

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Index to Supplemental Schedules Included Within This Report
December 31, 2012

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

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 903-465-6093

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

(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, 2012 and have issued our report thereon dated March 1, 2013. 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
 March 1, 2013

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
Operating Revenue:			
Charges for Services	\$ 640,300	\$ 557,228	\$ (83,072)
Total Operating Revenue	<u>640,300</u>	<u>557,228</u>	<u>(83,072)</u>
Operating Expenses:			
Water Purchased	5,000	-	5,000
Operating Supplies	57,500	27,770	29,730
Utilities	52,500	39,346	13,154
Salaries	146,058	145,789	269
Office Expense	10,700	10,718	(18)
Maintenance and Repairs	22,750	25,255	(2,505)
Auto Expense	14,500	11,744	2,756
Insurance	30,000	38,111	(8,111)
Professional Fees	33,000	41,218	(8,218)
Licenses, Dues, and Fees	11,275	10,666	609
Taxes	11,100	12,546	(1,446)
Education	8,000	1,639	6,361
Water Samples	4,000	2,952	1,048
Bad Debt Expense	-	2,984	(2,984)
Meals	-	900	(900)
Depreciation	62,000	125,506	(63,506)
Amortization	-	1,596	(1,596)
Miscellaneous	2,000	2,077	(77)
Total Operating Expenses	<u>470,383</u>	<u>500,817</u>	<u>(30,434)</u>
Operating Income (Loss)	<u>169,917</u>	<u>56,411</u>	<u>(113,506)</u>
Non-Operating Revenues (Expenses):			
Contributed Capital	33,000	24,288	(8,712)
Interest Income	3,800	2,642	(1,158)
Interest Expense	-	(106,535)	(106,535)
Total Non-Operating Revenues (Expenses)	<u>36,800</u>	<u>(79,605)</u>	<u>(116,405)</u>
Change in Net Assets	206,717	(23,194)	(229,911)
Net Assets, Beginning of Year	<u>1,983,100</u>	<u>1,983,100</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 2,189,817</u>	<u>\$ 1,959,906</u>	<u>\$ (229,911)</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Notes Required by the Water District Financial Management Guide
December 31, 2012

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, 2012

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>	Flat Rate <u>Y/N</u>	Rate per 1000 Gallons Over <u>Minimum</u>	<u>Usage Levels</u>
WATER:	\$ 25.00	2,000	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	948	232

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

Gallons pumped into system: 72,571

Gallons billed to customers: 53,720

Water Accountability Ratio: $(53,720,100 / 72,570,800) = 74.02\%$

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 - \$234,215 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, 2012

7. Location of District

County in which District is located. Fannin and Lamar

Is the District located entirely within one county? Yes No

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

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

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

Schedule E

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Schedule of Operating Expenditures
 Year Ended December 31, 2012

Current:		
Personnel (including benefits)	\$	167,528
Professional Fees:		
Auditing		21,600
Legal		18,832
Engineering		786
Financial Advisor		-
Purchased Services For Resale		
Bulk Water Purchases		
Tap Connection Expenditures		
Contracted Services:		
Bookkeeping		
General Manager		
Appraisal District		
Tax Collector		-
Other Contracted Services		-
Utilities		39,346
Repairs, Maintenance and Supplies		53,025
Administrative Expenditures:		
Directors' Fees		-
Office Expenditures		10,718
Insurance		16,373
Other Administrative Expenditures		-
Solid Waste Disposal		
Fire Fighting		
Parks and Recreation		-
Other Expenditures		42,523
		<hr/>
TOTAL EXPENDITURES	\$	<u>370,731</u>
Number of Persons employed by District:		
	<u>4</u>	Full-Time
	<u>0</u>	Part-Time

Schedule F

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
 Schedule of Temporary Investments
 December 31, 2012

Certificate of Deposit Number	Interest Rate	Maturity Date	Balance 12/31/2012	Accrued Interest Receivable at 12/31/2012
22032	0.30%	1/25/2013	\$ 45,275	\$ 25
TEXSTAR 07400-6233	Variable	-	170,052	-
TEXSTAR 07401-2944	Variable		<u>95,401</u>	-
Totals			<u>\$ 310,728</u>	<u>\$ 25</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Long-Term Debt Service Requirements - By Years
 December 31, 2012

<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	155,000	8,432	163,432
Totals	<u>\$ 2,195,000</u>	<u>\$ 1,453,128</u>	<u>\$ 3,648,128</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Analysis of Changes in Long-Term Debt
 December 31, 2012

Interest Rate	Various
Dates Interest Payable	Bi-annually
Maturity Date	12/31/34
Bonds Payable at Beginning of Current Year	\$ 2,255,000
Addition to Principal	-
Retirements of Principal	<u>60,000</u>
Bonds Payable at End of Current Year	<u>\$ 2,195,000</u>
Retirements of Interest	<u>\$ 101,787</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				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
Revenue										
Charges for Services	\$ 557,228	\$ 643,580	\$ 535,764	\$ 549,393	\$ 544,650	100.0%	100.0%	100.0%	100.0%	100.0%
Total Revenue	<u>557,228</u>	<u>643,580</u>	<u>535,764</u>	<u>549,393</u>	<u>544,650</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	0.0%	13.3%	11.5%	8.2%	4.1%
Salaries	145,789	150,137	137,982	138,531	148,710	26.2%	23.3%	25.8%	25.2%	27.3%
Utilities	39,346	51,839	55,917	47,951	53,050	7.1%	8.1%	10.4%	8.7%	9.7%
Operating Supplies	27,770	50,829	70,370	50,904	47,721	5.0%	7.9%	13.1%	9.3%	8.8%
Contract System Repairs and Labor	25,255	19,951	12,410	17,162	19,599	4.5%	3.1%	2.3%	3.1%	3.6%
Transportation Expense	11,744	31,309	17,379	18,166	18,062	2.1%	4.9%	3.2%	3.3%	3.3%
Office Supplies	10,718	6,527	11,768	11,343	7,231	1.9%	1.0%	2.2%	2.1%	1.3%
Accounting, Audit, Legal and						0.0%	0.0%			
Engineering	41,218	32,788	23,941	30,653	37,763	7.4%	5.1%	4.5%	5.6%	6.9%
Licenses, Dues and Fees	10,666	10,691	5,804	11,048	6,154	1.9%	1.7%	1.1%	2.0%	1.1%
Taxes	12,546	11,742	11,881	11,900	12,079	2.3%	1.8%	2.2%	2.2%	2.2%
Miscellaneous	7,568	8,412	28,196	6,620	15,553	1.4%	1.3%	5.3%	1.2%	2.9%
Insurance	38,111	34,441	29,154	26,651	24,557	6.8%	5.4%	5.4%	4.9%	4.5%
Bad Debt Expense	2,984	3,373	1,285	9,897	3,220	0.5%	0.5%	0.2%	1.8%	0.6%
Amortization	1,596	1,597	1,596			0.3%	0.2%	0.3%		
Depreciation	125,506	89,634	82,633	86,924	88,833	22.5%	13.9%	15.4%	15.8%	16.3%
Total Expenses	<u>500,817</u>	<u>589,172</u>	<u>551,894</u>	<u>513,155</u>	<u>504,863</u>	<u>89.9%</u>	<u>91.5%</u>	<u>102.9%</u>	<u>93.4%</u>	<u>92.6%</u>
Excess of Revenue Over Expenses	56,411	54,408	(16,130)	36,238	39,787	10.1%	8.5%	-2.9%	6.6%	7.4%
Non-Operating Revenues (Expenses)										
Contributed Capital	24,288	14,800	35,864	26,750	59,194	4.4%	2.3%	6.7%	4.8%	10.9%
Other Income	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Income	2,642	4,330	3,889	3,351	5,385	0.5%	0.7%	0.7%	0.6%	1.0%
Interest Expense	(106,535)	(103,915)	(52,584)	(21,475)	(24,499)	-19.1%	-16.1%	-9.8%	-3.9%	-4.5%
Total Non-Operating Revenues (Expenses)	<u>(79,605)</u>	<u>(84,785)</u>	<u>(12,831)</u>	<u>8,626</u>	<u>40,080</u>	<u>-14.2%</u>	<u>-13.1%</u>	<u>-2.4%</u>	<u>1.5%</u>	<u>7.4%</u>
Change in Net Assets	\$ (23,194)	\$ (30,377)	\$ (28,961)	\$ 44,864	\$ 79,867	-4.1%	-4.6%	-5.3%	8.1%	14.8%
Average annual debt service requirement for unpaid principal and interest	\$ 165,824	\$ 165,648	\$ 165,527	\$ 87,273	\$ 109,065					
Net Income before interest expense, fiscal fees and bond conversion	\$ 83,341	\$ 73,538	\$ 23,622	\$ 66,339	\$ 104,366					
Coverage (net income as adjusted/ annual debt service requirement)	0.50	0.44	0.15	0.76	0.96					
Number of active meters	948	937	928	930	929					

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Board Members, Key Personnel and Consultants
December 31, 2012

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, 2012	Title at Year End	Resident of District
Wayne Ryser 16909 E. FM 1396 Windom, TX 75492	5-10/5-14		President	Yes
Jim Frehner P. O. Box 33 Telephone, TX 75488	5-12/5-16		Vice President	Yes
Mabel Holmes 15924 E. FM 1396 Windom, TX 75492	5-12/5-16		Secretary	Yes
Larry Franklin 15387 E. FM 1396 Windom, TX 75492	5-12/5-16		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, 2012

Key Administrative Personnel

<u>Names and Addresses</u>	<u>Fees and Expense Reimbursements for the Year Ended December 31, 2012</u>	<u>Title at Year End</u>
Ronald M. Newhouse 2704 CR 2730 Honey Grove, TX 75446	\$ 44,052	General Manager
Margaret M. Reed 796 CR 2255 Telephone, TX 75488	36,991	Office Manager

Consultants

Daniel & Brown, Inc. P.O. Box 606 Farmersville, TX 75442	\$ 41,065	Engineers
Rapier, Wilson and Wendland, P.C. 1333 W. McDermott, Suite 100 Allen, TX 75013	19,613	Attorneys
McClanahan and Holmes, LLP 1400 W. Russell Ave. Bonham, TX 75418	21,600	Auditor
Myles Porter 411 N. Main Bonham, TX 75418	562	Attorney

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 903-465-6093

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, 2012, and have issued our report thereon dated March 1, 2013. 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 October 31, 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 January, 2013.

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 March 1, 2013.

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, 2012 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
March 1, 2013

Appendix A

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Corrected Misstatements
December 31, 2012

	Debit	Credit
Unbilled Accounts Receivable	\$ -	\$ 6,027.96
Uncollectible Accounts	2,460.52	17,210.12
Due from Government	-	9,032.44
Water System	1,627,874.49	-
Construction in Progress	-	1,602,147.21
Depreciation Water System	-	121,325.00
Depreciation Building	-	1,324.00
Depreciation Office Equipment	-	2.00
Depreciation Vehicles	-	2,855.00
Accounts Payable	11,398.10	186.22
Fed W/H Payroll Taxes Payable	304.68	-
FICA Payroll Taxes Payable	206.53	-
Medicare Payroll Taxes Payable	206.24	-
RRGWCD Payable	-	863.09
VFD Donations	4,819.50	-
Interest Payable	-	402.91
Accrued Bond Interest Payable	436.50	-
Grant Supply Loan	-	305.00
Bond Issuance Cost	-	1,596.49
Retained Earnings	-	-
Equity Brotherton	-	-
Grants	-	-
Water Sales	6,027.96	2,460.52
Miscellaneous Income	9,032.44	4,819.50
Interest Income	-	-
Water Purchased	-	-
General Oper. Supplies	-	6,098.08
Office Supplies	-	-
Power	3,358.55	-
Telephone	-	2,670.15
Fuel	-	6,170.54
Internet	-	1,064.52
Road Bore	-	-
Pump Station Repairs	-	12,100.00
Postage	-	80.20
Yard Maintenance	-	248.95
Water Samples	76.00	-
Chemicals	56.80	-

Appendix A
(continued)BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Corrected Misstatements
December 31, 2012

	<u>Debit</u>	<u>Credit</u>
Vehicle Repairs	-	1,595.21
Backhoe Repair	-	-
Education	-	-
Travel	108.48	-
License/Dues	-	411.38
Legal	-	1,426.75
Payroll Taxes	-	717.45
Interest Expense	-	1,316.57
Fannin Bank Interest Expense	310.13	-
First State Bank Interest Expense	1,714.35	-
TWDB Bond Interest Expense	-	436.50
Misc. Expenses	1,049.31	310.27
Meals	-	635.58
Uncollectible Accounts	17,210.12	-
Water System Improvements	-	7,913.58
Depreciation Expense	125,506.00	-
Amortization Expense	1,596.49	-
	<u>\$ 1,813,753.19</u>	<u>\$ 1,813,753.19</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT

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

December 31, 2013

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Table of Contents
December 31, 2013

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Net Position	3
Statement of Revenue, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information	13
Communication with Those Charged with Governance	26

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
803-465-6070
FAX 903-465-6093

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

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, 2013, 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 the 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.

Auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bois d' Arc Municipal Utility District as of December 31, 2013, 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
May 9, 2014

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Net Position
December 31, 2013

ASSETS

Current Assets	
Cash	\$ 247,200
Certificates of Deposit	45,411
Accounts Receivable - Net	85,682
Prepaid Expense	875
Restricted Assets	
Cash	66,230
Investments	265,633
Total Current Assets	<u>711,031</u>
Capital Assets, Net of Accumulated Depreciation	<u>3,563,588</u>
Total Assets	<u>4,274,619</u>

LIABILITIES

Current Liabilities	
Accounts Payable	16,163
Taxes Payable	2,803
Meter Deposits Payable	48,828
Accrued Interest	37,486
Current Portion of Notes Payable	53,026
Current Portion of Bonds Payable	70,000
Total Current Liabilities	<u>228,306</u>
Non Current Liabilities	
Bonds Payable	2,060,000
Long-Term Notes Payable	56,067
Total Non Current Liabilities	<u>2,116,067</u>
Total Liabilities	<u>2,344,373</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	1,324,495
Unrestricted	<u>605,751</u>
Total Net Position	<u>\$ 1,930,246</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 Position
Year Ended December 31, 2013

Operating Revenue:	
Charges for Services	\$ 542,984
Total Operating Revenue	542,984
Operating Expenses:	
Operating Supplies	31,475
Utilities	46,739
Salaries	155,246
Office Expense	8,558
Maintenance and Repairs	6,592
Auto Expense	14,463
Insurance	29,424
Professional Fees	27,907
Licenses, Dues, and Fees	9,490
Taxes	12,175
Education	651
Water Samples	1,415
Bad Debt Expense	2,541
Meals	572
Depreciation	126,846
Miscellaneous	3,174
Total Operating Expenses	477,268
Operating Income (Loss)	65,716
Non-Operating Revenues (Expenses):	
Contributed Capital	44,457
Interest Income	1,865
Interest Expense	(106,575)
Total Non-Operating Revenues (Expenses)	(60,253)
Change in Net Position	5,463
Net Position, Beginning of Year	1,959,906
Prior Period Adjustment	(35,123)
Net Position, End of Year	\$ 1,930,246

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, 2013

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 541,833
Cash Payments to Suppliers	(191,400)
Cash Payments to Employees	(155,246)
Net Cash from Operating Activities	<u>195,187</u>
 Cash Flows from Capital and Related Financing Activities	
Acquisition of Fixed Assets	(96,848)
Principal Paid on Short-Term Debt	(11,011)
Principal Paid on Long-Term Debt	(82,917)
Interest Paid	(107,432)
Capital Contributed by Customers	44,457
Net Cash from Capital and Related Financing Activities	<u>(253,751)</u>
 Cash Flows from Investing Activities	
Proceeds of Certificates of Deposit	(136)
Proceeds from Interest Earnings	1,865
Net Change in Investments	(1,048)
Net Cash from Investing Activities	<u>681</u>
 Net Increase (Decrease) in Cash	(57,883)
Cash, January 1	305,083
Cash, December 31	<u>\$ 247,200</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Operating Income (Loss)	<u>\$ 65,716</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	126,846
Increase in Accounts Receivable	(4,051)
Increase in Prepaid Insurance	(875)
Increase in Accounts Payable	4,329
Increase in Taxes Payable	322
Increase in Customers' Deposits	2,900
Total Adjustments	<u>129,471</u>
 Net Cash from Operating Activities	<u>\$ 195,187</u>

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

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2013

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 position 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.

The District operates as a utility enterprise and the accompanying financial statements reflect the flow of economic resources measurement focus under 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, 2013

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, 2013

Note 2: Deposits and Investments (continued)

At December 31, 2013, the District's deposits had a carrying amount of \$358,667 and a bank balance of \$369,395. 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, 2013, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
TexSTAR Investment Pool	\$265,633

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2013, 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, 2013, 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, 2013 follows:

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2013</u>
Capital Assets not Being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Land	12,454	-	-	12,454
Total Capital Assets Not being Depreciated	<u>12,454</u>	<u>-</u>	<u>-</u>	<u>12,454</u>
Capital Assets being Depreciated:				
Building	66,194	-	-	66,194
Water System	5,362,461	96,848	-	5,459,309
Equipment and Vehicles	144,700	-	-	144,700
Office Equipment	19,053	-	-	19,053
Total Capital Assets being Depreciated	<u>5,592,408</u>	<u>96,848</u>	<u>-</u>	<u>5,689,256</u>

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2013

Note 3: Capital Assets (continued)

	<u>Balance</u> <u>January 1,</u> <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2013</u>
Less Accumulated Depreciation for:				
Buildings	- 21,889	1,324		23,213
Water System	1,829,858	123,751	-	1,953,609
Equipment and Vehicles	140,476	1,771	-	142,247
Office Equipment	<u>19,053</u>	<u>-</u>	<u>-</u>	<u>19,053</u>
Total Accumulated Depreciation	<u>2,011,276</u>	<u>126,846</u>	<u>-</u>	<u>2,138,122</u>
Capital Assets being Depreciated, Net	<u>3,581,132</u>	<u>(29,998)</u>	<u>-</u>	<u>3,551,134</u>
Capital Assets, Net	<u>\$ 3,593,586</u>	<u>\$ (29,998)</u>	<u>\$ -</u>	<u>\$ 3,563,588</u>

Note 4: Net Position

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

Net Position that is 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 position is those amounts which 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 position consist of all other net position that does 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, 2013, 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, 2013

Note 6: Long-Term Debt

A summary of the District's long-term debt for the year ended December 31, 2013, follows:

	<u>Bond Payable</u>	<u>Note Payable</u>
Balance at Beginning of Year	\$ 2,195,000	\$ 93,166
Additions	-	-
Retirements	<u>(65,000)</u>	<u>(17,917)</u>
Balance at End of Year	<u>\$ 2,130,000</u>	<u>\$ 75,249</u>
Amount Due Within One Year	<u>\$ 70,000</u>	<u>\$ 19,182</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, 2013 are as follows:

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 2,130,000</u>	<u>\$ 1,352,505</u>	<u>\$ 3,482,505</u>

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2013

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, 2013 are as follows:

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 19,182	\$ 4,555	\$ 23,737
2015	<u>56,067</u>	<u>2,021</u>	<u>58,088</u>
	<u>\$ 75,249</u>	<u>\$ 6,576</u>	<u>\$ 81,825</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>
\$ 44,855	\$ -	\$ 11,011	\$ 33,844

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: Prior Period Adjustment

A prior period adjustment was necessary for \$35,123 due to a change in accounting for Bond Issuance Costs.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2013

Note 11: 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 \$99,000.

Note 12: Commitments/Contingent Liabilities

The District is subject to pending lawsuits. Although the outcome of lawsuits is not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Index to Supplemental Schedules Included Within This Report
December 31, 2013

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

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 903-465-6093

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

(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, 2013 and have issued our report thereon dated May 9, 2014. 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 9, 2014

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance
Operating Revenue:			
Charges for Services	\$ 587,200	\$ 542,984	\$ (44,216)
Total Operating Revenue	<u>587,200</u>	<u>542,984</u>	<u>(44,216)</u>
Operating Expenses:			
Operating Supplies	42,500	31,475	11,025
Utilities	51,200	46,739	4,461
Salaries	147,276	155,246	(7,970)
Office Expense	10,500	8,558	1,942
Maintenance and Repairs	18,150	6,592	11,558
Auto Expense	9,000	14,463	(5,463)
Insurance	33,888	29,424	4,464
Professional Fees	24,700	27,907	(3,207)
Licenses, Dues, and Fees	11,275	9,490	1,785
Taxes	12,062	12,175	(113)
Education	600	651	(51)
Water Samples	4,000	1,415	2,585
Bad Debt Expense	-	2,541	(2,541)
Meals	-	572	(572)
Depreciation	62,000	126,846	(64,846)
Miscellaneous	1,500	3,174	(1,674)
Total Operating Expenses	<u>428,651</u>	<u>477,268</u>	<u>(48,617)</u>
Operating Income (Loss)	<u>158,549</u>	<u>65,716</u>	<u>(92,833)</u>
Non-Operating Revenues (Expenses):			
Contributed Capital	18,700	44,457	25,757
Interest Income	3,000	1,865	(1,135)
Interest Expense	-	(106,575)	(106,575)
Total Non-Operating Revenues (Expenses)	<u>21,700</u>	<u>(60,253)</u>	<u>(81,953)</u>
Change in Net Position	180,249	5,463	(174,786)
Net Position, Beginning of Year	1,959,906	1,959,906	-
Prior Period Adjustment	-	(35,123)	(35,123)
Net Position, End of Year	<u>\$ 2,140,155</u>	<u>\$ 1,930,246</u>	<u>\$ (209,909)</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Notes Required by the Water District Financial Management Guide
December 31, 2013

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, 2013

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 Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$ 25.00	2,000	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, 2013:

<u>Connections</u>	<u>Active Connections</u>	<u>Inactive Connections</u>
Single Family	950	242

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

Gallons pumped into system: 76,530

Gallons billed to customers: 54,437

Water Accountability Ratio: $(54,436,500/76,530,000) = 71.13\%$

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 - \$226,748 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, 2013

7. Location of District

County in which District is located. Fannin and Lamar

Is the District located entirely within one county? Yes No

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

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

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

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Schedule of Operating Expenditures
Year Ended December 31, 2013

Current:		
Personnel (including benefits)	\$	175,602
Professional Fees:		
Auditing		11,350
Legal		16,096
Engineering		462
Financial Advisor		-
Purchased Services For Resale		
Bulk Water Purchases		
Tap Connection Expenditures		
Contracted Services:		
Bookkeeping		
General Manager		
Appraisal District		
Tax Collector		-
Other Contracted Services		-
Utilities		46,739
Repairs, Maintenance and Supplies		38,067
Administrative Expenditures:		
Directors' Fees		-
Office Expenditures		8,558
Insurance		9,068
Other Administrative Expenditures		-
Solid Waste Disposal		
Fire Fighting		
Parks and Recreation		-
Other Expenditures		41,939
TOTAL EXPENDITURES	\$	347,881
Number of Persons employed by District:		
	<u>4</u>	Full-Time
	<u>0</u>	Part-Time

Schedule F

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Schedule of Temporary Investments
December 31, 2013

<u>Certificate of Deposit Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2013</u>	<u>Accrued Interest Receivable at 12/31/2013</u>
22032	0.30%	1/25/2014	\$ 45,411	\$ 25
TEXSTAR 07400-6233	Variable	-	170,167	-
TEXSTAR 07401-2944	Variable		<u>95,466</u>	<u>-</u>
Totals			<u><u>\$ 311,044</u></u>	<u><u>\$ 25</u></u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Long-Term Debt Service Requirements - By Years
December 31, 2013

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 2,130,000</u>	<u>\$ 1,352,505</u>	<u>\$ 3,482,505</u>

Schedule I

**BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Analysis of Changes in Long-Term Debt
December 31, 2013**

Interest Rate	Various
Dates Interest Payable	Bi-annually
Maturity Date	12/31/34
Bonds Payable at Beginning of Current Year	\$ 2,195,000
Addition to Principal	-
Retirements of Principal	<u>65,000</u>
Bonds Payable at End of Current Year	<u>\$ 2,130,000</u>
Retirements of Interest	<u>\$ 100,623</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				
	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
Revenue										
Charges for Services	\$ 542,984	\$ 557,228	\$ 643,580	\$ 535,764	\$ 549,393	100.0%	100.0%	100.0%	100.0%	100.0%
Total Revenue	<u>542,984</u>	<u>557,228</u>	<u>643,580</u>	<u>535,764</u>	<u>549,393</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	0.0%	0.0%	13.3%	11.5%	8.2%
Salaries	155,246	145,789	150,137	137,982	138,531	28.6%	26.2%	23.3%	25.8%	25.2%
Utilities	46,739	39,346	51,839	55,917	47,951	8.6%	7.1%	8.1%	10.4%	8.7%
Operating Supplies	31,475	27,770	50,829	70,370	50,904	5.8%	5.0%	7.9%	13.1%	9.3%
Contract System Repairs and Labor	6,592	25,255	19,951	12,410	17,162	1.2%	4.5%	3.1%	2.3%	3.1%
Transportation Expense	14,463	11,744	31,309	17,379	18,166	2.7%	2.1%	4.9%	3.2%	3.3%
Office Supplies	8,558	10,718	6,527	11,768	11,343	1.6%	1.9%	1.0%	2.2%	2.1%
Accounting, Audit, Legal and Engineering	27,907	41,218	32,788	23,941	30,653	5.1%	7.4%	5.1%	4.5%	5.6%
Licenses, Dues and Fees	9,490	10,666	10,691	5,804	11,048	1.7%	1.9%	1.7%	1.1%	2.0%
Taxes	12,175	12,546	11,742	11,881	11,900	2.2%	2.3%	1.8%	2.2%	2.2%
Miscellaneous	5,812	7,568	8,412	28,196	6,620	1.1%	1.4%	1.3%	5.3%	1.2%
Insurance	29,424	38,111	34,441	29,154	26,651	5.4%	6.8%	5.4%	5.4%	4.9%
Bad Debt Expense	2,541	2,984	3,373	1,285	9,897	0.5%	0.5%	0.5%	0.2%	1.8%
Amortization	-	1,596	1,597	1,596	-	0.0%	0.3%	0.2%	0.3%	-
Depreciation	126,846	125,506	89,634	82,633	86,924	23.4%	22.5%	13.9%	15.4%	15.8%
Total Expenses	<u>477,268</u>	<u>500,817</u>	<u>589,172</u>	<u>551,894</u>	<u>513,155</u>	<u>87.9%</u>	<u>89.9%</u>	<u>91.5%</u>	<u>102.9%</u>	<u>93.4%</u>
Excess of Revenue Over Expenses	<u>65,716</u>	<u>56,411</u>	<u>54,408</u>	<u>(16,130)</u>	<u>36,238</u>	<u>12.1%</u>	<u>10.1%</u>	<u>8.5%</u>	<u>-2.9%</u>	<u>6.6%</u>
Non-Operating Revenues (Expenses)										
Contributed Capital	44,457	24,288	14,800	35,864	26,750	8.2%	4.4%	2.3%	6.7%	4.8%
Other Income	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Income	1,865	2,642	4,330	3,889	3,351	0.3%	0.5%	0.7%	0.7%	0.6%
Interest Expense	(106,575)	(106,535)	(103,915)	(52,584)	(21,475)	-19.6%	-19.1%	-16.1%	-9.8%	-3.9%
Total Non-Operating Revenues (Expenses)	<u>(60,253)</u>	<u>(79,605)</u>	<u>(84,785)</u>	<u>(12,831)</u>	<u>8,626</u>	<u>-11.1%</u>	<u>-14.2%</u>	<u>-13.1%</u>	<u>-2.4%</u>	<u>1.5%</u>
Change in Net Position	<u>\$ 5,463</u>	<u>\$ (23,194)</u>	<u>\$ (30,377)</u>	<u>\$ (28,961)</u>	<u>\$ 44,864</u>	<u>1.0%</u>	<u>-4.1%</u>	<u>-4.6%</u>	<u>-5.3%</u>	<u>8.1%</u>
Average annual debt service requirement for unpaid principal and interest	\$ 165,834	\$ 165,824	\$ 165,648	\$ 165,527	\$ 87,273					
Net Income before interest expense, fiscal fees and bond conversion	\$ 112,038	\$ 83,341	\$ 73,538	\$ 23,622	\$ 66,339					
Coverage (net income as adjusted/annual debt service requirement)	0.68	0.50	0.44	0.15	0.76					
Number of active meters	950	948	937	928	930					

**BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Board Members, Key Personnel and Consultants
December 31, 2013**

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

District Business Telephone Number:
(903) 378-7361

<u>Names and Addresses</u>	<u>Term of Office Elected and Expires</u>	<u>Board of Directors</u>		
		<u>Fees and Expense Reimbursements for the Year Ended December 31, 2013</u>	<u>Title at Year End</u>	<u>Resident of District</u>
Wayne Ryser 16909 E. FM 1396 Windom, TX 75492	5-10/5-14		President	Yes
Jim Frehner P. O. Box 33 Telephone, TX 75488	5-12/5-16		Vice President	Yes
Mabel Holmes 15924 E. FM 1396 Windom, TX 75492	5-12/5-16		Secretary	Yes
Larry Franklin 15387 E. FM 1396 Windom, TX 75492	5-12/5-16		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

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Board Members, Key Personnel and Consultants (Continued)
 December 31, 2013

Key Administrative Personnel

<u>Names and Addresses</u>	<u>Fees and Expense Reimbursements for the Year Ended December 31, 2013</u>	<u>Title at Year End</u>
Ronald M. Newhouse 2704 CR 2730 Honey Grove, TX 75446	\$ 43,205	General Manager
Margaret M. Reed 796 CR 2255 Telephone, TX 75488	36,280	Office Manager

Consultants

Daniel & Brown, Inc. P.O. Box 606 Farmersville, TX 75442	\$ 462	Engineers
Rapier, Wilson and Wendland, P.C. 1333 W. McDermott, Suite 100 Allen, TX 75013	15,702	Attorneys
McClanahan and Holmes, LLP 1400 W. Russell Ave. Bonham, TX 75418	11,350	Auditor

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 75450
 903-784-4316
 FAX 903-784-4310

304 WEST CHESTNUT
 DENISON, TEXAS 75020
 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, 2013, and have issued our report thereon dated May 9, 2014. 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 October 31, 2013, 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 January, 2014.

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 9, 2014.

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, 2013 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 9, 2014

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Corrected Misstatements
December 31, 2013

	Debit	Credit
Unbilled Accounts Receivable	\$ 820.80	\$ -
Uncollectible Accounts	-	3,916.42
Prepaid Insurance	875.00	-
Water System	96,848.32	-
Construction in Progress	-	92,225.92
Depreciation Water System	-	123,751.00
Depreciation Building	-	1,324.00
Depreciation Trailer	-	200.00
Depreciation Vehicles	-	1,571.00
Accounts Payable	-	4,510.79
Fed W/H Payroll Taxes Payable	1,022.46	-
FICA Payroll Taxes Payable	-	1,049.81
Medicare Payroll Taxes Payable	-	212.90
TML IEBP Payable	4,536.64	-
RRGWCD Payable	-	1,093.20
Interest Payable	310.69	-
Accrued Bond Interest Payable	546.00	-
Grant Supply Loan	-	75.00
Loan Payable	7.42	-
Bond Issuance Cost	-	37,122.90
Retained Earnings	35,122.90	-
Water Sales	3,095.62	-
Road Bore Income	-	750.00
General Oper. Supplies	156.47	-
Office Supplies	59.02	-
Power	-	11.84
Telephone	518.64	-
Postage	208.85	-
Water Samples	8.00	-
Chemicals	785.97	-
Fuel	0.25	-
Diesel	211.26	-
Line Ext. Non Standard	-	1,581.60
Vehicle Repairs	-	112.19
SCADA Repair	95.00	-
Travel	-	108.48
Licenses/Dues	-	875.00
Legal	393.75	-
Payroll Taxes	240.25	-
TML IEBP Payroll	-	4,536.64
Depreciation Exp.	126,846.00	-
Bank Maint. Fees	2,000.00	-

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Corrected Misstatements
 December 31, 2013

	<u>Debit</u>	<u>Credit</u>
TWDB Bond Interest Exp	-	546.00
Fannin Bank Interest Exp	-	63.59
First State Bank Interest Exp	-	179.52
Misc. Expenses	1,006.07	-
Meals	102.42	-
	<u>\$ 275,817.80</u>	<u>\$ 275,817.80</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT THEREON

December 31, 2014

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Table of Contents
December 31, 2014

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Net Position	3
Statement of Revenue, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information	13
Communication with Those Charged with Governance	26

McClanahan and Holmes, LLP
 CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA
 GEORGE H. STRUVE, CPA
 ANDREW B. REICH, CPA
 RUSSELL P. WOOD, CPA
 DEBRA J. WILDER, CPA
 TEFFANY A. KAVANAUGH, CPA

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

304 WEST CHESTNUT
 DENISON, TEXAS 75020
 903-465-8070
 FAX 903-465-8093

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of Bois D' Arc Municipal Utility District as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' 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 opinion.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bois D' Arc Municipal Utility District as of December 31, 2014, and the respective changes in financial position and 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
May 6, 2015

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Net Position
December 31, 2014

ASSETS

Current Assets	
Cash	\$ 259,096
Certificates of Deposit	45,547
Accounts Receivable - Net	87,056
Restricted Assets	
Cash	63,549
Investments	231,039
Total Current Assets	686,287
Capital Assets, Net of Accumulated Depreciation	3,480,727
Total Assets	4,167,014

LIABILITIES

Current Liabilities	
Accounts Payable	10,926
Taxes Payable	2,706
Meter Deposits Payable	52,328
Accrued Interest	36,766
Current Portion of Notes Payable	78,603
Current Portion of Bonds Payable	70,000
Total Current Liabilities	251,329
Non Current Liabilities	
Bonds Payable	1,990,000
Total Non Current Liabilities	1,990,000
Total Liabilities	2,241,329

NET POSITION

Net Investment in Capital Assets	1,342,124
Unrestricted	583,561
Total Net Position	\$ 1,925,685

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 Position
Year Ended December 31, 2014

Operating Revenue:	
Charges for Services	\$ 570,088
Total Operating Revenue	<u>570,088</u>
Operating Expenses:	
Operating Supplies	22,319
Utilities	53,448
Salaries	149,077
Office Expense	9,598
Maintenance and Repairs	10,739
Auto Expense	12,124
Insurance	39,294
Professional Fees	40,564
Licenses, Dues, and Fees	10,743
Taxes	11,520
Education	681
Water Samples	2,783
Bad Debt Expense	4,142
Meals	665
Depreciation	128,551
Miscellaneous	6,184
Total Operating Expenses	<u>502,432</u>
Operating Income (Loss)	<u>67,656</u>
Non-Operating Revenues (Expenses):	
Contributed Capital	30,000
Interest Income	1,797
Interest Expense	(104,014)
Total Non-Operating Revenues (Expenses)	<u>(72,217)</u>
Change in Net Position	(4,561)
Net Position, Beginning of Year	<u>1,930,246</u>
Net Position, End of Year	<u>\$ 1,925,685</u>

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, 2014

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 572,214
Cash Payments to Suppliers	(229,263)
Cash Payments to Employees	(149,077)
Net Cash Provided by (Used for) Operating Activities	193,874
Cash Flows from Capital and Related Financing Activities	
Acquisition of Fixed Assets	(45,690)
Principal Paid on Short-Term Debt	(11,339)
Principal Paid on Long-Term Debt	(89,151)
Interest Paid	(104,734)
Capital Contributed by Customers	30,000
Net Cash Provided by (Used for) Capital and Related Financing Activities	(220,914)
Cash Flows from Investing Activities	
Purchase of Certificates of Deposit	(136)
Proceeds from Interest Earnings	1,797
Net Change in Investments	37,275
Net Cash Provided by (Used for) Investing Activities	38,936
Net Increase (Decrease) in Cash and Cash Equivalents	
	11,896
Cash and Cash Equivalents, January 1	247,200
Cash and Cash Equivalents, December 31	\$ 259,096
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating Income (Loss)	\$ 67,656
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	128,551
Decrease (Increase) in Accounts Receivable	(1,374)
Decrease (Increase) in Prepaid Insurance	875
Increase (Decrease) in Accounts Payable	(5,237)
Increase (Decrease) in Taxes Payable	(97)
Increase (Decrease) in Customers' Deposits	3,500
Total Adjustments	126,218
Net Cash Provided by (Used for) Operating Activities	\$ 193,874

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

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2014

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 position 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.

The District operates as a utility enterprise and the accompanying financial statements reflect the flow of economic resources measurement focus under 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, 2014

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, 2014

Note 2: Deposits and Investments (continued)

At December 31, 2014, the District's deposits had a carrying amount of \$368,017 and a bank balance of \$384,965. 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, 2014, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
TexSTAR Investment Pool	\$231,039

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2014, 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, 2014, 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, 2014 follows:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2014</u>
Capital Assets not Being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Land	12,454	-	-	12,454
Total Capital Assets Not being Depreciated	12,454	-	-	12,454
Capital Assets being Depreciated:				
Building	66,194	-	-	66,194
Water System	5,459,309	42,379	-	5,501,688
Equipment and Vehicles	144,700	-	-	144,700
Office Equipment	19,053	3,311	-	22,364
Total Capital Assets being Depreciated	5,689,256	45,690	-	5,734,946

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2014

Note 3: Capital Assets (continued)

	<u>Balance</u> <u>January 1,</u> <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2014</u>
Less Accumulated Depreciation for:				
Buildings	23,213	1,324		24,537
Water System	1,953,609	124,794	-	2,078,403
Equipment and Vehicles	142,247	1,771	-	144,018
Office Equipment	<u>19,053</u>	<u>662</u>	<u>-</u>	<u>19,715</u>
Total Accumulated Depreciation	<u>2,138,122</u>	<u>128,551</u>	<u>-</u>	<u>2,266,673</u>
Capital Assets being Depreciated, Net	<u>3,551,134</u>	<u>(82,861)</u>	<u>-</u>	<u>3,468,273</u>
Capital Assets, Net	<u>\$ 3,563,588</u>	<u>\$ (82,861)</u>	<u>\$ -</u>	<u>\$ 3,480,727</u>

Note 4: Net Position

GASB 34 requires that the difference between assets and liabilities be reported as net position, not equity. Net position is classified as either restricted, unrestricted or net investment in capital assets.

Net Position that is net investment in capital assets 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 position is those amounts which 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 position consist of all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Note 5: Water Service Rates

Water sales rates are subject to modification annually. At December 31, 2014, the rate was \$30.00 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, 2014

Note 6: Long-Term Debt

A summary of the District's long-term debt for the year ended December 31, 2014, follows:

	<u>Bond Payable</u>	<u>Note Payable</u>
Balance at Beginning of Year	\$ 2,130,000	\$ 75,249
Additions		
Retirements	(70,000)	(19,151)
Balance at End of Year	<u>\$ 2,060,000</u>	<u>\$ 56,098</u>
Amount Due Within One Year	<u>\$ 70,000</u>	<u>\$ 56,098</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, 2014 are as follows:

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 2,060,000</u>	<u>\$ 1,253,338</u>	<u>\$ 3,313,338</u>

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2014

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, 2014 are as follows:

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ <u>56,098</u>	\$ <u>2,021</u>	\$ <u>58,119</u>
	\$ <u>56,098</u>	\$ <u>2,021</u>	\$ <u>58,119</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 renews annually. A summary of the activity for the year is below:

<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
\$ <u>33,844</u>	\$ <u>-</u>	\$ <u>11,339</u>	\$ <u>22,505</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.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2014

Note 10: Subsequent Events

Subsequent events have been evaluated through May 6, 2015, which is the date the financial statements will be issued.

Note 11: Commitments/Contingent Liabilities

The District is subject to pending lawsuits. Although the outcome of lawsuits is not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Index to Supplemental Schedules Included Within This Report
December 31, 2014

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

STEVEN W. MOHUNDRO, CPA
 GEORGE H. STRUVE, CPA
 ANDREW B. REICH, CPA
 RUSSELL P. WOOD, CPA
 DEBRA J. WILDER, CPA
 TEFFANY A. KAVANAUGH, 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 903-465-6093

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

(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 the business-type activities of Bois D' Arc Municipal Utility District as of and for the year ended December 31, 2014 and have issued our report thereon dated May 6, 2015. 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. 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 6, 2015

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2014

	Original and Final Budget	Actual	Variance
Operating Revenue:			
Charges for Services	\$ 563,250	\$ 570,088	\$ 6,838
Total Operating Revenue	<u>563,250</u>	<u>570,088</u>	<u>6,838</u>
Operating Expenses:			
Operating Supplies	30,000	22,319	7,681
Utilities	46,300	53,448	(7,148)
Salaries	157,977	149,077	8,900
Office Expense	10,300	9,598	702
Maintenance and Repairs	19,500	10,739	8,761
Auto Expense	9,500	12,124	(2,624)
Insurance	38,800	39,294	(494)
Professional Fees	25,500	40,564	(15,064)
Licenses, Dues, and Fees	8,875	10,743	(1,868)
Taxes	11,547	11,520	27
Education	800	681	119
Water Samples	3,000	2,783	217
Bad Debt Expense	-	4,142	(4,142)
Meals	-	665	(665)
Depreciation	-	128,551	(128,551)
Miscellaneous	2,150	6,184	(4,034)
Total Operating Expenses	<u>364,249</u>	<u>502,432</u>	<u>(138,183)</u>
Operating Income (Loss)	<u>199,001</u>	<u>67,656</u>	<u>(131,345)</u>
Non-Operating Revenues (Expenses):			
Contributed Capital	36,900	30,000	(6,900)
Interest Income	3,000	1,797	(1,203)
Interest Expense	-	(104,014)	(104,014)
Total Non-Operating Revenues (Expenses)	<u>39,900</u>	<u>(72,217)</u>	<u>(112,117)</u>
Change in Net Position	238,901	(4,561)	(243,462)
Net Position, Beginning of Year	<u>1,930,246</u>	<u>1,930,246</u>	<u>-</u>
Net Position, End of Year	<u>\$ 2,169,147</u>	<u>\$ 1,925,685</u>	<u>\$ (243,462)</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Notes Required by the Water District Financial Management Guide,
December 31, 2014

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, 2014

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:	\$ 30.00	2,000	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) \$ 83.42

3. Number of retail water connections within the District as of fiscal year ended December 31, 2014:

<u>Connections</u>	<u>Active Connections</u>	<u>Inactive Connections</u>
Single Family	974	240

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

Gallons pumped into system: 70,070

Gallons billed to customers: 52,600

Water Accountability Ratio: $(52,599,900/70,070,000) = 75.07\%$

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 - \$248,050 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, 2014

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

Schedule E

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Schedule of Operating Expenditures
 Year Ended December 31, 2014

Current:		
Personnel (including benefits)	\$	178,935
Professional Fees:		
Auditing		11,950
Legal		27,309
Engineering		1,305
Financial Advisor		-
Purchased Services For Resale		
Bulk Water Purchases		
Tap Connection Expenditures		
Contracted Services:		
Bookkeeping		
General Manager		
Appraisal District		
Tax Collector		-
Other Contracted Services		-
Utilities		53,448
Repairs, Maintenance and Supplies		33,058
Administrative Expenditures:		
Directors' Fees		-
Office Expenditures		9,598
Insurance		9,436
Other Administrative Expenditures		-
Solid Waste Disposal		
Fire Fighting		
Parks and Recreation		-
Other Expenditures		44,700
		<u>44,700</u>
TOTAL EXPENDITURES	\$	<u>369,739</u>
Number of Persons employed by District:		
	<u>4</u>	Full-Time
	<u>0</u>	Part-Time

Schedule F

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
 Schedule of Temporary Investments
 December 31, 2014

Certificate of Deposit Number	Interest Rate	Maturity Date	Balance 12/31/2014	Accrued Interest Receivable at 12/31/2014
22032	0.30%	1/26/2015	\$ 45,547	\$ 22
TEXSTAR 07400-6233	Variable	-	170,227	-
TEXSTAR 07401-2944	Variable		60,812	-
Totals			<u>\$ 276,586</u>	<u>\$ 22</u>

Schedule H

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Long-Term Debt Service Requirements - By Years
 December 31, 2014

Due During Fiscal Year Ending	Principal	Interest	Totals
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>\$ 2,060,000</u>	<u>\$ 1,253,338</u>	<u>\$ 3,313,338</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Analysis of Changes in Long-Term Debt
 December 31, 2014

Interest Rate	Various
Dates Interest Payable	Bi-annually
Maturity Date	12/31/34
Bonds Payable at Beginning of Current Year	\$ 2,130,000
Addition to Principal	-
Retirements of Principal	<u>70,000</u>
Bonds Payable at End of Current Year	<u>\$ 2,060,000</u>
Retirements of Interest	<u>\$ 99,167</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				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Revenue										
Charges for Services	\$ 570,088	\$ 542,984	\$ 557,228	\$ 643,580	\$ 535,764	100.0%	100.0%	100.0%	100.0%	100.0%
Total Revenue	<u>570,088</u>	<u>542,984</u>	<u>557,228</u>	<u>643,580</u>	<u>535,764</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	0.0%	0.0%	0.0%	13.3%	11.5%
Salaries	149,077	155,246	145,789	150,137	137,982	26.1%	28.6%	26.2%	23.3%	25.8%
Utilities	53,448	46,739	39,346	51,839	55,917	9.4%	8.6%	7.1%	8.1%	10.4%
Operating Supplies	22,319	31,475	27,770	50,829	70,370	3.9%	5.8%	5.0%	7.9%	13.1%
Contract System Repairs and Labor	10,739	6,592	25,255	19,951	12,410	1.9%	1.2%	4.5%	3.1%	2.3%
Transportation Expense	12,124	14,463	11,744	31,309	17,379	2.1%	2.7%	2.1%	4.9%	3.2%
Office Supplies	9,598	8,558	10,718	6,527	11,768	1.7%	1.6%	1.9%	1.0%	2.2%
Accounting, Audit, Legal and										
Engineering	40,564	27,907	41,218	32,788	23,941	7.1%	5.1%	7.4%	5.1%	4.5%
Licenses, Dues and Fees	10,743	9,490	10,666	10,691	5,804	1.9%	1.7%	1.9%	1.7%	1.1%
Taxes	11,520	12,175	12,546	11,742	11,881	2.0%	2.2%	2.3%	1.8%	2.2%
Miscellaneous	10,313	5,812	7,568	8,412	28,196	1.8%	1.1%	1.4%	1.3%	5.3%
Insurance	39,294	29,424	38,111	34,441	29,154	6.9%	5.4%	6.8%	5.4%	5.4%
Bad Debt Expense	4,142	2,541	2,984	3,373	1,285	0.7%	0.5%	0.5%	0.5%	0.2%
Amortization	-	-	1,596	1,597	1,596	0.0%	0.0%	0.3%	0.2%	0.3%
Depreciation	128,551	126,846	125,506	89,634	82,633	22.5%	23.4%	22.5%	13.9%	15.4%
Total Expenses	<u>502,432</u>	<u>477,268</u>	<u>500,817</u>	<u>589,172</u>	<u>551,894</u>	<u>88.0%</u>	<u>87.9%</u>	<u>89.9%</u>	<u>91.5%</u>	<u>102.9%</u>
Excess of Revenue Over Expenses	<u>67,656</u>	<u>65,716</u>	<u>56,411</u>	<u>54,408</u>	<u>(16,130)</u>	<u>12.0%</u>	<u>12.1%</u>	<u>10.1%</u>	<u>8.5%</u>	<u>-2.9%</u>
Non-Operating Revenues (Expenses)										
Contributed Capital	30,000	44,457	24,288	14,800	35,864	5.3%	8.2%	4.4%	2.3%	6.7%
Other Income	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Income	1,797	1,865	2,642	4,330	3,889	0.3%	0.3%	0.5%	0.7%	0.7%
Total Non-Operating Revenues (Expenses)	<u>(104,014)</u>	<u>(106,575)</u>	<u>(106,535)</u>	<u>(103,915)</u>	<u>(52,584)</u>	<u>-18.2%</u>	<u>-19.6%</u>	<u>-19.1%</u>	<u>-16.1%</u>	<u>-9.8%</u>
Change in Net Position	<u>(72,217)</u>	<u>(60,253)</u>	<u>(79,605)</u>	<u>(84,785)</u>	<u>(12,831)</u>	<u>-12.6%</u>	<u>-11.1%</u>	<u>-14.2%</u>	<u>-13.1%</u>	<u>-2.4%</u>
Change in Net Position	<u>\$ (4,561)</u>	<u>\$ 5,463</u>	<u>\$ (23,194)</u>	<u>\$ (30,377)</u>	<u>\$ (28,961)</u>	<u>-0.6%</u>	<u>1.0%</u>	<u>-4.1%</u>	<u>-4.6%</u>	<u>-5.3%</u>
Average Annual Debt Service Requirement										
for Unpaid Principal and Interest	\$ 165,667	\$ 165,834	\$ 165,824	\$ 165,648	\$ 165,527					
Net Income before Interest Expense, Fiscal Fees and Bond Conversion	\$ 100,299	\$ 112,038	\$ 83,341	\$ 73,538	\$ 23,622					
Coverage (Net Income as Adjusted/Annual Debt Service Requirement)	0.61	0.68	0.50	0.44	0.15					
Number of Active Meters	974	950	948	937	928					

Schedule K:

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Board Members, Key Personnel and Consultants
December 31, 2014

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		Resident of District
		Fees and Expense Reimbursements for the Year Ended December 31, 2014	Title at Year End	
Larry D. Franklin 15387 E. FM 1396 Windom, TX 75492	5-12/5-16		President	Yes
Jim Frehner P. O. Box 33 Telephone, TX 75488	5-12/5-16		Vice President	Yes
Mabel Holmes 15924 E. FM 1396 Windom, TX 75492	5-12/5-16		Secretary	Yes
AW Winningham 1359 CR 2715 Honey Grove, TX 75446	5-14/5-18		Treasurer	Yes
Donna Ryser 4227 CR 2765 Honey Grove, TX 75446	5-14/5-18		Director	Yes
JW Caraway 4848 FM 100 Honey Grove, TX 75446	5-14/5-18		Director	Yes
Bobby Tredway 696 CR 2750 Honey Grove, TX 75446	5-14/5-18		Director	Yes

Schedule K
(continued)BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Board Members, Key Personnel and Consultants
December 31, 2014Key Administrative Personnel

<u>Names and Addresses</u>	<u>Fees and Expense Reimbursements for the Year Ended December 31, 2014</u>	<u>Title at Year End</u>
Ronald M. Newhouse 2704 CR 2730 Honey Grove, TX 75446	\$ 45,338	General Manager
Margaret M. Reed 796 CR 2255 Telephone, TX 75488	38,071	Office Manager

Consultants

Daniel & Brown, Inc. P.O. Box 606 Farmersville, TX 75442	\$ 1,305	Engineers
Rapier, Wilson and Wendland, P.C. 1333 W. McDermott, Suite 100 Allen, TX 75013	27,309	Attorneys
McClanahan and Holmes, LLP 1400 W. Russell Ave. Bonham, TX 75418	11,950	Auditor

McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
ANDREW B. REICH, CPA
RUSSELL P. WOOD, CPA
DEBRA J. WILDER, CPA
TEFFANY A. KAVANAUGH, 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 903-465-6093

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 the business-type activities of Bois D' Arc Municipal Utility District (District) for the year ended December 31, 2014, and have issued our report thereon dated May 6, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 9, 2015. Professional Standards also require that we communicate to you 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 October 31, 2014, 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 January, 2014.

Matters Related to Audit Findings

Significant Audit Findings

Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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. All significant transactions have been recognized in the financial statements.

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant or sensitive accounting estimates by management included in the financial statements.

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.

Difficulties in Performing the Audit:

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

Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Appendix A summarizes misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management:

For purposes of this letter, a disagreement with management is 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 Representations:

We have requested certain representations from management that are included in the management representation letter dated May 6, 2015.

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.

Other Audit Findings:

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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the business-type activities of Bois D' Arc Municipal Utility District as of and for the year ended December 31, 2014 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies and material weaknesses.

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.

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 6, 2015

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Corrected Misstatements
December 31, 2014

	Debit	Credit
Unbilled Accounts Receivable	\$ -	\$ 220.30
Uncollectable Accounts	-	3,329.22
Prepaid Insurance	-	875.00
Water System	42,378.66	-
Office Equipment	3,310.55	-
Construction in Progress	-	35,214.66
Depreciation Water System	-	124,794.00
Depreciation Building	-	1,324.00
Depreciation Trailer	-	200.00
Depreciation Vehicles	-	1,571.00
Depreciation Office Equipment	-	662.00
Accounts Payable	4,630.56	-
Fed W/H Payroll Taxes Payable	955.00	-
FICA Payroll Taxes Payable	-	606.31
Medicare Payroll Taxes Payable	-	92.25
TML IEBP Payable	-	780.45
RRGWCD Payable	-	2,257.14
Interest Payable	79.65	-
Accrued Bond Interest Payable	640.50	-
Bond Issuance Cost	-	2,250.00
Water Sales	3,549.52	-
General Operating Supplies	-	7,627.37
Office Supplies	1,544.10	-
Power	-	70.27
Telephone	-	518.64
Postage	-	208.85
TWDB Bond Series 2010	-	640.50
Chemicals	-	842.77
Fuel	-	774.62
Diesel	-	211.26
Water Samples	-	84.00
SCADA Repair	-	95.00
Licenses/Dues	875.00	-
Legal	-	562.50
TML IEBP Payroll	780.45	-
Depreciation Exp.	128,551.00	-
Engineering	-	3,422.00
Fixed Assets Purchased this Year	-	3,310.55

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Corrected Misstatements
December 31, 2014

	<u>Debit</u>	<u>Credit</u>
Payroll Taxes	589.79	-
Fannin Bank Interest Expense	-	88.77
First State Bank Interest Expense	9.12	-
Miscellaneous Expenses	2,672.05	-
Dining	-	102.42
VFD Donation	-	514.00
Vehicle Repairs	-	247.10
Miscellaneous Equipment Repairs	1,527.23	-
Bond Issuance Cost	2,250.00	-
Other Deductions	-	846.23
	<u>\$ 194,343.18</u>	<u>\$ 194,343.18</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT

Annual Financial Report

Year Ended December 31, 2015

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Table of Contents
December 31, 2015

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Net Position – Modified Cash Basis	3
Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis	4
Statement of Cash Flows – Modified Cash Basis	5
Notes to Financial Statements	6
Supplementary Information	12

McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
ANDREW B. REICH, CPA
RUSSELL P. WOOD, CPA
DEBRA J. WILDER, CPA
TEFFANY A. KAVANAUGH, 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 903-465-6093

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying modified cash basis financial statements of the business-type activities of Bois d' Arc Municipal Utility District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 from 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 modified cash basis financial position of the business-type activities of Bois d' Arc Municipal Utility District as of December 31, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note I.

Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bois d' Arc Municipal Utility District's basic financial statements. The supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
February 5, 2016

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Net Position - Modified Cash Basis
December 31, 2015

ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 262,638
Investments	45,684
Restricted Assets	
Cash	62,560
Investments	231,240
Total Current Assets	<u>602,122</u>
Noncurrent Assets:	
Capital Assets	
Land	12,454
Buildings	66,194
Machinery, Equipment, and Vehicles	167,064
Infrastructure	5,514,208
Less Accumulated Depreciation	<u>(2,392,887)</u>
Total Noncurrent Assets	<u>3,367,033</u>
Total Assets	<u>3,969,155</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	6,150
Taxes Payable	1,620
Customer Deposits Payable - Restricted Assets	56,727
Notes Payable - Current	10,899
Bonds Payable - Current	70,000
Total Current Liabilities	<u>145,396</u>
Non Current Liabilities:	
Bonds Payable	<u>1,920,000</u>
Total Non Current Liabilities	<u>1,920,000</u>
Total Liabilities	<u>2,065,396</u>
NET POSITION	
Net Investment in Capital Assets	1,366,134
Unrestricted	<u>537,625</u>
Total Net Position	<u>\$ 1,903,759</u>

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

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Revenue, Expenses, and
Changes in Net Position - Modified Cash Basis
Year Ended December 31, 2015

Operating Revenue:	
Charges for Services	\$ 606,878
Total Operating Revenue	<u>606,878</u>
Operating Expenses:	
Operating Supplies	27,939
Utilities	53,479
Salaries	152,068
Office Expense	12,890
Maintenance and Repairs	36,068
Auto Expense	8,230
Insurance	32,902
Professional Fees	46,258
Licenses, Dues, and Fees	13,423
Taxes	10,985
Education	250
Water Samples	1,740
Meals	407
Depreciation	126,214
Total Operating Expenses	<u>522,853</u>
Operating Income (Loss)	<u>84,025</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	1,843
Interest Expense	(99,936)
Total Nonoperating Revenues (Expenses)	<u>(98,093)</u>
Income before Capital Contributions and Transfers	<u>(14,068)</u>
Capital Contributions	<u>40,290</u>
Change in Net Position	26,222
Net Position, Beginning	1,925,685
Prior Period Adjustment	<u>(48,148)</u>
Net Position, Ending	<u>\$ 1,903,759</u>

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

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Statement of Cash Flows - Modified Cash Basis
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 611,277
Payments to Suppliers and Service Providers	(248,291)
Payments to Employees for Salaries and Benefits	(152,068)
Net Cash Provided by (Used for) Operating Activities	<u>210,918</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets	(12,523)
Principal Paid on Short-Term Debt	(11,606)
Principal Paid on Long-Term Debt	(126,098)
Interest Paid on Capital Debt	(99,936)
Capital Contributed by Customers	40,290
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(209,873)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	1,843
Net Change in Investments	(335)
Net Cash Provided by (Used for) Investing Activities	<u>1,508</u>

Net Increase (Decrease) in Cash and Cash Equivalents

2,553

Cash and Cash Equivalents - Beginning

322,645

Cash and Cash Equivalents - Ending

\$ 325,198

Reconciliation of Operating Income (Loss) to Net Cash Provided
by (used for) Operating Activities:

Operating Income (Loss)	\$ 84,025
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided by Operating Activities:	
Depreciation Expense	126,214
(Decrease) Increase in Accounts Payable	(2,634)
(Decrease) Increase in Taxes Payable	(1,086)
(Decrease) Increase in Customers' Deposits	4,399
Total Adjustments	<u>126,893</u>

Net Cash Provided by (Used for) Operating Activities

\$ 210,918

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

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2015

I. Summary of Significant Accounting Policies

A. The Reporting Entity

Bois D'Arc Municipal Utility District (the District) is a municipal utility district governed by a seven-member board of directors. 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 – Fund Financial Statements

The fund financial statements provide information about the District's funds. 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 position represents the amount available for future operations.

D. Measurement Focus and Basis of Accounting

As of January 1, 2015, the District prepares its financial statements on the modified cash basis. A prior period adjustment in the amount of \$48,148 has been made to report the effect of this change retroactively. The restated beginning net position is \$1,877,537. The modified cash basis recognizes revenue when collected rather than when it is earned, and expenses are generally recognized when paid rather than when the obligation is incurred. Therefore, the financial statements do not reflect receivables, payables, and accrued items. Depreciation of fixed assets is presented in the proprietary fund statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The proprietary fund is reported using the economic resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenue when collected rather than when it is earned, and expenses are generally recognized when paid rather than when the obligation is incurred. Therefore, the financial statements do not reflect receivables, payables, and accrued items.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2015

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. 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.

The District did not engage in repurchase or reverse repurchase agreement transactions during the current year.

3. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year.

As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following useful lives:

Capital Asset Classes	Lives
Buildings	50 Years
Water System	10-50 Years
Equipment and Vehicles	5-10 Years
Office Equipment	5-10 Years

4. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2015

I. Summary of Significant Accounting Policies (Continued)

F. Revenues and Expenses

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

II. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institutions

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.

At December 31, 2015, the District's deposits had a carrying amount of \$370,707 and a bank balance of \$388,247. 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.

B. Investments

As of December 31, 2015, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
TexSTAR Investment Pool	\$ 231,240

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2015, TexSTAR's investments credit quality rating was AAAm (Standard & Poor's).

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.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2015

II. Detailed Notes on All Activities and Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital Assets, Not Being Depreciated:				
Land	\$ 12,454	\$ -	\$ -	\$ 12,454
Total Capital Assets, Not Being Depreciated	12,454	-	-	12,454
Capital Assets, Being Depreciated:				
Building	66,194	-		66,194
Water System	5,501,688	12,520	-	5,514,208
Machinery, Equipment and Vehicles	167,064	-	-	167,064
Total Capital Assets, Being Depreciated	5,734,946	12,520	-	5,747,466
Less Accumulated Depreciation for:				
Building	24,537	1,324		25,861
Water System	2,078,403	123,119	-	2,201,522
Machinery, Equipment and Vehicles	163,733	1,771	-	165,504
Total Accumulated Depreciation	2,266,673	126,214	-	2,392,887
Capital Assets, Being Depreciated, Net	3,468,273	(113,694)	-	3,354,579
Capital Assets, Net	\$ 3,480,727	\$(113,694)	\$ -	\$ 3,367,033

D. Short-Term Liabilities

On December 20, 2007, the District received a note for operations from First State Bank of Mesquite. This note is secured by a certificate of deposit with the bank and renews annually. A summary of the activity for the year is below.

Beginning Balance	Additions	Retirements	Ending Balance
\$ 22,505	\$ -	\$ (11,606)	\$ 10,899

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2015

II. Detailed Notes on All Activities and Funds (Continued)

E. Long-Term Liabilities

A summary of the District's long-term debt for the year ended December 31, 2015, follows:

	<u>Bond Payable</u>	<u>Note Payable</u>
Balance at Beginning of Year	\$ 2,060,000	\$ 56,098
Additions	-	-
Retirements	<u>(70,000)</u>	<u>(56,098)</u>
Balance at End of Year	<u>\$ 1,990,000</u>	<u>\$ -</u>
Amount Due Within One Year	<u>\$ 70,000</u>	<u>\$ -</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, 2015 are as follows:

Due During Fiscal Year Ending	Principal	Interest	Totals
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>\$ 1,990,000</u>	<u>\$ 1,155,879</u>	<u>\$ 3,145,879</u>

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Notes to Financial Statements (Continued)
December 31, 2015

II. Detailed Notes on All Activities and Funds (Continued)

F. 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.

G. Water Service Rates

Water sales rates are subject to modification annually. At December 31, 2015, the rate was \$30.00 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.

H. Contingencies

In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Accordingly, the District's compliance with applicable grant requirements has not yet been established. The amount, if any, of reimbursements which may be required by the granting agencies cannot be determined at this time.

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Index to Supplemental Schedules Included Within This Report
December 31, 2015

Only schedules checked below are included.

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

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2015

	Original and Final Budget	Actual	Variance
Operating Revenue:			
Charges for Services	\$ 592,100	\$ 606,878	\$ 14,778
Total Operating Revenue	<u>592,100</u>	<u>606,878</u>	<u>14,778</u>
Operating Expenses:			
Operating Supplies	30,000	27,939	2,061
Utilities	52,500	53,479	(979)
Salaries	157,977	152,068	5,909
Office Expense	12,000	12,890	(890)
Maintenance and Repairs	44,500	36,068	8,432
Auto Expense	8,500	8,230	270
Insurance	40,400	32,902	7,498
Professional Fees	29,500	46,258	(16,758)
Licenses, Dues, and Fees	7,975	13,423	(5,448)
Taxes	11,547	10,985	562
Education	1,500	250	1,250
Water Samples	3,500	1,740	1,760
Meals	-	407	(407)
Depreciation	-	126,214	(126,214)
Miscellaneous	1,800	-	1,800
Total Operating Expenses	<u>401,699</u>	<u>522,853</u>	<u>(121,154)</u>
Operating Income (Loss)	<u>190,401</u>	<u>84,025</u>	<u>(106,376)</u>
Non-Operating Revenues (Expenses):			
Contributed Capital	40,500	40,290	(210)
Interest Income	2,000	1,843	(157)
Interest Expense	-	(99,936)	(99,936)
Total Non-Operating Revenues (Expenses)	<u>42,500</u>	<u>(57,803)</u>	<u>(100,303)</u>
Change in Net Position	232,901	26,222	(206,679)
Net Position, Beginning of Year	1,925,685	1,925,685	-
Prior Period Adjustment	-	(48,148)	(48,148)
Net Position, End of Year	<u>\$ 2,158,586</u>	<u>\$ 1,903,759</u>	<u>\$ (254,827)</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Notes Required by the Water District Financial Management Guide
December 31, 2015

Note A: Creation of District

See Note I. B. to the financial statements.

Note B: Pledge of Revenues

See Note II. E. to the financial statements.

Note C: Tax Revenues

The District does not levy taxes.

Note D: Compliance with Debt Service Requirements

See Note II. E. to the financial statements.

Note E: Redemption of Bonds

See Note II. E. to the financial statements.

Note F: Pension Coverage for District Employees

See Note II. F. to the financial statements.

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Schedule of Services and Rates
 Year Ended December 31, 2015

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 30.00	2,000	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) \$ 83.42

3. Number of retail water connections within the District as of fiscal year ended December 31, 2015:

<u>Connections</u>	<u>Active Connections</u>	<u>Inactive Connections</u>
Single Family	970	128

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

Gallons pumped into system: 75,503

Gallons billed to customers: 54,638

Water Accountability Ratio: $(54,637,800/75,503,000) = 72\%$

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 - \$176,370 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, 2015

7. Location of District

County in which District is located. Fannin and LamarIs the District located entirely within one county? Yes No Is the District located within a city? Entirely Partly Not at all Cities in which District is located. N/AIs the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all ETJ's in which District is located. N/AIs the general membership of the Board appointed by an office outside the district? Yes No

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Schedule of Operating Expenditures
 Year Ended December 31, 2015

Current:		
Personnel (including benefits)	\$	174,916
Professional Fees:		
Auditing		12,250
Legal		25,544
Engineering		4,669
Financial Advisor		-
Purchased Services For Resale		
Bulk Water Purchases		
Tap Connection Expenditures		-
Contracted Services:		
Bookkeeping		3,794
General Manager		-
Appraisal District		-
Tax Collector		-
Other Contracted Services		-
Utilities		53,479
Repairs, Maintenance and Supplies		64,004
Administrative Expenditures:		
Directors' Fees		-
Office Expenditures		12,890
Insurance		10,054
Other Administrative Expenditures		-
Solid Waste Disposal		
Fire Fighting		
Parks and Recreation		-
Other Expenditures		35,039
		<hr/>
TOTAL EXPENDITURES	\$	<u>396,639</u>
Number of Persons employed by District:		
	<u>3</u>	Full-Time
	<u>0</u>	Part-Time

BOIS D'ARC MUNICIPAL UTILITY DISTRICT
Schedule of Temporary Investments
December 31, 2015

<u>Certificate of Deposit Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2015</u>	<u>Accrued Interest Receivable at 12/31/2015</u>
22032	0.30%	1/26/2016	\$ 45,684	\$ -
TEXSTAR 07400-6233	Variable	-	170,376	-
TEXSTAR 07401-2944	Variable		<u>60,864</u>	<u>-</u>
Totals			<u>\$ 276,924</u>	<u>\$ -</u>

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Long-Term Debt Service Requirements - By Years
 December 31, 2015

Due During Fiscal Year Ending	Principal	Interest	Totals
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	\$ 1,990,000	\$ 1,155,879	\$ 3,145,879

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
 Analysis of Changes in Long-Term Debt
 December 31, 2015

Interest Rate	Various
Dates Interest Payable	Bi-annually
Maturity Date	12/31/34
Bonds Payable at Beginning of Current Year	\$ 2,060,000
Addition to Principal	-
Retirements of Principal	<u>70,000</u>
Bonds Payable at End of Current Year	<u>\$ 1,990,000</u>
Retirements of Interest	<u>\$ 97,459</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
Years Ended December 31

	Amounts					Percent of Fund Total Revenues				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Revenue										
Charges for Services	\$ 606,878	\$ 570,088	\$ 542,984	\$ 557,228	\$ 643,580	100.0%	100.0%	100.0%	100.0%	100.0%
Total Revenue	<u>606,878</u>	<u>570,088</u>	<u>542,984</u>	<u>557,228</u>	<u>643,580</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	0.0%	0.0%	0.0%	0.0%	13.3%
Salaries	152,068	149,077	155,246	145,789	150,137	25.1%	26.1%	28.6%	26.2%	23.3%
Utilities	53,479	53,448	46,739	39,346	51,839	8.8%	9.4%	8.6%	7.1%	8.1%
Operating Supplies	27,939	22,319	31,475	27,770	50,829	4.6%	3.9%	5.8%	5.0%	7.9%
Contract System Repairs and Labor	36,068	10,739	6,592	25,255	19,951	5.9%	1.9%	1.2%	4.5%	3.1%
Transportation Expense	8,230	12,124	14,463	11,744	31,309	1.4%	2.1%	2.7%	2.1%	4.9%
Office Supplies	12,890	9,598	8,558	10,718	6,527	2.1%	1.7%	1.6%	1.9%	1.0%
Accounting, Audit, Legal and Engineering	46,258	40,564	27,907	41,218	32,788	7.6%	7.1%	5.1%	7.4%	5.1%
Licenses, Dues and Fees	13,423	10,743	9,490	10,666	10,691	2.2%	1.9%	1.7%	1.9%	1.7%
Taxes	10,985	12,175	12,546	11,742	11,742	1.8%	2.0%	2.2%	2.3%	1.8%
Miscellaneous	2,397	10,313	5,812	7,568	8,412	0.4%	1.8%	1.1%	1.4%	1.3%
Insurance	32,902	39,294	29,424	38,111	34,441	5.4%	6.9%	5.4%	6.8%	5.4%
Bad Debt Expense	-	4,142	2,541	2,984	3,373	0.0%	0.7%	0.5%	0.5%	0.5%
Amortization	-	-	-	1,596	1,597	0.0%	0.0%	0.0%	0.3%	0.2%
Depreciation	126,214	128,551	126,846	125,506	89,634	20.8%	22.5%	23.4%	22.5%	13.9%
Total Expenses	<u>522,853</u>	<u>502,432</u>	<u>477,268</u>	<u>500,817</u>	<u>583,172</u>	<u>86.1%</u>	<u>88.0%</u>	<u>87.9%</u>	<u>89.9%</u>	<u>91.5%</u>
Excess of Revenue Over Expenses	84,025	67,656	65,716	56,411	54,408	13.9%	12.0%	12.1%	10.1%	8.5%
Non-Operating Revenues (Expenses)										
Contributed Capital	40,290	30,000	44,457	24,288	14,800	6.6%	5.3%	8.2%	4.4%	2.3%
Other Income	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Income	1,843	1,797	1,865	2,642	4,330	0.3%	0.3%	0.3%	0.5%	0.7%
Interest Expense	(99,936)	(104,014)	(106,575)	(106,535)	(103,915)	-16.5%	-18.2%	-19.6%	-19.1%	-16.1%
Total Non-Operating Revenues (Expenses)	<u>(57,803)</u>	<u>(72,217)</u>	<u>(60,253)</u>	<u>(79,605)</u>	<u>(84,785)</u>	<u>-9.6%</u>	<u>-12.6%</u>	<u>-11.1%</u>	<u>-14.2%</u>	<u>-13.1%</u>
Change in Net Position	\$ 26,222	\$ (4,561)	\$ 5,463	\$ (23,194)	\$ (30,377)	4.3%	-0.6%	1.0%	-4.1%	-4.6%
Average annual debt service requirement for unpaid principal and interest	\$ 165,573	\$ 165,667	\$ 165,834	\$ 165,824	\$ 165,648					
Net income before interest expense, fiscal fees and bond conversion	\$ 126,158	\$ 99,453	\$ 112,038	\$ 83,341	\$ 73,538					
Coverage (net income as adjusted/annual debt service requirement)	0.76	0.60	0.68	0.50	0.44					
Number of active meters	970	974	950	948	937					

BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Board Members, Key Personnel and Consultants
December 31, 2015

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, 2015	Title at Year End	Resident of District
Larry D. Franklin 15387 E. FM 1396 Windom, TX 75492	5-12/5-16		President	Yes
Jim Frehner P. O. Box 33 Telephone, TX 75488	5-12/5-16		Vice President	Yes
Mabel Holmes 15924 E. FM 1396 Windom, TX 75492	5-12/5-16		Secretary	Yes
AW Winningham 1359 CR 2715 Honey Grove, TX 75446	5-14/5-18		Treasurer	Yes
Donna Ryser 4227 CR 2765 Honey Grove, TX 75446	5-14/5-18		Director	Yes
JW Caraway 4848 FM 100 Honey Grove, TX 75446	5-14/5-18		Director	Yes
Bobby Tredway 696 CR 2750 Honey Grove, TX 75446	5-14/5-18		Director	Yes

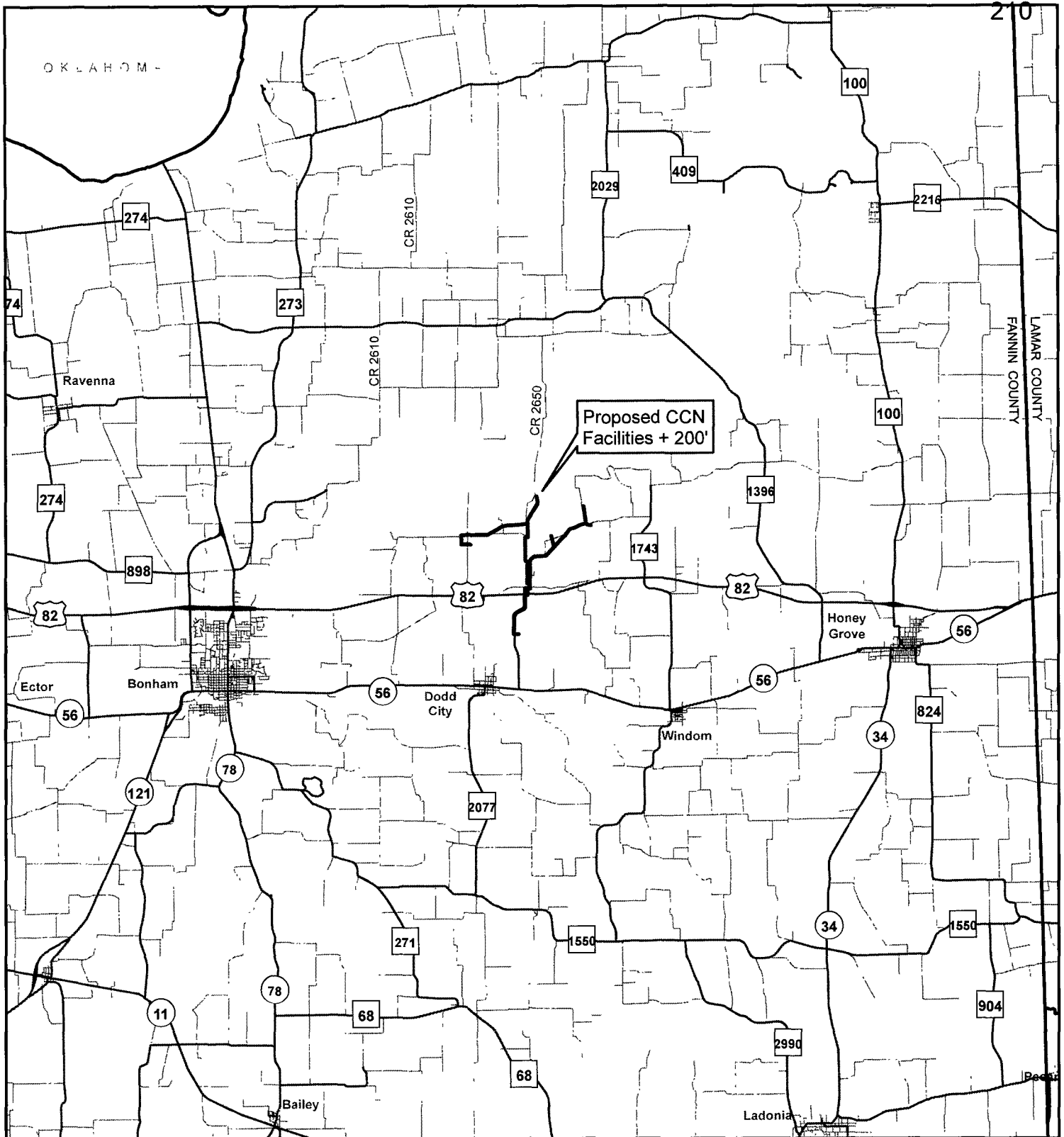
BOIS D' ARC MUNICIPAL UTILITY DISTRICT
Board Members, Key Personnel and Consultants (Continued)
December 31, 2015

Key Administrative Personnel

<u>Names and Addresses</u>	<u>Fees and Expense Reimbursements for the Year Ended December 31, 2015</u>	<u>Title at Year End</u>
Ronald M. Newhouse 2704 CR 2730 Honey Grove, TX 75446	\$ 46,368	General Manager
Melinda Gibbs 2219 CR 2980 Windom, TX 75492	6,512	Office Manager

Consultants

Daniel & Brown, Inc. P.O. Box 606 Farmersville, TX 75442	\$ 2,712	Engineers
Rapier, Wilson and Wendland, P.C. 1333 W. McDermott, Suite 100 Allen, TX 75013	688	Attorneys
Gay, McCall, Isaacks, Gordon & Roberts, P.C. 777 East 15th Street Plano, TX 75074	15,315	Attorneys
McClanahan and Holmes, LLP 1400 W. Russell Ave. Bonham, TX 75418	16,044	Accountants

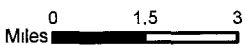


General Location

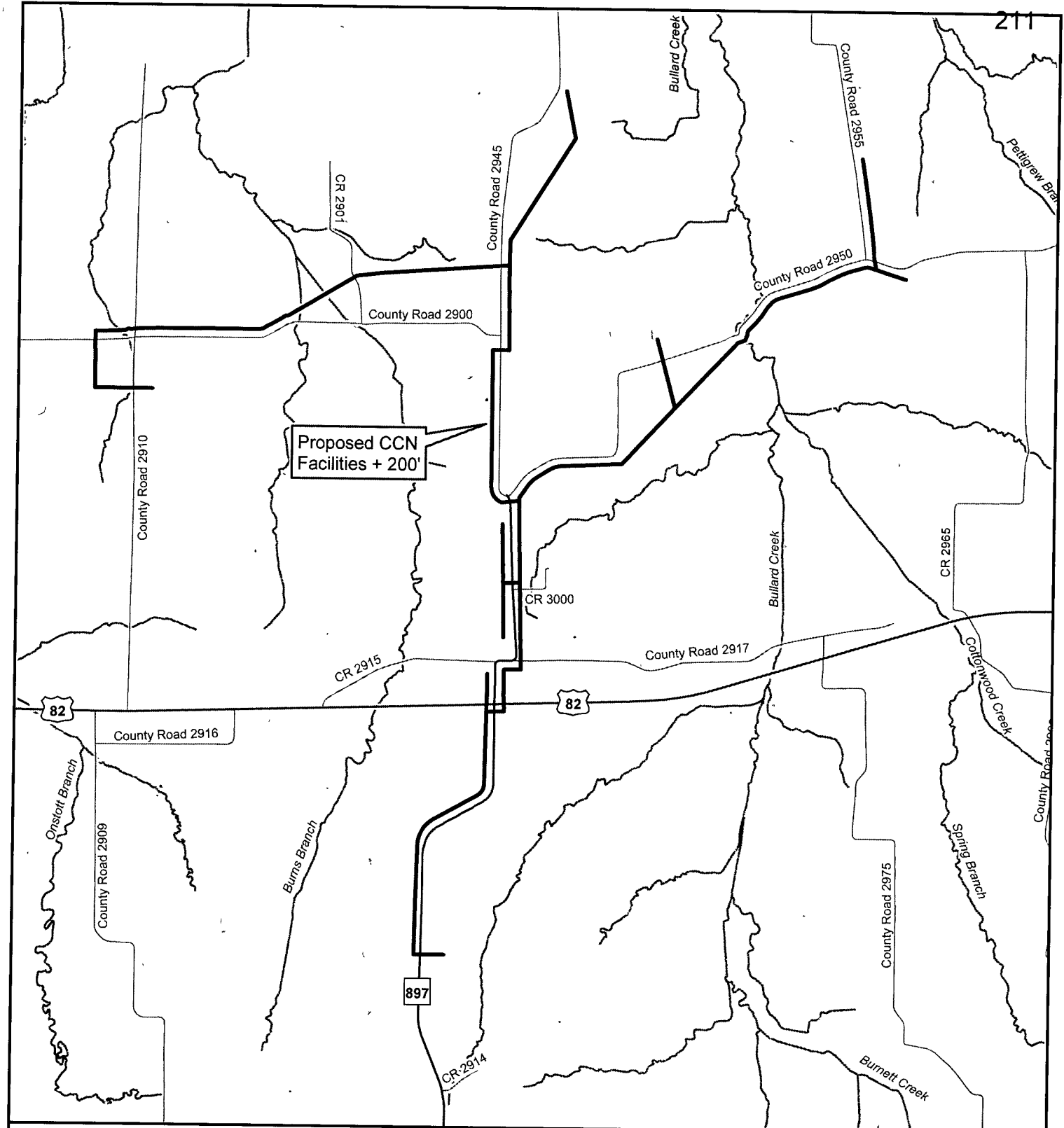
Application of Bois D'Arc MUD, CCN No. 11753
 to Transfer and Cancel Lannius WSC, CCN No. 11163
 in Fannin County

Proposed Water CCN Service Area to Transfer

— CCN 11163 - Lannius WSC - Facilities + 200'



Map by S. Burt, ASBGI
 Date: Nov. 9, 2016
 Base map: TxDOT 2015 Roadways
 Project: Bois D'Arc MUD_Lannius WSC General Location

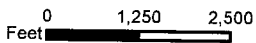


Large Scale Map

Application of Bois D'Arc MUD, CCN No. 11753
 to Transfer and Cancel Lannius WSC, CCN No. 11163
 in Fannin County

Proposed Water CCN Service Area to Transfer

— CCN 11163 - Lannius WSC - Facilities + 200'



Map by: S. Burt, ASBGI
 Date Nov. 9, 2016

Base map TxDOT 2015 Roadways
 Project Bois D'Arc MUD_Lannius WSC Large Scale