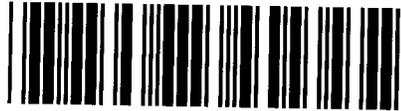


Control Number: 43114



Item Number: 1

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.



A-156-8

Appl 36233-S

APPLICATION FOR SALE, TRANSFER, OR MERGER OF A RETAIL PUBLIC UTILITY

RECEIVED 2014 SEP 21 AM 11:34 PUBLIC UTILITY COMMISSION FILING CLERK

*RN #101403350

*CN #600488373

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

Sale Of All of the Water system(s) under CCN No.:
Acquisition Of Portion of the Sewer system(s) under CCN No.:
Lease/Rental

Transfer All of the Certified water service area - CCN 11706 No.:
of Portion of the Certified sewer service area - CCN No.:

If only a portion of a system or certificated service area is affected by this transaction, please specify the areas or subdivisions involved: See attached "Retail Water Service Area Agreement" Attachment # 1

and to:

Obtain a CCN for the transferee (purchaser)
Amend the transferee's CCN No.: 10908
Merge or consolidate public utilities
Cancel CCN of the transferor (seller)

2. Proposed effective date of this transaction: January 1, 2009

(Must be at least 120 days after completion of notice)

QUESTIONS 3 THROUGH 5 APPLY TO AND SHOULD BE COMPLETED ONLY BY THE TRANSFEROR, CURRENT SERVICE PROVIDER OR SELLER

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

A. Name: City of Midlothian

(Individual, Corporation or Other Legal Entity)

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

B. Utility Name (if different than above):

Address: 104 West Avenue E
Midlothian, Texas 76065

Telephone: 972-775-3481

RECEIVED OCT 30 2009 TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

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

Name: **Mike Adams, P.E.**

Title: **Executive Director
of Engineering &
Utilities**

Address: **104 West Avenue E, Midlothian, Texas 76065**

Telephone: **972-775-7105**

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

A. What was the effective date of the last rate increase? **October 2005**

B. Was notice of this increase provided to the Texas Commission on Environmental Quality or its predecessors?

No.
 Yes.

Application/Docket Number:

Date:

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

Name and Address of utility customer	Date of Deposit	Amount of Deposit	Amount of unpaid interest on Deposit
See Attached List, Attachment #2			

Within 30 days of the actual transaction date, and prior to the transfer of the certificate by the TCEQ, the seller must provide proof to the Commission that these customer deposits were returned to the customers or transferred to the purchasing utility. Proof should include a sworn affidavit.

QUESTIONS 6 THROUGH 13 REFER TO AND SHOULD BE COMPLETED BY THE TRANSFEREE OR PURCHASER

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

Applicant: **Mountain Peak Special Utility District**

(Individual, Corporation, or Other Legal Entity)

Utility Name:

(If different than above)

Utility Address: **5671 Waterworks Road, Midlothian, TX 76065** Telephone: **(972) 775-3765**

CCN Numbers held prior to the filing of this application: **10908**

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

- Individual
- Home or Property Owners Association
- Partnership; attach copy of partnership agreement
- Corporation; provide charter number as recorded with the Office of the Secretary of State for Texas:
- Non-profit, member-owned, member-controlled Cooperative Corporation (Article 1434(a) Water Supply or Sewer Service Corporation); provide charter number:
- Municipally-owned utility
- District (MUD, SUD, WCID, etc.)
- County
- Other (please explain):

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

Name: _____ Telephone: _____
Address: _____

9. If the applicant is other than an *Individual* provide the following information regarding the officers or partners of the legal entity applying for the transfer. You must complete either question 8. or question 9., whichever applies to the transferee applicant. **See Attachment # 3 – Mountain Peak SUD - Board Members**

•Name: _____ Telephone: _____
Address: _____
Position: _____ Ownership % (if applicable): _____
•Name: _____ Telephone: _____
Address: _____
Position: _____ Ownership % (if applicable): _____
•Name: _____ Telephone: _____
Address: _____
Position: _____ Ownership % (if applicable): _____
•Name: _____ Telephone: _____
Address: _____
Position: _____ Ownership % (if applicable): _____

- Attach additional sheet(s) if necessary -

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

Comptroller of Public Accounts, Office Management
P. O. Box 13528, Capitol Station
Austin, Texas 78711
1-800-252-5555

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

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

Name: **David A. Miller**

Title: **Attorney**

Address: **Miller Mentzer, P.C.**

Telephone: **(972) 845-2222**

P.O. Box 130, 100 No. Main Street, Palmer, TX 75152

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

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

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

C.O.M.'s info Applicant has received the TCEQ Optimization Award for several years and the plant is ranked 4th in the state in producing drinking water that exceeds state standards.

B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the Texas Department of Health, the Commission, the Attorney General or EPA in the past for noncompliance with rules, orders or State Statutes? Yes. No.

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

C. Describe the source and availability of funds required to make the planned or required improvements to meet minimum requirements of the Texas Natural Resource Conservation Commission and ensure continuous and adequate service.

The City of Midlothian is a home rule municipality with the powers of taxation and the ability to issue bonds for infrastructure.

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

There should not be any impact on the quality of utility service as a result of this transaction.

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

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

Mt Peak info For almost 40 years Mt Peak (as a Water Supply Corporation and, since 2003, as a Special Utility District) has been providing potable water to what is now approximately 3,500 customers in eastern Ellis County. The General Manager has 29 years of experience in waterworks operations and management with a B grade groundwater license and a customer inspection license. Mt Peak also has two operators with C grade licenses.

B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the Texas Department of Health, the Commission, the Attorney General or EPA in the past for noncompliance with rules, orders or State Statutes? Yes. No.

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

C. Describe the source and availability of funds required to make the planned or required improvements to meet minimum requirements of the Texas Natural Resource Conservation Commission and ensure continuous and adequate service.

Mt Peak has adequate revenue, surplus and financing availability to provide any additional needed funding.

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

We anticipate no change in the quality of service.

12. Please describe the nature of the proposed transaction: **See “Retail Water Service Area Agreement” Attachment #1**

The City of Midlothian is transferring a portion of its existing water CCN to Mountain Peak SUD in exchange for a portion of Mountain Peak SUD’s existing water CCN that is being transferred to the City of Midlothian.

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

- A.
 - Total Purchase Price:
 - Total Original Cost (as recorded on books of seller or merging entity):
 - Accumulated Depreciation as of the proposed effective date of the transaction:
 - Contributions in Aid of Construction:

- Specific surcharges approved by TCEQ:
- Revenues from explicit customer agreements:
- Developer Contributions (please explain):
- Other Contributions (please explain):

Total Contributions in Aid of Construction:

- Net Book Value:
 - If the Original Cost or any of the above items has been established in a rate case proceeding by the PUC, the TWC or the TCEQ, please provide the Application/Docket Number and date:
Application/Docket Number: _____ Date: _____
 - If the applicant is not under the rate jurisdiction of the TCEQ, only the purchase price and information related to Contributions in Aid of Construction is required.
- B. Please provide any other information concerning the nature of the transaction and consideration given if not explained elsewhere in the application (attach additional sheet(s) if necessary):

- C. Complete the following proposed entries in books of purchasing (or surviving) company to record purchase or merger). Additional entries may be made, the following are suggested only, and not intended to pose descriptive limitations.

Utility Plant in Service:

Plant Acquisition Adjustment:

Extraordinary Loss on Purchase:

Accumulated Depreciation of Plant:

Cash:

Notes Payable:

Mortgage Payable:

Others (please list):

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

Purchaser's Initials:

Date:

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

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

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

If so, please explain: **See "Existing Residential Water and Wastewater Rates" Attachment 3A and "City of Midlothian 07-08 Fee Schedule" Attachment 6A.**

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

Other. Please explain:

15	List all neighboring water and /or sewer utilities, cities, and political subdivisions providing the same service within two (2) miles of area affected by this proposed transaction. This information should be available from Applicant's licensed water operator or regional Texas Department of Health Office.
Mountain Peak Special Utility District, Sardis-Lone Elm Water Supply Corporation, City of Mansfield, City of Grand Prairie, City of Venus	

22. List the name, class, and license number of the operator that will be responsible for the system:
See Attachment # 4

23. Attach the following maps with each copy of the application: (All maps should include Applicant's name, address, and telephone number, and date of drawing or revision. All maps should be folded to 8½ X 11")

- a. One small scale map clearly showing affected service area. This map will assist TCEQ staff in locating the service area in relation to neighboring utility service areas. If the application is for the transfer of all or a portion of a CCN, the service area boundary should be delineated on a copy of the TCEQ official CCN map. If there is no current CCN, the service area should be delineated on a county map (Texas Highway Department 1" = 2 miles). The service area boundaries should conform to verifiable landmarks such as roads, creeks, railroads, etc. County maps may be obtained locally or from the Texas Department of Transportation, Map Scales, P. O. Box 5020, Austin, Texas 78763-5020, (512) 486-5014 and 486-5015. *A copy of the TCEQ official CCN map may be obtained by contacting the Utilities & Districts Section at 512/239-4691 or by mailing a written request to the following address:*

See Attachment 23.a. Affected Service Area

Texas Commission on Environmental Quality
 Water Supply Division
 Utilities & Districts Section
 MC-153
 P.O. Box 13087
 Austin, TX 78711-3087

- b. One large scale map showing the proposed service area boundaries being sold, transferred, or merged and, if available, the existing and proposed facilities. Color coding should be used to differentiate existing from proposed facilities. Facilities and service area boundaries should be shown with such exactness that they can be located on the ground. Applicant should use U.S.G.S. 7½-minute series, subdivision plat, engineer planning map, or other large scale map.

See Attachment 23.b. CCN Transfer

OATH FOR SELLER OR FORMER SERVICE PROVIDER

STATE OF Texas

COUNTY OF Ellis

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

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

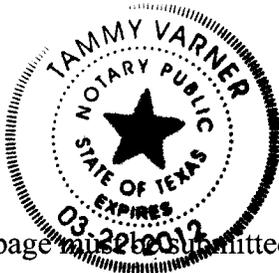


Don Hastings
AFFIANT
(Applicant's Authorized Representative)

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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State and County above-named, this 24 day of October, 2008.

SEAL



Tammy Varner
Notary Public

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

OATH FOR PURCHASER OR ACQUIRING ENTITY

STATE OF Texas

COUNTY OF Ellis

I, Clyde Bryant, being duly sworn, file this notice of intent to purchase, acquire, lease or rent, or merge or consolidate as Mountain Peak Board President (indicate relationship to applicant) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

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

Clyde Bryant
AFFIANT
(Applicant's Authorized Representative)

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

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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State and County above-named, this 4th day of October, 2008.



Cynthia A. Younts
Notary Public

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

OATH FOR SELLER OR FORMER SERVICE PROVIDER

STATE OF Texas

COUNTY OF Ellis

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

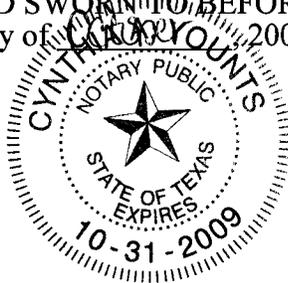
I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Section 13.301(j) and copies of any outstanding Orders of the Commission or Attorney General and have also complied with the notice requirements in Section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

Clyde T. Bryant
AFFIANT
(Applicant's Authorized Representative)

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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State and County above-named, this 4th day of October, 2008.

SEAL



Cynthia Youngs
Notary Public

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

OATH FOR PURCHASER OR ACQUIRING ENTITY

STATE OF Texas

COUNTY OF Ellis

I, Don Hastings, being duly sworn, file this notice of intent to purchase, acquire, lease or rent, or merge or consolidate as City Manager of the City of Midlothian (indicate relationship to applicant) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

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


AFFIANT
(Applicant's Authorized Representative)

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

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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State and County above-named, this 24 day of October, 20 08.

SEAL




Notary Public

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

**ADDENDUM TO WATER OR SEWER CERTIFICATE OF CONVENIENCE AND
NECESSITY RELATED APPLICATIONS (CCN/STM/STOCK TRANSFER)**

**FINANCIAL, MANAGERIAL, AND TECHNICAL INFORMATION
FOR NEW SYSTEMS and EXISTING SYSTEMS**

The Commission is required to determine if the applicant has the necessary financial, managerial, and technical capability to provide continuous and adequate service. The Commission is also committed to promoting the regionalization or consolidation of systems where practical and feasible. The following questions are designed to aid in making these decisions. If the applicant has this information available in the form of a Business Plan, Facility Plan, Engineering Study, or other document, it may be submitted instead - however, the Commission reserves the right to request additional information if necessary.

I. Technical Capacity - The Facilities Plan See attached "Retail Water Service Area Agreement" Attachment # 1

A. The Reason for Service: exactly what is this application for ?

1. Describe the service area and circumstances driving the need for service in this area. Is this a distinct, platted subdivision(s) or a rural area? List all areas to be served by the system. Who owns this property? Are there people already living there? If developers are involved, describe relationship to utility. **See Attachment # 7**

2. Population Projections: **See Attachment # 7**

USAGE DEMAND:	POPULATION	CONNECTIONS
UPON COMPLETION OF PROJECT (DATE:)		
ONE YEAR AFTER (DATE:)		
FIVE YEARS AFTER (DATE:)		

3. What other utility systems are within 2 miles? For each one, describe all attempts or feasibility to obtain service. Indicate location, system capabilities, contact person, and telephone number. Attach copies of written correspondence.

N/A

B. The Plan for Service: How service will be provided.

1. For New Systems or Additions to Existing Systems - Summarize what will be constructed. If project will be built in phases, describe each separately, including when the phases will be started and the connections to be served. Indicate who will be responsible for construction and inspection.

A. Distribution system (collection system)

The City currently has existing water mains located in and around the 43 acre area. Any new lines in this area will be installed as development occurs. (See attached "City Water Line Layout" Attachment # 8)

- B. Source of supply and production (wells, surface water treatment facilities, tanks, etc.). Summarize facilities to be constructed or existing facilities to be used. Include overall design capacity.

Presently, the City of Midlothian has surface water rights as follows:

5.95 MGD (avg.) from Joe Pool Lake

9.33 MGD (avg.) from Tarrant Regional Water District (Lake Richland Chambers and Cedar Creek Lake)

The City owns and operates a conventional water treatment plant that has a design treatment capacity of 13 MGD (peak). The City is currently in the process of designing a new water treatment plant, with an initial capacity ranging between 6 and 9 MGD (peak).

In addition, the City currently has 4 MG of clearwell storage, as well as 3 MG of elevated storage, with an additional 3 MG clearwell currently under design.

- C. Attach construction cost breakdown.

The construction of the new water treatment plant is not directly associated with this transfer. However, preliminary cost estimates range from \$25 to \$30 million.

2. For Purchase of Existing System - Describe existing facilities and additions or upgrades that will address deficiencies or will meet growth projections.

N/A – application is for service areas only.

A. Distribution system (collection system)

- B. Source of supply and production (wells, surface water treatment facilities, tanks, etc.). Summarize facilities to be constructed or existing facilities to be used. Include overall design capacity.

- C. Attach construction cost breakdown.

II. Managerial Capacity - Ownership and Management Structure

A. Clear Ownership Identity: Indicate whether owner of the system is municipal, member-owned water supply corporation, investor-owned, mobile home park, or other. List all partners, major stockholders, and affiliated companies. **Municipal**

B. Directorship and Accountability: Attach an organizational chart or describe governing or management structure.

See Attachment #5 organization chart for the City of Midlothian.

C. Describe complete staffing pattern with number of employees. Summarize qualifications and job duties of key personnel such as office manager, chief operator, other licensed operators, president, etc.

Refer to B above.

D. Describe business office and customer service set-up. Indicate office location, business hours, and after hours emergency practices.

The City of Midlothian is organized such that all City utility departments fall under the Engineering Department, with the exception of the Utility Billing Department, which falls under the Finance Department. The Utility Billing Department is located at 104 W. Avenue E (at City Hall), with hours of operation from 8 a.m. to 5 p.m., Monday through Friday (excluding official City holidays). All utility requests and applications are processed through the billing department. Key utility personnel for the City are on-call 24 hours a day, with all after hour emergency calls or requests being received by the Emergency Services Dispatch operators.

E. Summarize employee benefit and training programs.

The City of Midlothian currently offers its employees the following benefits:

**Healthcare coverage for employees (100%), ½ of dependent coverage
Dental/Vision Plan (100% dental for employee only)
Insurance: Basic Life, Accidental Death & Dismemberment, Long Term Disability
Voluntary Life/Dependent Life, Accidental Death & Dismemberment
Section 125 Flexible Spending Account (Medical Care)
TMRS Retirement
Voluntary Retirement
Employee Assistance Program**

Each department has a budget for employees to attend conferences and receive additional training, as well as a City sponsored safety training program and certification pay.

- III. **Financial Capacity - Ability to meet current and future capital and operating needs. The City of Midlothian's latest audited Financial Statement is being provided Attachment #6 & City of Midlothian "Fee Schedule" Attachment #6A.**
- A. Attach a pro-forma income, expense, and cash flow worksheet for each of the first five years of operation. Income from rates should correlate to the growth projections in Part I.
 - B. Attach a pro forma balance sheet for each the first five years of operation. Include a line item for emergency or equipment replacement reserve.
 - C. Describe sources of capital. Indicate interest rate and payment schedules for loans, bonds, or notes.
 - D. Describe the procedure for determining the rates and fees and indicate date of last change. Attach copies of any cost of service studies or rate analysis worksheets.
 - E. Identify any appropriate capital assurances, including those offered to capital providers.
 - F. Describe the accounting standards and practices. Indicate frequency and distribution of periodic financial reports.

Historical Profit & Loss Statement

	Current Year (a)	(a) - 1 year	(a) - 2 years	(a) - 3 years	(a) - 4 years
Number of connections					
Income:					
Gross Revenue					
Fees					
Other					
Gross Income					
Expenses: General & Administrative:					
Salary Expense					
Office Expense					
Computer Expense					
Auto Expense					
Insurance Expense					
Telephone Expense					
Utilities Expense					
Property Tax Expense					
Professional Fees					
Other					
Total General & Administrative					
Expenses: Operational					
Salary Expense					
Auto Expense					
Utilities Expense					
Supply Expense					
Maintenance & Repair Expense					
Other Expense					
Total Operational					
Total Expenses					
Net Income					

Historical Balance Sheets - ASSETS

	Current Year (a)	(a) - 1 year	(a) - 2 years	(a) - 3 years	(a) - 4 years
CURRENT ASSETS					
Cash					
Cost Accounts Receivable					
Inventories					
Income Tax Receivables					
Other					
TOTAL CURRENT ASSETS					
FIXED ASSETS					
Land					
Collection/Distribution System					
Buildings					
Equipment					
Other					
TOTAL FIXED ASSETS					
Less:					
Accum Depreciation/Reserve					
NET FIXED ASSETS					
TOTAL ASSETS					

Historical Balance Sheets - LIABILITIES

	Current Year (a)	(a) - 1 year	(a) - 2 years	(a) - 3 years	(a) - 4 years
CURRENT LIABILITIES					
Accounts Payable					
Notes Payable, Due < 1 Year					
Accrued Expenses					
Customer Deposits					
Other					
TOTAL CURRENT LIABILITIES					
LONG TERM LIABILITIES					
Notes Payable, Due > 1 Year					
Other					
TOTAL LONG TERM LIABILITIES					
OWNER'S EQUITY					
Paid-in Capital					
Retained Equity					
Other					
Current Period Profit or Loss					
TOTAL OWNER'S EQUITY					
TOTAL LIABILITIES & EQUITY					

Projected Profit & Loss Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
Number of connections					
Income:					
Gross Revenue					
Fees					
Other					
Gross Income					
Expenses: General & Administrative:					
Salary Expense					
Office Expense					
Computer Expense					
Auto Expense					
Insurance Expense					
Telephone Expense					
Utilities Expense					
Property Tax Expense					
Professional Fees					
Other					
Total General & Administrative					
Expenses: Operational					
Salary Expense					
Auto Expense					
Utilities Expense					
Supply Expense					
Maintenance & Repair Expense					
Other Expense					
Total Operational					
Total Expenses					
Net Income					

Projected Balance Sheets - ASSETS						
	Year 1	Year 2	Year 3	Year 4	Year 5	
CURRENT ASSETS						
Cash						
Cost Accounts Receivable						
Inventories						
Income Tax Receivables						
Other						
TOTAL CURRENT ASSETS						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
TOTAL FIXED ASSETS						
Less:						
Accum Depreciation/Reserve						
NET FIXED ASSETS						
TOTAL ASSETS						

Projected Balance Sheets - LIABILITIES

	Year 1	Year 2	Year 3	Year 4	Year 5
CURRENT LIABILITIES					
Accounts Payable					
Notes Payable, Due < 1 Year					
Accrued Expenses					
Customer Deposits					
Other					
TOTAL CURRENT LIABILITIES					
LONG TERM LIABILITIES					
Notes Payable, Due > 1 Year					
Other					
TOTAL LONG TERM LIABILITIES					
OWNER'S EQUITY					
Paid-in Capital					
Retained Equity					
Other					
Current Period Profit or Loss					
TOTAL OWNER'S EQUITY					
TOTAL LIABILITIES & EQUITY					

Projected Statements of Sources & Uses of Cash

	Year 1	Year 2	Year 3	Year 4	Year 5
SOURCES OF CASH					
Net Profit					
Depreciation (if funded)					
Loan Proceeds					
Other					
TOTAL SOURCES					
USES OF CASH					
Net Loss					
Principal portion of payments					
Fixed Asset Purchases					
Reserve					
Other					
TOTAL USES					
NET CASH FLOW					
AVAILABLE DEBT SERVICE COVERAGE (ADSC)					
Cash Available for Debt Service					
Net Profit/Loss					
Depreciation or Reserve					
Interest					
TOTAL ADSC					
REQUIRED DEBT SERVICE COVERAGE (RDSC)					
Principal + Interest					
DEBT SERVICE COVERAGE RATIO (ADSC/RDSC)					

Attachment List for Application for Sale, Transfer, or Merger of a Retail Public Utility
October 2008

City of Midlothian - Mike Adams
104 West Ave. E
Midlothian, Texas 76065
(972) 775-3481

Attachment	Description:	For Question:	Page of App:
#1	Retail Water Service Area Agreement	1, 12 & I	1, 6, 14
#2	List of Customers Affected	5 & 20	2, 8
#3	Mountain Peak SUD Board Members	9	3
#3A	Existing Residential Water/Wastewater Rates	14	7
#4	Operators - Licenses	22	9
#5	Organization Chart for the City of Midlothian	II - B	16
#6	Comprehensive Annual Financial Report	III	17
#6A	City of Midlothian 07-08 Fee Schedule	III	7 & 17
#7	The Reason for Service	I.A.1. & I.A.2.	14
#8	City Water Line Layout	I.B.1.A.	15
#23a	Affected Service Area	23a	9
#23b	Lg Scale Map - CCN Transfer	23b	9

Attachment	Description:	Per TCEQ Instructions:	Page of Inst:
# I - 4	Proposed Notice to Neighboring Utilities	4	2 of 4
# I - 7	TCEQ Annual Inspection Report	7	2 of 4

**RETAIL WATER SERVICE AREA
AGREEMENT AMONG THE CITY OF MIDLOTHIAN AND
MOUNTAIN PEAK SPECIAL UTILITY DISTRICT**

THIS AGREEMENT is made between the City of Midlothian, a Texas home rule municipality (the "City") and Mountain Peak Special Utility District ("Mountain Peak"), collectively the "Parties," pursuant to the following considerations:

WHEREAS, the City and Mountain Peak have an agreement (the Dual Certification Agreement") dated November 4, 1996, confirming, *inter alia*, that certain portions of the Parties' respective CCN's (the "Dual Certificated Area") will be dual certificated; and

WHEREAS, the City has agreed to transfer approximately 119 acres of the land covered by its Certificate of Convenience and Necessity ("CCN"), known as Cotton Creek Ranch PD (and certain contiguous lands) to be included in the Mountain Peak CCN in exchange for Mountain Peak granting the City the exclusive right to provide water service to approximately 43 acres within the Dual Certificated Area, and in addition, Mountain Peak would grant the City the exclusive right to provide water service to 25 acres of land, south of Old Fort Worth Highway and west of Loop 287 under certain conditions set forth below; and

WHEREAS, Mountain Peak currently has no water lines within the 43 acres and the City has the ability to provide water service to a proposed hotel and restaurant to be located on Business 287;

NOW THEREFORE, the Parties, for good and valuable consideration and because such agreements are in the best interest of their respective water customers, agree as follows:

1. The City hereby transfers and conveys to Mountain Peak, subject to the approval described in paragraph 7 below, the approximate 119 acres of its CCN known as Cotton Creek Ranch PD and the contiguous area west of Loop 287, as shown on Exhibit "A" that is attached.
2. Mountain Peak hereby cedes to the City the exclusive right to provide water service to approximately 43 acres of land within the Dual Certificated Area in the area south of Business 287, west of US 67 and north of the 287 Loop, as shown on Exhibit "A".
3. Mountain Peak also agrees to cede to the City the exclusive right to provide water service to up to 25 acres, the location and boundaries of which are to be determined by the City in its sole discretion, provided (a) the City provides a written notice (the "Service Notice") to Mountain Peak of any proposed tract with a description and survey or plat of the land involved (a "Proposed Tract"); (b) the Proposed Tract is located within one-quarter mile south of Old Fort Worth Highway and/or one quarter

mile west of Loop 287 (the "Option Area") and, together with any previously designated Proposed Tracts, does not exceed an aggregate area of 25 acres; (c) the Proposed Tract is in a shape that will not leave isolated or difficult-to-serve pockets of the remainder of the Dual Certificated Area or the Option Area for service by Mountain Peak (and if Mountain Peak does not object via written notice to the City within 30 days of its receipt of the Service Notice, the Proposed Tract will be conclusively presumed to be acceptable); and (d) to the extent the City has not provided retail water service to any portion of the Option Area or to any Proposed Tract within five years after the date the Texas Commission on Environmental Quality ("TCEQ") approves the application described in paragraph 7 below, the right of the City to provide retail water service in the Option Area as described in this paragraph 3 expires.

4. Mountain Peak agrees to allow any person wanting service within the 43-acre tract and the Option Area described above to connect to the City, subject to the terms of this Agreement, pending the approval by TCEQ of this Agreement. The Parties understand that this is a temporary connection and will cooperate to return to the *status quo* prior to this Agreement if it is not approved by TCEQ and implemented in its entirety.

5. Subject to approval of the transfers described in this Agreement by TCEQ, all water distribution infrastructure, such as pipelines, valves, and fire hydrants, owned by the City and located exclusively within the Cotton Creek Ranch Subdivision being transferred to the CCN of Mountain Peak are hereby transferred, assigned and conveyed to Mountain Peak, "as is, where is", with no express or implied warranties, except as to ownership.

6. The Parties ratify and confirm the Dual Certification Agreement and agree that it continues in full force and effect except, and only to the extent, it is specifically modified by the terms of this Agreement.

7. Section 13.248 TCEQ Approval. Within forty-five (45) days following the execution of this Agreement the Parties will jointly file the appropriate documents requesting approval of this retail service area agreement pursuant to Section 13.248 of the Texas Water Code. The Parties will fully cooperate with each other regarding this application and not take any action to directly or indirectly oppose this application. Each party will pay their respective costs relating to the application. This Agreement will expire, except for paragraph 4 above, unless TCEQ approves the agreements described herein which are subject to its approval on or before March 1, 2009 (or until such later date on which the TCEQ acts on the application, provided the application therefore is still pending and the Parties are exercising due diligence to prosecute it).

8. Effective Date: This agreement is enforceable among the Parties following the execution of this Agreement. The transfers and agreements contemplated by this Agreement will be effective upon approval by TCEQ.

9. Applicable Texas Law: This Agreement will be governed by and construed and enforced under the laws of the State of Texas.

10. Venue. The sole and exclusive venue for any disputes arising out of or related to this Agreement shall be in Ellis County, Texas.

11. Entire Agreement: This Agreement contains the entire agreement of the Parties with respect to the subject matter of the Agreement. This Agreement supersedes any and all prior agreements, arrangements, or understandings between the parties with respect to the specific subject matter herein. Any amendments to this Agreement must be in writing and signed by the parties.

EXECUTED by the City of Midlothian on this the 2nd day of June, 2008.

City of Midlothian



By: [Signature]

ATTEST:

[Signature]
City Secretary

EXECUTED by Mountain Peak Special Utility District on this 28th day of May, 2008

Mountain Peak Special Utility District

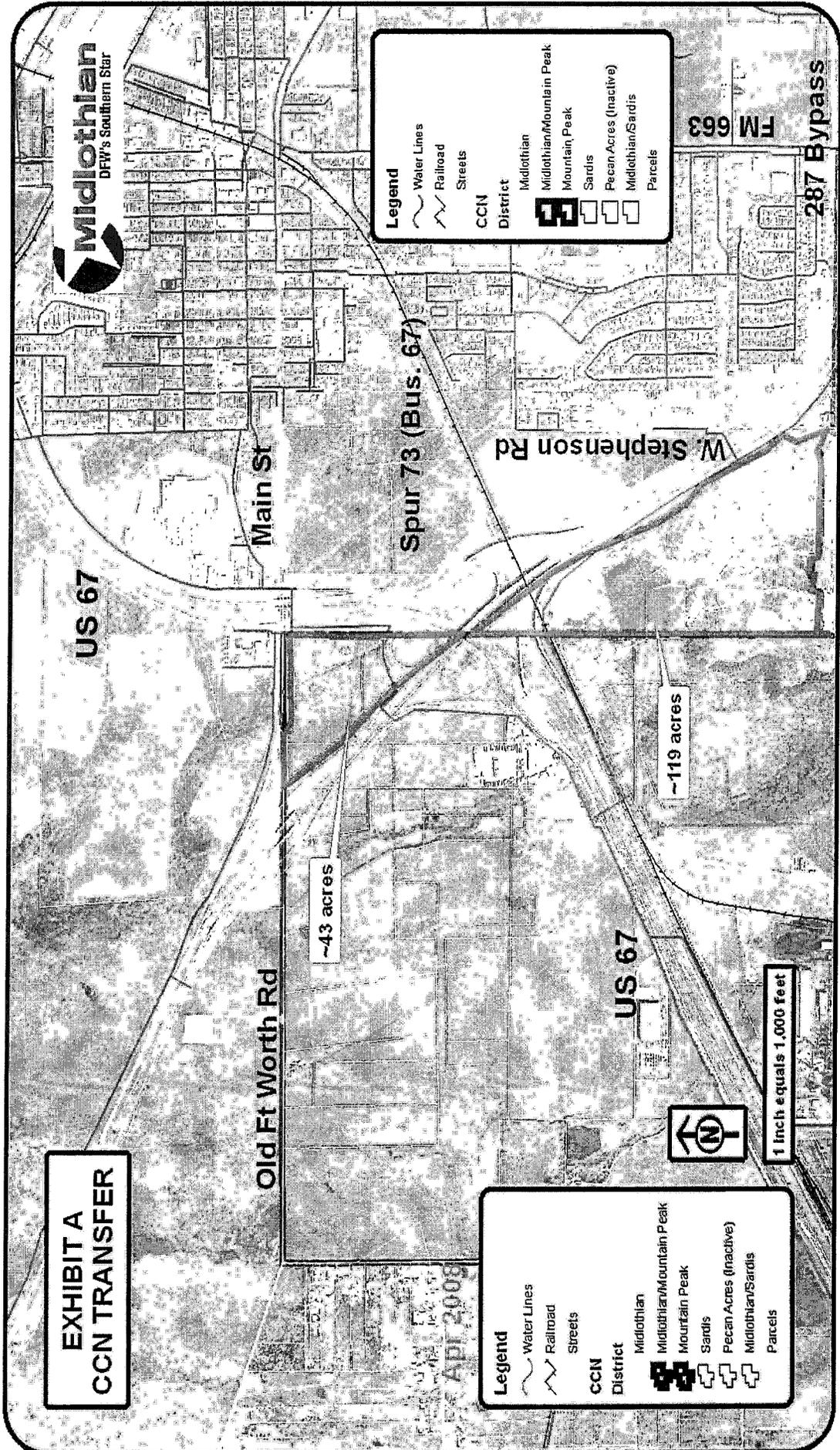
By: [Signature]

ATTEST:

[Signature]
Secretary



**EXHIBIT A
CCN TRANSFER**

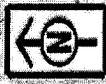


Legend

- Water Lines
- Railroad
- Streets
- CCN
- District
- Midlothian
- Midlothian/Mountain Peak
- Mountain Peak
- Sardis
- Pecan Acres (Inactive)
- Midlothian/Sardis
- Parcels

Legend

- Water Lines
- Railroad
- Streets
- CCN
- District
- Midlothian
- Midlothian/Mountain Peak
- Mountain Peak
- Sardis
- Pecan Acres (Inactive)
- Midlothian/Sardis
- Parcels



1 inch equals 1,000 feet

API 2008

City of Midlothian
104 West Ave. E
Midlothian, TX 76065
Attachment 2, Questions 5 & 20

List of Customers

Name and Address of utility customer	Date of Deposit	Amount of Deposit	Amount of unpaid interest on Deposit
Nelson Coffman 1600 Rugged Trail (mailing: 2010 Starwashed Dr) Midlothian, TX 76065	01/17/2006 WATER ONLY ACCOUNT – NO SEWER	\$100.	N/A
Laporsha Williams 1871 Chuckwagon Dr. Midlothian, TX 76065	02/01/2008	\$100	N/A
Royalty Homes (mailing: 402 W. Wheatland Rd., Duncanville, TX 75116) 1891 Cimarron Trail Midlothian, TX 76065	01/02/2007	\$0 – Finaled Acct on 08/27/07 – Dep. Applied to final bill leaving bal. due to City \$597.41	N/A

City of Midlothian, 104 West Ave. E, Midlothian, Texas 76065

Attachment #3 - Question 9

Mountain Peak SUD - Board Members

If the applicant is other than an *Individual* provide the following information regarding the officers or partners of the legal entity applying for the transfer.

You must complete either question 8. or question 9., whichever applies to the transferee applicant.

Name:	Clyde T. Bryant	Telephone:	(972) 775-3765
Address:	Mountain Peak SUD 5671 Waterworks Road Midlothian, Texas 76065		
Position:	President - Board		
Name:	Martin Mary	Telephone:	(972) 775-3765
Address:	Mountain Peak SUD 5671 Waterworks Road Midlothian, Texas 76065		
Position:	Vice President - Board		
Name:	Ann Major	Telephone:	(972) 775-3765
Address:	Mountain Peak SUD 5671 Waterworks Road Midlothian, Texas 76065		
Position:	Secretary/Treasurer - Board		
Name:	Ed Wilson	Telephone:	(972) 775-3765
Address:	Mountain Peak SUD 5671 Waterworks Road Midlothian, Texas 76065		
Position:	Board Member		
Name:	Chuck Hayes	Telephone:	(972) 775-3765
Address:	Mountain Peak SUD 5671 Waterworks Road Midlothian, Texas 76065		
Position:	Board Member		
Name:	Stephen Bradford	Telephone:	(972) 775-3765
Address:	Mountain Peak SUD 5671 Waterworks Road Midlothian, Texas 76065		
Position:	Board Member		
Name:	Raymond Massey	Telephone:	(972) 775-3765
Address:	Mountain Peak SUD 5671 Waterworks Road Midlothian, Texas 76065		
Position:	Board Member		

City of Midlothian
104 West Ave. E
Midlothian, TX 76065
Attachment 3A, Question 14

Existing Residential Water/Wastewater Rates
Mountain Peak SUD Rates

0-2,000 gallons	\$18.75 (minimum)
2,001-7,000 gallons	\$3.60 per 1,000 gallons
7,001-12,000 gallons	\$4.00 per 1,000 gallons
12,001-20,000 gallons	\$4.40 per 1,000 gallons
20,001-30,000 gallons	\$4.80 per 1,000 gallons
Over 30,000 gallons	\$6.60 per 1,000 gallons

City of Midlothian Rates

UTILITY RATES				
WATER RATES				
MONTHLY	RATES	INSIDE CITY LIMITS	OUTSIDE LIMITS	CITY
WATER - Minimum water bill for first 2000 gallons (all accounts):				
Meter Size:				
	3/4"	\$ 21.70	\$	25.80
	1"	\$ 32.42	\$	38.59
	1 - 1/2"	\$ 36.43	\$	43.33
	2"	\$ 47.92	\$	56.99
	6"	\$ 103.06	\$	122.53
	8"	\$ 148.40	\$	175.11
Per 1,000 gallons after initial 2,000:				
	Residential	\$ 3.92	\$	4.68
	Commercial (3/4" or greater)	\$ 3.63	\$	5.38
WASTEWATER RATES				
MINIMUM CHARGES:		INSIDE CITY LIMITS	OUTSIDE CITY LIMITS	
	Residential	\$ 14.48	\$	17.24
	Commercial	\$ 29.78	\$	17.24
Service Charges (per 1,000 gallons / Winter Average):				
	Residential	\$ 3.77	\$	4.48
	Commercial	\$ 3.77	\$	4.48

Operators - Licenses

City of Midlothian PWS ID No. 0700005

	TCEQ Water Operator			TCEQ Wastewater Operator			TCEQ Backflow Prevention Assembly Tester		TCEQ Customer Service Inspector		Texas Dept. of Public Safety Class B CDL		Title
	Expires	Class	#	Expires	Class	#	Expires	#	Expires	#	Expires	#	
Binkley, Sandra	Jul-10	Class B	WS0008654				Jan-11	BP0011066	Nov-09	CI0006924			Water Quality Technician
Cason, Ray	Nov-08	Class A	WO0006695						Jan-10	CI0006956			Chief Operator
Collins, Brad	May-11	Class B	WS0008896										Sr. Operator
Day, Cindy	Jun-10	Class C	WS0008568										Operator
Dumas, Randy	Jul-10	Class B	WS0007306										Sr. Operator
		Class B	WG0008816										
Ford, David	Jul-10	Class C	WS0000755	Sep-09	Class II	WW0032740			Apr-10	CI0004563			Maintenance Worker II
Gaskey, Ron	Jan-09	Class C	WS0001069	Jul-10		WW0016847							Operator
King, Billy	Oct-09	Class B	WD0001239	Nov-09	Class III	WW0000625			Apr-11	CI0004750			UT Superintendent
Mergener, Adam	Aug-11	Class B	WD0003353	Oct-08	Class III	WW0016179			Dec-10	CI0004779			Public Works Director
Metcalfe, Jarrod Scott	Jul-10	Class C	WD0007008	Oct-09	Class II	WW0032628	Jul-09	BP0005924					Maintenance Worker II
Pickett, Randy	Mar-11	Class C	WS0008987				Mar-11	BP0001436	Jan-10	CI0006905			Senior Customer Svc Rep.
Roca, Cesar	Jun-11	Class B	WS0001440	Mar-10		WW0000455	Mar-11	BP0002444	Jul-08	CI0005077	May-12	13627118	Maintenance Foreman
Smith, Jonathan							Aug-10	BP0000724	Jun-11	CI007602			Customer Serv. Tech
White, Johnny	May-09	Class B	WS0002601										Sr. Operator
Whitehead, Loyd	Mar-09	Class C	WS0003758										Operator
Williams, Terry	Nov-09	Class C	WD0006405	Mar-09	Class II	WW0031266			Jan-10	CI0005270			UT Foreman
Wilson, Ben	Sep-08	Class A	WO0001261	Sep-08		WW0015341	Jan-11	BP0011072					WTP Manager

WW=Wastewater
 WS=Water Surface
 WO = Water Operator
 WD = Water Distribution

Attachment #6 Q-III

4 6A is
For Schedule

CITY OF MIDLOTHIAN, TEXAS
104 West Avenue E, Midlothian, TX 76065
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2007**

As Prepared By:

Finance Department

City of Midlothian, Texas

**CITY OF MIDLOTHIAN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**CITY OF MIDLOTHIAN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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INTRODUCTORY SECTION



February 20, 2008

*The Honorable Mayor and Members of City Council
City of Midlothian
Midlothian, Texas*

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Midlothian, Texas for the fiscal year ended September 30, 2007.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Midlothian's financial statements have been audited by Weaver and Tidwell, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Midlothian for the fiscal year ended September 30, 2007 are free of material misstatement. The independent audit involved 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; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Midlothian's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Midlothian, incorporated in 1888, is located in the northwest part of Ellis County, approximately 25 miles southwest of Dallas, on U.S. Highway 67, and ten miles northwest of

Waxahachie, on U.S. Highway 287. The City of Midlothian is part of the Dallas/Fort Worth Metroplex and encompasses an approximate area of 48.62 square miles, with an estimated population of 14,400. The City of Midlothian is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City is a home rule city, operating under the Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan, at-large basis. Council members serve three (3) year staggered terms so that at least two members are elected every year.

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City can provide at the lowest practicable cost. These services include police and fire protection, emergency ambulance service, water and sewer services, park and recreational facilities, street improvements, and general administrative services. The City includes all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria other governmental organizations are included in the City's financial statements (see Note 1B of the Notes to the Financial Statements). The discretely presented Component Units included are the Corporation for Economic Development of the City of Midlothian (CEDM), the Midlothian Community Development Corporation (MCDC) and the Midlothian Development Authority (MDA). The CEDM and MCDC are governed by separate boards, appointed by the City's elected council. Each of these entities is funded by a one half of one percent sales tax.

The Midlothian Development Authority/Tax Increment Reinvestment Zone (TIRZ) consists of a nine member board, with five of those being appointed by the City Council. The TIRZ was created for the purpose of facilitating development of a mixed-use industrial park. From properties located within the zone, the City of Midlothian, Ellis County, and the Midlothian Independent School District have agreed to deposit to the TIRZ fund a certain percentage of tax collections generated from their respective taxation. The Authority issues Tax Increment Revenue Bonds to build infrastructure within or associated with the zone. The bonds are limited obligations solely of the Authority and are not obligations of the City, and do not give rise to a charge against the general taxing powers of the City.

The annual budget serves as the foundation for the City of Midlothian's financial planning and control. All agencies of the City of Midlothian are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to August 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than 10 days prior to the beginning of the fiscal year by passage of a budget ordinance. Department heads may make transfers of appropriations within a department. Transfer of appropriations between departments requires the approval of the City Manager. The City Council must approve any revisions that alter the total appropriations of any fund. A budget-to-actual comparison must be provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 60 as part of the required supplementary information.

Economic Outlook and Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered within the context within which the City operates.

Local economy. Midlothian's location is served by two major highways. US Hwy 67 travels north and south, and US Highway 287 travels east to west. The City is within 15 miles of IH 35 E and IH 20. These major highways provide easy access to Dallas/Fort Worth and the surrounding Metroplex area.

Midlothian is home to a diversified group of manufacturing and distribution firms. Products manufactured range from cement to steel, along with a retail sales distribution center, and one of the largest retail toy distribution centers in the State.

The City also benefits from a well-educated and affluent workforce. Midlothian's median household effective buying income of \$67,921 compares favorably to \$55,729 for the Dallas/Fort Worth region.

The City is 40% developed with a projected 2008 growth rate of 4.5%. The City of Midlothian is one of the fifty fastest growing cities in the nine county, North Texas region.

Advanced education is available in Midlothian with the 2006 opening of Navarro Community College. Navarro has also partnered with Texas A&M Commerce to offer a four year degree program at the Midlothian Campus. Additional college opportunities within a 60 mile radius include Northwood University, Southern Methodist University, Texas Christian University, University of North Texas, University of Texas at Arlington and many others. In addition, there are several trades, industrial and technical schools located throughout the area. The Midlothian Independent School District is one of the fastest growing districts in the State of Texas, making the City of Midlothian a sought after environment with small town appeal.

Air transportation is available at nearby Dallas/Fort Worth International Airport and Love Field for national and international travel. Mid-Way Regional Airport is located within three miles of downtown Midlothian, for private/commercial services. The Mid-Way airport is jointly owned by the cities of Midlothian and Waxahachie.

Medical services are available, with the largest hospital located in Ellis County, Baylor Medical Center, located within minutes of Midlothian. Services are also available through several primary care medical providers located in the City limits. The Metroplex area is served by more than seventy hospitals offering specialized services, including major trauma care.

The City has 89 acres of parks that provide soccer, baseball fields, tennis courts, and playground areas. In addition, the City jointly operates a sports park with the Midlothian Independent School District. The voters approved a bond package in May 2006 for a new multi-use community park facility to encompass baseball, football, soccer fields and tennis courts, as well as a walking trail and picnic area. This park is expected to be approximately 125+ acres when completed.

The Dallas Fort Worth Metroplex hosts several professional sports teams including the Dallas Cowboys, Dallas Mavericks, Texas Rangers and Dallas Stars. Access to these professional sports teams are within a thirty minute drive from Midlothian. The Dallas/Fort Worth area offers a variety of cultural opportunities such as: museums, botanical gardens, Six Flags over Texas, and Texas Motor Speedway. There are several 18-hole championship golf courses located within a short driving distance of the City.

Comprehensive Plan

The City of Midlothian has adopted a Comprehensive Plan with goals and objectives that will help to shape and direct growth and development for the next twenty years and beyond. The plan is based upon a shared vision of the citizenry and stakeholders. In 2007, building permits were approved for 286 single-family homes with an estimated average value of \$215,242. There are currently 3,012 platted residential lots in active subdivisions with 877 lots available for construction.

Cash Management

The City awards its depository contract through official bidding procedures for a three-year period with an option to extend the contract for two one-year extensions. The current depository contract is with Wachovia Bank. The City has an investment advisor, Patterson & Associates, to assist with investment of funds in securities that are allowed by State law and the City's investment policy.

It is the City's policy that all demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 102% of the deposits less an amount insured by the FDIC. Evidence of the pledged collateral is maintained by the Finance Director. Quarterly Investment reports are provided to Council for review.

Long-Term financial Planning

The City's ten-year Strategic Plan identifies personnel, equipment and capital project needs. The plan is revised every two years, with the most recent update in May 2006. The ten-year plan for revenue is projected based on population estimates, along with housing and business growth. Annual population growth has averaged approximately 6% for the past five years. Sales tax is projected to increase due to several new businesses anticipated to open within the City limits.

Department Directors are responsible for reviewing historical performance measures and planning for the ten year financial needs to continue to provide the existing level of services to the citizens. The Finance Director and Budget Analyst are responsible for preparing long-term revenue and expenditure forecasts. The department performance measures are evaluated to assist with calculating long term financial needs. The un-issued debt is calculated based on construction plans, and is also included in the ten-year plan. This enables the City Manager and Finance Director to evaluate and forecast the tax rate for not only maintenance and operations, but for the debt as well. Capital improvements that may require a future bond election are also taken into consideration when setting long term financial plans.

The City continues to maintain a healthy fund balance. The General Fund's unreserved fund balance is \$10,987,674; of that amount a 90 day reserve of \$3,796,445 is maintained. Within the FY 2007-2008 Budget, Council approved the use of unreserved funds in the amount of \$866,445 for special projects at the Mid-Way Airport, and one time capital expenditures.

The City engages a Citizens Planning Group, a group of citizens selected to assist with the prioritization and planning of future capital projects, which periodically is presented to voters of Midlothian through a bond referendum. Most recently, this group formulated a package that was presented in a May 2006 election, through which the voters approved a \$31,090,000 package that will build new streets and add a multi-use park. This debt is planned to be issued in increments over the next six years.

Awards and Acknowledgements

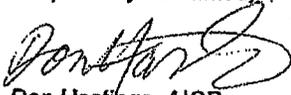
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the City of Midlothian for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This was the second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Midlothian received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2006. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Midlothian's finances.

Respectfully submitted,


Don Hastings, AICP
City Manager


Chris Dick, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Midlothian
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



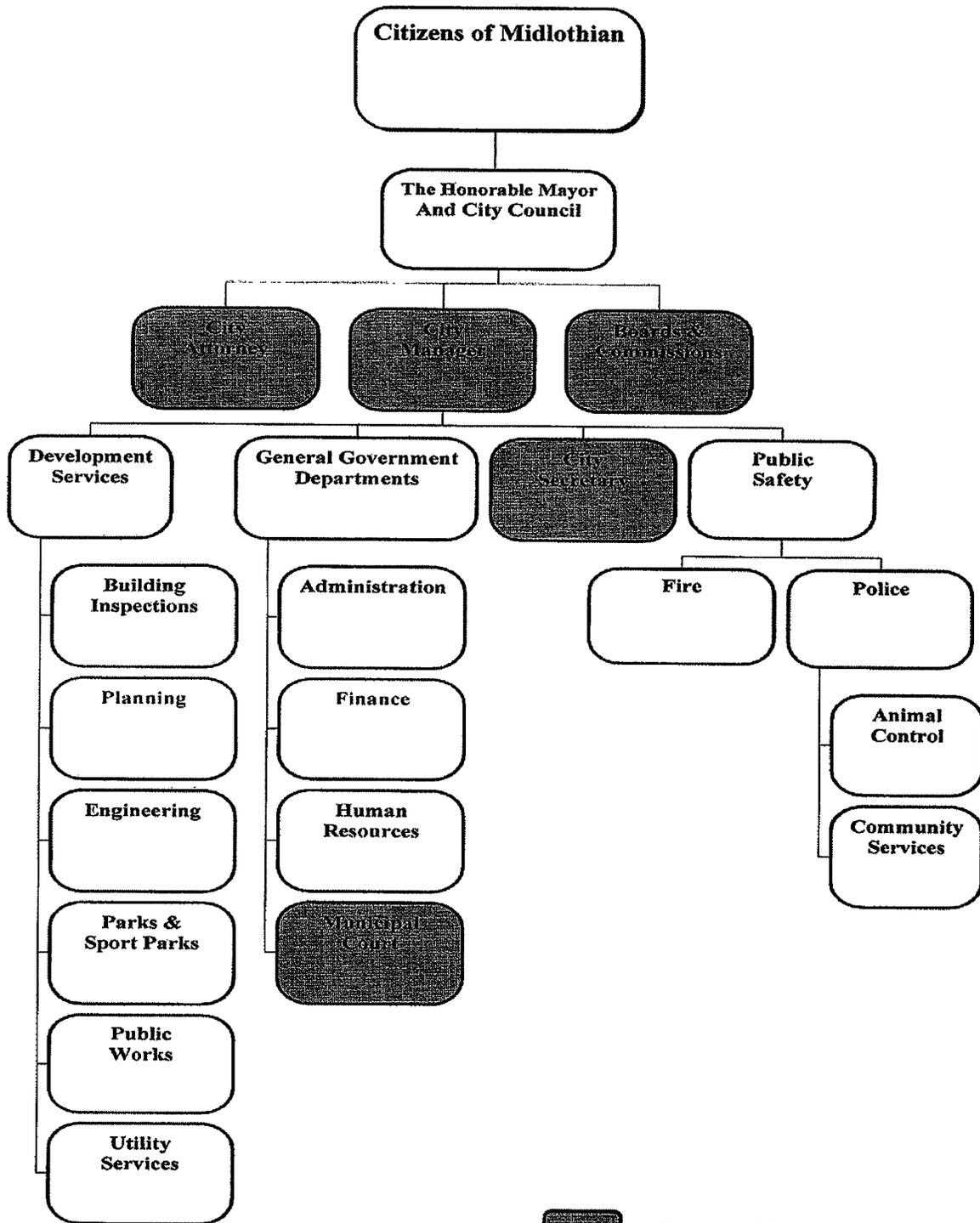
Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

City of Midlothian



 Created by Charter

CITY OF MIDLOTHIAN, TEXAS

PRINCIPAL OFFICERS

SEPTEMBER 30, 2007

MAYOR

Boyce Whatley

MAYOR PRO-TEM

R. J. Dusty Fryer

CITY COUNCIL

**Tommy Mitchell
Ken Chambers
Joe Frizzell
Wayne Sibley
Steve Massey**

CITY MANAGER

Don Hastings, AICP

FINANCE DIRECTOR

Chris Dick, CPA

FINANCIAL SECTION