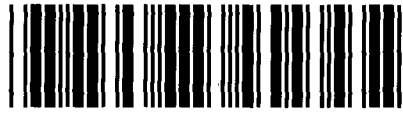


Control Number: 46644



Item Number: 1

Addendum StartPage: 0



Application for Sale, Transfer, or Merger of a Retail Public Utility

Pursuant to Chapter 13.251 of the Texas Water Code

Docket Number: 46644

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, along with one copy of the portable electronic storage medium (such as CD or DVD) containing the GIS data shall be filed with

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

RECEIVED
PUBLIC UTILITY COMMISSION
FILING CLERK
APR 16 2008
7:13 PM

No later than seven days after filing the application for the boundary change, provide a copy of each paper map and a portable electronic storage medium (such as CD, flash drive or DVD) containing complete and identical data to the portable electronic storage medium submitted above to

Texas Natural Resources Information System
1700 N. Congress Ave, Room B40
Austin, Texas 78701

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Part A – General Information

*RN# *CN# * (PRIOR TCEQ ID numbers)

1. Proposed action of application (check all the boxes that apply):

<input type="checkbox"/>	Sale of	<input checked="" type="checkbox"/> All	<input type="checkbox"/> Portion of the	<input checked="" type="checkbox"/>	Water system(s) under CCN No.:	<input type="text" value="11163"/>
<input checked="" type="checkbox"/>	Acquisition			<input type="checkbox"/>	Sewer system(s) under CCN No.:	<input type="text"/>
<input type="checkbox"/>	Lease/Rental					

<input checked="" type="checkbox"/>	Transfer of	<input checked="" type="checkbox"/> All	<input type="checkbox"/> Portion of the	<input checked="" type="checkbox"/>	Certificated water service area – CCN No.:	<input type="text" value="11163"/>
				<input type="checkbox"/>	Certificated sewer service area – CCN No.:	<input type="text"/>

If only a portion of a system or certificated service area is affected by this transaction, please specify the areas or subdivision involved:

and to:

<input type="checkbox"/>	Obtain a CCN for the transferee (purchaser) – indicate if purchaser will take the seller’s CCN	
<input checked="" type="checkbox"/>	Amend the transferee’s CCN No.:	<input type="text" value="11753"/>
<input type="checkbox"/>	Merge or consolidate public utilities	<input type="text"/>
<input type="checkbox"/>	Cancel CCN of the transferor (seller)	<input type="text"/>

2. Proposed effective date of this transaction: _____
(Must be at least 120 days after proper notice is provided)

Part B – Current Service Provider or Seller Information

Questions 3 through 5 apply to the transferor (current service provider or seller)

3. For the current CCN holder or service provider please indicate:

A. Name:
(Individual, Corporation or Other Legal Entity)

who is a(n):of Individual Corporation WSC HOA or POA Other

B. Utility Name (if different than above):

Address: Telephone: (AC)

C. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name:	<input type="text" value="Gene A. Hamm II"/>	Title:	<input type="text" value="Attorney"/>
Address:	<input type="text" value="1333 W. McDermott, Allen, TX 75013"/>	Telephone: (AC)	<input type="text" value="(469) 656-1593"/>

Fax:

Email: B

4. About the last rate increase for the system or facilities being transferred:

A. What was the effective date of the last rate increase?

B. Was notice of this increase provided to the Public Utility Commission of Texas (commission or PUC) or a predecessor regulatory authority?

No Yes- Application/Docket Number: Date

5. Please provide a list of all customers affected by this transaction who have deposits held by the transferor or seller utility, if any, and include the following information (attach additional sheets if necessary):

Name and Address of Utility Customer	Date of Deposit	Amount of Deposit	Amount of Unpaid Interest on Deposit
Cory Cole, 1001 CR 2917, Dodd City, Texas 75438	02/15/1990	\$ 150.00	\$ 0.00
Julie Powell, 2012 CR 2945, Dodd City, Texas 75438	02/15/1990	\$ 150.00	\$ 0.00
Deborah Mitchell, 2000 CR 2950, Dodd City, Texas 75438	02/15/1990	\$ 150.00	\$ 0.00
Paige Lester, 3307 FM 897, Dodd City, Texas 75438	02/15/1990	\$ 150.00	\$ 0.00
Lesia Bodie, 1566 CR 2945, Dodd City, Texas 75438	02/15/1990	\$ 150.00	\$ 0.00
Jerry Stevens, 3638 CR 2910, Dodd City, Texas 75438	02/15/1990	\$ 150.00	\$ 0.00

Part C – Purchaser or Transferee Information

Questions 6 through 16 refer to the transferee or purchaser.

6. For the person or entity acquiring the facilities and/or CCN:

Applicant:
(Individual, Corporation, or Other Legal Entity)

Utility Name:
(If different than above)

Utility Address:

Fax: Email: Telephone (AC):

CCN Numbers held prior to the filing of this application:

7. Check the appropriate box and provide information regarding the legal status of the transferee applicant:

- Individual
- Home or Property Owners Association
- Partnership; attach copy of partnership agreement
- Corporation; provide charter number as recorded with the Office of the Secretary of State for Texas:

Non-profit, member owned, member-controlled Cooperative Corporation (Article 1434(a) Water Sewer Service Corporation); provide charter number:

<input type="checkbox"/>	Municipally-owned utility
<input checked="" type="checkbox"/>	District (MUD, SUD, WCID, etc.)
<input type="checkbox"/>	County
<input type="checkbox"/>	Other (please explain): <input style="width: 500px;" type="text"/>

8. If the applicant is an *Individual* or sole proprietorship, provide the following information. If not, skip to the next question.

Name:	<input style="width: 350px;" type="text"/>	Email	<input style="width: 100px;" type="text"/>
Address	<input style="width: 550px;" type="text"/>		
Telephone (AC):	<input style="width: 150px;" type="text"/>	Fax (AC):	<input style="width: 100px;" type="text"/>

9. If the applicant is other than an *Individual*, provide the following information regarding the officers or partners of the legal entity applying for the transfer. You must complete either question 8 or question 9, whichever applies to the transferee applicant.

•Name:	Jim Frehner	Telephone (AC):	(903) 378-7361
Address:	14101 E. FM 1396, Honey Grove, Texas 75446		
Position:	President and Board Member	Ownership % (if applicable):	0.00%

•Name:	Rhonda G. Cunningham	Telephone (AC):	(903) 378-7361
Address:	14101 E. FM 1396, Honey Grove, Texas 75446		
Position:	Vice-President and Board Member	Ownership % (if applicable):	0.00%

•Name:	A. W. Winningham	Telephone (AC):	(903) 378-7361
Address:	14101 E. FM 1396, Honey Grove, Texas 75446		
Position:	Secretary - Treasurer and Board Member	Ownership % (if applicable):	0.00%

•Name:	Bob Payne	Telephone (AC):	(903) 378-7361
Address:	14101 E. FM 1396, Honey Grove, Texas 75446		
Position:	Board Member	Ownership % (if applicable):	0.00%

•Name:	Donna Ryser	Telephone (AC):	(903) 378-7361
Address:	14101 E. FM 1396, Honey Grove, Texas 75446		
Position:	Board Member	Ownership % (if applicable):	0.00%

•Name:	J. W. Caraway	Telephone (AC):	(903) 378-7361
Address:	14101 E. FM 1396, Honey Grove, Texas 75446		
Position:	Board Member	Ownership % (if applicable):	0.00%

- Attach additional sheet(s) if necessary -

Important: • If the applicant is a for-profit corporation, please provide a copy of the corporation's "Certification of Account Status" from the State Comptroller Office. This "Certification of Account Status" can be obtained from:

P. O. Box 13528, Capitol Station
 Austin, Texas 78711
 1-800-252-5555

- If the applicant is an Article 1434a water supply or sewer service corporation or other non-profit corporation, please provide a copy of the Articles of Incorporation and By-Laws.

10. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name:	John Rapier	Title:	
Address:	777 East 15th Street, Plano TX 75074	Telephone (AC):	(972) 424-8501
Fax #	(972) 423-3116	Email	jrapier@gmigr.com
Relationship to the applicant:	attorney		

IF THERE ARE MORE THAN TWO PARTIES INVOLVED IN THIS TRANSACTION, PLEASE ATTACH SHEETS PROVIDING THE INFORMATION REQUIRED IN QUESTION 6 THROUGH QUESTION 10 FOR EACH PARTY

11. Please respond to each of the following questions. Attach additional sheets if necessary.

A. Describe the experience and qualifications of the applicant to provide adequate utility service to the requested area

The applicant has operated a water system for 36 years, has a full time staff, three wells, an elevated tank, four ground water tanks and three pump stations that serve 938 customers.

B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the PUC, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG) or the Environmental Protection Agency (EPA) in the past for noncompliance with rules, orders or State Statutes? Yes No

If yes, please attach copies of any correspondence with these regulatory agencies concerning these enforcement actions and describe any actions and efforts to comply with those requirements. Attach additional sheets if needed.

C. Describe the source and availability of funds required to make the planned or required improvements, if any, to meet minimum requirements of the TCEQ and PUC and ensure continuous and adequate service.

The projected cost to construct a pipeline to connect the Lannius system to the Bois D'Arc system is \$52,715.50. Bois D'Arc's capital improvement fund currently has sufficient funds for this project.

D. Describe the anticipated impact of this transaction on the quality of utility service and explain any anticipated changes in the quality of service.

The applicant intends to integrate the Lannius system into the applicant's system which will materially upgrade reliability and capacity of the Lannius system.

E. How will the transaction serve the public interest?

The 112 customers of Lannius will enjoy a stable water supply from a system that is professionally operated and maintained.

12. Please describe the nature of the proposed transaction:

See Attachment No. 1 filed with this application, which is an Asset Transfer and Consolidation Agreement pursuant to Section 54.728 of the Water Code.

13. If the transferee applicant is an Investor Owned Utility (IOU) and will be under the rate jurisdiction of the PUC, please provide the following information. Water supply or sewer service corporations and political subdivisions of the state should mark this section N/A:

N/A

A.

- Total Purchase Price:
- Total Original Cost (as recorded on books of seller or merging entity):
- Accumulated Depreciation as of the proposed effective date of the transaction:
- Contributions in Aid of Construction:
 - Specific surcharges approved by TCEQ or PUC:
 - Revenues from explicit customer agreements:
 - Developer Contributions (please explain):
 - Other Contributions (please explain):

Total Contributions in Aid of Construction

- Net Book Value:

If the Original Cost or any of the above items has been established in a rate case proceeding by the PUC, the TWC or the TCEQ, please provide the Application/Docket Number and date:

Application/Docket Number: [] Date: []

If the applicant is not under the rate jurisdiction of the TCEQ, only the purchase price and information related to Contributions in Aid of Construction is required.

Please provide any other information concerning the nature of the transaction you believe should be given consideration if not explained elsewhere in the application.

[attach additional sheet(s) if necessary]:

Pursuant to Section 54.728 of the Water Code and the Asset Transfer and Consolidation Agreement, Applicant and Lannius MUD, the owner of all the facilities, held an election within their jurisdictions on May 7, 2016. The voters in the election held by Lannius MUD approved the consolidation by 32 votes for and 5 against. The voters in the election held by Bois D'Arc MUD approved the consolidation by 29 votes for and 13 votes against.

C. Complete the following proposed entries listed below as shown in books of purchasing (or surviving) company. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations. N/A

Utility Plant in Service:	[]
Plant Acquisition Adjustment:	[]
Extraordinary Loss on Purchase:	[]
Accumulated Depreciation of Plant:	[]
Cash:	[]
Notes Payable:	[]
Mortgage Payable:	[]
Others (please list):	[]

As the purchaser, I understand that it is my responsibility in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service.

Purchaser's Initials: [] Date: []

14. Please indicate the proposed effect of this transaction on the rates to be charged to the affected customers:

All the customers will be charged the same rates as they were charged before the transaction.

Some All customers will be charged different rates than they were charged before the transaction.

If rates are changing, please explain:

All of the customers of Lannius MUD are to be charged the same rates as the customers of Bois D' Arc MUD. See Attachment No. 2 filed with this application for list of current rates for Bois D'Arc MUD.

Applicant is an IOU and intends to file with the commission or municipal regulatory authority an application to change rates of some/all of its customers as a result of this transaction. If so, please explain:

Other. Please explain:

15. List all neighboring water and /or sewer utilities, cities, and political subdivisions providing the same service within two (2) miles of area affected by this proposed transaction. This information should be available from the water utility database (WUD) or Applicant's licensed water operator.

See Attachment No. 3.

16. Financial, Managerial and Technical information for the acquiring entity.

See Attachment No. 4.

Part D – Historical Financial Information

HISTORICAL BALANCE SHEETS	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
TOTAL						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO EQUITY TO TOTAL ASSETS						

HISTORICAL INCOME STATEMENT	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

HISTORICAL EXPENSE DETAIL	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year						
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year						
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

Part E – Projected Information

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
Total						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO						
EQUITY TO TOTAL ASSETS						

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

PROJECTED EXPENSE DETAIL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income						
Depreciation (If Funded)						
Loan Proceeds						
Other						
Total Sources						
USES OF CASH						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
Total Uses						
NET CASH FLOW						
DEBT SERVICE COVERAGE						
Cash Available for Debt						
SERVICE (CADS)						
Net Income (Loss)						
Depreciation, or Reserve Interest						
Total						
REQUIRED DEBT SERVICE (RDS)						
Principle Plus Interest						
DEBT SERVICE COVERAGE RATIO						
CADS Divided by RDS						

Part F – TCEQ Public Water or Sewer System Information

Please answer questions 17 through 22 on a different sheet for each physically Distinct system being transferred or acquired.

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0	7	4	0	0	2	6
---	---	---	---	---	---	---

Date of last inspection:

2/5/2015

See Attachment No. 5

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

--	--	--	--	--

 -

--	--	--

-Name of Permittee:

--

-Date of application to transfer Discharge Permit submitted:

--

-Date of application to transfer Discharge Permit approved by TCEQ:

--

18. A. Are any improvements required to meet TCEQ or PUC standards? Yes No. If yes, please explain:

N/A

B. Is there a moratorium on new connections? Yes No. If yes, please explain:

N/A

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ or PUC standards (attach additional sheets if necessary):

Description of the Required Improvement	Schedule to Complete	Estimated Cost
N/A		

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? Yes No

If yes, indicate the number of customers within the city limits or district boundaries:
 Water _____ Sewer _____

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? Yes No 17
 Water Sewer Purchased on a Regular Seasonal Emergency Basis

• Source: % of total supply:

21. List the number of existing connections to be effected by this transaction.

Water			Sewer		
	-Non Metered		-2" meter		-Residential Connection
112	-5/8" or 3/4" meter		-3" meter		-Commercial Connection
	-1" meter		-4" meter		-Industrial Connection
	-1 1/2" meter		-Other		-Other
Total Water Connections:			112	Total Sewer Connections	
				0	

20. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? Yes No
 If yes, please explain what steps are being taken to address the capacity issues:

N/A

23. List the name, class, and license number of the operator(s) that will be responsible for the system:

Name	Class	License#
Mark Newhouse	C	WG0010411
Bill Stephens	C	WG0015810

24. Attach the following maps with each copy of the application:

- a. One small scale map clearly showing affected service area with enough detail to accurately locate the area if the application is for the transfer of all or a portion of a CCN.
- b. One large scale map showing the proposed service area boundaries being sold, transferred, or merged and, if available, the existing and proposed facilities. Color coding should be used to differentiate existing from proposed facilities. Facilities and service area boundaries should be shown with such exactness that they can be located on the ground. If transferring area not currently in a CCN or a portion of an existing CCN area please attach the following hard copy maps with each copy of the application:
 1. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.
 2. A map showing only the proposed area by:
 - i. metes and bounds survey certified by a licensed state or registered professional land surveyor; or
 - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled, data disk should be included); or
 - iii. following verifiable natural and man-made landmarks, or
 - iv. a copy of recorded plat map with metes and bounds.
 3. A written description of the proposed service area.

See Attachment No. 6

Part G – Oaths and Notices

OATH FOR SELLER OR FORMER SERVICE PROVIDER

STATE OF Texas

COUNTY OF Fannin

I, Jim Toutz, being duly sworn, file this application for sale, lease, rental or merger or consolidation as president (*indicate relationship to applicant*) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Section 13.301(i) and copies of any outstanding Orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas, or Attorney General and have also complied with the notice requirements in Section 13.301(k) of the Texas Water Code.

Jim Toutz
AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this day 30 of 11, 20 16.

SEAL

The notary seal is rectangular with a decorative border. Inside, there is a circular emblem with a five-pointed star. Text within the seal includes "Mercedes L. G.", "Notary Public, State of Texas", and "NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS".
PRINT OR TYPE NAME OF NOTARY
MY COMMISSION EXPIRES 11-19-2016

One copy of this page must be submitted for each utility involved in this transaction.

OATH FOR PURCHASER OR ACQUIRING ENTITY

STATE OF Texas

COUNTY OF Fannin

I, Mark Newhouse, being duly sworn, file this application for

sale, lease, rental or merger or consolidation as general manager (*indicate relationship to applicant*) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I am also authorized and do agree to be bound by and comply with any outstanding orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

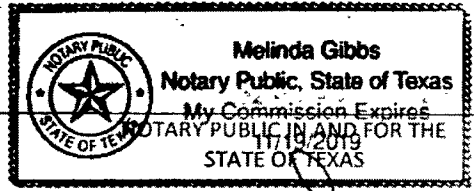
Mark Newhouse
AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

Applicant represents that all other parties to this transaction have been furnished copies of this completed application.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this day 28 of November, 2016.

SEAL



Melinda Gibbs
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 11-19-2019

One copy of this page must be submitted for each utility involved in this transaction.

FORM A

Docket No. _____

Notice to Current Customers, Neighboring Systems and Cities

Lannius Municipal Utility District a/k/a Lannius Water Supply Corporation 'S
(Seller's or Transferor's Name)

NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) NO

11163

TO

Bois D'Arc Municipal Utility District

(Purchaser's or Transferee's Name)

IN FANNIN

COUNTY, TEXAS

To: _____
(Name of Customer, Neighboring System or City)

Date Notice Mailed _____, 20 ____

(Address)

City State Zip

Lannius Municipal Utility District 1465 CR 2945, Dodd City, Texas 75438

Sellers or Transferors' Name

Address

City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer water or sewer (please select) CCN No. 11163 in Fannin [County Name]

County to:

Bois D'Arc Municipal Utility District 14101 E. FM 1396, Honey Grove, Texas 75446

Purchasers or Transferee's Name

Address

City/State/Zip Code

The sale is scheduled to take place as approved by the Commission (V.T.C.A., Water Code §13.301). The transaction and the transfer of the CCN include the following subdivision(s):

The area subject to this transaction is located approximately 1.3 miles east/northeast [direction] of downtown Dodd City, [City or Town] Texas, and is **generally** bounded on the north by 1.10 miles south of Bois D'Arc Creek; on the east by .4 mile west of County Road 2965; on the south by 1 mile south of US Highway 82; and on the west by .2 mile west of County Road 2910

The total area being requested includes approximately 420 acres and serves 112 current customers.

This transaction will have the following effect on the current customer's rates and services:

All of the customers of Lannius MUD are to be charged the same rates as the customers of Bois D' Arc MUD. See Attachment No. 2 filed with this application.

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name, application number or another recognizable reference to this application;
- (3) include the statement "I/we request a public hearing";
- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transaction and transfer of the CCN; and
- (5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al
1-888-782-8477**

Mark Newhouse _____

Utility Representative

Bois D'Arc Municipal Utility District _____

Utility Name

FORM B

Docket No. _____

Notice to Current Customers, Neighboring Systems, Landowner and Cities

Lannius Municipal Utility District a/k/a Lannius Water Supply Corporation **NOTICE OF INTENT TO SELL FACILITIES TO**
(Seller's or Transferor's Name)

Bois D'Arc Municipal Utility District AND FOR Bois D'Arc Municipal Utility District
(Purchaser's or Transferee's Name) Purchaser's or Transferee's Name)

TO OBTAIN OR AMEND A CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) IN
Fannin COUNTY, TEXAS

To: _____ Date Notice Mailed _____, 20 ____
(Name of Customer, Neighboring System, Landowner or City)

(Address)

City State Zip

Sellers or Transferors' Name Address City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell water or sewer (please select) Facilities in Fannin [County Name] County to:

Bois D'Arc Municipal Utility District 14101 E. FM 1396, Honey Grove, Texas 75446
Purchasers or Transferee's Name Address City/State/Zip Code

The transferee has also requested to obtain/amend a CCN in this application. The sale is scheduled to take place as approved by the Commission (Texas Water Code §13.301). The transaction and the proposed service area include the following subdivision(s):

The area subject to this transaction is located approximately 1.3 miles east/northeast [direction] of downtown Dodd City, [City or Town] Texas, and is **generally** bounded on the north by 1.10 miles south of Bois D'Arc Creek; on the east by .4 mil west of County Road 2965; on the south by 1 mile south of US Highway 82; and on the west by .2 mile west of County Road 2910

The total area being requested includes approximately 420 acres and serves 112 current customers.

This transaction will have the following effect on the current customer's rates and services:

All of the customers of Lannius MUD are to be charged the same rates as the customers of Bois D' Arc MUD. See Attachment No. 2 filed with this application.

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name, application number or another recognizable reference to this application;
- (3) include the statement "I/we request a public hearing";
- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transaction and transfer of the CCN; and
- (5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no

protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue,
P.O. Box 13326
Austin, Texas 78711-3326

**Se desea informacion en Espanol, puede llamar al
1-888-782-8477**

Mark Newhouse
Utility Representative

Bois D'Arc Municipal Utility District
Utility Name

**ASSET TRANSFER AND CONSOLIDATION AGREEMENT
BY AND BETWEEN
LANNIUS MUNICIPAL UTILITY DISTRICT
AND
BOIS D' ARC MUNICIPAL UTILITY DISTRICT**

RECITALS

THIS ASSET TRANSFER AND CONSOLIDATION AGREEMENT (the "Agreement") by Lannius Municipal Utility District ("Lannius") and Bois D' Arc Municipal Utility District ("Bois D' Arc"), the ("Parties") is made pursuant to §54.728 of the Texas Water Code (the "Agreement") and based on the following recitals:

WHEREAS, Lannius is a conservation and reclamation district created under the authority of Article XVI, Section 59, Texas Constitution, HB 1596 adopted by the 63rd Texas Legislature, Regular Session, 1973 and governed by Chapters 54 and 49 of the Texas Water Code;

WHEREAS, Lannius operates a public water system in Fannin County, Texas, that provides potable water to approximately 105 customers (the "System");

WHEREAS, Lannius operates the System pursuant to a Certificate of Convenience and Necessity ("CCN") No. 11163 issued by the Texas Commission on Environmental Quality ("TCEQ");

WHEREAS, The Texas Commission on Environmental Quality has assigned Lannius Municipal Utility District (M.U.D) District No 535600, and has assigned Lannius Water Supply Corporation (WSC) PWS ID No. 0740026;

WHEREAS, the Lannius board of directors believe that a larger district with a full time staff is better suited to operate and maintain the System so that it may provide service to its customers in accordance with the complex regulations that govern the System;

WHEREAS, the Lannius board of directors have been unsuccessful in finding new directors to replace ones slated for retirement;

WHEREAS, the Lannius board of directors find that it is in the best, long-term interest of the customers of the System to transfer all of Lannius' assets and CCN to Bois D' Arc, which has the financial, managerial and technical ability to provide continuous and adequate water service to its customers, including the customers of Lannius;

WHEREAS, Bois D' Arc is a conservation and reclamation district created under the authority of Article XVI, Section 59, Texas Constitution, HB 2171 adopted by the 66th Texas Legislature, Regular Session, 1979 and governed by Chapters 54 and 49 of the Texas Water Code; and

WHEREAS, Bois D' Arc's board of directors find that it is in the best interest of Bois D' Arc and its customers to acquire the assets of Lannius and assume the operating responsibility of the System.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, and based on the foregoing recitals, Lannius and Bois D' Arc agree on the following terms and conditions:

1. RECITALS AND DEFINITIONS

The Parties agree that the recitals above, including defined terms, are incorporated herein by reference for all purposes as if copied verbatim.

2. CONSOLIDATION ELECTION

2.1 The directors of Lannius and the directors of Bois D' Arc shall, on or before, Friday, February 19, 2016, order an election to be held on Saturday, May 7, 2016, in their respective districts and shall give notice of the Election on or before, Tuesday, March 8, 2016, as required by law (the "Election").

2.2 The Election shall submit to the registered voters in each district the following proposition:

"Lannius's Municipal Utility District should be consolidated with Bois D' Arc Municipal Utility District pursuant to the terms and conditions of the Consolidation Agreement approved by the board of directors of Lannius Municipal Utility District and Bois D' Arc Municipal Utility District.

For Against"

2.3 If the proposition is approved by the majority of the voters in each district, then the closing date for the consolidation of the districts shall be on or before June 30, 2016, (the "Closing Date") with the transfer of responsibility for operating the

System from Lannius to Bois D' Arc to be effective July 1, 2016 (the "Effective Date").

- 2.4 On and after the Effective Date, the consolidated districts will be known as Bois D' Arc Municipal Utility District which shall have seven (7) directors the same being the duly elected or appointed directors of Bois D' Arc.
- 2.5 On and after the Effective Date, the Lannius geographic area will be added to and consolidated with the boundaries of Bois D' Arc such that all current Lannius customers will be fully eligible to serve on the Bois D' Arc board or directors and vote in Bois D' Arc's elections as permitted by the Texas Election Code, the Texas Water Code and any other applicable statutes and regulations.

3. PREREQUISITES TO CLOSING

- 3.1 Bois D' Arc will have no obligation to accept the transfer of the assets from Lannius and will not have the obligation to operate and maintain the System unless the following has been accomplished by Lannius prior to the Election.
- 3.2 Lannius Water Supply Corporation will be dissolved by the filing of appropriate documents with the Texas Secretary of State; and
- 3.3 Lannius will obtain from City of Dodd City (the "City") its written consent for the assignment of the Wholesale Water Purchase Agreement dated April 4, 2004, by and between Lannius and the City.

4. TRANSFER OF ASSETS

- 4.1 On the Closing Date, Lannius will transfer all of its real property interests to Bois D' Arc by its president, Jim Toutz, executing an Assignment of Easements, attached hereto as Exhibit A, which, following execution, will be filed in the real property records of Fannin County, Texas.
- 4.2 Bois D' Arc acknowledges that the small real estate parcel (commonly referred to as the well site) and containing the closed in well located at 3125 FM 897, Dodd City, Texas 75438 (the "Well Site Parcel") will be transferred and disposed of prior to the Election. Bois D' Arc consents to this transfer and acknowledges that this parcel will not be conveyed as part of the consolidation. The Well Site Parcel will be leased to Lannius MUD for a period of five years pursuant to the terms and conditions in the Lease, attached hereto as Exhibit B. The Lease will be assumed by Bois D' Arc effective with the approved merger.

- 4.3 On the Closing Date, Lannius will transfer all of its plant, equipment, tools, furniture, fixtures and all other tangible personal property owned by Lannius to Bois D' Arc by its president executing the Bill of Sale, attached hereto as Exhibit C, and delivering the same to Bois D' Arc.
- 4.4 On the Closing Date, Lannius will transfer all its intangible personal property in the form of cash or cash equivalents held, owned or controlled by Lannius to Bois D' Arc, including but not limited to, all accounts in any financial institutions and accounts receivables owed by its customers or third parties by executing the Assignment of Accounts, attached hereto as Exhibit D and delivering the same to Bois D' Arc.
- 4.5 To the extent necessary, Lannius will execute with Bois D' Arc the Texas Public Utility Commission ("PUC") Form 10516 and fully cooperate with Bois D' Arc to obtain the PUC's approval to the transfer of CCN No. 11163 to Bois D' Arc.
- 4.6 Notwithstanding anything to the contrary, Lannius shall retain \$20,000.00 in cash for payment of transaction costs, legal fees and other unpaid expenses of Lannius arising before or after the Effective Date (the "Excluded Assets") and such Excluded Assets are not part of the transfer contemplated hereunder, are excluded from the Assets, and shall remain the property of Lannius after the Closing.

5. LANNIUS'S REPRESENTATIONS

In order to induce Bois D' Arc to execute this Agreement, Lannius makes the following representation to Bois D' Arc on which Bois D' Arc has fully relied:

- 5.1 Exhibit E, attached hereto, is true and correct list of all customers of Lannius;
- 5.2 Lannius has full negotiable title to all of the assets described in this Agreement and its attached exhibits, all of which are free and clear of any lien or encumbrance;
- 5.3 Lannius is not a party to and has not been notified or threatened with any litigation, complaint, enforcement proceedings or administrative proceeding of any kind, excluding the previously disclosed TCEQ enforcement action resulting in the closure of the well site as reflected in State of Texas Plugging Report for Tracking # 101494;
- 5.4 Lannius' board of directors has approved this Agreement at a regular meeting of the board of directors and will fully support the approval this Agreement by the registered voters residing within the political boundaries of Lannius at the Election; and

- 5.5 Except for the representations in this section, Lannius makes no representations to Bois D' Arc about the Assets with respect to any defects, impairments, impediments, defaults, breaches, encumbrances or other similar problems existing, including but not limited to problems with:
- A. the quality, design, construction, layout, or physical condition or state of repair of the Assets;
 - B. the location of the Assets in any flood plain, flood way, or flood prone hazard area;
 - C. the Assets' compliance with any laws, rules, ordinances, statutes, or regulations of any applicable governmental authority or regulatory agency, including zoning and other land use regulations;
 - D. the Assets' compliance with any applicable lawful, enforceable environmental protection, pollution, or related or similar land-use laws, rules, regulations, orders or requirements; or
 - E. the existence or enforceability of any easements.

6. BOIS D' ARC'S REPRESENTATIONS

In order to induce Lannius to execute this Agreement, Bois D' Arc makes the following representations:

- 6.1 Bois D' Arc is authorized to execute this Agreement pursuant to its enabling legislation, HB 2171 adopted by the 66th Texas Legislature, Regular Session, 1979 and Chapters 54 and 49 of the Texas Water Code;
- 6.2 Bois D' Arc agrees that all membership fees or deposits paid by Lannius' current members/customers, to the extent that the membership fees can be identified and confirmed in Lannius' books and records, will be accounted for and maintained by Bois D' Arc in the same manner as Bois D' Arc maintains accounts for customer deposits;
- 6.3 Bois D' Arc will take all reasonable and necessary actions to complete the transfer of Lannius' assets to Bois D' Arc, assume the responsibility of operating the System, preparation and filing of all actions required by the TCEQ or the PUC;
- 6.4 Bois D' Arc acknowledges that Lannius has made its entire physical system, books and records available to Bois D' Arc for inspection prior to executing this Agreement. Bois D' Arc has conducted its own due diligence of the Lannius system and books and has not relied on any representations not enumerated in this Agreement; and

- 6.5. Within 36 months of the Closing Date, Bois D' Arc will integrate its water distribution system with the former Lannius distribution system in order that the former Lannius distribution system will have two water supply sources.

7. ASSUMPTION OF LIABILITIES

- 7.1 Bois D' Arc agrees to assume the Wholesale Water Purchase Agreement between Lannius and The City of Dodd City, Texas (the "City") as of the Effective Date. Bois D' Arc **does not** assume the payment of any amount due and payable to the City for water delivered to Lannius prior to the Effective Date.
- 7.2 Bois D' Arc **does not** assume the liability for the payment of any debt, expense or other liability of Lannius that was incurred or arising out of events occurring prior to the Effective Date.

8. GENERAL PROVISIONS

- 8.1 This Agreement shall be governed by and construed and enforced under the laws of the State of Texas.
- 8.2 The obligations and undertakings of each of the parties to this Agreement shall be performed in Fannin County, Texas. Except for matters within the jurisdiction of the TCEQ, the PUC or its successor, the parties expressly agree that all judicial proceedings to enforce any of the provisions of this Agreement shall take place in Fannin County, Texas.
- 8.3 This Agreement contains the entire agreement of Lannius and Bois D' Arc with respect to the subject matter of the agreement. No agreement, statement or promise made by any party or to any employee, agent or officer of any party, that is not contained in this Agreement shall be valid, binding, or of any force or effect. Any amendments to this Agreement must be in writing and signed by the party or parties to be charged.
- 8.4 This Agreement shall be binding upon the parties hereto and their respective successors, heirs, representatives, and assigns. Bois d' Arc acknowledges that following the Effective Date, Lannius MUD will cease to exist and the board of directors will disband after discharging their obligations pursuant to this Agreement.
- 8.6 This Agreement shall be deemed drafted equally by the parties hereto. The language of all parts of this Agreement shall be construed as a whole according to its fair meaning, and any presumption or principle that the language herein is to be construed against either party shall not apply.

- 8.7 Should any provision of this Agreement be declared void by a court of competent jurisdiction, the remaining provisions of this Agreement shall remain in full force and effect.
- 8.8 In the event that the terms and conditions of this Agreement are breached by either Party, and the Parties participate in a proceeding before any state or federal tribunal because the terms and conditions of this Agreement are not being complied with by one of the Parties, the prevailing Party shall recover its fees, damages, costs, attorneys' fees, and such other and further relief from the non-prevailing Party, general or special, at law or in equity, to which the prevailing Party may show itself justly entitled.
- 8.9 The respective signatories to this Agreement represent that they are authorized to sign this Agreement on behalf of their respective district.

[Signature Blocks follow on the next page]

LANNIUS MUNICIPAL UTILITY DISTRICT

By: Jim Tautz
Jim Tautz, President

Date Signed: 5/6/2016

BOIS D' ARC MUNICIPAL UTILITY DISTRICT

By: Larry D. Franklin
Larry Don Franklin, President

Date Signed: May 6, 2016

EXHIBIT A

**ASSIGNMENT OF EASEMENTS
TO BE EXECUTED BY LANNIUS IN ORDER TO TRANSFER
ALL EASEMENTS HELD BY LANNIUS TO BOIS D' ARC**

ASSIGNMENT OF EASEMENTS

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, LANNIUS MUNICIPAL UTILITY DISTRICT (“Lannius”), a Texas conservation and reclamation district organized pursuant to Art. XVI, § 59 of the State Constitution, does hereby transfer, set over and assign unto BOIS D’ ARC MUNICIPAL UTILITY DISTRICT (“Bois D’ Arc”), a Texas conservation and reclamation district organized pursuant to Art. XVI, § 59 of the State Constitution, its successors and assigns, all of its right, title and interest in and to any and all easements, recorded or unrecorded, appurtenant or in gross, whether granted by express dedication, implied reservation or grant, way of necessity, estoppel, prescription, implied dedication, condemnation, or in any other manner having been conveyed to Lannius, or otherwise being the property of Lannius, including but not limited to the following:

- All water line easements within the MUD boundaries which were written and recorded with the Fannin County Records office.
- All water line easements within the MUD boundaries which were written but not recorded.
- All constructive water line easements within the MUD boundaries for which there is no written documentation.

WITNESS OUR SIGNATURES on this, the 10 day of May, 2016.

ASSIGNOR:

LANNIUS MUNICIPAL UTILITY DISTRICT

By: Jim Toutz
 Jim Toutz, President

ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF FANNIN

BEFORE ME, the undersigned Notary Public, on this day personally appeared **Jim Toutz, Authorized Signatory** on behalf of **Lannius Municipal Utility District**, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed same for the purposes and consideration therein expressed.

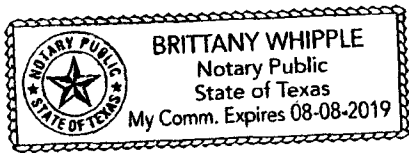
GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 10 DAY OF May, A.D., 2016.

Brittany Whipple

NOTARY PUBLIC, STATE OF TEXAS

Printed Name: Brittany Whipple

My Commission Expires: 8/8/19



After recording, return to:
John Rapier
Gay, McCall, Isaacks & Roberts, P.C.
777 East 15th Street
Plano Texas 75074

EXHIBIT B
PROPERTY LEASE FOR THE WELL SITE PARCEL

STATE OF TEXAS §
 §
 COUNTY OF FANNIN §

KNOW ALL MEN BY THESE PRESENT:

This Lease by and between PAM WILSON (“Lessor”) and LANNIUS MUNICIPAL UTILITY DISTRICT (“Lessee”) is effective the 1st day of February 2016.

WITNESSETH:

Lessor does by these present lease unto Lessee that certain tract of land owned by Lessor in Fannin County, Texas, having an address of 3125 FM 897, Dodd City, Texas 75438 and which is more particularly described on Exhibit A attached hereto and made a part hereof (the “Premises”), on the following terms and conditions:

1. **Term.** The term of this Lease shall commence on February 1, 2016 and shall end on February 1, 2021, and the term shall automatically be renewed for successive one (1) year periods, unless Lessor or Lessee shall give notice of termination as of the end of any such one (1) year period at least ninety (90) days in advance, subject to the terms provided.
2. **Rental.** The rental for the Premises shall be Ten Dollars (\$10.00) per year, payable in advance on the commencement date thereof, and in advance prior to the commencement of each renewal term hereof.
3. **Use.** The Premises shall be used by Lessee solely for maintaining and servicing the Lannius water supply system and for no other purposes.
4. **No Subletting.** Lessee shall not sublet the Premises or any part thereof to any person or entity whatsoever without first obtaining the consent of Lessor in writing, which consent may be granted or withheld by Lessor in its sole and absolute discretion.
5. **Applicable Laws.** Lessee shall, during the term of this Lease, conduct all of its operations on the Premises in accordance with all applicable laws, statutes, ordinances, rules, regulations and legal requirements, and shall not commit waste on the Premises.
6. **Holdover.** If Lessee does not vacate the Premises upon the expiration or earlier termination of this Lease, Lessee shall be deemed to be a tenant at sufferance within the holdover period, and all the terms and conditions of this Lease shall be applicable during that period.
7. **Assignment.** Lessee shall not assign this lease to any other entity, unless the proposed merger between Lannius MUD and Bois d’Arc MUD is approved and consummated, in which case Lessor consents to the lease being assigned to Bois d’Arc MUD.
8. **Improvements.** Lessor may, but shall not be required to, make any, replacements or repairs of any kind or character to the equipment on the Premises during the term of this

Lease. Lessee shall have the option to maintain and operate the equipment and improvements during the term of the lease, or to remove equipment and improvements such as pumps and tanks for use elsewhere in its operation, or to remove and dispose of or sell the equipment and improvements. Lessee shall have no responsibility to clean up the site upon termination of the lease, and is not responsible for removing any abandoned improvements or equipment which may remain upon lease termination.

9. Liability. Lessor shall not be liable to Lessee or to Lessee's customers, employees, agents, guests or invitees, or any person whomsoever, for any injury to persons or damage to property on or about the Premises, including, but not limited to, consequential damages (i) caused by any act or omission of Lessee, its employees, subtenants and licensees or any other person entering the property or Premises by express or implied invitation of Lessee or (ii) arising out of the use of the Premises or property by Lessee, its employees, subtenants, licensees or invitees, or (iii) arising out of any breach or default by lessee in its performance of its obligations hereunder, or (iv) caused by the improvements located on the Premises becoming out of repair or defective or failure of equipment, pipes or wiring or by broken glass or by gas, water, steam, electricity or oil leaking, escaping or flowing onto the Premises or the property, or (v) arising out of the failure of cessation of any service provided by Lessor, and Lessee hereby agrees to indemnify Lessor and hold Lessor harmless of, from and against any and all liability, loss, expense or claim (including, but not limited, reasonably attorney's fees) arising out of any such damage or injury.
10. Insurance. Lessee shall, during the term hereof, maintain comprehensive general liability insurance coverage naming Lessor and any other persons or entities requested by Lessor as additional insured with limits equal to or greater than \$1,000,000.00 in the aggregate, \$1,000,000.00 per occurrence and \$500,000.00 property damage.
11. Property Taxes. Lessee shall reimburse Lessor for all property taxes with 30 days of receipt of proof of payment of same from Lessor.
12. Maintenance. Lessee shall maintain property in a good and workmanlike condition, including mowing and weedeating around the fence and structures.
13. ~~PN
J.T.
Termination. Upon a minimum of ninety (90) days written notice from Lessor to Lessee, this Lease shall terminate as to portions of the Premises designated by Lessor or as to the entirety of the Premises, and within ninety (90) days after delivery of such notice of termination, Lessee shall be permitted to remove, at its expense, any improvements located on such portion of the Premises.~~
14. Surrender. Lessee shall have the right from time to time to surrender this Lease as to all or any portion of the Premises upon a minimum of sixty (60) days advance written notice to Lessor.
15. Notice. Any notice required or permitted hereunder shall be in writing and sent by certified or registered mail, postage prepaid, return receipt requested to the respective

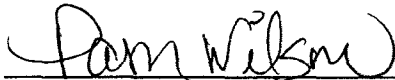
parties at the addresses set forth below or such address(es) as may be designated by notice delivered hereunder.

16. Default. In the event of any breach or default hereunder by Lessee, Lessor shall have any and all such rights and remedies available at law or in equity.
17. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Texas, with venue in Fannin County.

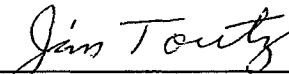
IN WITNESS WHEREOF, this Lease has been executed as of the day and year first above written.

LESSOR:

LESSEE:



PAM WILSON
3101 FM 897
Dodd City, Texas 75438



LANNIUS MUNICIPAL UTILITY DISTRICT
3125 FM 897
Dodd City, Texas 75438

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

Being 0.057 acres of land, a part of the Waddy Corlisie Survey Abstract Number 228, lying and being situated on the West side of F. M. Highway 897 in the Community of Lannius in Fannin County, Texas. The said 0.057 acre tract being the same land as conveyed to Lannius Water Supply Corporation in a Warranty Deed of record in Volume 450, Page 67 in the Deed Records of Fannin County, Texas. The said 0.057 acre tract being described more particularly by metes and bounds as follows:

Standing at Northeast corner of the Lannius Water Supply Corporation tract, a ½" found iron rod in the West right-of-way of F. M. Highway 897, for the Point of Beginning and the Northeast corner of this tract, at the Southeast corner of a 1.13 acre tract as conveyed to Barry and Kim Williams in Volume 912, Page 944.

THENCE: S 05°42'01" E with the West highway right-of-way a distance of 50.00 feet to a ½" set iron rod, for the Southeast corner of this tract and at the Easternmost Northeast corner of a 2.19 acre tract as conveyed to Robert Wilson and wife, Pamela Wilson in Volume 635, Page 125, from which a 5/8 inch found iron rod, located at Highway Station No. 135+26.8, bears S05°42'01"E a distance of 800.5 feet.

THENCE: S 86°13'00" W a distance of 50.00 feet to a ½" set iron rod at a metal fence corner post, for the Southwest corner of this tract and at the inside Northeast corner of the Wilson 2.19 acre tract.

THENCE: N 05°42'01" W a distance of 50.00 feet to a ½" set iron rod, for the Northwest corner of this tract, at the Northernmost Northeast corner of the Wilson 2.19 acre tract and in the South line of the Barry and Kim Williams tract.

THENCE: N 86°13'00" E (reference bearing from Volume 450, Page 67) a distance of 50.00 feet to the Point of Beginning and containing 0.057 acres.

SHEET 1 OF 2 SHEETS

SURVEY #2015-290

Called 1.13 Acres
Barry Williams
and

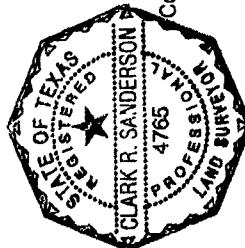
Kim Williams
Volume 912, Page 944
S 86°13'00" W 441.00'

(Reference Bearing Volume 450, Page 67)
N 86°13'00" E 50.00'



Scale 1"=10'

Fence Corner Post
@ Northwest Corner of
Volume 635 Page 125



Called 2.19 Acres
Robert Wilson
and wife,
Pamela Wilson
Volume 635, Page 125

Point of Beginning

LEGEND	
1/2" Found Iron Rod	•
1/2" Set Iron Rod w/Cap	○
Fence Corner Post	⊙
Power Pole	⊕
Water Valve	⊗
Chain Link Fence	—Z—
Adjacent Boundary Lines
O/H Power Line	---
Centerline	—+—

All fences vary from line. Areas between fence and boundary lines may be in possible conflict.

0.057 ACRES
Called 0.057 Acres
Lannius Water
Supply Corporation
Volume 450, Page 67

NOTE: Buried utilities may be located on this property that are not shown on this plat. You must contact Texas811 by dialing 811 or at texas811.org and have all utilities marked before any digging or construction.

F M H I G H W A Y 8 9 7

Highway Station
#135+26.8'

SANDERSON SURVEYING INC.
PRM REGISTRATION # 101079-00
1874 SOUTH SH 121
BONHAM, TEXAS 75418
(903) 563-2969

Clark R. Sanderson
CLARK R. SANDERSON 4765

EXHIBIT C

**BILL OF SALE
TO BE EXECUTED BY LANNIUS
TO TRANSFER ALL OF LANNIUS' PLANT, EQUIPMENT, INVENTORY
AND FIXTURES TO BOIS D' ARC**

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that LANNIUS MUNICIPAL UTILITY DISTRICT ("Lannius"), a Texas conservation and reclamation district organized pursuant to Art. XVI, § 59 of the State Constitution, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) in lawful money of the United States of America, to seller in hand paid by BOIS D' ARC MUNICIPAL UTILITY DISTRICT ("Bois D' Arc"), a Texas conservation and reclamation district organized pursuant to Art. XVI, § 59 of the State Constitution, the receipt of which is hereby acknowledged, does by these presents grant, bargain, sell, assign and deliver unto Bois D' Arc all of its plant, equipment, tools, furniture, fixtures and all other tangible personal property of any type or kind owned by Lannius, including all pipe, pipelines, water meters, valves, and water distributions accessories and appurtenances.

IN WITNESS WHEREOF, Lannius has executed this Bill of Sale this the 10 day of May, 2016.

SELLER:

LANNIUS MUNICIPAL UTILITY DISTRICT

By: Jim Tautz
Jim Tautz, President

ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF FANNIN

BEFORE ME, the undersigned Notary Public, on this day personally appeared **Jim Toutz, Authorized Signatory** on behalf of **Lannius Municipal Utility District**, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 10 DAY OF May, A.D., 2016.

Brittany Whipple

NOTARY PUBLIC, STATE OF TEXAS

Printed Name: Brittany Whipple

My Commission Expires: 8/8/19

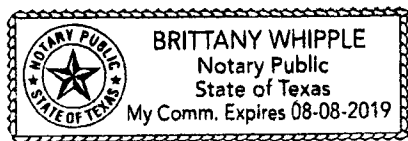


EXHIBIT D

**ASSIGNMENT OF ACCOUNTS
TO BE EXECUTED BY LANNIUS TO TRANSFER ALL OF LANNIUS' DEPOSITORY
ACCOUNTS, INVESTMENT ACCOUNTS AND ACCOUNTS RECEIVABLE DUE
FROM LANNIUS' MEMBERS OR THIRD PARTIES TO BOIS D'ARC**

ASSIGNMENT AND TRANSFER OF ACCOUNTS

KNOW ALL MEN BY THESE PRESENTS, that LANNIUS MUNICIPAL UTILITY DISTRICT ("Lannius"), a Texas conservation and reclamation district organized pursuant to Art. XVI, § 59 of the State Constitution, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) in lawful money of the United States of America, the receipt of which is hereby acknowledged, does by these presents grant, sell, assign, transfer, and set over all of its intangible personal property in the form of cash or cash equivalents held (less \$20,000 identified in paragraph 4.5 of the Asset Transfer and Consolidation Agreement), owned or controlled by Lannius, including but not limited to all accounts in any financial institutions, accounts receivables owed by its customers or third parties, together with any and all security interest secured thereby, all liens and any rights due or to become due thereon to BOIS D' ARC MUNICIPAL UTILITY DISTRICT ("Bois D' Arc"), a Texas conservation and reclamation district organized pursuant to Art. XVI, § 59 of the State Constitution.

TO HAVE AND TO HOLD the same to Bois D' Arc and its successors and assigns forever. Lannius covenants that it is owner of the conveyed property and each receivable and has full legal right to sell, transfer and assign such receivables.

IN WITNESS WHEREOF, Lannius has executed this Bill of Sale this the 2 day of June, 2016.

SELLER:

LANNIUS MUNICIPAL UTILITY DISTRICT

By: Jim Toutz
Jim Toutz, President

ACKNOWLEDGEMENT

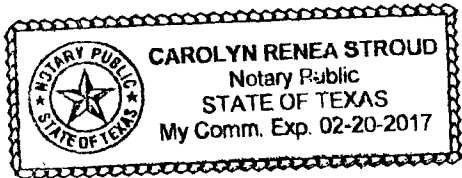
STATE OF TEXAS

COUNTY OF FANNIN

BEFORE ME, the undersigned Notary Public, on this day personally appeared **Jim Toutz, Authorized Signatory** on behalf of **Lannius Municipal Utility District**, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 2nd DAY OF June, A.D., 2016.

Carolyn Renea Stroud



NOTARY PUBLIC, STATE OF TEXAS

Printed Name: Carolyn Renea Stroud

My Commission Expires: 2-20-2017

EXHIBIT E

LANNIUS' CUSTOMER / MEMBERSHIP LIST

Thursday, June 2, 2016

MAILING LIST

LANNIUS M.U.D.						Mail	Carrier		
Acct #	Name	Address		City	State	Zip Group	Route	Route	
1	COLE, CORY	1001 CR 2917		DODD CITY	TX	75438 0			1
2	DUKE, LOUIS	358 CR 2945		DODD CITY	TX	75438 0			1
3	BARKER, MRS.JOHN	650 CR 2945		DODD CITY	TX	75438 0			1
4	NELSON, WILLIAM	670 CR 2950		DODD CITY	TX	75438 0			1
5	LANNIUS CHURCH OF GO	PO BOX 134		DODD CITY	TX	75438 0			1
6	BLANKENSHIP, KARRY	582 CR 2950		DODD CITY	TX	75438 0			1
7	BOREHAM, J. A.	2160 CR 2950		DODD CITY	TX	75438 0			1
8	MONROE, STEPHEN	3004 FM 897		DODD CITY	TX	75438 0			1
9	GOODWIN, STEPHEN	PO BOX 540845		GRAND PRAIRIE	TX	75054 0			1
10	RENCHER, SHAWN	3288 FM 897		DODD CITY	TX	75438 0			1
11	POWELL, JULIE	2012 CR 2945		DODD CITY	TX	75438 0			1
12	COLE, JOHN	1001 CR 2917		DODD CITY	TX	75438 0			1
13	BRIDGES, PAUL WAYNE	410 CR 2945		DODD CITY	TX	75438 0			1
14	BURK, LAVONIA	P O BOX 68		DODD CITY	TX	75438 0			1
15	MITCHELL, DEBORAH	2000 CR 2950		DODD CITY	TX	75438 0			1
16	BURPO, MIKE	462 CR 2945		DODD CITY	TX	75438 0			1
17	DUDLEY, DAMON	2028 CR 2945		DODD CITY	TX	75438 0			1
18	CARPENTER, JOE	2177 CR 2945		DODD CITY	TX	75438 0			1
19	CHESTER, MARIE	7419 PALDAO		DALLAS	TX	75240 0			1
20	LANNIUS CHURCH OF GO	P O BOX 134		DODD CITY	TX	75438 0			1
21	CAMP, JASON	791 CR 2945		DODD CITY	TX	75438 0			1
22	ADAIR, CODY	1085 CR 2917		DODD CITY	TX	75438 0			1
23	MUNGER, SCOTT	2242 FM 897		DODD CITY	TX	75438 0			1
24	KNIGHT, DUSTIN	1037 CR 2950		DODD CITY	TX	75438 0			1
25	HAMMETT EXCAVATION	1494 CR 2917		DODD CITY	TX	75438 0			1
26	HAMMETT, GAYLON	1545 CR 2917		DODD CITY	TX	75438 0			1
27	SKIPPER, ROGER	3243 CR 2955		DODD CITY	TX	75438 0			1
28	GATLIN, CHARLES	1522 CR 2945		DODD CITY	TX	75438 0			1
29	HAMMETT, LYNDA	1494 CR 2917		DODD CITY	TX	75438 0			1
30	HORTON, KENNY	1060 CR 2917		DODD CITY	TX	75438 0			1
31	AGERLID, MICHAEL	3625 CR 2910		DODD CITY	TX	75438 0			1
32	HORTON, LOIS	1110 CR 2917		DODD CITY	TX	75438 0			1
33	BLANKENSHIP, NATHAN	582 CR 2950		DODD CITY	TX	75438 0			1
34	HORTON, MIKE	1136 CR 2917		DODD CITY	TX	75438 0			1
35	HORTON, LESLIE	2934 FM 897		DODD CITY	TX	75438 0			1
36	HOWARD, DALLAS	231 CR 3000		DODD CITY,	TX	75438 0			1
37	ISBELL, ARTHUR	8050 CR 4030		CISCO	TX	76437 0			1
38	LEWIS, JENIFER	532 CR 2945		DODD CITY	TX	75438 0			1
39	WHITE, TOMMY	2991 FM 897		DODD CITY	TX	75438 0			1
40	WILSON, PAM	3101 FM 897		DODD CITY	TX	75438 0			1
41	DBK RANCH	2022 W. NW. HWY	STE: 205	GRAPEVINE	TX	76051 0			1
42	WILSON, ASHLEY	2960 FM 897		DODD CITY	TX	75438 0			1
43	LEWIS, ALEX	PO BOX 102		RAVENNA	TX	75476 0			1
44	HANEY, MICHAEL	472 CR 2950		DODD CITY	TX	75438 0			1
45	KNIGHT, RONNIE	(Diary)	317 CR 2950	DODD CITY	TX	75438 0			1
46	KNIGHT, RONNIE	(House)	317 CR 2950	DODD CITY	TX	75438 0			1
47	PLANT, GAYLENE	(trailer)	PO BOX 227	DODD CITY	TX	75438 0			1
48	KNIGHT, TODD	2952 FM 897		DODD CITY	TX	75438 0			1

Thursday, June 2, 2016

MAILING LIST

LANNIUS M. U. D.						Mail Carrier	
Acct #	Name	Address		City	State	Zip Group	Route Route
49	KNIGHT, JERRY	2968 FM 897		DODD CITY	TX	75438 0	1
50	HORTON, JOSH	(New House)	PO BOX 227	DODD CITY	TX	75438 0	1
51	MASON, DARLENE	P O BOX 633		BONHAM	TX	75418 0	1
52	LACKEY, COLE	410 CR 3000		DODD CITY	TX	75438 0	1
53	HORTON, JOSH	P O BOX 227		DODD CITY	TX	75438 0	1
54	PAULK, LENNY	357 CR 2950		DODD CITY	TX	75438 0	1
55	GENSLER, KURT	735 MAY TRAIL		MCKINNEY	TX	75069 0	1
56	BODIE, LESIA	1566 CR 2945		DODD CITY	TX	75438 0	1
57	RENCHER, JIMMY DOYLE	3482 FM 897		DODD CITY	TX	75438 0	1
58	TAYLOR, DEAN	6546 E HWY 82		DODD CITY	TX	75438 0	1
59	RENCHER, SALLIE	3055 FM 897		DODD CITY	TX	75438 0	1
60	RENFRO JR., ROY E.	3407 HAGERMAN RD.		POTTSBORO	TX	75076 0	1
61	STEVENS, JERRY DON	3638 CR 2910		Dodd City	TX	75438 0	1
62	WHISENHUNT, LINDSAY	2896 FM 897		DODD CITY	TX	75438 0	1
63	EASLEY, SUSAN	2131 N. VILLAGE DR.		BONHAM	TX	75418 0	1
64	SPILLER, RANDY	659 CR 2945		DODD CITY	TX	75438 0	1
65	BROOKS, KEVIN	384 CR 2945		DODD CITY	TX	75438 0	1
66	STEPHENS, DWAYNE	4675 CR 2900		DODD CITY	TX	75438 0	1
67	LANNIUS CHURCH OF GO	PO BOX 134		DODD CITY	TX	75438 0	1
68	TAYLOR, CRAIG	1687 CR 2917		DODD CITY	TX	75438 0	1
69	TAYLOR, R. D.	3070 FM 897		DODD CITY	TX	75438 0	1
70	BRIDGES, G.C.	3175 FM 897		DODD CITY	TX	75438 0	1
71	TAYLOR, VIVAN	3161 FM 897		DODD CITY	TX	75438 0	1
72	HEWETT, RICHARD	977 CR 2945		DODD CITY	TX	75438 0	1
73	BELL, TANYA	760 CR 2915		DODD CITY	TX	75438 0	1
74	WEEKS, NICKY	1251 CR 2945		DODD CITY	TX	75438 0	1
75	COPPINI, PATRICIA W.	633 CR 2950		DODD CITY	TX	75438 0	1
76	WILLIAMS, BARRY	P O BOX 73		DODD CITY	TX	75438 0	1
77	WILSON, CHOICE	966 CR 2917		DODD CITY	TX	75438 3200	1
78	WILSON, DON	293 CR 2945		DODD CITY	TX	75438 0	1
79	SPILLER, DAVID	707 CR 2945		DODD CITY	TX	75438 0	1
80	WILSON, ROBERT	3101 FM 897		DODD CITY	TX	75438 0	1
81	MONROE, CHRIS	899 CR 2945		DODD CITY	TX	75438 0	1
82	AGERLID, PATRICIA	3625 CR 2910		DODD CITY	TX	75438 0	1
83	BLEVINS, RANDALL	879 CR 2915		DODD CITY	TX	75438 0	1
84	GIBSON, RODNEY	1353 CR 2945		DODD CITY	TX	75438 0	1
85	HORTON, HEATHER	P O BOX 227		DODD CITY	TX	75438 0	1
86	BROACH, LARRY	P O BOX 7		DODD CITY	TX	75438 0	1
87	TOUTZ, JAMES	1465 CR 2945		DODD CITY	TX	75438 0	1
88	LANNIUS CHURCH OF GO	P O BOX 134		DODD CITY	TX	75438 0	1
89	GARNER, BILL	3467 FM 897		DODD CITY	TX	75438 0	1
90	GARCIA, KAREN	2452 FM 897		DODD CITY	TX	75438 0	1
91	WILSON, JASON	525 CR 2945		DODD CITY	TX	75438 0	1
92	DORAU, NICHOLAS	3181 FM 897		DODD CITY	TX	75438 0	1
93	COFFMAN, DAVID	4851 CR 2900		DODD CITY	TX	75438 0	1
94	WOOD, JASON	1259 CR 2945		DODD CITY	TX	75438 0	1
95	WILSON, DEREK	2965 FM 897		DODD CITY	TX	75438 0	1
96	JARRELL, THOMAS N.	608 CR 2945		DODD CITY	TX	75438 0	1

Thursday, June 2, 2016

MAILING LIST

LANNIUS M.U.D.

Acct #	Name	Address	City	State	Zip	Group	Carrier Route	Route
97	BURPO, ROY	4747 CR 2900	DODD CITY	TX	75438	0		1
98	WILKERSON, KEITH	711 CR 2901	DODD CITY	TX	75438	0		1
99	CUTTS, DAVID	1282 CR 2945	DODD CITY	TX	75438	0		1
100	RODRIGUEZ, MICHELLE	2551 FM 897	DODD CITY	TX	75438	0		1
101	ANZALDUA, JONATHAN	2959 FM 897	DODD CITY	TX	75438	0		1
102	BRIDGES, LESIA	P O BOX 134	DODD CITY	TX	75438	0		1
103	LACKEY, BRIAN	393 CR 2945	DODD CITY	TX	75438	0		1
104	TAYLOR, JACKIE	4686 CR 2900	DODD CITY	TX	75438	0		1
105	LANNIUS CHURCH OF GOP.	P.O. BOX 134	DODD CITY	TX	75438	0		1
106	HENDRY, SCOTT	3287 CR 2910	DODD CITY	TX	75438	0		1
107	DIE & TOOL AMERICAN	3280 FM 897	DODD CITY	TX	75438	0		1
108	KNIGHT, CHAD	489 CR 2950	DODD CITY	TX	75438	0		1
109	LACKEY, LYNNETTE	422 CR 3000	DODD CITY	TX	75438	0		1
110	HAMMETT, LYNDA	(PINK BRICK HOUSE)	1494 CR 2917	DODD CITY	TX	75438	0	1
111	TAYLOR, COLIN	4686 CR 2900	DODD CITY	TX	75438	0		1
112	LANNIUS CHURCH OF GO	(PARSONAGE)	FM 897	DODD CITY	TX	75438	0	1

112 customers listed

All Customers
Lannius MUD

EXHIBIT F

**THE CITY OF DODD CITY
CONSENT FOR ASSIGNMENT OF WATER CONTRACT**

CONSENT TO ASSIGNMENT

THIS Consent to Assignment (“Consent”) is made and entered into on the date set forth below, by the CITY OF DODD CITY, TEXAS (the “City”), a municipal corporation acting under the laws of the State of Texas, for the benefit of LANNIUS MUNICIPAL UTILITY DISTRICT (“Lannius”), a Texas conservation and reclamation district, and BOIS D’ ARC MUNICIPAL UTILITY DISTRICT (“Bios D’ Arc”), a Texas conservation and reclamation district.

R E C I T A L S:

WHEREAS, City and Lannius entered into that certain Wholesale Water Purchase Agreement dated April 4, 2004 (the “2004 Agreement”), whereby Assignor agreed to purchase certain potable water from the City subject to and in accordance with the terms and provisions thereof; and

WHEREAS, Lannius and Bois D. Arc have entered that certain Asset Transfer and Consolidation Agreement, in connection with which Assignor will assign the 2004 Agreement to Assignee as of the effective date of said Asset Transfer and Consolidation Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

- City hereby consents to the assignment of the 2004 Agreement from Lannius to Bois D’ Arc, as provided in the Asset Transfer and Consolidation Agreement, and hereby releases Lannius from any further obligations under the 2004 Agreement as the effective date of the Asset Transfer and Consolidation Agreement.
- Bois D’ Arc and City agree that as of the effective date of this Assignment, Section 9 A and B of the 2004 Agreement is revised to provide a follows:

“The District will be required to purchase a minimum of six million gallons of Water per year, whether the District takes that amount or not. The District will pay the City for the amount of Water taken or committed at a rate equal to the lowest volumetric retail rate charged by the City to its customers less fifty cents (\$0.50) per 1,000 gallons. As

of the effective date of this Consent, the lowest volumetric rate charged by the City is \$3.50 per 1,000 gallons. Therefore, current rate charged by the City to the District for Water pursuant to the 2004 Agreement is \$3.00 per 1,000 gallons. The City will give the District at least sixty (60) days prior written notice of the effective date of an increase in the lowest volumetric rate that its charges is own customers.”

IN WITNESS WHEREOF, City and Bois D’ Arc have executed this Consent on the date set forth below.

CITY OF DODD CITY

By: Jackie Lackey
Jackie Lackey, Mayor

Date: 4-28-16

BIOS D’ ARC MUNICIPAL UTILITY DISTRICT

By: Larry D. Franklin
Larry D. Franklin, President

Date: April 28, 2016

Bois D'Arc Municipal Utility District

Rates

Standard Residential Service Rates

Monthly Minimum:	\$30.00
Water Included w/ Minimum Bill:	zero - 2000/gallons

Tier (gal.):	\$/1,000 gal.:
2,001-5,000	\$6.00
5,001-10,000	\$7.00
10,001- All Gallons	\$10.00

LIST OF NEIGHBORING WATER AND / SEWER UTILITIES,
CITIES AND POLITICAL SUBDIVISION

City of Dodd City
P.O. Box 129
Dodd City, Texas 75438

Town of Windom
P.O. Box 1027
Windom, Texas 75492

White Shed Water Supply Corporation
P.O. Box 80
Ivanhoe, Texas 75447

Red River Authority of Texas
P.O. Box 240
Wichita Falls, Texas 76037

County Judge Creta L. Carter II
Fannin County Courthouse
101 E. Sam Rayburn Drive, Suite #101
Bonham, Texas 75418

Red River Groundwater
Conservation District
P.O. Box 1214
Sherman, Texas 75091

City of Honey Grove
633 N. 6th Street
Honey Grove, Texas 75446

North Texas Municipal Water District
P.O. Box 2408
Wylie, Texas 75098

City of Bonham
514 Chestnut Street
Bonham, Texas 75418

Attachment No. 3 - Question 15
Bois D'Arc MUD
14101 E. FM 1396
Honey Grove, Texas 75446

BOIS D' ARC MUNICIPAL UTILITY DISTRICT

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT THEREON

December 31, 2011

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Table of Contents
December 31, 2011

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Basic Financial Statements	
Statement of Net Assets	2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Supplementary Information	11
Communication with Those Charged with Governance	24

McCLANAHAN AND HOLMES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

R. E. BOSTWICK, CPA
STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
ANDREW B. REICH, CPA
RUSSELL P. WOOD, CPA
DEBRA J. WILDER, CPA

228 SIXTH STREET S.E.
PARIS, TEXAS 75460
903-784-4316
FAX 903-784-4310

304 WEST CHESTNUT
DENISON, TEXAS 75020
903-465-6070
FAX 903-485-6093

1400 WEST RUSSELL
BONHAM, TEXAS 75418
903-583-5574
FAX 903-583-8453

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bois d'Arc Municipal Utility District
Honey Grove, Texas

We have audited the accompanying statement of net assets of Bois d'Arc Municipal Utility District as of December 31, 2011, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bois d'Arc Municipal Utility District as of December 31, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

McClanahan and Holmes, LLP

Certified Public Accountants

Bonham, Texas
May 31, 2012

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Net Assets
December 31, 2011

ASSETS

Current Assets	
Cash	\$ 34,573
Certificates of Deposit	64,988
Accounts Receivable - Net	95,385
Due From Government	9,032
Bond Issuance Costs	36,719
Restricted Assets	
Cash	564,144
Investments	265,094
Total Current Assets	<u>1,069,935</u>
Capital Assets, Net of Accumulated Depreciation	<u>3,331,937</u>
Total Assets	<u>4,401,872</u>

LIABILITIES

Current Liabilities	
Accounts Payable	23,310
Taxes Payable	3,258
Meter Deposits Payable	43,828
Accrued Interest	38,376
Current Portion of Notes Payable	55,000
Current Portion of Bonds Payable	60,000
Total Current Liabilities	<u>223,772</u>
Non Current Liabilities	
Bonds Payable	<u>2,195,000</u>
Total Liabilities	<u>2,418,772</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	1,058,656
Unrestricted	<u>924,444</u>
Total Net Assets	<u>\$ 1,983,100</u>

The accompanying notes are an integral part of these financial statements.

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Revenue, Expenses, and
Changes in Net Assets
Year Ended December 31, 2011

Operating Revenue:	
Charges for Services	\$ 643,580
Total Operating Revenue	643,580
Operating Expenses:	
Water Purchased	85,902
Operating Supplies	50,829
Utilities	51,839
Salaries	150,137
Office Expense	6,527
Maintenance and Repairs	19,951
Auto Expense	31,309
Insurance	34,441
Professional Fees	32,788
Licenses, Dues, and Fees	10,691
Taxes	11,742
Education	-
Simple IRA	-
Water Samples	1,941
Bad Debt Expense	3,373
Meals	3,057
Depreciation	89,634
Amortization	1,597
Miscellaneous	3,414
Total Operating Expenses	589,172
Operating Income (Loss)	54,408
Non-Operating Revenues (Expenses):	
Contributed Capital	14,800
Interest Income	4,330
Interest Expense	(103,915)
Total Non-Operating Revenues (Expenses)	(84,785)
Change in Net Assets	(30,377)
Net Assets, Beginning of Year	2,013,477
Net Assets, End of Year	\$ 1,983,100

The accompanying notes are an integral part of these financial statements.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Statement of Cash Flows
Year Ended December 31, 2011

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 622,574
Cash Payments to Suppliers	(351,075)
Cash Payments to Employees	(150,137)
Net Cash from Operating Activities	<u>121,362</u>
Cash Flows from Noncapital Financing Activities	
Subsidy from Federal Grant	<u>43,968</u>
Net Cash from Noncapital Financing Activities	<u>43,968</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Fixed Assets	(1,282,248)
Principal Paid on Notes Payable	(17,500)
Principal Paid on Long-Term Debt	(60,000)
Interest Paid on Note Payable	(103,037)
Capital Contributed by Customers	14,800
Net Cash from Capital and Related Financing Activities	<u>(1,447,985)</u>
Cash Flows from Investing Activities	
Proceeds of Certificates of Deposit	16,821
Proceeds from Interest Earnings	4,330
Net Change in Investments	<u>1,731,606</u>
Net Cash from Investing Activities	<u>1,752,757</u>
Net Increase (Decrease) in Cash	470,102
Cash, January 1	67,941
Cash, December 31	<u>\$ 538,043</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Operating Income (Loss)	<u>\$ 54,408</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	89,634
Increase in Customers' Deposits	1,200
Increase in Accounts Receivable	(22,206)
Decrease in Accounts Payable	(1,624)
Decrease in Taxes Payable	(50)
Total Adjustments	<u>66,954</u>
Net Cash from Operating Activities	<u>\$ 121,362</u>

The accompanying notes are an integral part of these financial statements.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2011

Note 1: Summary of Significant Accounting Policies

A. The Reporting Entity

Bois d'Arc Municipal Utility District (the District), for financial purposes, includes all of the funds and account groups relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the District for which it has no oversight responsibility.

B. The Creation of District

Bois d'Arc Municipal Utility District was created under Chapter 54, the Texas Water Code on June 6, 1979, and is a governmental agency and a body politic and corporate. It is declared to be a defined district within the meaning of Article XVI, Section 59 of the Texas Constitution. The first meeting of the governing board was held on July 13, 1979.

C. Basis of Presentation

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net assets represent the amount available for future operations.

D. Basis of Accounting and Measurement Focus

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As allowed by the GASB, the District has elected to apply Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 were not in conflict with GASB pronouncements.

The District operates as a utility enterprise and the accompanying financial statements reflect the flow of economic resources measurement focus the full-accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when the obligation is incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2011

Note 1: Summary of Significant Accounting Policies (continued)

E. Use of Estimates

The preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include currency on hand, demand deposits at banks or other financial institutions, and highly liquid debt instruments that are readily convertible to known amounts of cash and are purchased with a maturity of three months or less.

G. Investments

The District is permitted to invest funds in interest earning investments such as U. S. government securities, money market accounts, savings accounts, or certificates of deposit. The District's investments consist of certificates of deposit whose original maturity term exceeds three months and investments in external investment pools. Investments are carried at cost, which approximates fair value.

H. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Assets capitalized have an original cost of more than \$3,000 and useful life in excess of one year. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives are as follows:

Buildings	50 Years
Water System	10-50 Years
Equipment and Vehicles	5-10 Years
Office Equipment	5-10 Years

Note 2: Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Deposited funds may be invested in certificates of deposit in institutions that are domiciled in the State of Texas. Collateral agreements must be approved prior to deposit of funds as provided by law.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2011

Note 2: Deposits and Investments (continued)

At December 31, 2011, the District's deposits had a carrying amount of \$663,573 and a bank balance of \$730,753. The District was not exposed to custodial credit risk since deposits are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the District.

As of December 31, 2011, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
TexSTAR Investment Pool	\$265,094

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2011, TexSTAR's investments credit quality rating was AAAM (Standard & Poor's).

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. As of September 30, 2011, the District's bank balance was not exposed to custodial credit risk.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2011 follows:

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2011</u>
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 267,979	\$1,240,720	\$ 267,979	\$ 1,240,720
Land	<u>12,454</u>	<u>-</u>	<u>-</u>	<u>12,454</u>
Total Capital Assets Not being Depreciated	<u>280,433</u>	<u>1,240,720</u>	<u>267,979</u>	<u>1,253,174</u>
Capital Assets being Depreciated:				
Building	66,194	-		66,194
Water System	3,425,079	309,507	-	3,734,586
Equipment and Vehicles	144,700	-	-	144,700
Office Equipment	<u>19,053</u>	<u>-</u>	<u>-</u>	<u>19,053</u>
Total Capital Assets being Depreciated	<u>3,655,026</u>	<u>309,507</u>	<u>-</u>	<u>3,964,533</u>

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2011

Note 3: Capital Assets (continued)

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2011</u>
Less Accumulated Depreciation for:				
Buildings	19,241	1,324		20,565
Water System	1,630,198	80,397	-	1,710,595
Equipment and Vehicles	131,274	7,425	-	138,699
Office Equipment	<u>15,423</u>	<u>488</u>	-	<u>15,911</u>
Total Accumulated Depreciation	<u>1,796,136</u>	<u>89,634</u>	<u>-</u>	<u>1,885,770</u>
Capital Assets being Depreciated, Net	<u>1,858,890</u>	<u>219,873</u>	<u>-</u>	<u>2,078,763</u>
Capital Assets, Net	<u>\$ 2,139,323</u>	<u>\$1,460,593</u>	<u>\$ 267,979</u>	<u>\$ 3,331,937</u>

Note 4: Net Assets

GASB 34 requires that the difference between assets and liabilities be reported as net assets, not equity. Net assets are classified as either restricted, unrestricted or invested in capital assets, net of related debt.

Net assets that are invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition or construction of those assets.

Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation.

Unrestricted net assets consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Note 5: Water Service Rates

Water sales rates are subject to modification annually. At December 31, 2011, the rate was \$25.00 for the first 2,000 gallons. From 2,000 to 5,000 gallons the rate was \$6.00, from 5,000 to 10,000 gallons the rate was \$7.00 and for amounts that exceed 10,000 gallons the rate was \$10.00 per 1,000 gallons.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2011

Note 6: Long-Term Debt

A summary of the District's long-term debt for the year ended December 31, 2011, follows:

	<u>Bond Payable</u>
Balance at Beginning of Year	\$ 2,315,000
Additions	-
Retirements	<u>(60,000)</u>
Balance at End of Year	<u>\$ 2,255,000</u>
Amount Due Within One Year	<u>\$ 60,000</u>

On August 5, 2011, the District received bond issuance proceeds from the Texas Water Development Board in the amount of \$2,355,000 less issuance costs to finance the construction of a new well and other improvement projects. The bond payments have varying interest rates and payments of principal are made annually while payments of interest are made biannually. Payments began August 2011 and continue through August 2034.

The annual requirements to amortize these bonds as of December 31, 2011 are as follows:

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 60,000	\$ 101,787	\$ 161,787
2013	65,000	100,623	165,623
2014	70,000	99,167	169,167
2015	70,000	97,459	167,459
2016	70,000	95,471	165,471
2017	75,000	93,308	168,308
2018	75,000	90,803	165,803
2019	75,000	88,186	163,186
2020	80,000	85,381	165,381
2021	80,000	82,069	162,069
2022	85,000	78,597	163,597
2023	90,000	74,780	164,780
2024	95,000	70,604	165,604
2025	100,000	66,149	166,149
2026	105,000	61,259	166,259
2027	110,000	56,019	166,019
2028	115,000	50,420	165,420
2029	125,000	44,509	169,509
2030	130,000	38,022	168,022
2031	135,000	31,210	166,210

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2011

Note 6: Long-Term Debt (Continued)

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2032	140,000	24,068	164,068
2033	150,000	16,592	166,592
2034	<u>155,000</u>	<u>8,432</u>	<u>163,432</u>
	<u>\$ 2,255,000</u>	<u>\$ 1,554,915</u>	<u>\$3,809,915</u>

Note 7: Short-Term Debt

On December 20, 2007, the District received a note from First State Bank of Mesquite. This note is secured by a certificate of deposit with the bank and is due to mature in February 2012. A summary of the activity for the year is below:

<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
<u>\$ 72,500</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 55,000</u>

Note 8: Pension Plan

The District maintains a defined contribution retirement plan that covers all employees who are reasonably expected to receive \$5,000 in compensation for the current year. The District will match up to 3% of the employee's contributions. There were no contributions to the plan by the District for the current year. Contributions to the plan are discretionary, and the amount of future contributions will be determined annually by the Board of Directors.

Note 9: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The District purchases insurance coverage from commercial insurers to limit the risk of loss in these areas. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 10: Grants

The District is participating in a grant through Fannin County. The proceeds from the grant are to be used for water system improvements. The Due From Government of \$9,032 is derived solely from the grant.

Note 11: Commitments/Contingent Liabilities

Construction Contracts

The District had outstanding at December 31, 2011 contract commitments totaling approximately \$414,729 related to improvements and rehabilitation of the District's water system and related projects.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Index to Supplemental Schedules Included Within This Report
December 31, 2011

Only schedules checked below are included.

- (x) A. Independent Auditors' Report on Supplemental Schedules
- (x) B. Budgetary Comparison Schedule
- (x) C. Notes Required by the Water District Financial Management Guide - Disclosed in the Notes to the Financial Statements
- (x) D. Schedule of Services and Rates
- (x) E. Schedule of Operating Expenditures
- (x) F. Schedule of Temporary Investments
- () G. Taxes Levied and Receivable - The District does not levy taxes
- (x) H. Long-Term Debt Service Requirements - By Years
- (x) I. Analysis of Changes in Long-Term Debt
- (x) J. Comparative Schedule of Revenues and Expenses - Five Years
- (x) K. Board Members, Key Personnel and Consultants

McCLANAHAN AND HOLMES, LLP
 CERTIFIED PUBLIC ACCOUNTANTS

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(A) Independent Auditors' Report on Supplemental Schedules

Board of Directors
 Bois d' Arc Municipal Utility District
 Honey Grove, Texas

We have audited the financial statements of Bois d' Arc Municipal Utility District as of and for the year ended December 31, 2011 and have issued our report thereon dated May 31, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

McClanahan and Holmes, LLP

Certified Public Accountants

Bonham, Texas
 May 31, 2012

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2011

	Original and Final Budget	Actual	Variance
Operating Revenue:			
Charges for Services	\$ 586,600	\$ 643,580	\$ 56,980
Total Operating Revenue	<u>586,600</u>	<u>643,580</u>	<u>56,980</u>
Operating Expenses:			
Water Purchased	15,000	85,902	(70,902)
Operating Supplies	65,000	50,829	14,171
Utilities	54,500	51,839	2,661
Salaries	140,870	150,137	(9,267)
Office Expense	11,200	6,527	4,673
Maintenance and Repairs	14,350	19,951	(5,601)
Auto Expense	17,500	31,309	(13,809)
Insurance	37,000	34,441	2,559
Professional Fees	38,500	32,788	5,712
Licenses, Dues, and Fees	6,200	10,691	(4,491)
Taxes	11,100	11,742	(642)
Education	7,200	-	7,200
Simple IRA	-	-	-
Water Samples	2,500	1,941	559
Bad Debt Expense	-	3,373	(3,373)
Meals	-	3,057	(3,057)
Depreciation	62,000	89,634	(27,634)
Amortization	-	1,597	(1,597)
Miscellaneous	2,000	3,414	(1,414)
Total Operating Expenses	<u>484,920</u>	<u>589,172</u>	<u>(104,252)</u>
Operating Income (Loss)	<u>101,680</u>	<u>54,408</u>	<u>(47,272)</u>
Non-Operating Revenues (Expenses):			
Contributed Capital	60,900	14,800	(46,100)
Interest Income	5,000	4,330	(670)
Interest Expense	(51,370)	(103,915)	(52,545)
Total Non-Operating Revenues (Expenses)	<u>14,530</u>	<u>(84,785)</u>	<u>(99,315)</u>
Change in Net Assets	116,210	(30,377)	(146,587)
Net Assets, Beginning of Year	<u>2,013,477</u>	<u>2,013,477</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 2,129,687</u>	<u>\$ 1,983,100</u>	<u>\$ (146,587)</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Notes Required by the Water District Financial Management Guide
December 31, 2011

Note A: Creation of District

See Note 1B to the financial statements.

Note B: Pledge of Revenues

See Note 6 to the financial statements.

Note C: Tax Revenues

The District does not levy taxes.

Note D: Compliance with Debt Service Requirements

See Note 6 to the financial statements.

Note E: Redemption of Bonds

See Note 6 to the financial statements.

Note F: Pension Coverage for District Employees

See Note 8 to the financial statements

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Schedule of Services and Rates
 Year Ended December 31, 2011

1. Services Provided by the District:

Retail Water

2. Retail Rates Based on 5/8" Meter

The most prevalent type of meter (if not a 5/8"): Not Applicable

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate</u> Y/N	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$ 25.00	2000	N	\$ 6.00	2,000 to 5,000
				7.00	5,000 to 10,000
				10.00	over 10,000

SURCHARGE: .5% of total water bill.

District employs winter averaging for wastewater usage? Yes ___ No

Total water and wastewater charges per 10,000 gallons usage (including surcharges) \$ 78.39

3. Number of retail water connections within the District as of fiscal year ended December 31, 2011:

<u>Connections</u>	<u>Active Connections</u>	<u>Inactive Connections</u>
Single Family	937	235

4. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system: 84,418

Gallons billed to customers: 70,349

Water Accountability Ratio: $(70,349,400/84,418,000) = 83.33\%$

5. Standby Fees

The District is currently assessing standby fees? Yes ___ No

6. Anticipated sources of funds to be used for debt service payments in the District's following fiscal year: Water System Revenue - \$216,787 is the total anticipated funds to be used for debt service.

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Schedule of Services and Rates (Continued)
Year Ended December 31, 2011

7. Location of District

County in which District is located. Fannin and Lamar

Is the District located entirely within one county? Yes ___ No X

Is the District located within a city? Entirely ___ Partly ___ Not at all X

Cities in which District is located. N/A

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely _ Partly _ Not at all X

ETJ's in which District is located. N/A

Is the general membership of the Board appointed by an office outside the district? Yes ___ No X

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Schedule of Operating Expenditures
 Year Ended December 31, 2011

Current:		
Personnel (including benefits)	\$	177,880
Professional Fees:		
Auditing		9,800
Legal		21,574
Engineering		1,414
Financial Advisor		-
Purchased Services For Resale		
Bulk Water Purchases		85,902
Tap Connection Expenditures		-
Contracted Services:		
Bookkeeping		
General Manager		
Appraisal District		
Tax Collector		-
Other Contracted Services		-
Utilities		51,839
Repairs, Maintenance and Supplies		70,780
Administrative Expenditures:		
Directors' Fees		-
Office Expenditures		6,527
Insurance		6,698
Other Administrative Expenditures		-
Solid Waste Disposal		
Fire Fighting		
Parks and Recreation		-
Other Expenditures		62,154
		<u>62,154</u>
TOTAL EXPENDITURES	\$	<u><u>494,568</u></u>
Number of Persons employed by District:	<u>4</u>	Full-Time
	<u>1</u>	Part-Time

Schedule F

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
 Schedule of Temporary Investments
 December 31, 2011

Certificate of Deposit Number	Interest Rate	Maturity Date	Balance 12/31/2011	Accrued Interest Receivable at 12/31/2011
020699	1.00%	1/25/2012	\$ 64,988	\$ 108
TEXSTAR 07400-6233	Variable	-	169,822	-
TEXSTAR 07401-2944	Variable		<u>95,272</u>	<u>-</u>
Totals			<u>\$ 330,082</u>	<u>\$ 108</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Long-Term Debt Service Requirements - By Years
 December 31, 2011

Due During Fiscal Year Ending	Principal	Interest	Totals
2012	\$ 60,000	\$ 101,787	\$ 161,787
2013	65,000	100,623	165,623
2014	70,000	99,167	169,167
2015	70,000	97,459	167,459
2016	70,000	95,471	165,471
2017	75,000	93,308	168,308
2018	75,000	90,803	165,803
2019	75,000	88,186	163,186
2020	80,000	85,381	165,381
2021	80,000	82,069	162,069
2022	85,000	78,597	163,597
2023	90,000	74,780	164,780
2024	95,000	70,604	165,604
2025	100,000	66,149	166,149
2026	105,000	61,259	166,259
2027	110,000	56,019	166,019
2028	115,000	50,420	165,420
2029	125,000	44,509	169,509
2030	130,000	38,022	168,022
2031	135,000	31,210	166,210
2032	140,000	24,068	164,068
2033	150,000	16,592	166,592
2034	155,000	8,432	163,432
Totals	<u>\$ 2,255,000</u>	<u>\$ 1,554,915</u>	<u>\$ 3,809,915</u>

Schedule I

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Analysis of Changes in Long-Term Debt
 December 31, 2011

Interest Rate	Various
Dates Interest Payable	Bi-annually
Maturity Date	12/31/34
Bonds Payable at Beginning of Current Year	\$ 2,315,000
Addition to Principal	-
Retirements of Principal	<u>60,000</u>
Bonds Payable at End of Current Year	<u>\$ 2,255,000</u>
Retirements of Interest	<u>\$ 102,067</u>
Paying Agent's Name and Address:	

The Bank of New York
 2001 Bryan Street - 10th Floor
 Dallas, Texas 75201

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Comparative Schedule of Revenues and Expenses - Five Years
Fiscal Years Ended December 31

	Amounts					Percent of Fund Total Revenues				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Revenue										
Charges for Services	\$ 643,580	\$ 535,764	\$ 549,393	\$ 544,650	\$ 435,468	100.0%	100.0%	100.0%	100.0%	100.0%
Total Revenue	<u>643,580</u>	<u>535,764</u>	<u>549,393</u>	<u>544,650</u>	<u>435,468</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Expenses										
Purchase of Water	85,902	61,578	45,405	22,331	24,667	13.3%	11.5%	8.2%	4.1%	5.7%
Salaries	150,137	137,982	138,531	148,710	146,249	23.3%	25.8%	25.2%	27.3%	33.6%
Utilities	51,839	55,917	47,951	53,050	41,010	8.1%	10.4%	8.7%	9.7%	9.4%
Operating Supplies	50,829	70,370	50,904	47,721	34,279	7.9%	13.1%	9.3%	8.8%	7.9%
Contract System Repairs and Labor	19,951	12,410	17,162	19,599	9,311	3.1%	2.3%	3.1%	3.6%	2.1%
Transportation Expense	31,309	17,379	18,166	18,062	21,875	4.9%	3.2%	3.3%	3.3%	5.0%
Office Supplies	6,527	11,768	11,343	7,231	9,640	1.0%	2.2%	2.1%	1.3%	2.2%
Accounting, Audit, Legal and Engineering	32,788	23,941	30,653	37,763	36,023	5.1%	4.5%	5.6%	6.9%	8.3%
Licenses, Dues and Fees	10,691	5,804	11,048	6,154	6,810	1.7%	1.1%	2.0%	1.1%	1.6%
Taxes	11,742	11,881	11,900	12,079	11,372	1.8%	2.2%	2.2%	2.2%	2.6%
Miscellaneous	8,412	28,196	6,620	15,553	16,853	1.3%	5.3%	1.2%	2.9%	3.9%
Insurance	34,441	29,154	26,651	24,557	24,417	5.4%	5.4%	4.9%	4.5%	5.6%
Bad Debt Expense	3,373	1,285	9,897	3,220	2,536	0.5%	0.2%	1.8%	0.6%	0.6%
Amortization	1,597	1,596				0.2%	0.3%			
Depreciation	89,634	82,633	86,924	88,833	89,698	13.9%	15.4%	15.8%	16.3%	20.6%
Total Expenses	<u>589,172</u>	<u>551,894</u>	<u>513,155</u>	<u>504,863</u>	<u>474,740</u>	<u>91.5%</u>	<u>102.9%</u>	<u>93.4%</u>	<u>92.6%</u>	<u>109.1%</u>
Excess of Revenue Over Expenses	54,408	(16,130)	36,238	39,787	(39,272)	8.5%	-2.9%	6.6%	7.4%	-9.1%
Non-Operating Revenues (Expenses)										
Contributed Capital	14,800	35,864	26,750	59,194	138,225	2.3%	6.7%	4.8%	10.9%	31.7%
Other Income	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Income	4,330	3,889	3,351	5,385	6,723	0.7%	0.7%	0.6%	1.0%	1.5%
Interest Expense	(103,915)	(52,584)	(21,475)	(24,499)	(25,100)	-16.1%	-9.8%	-3.9%	-4.5%	-5.8%
Total Non-Operating Revenues (Expenses)	<u>(84,785)</u>	<u>(12,831)</u>	<u>8,626</u>	<u>40,080</u>	<u>119,848</u>	<u>-13.1%</u>	<u>-2.4%</u>	<u>1.5%</u>	<u>7.4%</u>	<u>27.4%</u>
Change in Net Assets	\$ (30,377)	\$ (28,961)	\$ 44,864	\$ 79,867	\$ 80,576	-4.6%	-5.3%	8.1%	14.8%	18.3%
Average annual debt service requirement for unpaid principal and interest	\$ 165,648	\$ 165,527	\$ 87,273	\$ 109,065	\$ 114,804					
Net Income before interest expense, fiscal fees and bond conversion	\$ 73,538	\$ 23,622	\$ 66,339	\$ 104,366	\$ 105,676					
Coverage (net income as adjusted/ annual debt service requirement)	0.44	0.15	0.76	0.96	0.92					
Number of active meters	937	928	930	929	925					

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Board Members, Key Personnel and Consultants
December 31, 2011

Complete District Mailing Address:
14101 E FM 1396
Honey Grove, Texas 75446

District Business Telephone Number:
(903) 378-7361

Names and Addresses	Term of Office Elected and Expires	Board of Directors		
		Fees and Expense Reimbursements for the Year Ended December 31, 2011	Title at Year End	Resident of District
Wayne Rysler 16909 E. FM 1396 Windom, TX 75492	5-10/5-14		President	Yes
Jim Frehner P. O. Box 33 Telephone, TX 75488	5-08/5-12		Vice President	Yes
Mabel Holmes 15924 E. FM 1396 Windom, TX 75492	5-08/5-12		Secretary	Yes
Bobby Tredway 721 CR 2750 Honey Grove, TX 75446	5-08/5-12		Treasurer	Yes
Don Fox 605 CR 2130 Telephone, TX 75488	5-10/5-14		Member	Yes
Stewart Richardson 9086 FM 100 Honey Grove, TX 75446	5-10/5-14		Member	Yes
Bill Partridge 850 CR 2415 Honey Grove, TX 75446	5-10/5-14		Member	Yes

Schedule K
(continued)

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Board Members, Key Personnel and Consultants (Continued)
December 31, 2011

Key Administrative Personnel

<u>Names and Addresses</u>	<u>Fees and Expense Reimbursements for the Year Ended December 31, 2011</u>	<u>Title at Year End</u>
Ronald M. Newhouse 2704 CR 2730 Honey Grove, TX 75446	\$ 43,269	General Manager
Margaret M. Reed 796 CR 2255 Telephone, TX 75488	36,068	Office Manager

Consultants

Daniel & Brown, Inc. P.O. Box 606 Farmersville, TX 75442	\$ 1,414	Engineers
Rapier & Wilson, P.C. 103 W. McDermott Allen, TX 75013-0002	16,729	Attorneys
McClanahan and Holmes, LLP 1400 W. Russell Ave. Bonham, TX 75418	9,800	Auditor
Myles Porter 411 N. Main Bonham, TX 75418	2,562	Attorney

McCLANAHAN AND HOLMES, LLP
 CERTIFIED PUBLIC ACCOUNTANTS

R. E. BOSTWICK, CPA
 STEVEN W. MOHUNDRO, CPA
 GEORGE H. STRUVE, CPA
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 903-465-6070
 FAX 903-465-6093

1400 WEST RUSSELL
 BONHAM, TEXAS 75418
 903-583-5574
 FAX 903-583-9453

Communication with Those
 Charged with Governance

Board of Directors
 Bois D' Arc Municipal Utility District
 Honey Grove, Texas

We have audited the financial statements of Bois D' Arc Municipal Utility District (District) for the year ended December 31, 2011, and have issued our report thereon dated May 31, 2012. Professional standards require that we provide you with the following information related to our audit.

Matters Related to the Auditor

Auditors' Responsibility under Generally Accepted Auditing Standards:

As stated in our engagement letter dated May 14, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you and management of your responsibilities.

Planned Scope and Timing of the Audit:

We performed the audit according to the planned scope and timing previously communicated to management via telephone calls in May 2012.

Matters Related to Audit Findings

Qualitative Aspects of Accounting Practices:

Accounting Policies – Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the audited financial statements. No new accounting policies were adopted, and the application of existing policies did not change during the audit period. We noted no transactions entered into by the District for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates – There were no significant or sensitive accounting estimates by management included in the financial statements.

Board of Directors
Bois D' Arc Municipal Utility District
Page 2

Accounting Disclosures – The disclosures in the financial statements are neutral, consistent and clear. There are no sensitive disclosures that are considered sensitive because of their significance to the financial statement users.

Audit Adjustments:

Corrected Misstatements – Professional standards require us to accumulate all known misstatements identified during the audit and communicate them to the appropriate level of management. Appendix A summarizes misstatements detected as a result of audit procedures that were corrected by management.

Uncorrected Misstatements – Professional standards require us to accumulate all likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were none identified during the audit.

Other Audit Findings:

Significant Audit 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 District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Difficulties in Performing the Audit -- We encountered no significant difficulties in dealing with management in performing and completing our audit.

Matters Related to Management

Disagreements with Management:

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

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," in certain situations. If a consultation involves application of an accounting principle to the District'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 make inquiries of us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Directors
Bois D' Arc Municipal Utility District
Page 3

Management Representations:

We have requested certain representations from management that are included in the management representation letter dated May 31, 2012.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of Bois D' Arc Municipal Utility District as of and for the year ended December 31, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies and material weaknesses in internal control.

Financial Accounting and Reporting:

The District does not have the ability to prepare the financial statements and control the period-end financial reporting process, including controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles; controls over procedures used to analyze transactions comprising general ledger activity; controls over initiating, authorizing, recording and processing journal entries into the general ledger; and controls over recording recurring and nonrecurring adjustments to the financial statements.

During the course of the audit we noted several credit card statements that did not include the supporting invoices for the charges and the credit card charges were not properly coded in the accounting system.

Board of Directors
Bois D' Arc Municipal Utility District
Page 4

Segregation of Duties:

A critical element in any internal control structure is the characteristic known as segregation of duties. Assigning different personnel the responsibility of authorizing transactions, recording transactions, and maintaining custody of assets achieve this internal control structure attribute. Due to the District's small number of personnel, there is limited segregation of duties in substantially all areas of the accounting system. To the extent possible, every effort should be made to utilize a "best practices" approach when considering controls over cash transactions and preparation of accounting records. We encourage the Board to closely monitor its financial activities which may help offset the weaknesses associated with limited segregation of duties.

This report is intended solely for the information and use of the District's management and Board of Directors and is not intended to and should not be used by anyone other than these parties.

McClanahan and Holmes, LLP

Certified Public Accountants

Bonham, Texas
May 31, 2012

Appendix A

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Corrected Misstatements
December 31, 2011

	Debit	Credit
Unbilled Accounts Receivable	\$ 8,661.97	\$ -
Uncollectible Accounts	-	(17,210.12)
USDA ACH Current	2,778.46	-
Due from Government	9,032.44	-
Water System	573,673.93	-
Office Equipment	3,521.34	-
Vehicles	41,840.48	-
Construction in Progress	-	(34,018.16)
Fixed Asset Purch/this Year	-	(2,442.34)
Depreciation Water System	-	(468,284.00)
Depreciation Building	-	(6,620.00)
Depreciation Office Equipment	-	(5,543.00)
Depreciation Vehicles	-	(65,028.00)
Depreciation Trailers	-	(2,492.00)
Accounts Payable	-	(13,268.48)
Fed W/H Payroll Taxes Payable	-	(4,028.06)
FICA Payroll Taxes Payable	-	(3,116.70)
Medicare Payroll Taxes Payable	-	(1,091.22)
TML IEBP Payable	-	(1,280.25)
Simple IRA Payable	-	(415.69)
TCEQ Usage Fee Payable	2,921.58	-
Interest Payable	573.73	-
Accrued Bond Interest Payable	-	(38,170.13)
Loan Payable	-	(2,404.69)
Bond Issuance Cost	36,719.39	-
TWDB Debt Service Fund	40,000.00	-
Retained Earnings	40,987.77	(181,922.33)
Equity Brotherton	-	(53,131.72)
Grants	93,967.56	-
Water Sales	-	(1,249.76)
Interest Income	-	(69.30)
Water Purchased	-	(5,533.49)
General Oper. Supplies	-	(3,518.84)
Office Supplies	-	(75.76)
Power	-	(3,503.40)
Telephone	1,695.14	-
Fuel	4,561.80	-
Internet	895.48	-
Road Bore	-	(6,099.05)
Pump Station Repairs	-	(26,365.46)
Postage	80.20	-
Yard Maintenance	248.95	-

Appendix A
(continued)

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Corrected Misstatements
December 31, 2011

	<u>Debit</u>	<u>Credit</u>
Vehicle Repairs	1,911.60	-
Backhoe Repair		(6,000.00)
Education	-	(185.00)
License/Dues	-	(3,331.44)
Legal	2,283.00	-
Payroll Taxes	-	(43.93)
Interest Expense	-	(44.02)
TWDB Bond Interest Expense	-	(605.12)
Misc. Expenses	-	(685.98)
Meals	477.07	-
Depreciation Expense	89,634.00	-
Amortization Expense	1,596.49	-
	<u>\$ 958,062.38</u>	<u>\$ (957,777.44)</u>

BOIS D'ARC MUNICIPAL UTILITY DISTRICT

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT THEREON**

December 31, 2012

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
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December 31, 2012

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McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bois d'Arc Municipal Utility District
Honey Grove, Texas

We have audited the accompanying financial statements of Bois d'Arc Municipal Utility District as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bois d'Arc Municipal Utility District as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
March 1, 2013

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Net Assets
December 31, 2012

ASSETS

Current Assets	
Cash	\$ 305,083
Certificates of Deposit	45,275
Accounts Receivable - Net	81,631
Bond Issuance Costs	35,123
Restricted Assets	
Cash	65,362
Investments	265,453
Total Current Assets	797,927
Capital Assets, Net of Accumulated Depreciation	3,593,586
Total Assets	4,391,513

LIABILITIES

Current Liabilities	
Accounts Payable	11,834
Taxes Payable	2,481
Meter Deposits Payable	45,928
Accrued Interest	38,343
Current Portion of Notes Payable	62,772
Current Portion of Bonds Payable	65,000
Total Current Liabilities	226,358
Non Current Liabilities	
Bonds Payable	2,130,000
Long-Term Notes Payable	75,249
Total Non Current Liabilities	2,205,249
Total Liabilities	2,431,607

NET ASSETS

Invested in Capital Assets, Net of Related Debt	1,388,854
Unrestricted	571,052
Total Net Assets	\$ 1,959,906

The accompanying notes are an integral part of these financial statements.

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Revenue, Expenses, and
Changes in Net Assets
Year Ended December 31, 2012

Operating Revenue:	
Charges for Services	\$ 557,228
Total Operating Revenue	557,228
Operating Expenses:	
Water Purchased	-
Operating Supplies	27,770
Utilities	39,346
Salaries	145,789
Office Expense	10,718
Maintenance and Repairs	25,255
Auto Expense	11,744
Insurance	38,111
Professional Fees	41,218
Licenses, Dues, and Fees	10,666
Taxes	12,546
Education	1,639
Water Samples	2,952
Bad Debt Expense	2,984
Meals	900
Depreciation	125,506
Amortization	1,596
Miscellaneous	2,077
Total Operating Expenses	500,817
Operating Income (Loss)	56,411
Non-Operating Revenues (Expenses):	
Contributed Capital	24,288
Interest Income	2,642
Interest Expense	(106,535)
Total Non-Operating Revenues (Expenses)	(79,605)
Change in Net Assets	(23,194)
Net Assets, Beginning of Year	1,983,100
Net Assets, End of Year	\$ 1,959,906

The accompanying notes are an integral part of these financial statements.

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Cash Flows
Year Ended December 31, 2012

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 573,082
Cash Payments to Suppliers	(240,179)
Cash Payments to Employees	(145,789)
Net Cash from Operating Activities	<u>187,114</u>
Cash Flows from Noncapital Financing Activities	
Subsidy from Federal Grant	<u>9,032</u>
Net Cash from Noncapital Financing Activities	<u>9,032</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Fixed Assets	(387,155)
Proceeds from Note Payable	100,260
Principal Paid on Notes Payable	(17,239)
Principal Paid on Long-Term Debt	(60,000)
Interest Paid on Note Payable and Long Term Debt	(106,568)
Capital Contributed by Customers	24,288
Net Cash from Capital and Related Financing Activities	<u>(446,414)</u>
Cash Flows from Investing Activities	
Proceeds of Certificates of Deposit	19,713
Proceeds from Interest Earnings	2,642
Net Change in Investments	(5,047)
Net Cash from Investing Activities	<u>17,308</u>
Net Increase (Decrease) in Cash	(232,960)
Cash, January 1	538,043
Cash, December 31	<u>\$ 305,083</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Operating Income (Loss)	<u>\$ 56,411</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	125,506
Amortization	1,596
Increase in Customers' Deposits	2,100
Decrease in Accounts Receivable	13,754
Decrease in Accounts Payable	(11,476)
Decrease in Taxes Payable	(777)
Total Adjustments	<u>130,703</u>
Net Cash from Operating Activities	<u>\$ 187,114</u>

The accompanying notes are an integral part of these financial statements.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2012

Note 1: Summary of Significant Accounting Policies

A. The Reporting Entity

Bois d'Arc Municipal Utility District (the District), for financial purposes, includes all of the funds and account groups relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the District for which it has no oversight responsibility.

B. The Creation of District

Bois d'Arc Municipal Utility District was created under Chapter 54, the Texas Water Code on June 6, 1979, and is a governmental agency and a body politic and corporate. It is declared to be a defined district within the meaning of Article XVI, Section 59 of the Texas Constitution. The first meeting of the governing board was held on July 13, 1979.

C. Basis of Presentation

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net assets represent the amount available for future operations.

D. Basis of Accounting and Measurement Focus

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As allowed by the GASB, the District has elected to apply Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 were not in conflict with GASB pronouncements.

The District operates as a utility enterprise and the accompanying financial statements reflect the flow of economic resources measurement focus the full-accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when the obligation is incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
 Notes to Financial Statements (Continued)
 December 31, 2012

Note 1: Summary of Significant Accounting Policies (continued)

E. Use of Estimates

The preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include currency on hand, demand deposits at banks or other financial institutions, and highly liquid debt instruments that are readily convertible to known amounts of cash and are purchased with a maturity of three months or less.

G. Investments

The District is permitted to invest funds in interest earning investments such as U. S. government securities, money market accounts, savings accounts, or certificates of deposit. The District's investments consist of certificates of deposit whose original maturity term exceeds three months and investments in external investment pools. Investments are carried at cost, which approximates fair value.

H. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Assets capitalized have an original cost of more than \$3,000 and useful life in excess of one year. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives are as follows:

Buildings	50 Years
Water System	10-50 Years
Equipment and Vehicles	5-10 Years
Office Equipment	5-10 Years

Note 2: Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Deposited funds may be invested in certificates of deposit in institutions that are domiciled in the State of Texas. Collateral agreements must be approved prior to deposit of funds as provided by law.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2012

Note 2: Deposits and Investments (continued)

At December 31, 2012, the District's deposits had a carrying amount of \$415,590 and a bank balance of \$427,420. The District was not exposed to custodial credit risk since deposits are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the District.

As of December 31, 2012, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
TexSTAR Investment Pool	\$265,453

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2012, TexSTAR's investments credit quality rating was AAAM (Standard & Poor's).

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. As of December 31, 2012, the District's bank balance was not exposed to custodial credit risk.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2012 follows:

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2012</u>
Capital Assets not Being				
Depreciated:				
Construction in Progress	\$ 1,240,720	\$ -	\$ 1,240,720	\$ -
Land	12,454	-	-	12,454
Total Capital Assets				
Not being Depreciated	<u>1,253,174</u>	<u>-</u>	<u>1,240,720</u>	<u>12,454</u>
Capital Assets being				
Depreciated:				
Building	66,194	-	-	66,194
Water System	3,734,586	1,627,875	-	5,362,461
Equipment and Vehicles	144,700	-	-	144,700
Office Equipment	19,053	-	-	19,053
Total Capital Assets				
being Depreciated	<u>3,964,533</u>	<u>1,627,875</u>	<u>-</u>	<u>5,592,408</u>

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2012

Note 3: Capital Assets (continued)

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2012</u>
Less Accumulated Depreciation for:				
Buildings	20,565	1,324		21,889
Water System	1,710,595	119,263	-	1,829,858
Equipment and Vehicles	138,699	1,777	-	140,476
Office Equipment	<u>15,911</u>	<u>3,142</u>	-	<u>19,053</u>
Total Accumulated Depreciation	<u>1,885,770</u>	<u>125,506</u>	<u>-</u>	<u>2,011,276</u>
Capital Assets being Depreciated, Net	<u>2,078,763</u>	<u>1,502,369</u>	<u>-</u>	<u>3,581,132</u>
Capital Assets, Net	<u>\$ 3,331,937</u>	<u>\$1,502,369</u>	<u>\$ 1,240,720</u>	<u>\$ 3,593,586</u>

Note 4: Net Assets

GASB 34 requires that the difference between assets and liabilities be reported as net assets, not equity. Net assets are classified as either restricted, unrestricted or invested in capital assets, net of related debt.

Net assets that are invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition or construction of those assets.

Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation.

Unrestricted net assets consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Note 5: Water Service Rates

Water sales rates are subject to modification annually. At December 31, 2012, the rate was \$25.00 for the first 2,000 gallons. From 2,000 to 5,000 gallons the rate was \$6.00, from 5,000 to 10,000 gallons the rate was \$7.00 and for amounts that exceed 10,000 gallons the rate was \$10.00 per 1,000 gallons.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2012

Note 6: Long-Term Debt

A summary of the District's long-term debt for the year ended December 31, 2012, follows:

	<u>Bond Payable</u>	<u>Note Payable</u>
Balance at Beginning of Year	\$ 2,255,000	\$ -
Additions	-	100,260
Retirements	<u>(60,000)</u>	<u>(7,094)</u>
Balance at End of Year	<u>\$ 2,195,000</u>	<u>\$ 93,166</u>
Amount Due Within One Year	<u>\$ 65,000</u>	<u>\$ 17,917</u>

On August 5, 2011, the District received bond issuance proceeds from the Texas Water Development Board in the amount of \$2,355,000 less issuance costs to finance the construction of a new well and other improvement projects. The bond payments have varying interest rates and payments of principal are made annually while payments of interest are made biannually. Payments began August 2011 and continue through August 2034.

The annual requirements to amortize these bonds as of December 31, 2012 are as follows:

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 65,000	\$ 100,623	\$ 165,623
2014	70,000	99,167	169,167
2015	70,000	97,459	167,459
2016	70,000	95,471	165,471
2017	75,000	93,308	168,308
2018	75,000	90,803	165,803
2019	75,000	88,186	163,186
2020	80,000	85,381	165,381
2021	80,000	82,069	162,069
2022	85,000	78,597	163,597
2023	90,000	74,780	164,780
2024	95,000	70,604	165,604
2025	100,000	66,149	166,149
2026	105,000	61,259	166,259
2027	110,000	56,019	166,019
2028	115,000	50,420	165,420
2029	125,000	44,509	169,509
2030	130,000	38,022	168,022
2031	135,000	31,210	166,210
2032	140,000	24,068	164,068
2033	150,000	16,592	166,592
2034	<u>155,000</u>	<u>8,432</u>	<u>163,432</u>
	<u>\$ 2,195,000</u>	<u>\$ 1,453,128</u>	<u>\$ 3,648,128</u>

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2012

Note 6: Long-Term Debt (Continued)

On July 13, 2012, the District received a loan from Fannin Bank in the amount of \$100,260 for operating purposes. The interest rate on the loan is 6.75%. The loan is for a term of 36 months. The principal and interest are payable in monthly installments of \$1,978 beginning August 13, 2012 through June 13, 2015 with a payment of \$46,219 due on July 12, 2015. This note is secured by future revenues of the District.

The annual requirements to amortize this loan as of December 31, 2012 are as follows:

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 17,917	\$ 5,820	\$ 23,737
2014	19,182	4,555	23,737
2015	<u>56,067</u>	<u>2,021</u>	<u>58,088</u>
	<u>\$ 93,166</u>	<u>\$ 12,396</u>	<u>\$ 105,562</u>

Note 7: Short-Term Debt

On December 20, 2007, the District received a note from First State Bank of Mesquite. This note is secured by a certificate of deposit with the bank and is due to mature in February 2012. A summary of the activity for the year is below:

<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
\$ 55,000	\$ -	\$ 10,145	\$ 44,855

Note 8: Pension Plan

The District maintains a defined contribution retirement plan that covers all employees who are reasonably expected to receive \$5,000 in compensation for the current year. The District will match up to 3% of the employee's contributions. There were no contributions to the plan by the District for the current year. Contributions to the plan are discretionary, and the amount of future contributions will be determined annually by the Board of Directors.

Note 9: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The District purchases insurance coverage from commercial insurers to limit the risk of loss in these areas. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 10: Subsequent Events

Subsequent to year end, the District entered into a contract for a waterline improvement project through Texas Water Development Board in the amount of \$78,738.40.