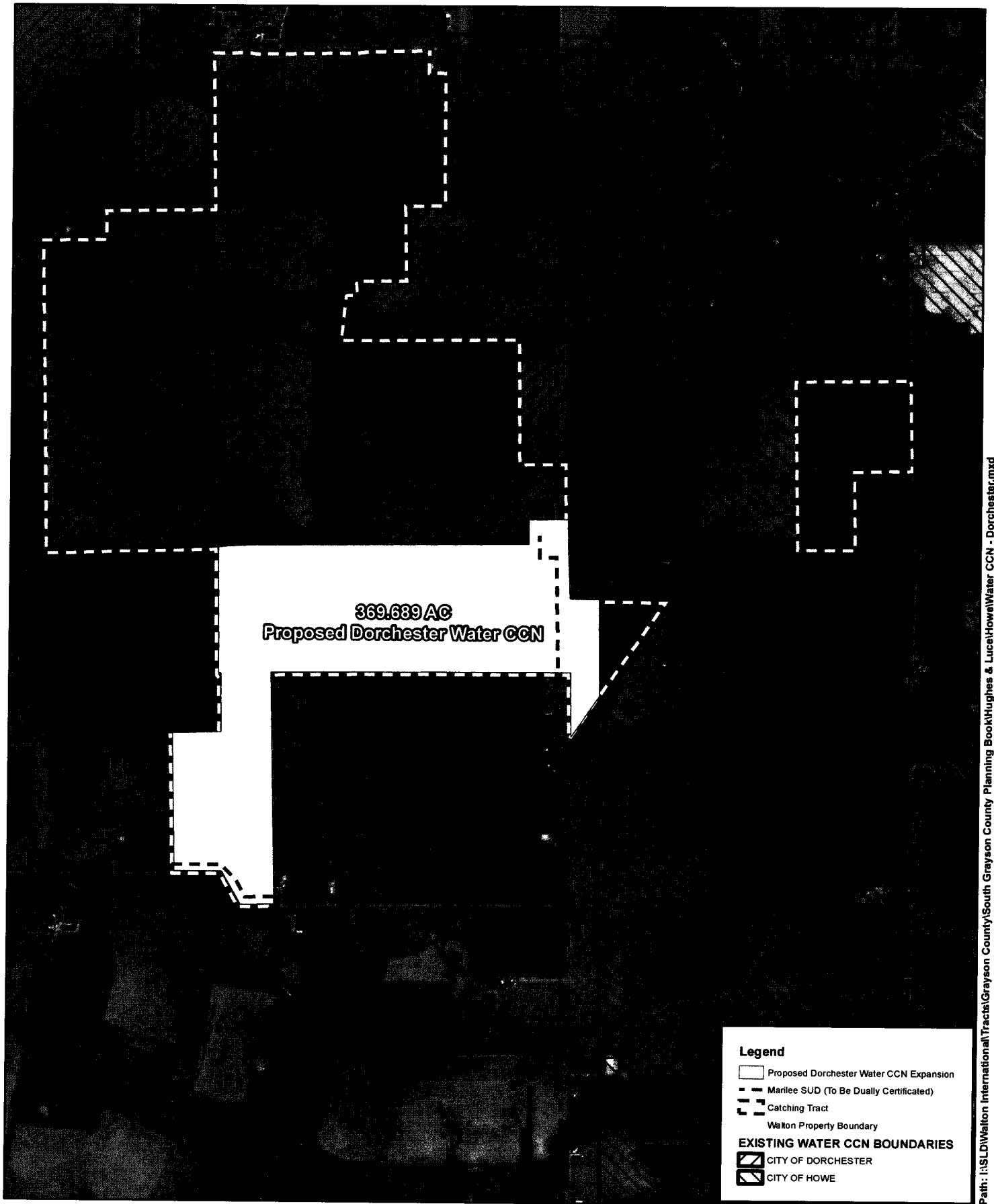
# JACOBS®



Path: I:\SLD\Walton International\Tracts\Grayson County\South Grayson County Planning Book\Hughes & Luca\Howe\TCEQ General Location Exhibit Water CCN - Dorchester.mxd



**GENERAL LOCATION -  
PROPOSED DORCHESTER  
WATER CCN EXPANSION**



Path: I:\SLD\Walton International\Tracts\Grayson County\South Grayson County Planning Book\Hughes & Lucet\Howe\Water CCN - Dorchester.mxd



1 inch = 2,000 feet

0 1,000 2,000 4,000 Feet

**PROPOSED DORCHESTER  
WATER CCN EXPANSION**

**JACOBS**