

AI-8120

4.

**Internal Revenue Code 457 Deferred Compensation Plan
DRAINAGE DISTRICT**

Date: 03/06/2008
Submitted By: Gricelda Villarreal, PURCHASING DEPT.
Submitted For: Marty Salazar
Department: PURCHASING DEPT.

Information

CAPTION

Status report regarding the Request for Proposal for: "Internal Revenue Code 457 Deferred Compensation Plan"(2008-035-02-06CGV).

BACKGROUND

Fiscal Impact

Attachments

Link: [Addendum No. 1](#)

Form Routing/Status

Route Seq	Inbox	Approved By	Date	Status
1	Budget & Management	Dina Trevino	02/26/2008 03:22 PM	APRV
2	Court Administrator	Monica Badillo	02/28/2008 08:30 AM	APRV

Form Started By: Gricelda Villarreal
Started On: 02/26/2008 02:36 PM
Final Approval Date: 02/28/2008



PURCHASING DEPARTMENT
County Of Hidalgo

February 25, 2008

Re: **Addendum No. 1**
Request For Proposal-Hidalgo County – “Internal
Revenue Code 457 Deferred Compensation Plan”

RFP NO: 2008-035-02-06CGV

Dear Respondent:

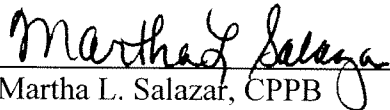
Attached you will find **Addendum No. 1, Page 1 of 2** in connection with “**Hidalgo County – Internal Revenue Code 457 Deferred Compensation Plan.**”

Please add this **Addendum No. 1** to your packet so as to permit your company to submit a complete packet. See original packet LEGAL NOTICE page 3 paragraph 9.

Acknowledge receipt of Addendum No. 1 by signing and returning this notice to us VIA FAX AT (956) 292-7612.

If you do not receive all pages of **Addendum No. 1** please notify us immediately at (956) 318-2626.

Please be advised that this **Addendum No. 1** will complete your packet for Request For Proposal for “**Hidalgo County – Internal Revenue Code 457 Deferred Compensation Plan.**” Thank you for your prompt attention to this matter.



Martha L. Salazar, CPPB
Hidalgo County Purchasing Agent

By: _____
Addendum No. 1
Acknowledgment Of Receipt

MLS/cgv

Enclosures

ADDENDUM NO. 1

FEBRUARY 25, 2008

**“HIDALGO COUNTY INTERNAL REVENUE CODE 457 DEFERRED
COMPENSATION PLAN”**

RFP NO: 2008-035-02-06CGV

PLEASE NOTE THE FOLLOWING INFORMATION FOR RFP NO: 2008-035-02-06-CGV

The Request For Proposals For Hidalgo County – “Internal Revenue Code 457 Deferred Compensation Plan” has been **extended to open on Wednesday, March 05, 2008, on or before 9:30 a.m.**

I, _____, acknowledge receipt of ADDENDUM N. 1 dated, February 25, 2008, for RFP NO: 2008-035-02-06-CGV-Hidalgo County – “Internal Revenue Code 457 Deferred Compensation Plan.”

Printed Proposer Name

Date

**NOTE: PLEASE SUBMIT THIS ADDENDUM WITH YOUR PROPOSAL
PACKET, IN ORDER TO COMPLETE THE RFP.....**

AI-8145

5.

temp position

DRAINAGE DISTRICT

Date: 03/06/2008

Submitted By: Sylvia Sanchez, DRAINAGE DISTRICT

Submitted For: Sylvia Sanchez

Department: DRAINAGE DISTRICT

Information

CAPTION

Approval to hire one (1) temporary Laborer, not to exceed eight (10) weeks (fill-in slot for employee on workers comp)

BACKGROUND

Fiscal Impact

Attachments

No file(s) attached.

Form Routing/Status

Route Seq	Inbox	Approved By	Date	Status
1	Budget & Management	Dina Trevino	02/28/2008 02:24 PM	APRV
2	Court Administrator	Monica Badillo	02/28/2008 02:36 PM	APRV

Form Started By: Sylvia Sanchez
Started On: 02/27/2008 02:55 PM

Final Approval Date: 02/28/2008

AI-8167

6.

**McColl Rd. Mission Inlet Crossing
DRAINAGE DISTRICT**

Date: 03/06/2008

Submitted By: Jaime Salazar, DRAINAGE DISTRICT

Department: DRAINAGE DISTRICT

Information

CAPTION

Requesting approval to accept proposal and award contract to the most qualified bidder meeting all specifications for RFB: 08-002-01-30 " McColl Rd. Mission Inlet Crossing " .

BACKGROUND

Fiscal Impact

Attachments

No file(s) attached.

Form Routing/Status

Route Seq	Inbox	Approved By	Date	Status
1	Budget & Management	Dina Trevino	02/29/2008 04:37 PM	APRV
2	Court Administrator	Monica Badillo	03/03/2008 07:33 AM	APRV

Form Started By: Jaime Salazar
Started On: 02/27/2008 05:25 PM

Final Approval Date: 03/03/2008

AI-8166
Bond Counsel
DRAINAGE DISTRICT

7.

Date: 03/06/2008
Submitted By: Jaime Salazar, DRAINAGE DISTRICT
Department: DRAINAGE DISTRICT

Information

CAPTION

A.) Requesting approval to accept Letter of Termination of Bond Counsel from Montalvo & Ramirez.

B.) Requesting exemption from Competitive Bidding requirements under Texas Local Government Code, Section 262.024 (a) "professional services" with the Law Firm Ramirez & Guerrero, LLP in connection with legal representation as it pertains to Bond Counsel.

C.) Requesting approval to accept Letter of Engagement for Bond Counsel from Ramirez & Guerrero, LLP.

D.) Requesting approval to accept Letter of Engagement from Burton McCumber & Cortez for
" Independent Financial Audit Services " Bid: 07-001-03-21.

E.) Request approval of Payment application No. 3 to Summit Contracting, Ltd. for the construction of the Pharr McAllen South Drain (Phase I), 2007 Bond Projects.

F.) Request approval of Advance Funding Agreement between Hidalgo County Drainage District and the Texas Department of Transportation for Storm Sewer Improvements FM 88 located on FM 88 between 16N. and Mile 12 N.

G.) Approval of Budget Amendment to transfer amounts needed for continuance of Projects from the 2007 Bond Project, Fund 131, No Budgetary Impact.

H). Approval of Budget Amendment to appropriate funds out of the General Fund to the District Administration budget for legal and other professional services.

I.) Approval of Change order No. 2 for the Pharr McAllen South Drain (Phase I).

BACKGROUND

Fiscal Impact

Attachments

Link: [agenda item attachments](#)

Form Routing/Status

Route Seq	Inbox	Approved By	Date	Status
1	Budget & Management	Dina Trevino	02/29/2008 05:53 PM	APRV
2	Court Administrator	Monica Badillo	03/03/2008 07:33 AM	APRV

Form Started By: Jaime Salazar
Started On: 02/27/2008 05:20 PM

Final Approval Date: 03/03/2008

2

Montalvo & Ramirez
Attorneys at Law
900 N. Main
McAllen, Texas 78501

February 22, 2008

Mr. Godfrey Garza
Hidalgo County Drainage District No. 1
902 N. Doolittle Road
Edinburg, Texas 78541

Re: Termination of Bond Counsel Services

Dear Mr. Garza:

Please be advised that Montalvo & Ramirez is terminating its services as bond counsel to the Hidalgo County Drainage District No. 1 effective immediately.

If you have any questions, please do not hesitate to contact our office at your convenience.

Very truly yours,



Jose R. Guerrero

C.

RAMIREZ & GUERRERO, L.L.P.

Attorneys at Law
600 E. Nolana, Suite 201
McAllen, Texas 78504
Phone: (956) 631-1185
Fax: (956) 631-1187

February 20, 2008

Hon. Juan De Dios Salinas
Hidalgo County Drainage District No. 1
902 N. Doolittle Road
Edinburg, Texas 78541

Re: Engagement of Bond Counsel

Honorable Judge Salinas:

We are pleased to submit to you a proposed agreement for Ramirez & Guerrero, L.L.P. to serve as Bond Counsel with respect to one or more series of obligations (including new money bonds, refunding bonds, personal property finance obligations and lease and lease purchase and installment purchase agreements) that the Hidalgo County Drainage District No. 1 (the "Issuer") intends to issue, or may issue in the future, for the purposes, respectively, of construction of improvements, purchase of personal property and/or to refund or restructure its existing debt service or lease-purchase revenue bonds through a public facilities corporation (hereinafter referred to as the "Obligations"). When approved by you, this letter will become effective and will evidence an agreement between the Issuer and Ramirez & Guerrero, L.L.P., Bond Counsel. Our fees are billed only if the obligations are issued. Any out-of-pocket costs are reimburseable.

Basic Services

Bond Counsel will prepare, or assist the Issuer in the preparation of, all required legal documents and proceedings and will perform all other necessary legal work in connection with the Issuer's authorization, issuance and sale of each series of the Obligations. Our services as Bond Counsel will include the following Basic Services, which we will carry out directly or in concert with officials, staff, and consultants of the Issuer:

(1) Preparation of all notices (including notices of public meetings, notices and resolutions regarding reimbursement bonds and published notices), resolutions and orders (including those governing calling bond elections), resolutions and other legal proceedings necessary to authorize issuance of each series of the Obligations, and all other instruments which comprise the transcript of legal proceedings of the Issuer pertaining to the authorization, issuance and sale of each such series;

(2) Attendance of all meetings called or arranged by or on behalf of the Issuer or Issuer personnel (or their representatives) who are responsible for the issuance, sale and delivery of the Obligations, to the extent required or requested by such persons, to discuss the legal aspects of the Obligations, including but not limited to the sizing, timing or sale of each series of the Obligations;

(3) Consultation with Issuer officials and staff and the Issuer's financial advisors and independent auditors to review information to be included in the offering documents for each series of the Obligations;

(4) Preparation and submission, as required by law, of transcripts of legal proceedings pertaining to the issuance of each series of the Obligations to the Attorney General of Texas;

(5) Supervision of the printing of each series of the Obligations and the delivery thereof to the purchasers, including, if requested, solicitation of bids from bond printers under the direction of the President, the Superintendent or financial advisor or other Issuer personnel who are responsible for the issuance, sale and delivery of the Obligations, to obtain the lowest responsible printing costs for the Issuer;

(6) At the closing of each series of the Obligations, delivery of an approving opinion, based on facts and law existing as of its date, which shall be fully acceptable in the national public finance field, generally to the effect that such series has been duly issued, executed and delivered in accordance with the Constitution and laws of the State of Texas, that the Obligations of each series constitute valid and legally binding obligations of the Issuer secured by a lien on and pledge of, as appropriate, ad valorem taxes, revenues, or other available funds of the Issuer pledged to their payment in the respective Bond Order (subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect from time to time relating to or affecting the enforcement of rights of creditors, and the Issuer) and that interest on such series of the Obligations is excludable from the gross income of the owners thereof for federal income tax purposes under then existing law; provided that after the closing we do not undertake to provide continuing advice concerning any actions necessary to assure that interest paid on the Obligations will continue to be excluded from gross income for federal income tax purposes; and

(7) Prior to and in connection with the closing of each series of the Obligations, preparation and delivery of a Tax Exemption and No-Arbitrage Certificate that will enable appropriate officials of the Issuer to comply with the arbitrage requirements of the Internal Revenue Code of 1986 as they affect the Obligations, including yield restrictions and rebate requirements.

Compensation

A base fee of \$15,000 for up to \$3,000,000.00 in principal amount of bonds;

\$1,000 for every \$1,000,000 from \$3,000,000 to \$10,000,000;

\$750 for every \$1,000,000 from \$10,000,000 to \$20,000,000; and

\$250 for every \$1,000,000 from \$20,000,000 and above

Additional Services

In addition to the foregoing Basic Services, as Bond Counsel, Ramirez & Guerrero, L.L.P. is prepared to undertake the following Additional Services, as requested by the Issuer or Issuer's personnel who are responsible for the issuance, sale and delivery of the Obligations. Services rendered in connection with calling a bond election limited to preparing a bond election order, preparing an order for appointment of early voting and election personnel, preparing form notices of the election, preparing a letter request for pre-clearance under Section 5 of the Voting Rights Act, and providing advisory opinions to the school district related to calling and publicizing the election and to the appointment of early voting and election personnel will be billed at a flat fee of \$3,000.00. The fee for any additional services which do not constitute direct bond counsel fees but are needed in connection with, resolving a legal issue, will be at an hourly rate of \$200.00 or \$175.00, depending on lawyer assigned.

The compensation for legal services stated herein will be contingent on the Issuer's sale of any bonds authorized for issuance.

Bond Counsel will be reimbursed for up to a maximum \$1,000.00 of its reasonable and actual out-of-pocket expenses, such as the cost of reproduction of documents, out-of-town travel, long distance telephone, telegraph, telex and similar expenses, deliveries, and for the actual cost of all items paid for by Bond Counsel on behalf of the Issuer, incurred in connection with the performance of all services hereunder. All of the expenses of Bond Counsel will be reasonable and expenses which may exceed \$1,000.00 will be subject to prior approval of the Issuer. The Attorney General filing fees and the costs of printing the bonds will be the responsibility of issuer.

Payment to Bond Counsel for all services shall be payable only out of the proceeds of the sale of each series of the Obligations and shall be contingent upon the sale and delivery of each series of the Obligations during the term of this agreement.


The term of this agreement shall be for one year from the date of its approval by the Issuer, but shall be automatically extended for successive one year terms unless the Issuer gives us notice of termination during the last month of any term. Additionally, the Issuer may at any time terminate this agreement by giving us 30 days written notice of termination.

No provision of this agreement shall be deemed to be an agreement or undertaking of any member of the Commissioners Court or any official or employee of the Issuer, and no such member, official or employee shall be personally liable in connection herewith or be subject to any personal liability or accountability by reason of the terms hereof.

If this proposed agreement for the services of Ramirez & Guerrero, L.L.P. as Bond Counsel is satisfactory, please evidence your acceptance and approval by executing two copies in the space provided below.

Sincerely,

RAMIREZ & GUERRERO, L.L.P.

By:  _____
JESUS RAMIREZ

APPROVED AND ACCEPTED:

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

Judge

County Clerk

(SEAL)



Burton McCumber & Cortez, L.L.P.
Certified Public Accountants & Management Consultants

205 Pecan Boulevard
McAllen, Texas 78501
Telephone 956/618-2300
Facsimile 956/618-2333
www.bmctexas.com

Offices in:
Brownsville
McAllen
Matamoros
Reynosa

February 14, 2008

Hidalgo County Drainage District No. 1
J. D. Salinas, Chairman of the Board and
To the Board of Directors
902 N. Doolittle Road
Edinburg, Texas 78539

We are pleased to confirm our understanding of the services we are to provide and our estimate of fees to complete the audits of the Hidalgo County Drainage District No. 1 (District) for the years ended December 31, 2007 and 2008 and at the District's option 2009 and 2010.

Scope

We will audit the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the years ended December 31, 2007 and 2008 and at the District's option 2009 and 2010 which collectively comprise the District's basic financial statements.

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the District's basic financial statements. As part of our procedures, we will apply certain limited procedures to the District's RSI. These limited procedures will consist primarily of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it.

Certain RSI information is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited. In addition, supplementary information other than RSI, such as combining and individual fund financial statements, also accompany the District's basic financial statements. We will subject supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements. Where applicable certain supplementary information will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with the U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reason with you in advance. If, for any reason we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection of accounting principles and for the fair presentation in the financial statement of the respective position of the governmental activities, each major fund and the aggregate remaining fund information of the District and the respective changes in financial position and where applicable, cash flows in conformity with U.S. generally accepted accounting principles. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

Management is responsible for decisions and functions. As part of the audit, we will review a draft of the financial statements and related notes as prepared by management and provide management our comments. In accordance with *Government Auditing Standards*, management will be required to review and approve any changes that we derive from our review prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, management is required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us, including identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Management's responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and *Government Auditing Standards*.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of District's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Audit Administration, Fees and Other

We understand that your employees will prepare all cash and other confirmations we request and will locate and organize invoices and information selected by us for testing. Also, you will assist in the copy of any pertinent information necessary for our files and will assist in the preparation of select audit schedules as required.

The audit documentation for this engagement is the property of Burton McCumber & Cortez, L.L.P. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain workpapers available to the District's designee or when applicable a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such workpapers will be provided under the supervision of Burton McCumber & Cortez, L.L.P. personnel. Furthermore, upon request, we may provide photocopies of selected audit documentation to the aforementioned parties. The parties may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

Our estimate of the fee to complete the audit as of and for the year ended December 31, 2007 is \$45,000. Assuming that there are no significant changes to the operation of the District, professional standards pertaining to accounting or auditing matters, or other unforeseeable events, our fees to complete the audit of the District for the year ending December 31, 2008 and the option years 2009 and 2010 will increase by 5% per year. To extent that there are significant changes in the operation of the District, professional standards pertaining to accounting or auditing matters or unforeseeable events, we will derive a new fee estimate for your consideration and approval.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work might be suspended if your account becomes 45 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all the time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit.

If significant additional time is necessary, we will discuss it with you and arrive a new fee estimate using the hourly rates outlined below before we incur the additional costs:

<u>Experience Level</u>	<u>Hourly Rate</u>
Partner	\$ 190
Manager	\$ 150
Supervisor/In-Charge	\$ 95
Staff	\$ 75

Our audit engagement ends on delivery of our audit report for any one year. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service. This engagement includes only those services specifically described in this letter. Costs and time spent on legal matters or proceedings arising from our engagement, such as subpoenas, testimony or consultation involving private litigation, arbitration or government regulatory inquiries at your request or by subpoena, will be billed separately.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. A copy of our peer review was included in our response to the District's Request for Qualifications pertaining to this engagement.

We appreciate the opportunity to be of service to District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Burton McCumber & Cortez, L.L.P.


Ricky Longoria
Partner

The foregoing letter fully described our understanding and is accepted by us.

Witness our hands in duplicate originals this _____ day of _____, 2008.

Hidalgo County Drainage District No. 1

Date

By _____
J.D. Salinas, Chairman of the Board

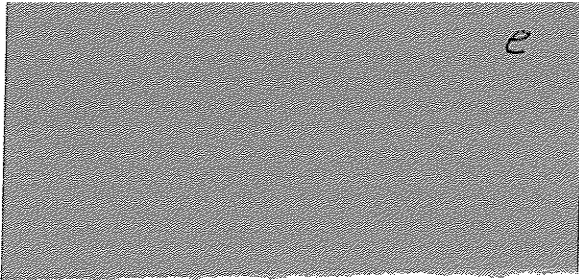
ATTEST:

_____, County Clerk

Approved as to Form:

By: _____

Summit Contracting, Ltd.
Post Office Box 169
Weslaco, Texas 78599



FEBRUARY 4, 2008

Summit Contracting, Ltd.
P.O. Box 169
Weslaco, TX 78599-0169

Construction Estimate Number 3
For Period Ended JANUARY 31, 2008

Hidalgo County
Pharr-McAllen South Drain (Phase I)
Project No. 07-013-09-05
SCI 06-07

TO DATE:

Total Work Done as of JANUARY 31, 2008		347,744.71
Less Retainage	10.0%	34,774.47
Less Special Deductions		0.00

Amounts Due to Date		312,970.24

PREVIOUS:

Total Work Done as of DECEMBER 31, 2007		259,507.71
Less Retainage	10.0%	25,950.77
Less Special Deductions		0.00

Previous Payments		233,556.94

CURRENT PERIOD:

Work Done This Period		88,237.00
Less Retainage		8,823.70
Less Special Deductions		0.00

Amount Due This Estimate		79,413.30

Joint checks made payable to
Summit Contracting, Ltd. and

Summit Contracting, Ltd.

	0.00

	79,413.30

received
1/15/08
placed on file

SCI USE ONLY

Construction Estimate Monthly Distribution:

ERR Gross Earnings	88,237.00
2002 Retainage	(8,823.70)
1200 Deductions	0.00
Net Amount	79,413.30

Submitted by Contractor:

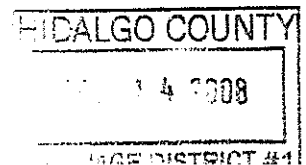
Summit Contracting, Ltd.

Recommended by Engineer:

S & B Infrastructure

Approved by Owner:

Hidalgo County Drainage District No. 1



Contractor:
 Summit Contracting, Ltd.
 P.O. Box 169
 Weslaco, TX 78599-0169

Project No. 07-013-09-05
 Description Hidalgo County, Pharr-McAllen South Drain (Phase I)
 Period: JANUARY 31, 2008
 Estimate # 3
 Date: 02/04/2008
 Time: 01:48 PM

Subcontractor:
 Summit Contracting, Ltd.
 Post Office Box 169
 Weslaco, Texas 78599

Item	Description	Estimated Quantity	Unit	Unit Price	Previous Payments		Current Period		Contract to Date		Percent Complete
					Quantity	Amount	Quantity	Amount	Quantity	Amount	
31	TRENCH EXCAV PROTECTION	1,669.00	LF	1.000	1,669.00	1,669.00	0.00	0.00	1,669.00	1,669.00	100.00%
31	CUT AND RESTORE PAVEMENT	45.00	SY	70.000	56.00	3,920.00	0.00	0.00	56.00	3,920.00	124.44%
35	RIPRAP (CONC)(CL B)	185.00	CY	450.000	108.00	48,600.00	118.30	53,235.00	226.30	101,835.00	122.32%
35	RIPRAP (STONE)(12 IN)	131.00	CY	40.000	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
35	WATERWAY EMBANKMENT (CHANNEL)	25,920.00	CY	5.000	2,970.00	14,850.00	5,369.00	26,845.00	8,339.00	41,695.00	32.17%
35	EXCAVATION (CHANNEL)	20,572.00	CY	1.500	3,033.00	4,549.50	5,438.00	8,157.00	8,471.00	12,706.50	41.18%
60	EXTEND CONC STRUCT (CL C)(CULV)(10 FT X 6	89.00	LF	420.000	89.00	37,380.00	0.00	0.00	89.00	37,380.00	100.00%
60	CONC BOX CULV (5 FT X 5 FT)	152.50	LF	180.000	152.50	27,450.00	0.00	0.00	152.50	27,450.00	100.00%
60	RC PIPE (30 IN)	1,609.00	LF	29.000	1,609.00	46,661.00	0.00	0.00	1,609.00	46,661.00	100.00%
60	INLET (DOWNDRAIN)(24 IN) W/GRATE	7.00	EA	3,500.000	7.00	24,500.00	0.00	0.00	7.00	24,500.00	100.00%
60	WINGWALL (SW-O)(H=7 FT)	2.00	EA	12,000.000	2.00	24,000.00	0.00	0.00	2.00	24,000.00	100.00%
60	WINGWALL (SW-O)(H=6 FT)	2.00	EA	12,000.000	2.00	24,000.00	0.00	0.00	2.00	24,000.00	100.00%
60	REMOVE STRUCT (PIPE)	52.00	EA	10.000	52.00	520.00	0.00	0.00	52.00	520.00	100.00%
	INVOICE										
	SAND		CY	15.100	48.06	725.71	0.00	0.00	48.06	725.71	
	CEMENT BAGS		EA	9.750	70.00	682.50	0.00	0.00	70.00	682.50	
	TOTALS					259,507.71		88,237.00		347,744.71	

THE STATE OF TEXAS §
THE COUNTY OF TRAVIS §

Original

**ADVANCE FUNDING AGREEMENT FOR VOLUNTARY
LOCAL GOVERNMENT CONTRIBUTIONS
TO TRANSPORTATION IMPROVEMENT
PROJECTS WITH NO REQUIRED MATCH**

THIS AGREEMENT IS MADE BY AND BETWEEN the State of Texas, acting by and through the Texas Department of Transportation, hereinafter called the "State", and the Hidalgo County Drainage District #1, acting by and through its duly authorized officials, hereinafter called the "Local Government."

WITNESSETH

WHEREAS, Transportation Code, Chapters 201, 221, 227, and 361, authorize the State to lay out, construct, maintain, and operate a system of streets, roads, and highways that comprise the State Highway System; and,

WHEREAS, Government Code, Chapter 791, and Transportation Code, §201.209 and Chapter 221, authorize the State to contract with municipalities and political subdivisions; and,

WHEREAS, Commission Minute Order Number 110266 authorizes the State to undertake and complete a highway improvement generally described in Attachment B as the reconstruction and widening of FM 88 between Mile 16N and Mile 12 N.; and,

WHEREAS, the Local Government has requested that the State allow the Local Government to participate in said improvement by funding that portion of the improvement described in Attachment C as the installation of 2 - 7' x 6' Reinforced Concrete Box Culverts to provide future drainage capacity for the Local Government. hereinafter called the "Project"; and,

WHEREAS, the State has determined that such participation is in the best interest of the citizens of the State;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements of the parties hereto, to be by them respectively kept and performed as hereinafter set forth, the State and the Local Government do agree as follows:

AGREEMENT

Article 1. Time Period Covered

This agreement becomes effective when signed by the last party whose signing makes the agreement fully executed, and the State and the Local Government will consider it to be in full force and effect until the Project described herein has been completed and accepted by all parties or unless terminated, as hereinafter provided.

Article 2. Project Funding and Work Responsibilities

The State will authorize the performance of only those Project items of work which the Local Government has requested and has agreed to pay for as described in Attachment A, Payment Provision and Work Responsibilities which is attached to and made a part of this contract.

In addition to identifying those items of work paid for by payments to the State, Attachment A, Payment Provision and Work Responsibilities, also specifies those Project items of work that are the responsibility of the Local Government and will be carried out and completed by the Local Government, at no cost to the State.

Article 3. Right of Access

If the Local Government is the owner of any part of the Project site, the Local Government shall permit the State or its authorized representative access to the site to perform any activities required to execute the work.

Article 4. Adjustments Outside the Project Site

The Local Government will provide for all necessary right-of-way and utility adjustments needed for performance of the work on sites not owned or to be acquired by the State.

Article 5. Responsibilities of the Parties

The State and the Local Government agree that neither party is an agent, servant, or employee of the other party and each party agrees it is responsible for its individual acts and deeds as well as the acts and deeds of its contractors, employees, representatives, and agents.

Article 6. Document and Information Exchange

The Local Government agrees to electronically deliver to the State all general notes, specifications, contract provision requirements and related documentation in a Microsoft® Word or similar document. If requested by the State, the Local Government will use the State's document template. The Local Government shall also provide a detailed construction time estimate including types of activities and month in the format required by the State. This requirement applies whether the local government creates the documents with its own forces or by hiring a consultant or professional provider.

Article 7. Interest

The State will not pay interest on funds provided by the Local Government. Funds provided by the Local Government will be deposited into, and retained in, the State Treasury.

Article 8. Inspection and Conduct of Work

Unless otherwise specifically stated in Attachment A, Payment Provision and Work Responsibilities, to this contract, the State will supervise and inspect all work performed hereunder and provide such engineering inspection and testing services as may be required to ensure that the Project is accomplished in accordance with the approved plans and specifications. All correspondence and instructions to the contractor performing the work will be the sole responsibility of the State. Unless otherwise specifically stated in Attachment A to this contract, all work will be performed in accordance with the *Standard Specifications for Construction and Maintenance of Highways, Streets, and Bridges* adopted by the State and incorporated herein by reference, or special specifications approved by the State.

Article 9. Increased Costs

In the event it is determined that the funding provided by the Local Government will be insufficient to cover the State's cost for performance of the Local Government's requested work, the Local Government will pay to the State the additional funds necessary to cover the anticipated additional cost. The State shall send the Local Government a written notification stating the amount of additional funding needed and stating the reasons for the needed additional funds. The Local Government shall pay the funds to the State within 30 days of the written notification, unless otherwise agreed to by all parties to this agreement. If the Local

Government cannot pay the additional funds, this contract shall be mutually terminated in accord with Article 10 - Termination. If this is a fixed price agreement as specified in Attachment A, Payment Provision and Work Responsibilities, this provision shall only apply in the event changed site conditions are discovered or as mutually agreed upon by the State and the Local Government.

If any existing or future local ordinances, commissioners court orders, rules, policies, or other directives, including but not limited to outdoor advertising billboards and storm water drainage facility requirements, are more restrictive than State or Federal Regulations, or if any other locally proposed changes, including but not limited to plats or replats, result in increased costs, then any increased costs associated with the ordinances or changes will be paid by the local government. The cost of providing right of way acquired by the State shall mean the total expenses in acquiring the property interests either through negotiations or eminent domain proceedings, including but not limited to expenses related to relocation, removal, and adjustment of eligible utilities.

Article 10. Maintenance

Upon completion of the Project, the State will assume responsibility for the maintenance of the completed Project unless otherwise specified in Attachment A to this agreement.

Article 11. Termination

This agreement may be terminated in the following manner:

- ◆ by mutual written agreement and consent of both parties;
- ◆ by either party upon the failure of the other party to fulfill the obligations set forth herein;
- ◆ by the State if it determines that the performance of the Project is not in the best interest of the State.

If the agreement is terminated in accordance with the above provisions, the Local Government will be responsible for the payment of Project costs incurred by the State on behalf of the Local Government up to the time of termination.

- ◆ Upon completion of the Project, the State will perform an audit of the Project costs. Any funds due to the Local Government, the State, or the Federal Government will be promptly paid by the owing party.

12. Notices

All notices to either party by the other required under this agreement shall be delivered personally or sent by certified or U.S. mail, postage prepaid or sent by electronic mail, (electronic notice being permitted to the extent permitted by law but only after a separate written consent of the parties), addressed to such party at the following addresses:

<p>Local Government: Honorable Juan "J.D." Salinas County Judge, Hidalgo County P.O. Box 1356 Edinburg, Texas 78540</p>	<p>State: Mario Jorge, P.E. Pharr District Engineer P.O. Box 1717 Pharr, Texas 78577-1717</p>
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All notices shall be deemed given on the date so delivered or so deposited in the mail, unless otherwise provided herein. Either party may change the above address by sending written notice of the change to the other party. Either party may request in writing that such notices shall be delivered personally or by certified U.S. mail and such request shall be honored and carried out by the other party.

Article 13. Sole Agreement

In the event the terms of the agreement are in conflict with the provisions of any other existing agreements between the Local Government and the State, the latest agreement shall take precedence over the other agreements in matters related to the Project.

Article 14. Successors and Assigns

The State and the Local Government each binds itself, its successors, executors, assigns, and administrators to the other party to this agreement and to the successors, executors, assigns, and administrators of such other party in respect to all covenants of this agreement.

Article 15. Amendments

By mutual written consent of the parties, this contract may be amended prior to its expiration.

Article 16. State Auditor

The state auditor may conduct an audit or investigation of any entity receiving funds from the state directly under the contract or indirectly through a subcontract under the contract. Acceptance of funds directly under the contract or indirectly through a subcontract under this contract acts as acceptance of the authority of the state auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds.

Article 17. Insurance

If this agreement authorizes the Local Government or its contractor to perform any work on State right of way, before beginning work the entity performing the work shall provide the State with a fully executed copy of the State's Form 1560 Certificate of Insurance verifying the existence of coverage in the amounts and types specified on the Certificate of Insurance for all persons and entities working on State right of way. This coverage shall be maintained until all work on the State right of way is complete. If coverage is not maintained, all work on State right of way shall cease immediately, and the State may recover damages and all costs of completing the work.

CSJ: 0698-03-080
Project: FM 88 Drainage Improvements
County: Hidalgo
Location: FM 88 between Mile 16 N. and Mile 12 N.

Article 18. Signatory Warranty

The signatories to this agreement warrant that each has the authority to enter into this agreement on behalf of the party they represent.

IN WITNESS WHEREOF, THE STATE AND THE LOCAL GOVERNMENT have executed duplicate counterparts to effectuate this agreement.

THE STATE OF TEXAS

Executed for the Executive Director and approved for the Texas Transportation Commission for the purpose and effect of activating and/or carrying out the orders, established policies or work programs heretofore approved and authorized by the Texas Transportation Commission.

By _____ Date _____
District Engineer

THE LOCAL GOVERNMENT

Name of the Local Government: Hidalgo County Drainage District #1

By _____ Date _____

Typed or Printed Name and Title: Honorable Juan "J.D." Salinas, Hidalgo County Judge

ATTACHMENT A**Payment Provisions Work Responsibilities****Payment Provisions**

The Local Government will pay for the cost of installing the 2 - 7' x 6' Box Culverts and other pertinent items to provide future drainage capacity for the Local Government. The following is a summary of the estimated costs and required participation:

Description	Total Estimate Cost	Federal Participation		State Participation		Local Participation	
		%	Cost	%	Cost	%	Cost
CONSTRUCTION COSTS							
Item 400-2005 Cem Stabil Bkfl 276 CY @ \$37.00/CY	\$ 10,212.00	0%	\$0.00	0%	\$0.00	100%	\$ 10,212.00
Item 400-2006 Cut & Restore Pav 270 SY @ \$44.00/SY	\$ 11,880.00	0%	\$0.00	0%	\$0.00	100%	\$ 11,880.00
Item 400-2007 Struct Excav (Special) 100 CY @ \$38.18/CY	\$ 3,818.00	0%	\$0.00	0%	\$0.00	100%	\$ 3,818.00
Item 402-2001 TrenchExcavProtection 146 LF @ \$2.60/LF	\$ 379.60	0%	\$0.00	0%	\$0.00	100%	\$ 379.60
Item 462-2017 Conc Box Culv (7' x 6') 240 LF @ \$224.83/LF	\$ 53,959.20	0%	\$0.00	0%	\$0.00	100%	\$ 53,959.20
Subtotal	\$ 80,248.80		\$0.00		\$0.00		\$ 80,248.80
Construction Engineering and Contingencies (# Estimated @ 12% of Construction Costs)	\$9,629.86	0%	\$0.00	0%	\$0.00	100%	\$9,629.86
TOTAL	\$ 89,878.66		\$0.00		\$0.00		\$ 89,878.66

The Local Government will transmit a warrant or check in the amount of **\$89,878.66** made payable to the "Texas Department of Transportation Trust Fund", to be used solely for the cost of improvements as agreed by the Local Government. It is further understood that this is a construction estimate only, and final participation amounts will be based on actual charges to the project.

Work Responsibilities State:

- 1.) The proposed improvements will be done by the State.

Work Responsibilities Local Government:

- 1.) Local Government will be responsible for all necessary upstream and downstream ditch improvements to accommodate the installation of the proposed boxes.
- 2.) Local government will be responsible for the maintenance of the proposed 2-7'x6' boxes once the project is completed.
- 3.) Local Government will provide for any necessary environmental mitigation.
- 4.) The Local Government will, at no cost to the State, maintain the Drainage Ditch outlined in the drainage details included as Attachment C.
- 5.) The Local Government shall not allow the tapping in of other drainage components into these drainage Outfalls without prior written approval from the State. To be considered, the Local Government shall provide at no cost to the State, a detailed hydraulic analysis of the overall system which clearly shows the proposed additional drainage would not have any adverse affect on the State's drainage for US 281.

CSJ: 0698-03-080

Project: FM 88 Drainage Improvements

County: Hidalgo

Location: FM 88 between Mile 16 N. and Mile 12 N.

- 6.) Either party hereto may make necessary emergency repairs, notifying the other party hereto of any action taken as soon thereafter as is practical.
- 7.) Local Government will furnish the State any future revisions or modifications to the project for TxDOT approval.
- 8.) Local Government will be responsible any addition construction cost on future upgrade to proposed boxes.

HIDALGO COUNTY DRAINAGE DISTRICT NUMBER ONE

1100 NORTH FORT STREET

HOUSTON, TEXAS 77041

(505) 318-2640

FAX (505) 318-2636



DATE: 3-6-2008

DEPARTMENT HEAD: Godfrey Garza, Jr.

DEPARTMENT NAME: Drainage District No. One

ACCOUNT NUMBER: 2007 Bond Series 08-131-433-031, 020,25

SUBJECT: BUDGET AMENDMENT

In Accordance with Water Code, Chapter 49

HIDALGO COUNTY DRAINAGE DISTRICT #1 BOARD OF DIRECTORS

I would like to request the following amendments (increases) to my departmental budget in accordance with Water Code, Chapter 49.

INCREASE OBJECT NUMBER(S)	ACCOUNT (OBJECT) NAME	AMOUNT
8-131-433-031-43340	Goodwin Drain-Engineering & Archit.	\$130,108.29
8-131-433-020-47420	Mission Inlet-Heavy Equipment	(\$130,108.29)
8-131-433-025-48410	La Villa-Aid to Other Governments	\$119,878.66
8-131-433-020-47420	Mission Inlet-Heavy Equipment	(\$119,878.66)
TOTAL BUDGET INCREASE REQUEST		-0-

REASON:

Budget Amendment to transfer or re-allocate amounts needed for the continuance of Projects from the 2007 Bond Projects, Fund 131 No Budgetary Impact

DEPARTMENT HEAD SIGNATURE

BOARD OF DIRECTORS

____/____/____
DATE

#

HIDALGO COUNTY DRAINAGE DISTRICT NUMBER ONE

TEL: (956) 341-2222

EDINBURG, TEXAS 78021

(956) 341-2222

FAX: (956) 341-2222



DATE: 3-6-2008

DEPARTMENT HEAD: Godfrey Garza, Jr.

DEPARTMENT NAME: Drainage District No. One

ACCOUNT NUMBER: District Administration 08-110-415-003

SUBJECT: **BUDGET AMENDMENT**

In Accordance with Water Code, Chapter 49

HIDALGO COUNTY DRAINAGE DISTRICT #1 BOARD OF DIRECTORS

I would like to request the following amendments (increases) to my departmental budget in accordance with Water Code, Chapter 49.

INCREASE OBJECT NUMBER(S)	ACCOUNT (OBJECT) NAME	AMOUNT
8-110-415-003-43330	Admin-Legal Fees	\$100,000.00
8-110-415-003-43390	Admin-Other Professional Services	\$15,000.00
TOTAL BUDGET INCREASE REQUEST		\$115,000.00

REASON:

To fund upcoming expenditures for Legal & Other Professional Services GASB 45

DEPARTMENT HEAD SIGNATURE

BOARD OF DIRECTORS

____/____/____
DATE

CHANGE ORDER NO. 2

PROJECT: PHARR-MCALLEN SOUTH DRAIN (PHASE D)

DATE OF ISSUANCE: March 5, 2008 EFFECTIVE DATE: March 5, 2008

OWNER: Hidalgo County Drainage District No. 1 (HCDD1)

CONTRACT NO.: 07-013-09-05

CONTRACTOR: Summit Contracting, Ltd.
PO Box 169
Weslaco, TX 78599

ENGINEER: S&B Infrastructure, Ltd.
5408 N. 10th Street
McAllen, TX 78504

I. The following work is removed from the Contract:

- (1) Remove the embankment requirement at the north end of the project, and revise Item 35 73 013 Waterway Embankment (Channel) to reduce plan quantity by 9,186 CY (@ \$5.00/CY = \$45,930); and,
(2) Reduce the excavation requirement at the north end of the project, and revise Item 3580 010 Excavation (Channel) to reduce plan quantity by 3,838 CY (@ \$1.50/CY = \$5,757).

II. The Contractor is directed to perform additional work and the Contract is revised as follows:

- (1) Add Item 35 73 014 Embankment (Add Haul - North End) for an increase haul of 2,838 CY that must be hauled from the north end of the project; and,
(2) Add Item 35 73 015 Embankment (Additional Haul from El Gato / Tower Roads) for an increase haul of 2,509 CY.

III. Compensation for the additional work is mutually agreed as follows:

Table with 4 columns: Item ID, Description, Unit Price, Total Price. Row 1: (1) Item 35-73-014 EMBANKMENT (ADD HAUL - NORTH END) \$2.80 / CY \$ 7,946.40. Row 2: (2) Item 35-73-015 EMBANKMENT (ADD HAUL - EL GATO / TOWER RDS) \$5.50 / CY \$13,799.50

IV. The reason for the change order is as follows: To change typical section on the north end to include a bench excavation; this reduced the amount of available material for the project and required additional work for contractor hauling.

IV. Change in Contract Price.

Table with 2 columns: Description, Amount. Row (a): Original Contract Price: \$ 438,278.00. Row (b): Net Change from Previous Change Orders: \$ 56,174.00. Row (c): Contract Price prior to this Change Order: \$ 494,452.00. Row (d): Net Cost of this Change Order: \$ 29,941.10. Row (e): Contract Price with all Approved Change Orders: \$ 464,510.90. Row (f): Net Percent Increase from Original Contract Price: 6.4%

Recommended by Engineer:

Date: 2/28/2008

Agreed / Accepted by Contractor:

Date: 2/28/08

Approved by Owner:

Date: