

Buddy Garcia, *Chairman*
Larry R. Soward, *Commissioner*
Bryan W. Shaw, Ph.D., *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

February 20, 2009

Ms. LaDonna Castañuela, Chief Clerk
Office of the Chief Clerk
Texas Commission on Environmental Quality
P.O. Box 13087, MC-105
Austin, Texas 78711-3087

Re: TCEQ Docket No. 2008-1062-UCR; Consideration of a request for a Commission Order approving a contract designating service areas between La Joya Water Supply Corporation (WSC) and the City of Mission

2009 FEB 20 PM 12:31
CHIEF CLERKS OFFICE
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

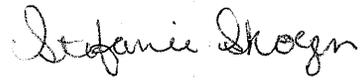
Dear Ms. Castañuela:

Enclosed for filing with the Texas Commission on Environmental Quality (Commission) is the original plus eleven copies of the following backup materials for the March 11, 2009, agenda item on the above referenced matter:

1. Agenda Executive Summary;
2. Caption;
3. Staff memo detailing financial, managerial, and technical capabilities of the City of Mission to provide continuous and adequate service in the affected area;
4. Request for Commission order approving a Texas Water Code section 13.248 agreement filed by La Joya WSC on November 29, 2007, and declared administratively complete on February 19, 2008;
5. Texas Water Code section 13.248 agreement between La Joya WSC and the City of Mission executed on February 9, 2008;
6. Proposed map of the service area subject to the section 13.248 agreement;
7. Map consents;
8. CCN Nos. 10559 and 11537; and
9. Proposed Order.

Please do not hesitate to contact me at 239-0575 if you have any questions regarding this material. Thank you for your attention to this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stefanie Skogen".

Stefanie Skogen
Staff Attorney
Environmental Law Division

Enclosure

Buddy Garcia, *Chairman*
Larry R. Soward, *Commissioner*
Bryan W. Shaw, Ph.D., *Commissioner*
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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

February 20, 2009

Julio Cerda
City of Mission
1201 East 8th Street
Mission, Texas 78572

Emily Rogers
Bickerstaff Heath Delgado Acosta LLP
816 Congress Avenue, Suite 1700
Austin, Texas 78701

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY
2009 FEB 20 PM 12:31
CHIEF CLERKS OFFICE

Re: TCEQ Docket No. 2008-1062-UCR; Consideration of a request for a Commission order approving a contract designating service areas between La Joya Water Supply Corporation (WSC) and the City of Mission.

Dear Mr. Cerda and Ms. Rogers:

This letter is to inform you that the above-referenced application has been set on the Agenda for consideration by the Texas Commission on Environmental Quality (TCEQ). This Agenda will occur on March 11, 2009, at 9:30 a.m. in Building E, Room 201S, 12100 Park 35 Circle, Austin, Texas. Included with this letter are the Agenda backup materials to be considered by the Commission.

Persons with disabilities who plan to attend this hearing and who need special accommodations at the Agenda should call the TCEQ Office of Public Assistance at 1-800-687-4040 or 1-800-RELAY-TX (TDD) at least one week prior to the hearing. If you have any procedural questions, you may contact the TCEQ Office of Public Interest Counsel at 1-512-239-6363. If you have any other questions about this matter, you may contact me at 1-512-239-0575.

Sincerely,

A handwritten signature in cursive script that reads "Stefanie Skogen".

Stefanie Skogen
Staff Attorney
Environmental Law Division

Enclosure

cc: Lisa Fuentes, Water Supply Division, MC-153
Mailing List

Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

TO: Texas Commission on Environmental Quality **DATE:** February 20, 2009
THRU: LaDonna Castañuela, Chief Clerk
FROM: Stefanie Skogen, Environmental Law Division
SUBJECT: **TCEQ Docket No. 2008-1062-UCR.** Consideration of a request for a Commission order approving a contract designating service areas between La Joya Water Supply Corporation (WSC) and the City of Mission.

DESCRIPTION OF APPLICATION

Applicant: City of Mission and La Joya WSC¹
Regulated Activity: Retail water utility service
Type of Application: Request for a Commission order approving a contract
Commission Action: Hearing regarding approval of the contract
Authority: Texas Water Code § 13.248 and 30 Texas Administrative Code § 291.117

FACTUAL BACKGROUND

The City of Mission (City), water certificate of convenience and necessity (CCN) No. 11537, and La Joya WSC, water CCN No. 10559, provide retail water service in Hidalgo County, Texas. On February 9, 2008, La Joya WSC and the City entered into an agreement regarding their respective water service areas pursuant to section 13.248 of the Texas Water Code. Under the agreement, La Joya WSC will transfer 5.39 acres of CCN No. 10559 to the City, thereby incorporating the area into CCN No. 11537. The parties entered into this agreement to comply with a settlement agreement reached in *Daniec & Bazan v. La Joya WSC*, Cause No. C-1943-05-D, 206th District Court, Hidalgo County, Texas, between La Joya WSC and Leonel Bazan, who owns the 5.39-acre tract. According to the agreement, there are no customers or facilities in the area to be transferred.

Both parties have reviewed the CCN map to be issued with the Commission's order and have approved it.

¹ Per section 7201.002(c) of the Special District Local Laws Code, La Joya WSC has been dissolved since it filed its request and succeeded by Agua Special Utility District.

LEGAL AUTHORITY

The Texas Water Code prohibits a utility, a utility operated by an affected county, or a water supply corporation from rendering retail water or sewer utility service directly or indirectly to the public without first obtaining a CCN.² Conversely, a municipality is not required to obtain a CCN to provide retail water service.³ However, a municipality may not provide service to an area within its boundaries that is certificated to another retail public utility without first obtaining a CCN for that area.⁴

The Texas Water Code and TCEQ rules allow retail public utilities to enter into service area agreements and have the Commission affirm the agreements by amending the entities' respective CCNs.⁵ The request to approve a 13.248 agreement is not subject to the notice provisions of title 30, section 291.106 of the Texas Administrative Code, which apply to applications for new and amended CCNs. The Commission may approve the service area agreement pursuant to section 13.248 of the Texas Water Code with appropriate notice provided under the Open Meetings Act. The Executive Director will mail notice of the hearing upon the setting of an Agenda date.

BASIS FOR STAFF RECOMMENDATION

The following items were considered in developing the staff's recommendation:

1. Request for a Commission Order approving the 13.248 agreement filed by La Joya WSC on November 29, 2007 (Application No. 35910-C);
2. Agreement between La Joya WSC and the City, executed on February 9, 2008;
3. Map of the service area subject to the 13.248 agreement submitted by La Joya WSC; and
4. Financial, managerial, and technical analysis of the City to operate in the affected area.

STAFF RECOMMENDATION

² TEX. WATER CODE ANN. § 13.242(a) (Vernon Supp. 2006).

³ A municipality is a "retail public utility" under section 13.002(19) of the Texas Water Code but is not a "utility" under section 13.002(23). Therefore, the section 13.242(a) requirement that a "utility" must obtain a CCN before providing retail water utility service does not apply to a municipality.

⁴ TEX. WATER CODE ANN. § 13.247(a).

⁵ TEX. WATER CODE ANN. § 13.248 (Vernon 2000); 30 TEX. ADMIN. CODE § 291.117 (West 2008). Section 13.248 states, "Contracts between retail public utilities designating areas to be served and customers to be served by those retail public utilities, when approved by the commission after public notice and hearing, are valid and enforceable and are incorporated into the appropriate areas of public convenience and necessity."

Staff has confirmed that both parties are retail public utilities with active water CCNs and that the area the parties are seeking to transfer abuts the CCN of the entity receiving the CCN. The area is being transferred because the owner of the land to be transferred wants to be served by the City and entered into a settlement agreement with La Joya WSC in which the landowner and La Joya WSC agreed to the transfer. Further, staff is satisfied that the City possesses the adequate financial, managerial, and technical capability to provide continuous and adequate service to the area being transferred. The City already serves over 25,000 water connections and is ranked superior. Its utility fund has a debt service coverage ratio of 1.47:1.⁶ Therefore, based on the facts stated in the application and the supporting documentation submitted by La Joya WSC, staff supports the request for a Commission Order approving a contract designating service areas between La Joya WSC and the City.

STAFF CONTACTS

Stefanie Skogen, Environmental Law Division (239-0575)

Lisa Fuentes, Water Supply Division (239-6117)

⁶ A retail public utility's debt service coverage ratio should be above 1:1. More than 1.25:1 is considered to be good.

CAPTION
LA JOYA WSC AND CITY OF MISSION
Application No. 35910-C

TCEQ Docket No. 2008-1062-UCR. Consideration of a request for a Commission Order approving a contract designating service areas between La Joya Water Supply Corporation (WSC), water certificate of convenience and necessity (CCN) No. 10559, and the City of Mission, water CCN No. 11537, in Hidalgo County, Texas, pursuant to section 13.248 of the Texas Water Code. Under the contract, La Joya WSC will transfer approximately 5.39 acres of its water CCN to the City of Mission. (Stefanie Skogen, Lisa Fuentes)

The City of Mission and La Joya Water Supply Corporation
Financial and Managerial Capability Analysis of Contract Service Agreement
Page 2

The statement of revenues and expenses for the water utility showed a net income before transfers and capital contributions, of \$2,954,147 after covering depreciation expense of \$2,659,322 and interest expense of \$1,733,486. So cash available for debt service (operating income plus depreciation) was \$6,358,999 and required debt service for business-type activities was \$4,318,760 for a debt service coverage ratio of 1.47:1.

This information supports a finding of adequate financial and managerial capability to provide service to the area contracted for transfer.

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Mission, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mission, Texas, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Mission's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mission Redevelopment Authority, which represent 69 percent, 66 percent and 35 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mission Redevelopment Authority is based upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Mission Redevelopment Authority were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mission, Texas, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2008 on our consideration of the City of Mission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and the required supplementary information schedules as listed in the table of contents on pages 19 through 32 and 97 through 112 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mission's basic financial statements. The introductory section, the other supplementary information section, the capital assets used in the operation of governmental funds section, the supplemental schedules section, the statistical section and the federal awards section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information section, the capital assets used in the operation of governmental funds section, and the supplemental schedules section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the schedule of expenditures of state awards required by the Texas Governor's Office of Budget and Planning, State of Texas Single Audit Circular is also not a required part of the basic financial statements of the City of Mission, Texas. The accompanying schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Long Chilton, LLP

LONG CHILTON, LLP

Certified Public Accountants

McAllen, Texas
January 28, 2008

CITY OF MISSION, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Primary Government	Net (Expense) Revenue and Changes in Net Assets	
	Governmental Activities	Enterprise Activities
Governmental Activities	\$ (2,518,223)	\$ (4,518,223)
Enterprise Activities	(12,849,623)	(12,849,623)
Total	\$ (15,367,846)	\$ (17,367,846)
Component Unit		
MEDC	\$ 5,000,994	\$ 5,000,994
MRA	(1,000,000)	(1,000,000)
Total	\$ 3,999,994	\$ 3,999,994
Total	\$ (11,367,852)	\$ (13,367,852)

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CITY OF MISSION, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

ASSETS	Primary Government		Component Unit	
	Governmental Activities	Enterprise Activities	MEDC	MRA
Cash and cash equivalents	\$ 2,109,412	\$ 1,273,332	\$ 1,333,794	\$ 1,452,438
Investments	6,906,425	4,876,414	10,459,246	971,108
Receivables	7,209	3,371,630	13,029	-
Prepaid items	(845,571)	441,571	-	-
Due from component unit	2,045,535	189,000	2,234,535	-
Due from other governments	484,231	476,623	1,160,854	-
Due from other funds	132,460	103,004	-	-
Due from other assets	78,627	1,037,044	1,037,044	-
Due from other liabilities	34,913,442	34,429,324	69,342,766	4,471,131
Other capital assets, net of accumulated depreciation	19,445,411	11,744,696	27,439,471	3,781,116
Total Assets	\$ 48,221,227	\$ 52,322,221	\$ 113,053,114	\$ 21,485,803
LIABILITIES				
Accounts payable	1,049,462	943,448	1,992,910	51,677
Current deposits	1,613,248	1,613,248	1,613,248	-
Other liabilities	132,279	1,727,525	222,156	33,657
Subsidiaries deposits	1,375,960	1,375,960	1,375,960	-
Accounts payable	78,810	78,796	78,664	1,632,481
Due to primary government	2,059,245	2,059,245	2,059,245	-
Unearned revenue	696,466	52,828	749,294	1,977,431
Due to other governments	31,737,695	31,737,695	61,108,317	4,200,000
Due to other funds	2,035,565	2,066,033	3,260,921	311,000
Due to other assets	2,025,023	2,025,023	2,025,023	1,712,474
Due to other liabilities	78,979,114	51,829,014	126,803,124	894,431
Total Liabilities	\$ 48,221,227	\$ 52,322,221	\$ 113,053,114	\$ 21,485,803

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The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS
BALANCE SHEET GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

ASSETS	General Fund	Community Development Fund
Cash and cash equivalents	\$ 482,507	\$ -
Investments	1,181,000	-
Receivables	1,847,900	-
Accounts receivable	852,311	-
Special assessments	(118,127)	-
Accounts payable	14,423	-
Due from other governments	1,638,659	51,697
Due from other funds	283,695	-
Due from other assets	2,049,459	-
Inventory	6,599	-
Prepaid items	123,285	-
Long-term receivables	7,116,321	-
Total Assets	\$ 13,376,156	\$ 51,697
LIABILITIES		
Accounts payable	\$ 496,819	\$ 45,335
Other liabilities	337,279	693
Receivables	164,242	-
Due to other governments	1,112	-
Due to other funds	3,380	-
Deferred revenue	1,322,102	-
Total Liabilities	\$ 2,343,822	\$ 46,028
FUND BALANCES		
Reserved for encumbrance	128,621	-
Reserved for long-term receivable	123,785	-
Reserved for capital projects	-	-
Reserved for debt service	-	-
Reserved for scholarships and books	-	-
Reserved for inventory	6,599	-
Reserved for other purposes	5,121,470	-
Unreserved, unexpended in manager	10,963,780	-
Total Fund Balances	\$ 11,224,265	\$ -
Total Liabilities and Fund Balances	\$ 13,376,156	\$ 51,697

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Primary Government	Net (Expense) Revenue and Changes in Net Assets	
	Governmental Activities	Enterprise Activities
Governmental Activities	\$ (2,518,223)	\$ (4,518,223)
Enterprise Activities	(12,849,623)	(12,849,623)
Total	\$ (15,367,846)	\$ (17,367,846)
Component Unit		
MEDC	\$ 5,000,994	\$ 5,000,994
MRA	(1,000,000)	(1,000,000)
Total	\$ 3,999,994	\$ 3,999,994
Total	\$ (11,367,852)	\$ (13,367,852)

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

ASSETS	General Fund	Community Development Fund
Cash and cash equivalents	\$ 482,507	\$ -
Investments	1,181,000	-
Receivables	1,847,900	-
Accounts receivable	852,311	-
Special assessments	(118,127)	-
Accounts payable	14,423	-
Due from other governments	1,638,659	51,697
Due from other funds	283,695	-
Due from other assets	2,049,459	-
Inventory	6,599	-
Prepaid items	123,285	-
Long-term receivables	7,116,321	-
Total Assets	\$ 13,376,156	\$ 51,697
LIABILITIES		
Accounts payable	\$ 496,819	\$ 45,335
Other liabilities	337,279	693
Receivables	164,242	-
Due to other governments	1,112	-
Due to other funds	3,380	-
Deferred revenue	1,322,102	-
Total Liabilities	\$ 2,343,822	\$ 46,028
FUND BALANCES		
Reserved for encumbrance	128,621	-
Reserved for long-term receivable	123,785	-
Reserved for capital projects	-	-
Reserved for debt service	-	-
Reserved for scholarships and books	-	-
Reserved for inventory	6,599	-
Reserved for other purposes	5,121,470	-
Unreserved, unexpended in manager	10,963,780	-
Total Fund Balances	\$ 11,224,265	\$ -
Total Liabilities and Fund Balances	\$ 13,376,156	\$ 51,697

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

4. Collateralized mortgage obligations: The interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

A reconciliation of cash and investments as shown on the Statement of Net Assets for the primary government follows:

	2007
Cash on hand	\$ 5,940
Check cashed deposit	1,417,210
Investment	18,403,271
Less: Statement of Primary Net Assets - Investment	(6,311)
Cash and Investment Statement of Net Assets	\$ 23,815,000
Cash and cash equivalents	\$ 1,811,794
Investment	10,989,846
Reinvested assets	14,023,360
Less: Accrued Interest	(31,812,002)
Cash and Investment Statement of Net Assets	\$ 21,022,998

B. Component Units

Mission Economic Development Corporation

Deposits - As September 30, 2007, the carrying value of Mission Economic Development Corporation deposits was \$953,591 and the bank balance was \$975,662. All deposits were fully insured or collateralized.

Investments - During the year, MEDCO's investments consisted of obligations of the U.S. Government, or its Agencies and Instrumentalities. MEDCO had no investments as September 30, 2007.

Interest Rate Risk -

The risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

MEDCO's investment policy limits average maturities of all investments to one year or less. The maximum final stated maturity of any investment shall not exceed five years. Portfolio diversification is employed as a way to control the risk. MEDCO's investment portfolio is required to have sufficient liquidity to meet anticipated cash flow requirements.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

A reconciliation of cash and investments as shown on the statement of net assets for MEDCO follows:

	2007
Cash on hand	\$ 593,598
Check cashed deposit	1,252,242
Investment	2,672,262
Less: Statement of Net Assets	(1,200,330)
Cash and Investment Statement of Net Assets	\$ 3,217,772
Cash and cash equivalents	\$ 1,393,268
Investment	1,140,275
Reinvested assets	573,340
Less: Accrued Interest	(2,039,100)
Cash and Investment Statement of Net Assets	\$ 2,077,783

Collateral/Credit Risk -

For an investment, collateral credit risk is the risk that MEDCO will not be able to recover the full amount of investment or collateral securities that are in the possession of an outside party if the counterparty to an investment will not fulfill its obligations.

MEDCO's investment are categorized as a level one collateral credit risk, meaning that its investments are insured or registered or securities held by MEDCO or its agent in MEDCO's name.

- a. Obligations whose payment represents the counterparty's obligation on the outstanding principal balance of the underlying mortgage-backed security subpool and pay's no principal.
- b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security subpool and pays no interest.
- c. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.
- d. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

The following is the Interest Rate Risk using Specific Identification, as of September 30, 2007:

Investment Type	Assessed Face	Maturity Period	
		3 Months	4-12 Months
Federal Home Loan Bank	\$ 212,437	\$ -	\$ -
Federal Home Loan Bank	10,422	1,427,872	-
Federal Home Loan Bank	(6,311)	-	-
Federal Home Loan Bank	248,800	198,810	-
Federal Home Loan Bank	19,912	198,812	-
Federal Home Loan Bank	2,719	19,912	-
Federal Home Loan Bank	74,589	74,589	-
Federal Home Loan Bank	1,252,262	1,252,262	-
Federal Home Loan Bank	1,252,262	1,252,262	-

Credit Risk -

MEDCO's investment policy authorizes the following pools:

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Investment Pooling Act (Act 1997) and the Public Funds Investment Act (Act 1995). The Government Code, in addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are an equivalent rating by all rated one and a composite rating of no lower than AAA or AA-Am or market value of the underlying investment portfolio within one half of one percent of the value of its shares.

Statute authorizes MEDCO to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificate of deposit, certain municipal securities, equities agreements, and other investments specifically allowed by the Public Funds Investment Act of 1995 (Chapter 225a, Texas Government Code).

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Mission Redevelopment Authority

Deposits

Collateral Credit Risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for collateral credit risk requires compliance with the provisions of Texas statute.

Texas statute requires that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the institution. The Authority's policy requires that any cash balance in any fund shall be equal to the amount of the cash balance in the fund to which collateral is provided. The Authority's policy requires that the carrying amount of the Authority's deposits were \$1,450,548 and the bank balance was \$1,485,522. Of the bank balance, \$100,000 was covered by Federal depository insurance and the remaining balance was covered by collateral held in a third-party depository in the Authority's name.

Underliaments

Under Texas statute, the Authority is required to invest in funds under written investment policies that specify the types of investments to be made, the quality and capability of investment diversification, yield, maturity, and the quality and capability of investment. All Authority funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the Authority's financial requirements, first; the need to diversify investments; second; liquidity, third; marketability of the investments; fourth; the need to invest in securities that are insured by the FDIC; and, fifth, diversification of the investment portfolio, sixth, and yield, sixth. Authority's investment, diversification, and judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, interest the probable safety of capital and the probable income to be realized therefrom. Authority funds without express written authority from the Board of Directors.

Texas statute includes specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are limited to the following: (1) obligations of the United States or its agencies and instrumentalities; (2) certain collateralized mortgage obligations; (3) other obligations of the United States or its agencies and instrumentalities; (4) other obligations of the United States or its agencies and instrumentalities; (5) certain a rated or higher bond; (6) certain equities, contracts, futures, and other political subdivisions of any state; (7) bonds, interest, dividends or guaranteed by the State of Texas; (8) insured or collateralized

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

MEDCO's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Corporation's investment policy, and the Corporation's investment requirements of the PFIA and the Corporation's investment policies:

As of September 30, 2007, the following was the composition of MEDCO's credit rating by investment:

With Credit Rating	Percentage	Rating	Investments
Federal Home Loan Bank	100%	AAA	13%
Federal Home Loan Bank	100%	AAA	13%
Federal Home Loan Bank	100%	AAA	8%
Federal Home Loan Bank	100%	AAA	8%
Federal Home Loan Bank	100%	AAA	10%
Federal Home Loan Bank	100%	AAA	10%
Federal Home Loan Bank	100%	AAA	14%
Federal Home Loan Bank	100%	AAA	19%

Composition of Credit Risk -

Portfolio diversification is critically important to MEDCO to help mitigate the risk of loss. The following are employed terms of investment instruments, maturity, scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer as a way to control risk.

As of September 30, 2007, the following was the composition of MEDCO's investment portfolio:

Investment Type	Percentage	Rating	Investments
Federal Home Loan Bank	100%	AAA	13%
Federal Home Loan Bank	100%	AAA	13%
Federal Home Loan Bank	100%	AAA	8%
Federal Home Loan Bank	100%	AAA	8%
Federal Home Loan Bank	100%	AAA	10%
Federal Home Loan Bank	100%	AAA	10%
Federal Home Loan Bank	100%	AAA	14%
Federal Home Loan Bank	100%	AAA	19%

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

certificates of deposit, (8) certain fully collateralized equities agreements secured by delivery, (9) certain banker acceptances with limitations, (10) commercial paper rated A-1 or better, (11) certain money market funds, (12) certain municipal securities, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

As of September 30, 2007, the Mission Redevelopment Authority had the following investments and maturities:

Investment Type	Face Value	Less Than 1 Year	1-3 Years	More Than 3 Years
DEBT SERVICES LEASE	\$ 2,021,118	\$ 2,021,118	\$ -	\$ -
Reserve for Payment of Debt Service Fund	\$ 2,021,118	\$ 2,021,118	\$ -	\$ -
Money Market Fund	\$ 2,021,118	\$ 2,021,118	\$ -	\$ -

Credit Risk. Credit Risk is the risk that the issuer or the counterparty to an investment will not fulfill its obligations. As September 30, 2007, the Authority's Money Market Fund investment rating was unmarketable.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority considers the investment in the Money Market Fund to be of an investment of the Authority, unless there has been a significant change in value.

NOTE 5 - INTERVIEW RECEIVABLES, PAYABLES AND TRANSFERS

A. Interview receivable and payable balances as September 30, 2007 were as follows:

Account	Amount
General Fund	\$ 11,802
Utility Fund	3,801
Community Development Fund	365,928
Employee Health Insurance Fund	17,429
Capital Project Fund	196,470
General Fund	31,623
Utility Fund	5,002
Nonprofit or Governmental Fund	10,621
	\$ 1,042,221

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

Governmental Activities	October 1, 2006		September 30, 2007	
	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	\$ 30,152,862	\$ 634,777	\$ -	\$ 30,787,639
Construction in progress	4,677,819	1,690,195	(1,892,631)	4,475,483
Total capital assets, not being depreciated	34,830,681	2,324,972	(1,257,962)	35,897,691
Capital assets, being depreciated:				
Buildings	10,346,207	112,675	(109,145)	10,349,737
Improvements other than buildings	3,584,807	1,728,459	(5,091,182)	2,222,094
Machinery and equipment	11,277,696	1,428,423	(1,438,418)	11,267,703
Leasehold improvements	1,200,000	1,200,000	(1,200,000)	1,200,000
Total capital assets, being depreciated	26,308,700	4,369,357	(8,738,745)	21,939,312
Total accumulated depreciation for:				
Buildings	(2,912,779)	(246,313)	(5,196,972)	(8,156,064)
Improvements other than buildings	(1,500,000)	(1,500,000)	(1,500,000)	(3,500,000)
Machinery and equipment	(3,999,250)	(2,743,423)	(10,139)	(7,752,802)
Leasehold improvements	(1,200,000)	(1,200,000)	(1,200,000)	(3,600,000)
Total accumulated depreciation	(9,611,929)	(5,489,736)	(17,035,911)	(22,137,717)
Total capital assets, being depreciated, net	16,696,771	2,879,621	(18,974,656)	10,802,595
Governmental Activities-Capital Assets, Net	\$ 51,527,452	\$ 5,204,593	\$ (13,770,065)	\$ 42,961,980
Buildings and Equipment:				
Land	\$ 3,947,102	\$ 51,000	\$ -	\$ 3,998,102
Land rights	31,552,800	1,200,920	(14,631,279)	28,122,441
Construction in progress	27,729,932	1,354,920	(14,631,279)	24,453,583
Total assets, not being depreciated	63,229,834	2,906,840	(14,631,279)	51,505,395
Capital assets, being depreciated:				
Buildings and equipment	69,844,265	16,817,784	(5,841,969)	80,820,180
Machinery and equipment	5,234,665	214,866	(10,725)	5,348,806
Furniture and equipment	23,465,372	17,031,270	(10,725)	40,485,917
Total assets, being depreciated	98,544,299	34,063,920	(16,577,419)	116,030,800
Total accumulated depreciation:				
Buildings and equipment	(2,912,779)	(246,313)	(5,196,972)	(8,156,064)
Improvements other than buildings	(1,500,000)	(1,500,000)	(1,500,000)	(3,500,000)
Machinery and equipment	(3,999,250)	(2,743,423)	(10,139)	(7,752,802)
Leasehold improvements	(1,200,000)	(1,200,000)	(1,200,000)	(3,600,000)
Total accumulated depreciation	(9,611,929)	(5,489,736)	(17,035,911)	(22,137,717)
Total capital assets, being depreciated, net	88,932,370	28,574,184	(33,613,330)	83,893,224
Total assets, being depreciated, net	187,462,204	62,638,004	(50,190,689)	139,909,519
Total Capital Assets, Net	\$ 269,009,656	\$ 8,042,597	\$ (63,960,754)	\$ 213,091,499

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

The remaining balances resulted from a routine lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. All amounts are scheduled to be repaid within one year.

B. Due to/from the primary government and component unit at September 30, 2007 were as follows:

Transferor City	Transferor City		Transferee City	Amount
	Primary Government	Component Unit - MIA		
Primary Government - General Fund	\$ 170,000	\$ 2,725,441	Component Unit - MEDC	\$ 399,935
Primary Government - General Fund	\$ 170,000	\$ 2,725,441	Component Unit - MIA	\$ 2,317,266
Interfund Transfer:				
Transfer to:				
General Fund	\$ 170,000	\$ 2,725,441	General Fund	\$ 2,895,441
Debt Service Fund	\$ -	\$ -	Debt Service Fund	\$ -
Nonmajor Governmental Funds	\$ -	\$ -	Nonmajor Governmental Funds	\$ -
Sales Tax Fund	\$ -	\$ -	Sales Tax Fund	\$ -
Utility Fund	\$ -	\$ -	Utility Fund	\$ -
Total Transfer Out	\$ 170,000	\$ 2,725,441	Total Transfer In	\$ 2,895,441

Transfers out of the general fund to the debt service fund were for collections to cover debt service requirements that came due within the fiscal year. Other transfers out from the general fund to nonmajor governmental funds were to sustain the operating activities of those funds.

A nonmajor governmental fund transferred funds to the general fund to sustain ongoing activities and to the utility fund to sustain the ongoing maintenance of streets and utility destroyed by the garbage trucks on a utility basis.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public safety	\$ 251,142
General government	820,723
General infrastructure assets	3,094,831
Sanitation	13,455
Recreation	493,367
Total depreciation expense - governmental activities	\$ 4,653,518
Business-Type Activities:	
Utility	\$ 2,659,322
Other	165,128
Total depreciation expense - business-type activities	\$ 2,824,450

NOTE 7 - RECEIVABLES

Receivables at September 30, 2007 were as follows:

Governmental Activities	Special		Due From Other Governmental Entities	Amount Due to Other Governmental Entities
	Total	Accounts Receivable		
General	\$ 1,441,996	\$ 89,331	\$ -	\$ (413,800)
Debt Service	-	-	19,897	-
Capital Assets	23,824	11,320	23,829	3,284
Construction in progress	1,102,800	1,102,800	-	(102,810)
Total Governmental	2,568,620	2,103,951	43,726	(413,326)
Business-Type				
Accounts Receivable	\$ 1,234,646	\$ 1,771	\$ 475,714	\$ (20,374)
Due From Other Governmental Entities	-	-	16,559	(10,370)
Due From Utility	-	-	-	68,432
Due From Other Business-Type Activities	\$ 3,340,297	\$ -	\$ 62,246	\$ (68,210)
Total Business-Type	4,574,943	1,771	544,519	97,778
Total	\$ 7,143,563	\$ 2,105,722	\$ 988,245	\$ (315,548)

Revenues of the Utility and Solid Waste Funds are reported net of uncollectible amounts related to revenues of the current period.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

Governmental Activities	October 1, 2006		September 30, 2007	
	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	\$ 30,152,862	\$ 634,777	\$ -	\$ 30,787,639
Construction in progress	4,677,819	1,690,195	(1,892,631)	4,475,483
Total capital assets, not being depreciated	34,830,681	2,324,972	(1,257,962)	35,897,691
Capital assets, being depreciated:				
Buildings	10,346,207	112,675	(109,145)	10,349,737
Improvements other than buildings	3,584,807	1,728,459	(5,091,182)	2,222,094
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Total capital assets, being depreciated	26,308,700	4,369,357	(8,738,745)	21,939,312
Total accumulated depreciation for:				
Buildings	(2,912,779)	(246,313)	(5,196,972)	(8,156,064)
Improvements other than buildings	(1,500,000)	(1,500,000)	(1,500,000)	(3,500,000)
Machinery and equipment	(3,999,250)	(2,743,423)	(10,139)	(7,752,802)
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CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

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Primary Government - General Fund	\$ 170,000	\$ 2,725,441	Component Unit - MIA	\$ 2,317,266
Interfund Transfer:				
Transfer to:				
General Fund	\$ 170,000	\$ 2,725,441	General Fund	\$ 2,895,441
Debt Service Fund	\$ -	\$ -	Debt Service Fund	\$ -
Nonmajor Governmental Funds	\$ -	\$ -	Nonmajor Governmental Funds	\$ -
Sales Tax Fund	\$ -	\$ -	Sales Tax Fund	\$ -
Utility Fund	\$ -	\$ -	Utility Fund	\$ -
Total Transfer Out	\$ 170,000	\$ 2,725,441	Total Transfer In	\$ 2,895,441

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CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6 - CAPITAL ASSETS (Continued)

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Total depreciation expense - business-type activities	\$ 2,824,450

NOTE 7 - RECEIVABLES

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	Total	Accounts Receivable		
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Debt Service	-	-	19,897	-
Capital Assets	23,824	11,320	23,829	3,284
Construction in progress	1,102,800	1,102,800	-	(102,810)
Total Governmental	2,568,620	2,103,951	43,726	(413,326)
Business-Type				
Accounts Receivable	\$ 1,234,646	\$ 1,771	\$ 475,714	\$ (20,374)
Due From Other Governmental Entities	-	-	16,559	(10,370)
Due From Utility	-	-	-	68,432
Due From Other Business-Type Activities	\$ 3,340,297	\$ -	\$ 62,246	\$ (68,210)
Total Business-Type	4,574,943	1,771	544,519	97,778
Total	\$ 7,143,563	\$ 2,105,722	\$ 988,245	\$ (315,548)

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CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6 - CAPITAL ASSETS

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	Balance	Increases	Decreases	Balance
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Construction in progress	4,677,819	1,690,195	(1,892,631)	4,475,483
Total capital assets, not being depreciated	34,830,681	2,324,972	(1,257,962)	35,897,691
Capital assets, being depreciated:				
Buildings	10,346,207	112,675	(109,145)	10,349,737
Improvements other than buildings	3,584,807	1,728,459	(5,091,182)	2,222,094
Machinery and equipment	11,277,696	1,428,423	(1,438,418)	11,267,703
Leasehold improvements	1,200,000	1,200,000	(1,200,000)	1,200,000
Total capital assets, being depreciated				

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 9 - LONG-TERM DEBT (Continued)

Certificates of obligation debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2008	\$ 900,000	\$ 907,446	\$ 80,000	\$ 7,150
2009	762,000	874,689	50,000	4,994
2010	618,000	641,143	50,000	1,144
2011	492,000	503,600	-	-
2012	366,000	376,840	-	-
2013-2017	5,660,000	31,092,316	-	-
2018-2022	4,990,000	19,729,986	-	-
2023-2027	4,990,000	19,729,986	-	-
2028-2033	293,000	7,732	-	-
Total	\$ 19,655,000	\$ 91,841,117	\$ 275,000	\$ 13,284

Revenue Bonds

The City also issued bonds for which it judges net revenue derived from the waterworks and sewer system accounted for in the Utility Fund to pay debt service requirements.

Revenue bonds payable at September 30, 2007 are comprised of the following:

Business-Type Activities:

Year Ending September 30,	Principal	Interest	Business-Type
2008	\$ 2,072,370	\$ 1,869,913	\$ 321,000
2009	2,127,232	1,935,489	321,000
2010	2,172,116	1,653,944	321,000
2011	2,242,318	1,452,484	321,000
2012	2,312,520	1,251,024	321,000
2013-2017	10,848,579	5,662,254	1,646,000
2018-2022	10,828,851	5,795,657	1,646,000
2023-2027	4,174,430	1,893,073	1,188,500
Total	\$ 41,944,320	\$ 21,893,418	\$ 14,188,500

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 9 - LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2007 was as follows:	Balance at September 30, 2006		Additions and Deletions		Balance at September 30, 2007		Amount Due within One Year
	Principal	Interest	Principal	Interest	Principal	Interest	
Governmental Activities:							
Public Property Financing	\$ 2,125,000	\$ -	\$ 593,000	\$ 1,540,000	\$ 468,000	\$ -	\$ 468,000
Government Obligations	2,125,000	-	79,000	193,562	2,125,000	-	2,125,000
Public Property Financing	137,856	-	7,814	193,562	137,856	-	137,856
Public Property Financing	22,888,815	-	1,377,814	21,511,442	22,888,815	-	22,888,815
Public Property Financing	100,000	-	50,000	50,000	100,000	-	100,000
Public Property Financing	1,838,816	-	1,291,661	2,082,222	1,838,816	-	1,838,816
Governmental Activities	\$ 23,873,722	\$ -	\$ 3,042,272	\$ 23,922,029	\$ 23,873,722	\$ -	\$ 23,873,722
Business-Type Activities:							
Business-Type Financing	\$ 925,000	\$ -	\$ 345,000	\$ 270,000	\$ 325,000	\$ -	\$ 325,000
Business-Type Financing	310,000	-	45,000	275,000	310,000	-	310,000
Business-Type Financing	615,000	-	290,000	445,000	615,000	-	615,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
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Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
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Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-	70,000	100,000	170,000	-	170,000
Business-Type Financing	275,000	-	105,000	275,000	275,000	-	275,000
Business-Type Financing	345,000	-	150,000	345,000	345,000	-	345,000
Business-Type Financing	140,000	-	60,000	115,000	140,000	-	140,000
Business-Type Financing	170,000	-					

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 10 - COMPONENT UNIT - LONG-TERM DEBT PAYABLE (Continued)

Current year activity related to the loan was as follows:

Balance at October 1, 2006	Decrease	Balance at September 30, 2007	Amount Due Within One Year
\$ 250,000	\$ -	\$ 250,000	\$ -

Balance at September 30, 2006	Additional Obligations and Refinancing	Balance at September 30, 2007	Amount Due Within One Year
\$ 8,610,000	\$ 264,000	\$ 8,874,000	\$ 304,000
\$ 250,000	\$ -	\$ 250,000	\$ -
\$ 8,610,000	\$ 264,000	\$ 8,874,000	\$ 304,000

The following is a summary of changes in long-term debt obligations for the MRA for the year ended September 30, 2007:

Balance at September 30, 2006	Additional Obligations and Refinancing	Balance at September 30, 2007	Amount Due Within One Year
\$ 8,610,000	\$ 264,000	\$ 8,874,000	\$ 304,000
\$ 250,000	\$ -	\$ 250,000	\$ -
\$ 8,610,000	\$ 264,000	\$ 8,874,000	\$ 304,000

NOTE 11 - DEFERRED REVENUE

Governmental funds report unearned revenue in connection with revenues for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of unearned revenue and unearned revenue reported in the governmental funds were as follows:

Delinquent property taxes	Unearned	Unearned
\$ 1,322,169	\$ -	\$ 1,322,169
Post-delivery fees	551,743	551,743
Lower receivable - HOME	138,631	138,631
\$ 1,322,169	\$ 690,404	\$ 690,404

Unearned revenues of \$52,828 in the Golf Course Fund, an enterprise fund, represent collections of annual membership dues that will be recognized as revenue in the next fiscal year.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 14 - RESTRICTED ASSETS (Continued)

Restricted assets of governmental funds as of September 30, 2007 consisted of cash and cash equivalents for connector retaining as follows:

Police Department Special	Amount
Designated Purpose Fund	\$ 500
2001 CO Commutation	33,144
2001 CO Commutation	39,683

B. Component Unit

Restricted assets held by Mission Economic Development Corporation at September 30, 2007 consist of the following:

Cash and Cash Equivalents	Investments	Accrued Interest	Total
\$ 1,772	\$ 421,508	\$ 447	\$ 423,727
\$ 1,772	\$ 421,508	\$ 447	\$ 423,727

NOTE 15 - PENSION PLAN

Plan Description

On November 1, 1970, the City elected to participate in the state-operated Texas Municipal Retirement System Pension Plan. The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (TMRS), one of over 821 administered by TMRS as an agent multiple-employer public employee retirement system. The plan provides service and disability retirement benefits, and death benefits to plan members and beneficiaries. The plan provisions are adopted by the governing body of the City, within the options available in the state financial report and the required disclosure information is available by visiting the Texas Municipal Retirement System, P.O. Box 149151, 1200 North Interstate 35, Austin, Texas 78714-9151. Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are percent (100%, 150%, or 200%) of the employee's contributions to the plan. In addition, the City provides a death benefit (monthly), another type of monetary credit referred to as an updated service credit which is a theoretical

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 12 - NOTES RECEIVABLE

A. Utility Fund Note Receivable

The City's Utility Fund has the following note receivable at September 30, 2007:

Note receivable from Rio Grande Snack Company in the original amount of \$400,000 payable in 180 monthly installments of \$3,484.43 including interest at 6.5% beginning July 1996.

During the year ended September 30, 2007, the following changes occurred in Enterprise Fund Notes Receivable:

Balance	Additions	Reductions	Balance at September 30, 2007
\$ 178,884	\$ -	\$ 31,668	\$ 147,216
\$ 178,884	\$ -	\$ 31,668	\$ 147,216

NOTE 13 - LONG-TERM RECEIVABLE

Long-Term Notes Receivable at September 30, 2007 for the City of Mission are comprised of the following:

Governmental Activities

Right-of-Way Reimbursement

In prior years, the City incurred costs in the amount of \$356,549 in purchasing right-of-way for road expansions which are subject to reimbursement from the State of Texas. In order to be reimbursed, the City must submit applications for reimbursement reviewed and accepted by the State. The City has been working with the State on obtaining the necessary documents.

Balance at September 30, 2007

\$ 82,385

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 15 - PENSION PLAN (Continued)

amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credit and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had been in effect for the employee's entire career. The normal cost contribution rate for the last three years that are not yet earned is the average of his salary in the last three years that are not yet earned. The normal cost contribution rate for the employee-financed monetary credits with interest were used to purchase an annuity. Members can retire at age-60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the financial reporting data in the financial report.

Contributions

The contribution rate for the employees is 6% and the City matching rate is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a percentage of the employee's salary. The normal cost contribution rate is currently 6.25% of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time he/she retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (es) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employee and the City. The normal cost contribution rate is based on the employee's salary for the year and the calendar year when the rate goes into effect (i.e. December 31, 2006 valuation is effective for rates beginning January, 2008).

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 13 - LONG-TERM RECEIVABLE (Continued)

Blindness Rehabilitation

Promissory note receivable for housing assistance provided under the Community Development Block Grant (CDBG) program to an ineligible recipient. The principal amount and interest are due and payable in equal monthly payments of \$1,000.00 beginning each month, beginning November 9, 2007 and continuing until the principal have been paid in full. The annual interest rate is zero percent and the final maturity date is January 9, 2026.

-43,820

Total Long Term Notes Receivable
Less: Current Portion

136,185
(7,480)
\$128,705

NOTE 14 - RESTRICTED ASSETS

A. Primary Government

The waterworks and sewer system revenue bond indentures require that during the period over which the bonds are outstanding, the City maintain certain separate accounts and funds to account for (1) the principal and interest on the bonds, (2) the debt service deposits made from revenues and (3) extensions and improvements to the waterworks and sewer system. These accounts can be used only in accordance with the revenue bond indentures. Similar requirements exist for the debt service of the Public Property Financing Contractual Obligations. The City also holds certain deposits from subscribers for future utility improvements, and the amount of retention of certain construction contracts.

Restricted assets included in the Utility Fund as of September 30, 2007 consist of:

Cash	Investments	Accrued Interest	Total
\$ 4,241	\$ 1,222,786	\$ 20,974	\$ 1,251,115
\$ 4,241	\$ 1,222,786	\$ 20,974	\$ 1,251,115
Revenue Bond Reserve Fund	1,222,786	20,974	1,251,115
PFTCO Interest and Shaking	31,810	3,850	35,660
Revenue Bond Reserve Fund	148,008	4,991	152,999
Sanitarians Deposit	147,008	4,991	151,999
Sanitarians Deposit	114,634	4,171	118,805
Water and Sewer Fund Improvements	1,475,314	6,413	1,481,727
Water and Sewer Fund Improvements	3,271	2,221	5,492
Contractor Retention	3,271	2,221	5,492
\$ 3,271	\$ 1,222,786	\$ 6,324	\$ 1,602,381

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 15 - PENSION PLAN (Continued)

Annual Pension Cost - The City's pension cost for the year ended September 30, 2007 and related information follows:

Contributions:	12%	6%
City	1,680,672	1,271,006
Plan Members	7%	30%
Annual Pension Cost	1,680,672	1,271,006
Actuarial valuation date	12/31/06	
Annual cost method	level percent of payroll	
Investment rate of return	35 years - open period	
Projected salary increases	none	
Cost-of-living adjustments	3.25%	
Amortization method	level percent of payroll	
Remaining amortization period from January 1, 2001	33 years - open period	
Asset valuation method	amortized cost	

Other Post Employment Benefits

Included with the retirement benefits described above, the City has elected to provide a supplemental death benefit in the form of a \$7,500 life insurance policy for the contribution plan. This additional benefit is paid for by the City as an additional component of its contribution. At of January 1, 2007 the contribution rate to provide this benefit was 0.21% out a total pension contribution rate for the City of 9.83 %.

NOTE 16 - PENSION PLAN - EMERGENCY SERVICES PERSONNEL RETIREMENT FUND

As of January 1, 2006, the contribution rate to provide this benefit was 0.20% out of a total pension contribution rate for the City of 7.62%. These required contribution rates were determined by the Texas Municipal Retirement System. The City of Mission elected to provide this additional benefit by daily adopted City Ordinance. Contributions for this additional benefit are paid along with the City's total contribution on a

NOTE 28 - INTEREST IN INTERNATIONAL TOLL BRIDGE (Continued)

exception of fixing rates and charges for services and the issuance of debt, which is reserved by the Board of Commissioners of McAllen, shall be vested in a Board of Trustees consisting of five (5) voting members, two of which are appointed from the existing members of the Hidalgo Bridge Office by McAllen, with the Mayors of the cities of McAllen, Hidalgo and Mission serving as ex-officio members. The Board of Trustees shall have the authority to make all decisions on behalf of the Board. In addition, the budget is subject to final approval by the Board of Commissioners of McAllen. The agreement also provides that these cities as well as the City of Hidalgo will share in the undistributed balance of surplus net revenues at the following percentages: City of McAllen, 33%; City of Hidalgo, 33%; and the City of Mission, 33%. Per separate interlocal agreement, the City of Mission will share 66% of the portion of the undistributed balance of surplus net revenues with the City of Ojinaga, Texas.

In order to finance the construction of the Amalulus Bridge, the City of McAllen issued Series 2007A and \$13,600,000 Series B. The Bonds are secured by a pledge of net revenues of the McAllen International Toll Bridge ("Hidalgo Bridge"), located in Hidalgo, Texas and the Amalulus Bridge. According to the 2003 Agreement, both the City of McAllen and the City of Hidalgo are responsible for the Series 2007A bonds from each city's respective share of net revenues of the Hidalgo Bridge. The City of McAllen is responsible for the Series 2007B bonds from its share of net revenues of the Hidalgo Bridge. The estimated date of completion and commencement of operations is June 2009.

Per the Agreement, the City of Mission was not required to make any capital contributions to the project and there is no dollar amount of interest in these financial statements as representing its ownership interest.

NOTE 29 - SUBSEQUENT EVENTS

Subsequent to year end the City closed on the issuance of Series 2007 Combination Tax and Limited Pledge Revenue Certificates of Obligation in the amount of \$7,000,000. These bonds will bear interest at rates ranging from 4.25% to 5% and are due in annual principal and semi-annual interest payments beginning February 15, 2008.

NOTE 30 - COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

NOTE 30 - COMPLIANCE AND ACCOUNTABILITY (Continued)

Expenditures Exceeding Appropriations:
During the year ended September 30, 2007 the City had expenditures exceeding budgets in the General Fund as follows:

Function	Excess
Fleet Maintenance Department	\$ 22,000

These expenditures were funded by greater than anticipated local revenues in the general fund.

Deficit Fund Balance or Fund Net Assets of Individual Funds:
Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit	Remarks
None Reported	Not Applicable	Not Applicable

CITY OF MISSION, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS- FEDERAL AND STATE
 For the Year Ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? reported yes none

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? reported yes none

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CEDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
97.083	SAFER Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

A-187-7

Appl 35910-C (W)
Appl 35911-C (S) LF-app
KS-mapping

Bickerstaff Heath Delgado Acosta LLP

816 Congress Avenue Suite 1700 Austin, Texas 78701 (512) 472-8021 Fax (512) 320-5638 www.bickerstaff.com

November 29, 2007

Via Messenger

Tammy Benter
Utilities & Districts Section
Water Permits & Resource Management Division
Texas Commission on Environmental Quality
12100 Park 35 Circle
Building F, Room 31050
Austin, Texas 78711-3087

RECEIVED
TCEQ
WATER SUPPLY DIV.
2007 NOV 29 PM 3 41

RECEIVED
Check Rec'd 12/3/07
DEC 3 - 2007
TEXAS COMMISSION
ON
ENVIRONMENTAL QUALITY

RE: Texas Water Code § 13.248 Agreement between the La Joya Water Supply Corporation (CCN Nos. 10559 and 20785) and the City of Mission (CCN Nos. 11537 and 20768).

Dear Ms. Benter:

Please find enclosed four copies of the October 25, 2007 Transfer Retail Water and Sewer Utility Service Area Agreement ("October 2007 Agreement") between La Joya Water Supply Corporation (La Joya WSC) and the City of Mission (Mission) concerning water and sewer service territory in Hidalgo County, Texas. Also, please find four copies of the map identifying the areas to be transferred and four CDs with the electronic data that is used to create the map.

The Agreement designates territory between Mission, which holds Water Certificate of Convenience and Necessity (CCN) Nos. 11537 and 20768, and La Joya WSC, which holds Water CCN No. 10559 and 20785. The March 9, 2007 Agreement provides for the transfer of territory identified on the attached map.

In accordance with 30 TEX. ADMIN. CODE § 291.117, La Joya WSC and Mission respectfully request that the October 2007 Agreement between them be noticed for and set on Texas Commission on Environmental Quality agenda so that the October 2007 Agreement may be considered and incorporated into the appropriate areas of public convenience and necessity, as set forth in Texas Water Code § 13.248.

Tammy Benter
November 29, 2007
Page 2

As required by Texas Water Code § 5.701, please find enclosed a \$100 filing fee. If you have any questions or comments, please do not hesitate to call me at 512-472-8021. Thank you for your attention to this matter.

Sincerely,



Emily W. Rogers
Attorney for the Receiver of
La Joya Water Supply Corporation

EWR/mmr
Enclosures

cc. Pablo Vela, Receiver for La Joya WSC
Frank Flores, General Manager for La Joya WSC
Norberto Salinas, Mayor for the City of Mission
Ricardo Perez, Representative for the City of Mission
Leonel Bazan, Property Owner of Property to be Decertified

RECEIVED
TCEQ
WATER SUPPLY DIV.
2008 FEB 8 PM 4 48

**AGREEMENT DESIGNATING RETAIL
WATER SERVICE TERRITORY**

STATE OF TEXAS §
 §
COUNTY OF HIDALGO §

THIS AGREEMENT Designating Retail Water Service Territory is made and executed by and between the La Joya Water Supply Corporation (hereinafter "La Joya WSC"), and the City of Mission, Texas (hereinafter "Mission"). La Joya WSC and Mission may be collectively referred to herein as the "Parties."

RECITALS

WHEREAS, La Joya WSC is a Texas non-profit water supply corporation which holds water Certificate of Convenience and Necessity ("CCN") No. 10559 ("La Joya WSC's Water CCN");

WHEREAS, Mission is a Texas municipal corporation which holds water CCN No. 11537;

WHEREAS, Mr. Pablo Vela, Jr. was appointed Temporary Receiver of the assets and business of La Joya WSC by order of the District Court of Hidalgo County, Texas on August 31, 2005 in *State of Texas v. La Joya Water Supply Corporation*, Cause No. C-848-05-1; and

WHEREAS, the Receiver for La Joya WSC has reached a settlement agreement in *Daniec & Bazan v. La Joya WSC*, Cause No. C-1943-05-D, 206th District Court, Hidalgo County, Texas, with Leonel Bazan, which provides that La Joya WSC will decertify the portion of a 10 acre tract of land owned by Mr. Bazan within La Joya WSC's CCNs so that it may be certificated for water by the City of Mission.

WHEREAS, Mission desires to certificate the 10 acre tract of land owned by Mr. Bazan so that it may provide water service to the 10 acre tract; and

NOW, THEREFORE, for and in consideration of the foregoing mutual benefits, covenants, and agreements herein expressed and other good and valuable consideration, the receipt of which is hereby acknowledged, La Joya WSC and Mission agree as follows:

TERMS OF AGREEMENT

IN CONSIDERATION of the mutual promises and covenants contained in this Agreement, including the recitals set forth above, and other good and valuable consideration, the receipt of which is hereby acknowledged, by their representatives affixing signatures below, La Joya WSC and Mission agree as follows:

(1) Transfer Area. La Joya WSC hereby agrees to decertify the portion of its water utility service area identified as the cross-hatched area on the attached map, attached hereto and incorporated herein for all purposes as Exhibit A, and transfer the territory identified on Exhibit A to the City of Mission. The water utility service area to be transferred from La Joya WSC to Mission is specifically identified, and designated herein as the "Transfer Area."

(2) Transfer to Mission. La Joya WSC and Mission agree that, after the Transfer Effective Date, Mission shall have the sole right to provide retail water service within the Transfer Area, and La Joya WSC will have no further obligation or right to provide retail water service to any future customers in the Transfer Area.

(3) Customers and Facilities in the Transfer Area. As of the Effective Date of this Agreement, there are no La Joya WSC customers or any facilities, waterlines, or related equipment in the Transfer Area. No facilities or customers will be transferred from La Joya WSC to the City of Mission under this Agreement.

(4) Transfer and Amendment of CCNs. La Joya WSC will file this agreement with the Texas Commission on Environmental Quality ("TCEQ") to formally transfer the Transfer Area from La Joya's CCN to Mission's CCN and request that this Agreement be incorporated into the respective CCNs of Mission and La Joya WSC pursuant to Texas Water Code § 13.248. La Joya WSC and Mission shall endeavor to obtain TCEQ approval of the CCN transfers contemplated herein in an expeditious manner and will support and cooperate with each other and the TCEQ to accomplish this goal.

(5) Effective Dates. This Agreement is effective and enforceable as between La Joya WSC and Mission following execution by both parties.

(6) Section 13.248. This Agreement shall be construed and interpreted in accordance with Section 13.248 of the Texas Water Code.

(7) Sewer Service to Transfer Territory. La Joya WSC agrees not to apply for a sewer CCN for the Transfer Area or to provide sewer service to the Transfer Area if the Transfer Area is certificated to the City of Mission for the provision of water service.

MISCELLANEOUS

(1) Applicable Texas Law. This Agreement shall be governed by and construed and enforced under the laws of the State of Texas.

(2) Performance. The obligations and undertakings of each of the parties to this Agreement shall be performed in Hidalgo County, Texas. Except for matters within the jurisdiction of the TCEQ (or its successor), the parties expressly agree that all judicial proceedings to enforce any of the provisions of this Agreement shall take place in Hidalgo County, Texas.

(3) Entire Agreement. This Agreement contains the entire agreement of La Joya WSC and Mission with respect to the subject matter of the Agreement. No Agreement, statement, or promise made by any party or to any employee, agent, or officer of any party, that is not contained in this Agreement shall be valid, binding, or of any force or effect. Any amendments to this Agreement must be in writing and signed by the party or parties to be charged. This Agreement supersedes and replaces the October 2007 agreement transferring the same area.

(4) Successors and Assigns. This Agreement shall be binding upon the parties hereto and their respective successors, heirs, representatives, and assigns.

(5) Agreement Drafted Equally. This Agreement shall be deemed drafted equally by the Parties hereto. The language of all parts of this Agreement shall be construed as a whole according to its fair meaning, and any presumption or principle that the language herein is to be construed against either Party shall not apply.

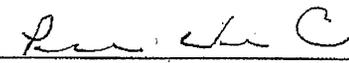
(6) Severability. Should any provision of this Agreement be declared void by a court of competent jurisdiction, the remaining provisions of this Agreement shall remain in full force and effect.

(7) Attorney's Fees. In the event of any suit or other adjudication between the Parties to enforce any claim arising out of this Agreement, or to interpret the terms of this Agreement, the prevailing Party shall be entitled to recover its fees, damages, costs, attorneys' fees, and such other and further relief from the non-prevailing Party, general or special, at law or in equity, to which the prevailing Party may show itself justly entitled as provided by Texas Local Government Code § 271.159.

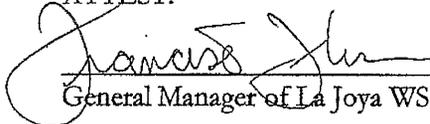
(8) Covenant of Authority. The respective signatories to this Agreement covenant that they are fully authorized to sign this Agreement on behalf of their respective party.

IN WITNESS WHEREOF, EXECUTED by the Receiver of La Joya WSC and the City of Mission under the authority of their respective governing bodies in Duplicate Originals on the dates indicated below.

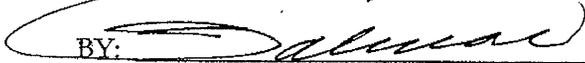
LA JOYA WSC

BY: 
Pablo Vela, Jr.
Date: 2/9/08

ATTEST:


General Manager of La Joya WSC

CITY OF MISSION

BY: 
Norberto Salinas, Mayor

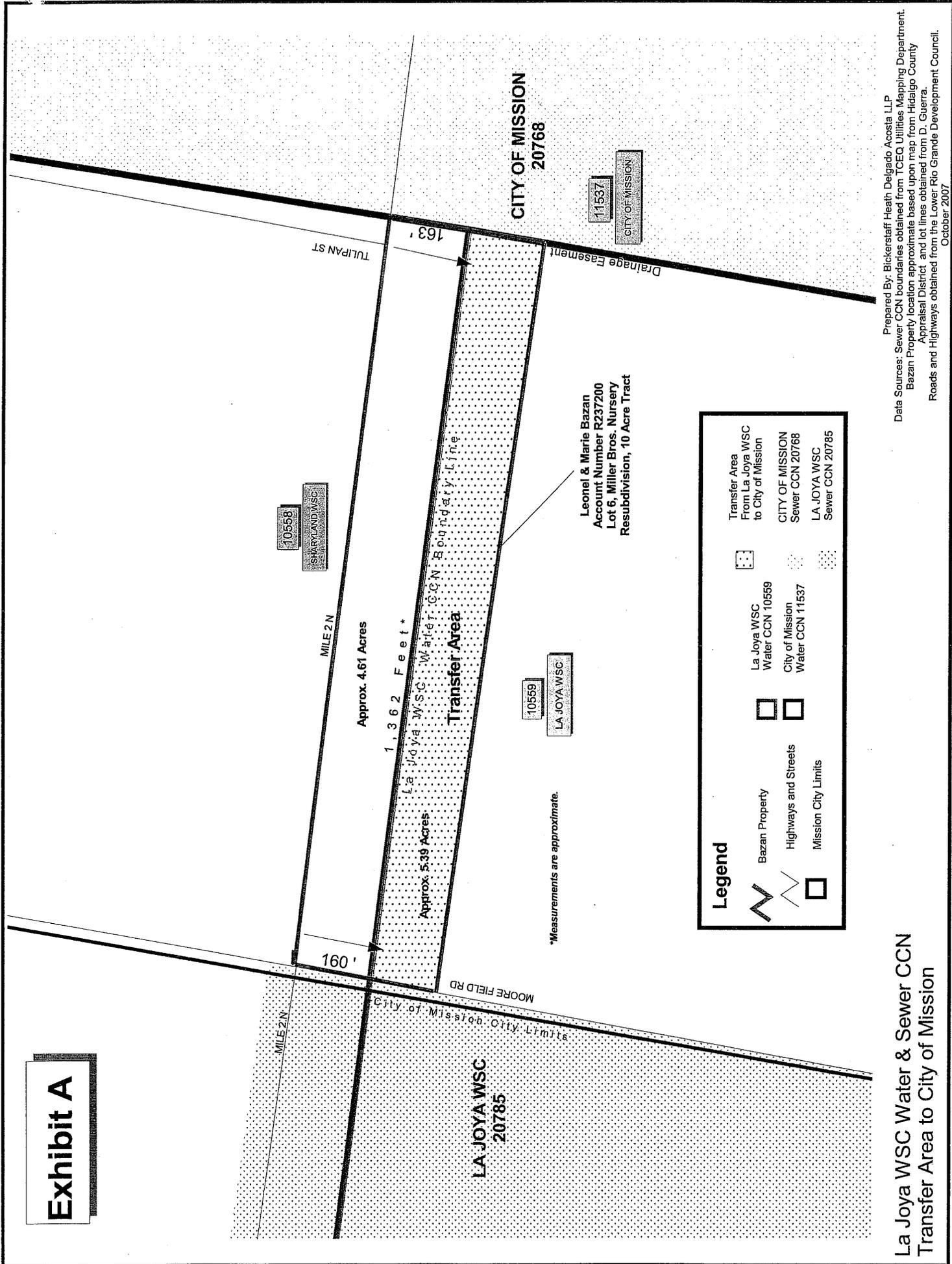
Date: January 29, 2008

ATTEST:


City Secretary of the City of Mission



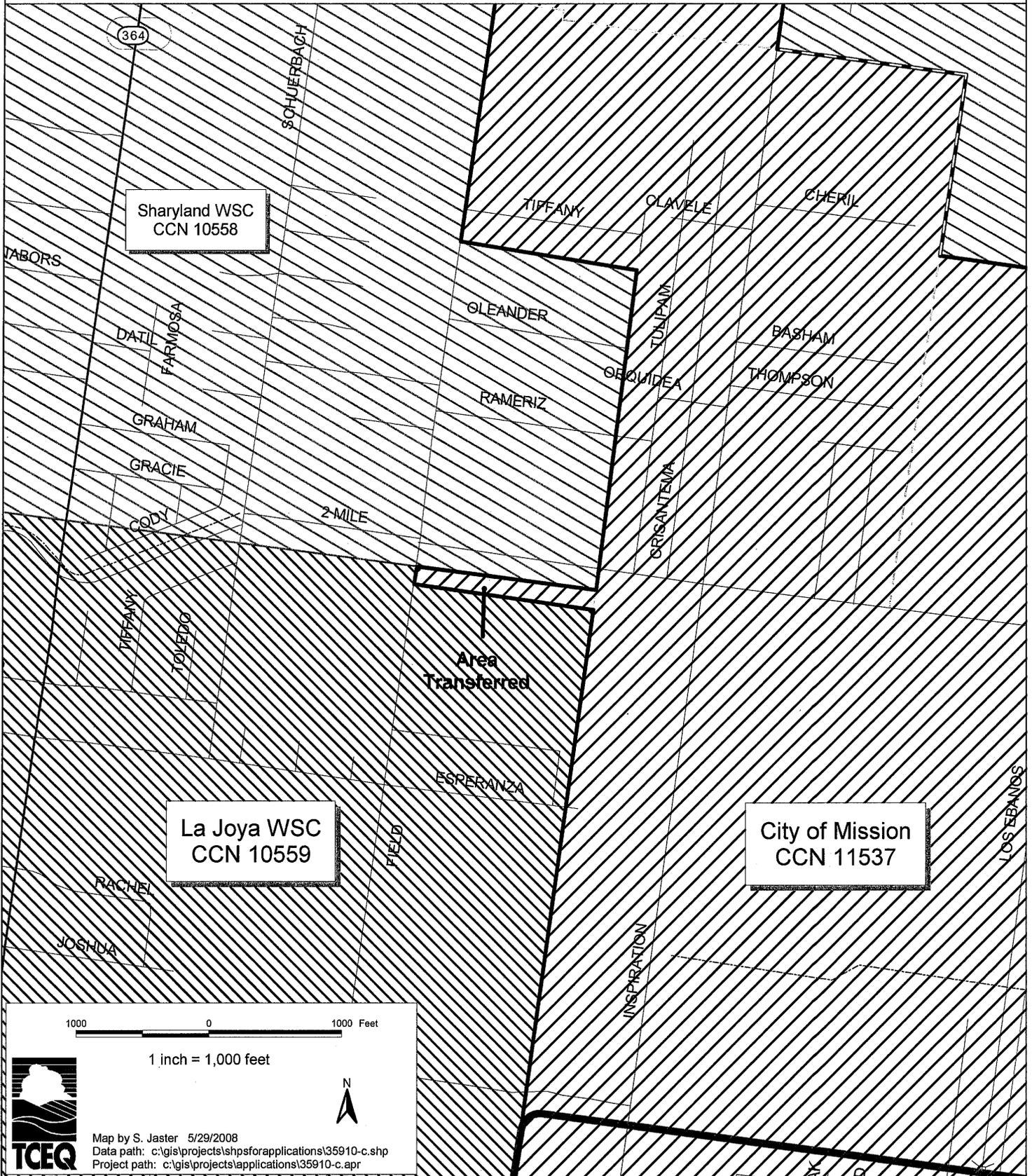
Exhibit A



La Joya WSC Water & Sewer CCN Transfer Area to City of Mission

Prepared By: Bickerstaff Heath Delgado Acosta LLP
 Data Sources: Sewer CCN boundaries obtained from TOEQ Utilities Mapping Department.
 Bazan Property location approximate based upon map from Hidalgo County Appraisal District and lot lines obtained from D. Guerra.
 Roads and Highways obtained from the Lower Rio Grande Development Council.
 October 2007

City of Mission / La Joya Water Supply Corporation 13.248 Agreement
 Portion of Water Service Areas
 Application No. 35910-C (Contract Service Agreement from City of Mission, CCN No. 11537
 to Transfer a Portion of CCN No. 10559 from La Joya WSC)
 Hidalgo County



MAP CONSENT FORM

Applicant=s Name: City of Mission/La Joya Water Supply Corporation 13.248 Agreement Application No.: 35910-C

- I concur with the map created 5/29/2008 as a result of the above mentioned application. I do not concur with the map created 5/29/2008 and intend to respond by letter dated _____.

I am authorized by the City of Mission to sign this form.

Signature: [Handwritten Signature]

Printed Name: Julio Cerda

Relationship to Applicant: City Manager

Date signed: 6/30/08

Mail to or fax to: Lisa V. Fuentes Utilities & Districts Section, MC 153 Water Supply Division Texas Commission on Environmental Quality P.O. Box 13087 Austin, TX 78711-3087 Fax (512) 239-6972

MAP CONSENT FORM

Applicant=s Name: City of Mission/La Joya Water Supply Corporation 13.248 Agreement
Application No.: 35910-C

- I concur with the map created 5/29/2008 as a result of the above mentioned application.
- I do not concur with the map created 5/29/2008 and intend to respond by letter dated _____.

I am authorized by the La Joya Water Supply Corporation to sign this form.

Signature: Francisco "Juan" Flores

Printed Name: Francisco Flores

Relationship to Applicant: General Manager

Date signed: 6-2-2008 LJWSC in Receivership

Mail to or fax to:
Lisa V. Fuentes
Utilities & Districts Section, MC 153
Water Supply Division
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087
Fax (512) 239-6972

RECEIVED
TCEQ WATER SUPPLY
2008 JUN -5 AM 10:27

Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

To: Deanna Avalos
Office of the Chief Clerk

Date: _____, 2009

From: Amy Vargas
Administrative Support
Water Supply Division

Subject: Texas Water Code, §13.248 Application Approved by Commissioner's,
Certificates to be Mailed

City of Mission, CCN: 11537, CN: 600520852, RN: 101398188
La Joya Water Supply Coporation, CCN 10559, CN: 601495468; RN: 103908471
Application Number 35910-C,

The item listed above was approved by the Commissioners on _____, 2009.
Please present the certificates to Deanna Avalos for mailing.

Contact Name: Lisa Fuentes

Date Stamp This Page Only



Texas Commission On Environmental Quality

By These Presents Be It Known To All That

City of Mission

having duly applied for certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

Certificate of Convenience and Necessity No. 11537

to provide continuous and adequate water utility service to that service area or those service areas in Hidalgo County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No. 35910-C are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of City of Mission to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this _____

For the Commission



Texas Commission On Environmental Quality

By These Presents Be It Known To All That

La Joya Water Supply Corporation

having duly applied for certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

Certificate of Convenience and Necessity No. 10559

to provide continuous and adequate water utility service to that service area or those service areas in Hidalgo County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No. 35910-C are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of La Joya Water Supply Corporation to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this _____

For the Commission

AN ORDER approving an agreement designating service areas between La Joya Water Supply Corporation and the City of Mission pursuant to section 13.248 of the Texas Water Code; TCEQ Docket No. 2008-1062-UCR.

A request for a Commission order approving a contract designating service areas between La Joya Water Supply Corporation (WSC),¹ Certificate of Convenience and Necessity (CCN) No. 10559, and the City of Mission (City), CCN No. 11537, in Hidalgo County, Texas, was presented to the Texas Commission on Environmental Quality (Commission) for approval pursuant to section 13.248 of the Texas Water Code and title 30, section 291.117 of the Texas Administrative Code.

The parties entered into an agreement dated February 9, 2008, under which La Joya WSC will transfer a portion of CCN No. 10559 to the City, thereby incorporating the area into the City's CCN area. The agreement is attached to this order. There are currently no customers or facilities in the area to be transferred.

Contracts between retail public utilities that designate areas to be served and customers to be served by those retail public utilities, when approved by the Commission after public notice and hearing, are valid and enforceable and are incorporated into the appropriate areas of public convenience and necessity. TEXAS WATER CODE § 13.248.

The Executive Director of the Commission mailed notice of the hearing date on which the Commission was to consider the request to La Joya WSC and the City.

¹ Per section 7201.002(c) of the Special District Local Laws Code, La Joya WSC has been dissolved since it filed its request and succeeded by Agua Special Utility District.

La Joya WSC and the City have reviewed the CCN map attached to this order and have approved it.

The Commission held a hearing on the request at its March 11, 2009, Agenda meeting and found the request has merit.

The City is capable of rendering continuous and adequate water service to the area covered by the agreement. The transfer of La Joya WSC's authority to provide service in the affected area, which results in the City as the sole service provider remaining in the area, is necessary for the service, accommodation, convenience, or safety of the public.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that:

1. The agreement addressing the transfer of a portion of La Joya WSC's CCN No. 10559 and designating that retail water service shall be provided by the City, CCN No. 11537, in that area is hereby approved.
2. CCN No. 11537, held by the City, and CCN No. 10559, held by La Joya WSC, in Hidalgo County are hereby amended in accordance with the agreement. The transferred area is approximately 5.39 acres.
3. The Executive Director is directed to redraw the City's CCN No. 11537 and La Joya WSC's CCN No. 10559 as provided in the agreement and as set forth on the map attached to this order and to amend the Commission's official water service area map for Hidalgo County, Texas.
4. The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this order and the attached map to the parties.

5. If any provision, sentence, clause, or phrase of this order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the order.

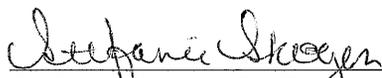
Issue Date:

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY

For the Commission

CERTIFICATE OF SERVICE

I certify that on February 20, 2009, a copy of the foregoing document was sent by first class, agency mail, electronic mail, and/or facsimile to the persons on the attached Mailing List.


Stefanie Skogen, Staff Attorney
Environmental Law Division

Mailing List

**La Joya WSC and City of Mission
TCEQ Docket No. 2008-1062-UCR**

CITY OF MISSION:

Julio Cerda
City of Mission
1201 East 8th Street
Mission, Texas 78572
Phone: (956) 580-8662
Fax: (956) 580-8768

OFFICE OF THE CHIEF CLERK:

LaDonna Castañuela
Texas Commission on Environmental Quality
Office of the Chief Clerk, MC-105
P.O. Box 13087
Austin, Texas 78711-3087
Phone: (512) 239-3300
Fax: (512) 239-3311

REPRESENTING LA JOYA WSC:

Emily Rogers
Bickerstaff Heath Delgado Acosta LLP
816 Congress Avenue, Suite 1700
Austin, Texas 78701
Phone: (512) 472-8021
Fax: (512) 320-5638

**REPRESENTING THE OFFICE OF
PUBLIC INTEREST COUNSEL:**

Blas J. Coy, Jr.
Texas Commission on Environmental Quality
Office of Public Interest Counsel, MC-103
P. O. Box 13087
Austin, Texas 78711-3087
Phone: (512) 239-6363
Fax: (512) 239-6377

CHIEF CLERKS OFFICE

2009 FEB 20 PM 12: 31

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY