

CITY OF DONNA, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010

CITY OF DONNA, TEXAS

ANNUAL FINANCIAL REPORT

September 30, 2010

Council – Manager Form of Government

MAYOR

David S. Simmons

COUNCIL MEMBERS

Guadalupe Castillo, III
Jose G. Garza, Jr.
Simon Saucedo, II
Irene Munoz

CITY MANAGER

Oscar E. Ramirez

FINANCE DIRECTOR

David R. Vasquez

CITY SECRETARY

Martha Alvarado

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CITY OF DONNA, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2010

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FINANCIAL SECTION

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Donna, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City of Donna does not have a property control ledger for its capital assets and has not performed physical inventories of capital assets for governmental activities. Consequently, we were not able to determine the historical cost of capital assets in the governmental activities. Furthermore, as discussed in Note 1 to the financial statements, the City was unable to determine depreciation expense and related accumulated depreciation and has therefore not recorded these for the capital assets in governmental activities. Accounting principles generally accepted in the United States of America require that these capital assets be depreciated, which would decrease the assets and net assets and increase expenses of governmental activities. The amount by which this departure would affect the assets, net assets and expenses of governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in a preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles

generally accepted in the United States of America, the financial position of the governmental activities for the City of Donna, Texas as of September 30, 2010, and the changes in financial position thereof for the year then ended.

The City of Donna does not have a complete property control ledger for its capital assets and has not performed physical inventories of capital assets for business-type activities. Consequently, we were not able to determine the historical cost of capital assets in the water and sewer fund and business-type activities. Without historical costs, a reliable estimate of depreciation expense and related accumulated depreciation for the water and sewer fund and business-type activities is not reasonably determinable. The amount by which this would affect the assets, net assets, and expenses of the water and sewer fund and business-type activities is not reasonably determinable.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine the valuation of capital assets in the water and sewer fund and the business-type activities and the related accumulated depreciation and depreciation expense associated therewith, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the water and sewer fund of the City of Donna, Texas as of September 30, 2010, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, the city international bridge fund, the debt service fund, the discretely presented component units, and the aggregate remaining fund information of the City of Donna, Texas as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that

collectively comprise the City of Donna's basic financial statements. The introductory section, the other supplementary information section, and the informational tables section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matter described above regarding the adverse opinion on governmental activities, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
May 16, 2012

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Management's Discussion and Analysis

As management of the City of Donna, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City of Donna for the fiscal year ended September 30, 2010.

Financial Highlights In Brief

In regards to the City's government-wide level financial statements, the 2010 and 2009 amounts are included in this discussion and analysis for comparative purposes.

- The assets of the City exceeded liabilities at the close of the 2010 and 2009 fiscal years by \$53,031,668 (net assets) and by \$48,403,546 (net assets), respectively. At the end of the 2010 and 2009 fiscal years the statement of net assets reflects a deficit amount for unrestricted net assets of \$7,591,210 and a positive amount of \$243,539, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,635,180 an increase of \$1,186,074 over the prior year.
- At the end of the current fiscal year, the unreserved undesignated fund balance for the general fund was \$601,463 or a positive 10.26 percent of total current year general fund expenditures.
- The City of Donna's total debt increased by a net amount of \$754,847 or 1.58 percent during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Donna's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Donna is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, public health and welfare, economic development and tourism development. The business-type activities of the City include a utility system (water and sanitary sewer) and cemetery operations. The City should be ready to provide international bridge passenger vehicle crossing services in December 2010.

The government-wide financial statements include not only the City of Donna itself (known as the primary government), but also component units for which the City of Donna is financially accountable. Financial information for the two discretely presented component units is reported separately from the financial information presented for the primary government itself. The Donna International Bridge

Corporation is reported as a blended component unit with the proprietary funds, since its Board of Directors is the Donna City Council and is included with business-type activities.

The government-wide financial statements can be found as referenced on the table of contents of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Donna, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Donna maintains eleven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds, wherein the general fund is considered to be a major fund. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found as referenced on the table of contents of this report.

Proprietary funds. The City of Donna maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sanitary sewer system and cemetery operations. The City also uses an enterprise fund to account for the construction of the assets and related liabilities of its international bridge for the anticipated provision of international bridge crossing services by the end of calendar year 2010.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system fund and the City international bridge fund, wherein both funds are considered to be major funds. Data for the other two proprietary funds are combined into a single, aggregated presentation. The individual fund data for both of these non-major proprietary funds is provided in the form of *combining statements* elsewhere in this report. The basic proprietary fund financial statements can be found as referenced on the table of contents of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of individuals, private organizations, and other governments. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Donna maintains three private purpose trust fiduciary funds. The Firemen's Relief and Retirement Fund is reported as a fiduciary pension fund. Tax Increment Reinvestment Zones Number One and Number Two are reported as fiduciary funds of the primary government. The basic fiduciary fund financial statements can be found as referenced in the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed on the table of contents.

Other information. The City of Donna adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This *required supplementary information* is referenced on the table of contents of this report.

In addition to the basic financial statements and accompanying notes, this report presents certain additional *required supplementary information* concerning the City of Donna's progress in funding its obligation to provide pension benefits to its employees. The City contributes to the TMRS Plan at the full actuarially determined rate as compiled by TMRS.

Other supplementary information, which includes the combining statements referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions. Combining statements and individual fund schedules can be found as referenced in the table of contents of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Donna, assets exceeded liabilities by \$53,031,668 at the close of fiscal year 2010 and by \$48,403,547 at the close of fiscal year 2009.

**City of Donna
Net Assets
September 30,**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$5,476,522	\$ 4,186,623	\$ 12,853,935	\$ 22,150,007	\$ 18,330,456	\$26,336,630
Capital assets	22,367,455	21,492,308	63,899,175	52,631,020	86,266,630	74,123,328
Total assets	<u>27,843,977</u>	<u>25,678,931</u>	<u>76,753,110</u>	<u>74,781,027</u>	<u>104,597,086</u>	<u>100,459,958</u>
Long-term liabilities	4,031,222	2,722,543	44,541,726	45,095,563	48,572,946	47,818,106
Other liabilities	523,295	577,432	2,469,174	3,660,874	2,992,471	4,238,306
Total liabilities	<u>4,554,519</u>	<u>3,299,975</u>	<u>47,010,900</u>	<u>48,756,437</u>	<u>51,565,417</u>	<u>52,056,412</u>
Net assets						
Invested in capital assets, net of related debt	20,126,091	19,030,800	35,503,803	23,273,380	55,629,894	42,304,180
Restricted	2,143,596	2,062,762	2,849,388	3,793,066	4,992,984	5,855,828
Unrestricted (deficit)	<u>1,019,772</u>	<u>1,285,394</u>	<u>(8,610,981)</u>	<u>(1,041,856)</u>	<u>(7,591,209)</u>	<u>243,539</u>
Total net assets	<u>\$23,289,458</u>	<u>\$ 22,378,956</u>	<u>\$ 29,742,209</u>	<u>\$ 26,024,590</u>	<u>\$ 53,031,668</u>	<u>\$ 48,403,547</u>

By far the largest portion of the City's net assets (108% in 2010 and 87.40% in 2009) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment, net of accumulated depreciation under the business-type activities), less any related debt used to acquire those assets that is still outstanding. The City of Donna uses these capital assets to provide services to citizens and to customers of its business-type activities; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Donna's net assets (9.41% in 2010 and 12.10% in 2009) represents resources that are subject to external restrictions on how they may be used.

The City's unrestricted net assets under governmental activities reflect positive balances of \$1,019,772 for 2010 and \$1,285,394 for 2009.

The City's unrestricted net assets under business-type activities reflect a deficit of \$8,610,981 at 2010 and a deficit of \$1,041,856 at 2009.

The Water and Sewer Fund has an unrestricted net asset balance of \$485,602 at 2010, which reflects a decrease in the deficit of \$542,686 from 2009. This is primarily from the positive results from operations in 2010. Capital contribution fees expensed to unrestricted net assets totaled \$124,700 in 2010 and \$1,145,331 in 2009. The City International Bridge Fund has an unrestricted net asset deficit of \$9,130,418 at 2010, which reflects an increase in the deficit of \$530,587 from 2009. This is primarily in connection with the transfer out of capital assets to the water and sewer fund. The assets of the International Bridge Fund were still under construction at 2010, thus no operating revenues are being generated.

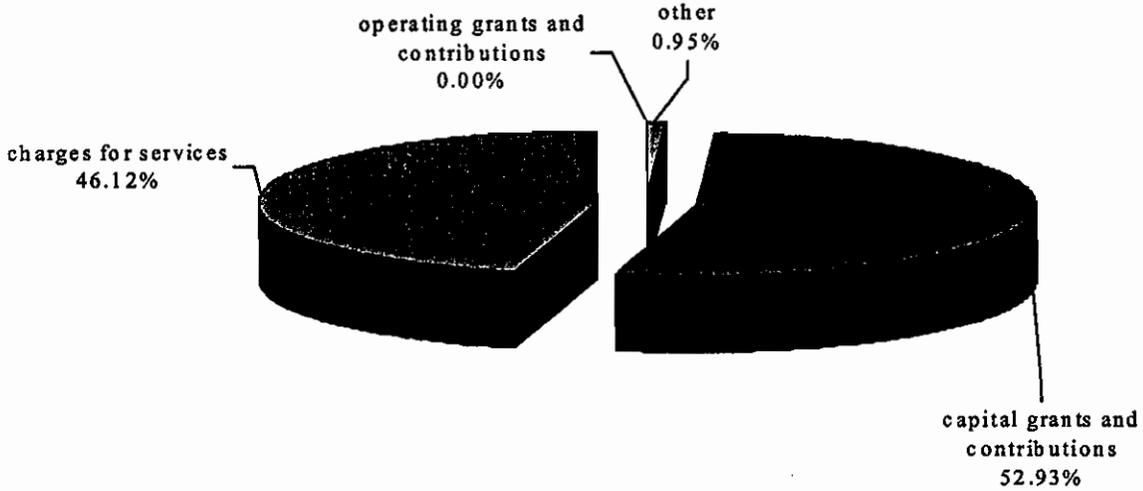
The following table presents a summary of the government-wide statement of changes in net assets for both governmental activities and business-type activities for 2010 and 2009.

City of Donna						
Changes in Net Assets						
September 30,						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,412,164	\$ 1,415,240	\$ 4,553,006	\$ 5,059,316	\$ 5,965,170	\$ 6,474,556
Operating grants and contributions	351,889	212,348		-	351,889	212,348
Capital grants and contributions	766,265	737,549	5,225,947	2,041,473	5,992,212	2,779,022
General Revenues:						
Property taxes	3,632,590	3,427,368	-	-	3,632,590	3,427,368
Other taxes	1,491,951	1,514,143	-	-	1,491,951	1,514,143
Other	28,346	43,536	93,897	401,003	122,243	444,539
Total revenues	7,683,205	7,350,184	9,872,850	7,501,792	17,556,055	14,851,976
Expenses:						
General government	1,090,389	981,874	-	-	1,090,389	981,874
Public safety	2,114,746	1,892,031	-	-	2,114,746	1,892,031
Public works	1,313,233	1,216,881	-	-	1,313,233	1,216,881
Culture and recreation	513,191	513,119	-	-	513,191	513,119
Public Health and welfare	141,256	165,438	-	-	141,256	165,438
Economic Development	-	14,100	-	-	-	14,100
Tourism development	17,500	13,961	-	-	17,500	13,961
Interest on long-term debt	151,112	124,192	-	-	151,112	124,192
Utility system operations	-	-	4,378,281	5,724,668	4,378,281	5,724,668
International Bridge Fund	-	-	2,362,173	480,594	2,362,173	480,594
Int'l Bridge Corp. miscellaneous	-	-	-	20	-	20
Cemetery operations	-	-	68,792	77,625	68,792	77,625
Total expenses	5,341,427	4,921,596	6,809,246	6,282,907	12,150,673	11,204,502
Changes in net assets before transfers	2,341,778	2,428,588	3,063,604	1,218,885	5,405,382	3,647,474
Transfers	(1,431,276)	(1,122,217)	1,431,276	1,122,217	-	-
Special item: (DIBC charge off)	-	-	-	(192,074)	-	(192,074)
Changes in net assets	910,502	1,306,371	4,494,880	2,149,028	5,405,382	3,455,399
Net assets – beginning of year	22,378,956	21,072,585	26,024,590	23,875,562	48,403,547	44,948,147
Prior-period adjustment	-	-	(777,261)	-	(777,261)	-
Net assets – end of year	\$ 23,289,458	\$ 22,378,956	\$ 29,742,209	\$ 26,024,590	\$ 53,031,668	\$ 48,403,546

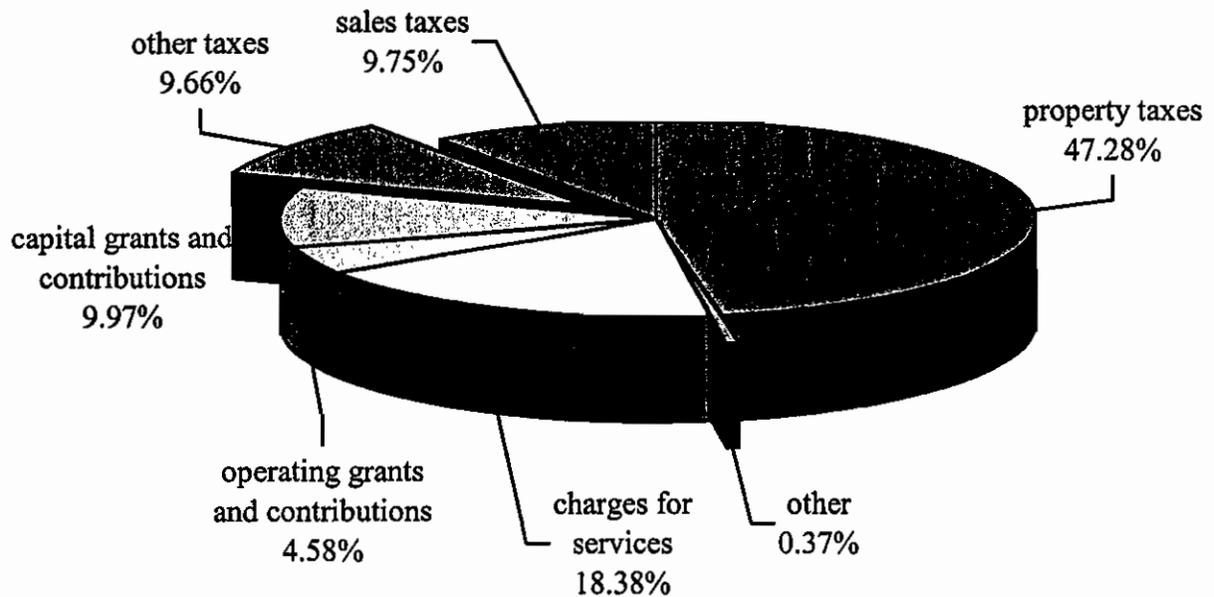
Total revenues generated from both governmental and business-type activities for 2010 amounted to \$17,556,055 with expenses of \$12,150,673 resulted in a net asset increase \$5,405,382 for 2010. This is in contrast to \$14,851,976 in revenues with expenses of \$11,204,502 that resulted in a net asset increase of \$3,455,399 for 2009.

Governmental activities. Governmental activities increased the City of Donna's net assets by \$910,502 thereby accounting for an increase of 1.72 percent in total net assets for 2010.

Revenues by Source-Business-Type Activities

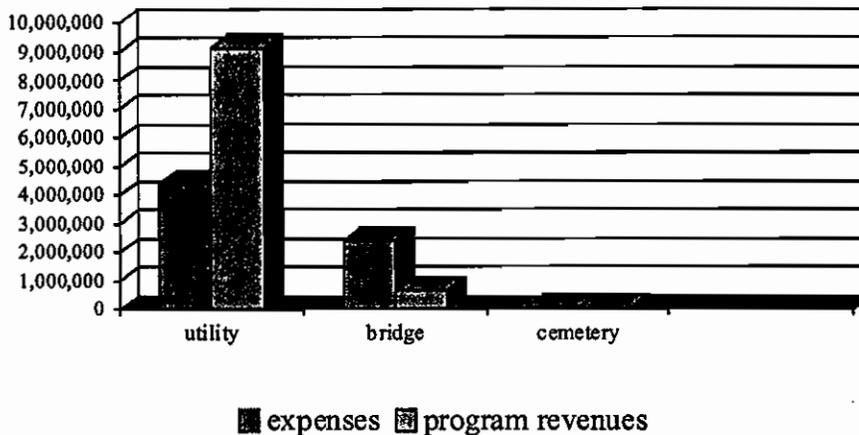


Revenues by Source-Governmental Activities

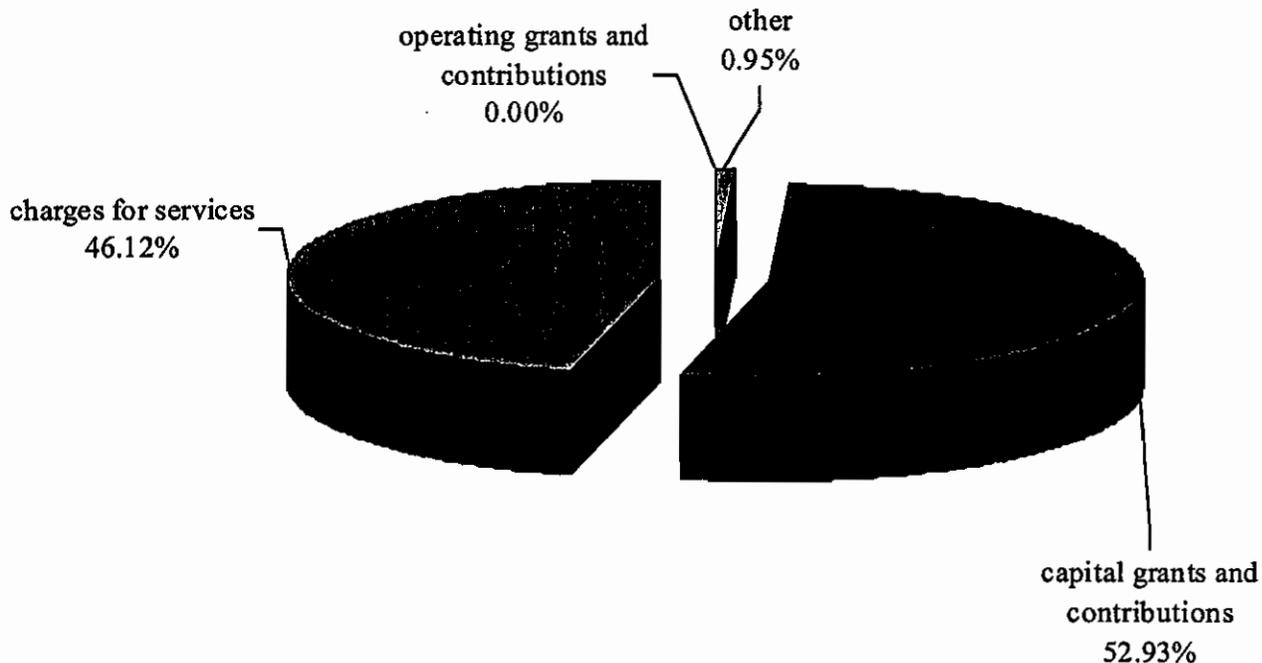


Business-type activities. Business-type activities increased the City of Donna's net assets by \$4,494,880 thereby accounting for an increase of 8.47 percent in total net assets in 2010. Capital contributions in comparison to the increased amount of net assets are approximately 116% and the net interfund transfers from governmental activities in comparison to the increased amount of net assets are approximately a net 31.84%. The City International Bridge Fund's assets are under construction therefore it has no operations at this time.

Expenses and Program Revenues-Business Type Activities



Revenues by Source-Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Donna uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Donna's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Donna's financing requirements. In particular, unreserved undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,635,180 an increase of \$1,186,074. A positive amount of \$784,380 constitutes combined unreserved undesignated fund balance for all governmental funds. Good financial management indicates that the City should maintain an unreserved undesignated fund balance on a continuing basis in order to have working capital to operate the City and as a reserve hedge against emergencies. The remainder of the fund balance of \$2,850,800 is reserved.

The General Fund is the chief operating fund of the City of Donna. At the end of the 2010 fiscal year unreserved undesignated fund balance of the General Fund was \$601,463 and at the end of the 2009 fiscal year unreserved undesignated fund balance of the General Fund was \$121,372. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. At the end of 2010 unreserved undesignated fund balance represents a positive 10.26 percent of total General Fund expenditures, while total fund balance represents a positive 10.30 percent of that same amount.

During the 2010 fiscal year, the net change in fund balance of the City's General Fund decreased by \$267,803. The key components and factors in this decrease are as follows:

- The City's Police Department incurred extensive overtime and purchased vehicles and other needed equipment.

The Debt Service Fund has a total fund balance of \$868,630, all of which is reserved for the payment of debt service. There was a net decrease in fund balance in the Debt Service fund during fiscal year 2010 of \$143,803 and a net increase of \$107,585 in 2009. The Debt Service fund was budgeted for a net decrease of \$67,268. The difference between the budgeted decrease in fund balance and the actual amount was primarily the result of a transfer to the City International Bridge Fund for the payment of the bridge debt. The City is trying to maintain a fund balance in the Debt Service Fund that is capable of assisting with the debt service requirements in the City International Bridge Fund.

Proprietary funds. The City of Donna proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail.

The combined unrestricted net asset deficit of \$8,572,995 at 2010 is comprised of the respective proprietary funds as follows. Water and Sewer Fund \$5,323,032, City International Bridge Fund \$(13,959,861), and Cemetery Fund \$33,835. Please refer to the discussion of these amounts under the government-wide financial analysis above. The capital assets for the international bridge and related bridge service assets are under construction in the City International Bridge Fund. Therefore, there are no operating revenues at this time.

General Fund Budgetary Highlights

The original General Fund budget was decreased by \$149,266 during the year. While budget variances were incurred, the major areas that went over budget were the police and sanitation departments.

Capital Assets

The City of Donna's investment in capital assets for its governmental and business type activities as of September 30, 2010 and 2009 amounts to \$86,266,630 and \$74,123,577, respectively (net of accumulated depreciation on the business-type activities capital assets). This investment in capital assets includes land, buildings and improvements, machinery and equipment, streets, a waterworks system, a sanitary sewer system and the development of an international bridge with related service assets. The overall increase in the City of Donna's investment in capital assets for the current year was 16.38 percent (a 1.18 percent increase for governmental activities and a 15.20 percent increase for business-type activities, net of accumulated depreciation). The current year depreciation expense for business-type activities was \$855,595 for both the Water and Sewer Fund and the Cemetery Fund. There is no depreciation of the international bridge and related service assets, since they are construction in progress.

Additional information on the City of Donna's capital assets can be found in note 3, Section F of this

City of Donna
Capital Assets at Year End
Net of Accumulated Depreciation (on Business-type Activities)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,027,449	\$ 1,027,449	\$ 1,234,103	\$ 1,201,299	\$ 2,261,552	\$ 2,228,748
Buildings	2,637,123	2,637,123	50,621	54,385	2,687,744	2,691,508
Improvements other than buildings	8,337,485	8,269,193	26,262	28,308	8,363,747	8,297,501
Infrastructure	3,942,111	3,791,875	25,777,378	17,616,991	29,719,489	21,408,866
Furniture and equipment	5,498,229	5,300,115	32,443	45,004	5,530,672	5,345,119
Other developments in progress	925,058	466,553	36,778,368	33,685,282	37,703,426	34,151,835
Total	\$ 22,367,455	\$ 21,492,308	\$ 63,899,175	\$ 52,631,269	\$ 86,266,630	\$ 74,123,577

report.

Debt Administration

The City of Donna's total long-term debt for its governmental and business-type activities as of September 30, 2010 and 2009, amounts to \$48,572,948 and \$47,818,106, respectively.

City of Donna
Outstanding Debt at Year End
General Obligations, Tax Notes, and Other Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds - net	\$ 1,653,983	\$ 1,873,192	\$ 41,345,664	\$ 41,831,325	\$ 42,999,647	\$ 43,704,517
General obligation tax notes	73,444	98,408	2,336,556	761,592	2,410,000	860,000
Claims payable	-	-	2,320,472	2,479,016	2,320,472	2,479,016
Capital leases	332,560	283,667	-	-	332,560	283,667
Notes and loans payable	233,051	249,219	-	1,822	233,051	251,041
Settlement payable	22,303	-	-	-	22,303	-
Compensated absences	232,468	218,057	22,447	21,808	254,915	239,865
Total	\$ 2,547,809	\$ 2,722,543	\$ 46,025,139	\$ 45,095,563	\$ 48,572,948	\$ 47,818,106

The City's total debt decreased by a net \$754,847 or 1.57 percent, during the current fiscal year. The City paid down existing debts in the amount of \$5,492,132. In December 2009 the City issued the \$4,090,000 Limited Tax Refunding bond. The City refunded Combination Tax and Limited Pledge Certificates of Obligation, Series 1995 and Combination Tax and Limited Pledge Certificates of Obligation, Series 1997. The City also issued \$1,855,000 Series 2009 Tax Notes. Additional information on the City of Donna's long-term debt can be found in note 3, Section F and G of this report.

During the construction of the international bridge and related bridge service assets, all bridge related debt service payments are funded by the general government's Debt Service Fund via transfers to the City International Bridge Fund with the exception that it participates with the funds available from the 2007 Bonds capitalized interest account to assist in making the debt service payments on the 2007 Bonds. For the 2010 fiscal year the Debt Service Fund paid \$1,255,533 of the debt service payments on the 2007 Bonds with the remaining requirements coming from the 2007 Bond capitalized interest account. This sharing process should provide for the debt service payments on the 2007 Bonds well into the fiscal year ending 2012, at which time the City hopes that revenues from bridge crossing services will start to provide a share of the debt service payments on the 2007 Bonds. However, since the international bridge will initially open only as a passenger traffic international bridge, the City's general government Debt Service Fund will be required to continue providing a significant level of debt service funding for the debts of the international bridge. While Mexico and the City will be ready to accommodate commercial traffic, the U.S. government has made no financial commitment to build and operate facilities to accommodate commercial traffic that was originally projected.

Economic Factors and Next Year's Budgets and Rates

- The assessed taxable valuations used in preparing the 2011 budget were down \$1,350,829, or .40 percent from the prior year.
- The City raised the tax rate to \$1.125979 per \$100 valuation from \$1.038320.
- In the 2011 Budget, the General Fund expenditures are budgeted to decrease 1.55% and revenue staying about the same as in 2010.
- The City is in the process of constructing the international toll bridge with related bridge service assets. The toll bridge should generate some additional revenues for the City once it starts providing passenger vehicle crossing services. The toll bridge crossing activities should also assist in increasing some other economic activity within the City.

Request for Information

This financial report is designed to provide a general overview of the City of Donna's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 307 12th Street, City of Donna, Texas, 78537.

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BASIC FINANCIAL STATEMENTS

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,757,976	\$ 1,593,929	\$ 5,351,905
Receivables, net	1,668,029	696,346	2,364,375
Internal balances	(8,433)	8,433	-
Due from component unit	6,620	443,722	450,341
Due from primary government	-	-	-
Inventories	-	4,285	4,285
Prepaid items	2,106	27,257	29,363
Restricted assets			
Cash and cash equivalents	-	6,076,671	6,076,671
Investments	-	1,815,000	1,815,000
Accrued interest receivable	-	102,535	102,535
Intergovernmental receivables	-	543,151	543,151
Capital assets:			
Land	1,027,449	1,234,103	2,261,552
Construction in progress	925,058	36,778,368	37,703,426
Other capital assets, net of accumulated depreciation	20,414,948	25,886,704	46,301,652
Other assets	-	72,098	72,098
Deferred charges	50,224	1,470,508	1,520,732
Total assets	\$ 27,843,978	\$ 76,753,110	\$ 104,597,086
LIABILITIES			
Accounts payable	\$ 274,929	\$ 436,015	\$ 710,945
Accrued interest payable	34,051	325,701	359,751
Construction payables	-	1,260,925	1,260,925
Accrued liabilities	69,527	31,534	101,062
Due to primary government	-	-	-
Due to component unit	2,954	-	2,954
Due to fiduciary	4,673	-	4,673
Due to other governments	13,285	28,359	41,644
Deposits	95,032	386,240	481,273
Unearned revenue	28,844	400	29,244
Non-current liabilities:			
Due within one year	557,635	1,154,378	1,712,013
Due in more than one year	3,473,587	43,387,348	46,860,935
Total liabilities	4,554,519	47,010,900	51,565,417
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	20,126,091	34,732,029	54,858,120
Restricted for:			
Capital projects	451,536	1,062,181	1,513,717
Operations and maintenance	-	626,874	626,874
Debt service	1,478,981	1,894,120	3,373,101
Other purposes	213,079	-	213,079
Unrestricted (deficit)	1,019,772	(8,572,995)	(7,553,223)
Total net assets (deficit)	\$ 23,289,458	\$ 29,742,209	\$ 53,031,668

The accompanying notes are an integral part of this statement.

EXHIBIT 1-A

Component Units

<u>Donna Economic Development Corporation</u>		<u>Development Corporation of Donna, Inc.</u>	
\$	226,738	\$	805,694
	61,501		61,501
	-		-
	-		-
	2,954		-
	-		-
	-		-
	-		-
	567,761		398,207
	-		6
	-		-
	-		-
	248,216		-
	-		-
	277,427		261,467
<u>\$</u>	<u>1,384,598</u>	<u>\$</u>	<u>1,526,875</u>
	51,575		5,000
	30,024		29,205
	-		-
	-		-
	-		450,341
	-		-
	-		-
	-		-
	-		-
	70,000		70,000
	4,274,283		4,167,935
	<u>4,425,881</u>		<u>4,722,482</u>
	248,216		-
	176,444		16,992
	-		-
	391,317		381,215
	-		-
	(3,857,260)		(3,593,814)
<u>\$</u>	<u>(3,041,284)</u>	<u>\$</u>	<u>(3,195,607)</u>

CITY OF DONNA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 1,090,389	\$ 232,167	\$ 232,946	\$ -
Public safety	2,114,746	189,542	89,614	78,014
Public works	1,313,233	898,315	100	236,113
Culture and recreation	513,191	62,797	29,229	-
Public health and welfare	141,256	29,343	-	-
Economic development	-	-	-	452,139
Tourism development	17,500	-	-	-
Interest on long-term debt	151,112	-	-	-
Total governmental activities	<u>5,341,427</u>	<u>1,412,164</u>	<u>351,889</u>	<u>766,265</u>
Business-type activities:				
Water and sewer	4,378,281	4,527,957	-	4,602,421
International Bridge	2,362,173	-	-	623,526
Cemetery services	68,792	25,049	-	-
Total business-type activities	<u>6,809,246</u>	<u>4,553,006</u>	<u>-</u>	<u>5,225,947</u>
Total primary government	<u>\$ 12,150,674</u>	<u>\$ 5,965,172</u>	<u>\$ 351,889</u>	<u>\$ 5,992,213</u>
COMPONENT UNITS:				
Economic Development	\$ 1,581,125	\$ -	\$ -	\$ -
Total component units	<u>\$ 1,581,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Franchise taxes				
Hotel occupancy tax				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets (deficit)-beginning				
Prior-period adjustment				
Net assets (deficit)-ending				

The accompanying notes are an integral part of this statement.

EXHIBIT 1-B

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units	
			Donna Economic Development Corporation	Development Corporation of Donna, Inc.
\$ (625,276)	\$ -	\$ (625,276)		
(1,757,577)	-	(1,757,577)		
(178,704)	-	(178,704)		
(421,166)	-	(421,166)		
(111,913)	-	(111,913)		
452,139	-	452,139		
(17,500)	-	(17,500)		
(151,112)	-	(151,112)		
<u>(2,811,109)</u>	<u>-</u>	<u>(2,811,109)</u>		
-	4,752,097	4,752,097		
-	(1,738,647)	(1,738,647)		
-	(43,743)	(43,743)		
-	<u>2,969,707</u>	<u>2,969,707</u>		
<u>(2,811,109)</u>	<u>2,969,707</u>	<u>158,598</u>		
			\$ (799,632)	\$ (781,493)
			<u>\$ (799,632)</u>	<u>\$ (781,493)</u>
3,632,590	-	3,632,590	-	-
749,462	-	749,462	374,731	374,731
655,780	-	655,780	-	-
86,710	-	86,710	-	-
9,632	85,211	94,843	679	670
18,715	8,685	27,400	-	-
(1,431,276)	1,431,276	-	-	-
<u>3,721,611</u>	<u>1,525,172</u>	<u>5,246,784</u>	<u>375,411</u>	<u>375,401</u>
910,502	4,494,880	5,405,382	(424,221)	(406,092)
22,378,956	26,024,591	48,403,547	(2,617,063)	(2,789,515)
-	(777,261)	(777,261)	-	-
<u>\$ 23,289,458</u>	<u>\$ 29,742,209</u>	<u>\$ 53,031,668</u>	<u>\$ (3,041,284)</u>	<u>\$ (3,195,607)</u>

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FUND FINANCIAL STATEMENTS

CITY OF DONNA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 578,269	\$ 947,720	\$ 2,231,987	\$ 3,757,976
Receivables, net:				
Property taxes	800,274	530,730	-	1,331,004
Accounts	302,329	-	5,510	307,839
Intergovernmental	29,185	-	-	29,185
Due from other funds	251,429	-	3,498	254,927
Due from component units	6,620	-	-	6,620
Prepaid items	2,106	-	-	2,106
Total Assets	<u>\$ 1,970,213</u>	<u>\$ 1,478,450</u>	<u>\$ 2,240,995</u>	<u>\$ 5,689,658</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 272,429	\$ 2,500	\$ -	\$ 274,929
Accrued liabilities	69,527	-	-	69,527
Due to other funds	92,578	97,442	78,013	268,033
Due to component units	2,954	-	-	2,954
Due to other governments	13,285	-	-	13,285
Deferred revenues	791,995	509,878	-	1,301,873
Unearned revenues	28,844	-	-	28,844
Deposits	95,032	-	-	95,032
Total Liabilities	<u>1,366,644</u>	<u>609,820</u>	<u>78,013</u>	<u>2,054,478</u>
<u>Fund Balances</u>				
Reserved for:				
Reserved for prepaid items	2,106	-	-	2,106
Reserved for debt service	-	868,630	-	868,630
Reserved for capital projects	-	-	1,633,881	1,633,881
Reserved for equipment	-	-	346,183	346,183
Unreserved				
Undesignated	601,463	-	-	601,463
Unreserved, reported in nonmajor:				
Special revenue fund	-	-	182,917	182,917
Total Fund Balances	<u>603,569</u>	<u>868,630</u>	<u>2,162,981</u>	<u>3,635,180</u>
Total Liabilities and Fund Balances	<u>\$ 1,970,213</u>	<u>\$ 1,478,450</u>	<u>\$ 2,240,995</u>	<u>\$ 5,689,658</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010

Total fund balances- governmental funds balance sheet	\$ 3,635,180
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,367,455
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,301,873
Payables for bond principal, which are not due in the current period are not reported in the funds.	(1,653,983)
Payables for tax note principal, which are not due in the current period are not reported in the funds.	(1,556,856)
Payables for debt interest, which are not due in the current period are not reported in the funds.	(34,051)
Payables for note principal, which are not due in the current period are not reported in the funds.	(233,052)
Payables for capital lease obligations, which are not due in the current period are not reported in the funds.	(332,560)
Payables for compensated absences and claims, which are not due in the current period are not reported in the funds.	(254,771)
Bond issuance costs, which are expensed in the funds.	<u>50,224</u>
Net assets of governmental activities- statement of net assets	<u>\$ 23,289,459</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES-GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,551,743	\$ 1,345,786	\$ 86,710	\$ 4,984,238
Licenses and permits	83,718	-	-	83,718
Charges for services	1,141,676	-	69,371	1,211,047
Fines and forfeitures	110,081	-	319	110,400
Intergovernmental	677,142	-	232,946	910,088
Interest	1,633	3,451	4,548	9,632
Other	17,265	-	9,931	27,196
Total Revenues	5,583,257	1,349,237	403,824	7,336,319
Expenditures:				
Current:				
General government	1,069,874	-	-	1,069,874
Public safety	2,271,697	-	-	2,271,697
Public works	1,790,994	-	-	1,790,994
Culture and recreation	512,410	-	-	512,410
Health and welfare	143,771	-	-	143,771
Tourism development	-	-	17,500	17,500
Debt Service:				
Principal retirements	65,814	298,040	38,778	402,632
Interest and other charges	6,626	123,862	54,200	184,689
Total Expenditures	5,861,186	421,902	110,478	6,393,566
Excess (Deficiency) of Revenues Over Expenditures	(277,928)	927,335	293,347	942,754
Other Financing Sources (Uses):				
Transfers in	-	232,946	-	232,946
Transfers out	(127,191)	(1,304,085)	(232,946)	(1,664,223)
Tax notes issued	-	-	1,537,279	1,537,279
Lease proceeds	137,317	-	-	137,317
Total Other Financing Sources (Uses)	10,125	(1,071,139)	1,304,333	243,320
Net Change in Fund Balances	(267,803)	(143,803)	1,597,680	1,186,073
Fund Balances at Beginning of Year	871,372	1,012,433	565,302	2,449,107
Fund Balances at End of Year	\$ 603,569	\$ 868,630	\$ 2,162,981	\$ 3,635,180

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances- total governmental funds	\$ 1,186,073
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	667,298
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	139,059
Lease proceeds are not reported as revenues in the SOA	(137,317)
Tax note proceeds are not reported as revenues in the SOA	(1,537,279)
Issuance costs on new debt is expensed in the funds and amortized in the SOA.	41,071
Repayment of principal on long-term debt is an expenditure in the funds, but is not an expense in the SOA.	402,632
Capital contributions are not recognized in the funds, but are recognized in the SOA.	207,828
Amortization of issuance costs in the SOA, previously expensed in the funds.	(14,676)
Settlement agreements are reported as incurred in the SOA, but as paid in the funds	(22,303)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.	(7,494)
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	<u>(14,393)</u>
Change in net assets of governmental activities- statement of activities	<u>\$ 910,502</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,570,094	\$ 1,944	\$ 21,891	\$ 1,593,929
Restricted assets				
Cash and cash equivalents	4,757,006	1,319,665	-	6,076,671
Investments	-	1,815,000	-	1,815,000
Accrued interest	-	102,535	-	102,535
Intergovernmental receivables	543,151	-	-	543,151
Receivables, net:				
Accounts	679,001	-	17,346	696,346
Due from other funds	527,190	7,990	46	535,227
Due from component units	-	443,722	-	443,722
Inventories	-	-	4,285	4,285
Prepaid items	27,257	-	-	27,257
Total Current Assets	<u>8,103,699</u>	<u>3,690,856</u>	<u>43,568</u>	<u>11,838,122</u>
Noncurrent assets				
Deferred charges, net	537,362	933,146	-	1,470,508
Other assets	72,098	-	-	72,098
Capital assets	51,418,690	24,403,149	48,102	75,869,942
Less accumulated depreciation	(11,951,061)	-	(19,705)	(11,970,767)
Net Capital Assets	<u>39,467,629</u>	<u>24,403,149</u>	<u>28,397</u>	<u>63,899,175</u>
Total Noncurrent Assets	<u>40,077,089</u>	<u>25,336,296</u>	<u>28,397</u>	<u>65,441,781</u>
Total Assets	<u>\$ 48,180,787</u>	<u>\$ 29,027,152</u>	<u>\$ 71,965</u>	<u>\$ 77,279,904</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-Type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 433,758	\$ -	\$ 2,257	\$ 436,015
Accrued liabilities	27,529	2,936	1,070	31,534
Accrued interest	79,005	246,696	-	325,701
Construction payables	1,184,485	76,440	-	1,260,925
Compensated absences payable	7,912	-	1,067	8,979
Due to other funds	75,102	451,692	-	526,793
Due to other governments	28,359	-	-	28,359
Current portion of bonds	620,000	130,628	-	750,628
Current portion of tax notes	71,898	166,341	-	238,239
Current portion of claims payable	52,058	104,474	-	156,532
Unearned revenue	-	-	400	400
Deposits	386,240	-	-	386,240
Total Current Liabilities	<u>2,966,346</u>	<u>1,179,206</u>	<u>4,794</u>	<u>4,150,346</u>
Noncurrent liabilities				
Bonds, net of unamortized discount	9,259,648	31,335,389	-	40,595,037
Claims payable, net of current portion	1,793,126	370,814	-	2,163,940
Tax notes, net of current portion	342,790	272,114	-	614,904
Compensated absences, net of current portion	8,337	191	4,939	13,467
Total Noncurrent Liabilities	<u>11,403,901</u>	<u>31,978,508</u>	<u>4,939</u>	<u>43,387,348</u>
Total Liabilities	<u>14,370,247</u>	<u>33,157,714</u>	<u>9,733</u>	<u>47,537,694</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	30,475,551	4,999,855	28,397	35,503,803
Restricted for capital projects	592,869	-	-	592,869
Restricted for operations and maintenance	626,874	-	-	626,874
Restricted for debt service	1,629,645	-	-	1,629,645
Unrestricted (deficit)	485,602	(9,130,418)	33,835	(8,610,982)
Total Net Assets	<u>\$ 33,810,541</u>	<u>\$ (4,130,563)</u>	<u>\$ 62,232</u>	<u>\$ 29,742,209</u>

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CITY OF DONNA, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS- PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
Operating Revenues:				
Charges for services	\$ 4,527,957	\$ -	\$ 25,049	\$ 4,553,006
Total Operating Revenues	4,527,957	-	25,049	4,553,006
Operating Expenses:				
Salaries, wages and employee benefits	273,139	-	50,341	323,480
Supplies and materials	310,336	-	2,419	312,755
Property occupancy	24,855	-	86	24,941
Equipment maintenance	22,983	-	2,122	25,106
Other services	807,586	-	10,611	818,197
Depreciation	852,523	-	3,071	855,595
Operating contractor fees	1,762,784	-	-	1,762,784
Total Operating Expenses	4,054,207	-	68,651	4,122,857
Operating Income (Loss)	473,751	-	(43,602)	430,149
Non-Operating Revenues (Expenses):				
Interest income	26,702	58,442	67	85,211
Interest expense	(301,336)	(58,442)	(141)	(359,919)
Amortization of issuance costs	(22,739)	-	-	(22,739)
Start-up expenses	-	(102,369)	-	(102,369)
Other	8,663	(2,201,341)	-	(2,192,677)
Total Non-Operating Revenues (Expenses)	(288,710)	(2,303,709)	(74)	(2,592,493)
Income (Loss) Before Contributions and Transfers	185,041	(2,303,709)	(43,675)	(2,162,344)
Capital Contributions	4,727,121	623,526	-	5,350,647
Fees for Capital Contributions	(124,700)	-	-	(124,700)
Transfers In	9,295,661	1,386,433	44,844	10,726,938
Transfers Out	-	(9,295,661)	-	(9,295,661)
Change in Net Assets	14,083,123	(9,589,412)	1,169	4,494,880
Net Assets Beginning of Year	19,727,417	6,236,110	61,063	26,024,591
Prior-Period Adjustment	-	(777,261)	-	(777,261)
Net Assets at End of Year	\$ 33,810,541	\$ (4,130,563)	\$ 62,232	\$ 29,742,209

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities -	
	Water and Sewer Fund	City International Bridge Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 4,654,067	\$ -
Cash payments to employees for services	(253,140)	-
Cash payments to other suppliers for goods and services	(2,810,451)	-
Net Cash Provided (Used) by Operating Activities	1,590,476	-
 Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received (paid)	(113,299)	(20)
Cash payments for start-up expenses	-	(99,242)
Transfers from (to) other funds	-	1,468,781
Net Cash Provided (Used) By Noncapital Financing Activities	(113,299)	1,369,519
 Cash Flows From Capital and Related Financing Activities:		
Proceeds from issuance of long-term debt less issuance costs	165,770	-
Acquisition and construction of capital assets	(9,915,427)	(4,202,965)
Principal paid on long-term debt	(412,425)	(391,000)
Interest paid on long-term debt	(554,437)	(1,989,197)
Capital contributions	5,910,899	179,804
Net Cash Provided (Used) By Capital and Related Financing Activities	(4,805,620)	(6,403,358)
 Cash Flows from Investing Activities:		
Investments redeemed	-	4,619,840
Interest from investments	26,702	54,486
Net Cash Provided (Used) for Investing Activities	26,702	4,674,326
Net Increase (Decrease) in Cash and Cash Equivalents	(3,301,740)	(359,513)
Cash and Cash Equivalents at Beginning of Year	9,628,840	1,681,122
Cash and Cash Equivalents at End of Year	\$ 6,327,100	\$ 1,321,609

EXHIBIT 3-C

<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
\$ 27,800	\$ 4,681,867
(48,150)	(301,290)
<u>(15,182)</u>	<u>(2,825,633)</u>
(35,532)	1,554,944
(252)	(113,571)
-	(99,242)
<u>44,844</u>	<u>1,513,625</u>
<u>44,592</u>	<u>1,300,812</u>
-	165,770
-	(14,118,392)
(1,822)	(805,247)
(141)	(2,543,775)
<u>-</u>	<u>6,090,703</u>
<u>(1,963)</u>	<u>(11,210,940)</u>
-	4,619,840
<u>62</u>	<u>81,250</u>
<u>62</u>	<u>4,701,090</u>
7,164	(3,654,089)
<u>14,726</u>	<u>11,324,688</u>
<u>\$ 21,890</u>	<u>\$ 7,670,599</u>

(Continued)

CITY OF DONNA, TEXAS
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities-	
	Water and Sewer Fund	City International Bridge Fund
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income (loss)	\$ 532,003	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Depreciation	852,523	-
Change in Assets and Liabilities:		
Decrease (increase) in receivables	58,170	-
Increase (decrease) in accounts payable	118,093	-
Increase (decrease) in compensated absences	(1,976)	-
Increase (decrease) in accrued liabilities	21,975	-
Increase (decrease) in deposits	9,688	-
Total Adjustments	1,058,473	-
Net Cash Provided (Used) by Operating Activities	\$ 1,590,476	\$ -
Noncash Capital and related Financing Activities:		
Intergovernmental receivables/revenues	\$ 537,979	\$ -
Capital assets related to water and sewer moved to water and sewer	9,295,661	(9,295,661)
Amortization of fees for capital contribution	(124,700)	-
Amortization of issuance costs	(78,309)	(81,539)
Capital assets from developers	63,873	-
Capitalization of interest costs	251,761	1,930,324
Capitalization of amortized issuance costs	45,599	81,539
Capital assets constructed for which title passed to others	-	(2,201,341)

The accompanying notes are an integral part of this statement.

(Continued)
EXHIBIT 3-C (Cont'd.)

Nonmajor Proprietary Funds	Total Proprietary Funds
\$ (43,602)	\$ 488,402
3,071	855,594
3,151	61,321
57	118,150
2,423	447
(632)	21,343
-	9,688
<u>8,070</u>	<u>1,066,543</u>
<u>\$ (35,532)</u>	<u>\$ 1,554,945</u>

\$ -	\$ 537,979
-	-
-	(124,700)
-	(159,848)
-	63,873
-	2,182,085
-	127,138
-	(2,201,341)

CITY OF DONNA, TEXAS
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2010

	<u>Fireman's Pension Fund</u>	<u>Tax Increment Reinvestment Zone</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 258	\$ -
Restricted assets:		
Cash and cash equivalent	-	109,186
Intergovernmental receivables	-	27,195
Due from other funds	-	4,673
Total Assets	<u>\$ 258</u>	<u>\$ 141,054</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>
<u>Net Assets</u>		
Held in trust for pension benefits	258	-
Held in trust for reinvestment zone one	-	141,054
Total Net Assets	<u>\$ 258</u>	<u>\$ 141,054</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Fireman's Pension Fund	Tax Increment Reinvestment Zone
Additions		
Contributions by City	\$ 3,400	\$ -
Property tax increments		97,751
Interest earnings	5	9
Total Additions	3,405	97,760
Deductions		
Benefits	3,400	-
Total Deductions	3,400	-
Change in Net Assets	5	97,760
Net Assets- Beginning of the Year	253	43,294
Net Assets- End of the Year	\$ 258	\$ 141,054

The accompanying notes are an integral part of this statement.

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CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Donna, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Donna, Texas was incorporated in 1908 under the Constitution of the State of Texas. The City's home rule charter was adopted on February 19, 1957, and amended on January 17, 1981 and May 7, 1994. In addition to the power indicated in the City charter, the City may exercise powers enumerated in Chapter 13, Title 28, Article 1175, of the Revised Civil Statutes of the State of Texas of 1925 conferred and granted to home rule cities. The City operates under the Council-Manager form of government and provides a full range of municipal services as authorized by its charter. The services include public safety, public works, culture and recreation, waterworks and general government.

The accompanying financial statements of the reporting entity include those of the City of Donna (the primary government) and its component units, entities for which the government is considered to be financially accountable. Two of the units are each discretely presented component units reported in a separate column in the government-wide financial statements to emphasize that they are separate from the government. The Donna International Bridge Corporation is presented as a blended component unit with the City's proprietary funds, since the corporation's Board of Directors is the Donna City Council. Tax Increment Reinvestment Zone Number One is presented as a fiduciary fund of the primary government to emphasize that it is administered in a fiduciary (trustee) capacity. It is anticipated that Tax Increment Reinvestment Zone Number Two will also be reported as a fiduciary fund. However, during the year, it did not have any financial transactions or balances to report, and therefore is not presented.

Discretely Presented Component Units

The *Donna Economic Development Corporation* (DEDC-4A) and Development Corporation of Donna, Inc. (DCD-4B) were organized exclusively for the purposes of benefiting and accomplishing public purposes of the City of Donna, by promotion and development of commercial, industrial and manufacturing enterprises, and in promoting and encouraging employment and the public welfare for the City by the State Act, Sections 4A and 4B, respectively, as amended. DEDC-4A is governed by a five member board of directors. DCD-4B is governed by a seven member board. Each of the boards is appointed by the Donna City Council. Any director of DEDC-4A and DCD-4B may be removed from office by the City Council for cause or at will. Their primary source of revenue is sales tax restricted by State statute that allows for this type of tax and by the City general election that adopted this sales tax.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (continued)

Exercise of all powers to affect the purposes of the two corporations is subject at all times to the control of the Donna City Council. In addition, the City Council must approve DEDC-4A and DCD-4B budgets and amendments to Bylaws and Articles of Incorporation. Both DEDC-4A and DCD-4B are presented as governmental fund types and have a September 30 fiscal year end. Neither of these component units issue separate financial statements.

Blended Component Unit

The *Donna International Bridge Corporation* (DIBC) was established to plan, develop and assist the City in the construction of an international bridge between the United States and Mexico. Since Donna City Council is the Board of Directors for the Corporation, it is reported as a blended component unit with the primary government's proprietary funds.

The DIBC has a five-member Board of Directors. The Board of Directors consists of the members of the City Council of the City of Donna and each Director's term on the Board shall be concurrent with his or her term on the Council. The term of a Director shall automatically end whenever his or her term on the Council expires or terminates and his or her successor in office on the Council shall automatically become a member of the Board of Directors. The Directors are to exercise all powers of the Corporation, subject to the restrictions imposed by the law, the Articles of Incorporation and the Bylaws. The Corporation's officers for President, Vice-President, Secretary and Treasurer shall be appointed by a majority vote of the Directors.

Fiduciary Component Units

Tax Increment Reinvestment Zone Number One (TIRZ #1) is a reinvestment zone created by the City of Donna pursuant to Chapter 311 of the Texas Tax Code. This allows for the interlocal agreement made by and between the City of Donna, Hidalgo County, TIRZ #1, and Garden Valley Homes, LLC (the developer and petitioner for creation of the TIRZ #1) to provide property tax increment funding to TIRZ #1 to support qualifying development activities (public improvements for a 112 lot residential subdivision) within the TIRZ #1. In connection with the developer taking on all financial responsibilities for the qualifying development activities within TIRZ #1, the City and the Board of Directors of TIRZ #1 are in substance trustees via the above interlocal agreement to receive property tax increment collections and to reimburse the developer for the qualifying development activities within TIRZ #1 to the extent that property tax increment collections are available. The interlocal agreement provides that the City and the County shall pay all of their respective property tax increment collections from taxpayers within the tax increment zone to the TIRZ #1, except that tax increments from the County shall not exceed an M&O tax rate of .52 cents per \$100 valuation. The tax increment base is \$420,000. The City and County participation in this reinvestment zone shall end the earlier of the termination date in 2029 or when they have contributed all of their respective tax increment collections as follows: \$1,627,658 for the City and \$970,864 for the County.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (continued)

Tax Increment Reinvestment Zone Number Two (TIRZ #2) is a reinvestment zone created by the City of Donna pursuant to Chapter 311 of the Texas Tax Code. This allows for the interlocal agreement made by and between the City of Donna, Hidalgo County, TIRZ #2, and Rhodes Enterprises, Inc. (the developer and petitioner for creation of the TIRZ #2) to provide property tax increment funding to TIRZ #2 to support qualifying development activities (public improvements) within the TIRZ #2. As long as the developer takes on all financial responsibilities for the qualifying development activities within TIRZ #2, the City and the Board of Directors of TIRZ #2 shall be in substance trustees via the above interlocal agreement to receive property tax increment collections and to reimburse the developer for the qualifying development activities within TIRZ #2 to the extent that property tax increment collections are available. However, if the City decides to be more actively involved, such as in providing other resources to TIRZ #2, then it will no longer be a fiduciary component unit. The interlocal agreement provides that the City shall pay all of their respective property tax increment collections from taxpayers within the Tax Increment Zone to the TIRZ #2 and that the County shall pay 50% of all their respective M&O property tax increment collections to TIRZ #2, except that 50% of the M&O property tax increments from the County shall not exceed an M&O tax rate of .5191 cents per \$100 valuation. The tax increment base is \$2,249,946. The City and County participation in this reinvestment zone shall end the earlier of the termination date in 2038 or when they have contributed all of their respective tax increment collections as follows, \$79,665,000 for the City and \$33,818,213 for the County. As per City ordinance, TIRZ #2 is equal to the area recently annexed by the City, which is the southern sector of Donna consisting of approximately 1,528 acres. At this time, the project plan approved by Donna City Council is approximately 930 acres in size. There are no financial transactions or balances to report this fiscal year. Therefore, this component unit is not presented.

Pursuant to Section 311.009(b), both TIRZ #1 and TIRZ #2 have a nine-member Board of Directors. Six of the board members are appointed by the Donna City Council, one member is appointed by the County, one member is appointed by the local district State Senator, and one is appointed by the local district State Representative. The Donna City Council shall appoint one of the members annually to serve as chairman of the Board. The Board may elect other members as officers as it considers appropriate. The Donna City Council may by ordinance or resolution authorize the board with certain powers, except that the Board of Directors by itself can never issue bonds, impose taxes or fees, exercise the power of eminent domain, or give final approval to the project plan. At this time the Donna City Council has, via the resolution passed accepting the respective interlocal agreements above, provided that the respective Board of Directors of each tax reinvestment zone shall administer, manage and/or operate their respective Zone pursuant to Section 311.010 of the Texas Tax Code.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been removed from the primary government statements.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (continued)

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain separate component units for which the primary government is financially accountable, except for the blended component unit, which is included as a proprietary fund.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes and franchise taxes, special assessments, interest revenue and charges for services. Sales taxes collected and held by the intermediary collecting governments at year-end on behalf of the City also are recognized as revenue. Fines, permits and licenses revenues are not susceptible to accrual because generally they are not measurable until received in cash.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term tax supportable general obligation debt of the primary government.

Additionally, the government reports the following other governmental fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The government reports the following major proprietary funds:

The *water and sewer fund* accounts for the water and sewer services provided to customers. All the capital assets net of related liabilities along with revenues and expenses of providing these services are accounted for within this fund.

The *City international bridge fund* is accounting for the construction of the international toll bridge and related bridge service assets and the related financing to construct these assets.

The government reports the following fiduciary fund types:

The Fireman's Pension Fund and Tax Increment Reinvestment Zone Fund are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes in a fiduciary (trustee) capacity for individuals, private organizations, and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities accounted for in proprietary funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*C. Measurement focus, basis of accounting, and financial statement presentation
(continued)*

As a general rule the effect of interfund activity has been eliminated from the primary government government-wide financial statements. The exception to this general rule are the charges for water and sewer services to the other primary government funds and payment-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

Money market investments which are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations are reported at amortized cost. All other investments are reported at fair value.

The City can legally invest in adequately secured investments in accordance with the Public Funds Investment Act. The City may also participate in any public funds investment pool created under the Interlocal Cooperation Act. In general, this policy allows the City to invest in certificates of deposit, repurchase agreements, obligations of the U.S. Government and its agencies or instrumentalities, state obligations and commercial paper.

The Donna Economic Development Corporation, the Development Corporation of Donna, Inc., and the Donna International Bridge Corporation are authorized to invest in certificates of deposit, obligations of the U.S. Government and its agencies or instrumentalities and state obligations.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (continued)

Investments for the component units are reported at fair value.

2. Receivables and payables

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". "Due to/from other funds" represents the current portion of interfund loans. "Advances to/from other funds" represents the non-current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

Advances between funds, reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of an allowance for uncollectible, as applicable.

Included in accounts receivable of the City's Water and Sewer proprietary fund is an estimated amount for services rendered but not billed as of the close of the year. The receivable was estimated by prorating subsequent cycle billings, based on meter readings, sent to customers.

Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in the City in conformity with Subtitle E, Texas Property Code. Assessed values are an approximation of market values. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. No discounts are offered. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are prorated between the general and debt service funds based on rates adopted for the year of the levy. Allowances for uncollectible taxes are based on historical experience in collecting property taxes.

3. Inventories and prepaid items

Inventory in the cemetery fund consists of cemetery lots and is valued at cost. Inventories are recorded under the "consumption" method. Under the consumption method, inventory acquisitions are recorded in inventory accounts and charged as expenses (business-type activities) when used. On the government-wide statement of activities consumption of inventory is recorded as an expense.

Prepaid items, recorded in both the government-wide and fund financial statements are goods and services that are paid for in advance and are applicable to future accounting periods. Using the consumption method, prepaid items are recorded as expenditures (governmental fund types) or expenses (proprietary fund types) as the goods or services are used. On the government-wide statement of activities consumption of prepaid items is recorded as an expense.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (continued)

4. Restricted Assets of the Proprietary Funds and DEDC-4A, DCD-4B Component Units

Water and sewer bond ordinances, the international bridge bond ordinance and DEDC-4A and DCD-4B component units' ordinances require that during the period the bonds are outstanding, the City must maintain certain separate accounts and funds to account for the proceeds from the issuance of the bonds and the debt service deposits made from revenues or from bond proceeds. These restricted assets can be used only in accordance with the bond ordinances.

5. Capital Assets

Capital assets, which consist of property, plant and equipment, include land, buildings, improvements other than buildings (e.g., fences, retaining walls, parking lots and landscaping), infrastructure (e.g., streets, sidewalks, water and sewer systems, drainage systems, bridges, lighting systems and similar items), and furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. City policy through the years has been to capitalize and report the carrying cost of capital assets in both the governmental and business-type activities. However, the City needs to inventory much of its major general capital assets so that it may account for and depreciate them. In business-type activities the City needs to inventory its older major water and sewer infrastructure assets. The City's intention is to inventory these capital assets.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The City defines capital assets, other than infrastructure assets, as assets with a cost or fair value of \$5,000 or more and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest expense is not allowed to be capitalized on general government capital assets.

Depreciation of capital assets used by proprietary funds is charged as an expense against their operations in the fund financial statements as well as the business-type activities in government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary funds Statement of Net Assets and in the business-type activities column of the government-wide Statement of Net Assets.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (continued)

5. Capital Assets (continued)

Depreciation of general government capital assets used by funds categorized as governmental activities is not allowed in the governmental fund financial statements, nor are the capital assets allowed to be reported on the balance sheets in the governmental fund financial statements in connection with their measurement focus. Depreciation of general government capital assets used by funds categorized as governmental activities in the government-wide Statement of Activities is required. Capital assets, net of accumulated depreciation, are required to be reported in the governmental activities column of the government-wide Statement of Net Assets. However, the City did not provide for depreciation of these general government capital assets used by funds categorized as governmental activities, therefore depreciation expense is not included in the government-wide Statement of Activities. While the City does report these general government capital assets in the governmental activities column of the government-wide Statement of Net Assets, there is no accumulated depreciation reported because the City did not depreciate these general government capital assets.

Neither the Donna Economic Development Corporation nor Development Corporation of Donna, Inc. component units has any depreciable capital assets. Therefore, depreciation expense is not required in the government-wide Statement of Activities. Capital assets are reported for these component units in the government-wide Statement of Net Assets.

Depreciation on capital assets in the proprietary funds has been provided using the straight-line method over the estimated useful lives. The estimated useful lives are as follows:

Buildings	40-50 years
Improvements other than buildings	20-25 years
Infrastructure	10-90 years
Furniture and equipment	5-15 years

6. Compensated Absences

It is the City's policy to allow employees to accumulate earned but unused vacation and sick pay benefits. Sick leave does not vest. Vacation leave is accrued as a liability as the benefits are earned by employees when both the employees' rights are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits. Compensated absences directly related to and expected to be paid from proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

Vacation that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the governmental fund that will pay it in the fund financial statements. Amounts not expected to be liquidated with expendable available financial resources are only reported in the government-wide financial statement in the governmental activities column.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (continued)

7. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental/business-type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts incurred on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures.

8. Fund Equity

In governmental fund financial statements, the portion of fund balance that represents amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose are reported as reservations of fund balance. Amounts representing tentative management plans, which are subject to change, are reported as designations of fund balance.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council adheres to the following procedures in establishing the budgetary data:

1. Prior to August 15 of each year, the City Manager is required to submit to City Council a proposed budget for the fiscal year beginning on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. The budget amounts shown in the financial statements are the original and final authorized amounts as revised, as applicable, during the year.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service fund, and proprietary funds.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 2-- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (continued)

6. All City budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Annual budgeted expenditures are adopted at the departmental level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level.
8. Appropriations for annually budgeted funds lapse at year end.

B. Net Asset Deficits

The City International Bridge Fund, a proprietary fund, has an unrestricted net asset deficit of \$9,130,418. See related Note L. 3.

The component unit Donna Economic Development Corporation and the component unit Development Corporation of Donna, Inc. both reflect in the government-wide Financial Statements an unrestricted net asset deficit of \$3,857,260 and \$3,593,814, respectively. These economic development component units provide economic development stimulus, which intend that the funding be provided in the form of grants. These are planned unrestricted net asset deficits from the leveraging of economic stimulus that these entities are able to provide with an amount of debt that can be serviced from cash flows available from the sales taxes they receive. Both component units are assisting the Donna-Rio Bravo international bridge project, which is a large economic development project for the City of Donna.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

1. Primary Government

Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits, excluding the amount covered by FDIC insurance. The City's deposits were fully insured and collateralized as required by the state statutes at September 30, 2010.

At September 30, 2010, the carrying amount of the City's deposits with financial institutions was \$2,390,785, including certificates of deposit of \$1,815,000, and the bank balance was \$2,762,337. Bank balances of the City were covered by the FDIC insurance Transaction Account Guarantee Program (TAGP) or by pledged collateral held in the City's name by a bank other than the pledging bank.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

1. Primary Government (continued)

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the City’s name. The City’s cash deposits at September 30, 2010 and during the year ended September 30, 2010 were entirely covered by the FDIC insurance Transaction Account Guarantee Program (TAGP) or by pledged collateral held in the City’s name by a bank other than the pledging bank.

Investments

At September 30, 2010, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Local Government Investments			
Cooperative (LOGIC)	\$ 9,641,619	40 days	AAAm
AIM Trust Treasury Portfolio	1,318,891	< 90 days	AAAm

The above investments are reported as cash and cash equivalents in the statement of net assets.

The LOGIC and AIM Fund Investments are considered cash equivalents on the government-wide statement of net assets and the governmental and proprietary fund-level statements.

LOGIC was organized on May 6, 1994 to conform to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

This Act permits the creation of investment pools to which a majority of political subdivisions (local governments) in Texas may delegate, by contract, the authority to make investments purchased with local investment funds and to hold legal title as custodian of the investment securities.

The Fund is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company but is operated in a manner consistent with the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended. The Fund will invest only in authorized investments under the Public Funds Investment Act. The stated objective of the fund is to maintain a stable value of \$1.00 per unit; however, the \$1.00 net asset value is not guaranteed or insured by the Fund, its Board, the Co-Administrators, their agents, or any other governmental or other entity.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

1. Primary Government (continued)

Investments (continued)

AIM Treasury Trust Portfolio, Private Class (AIM) is a no-load money market mutual fund. Invesco is an investment company regulated by the SEC. AIM has a dollar-weighted average stated maturity of 90 days or less, and includes in its investments objectives the maintenance of a stable net asset value of \$1 for each share. GASB Statement 31 allows investment company money market mutual funds to use amortized cost rather than fair value to report net assets to compute share price. The fair value of the City's position in the money market mutual fund is the same as the value of AIM shares.

Investments are stated at amortized cost, which does not vary materially from fair value due to the short-term nature of the investments, unless there is permanent impairment of value in which case the investments are valued at market.

Concentration of Credit Risk

The City's investment policy recognizes that risk is controlled through portfolio diversification that is achieved by diversifying investments to avoid over-concentration, prohibiting investments with greater credit risks, varying maturities, and continuously investing a portion of the portfolio in alternatives that offer same-day liquidity.

As of September 30, 2010, the Local Government Investment Cooperative (LOGIC) reported the following concentrations of investments in its portfolio:

Commercial paper	67.94%
Repurchase Agreements	20.88%
Government Securities	11.18%

The AIM has concentrations in U.S. Treasury securities and repurchase agreements.

Credit Risk

LOGIC invests in short-term securities including: bonds, securities and other obligations of the United States or an agency or instrumentality of the United States; commercial paper; repurchase agreements collateralized by government securities; and SEC registered money market funds rated in the highest rating category by at least one nationally recognized rating service. Certain investments purchased by LOGIC must be rated in the highest rating category for debt obligations by at least two nationally recognized statistical rating organizations (NSROs), or, if unrated, be of comparable quality as determined in accordance with procedures established by LOGIC's Board of Directors.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

1. Primary Government (continued)

Credit Risk (continued)

Per the most recently issued audited financial statements of LOGIC, it only invested in assets, including collateral of underlying repurchase agreements, classified as First Tier Securities and Second Tier Securities as defined by rule 2a-7.

AIM invests in direct obligations of the U.S. Treasury, and in repurchase agreements secured by treasuries.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Per the City's investment policy, the City seeks to:

- minimize interest rate risk by structuring investments to meet cash requirements.
- investing operating funds primarily in certificates of deposit, short-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
- diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

The City's investments in LOGIC and AIM are payable on demand and function as money market mutual funds. The investments in certificates of deposit have varying maturities ranging from less than a month to one and three years.

2. Component Units

Donna Economic Development Corporation (DEDC-4A) and Development Corporation of Donna, Inc. (DCD-4B)

Deposits for DEDC-4A and DCD-4B are held separately from those of the City's funds. At September 30, 2010, the reported amount of deposits for DEDC-4A totaled \$403,182, and the bank balances totaled \$405,982. The reported deposits for DCD-4B totaled \$822,686 and the bank balances totaled \$791,686.

At September 30, 2010, DEDC-4A and DCD-4B deposits were each covered by the Federal Depository Insurance Corporation's (FDIC) Transaction Account Guarantee Program (TAGP).

Investments

The DEDC-4A's investments at September 30, 2010, are as follows:

AIM Trust Trasury Portfolio	<u>Fair Value</u> \$ 391,318	<u>Weighted Average Maturity</u> < 90 days	<u>Credit Rating</u> AAAm
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CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

2. Component Units (continued)

Investments (continued)

The DCB-4B's investments at September 30, 2010, are as follows:

AIM Trust Trasury Portfolio	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
	\$ 381,215	< 90 days	AAAm

AIM Trust Treasury Portfolio, Private Class (AIM) is a no-load money market mutual fund. Invesco is an investment company regulated by the SEC. AIM has a dollar-weighted average stated maturity of 90 days or less, and includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share. GASB Statement 31 allows investment company money market mutual funds to use amortized cost rather than fair value to report net assets to compute share price. The fair value of DEDC-4A's and DCB-4B's position in the money market mutual fund is the same as the value of AIM shares.

Please refer to the descriptions of concentration of credit risk, interest rate risk, credit risk, and custodial credit risk above relating to the primary government. The DEDC-4A and DCD-4B follow the same policies relating to investments.

3. Reconciliation

The meaning of "investments" in this note may differ from the meaning of the caption "investments" in the basic financial statements. A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets is as follows:

	<u>Primary Government</u>	<u>Component Units</u>	
		<u>Donna Economic Development Corporation</u>	<u>Development Corporation of Donna</u>
Cash on hand	\$ 1,725	\$ -	\$ -
Carrying amount deposits, including CD's	2,390,785	403,182	822,686
Short-term investments	10,960,510	391,318	381,215
Less: Statement of Fiduciary Net Assets	(109,444)	-	-
Cash and investments	<u>\$ 13,243,576</u>	<u>\$ 794,500</u>	<u>\$ 1,203,901</u>
Cash and cash equivalents	\$ 5,351,905	\$ 226,738	\$ 805,694
Investments - restricted	1,815,000	567,761	398,207
Cash and cash equivalents - restricted	6,076,671	-	-
Cash and cash equivalents Statement of Net Assets	<u>\$ 13,243,576</u>	<u>\$ 794,499</u>	<u>\$ 1,203,901</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

3. Reconciliation (continued)

Virtually all funds of the City international bridge fund and both economic development corporations are held in respective trust accounts in connection with the City bond ordinance for the international bridge project and the respective sales tax revenue bond resolutions.

B. Property Taxes

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real and business personal property in the City in conformity with Subtitle E, Texas Property Code. Assessed values are an approximation of market values. A receivable for property taxes is recognized and recorded at the levy date. The adjusted assessed value for the roll as of January 1, 2009, upon which the 2009 levy was based, was \$335,816,478.

Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. No discounts are offered. During the fiscal year, 87% of the current year tax levy (October 1, 2009) was collected. The statutory lien date is January 1.

Taxes are prorated between general and debt service funds based on rates adopted for the year of the levy.

The methods of property assessment and tax collection are determined by Texas statute. The statutes provide for a property tax code, county-wide appraisal districts and certain exemptions from taxation, such as intangible personal property, household goods and family-owned automobiles.

The appraisal of property within the City is the responsibility of the Hidalgo County Appraisal District. The Hidalgo County Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value.

The tax rate to finance general governmental purposes, other than the payment of principal and interest on tax supported general obligation long-term debt, for the year ended September 30, 2010, was \$.638126 per \$100 assessed valuation. The tax rate for debt service on the principal and interest requirements on general obligation long-term debt, for the year ended September 30, 2010, was \$.400194 per \$100 of assessed valuation. The combined tax rate for the City is \$1.038320 per \$100 of assessed valuation. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy up to \$2.50 per \$100 of assessed valuation for general governmental purposes, including the payment of principal and interest on general obligation long-term debt.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Property Taxes (continued)

On the modified accrual basis, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of the levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

C. Receivables

1. Primary Government

The balance of delinquent property taxes receivable and property tax assessments included in deferred revenues are as follows:

Governmental Activities as of September 30, 2010:

	General Fund	Debt Service Fund	Total
Property taxes receivable	\$ 1,027,000	\$ 653,464	\$ 1,680,464
Less allowance for uncollectibles	(226,726)	(122,734)	(349,460)
Net property taxes receivable	<u>\$ 800,274</u>	<u>\$ 530,730</u>	<u>\$ 1,331,004</u>
Deferred property taxes	\$ 791,995	\$ 509,878	\$ 1,301,873
Net deferred property taxes	<u>\$ 791,995</u>	<u>\$ 509,878</u>	<u>\$ 1,301,873</u>

Receivables at year end for the primary government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Water and Sewer Fund	City International Bridge Fund	Nonmajor Enterprise Funds	Total
Receivables:							
Property taxes	\$ 1,027,000	\$ 653,464	\$ -	\$ -	\$ -	\$ -	\$ 1,680,464
Accounts	357,661	-	10,665	964,241	-	17,346	1,349,913
Accrued interest	-	-	-	-	102,535	-	102,535
Intergovernmental	29,185	-	-	543,151	-	-	572,336
Gross receivables	1,413,846	653,464	10,665	1,507,392	102,535	17,346	3,705,248
Less: Allowance for uncollectible	(282,058)	(122,734)	(5,155)	(285,240)	-	-	(695,187)
Net total receivables	<u>\$ 1,131,788</u>	<u>\$ 530,730</u>	<u>\$ 5,510</u>	<u>\$ 1,222,152</u>	<u>\$ 102,535</u>	<u>\$ 17,346</u>	<u>\$ 3,010,061</u>

Revenues of the Water and Sewer Fund are reported net of a provision for estimated uncollectible amounts in the amount of \$32,173.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Receivables (continued)

2. Component Units

At September 30, 2010 the DEDC-4A and the DCD-4B each had a sales tax receivable of \$61,501.

D. Deferred Revenues and Unearned Revenues

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

	Unavailable Deferred Revenues	Unearned Revenues
Delinquent property taxes (General Fund)	\$ 791,995	\$ -
Delinquent property taxes (Debt Service Fund)	509,878	-
Micellaneous advances (General Fund)	-	28,844
Micellaneous advances (Cemetery Fund)	-	400
	\$ 1,301,873	\$ 29,244

E. Interfund Payable/ Receivables and Transfers

Inter-fund receivable and payable balances at September 30, 2010 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 70,024
Nonmajor Governmental Funds	General Fund	3,498
General Fund	Water and Sewer Fund	75,102
General Fund	City International Bridge Fund	8,861
General Fund	Debt Service Fund	97,442
		\$ 254,927

Proprietary Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
Nonmajor Proprietary Funds	General Fund	\$ 46
City International Bridge Fund	Nonmajor Governmental Funds	7,990
Water and Sewer Fund	City International Bridge Fund	442,831
Water and Sewer Fund	General Fund	84,360
		\$ 535,227

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Payable/ Receivables and Transfers (continued)

The balances generally result from a routine lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. All amounts are scheduled to be repaid within one year. A \$443,721 payable from the City International Bridge to the Water and Sewer Fund is for capital projects funded through a capital contribution provided by the Development Corporation of Donna, Inc. (4B).

Due to/from the primary government and component units at September 30, 2010 were as follows:

Receivable Entity	Payable Entity	Amount
Component Unit - DEDC (4A)	Primary Government - General Fund	\$ 2,954
Primary Government - General Fund	Component Unit - DCD (4B)	6,620
City International Bridge Fund	Component Unit - DCD (4B)	443,721
		<u>\$ 453,295</u>

Interfund transfers during the year were as follows:

	Transfer In:				Total
	Debt Service	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary	
Transfer Out:					
General Fund	\$ -	\$ -	\$ 82,191	\$ 44,844	\$ 127,035
Debt Service Fund	-	-	1,304,085	-	1,304,085
City International Bridge Fund	-	9,295,661	-	-	9,295,661
Nonmajor Governmental	232,946	-	157	-	233,103
Nonmajor Proprietary	-	-	-	-	-
Total	<u>\$ 232,946</u>	<u>\$ 9,295,661</u>	<u>\$ 1,386,433</u>	<u>\$ 44,844</u>	<u>\$ 10,959,884</u>

Transfers were used primarily to 1) move General Fund resources to other funds to pay various items in the City International Bridge Fund and for providing matching funds for various grant programs in the Nonmajor Governmental funds, 2) to move tax revenues levied for debt service of bonds and tax notes from the Debt Service Fund to the City International Bridge Fund that is accounting for annual bond and tax note debt payments, 3) to move from the Urban County Program Fund to pay preauthorized debt service payments and other expenses related to administration of the grant, 4) to move General Fund resources to the Nonmajor Proprietary funds to sustain ongoing operations in the Cemetery Fund, and to pay some expense items in the Donna International Bridge Corporation, 5) capital assets related to Water and Sewer Fund activities were moved from the City International Bridge Fund to the Water and Sewer Fund.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital assets

1. Primary Government

Capital asset activity for the year ended September 30, 2010 was as follows:

	Balance at October 1, 2009	Increases	Decreases	Balance at September 30, 2010
<u>Governmental Activities:</u>				
Capital assets, not subject to depreciation:				
Land	\$ 1,027,449	\$ -	\$ -	\$ 1,027,449
Construction in progress	466,553	458,505	-	925,058
Total capital assets, not to be depreciated	<u>1,494,002</u>	<u>458,505</u>	<u>-</u>	<u>1,952,507</u>
Capital assets, depreciable:				
Buildings	2,637,123	-	-	2,637,123
Improvements other than buildings	8,269,193	68,292	-	8,337,485
Infrastructure	3,791,875	150,236	-	3,942,111
Furniture and equipment	5,300,115	198,114	-	5,498,229
Total capital assets, depreciable	<u>19,998,306</u>	<u>416,642</u>	<u>-</u>	<u>20,414,948</u>
Governmental Activities Capital Assets	<u>\$ 21,492,308</u>	<u>\$ 875,147</u>	<u>\$ -</u>	<u>\$ 22,367,455</u>

As discussed in Note 1, capital assets of governmental activities have not been depreciated and therefore are not shown net of accumulated depreciation.

	Balance at October 1, 2009	Increases	Decreases	Balance at September 30, 2010
<u>Business-type Activities:</u>				
Capital assets, not subject to depreciation:				
Land	\$ 1,201,299	\$ 32,804	\$ -	\$ 1,234,103
Construction in progress	33,685,282	3,093,086	-	36,778,368
Total assets, not to be depreciated	<u>34,886,581</u>	<u>3,125,890</u>	<u>-</u>	<u>38,012,471</u>
Capital assets, being depreciated:				
Buildings	75,275	-	-	75,275
Improvements other than buildings	40,927	-	-	40,927
Infrastructure	28,430,668	8,997,611	-	37,428,279
Furniture and equipment	312,990	-	-	312,990
Total assets, being depreciated	<u>28,859,860</u>	<u>8,997,611</u>	<u>-</u>	<u>37,857,471</u>
Less accumulated depreciation:				
Buildings	20,890	3,764	-	24,654
Improvements other than buildings	12,619	2,046	-	14,665
Infrastructure	10,813,677	837,224	-	11,650,901
Furniture and equipment	267,986	12,561	-	280,547
Total accumulated depreciation	<u>11,115,172</u>	<u>855,595</u>	<u>-</u>	<u>11,970,767</u>
Total capital assets, being depreciated, net	<u>17,744,688</u>	<u>8,142,016</u>	<u>-</u>	<u>25,886,704</u>
Business-Type Activities Capital Assets, Net	<u>\$ 52,631,269</u>	<u>\$ 11,267,906</u>	<u>\$ -</u>	<u>\$ 63,899,175</u>

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital assets (continued)

1. Primary Government (continued)

There were capital assets of \$2,201,341 constructed in the City International Bridge Fund where title passed to the Military Highway Water Supply. This expense is shown in the City International Bridge Fund as other non-operating expenses.

\$2,011,862 of interest was capitalized in the City International Bridge Fund in 2010. \$297,360 of interest was capitalized in the Water and Sewer Fund in 2010.

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

<u>Business-type Activities:</u>	
Water and Sewer	\$ 852,523
Cemetery	<u>3,071</u>
Total depreciation expense - business-type activities	<u>\$ 855,594</u>

As discussed in Note 1, depreciation expense was not provided for by the City on its capital assets in governmental activities in the government-wide Statement of Activities. Thus, depreciation expense is not included in any of the functional expenses of the governmental activities expenses.

Donna Economic Development Corporation - DECD 4A

A summary of changes in capital assets for the Development Corporation of Donna, Inc. is as follows:

	Balance at October 1, 2009	Increases	Decreases	Balance at September 30, 2010
Capital assets, not subject to depreciation:				
Land	\$ 248,216	\$ -	\$ -	\$ 248,216
Total capital assets, not being depreciated	<u>248,216</u>	<u>-</u>	<u>-</u>	<u>248,216</u>
Governmental Activities Capital Assets, Net	<u>\$ 248,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,216</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt

1. Primary Government

Bond Obligations and Tax Notes in Governmental Funds

The government issues bond obligations and tax notes to provide funds for the acquisition and construction of major capital facilities and equipment. Bond obligations and tax notes have been issued for governmental activities. The original amount of outstanding general obligation bonds and tax notes issued in prior years was \$3,240,980. Bond obligations and tax notes are direct obligations and pledge the full faith and credit of the government. The City also issued \$1,537,279 of Series 2009 Tax Notes for the purpose of (i) making public improvements; (ii) the payment of professional services related to the construction and financing of projects; and (iii) to pay the costs of issuance of the Notes.

General obligation bonds and tax notes are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General obligation bonds and certificates of obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year the bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

Governmental bond obligations and tax notes currently outstanding are as follows:

Governmental activities:

Series 2001 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in variable annual installments of \$50,000 to \$320,000 through February 1, 2016; interest at 4.0% to 4.8%, payable semi-annually.	\$ 1,625,000
Series 2006 Limited Tax Refunding Bond due in variable annual installments of \$20,000 to \$165,000 through February 1, 2016; interest is at 3.82% to 4.27%, payable semi-annually. Approximately 96.76% of debt is accounted for with business-type activities.	28,983
Series 2006 Tax Note due in variable annual installments of \$20,000 to \$190,000 through February 1, 2013; interest is at 3.82% to 4.12%, payable semi-annually. Approximately 87.24% of debt is accounted for with business-type activities.	70,170
Series 2006A Tax Note due in variable annual installments of \$15,000 to \$70,000 through February 1, 2011; interest is at 3.82% to 3.97%, payable semi-annually. Approximately 95.32% of debt is accounted for with business-type activities.	3,274

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Governmental activities: (continued)

Series 2009 Tax Notes due in variable annual installments of \$65,000 to \$360,000 through February 1, 2016; interest at 3.81%, payable semi-annually. This debt is for public improvement projects	<u>1,483,412</u>
Total General Obligation Bonds and Tax Notes	3,210,839
Less Current Portion of Bonds and Tax Notes Payable	<u>351,132</u>
General Obligation Bonds and Tax Notes Payable, Net of Current Portion	<u>\$2,859,707</u>

Debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	Governmental Activities	
	Principal	Interest
2011	\$ 351,132	\$ 126,231
2012	525,040	106,874
2013	558,271	84,027
2014	557,479	60,420
2015	595,234	35,508
2016-2020	<u>623,683</u>	<u>9,034</u>
Total	<u>\$ 3,210,839</u>	<u>\$ 422,094</u>

Bond Obligations in the Proprietary Funds

The City also issues bonds and tax notes where the City plans to service the debt from income derived from the acquired or constructed assets for business-type activities. The original amount of outstanding bonds and tax notes issued in prior years was \$46,944,020. In the current year the City issued \$4,090,000 of 2009 Limited Tax Refunding Bonds to refund the outstanding obligations of Series 1995 Combination Tax and Limited Pledge Certificates of Obligation and Series 1997 Combination Tax and Limited Pledge Certificates of Obligation. The City also issued \$317,721 of Series 2009 Tax Notes for the purpose of (i) making public improvements; (ii) the payment of professional services related to the construction and financing of projects; and (iii) to pay the costs of issuance of the Notes.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Bond Obligations in the Proprietary Funds (continued)

Bonds and tax notes outstanding at September 30, 2010 are as follows:

Business – type activities:

<p>Series 2001-A Combination Tax and Limited Pledge Revenue Certificates of Obligation due in variable annual installments of \$30,000 to \$75,000 through February 1, 2016; interest at 3.4% to 4.8%, payable semi-annually. This debt was for water improvements.</p>	<p>390,000</p>
<p>Series 2006 Limited Tax Refunding Bond due in variable annual installments of \$20,000 to \$165,000 through February 1, 2016; interest at 3.82% to 4.27%, payable semi-annually. Approximately 3.24% is accounted for with governmental activities and 96.76% is for the International Bridge project.</p>	<p>866,017</p>
<p>Series 2006 Tax Note due in variable annual installments of \$20,000 to \$190,000 through February 1, 2013; interest at 3.82% to 4.12%, payable semi-annually. Approximately 12.76% of debt is accounted for with governmental activities. Approximately 14.68% of debt is for Water and Sewer and 72.56% for the International Bridge project.</p>	<p>479,830</p>
<p>Series 2006A Tax Note due in variable annual installments of \$15,000 to \$70,000 through February 1, 2011; interest at 3.82% to 3.97%, payable semi-annually. Approximately 4.68% of debt is accounted for with governmental activities. Approximately 39.10% of debt is for Water and Sewer and 56.22% for the International Bridge project.</p>	<p>66,726</p>
<p>Series 2007 Combination Tax and International Toll Bridge Revenue Certificates of Obligation due in variable annual installments of \$100,000 to \$2,400,000 from February 15, 2012 through February 15, 2037; interest rate at 6.25%, payable semi-annually. Interest only is due from February 15, 2008 through August 15, 2011, payable semi-annually. This debt is for the international bridge and related infrastructure</p>	<p>30,600,000</p>
<p>Series 2009 Combination Tax and Revenue Certificates of Obligation due in variable annual installments of \$50,000 to \$385,000 through February 1, 2034; interest at 3.76% to 4.86%, payable semi-annually. This debt is for the wastewater collection system.</p>	<p>5,500,000</p>

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business – type activities: (continued)

Series 2009 LTD Tax Refunding Bonds due in variable annual installments of \$100,000 to \$615,000 through February 1, 2017; interest at 3.96%, payable semi-annually.	3,990,000
Series 2009 Tax Note due in variable annual installments of \$65,000 to \$360,000 through February 1, 2016; interest at 3.81%, payable semi-annually. This debt is for public improvement projects.	<u>306,588</u>
Total Bonds and Tax Notes Payable	42,199,161
Less Current Portion Payable from Restricted Assets	988,868
Less Unamortized Face Discount on 2001A Bond (Amortized Over the Life of the Bond, 15 Years)	<u>353</u>
Bonds and Tax Notes Payable, Net of Current Portion and Discount	<u><u>\$41,209,940</u></u>

Business-type activities debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2011	\$ 988,868	\$ 2,384,355
2012	1,134,960	2,339,796
2013	1,341,729	2,285,202
2014	1,417,521	2,222,175
2015	1,459,766	2,154,803
2016-2020	5,761,317	9,804,853
2021-2025	6,135,000	8,188,588
2026-2030	8,435,000	6,021,576
2031-2035	10,825,000	3,071,459
2036-2040	4,700,000	260,560
Total	<u>\$ 42,199,161</u>	<u>\$ 38,733,367</u>

The City International Bridge Fund accounts and reports for all the bridge related activities including debt. \$1,304,085 of the bridge debt service payments were funded by the general government's Debt Service Fund via transfers to the City International Bridge Fund. The remaining requirements were made using the funds available from the 2007 Bonds proceeds capitalized interest account and a loan from the general fund. At September 30, 2010, there is a remaining balance in the capitalized interest account of \$1,312,913 to meet future debt requirements of the 2007 Bonds.

It is presently the City's intention to continue these debt service payments with the levy of taxes at current levels and transfers in from other funds of the City (as needed) to meet the remaining requirement until the bridge operations provide for these requirements.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business – type activities (continued):

Utility and Bridge Revenues Pledged

Water and Sewer Fund

The City currently has pledged future water and sewer fund revenues, net of specified operating expenses, to repay approximately \$10.3 in combination tax and revenue bonds and tax notes issued in varying years as described above. Proceeds from the bonds and notes provided financing for projects as detailed above. The bonds and tax notes are payable through 2034. Annual principal and interest payments on the bonds and tax notes are expected to require approximately 46 percent of net revenues. Principal and interest paid for the current year and total water and sewer fund net revenues were \$624,270 and \$1,352,975, respectively.

City International Bridge Fund

The City is currently servicing the debt requirements of the City International Bridge Fund's bonded debt and tax note debt with a levy of taxes and assistance from other funds of the City.

Long-Term Debt Refunding

On December 15, 2009, the City issued \$4,090,000 in Limited Tax Refunding bonds with an interest rate of 3.96%. The refunding bonds mature in the years 2010 through 2017 in installments ranging from \$100,000 to \$615,000. The City refunded Combination Tax and Limited Pledge Certificates of Obligation, Series 1995 and Combination Tax and Limited Pledge Certificates of Obligation, Series 1997. The refunded bonds were due in varying installments of \$20,000 to \$75,000 with a final payment in 2015 and \$215,000 to \$600,000 with a final payment in 2017, respectively. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments on the refunded Combination Tax and Limited Pledge Certificates of Obligation, Series 1995 and Combination Tax and Limited Pledge Certificates of Obligation, Series 1997. Issuance costs were paid out of the bond proceeds. The refunding was undertaken to reduce total debt service payments by \$204,428 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$176,817.

As a result, the refunded bonds are considered to be defeased and the liability for the Bonds, has been removed from the City's books. At September 30, 2010 the amount of defeased debt outstanding was \$3,850,000.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3.– DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Capital Lease Obligations

Governmental Activities:

The City has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The following summarizes the City's debt relating to these assets:

4.98% Lease payable due in annual installments of \$51,906, including interest, collateralized by a fire truck. This lease is payable from the Fire Equipment Service Fee Fund.	\$ 224,852
Lease payable due in monthly installments of \$141, including interest, collateralized by a color copier.	4,164
Lease payable due in annual installments of \$5,945, including interest, collateralized by Ten Handheld Computers.	10,205
Lease payable due in annual installments of \$4,717, including interest, collateralized by a Cannon copier.	12,669
Lease payable due in annual installments of \$42,668, including interest, collateralized by three 2010 Ford Crown Victoria vehicles.	<u>80,670</u>
Total Capital Lease Obligations	332,560
Less: Current Portion of Capital Lease Obligations	<u>91,212</u>
Capital Lease Obligations, Net of Current Portion	<u>\$ 241,348</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 are as follows:

Fiscal Year Ending September 30,	Governmental Activities
2011	\$ 106,929
2012	105,085
2013	57,882
2014	51,906
2015	51,906
Thereafter	-
Total Payments	\$ 373,708
Less: Amounts Representing Interest	41,148
Present Value of Payments	<u>\$ 332,560</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Capital Lease Obligations (continued)

Governmental Activities: *(continued)*

The City's commitment under operating leases and related 2010 rent expense is not material to its combined financial position. None of the City's leasing arrangements involve contingent or sublease rentals.

Notes Payable

On May 21, 2004, the City of Donna entered into an interlocal agreement with the Donna Independent School District in order to share the costs of road improvements to Valley View Road that would enhance access to a newly constructed middle school. The interlocal agreement specifies that the City and the school district will share the costs equally and that the School District will fund the financial obligation of the City's share wherein the City will reimburse the School District. Upon final completion of the road improvements, the City will begin to reimburse the School District in seven equal annual installments for its share of the costs. As of September 30, 2010, the City's accumulated share of costs is \$233,052, which is recorded as a liability of the City at that date. At this time, it is uncertain when the road improvements will be completed, thus uncertain when the City will begin to repay the School District.

Claims Payable

Business-type activities:

In 2004 the City entered into an agreement with a consultant to perform services regarding the coordination, planning, development and management of the City's financial applications to the Texas Water Development Board and the Border Environmental Cooperation Commission in order to obtain financing for water and sewer improvements. This agreement stipulated that the consultant would be paid a 10% fee of all grants and loans received by the City. The City was awarded significant grants and a loan in 2008 and 2009, wherein the City was billed a total of \$2,062,513 for these types of fees plus an additional fixed fee contract amount of \$213,733 for other services. Since the City was unable to pay this, the consultant offered a payment agreement that the City accepted and became effective Sept. 30, 2009. The fees to obtain capital grants are being recognized as grant proceeds are received.

Beginning in 2002 the City's successive bridge corporations and in 2009 the City itself entered into a series of successive agreements with a consultant to perform the coordination, planning, development and management of the Donna international bridge project. The agreements from 2002 to 2006 provided for monthly payments and expense reimbursements along with a percentage fee payable for all grants and loans received for the international bridge project. In 2006 through 2009 the agreements reflected specific tasks and the related amount to be paid for each task with no additional percentage fee until the 2009 agreement was entered into wherein a 6% fee was added for any grants received for the project.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Claims Payable (continued)

Business-type activities: (continued)

During the 2004 agreement, wherein a 5% fee was active, the consultant billed for a total of \$430,000 for funding awarded and during the 2009 agreement, wherein a 6% fee was active, the consultant billed for \$213,600 for funding awarded for a total of \$643,600. Since the City was unable to pay this, the consultant offered a payment agreement that the City accepted and became effective Sept. 30, 2009. And in connection with the International Bridge Fund not being able to make these payments, the DEDC-4A and the DCD-4B component units will be funding the debt service for this debt on an equal basis. The fees on the funding awards were for access roads to the international bridge site.

Both of the payment agreements have no stated interest rate and therefore have been discounted to reflect the present values of the claims payable based on interest rates of debts with comparable terms as shown below.

Claims payable by Water and Sewer Fund to consultant are due in monthly installments of \$10,000 including interest through Sept. 30, 2013 with a balloon payment of \$1,756,246 including interest due November 2014. These claims payable were discounted to a rate of 3.73% \$ 1,845,184

Claims payable by the International Bridge Fund to consultant are due in monthly installments of \$10,000 including interest through Sept. 30, 2012 with a balloon payment of \$273,600 including interest due November 2013. These claims payable were discounted to a rate of 3.63% 475,288

Total Present Value of Claims Payable to Consultant	2,320,472
Less Current Portion of Claims Payable	<u>156,532</u>
Total Present Value of Claims Payable, Net of Current Portion	<u>\$ 2,163,940</u>

The future minimum claims obligations and the net present value of these minimum claims payments as of September 30, 2010 are as follows:

Fiscal Year Ending September 30,	Business-Type Activities
2011	240,000
2012	240,000
2013	120,000
2014	273,600
2015	<u>1,756,246</u>
Total Payments	\$ 2,629,846
Less: Amounts Representing Interest	<u>309,374</u>
Present Value of Payments	<u>\$ 2,320,472</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Claims Payable (continued)

Business-type activities: (continued)

Long-term liability activity for the year ended September 30, 2010 is as follows:

	Balance at September 30, 2009	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2010	Amounts Due within One Year
<u>Governmental Activities:</u>					
Bonds payable	\$ 1,873,192	\$ -	\$ 219,210	\$ 1,653,983	\$ 234,372
Tax notes payable	98,408	1,537,279	78,830	1,556,857	116,761
Capital leases	283,667	137,317	88,424	332,560	91,212
Notes and loans payable	249,219	-	16,168	233,051	-
Settlement payable	-	44,606	22,303	22,303	22,303
Compensated absences	218,057	111,011	96,600	232,468	92,987
Total Governmental Activities					
Long-term Liabilities	<u>\$ 2,722,543</u>	<u>\$ 1,830,213</u>	<u>\$ 521,535</u>	<u>\$ 4,031,222</u>	<u>\$ 557,635</u>
<u>Business-type Activities:</u>					
Bonds payable	\$ 41,831,808	\$ 4,090,000	\$ 4,575,791	41,346,017	\$ 750,628
Less issuance face discount	(483)	-	(130)	(353)	-
Tax notes payable	761,592	317,721	226,170	853,143	238,239
Claims Payables	2,479,016	-	158,544	2,320,472	156,532
Notes Payables	1,822	-	1,822	-	-
Compensated absences	21,808	9,039	8,400	22,447	8,979
Total Business-Type Activities					
Long-term Liabilities	<u>\$ 45,095,563</u>	<u>\$ 4,416,760</u>	<u>\$ 4,970,597</u>	<u>\$ 44,541,726</u>	<u>\$ 1,154,378</u>

2. Component Units

Donna Economic Development Corporation (DEDC-4A):

Bonds outstanding at September 30, 2010 are:

Series 2009 Sales Tax Revenue and Refunding Bonds due in variable installments of \$70,000 to \$290,000 through August 1, 2034; interest is between 4.16% to 4.75%, payable semi-annually.

	<u>\$ 4,390,000</u>
Total DEDC-4A Bonds Payable	4,390,000
Less Current Portion	70,000
Less Unamortized Face Discount on Bonds (Amortized Over the Life of the Bond, 25 Years)	<u>45,717</u>
Total DEDC-4A Bonds, Net of Current Portion and Discount	<u>\$ 4,274,283</u>

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

Donna Economic Development Corporation (DEDC-4A): (continued)

The bonds payable annual debt service requirements to maturity are:

Fiscal Year Ending September 30,	Bonds Payable	
	Principal	Interest
2011	\$ 70,000	\$ 182,444
2012	120,000	181,044
2013	120,000	178,644
2014	130,000	175,644
2015	135,000	171,744
2016-2020	735,000	781,595
2021-2025	895,000	621,319
Thereafter	2,185,000	543,279
Total	\$ 4,390,000	\$ 2,835,713

Development Corporation of Donna, Inc. (DCD-4B):

Bonds outstanding at September 30, 2010 are:

Series 2009 Sales Tax Revenue and Refunding Bonds due in variable installments of \$70,000 to \$285,000 through August 1, 2034; interest is between 4.07% to 4.75%, payable semi-annually.	<u>\$ 4,305,000</u>
Total DCD-4B Bonds Payable	4,305,000
Less Current Portion	70,000
Less Unamortized Face Discount on Bonds (Amortized Over the Life of the Bond, 25 Years)	<u>67,065</u>
Total DCD-4B Bonds, Net of Current Portion and Discount	<u>\$ 4,167,935</u>

The bonds payable annual debt service requirements to maturity are:

Fiscal Year Ending September 30,	Bonds Payable	
	Principal	Interest
2011	\$ 70,000	\$ 175,319
2012	110,000	173,919
2013	120,000	171,169
2014	130,000	167,569
2015	135,000	163,669
2016-2020	725,000	751,014
2021-2025	875,000	606,730
Thereafter	2,140,000	532,736
Total	\$ 4,305,000	\$ 2,742,125

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

The following are summaries of changes in long-term debt obligations for DEDC-4A and DCD-4B for the year ended September 30, 2010:

Donna Economic Development Corporation (DEDC-4A)

	Balance at September 30, 2009	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2010	Amounts Due within One Year
Bonds Payable	\$ 3,660,000	\$ 4,390,000	\$ 3,660,000	\$ 4,390,000	\$ 70,000

Donna Economic Development Corporation issued \$4,390,000 in Sales Tax Revenue and Refunding Bonds, Series 2009 in October 2009. The proceeds first refunded the Sales Tax Revenue Bonds, Series 2006. The additional proceeds may be utilized for the Donna International Bridge Project and/or for improvements at the Donna Industrial Park.

Long-Term Debt Refunding

On November 24, 2009, the Donna Economic Development Corporation issued \$4,390,000 in Sales Tax Revenue and Refunding Bonds, Series 2009 with an interest rate ranging from 4.07% to 4.75%. The refunding bonds mature in the years 2010 through 2034 in installments ranging from \$70,000 to \$285,000. The Donna Economic Development Corporation refunded Sales Tax Revenue Bonds, Series 2006. The refunded bonds were due in varying installments of \$90,000 to \$310,000 with a final payment in 2026. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments on the refunded Sales Tax Revenue Bonds, Series 2006. Issuance costs were paid out of the bond proceeds. The refunding was undertaken to first refund the Sales Tax Revenue Bonds, Series 2006. The additional proceeds of \$505,218 may be utilized for the Donna International Bridge Project and/or for improvements at the Donna Industrial Park. The life of the refunding bonds is 25 years with total debt service payments of \$6,144,111, which is \$1,031,604 more than the refunded bonds, resulting in a present value loss of \$268,021.

As a result, the refunded bonds are considered to be defeased and the liability for the Bonds, has been removed from the Donna Economic Development Corporation's books. At September 30, 2010 the amount of defeased debt outstanding was \$3,535,000.

Development Corporation of Donna, Inc. (DCD-4B)

	Balance at September 30, 2009	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2010	Amounts Due within One Year
Bonds payable	\$ 3,560,000	\$ 4,305,000	\$ 3,560,000	\$ 4,305,000	\$ 70,000

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

Development Corporation of Donna, Inc. issued \$4,305,000 in Sales Tax Revenue and Refunding Bonds, Series 2009 in November 2009. The proceeds first refunded the Sales Tax Revenue Bonds, Series 2006. The additional proceeds may be utilized for the Donna International Bridge Project and/or for improvements at the Donna Industrial Park.

Long-Term Debt Refunding

On December 17, 2009, the Development Corporation of Donna, Inc. issued \$4,305,000 in Sales Tax Revenues and refunding Bonds, Series 2009 with an interest rate ranging from 4.07 to 4.75%. The refunding bonds mature in the years 2011 through 2034 in installments ranging from \$70,000 to \$285,000. The Development Corporation of Donna, Inc. refunded Sales Tax Revenue Bonds, Series 2006. The refunded bonds were due in varying installments of \$85,000 to \$305,000 with a final payment in 2026. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments on the refunded Sales Tax Revenue Bonds, Series 2006. Issuance costs were paid out of the bond proceeds. The refunding was undertaken to first refund the Sales Tax Revenue Bonds, Series 2006. The additional proceeds of \$506,314 may be utilized for the Donna International Bridge Project and/or for improvements at the Donna Industrial Park. The life of the refunding bonds is 25 years with total debt service payments of \$5,932,141, which is \$963,286 more than the refunded bonds, resulting in a present value loss of \$241,720.

As a result, the refunded bonds are considered to be defeased and the liability for the Bonds, has been removed from the Development Corporation of Donna, Inc.'s books. At September 30, 2010 the amount of defeased debt outstanding was \$3,440,000.

Revenues Pledged in Connection with Component Unit Debt

Donna Economic Development Corporation (4A)

The City has pledged future sales tax revenues to repay \$4.390 million in sales tax refunding bonds issued in December, 2009. Proceeds from the bonds provided a refunding of prior bonds and financing for projects related to the bridge projects, industrial park and related infrastructure. The bonds are payable through 2034. The total principal and interest remaining to be paid on the bonds to be paid by the Donna Economic Development Corporation (4A) Fund is \$7,225,713.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

Development Corporation of Donna, Inc. (4B)

The City has pledged future sales tax revenues to repay \$4.305 million in sales tax revenue and refunding bonds issued in December, 2009. Proceeds from the bonds provided a refunding of prior bonds and financing for projects related to the bridge projects, industrial park and related infrastructure. The bonds are payable through 2034. The total principal and interest remaining to be paid on the bonds to be paid by the Development Corporation of Donna, Inc. (4B) Fund is \$7,047,125.

Bond Compliance Requirements

The combination tax and revenue bond ordinances require that during the period in which the bonds are outstanding the City must create and maintain certain accounts or funds to receive the proceeds from the sale of the bonds and to account for the revenues, which are pledged to the extent the City elects to not levy a tax. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein. The City is generally required to make a monthly transfer to debt service funds equal to one-twelfth of the annual debt service. The City has complied with these requirements.

The City is also required under its present ordinances to provide certain monthly reports, continuing disclosure reporting and annual financial statements. The City has not kept up-to-date on these required reports.

H. Restricted Assets and Payables

1. Primary Government

Business-type activities:

Water and sewer bond indentures and the bridge bond indentures require that during the period the bonds are outstanding, the City must maintain certain separate accounts and funds to account for the proceeds from the issuance of the bonds and the debt service deposits made from revenues and from bond proceeds. These restricted assets can be used only in accordance with the bond indentures. The water and sewer operations and maintenance (O&M) reserve is maintained in accordance with an ongoing grant agreement with the North American Development Bank. Receivables for restricted grant proceeds are also included herein.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Restricted Assets and Payables (continued)

1. Primary Government (continued)

Business-type activities: (continued)

Restricted assets included in business-type activities as of September 30, 2010 consist of:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Receivables</u>
Water and Sewer:			
O&M Reserve	\$ 626,873	\$ -	\$ -
Construction	2,356,961	-	-
Debt Service	1,708,667	-	-
Escrow Deposits	64,504	-	-
TWDB CWTAP Grant	-	-	543,151
Total Water and Sewer	\$ 4,757,005	\$ -	\$ 543,151
City International Bridge:			
Construction	\$ 545,752	\$ -	\$ -
Debt Service	773,913	1,815,000	102,535
Total International Bridge	\$ 1,319,665	\$ 1,815,000	\$ 102,535
Restricted Assets on the Statement of Net Assets	\$ 6,076,670	\$ 1,815,000	\$ 645,686

Liabilities payable from restricted assets included in business-type activities as of September 30, 2010 consist of:

	<u>Accrued Interest Payable</u>	<u>Construction Payable</u>	<u>Other Payable</u>	<u>Total</u>
Water and Sewer Fund	\$ 79,005	\$ 1,184,485	\$ -	\$ 1,263,490
City International Bridge Fund	246,696	76,440	2,936	326,072
Total restricted liabilities	\$ 325,701	\$ 1,260,925	\$ 2,936	\$ 1,589,562

I. Retirement Benefit Plans

1. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provides service and disability retirement benefits, and death benefits to plan members and beneficiaries. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within actuarial constraints also in the statutes.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

1. Texas Municipal Retirement System (continued)

Plan Description (continued)

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides a detail explanation of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153 North Interstate Highway 35, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City are as follows:

	Plan Year 2009	Plan Year 2010
Employee deposit rate	5%	5%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/10, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	95,036
5. Contributions Made	(95,036)
6. Increase (decrease) in net pension obligation	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	-

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

1. Texas Municipal Retirement System (continued)

Contributions (continued)

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$95,036	100%	-
2009	65,919	100%	-
2008	48,424	100%	-

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 years; closed period	29 years; closed period	29 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return *	7.00%	7.50%	7.50%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	\$ 2,647,155	\$ 2,756,569	96.0%	\$ 109,414	\$ 2,205,566	5.0%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

2. Firemen's Relief and Retirement Fund

Plan Description

The Board of Trustees of the Donna Firemen's Relief and Retirement Fund (FRRP) is the administrator of a single-employer defined benefit pension plan. The Donna Firemen's Relief and Retirement Fund is considered part of the City of Donna financial reporting entity and is included in the City's financial reports as a pension trust fund. Participants in FRRP are volunteers who are not covered by City payrolls.

The Donna Firemen's Relief and Retirement Fund consists of the following members:

	2010
Current Firefighters	8
Current Firefighters' beneficiaries	4
Active Firefighters	26

FRRP provides service retirement, death, disability and withdrawal benefits. These benefits vest after 20 years of credited service. Employees may retire at age 55 with 20 years of service. The monthly benefit at retirement, payable in a Joint and Full to spouse form of annuity, is equal to \$300 annually. Monthly death benefits payable to spouses and dependent children of firefighters who died after service retirement or whose deaths occurred in active service and were duty related are equal to \$200 and \$72 annually, respectively. The Board of the Donna Firemen's Relief and Retirement Fund may change the benefits or eligibility requirements for benefits only after the proposed change has been approved by an eligible actuary selected by the Board and by a majority of the participating members of the retirement system. The benefit and contribution provisions of this Plan are authorized by the Texas Local Fire Fighters Retirement Act (TELFRA).

Contributions and Covered Payroll

For the plan in effect December 31, 2010, the City's contribution was \$3,400. The City's contribution is not based upon payroll, since all participants are volunteers.

Funding Status and Progress

Actuarial valuations, if any, are not available to provide information regarding funding status and progress.

Trend Information

Trend information is intended to provide an indication of the progress made in accumulating sufficient assets to pay benefits when due. FRRP has elected to have an actuarial valuation performed less frequently than that required by GASB. As a result, information concerning historical trend information is not available.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

3. Other Post Employment Benefits – Texas Municipal Retirement System-Supplemental Death Benefits

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating municipalities may elect, by ordinance, to provide group-term life insurance coverage (“supplemental death benefits”) for their active members and/or retirees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500. This coverage is an “other post employment benefit”, or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree life insurance during employees’ entire careers.

Annual Pension Cost – The City’s OPEB cost for the year ended September 30, 2010 was as follows:

Actuarial valuation date	12/31/09
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
Amortization period	25 years – Open period
Asset valuation method	Fund Value
 Assumptions:	
Investment returns	4.25 %
Projected salary increases	none
Includes inflation at	3 %
Cost-of-living adjustments	none

The City’s contributions to the TMRS SDBF for the years ended September 30, 2010, 2009 and 2008 were 937, \$804, and \$661, respectively, which equaled the required contributions each year.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

3. Other Post Employment Benefits – Texas Municipal Retirement System-Supplemental Death Benefits (continued)

Contributions (continued)

Other non-operating expenses in the City International Bridge Fund include \$2,201,341 of capital assets constructed for which title passed to another governmental entity.

J. Construction and Improvement Commitments

At September 30, 2010, the City had the following contractual commitments outstanding:

Project	Remaining Commitment
Governmental Activities:	
General Fund Industrial Park Contracts:	
Industrial Parks Phase 1	\$ 170,015
Total General Fund Contracts	170,015
Total Governmental Activities	\$ 170,015
Business-type Activities:	
Water and Sewer Fund Project Contracts:	
<i>Engineering contracts:</i>	
WW Plant Upgrade & Expansion	\$ 35,700
WW Collection for Western Colonias	137,500
<i>Construction contracts:</i>	
WW Treatment Plant Upgrade & Expansion	1,125,676
WW Collection for Western Colonias	503,240
Water & Sewer Lines International Bridge	132,115
Total Water & Sewer Fund Contracts	1,934,231
Donna International Bridge Project Contracts:	
Primary Construction Contract	777,540
Engineering Contract (see note below)	118,685
Bridge Consultant Contract	19,000
Total International Bridge Project Contracts	915,225
Total Business-type Activities	\$ 2,849,456

In accordance with the 2006 interlocal agreement, the City has taken the responsibility for the payment of the engineering contract for the Donna international bridge project that was originally made with the Donna International Bridge Corporation.

K. Risk Management

1. Primary Government

The City maintains insurance for all business and government functions for which it may be liable for claims. The more significant of these include general liability insurance in an aggregate amount of \$1,000,000 and \$500,000 per occurrence. Property insurance covering the City's buildings and properties in an aggregate amount of approximately \$19,300,288; and in public officials and law enforcement legal liability in an aggregate amount of \$1,000,000 and \$500,000 per occurrence. There have been no significant reductions in insurance coverage. There were no claim settlements paid out of the General Fund during the current year, \$54,165 during 2009 and \$20,000 in 2008. Additionally, full time employees are covered by a fully insured health insurance plan.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

L. Contingencies

1. Litigation

Various lawsuits are pending against the City involving general liability, automotive liability, and various contractual matters. The City maintains general liability and automotive liability insurance in addition to contractor, law enforcement and public officials' policies designed to minimize the City's exposure to these claims. The extent to which insurance coverage may satisfy claims, if any, is not known. The City, in consultation with its attorney, is presently unable to estimate the City's liability, if any, in any of these matters.

2. Federally Assisted Grant Programs

The City participates periodically in Federal and State assisted grant programs. The principal grant programs the City currently participates in are with the Community Development Block Grant, the Colonia Wastewater Treatment Assistance Program, and Texas Water Development Board EDAP Grant. Under the terms of the Community Development Block Grant, Hidalgo County (the County) includes the surface area and population of the City of Donna in its application to the Department of Housing and Urban Development. Consequently, the County is the grantee of these funds. Also the County assumes responsibility for the eligibility of activities, environmental assessments, awarding of contracts, approval and payment for completed contracts, project close out, and audits for the projects. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2010, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

3. Alliance International Bridge

All financial projections for the Alliance International Bridge (the Donna-Rio Bravo international bridge) operations were based on having both passenger and commercial traffic. The projections for a combination of both passenger and commercial traffic indicated that in the near term the international bridge would have been a self-supporting operation. However, since the Alliance International Bridge opened in December 2010 as a passenger traffic only international bridge, the City's general government Debt Service Fund and other funds of the City will be required to continue providing a significant level of debt service funding for the debts of the international bridge.

The City is ready to accommodate commercial traffic, since there are no restrictions on the City's international bridge permit. Unfortunately, the United States of America federal government has not made any financial commitment to build the necessary commercial traffic facilities to accommodate commercial traffic at this international bridge. The City is continuing to work on this issue with the federal government at various levels of both the legislative and executive branches.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

M. Subsequent Events

Water Rates:

The water rate reduction that became effective in June, 2010, which projected to reduce water revenues on an annual basis by approximately \$363,000, was reinstated by the Council on October 1, 2011.

N. Prior Period Adjustment

The beginning retained earnings of the City International Bridge Fund was adjusted \$777,261 to remove land and constructed roadways for which ownership reverted to other governmental entities.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Taxes:			
Ad valorem	\$ 2,129,165	\$ 2,147,744	\$ 18,579
Sales	815,000	749,462	(65,538)
Franchise	625,000	655,780	30,780
Other	-	(1,244)	(1,244)
Total Taxes	<u>3,569,165</u>	<u>3,551,743</u>	<u>(17,422)</u>
Licenses and permits:			
Licenses	13,853	5,968	(7,886)
Permits	75,335	77,751	2,416
Total Licenses and Permits	<u>89,188</u>	<u>83,718</u>	<u>(5,470)</u>
Charges for services	<u>1,127,006</u>	<u>1,141,676</u>	<u>14,670</u>
Fines and forfeitures:			
Municipal court	150,000	95,607	(54,393)
Other fines	28,133	14,474	(13,659)
Total Fines and Forfeitures	<u>178,133</u>	<u>110,081</u>	<u>(68,052)</u>
Intergovernmental	<u>241,966</u>	<u>677,142</u>	<u>435,176</u>
Other revenues:			
Interest	3,000	1,633	(1,367)
Other	12,800	17,265	4,465
Total Other Revenues	<u>15,800</u>	<u>18,898</u>	<u>3,098</u>
Total Revenues	<u>5,221,258</u>	<u>5,583,257</u>	<u>361,999</u>
Expenditures:			
General Government:			
City Council:			
Supplies	-	332	(332)
Other services	30,019	42,166	(12,147)
Total City Council	<u>30,019</u>	<u>42,499</u>	<u>(12,480)</u>

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued) :			
General Government (continued):			
City Management:			
Personnel services	\$ 72,889	\$ 78,010	\$ (5,121)
Supplies	1,700	3,456	(1,756)
Property occupancy	-	60	(60)
Equipment maintenance and repairs	375	962	(587)
Other services	65,151	81,871	(16,720)
Total City Management	140,115	164,359	(24,244)
Finance/Accounting:			
Personnel services	182,170	131,703	50,467
Supplies	7,625	3,175	4,450
Equipment maintenance and repairs	13,352	3,721	9,631
Other services	45,406	91,754	(46,348)
Total Finance/Accounting	248,553	246,663	1,890
City Hall:			
Personnel services	29,732	30,165	(433)
Supplies	11,073	9,519	1,554
Property occupancy	2,600	13,902	(11,302)
Equipment maintenance and repairs	16,020	16,851	(831)
Other services	44,009	35,657	8,352
Total City Hall	103,434	106,094	(2,660)
City Secretary:			
Personnel services	42,114	42,237	(123)
Supplies	1,025	1,681	(656)
Property occupancy	-	913	(913)
Equipment maintenance and repairs	-	150	(150)
Other services	2,400	1,685	715
Total City Secretary	45,539	46,665	(1,126)
Business Rental Properties:			
Property occupancy	325	33	292
Other services	5,366	6,816	(1,450)
Total Business Rental Properties	5,691	6,849	(1,158)
Municipal Court:			
Personnel services	66,757	67,862	(1,105)
Supplies	4,050	2,587	1,463
Property occupancy	-	888	(888)
Equipment maintenance and repairs	9,975	18,016	(8,041)
Other services	25,325	28,487	(3,162)
Capital outlay	3,400	-	3,400
Total Municipal Court	109,507	117,840	(8,333)

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued):			
General Government (continued):			
Planning and Community Development:			
Personnel services	\$ 76,107	\$ 74,012	\$ 2,095
Supplies	2,755	10,406	(7,651)
Equipment maintenance and repairs	1,150	1,558	(408)
Other services	37,474	56,147	(18,673)
Total Planning and Community Development	117,486	142,123	(24,637)
Tax/Assessor Collector:			
Personnel services	50,383	50,541	(158)
Supplies	4,975	4,142	833
Equipment maintenance and repairs	3,225	8,400	(5,175)
Other services	108,886	133,699	(24,813)
Total Tax Assessor Collector	167,469	196,782	(29,313)
Total General Government	967,813	1,069,874	(102,061)
Public Safety:			
Police:			
Personnel services	1,499,136	1,560,367	(61,231)
Supplies	78,000	138,994	(60,994)
Property occupancy	8,000	3,955	4,045
Equipment maintenance and repairs	73,016	99,938	(26,922)
Other services	84,009	105,173	(21,164)
Capital outlay	166,668	174,342	(7,674)
Total Police	1,908,829	2,082,769	(173,940)
Fire:			
Personnel services	42,164	41,579	585
Supplies	13,645	14,535	(890)
Property occupancy	5,350	1,593	3,757
Equipment maintenance and repairs	13,379	15,140	(1,761)
Other services	52,646	49,320	3,326
Total Fire	127,184	127,508	(324)
Emergency Medical Services:			
Other services	42,185	5,965	36,220
Total Emergency Medical Services	42,185	5,965	36,220

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued):			
Public Safety (continued):			
Safety Inspections:			
Personnel services	\$ 48,117	\$ 44,806	\$ 3,311
Supplies	3,700	3,501	199
Property occupancy	-	-	-
Equipment maintenance and repairs	3,775	3,958	(183)
Other services	8,055	3,190	4,865
Total Safety Inspections	63,647	55,455	8,192
Total Public Safety	2,141,845	2,271,697	(129,852)
Public Works:			
Public Works Department:			
Personnel services	323,734	315,708	8,026
Supplies	28,800	48,893	(20,093)
Property occupancy	12,138	36,140	(24,002)
Equipment maintenance and repairs	10,350	57,692	(47,342)
Other services	21,194	23,081	(1,887)
Capital outlay	-	8,900	(8,900)
Total Public Works Department	396,216	490,415	(94,199)
City Vehicle Maintenance			
Personnel services	26,041	26,659	(618)
Supplies	850	7,321	(6,471)
Property occupancy	-	60	(60)
Equipment maintenance and repairs	-	586	(586)
Other services	318	4,172	(3,854)
Total City Vehicle Maintenance	27,209	38,798	(11,589)
Sanitation Services:			
Other services	565,000	582,648	(17,648)
Total Sanitation Services	565,000	582,648	(17,648)
Street and Roadway Lighting			
Property occupancy	50	3,434	(3,384)
Other services	223,122	207,868	15,254
Total Street and Roadway Lighting	223,172	211,302	11,870
Public Infrastructure Improvements:			
Capital outlay - Industrial Park	-	467,831	(467,831)
Total Public Works	1,211,597	1,790,994	(579,397)

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Expenditures (Continued):			
Culture and Recreation:			
Parks:			
Personnel services	\$ 95,168	\$ 84,808	\$ 10,360
Supplies	6,925	13,643	(6,718)
Property occupancy	3,350	10,568	(7,218)
Equipment maintenance and repairs	3,200	7,145	(3,945)
Other services	34,011	31,338	2,673
Total Parks	142,654	147,501	(4,847)
Library:			
Personnel services	180,662	171,784	8,878
Supplies	8,050	11,207	(3,157)
Property occupancy	2,500	171	2,329
Equipment maintenance and repairs	1,000	782	218
Other services	49,893	61,714	(11,821)
Total Library	242,105	245,659	(3,554)
Swimming Pool:			
Personnel services	33,007	24,191	8,816
Supplies	3,300	6,757	(3,457)
Property occupancy	900	593	307
Equipment maintenance and repairs	500	1,392	(892)
Other services	12,842	10,979	1,863
Total Swimming Pool	50,549	43,913	6,636
Community Support Services:			
Supplies	150	600	(450)
Property occupancy	7,000	6,702	298
Other services	56,895	68,034	(11,139)
Total Community Support Services	64,045	75,336	(11,291)
Total Culture and Recreation	499,353	512,410	(13,057)
Public Health:			
Health Inspection/Code Enforcement:			
Personnel services	76,326	70,724	5,602
Supplies	15,625	22,975	(7,350)
Equipment maintenance and repairs	5,800	5,671	129
Other services	40,687	44,402	(3,715)
Total Public Health	138,438	143,771	(5,333)

(Continued)

CITY OF DONNA, TEXAS
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Expenditures (Continued):			
Debt Service:			
Principal retirements	\$ 72,654	\$ 65,814	\$ 6,840
Interest and fiscal charges	4,149	6,626	(2,477)
Total Debt Service	<u>76,803</u>	<u>72,441</u>	<u>4,362</u>
Total Expenditures	<u>5,035,850</u>	<u>5,861,186</u>	<u>(825,336)</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>185,408</u>	<u>(277,928)</u>	<u>(463,336)</u>
Other Financing Sources (Uses):			
Operating transfers out	(57,500)	(127,191)	(69,691)
Other	<u>122,092</u>	<u>137,317</u>	<u>15,225</u>
Total Other Financing Sources (Uses)	<u>64,592</u>	<u>10,125</u>	<u>(54,467)</u>
Net Change in Fund Balance	250,000	(267,803)	(517,803)
Fund Balance at Beginning of Year	871,372	871,372	-
Fund Balance at End of Year	<u>\$ 1,121,372</u>	<u>\$ 603,569</u>	<u>\$ (517,803)</u>

CITY OF DONNA, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2010

A. TEXAS MUNICIPAL RETIREMENT SYSTEM - EMPLOYEES

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued (AAL) Liability (b)	Percent Funded (a/b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Annual Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
2007	\$ 2,164,996	\$ 2,153,532	100.5%	\$ (11,464)	\$ 1,962,650	-0.6%
2008	2,402,514	2,487,967	96.6%	85,453	2,156,982	4.0%
2009	2,647,155	2,756,569	96.0%	109,414	2,205,566	5.0%

B. THE DONNA FIREMEN'S RELIEF AND RETIREMENT FUND

Actuarial valuations, if any, are not available to provide information regarding funding status and progress.

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CITY OF DONNA, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary Expenditures in Excess of Appropriations

During the year ended September 30, 2010, expenditures exceeded appropriations as follows in the General Fund.

<u>Department</u>	<u>General Fund Excess of Expenditures Over Appropriations</u>	
City Council	\$	12,480
City Management		24,244
City Hall		2,660
City Secretary		1,126
Business Rental Properties		1,158
Municipal Court		8,333
Planning and Community Development		24,637
Tax Collector Assessor		29,313
Police		173,940
Fire		324
Public Works		94,199
City Vehicle Maintenance		11,589
Sanitation Services		17,648
Public Infrastructure Improvements		467,831
Parks		4,847
Library		3,554
Community Support Services		11,291
Health Inspection/Code Enforcement		5,333
	<u>\$</u>	<u>894,507</u>

2. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for resources legally restricted to be expended for specific purposes. A special revenue fund continues in existence as long as governmental resources are allocated to its specific purposes. Included in the Special Revenue Funds are:

Hotel Occupancy Tax Fund accounts for the accumulation of resources from the Hotel Occupancy Tax levied by the City. These monies are to be spent to promote the progress, development and growth of tourism development of the City within the guidelines set forth on disposition of revenues collected under the authority of the Texas Hotel Occupancy Tax Act. The City ordinance levying this tax provides that these monies are to be spent for activities and/or facilities that will attract non-permanent visitors to the City of Donna.

Texas Confiscated Forfeitures Fund accounts for monies obtained through forfeited "contraband" provisions pursuant to Chapter 59 of the Texas Code of Criminal Procedure. The City's share of adjudicated forfeitures are to be used solely for law enforcement purposes as provided by Article 59.06 of the Code.

Fire Equipment Service Fee Fund accounts for the accumulation of resources from the City Ordinance establishing and fixing a monthly charge to defray costs for the acquisition of fire fighting equipment.

Tax Note Equipment Fund is used to account for the proceeds of tax notes issued for the purchase of various equipment.

Computer Grants for Library Fund accounts for the grants from the Federal Communications Corporation via the School and Library Universal Service Program. These grants provide funding to increase interconnectivity to the internet through the acquisition of additional computers and computer related equipment and software.

Urban County CDBG Program Fund accounts for the block grants from the U.S. Department of Housing and Urban Development for the Community Development Block Grant (CDBG) Program. The City receives these grantee fundings via the Urban County Program of the County of Hidalgo, who is the grantee.

Park Improvement Fee Fund accounts for fees collected under the City ordinance establishing and fixing a charge for the purpose of improvements to City parks.

Reinvestment Zone One was moved to a fiduciary fund.

CAPITAL PROJECT FUND

The Capital Projects Fund accounts for the proceeds from the issuance of the 2001 Certificates of Obligation for the purpose of the City street improvements and the proceeds of the 2009 Tax Notes for the purpose of the bridge projects, industrial park and other city infrastructure and equipment.

NONMAJOR PROPRIETARY FUNDS

The Proprietary Funds are used to account for City operations that are financed and/or operated in a manner similar to private business enterprises. Included in Proprietary Funds are:

Donna International Bridge Corporation is a blended non-major component unit of the City, therefore, its financial information is presented herein in the fund financial statements on Exhibits 10-A, 10-B, and 10-C.

Cemetery Fund is used to account for revenues and expenses for the City's cemetery operations. The cemetery fund is a non-major proprietary fund, therefore, financial information is presented herein in the fund financial statements on Exhibits 10-A, 10-B, and 10-C.

CITY OF DONNA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 632,754	\$ 1,599,233	\$ 2,231,987
Receivables, net:			
Accounts	5,510	-	5,510
Due from other funds	3,498	-	3,498
Total Assets	\$ 641,762	\$ 1,599,233	\$ 2,240,995
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ 70,023	\$ 7,990	\$ 78,013
Total Liabilities	70,023	7,990	78,013
 Fund Balances:			
Reserved for capital projects	42,638	1,591,243	1,633,881
Reserved for equipment	346,183	-	346,183
Unreserved	182,917	-	182,917
Total Fund Balances	571,738	1,591,243	2,162,981
Total Liabilities and Fund Balances	\$ 641,762	\$ 1,599,233	\$ 2,240,995

CITY OF DONNA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 86,710	\$ -	\$ 86,710
Charges for services	69,371	-	69,371
Fines and forfeitures	319	-	319
Intergovernmental	232,946	-	232,946
Interest	1,366	3,182	4,548
Other	7,000	2,931	9,931
Total Revenues	397,711	6,113	403,824
Expenditures:			
Current:			
Tourism development	17,500	-	17,500
Debt Service			
Principal retirements	38,778	-	38,778
Interest and fiscal charges	13,129	41,071	54,200
Total Expenditures	69,406	41,071	110,478
Excess (Deficiency) of Revenues Over (Under) Expenditures	328,305	(34,958)	293,347
Other Financing Sources (Uses):			
Bonds issued	-	1,537,279	1,537,279
Transfers out	(232,946)	-	(232,946)
Total Other Financing Sources (Uses)	(232,946)	1,537,279	1,304,333
Net Change in Fund Balances	95,359	1,502,321	1,597,680
Fund Balances at Beginning of Year	476,380	88,922	565,302
Fund Balances at End of Year	\$ 571,738	\$ 1,591,243	\$ 2,162,981

CITY OF DONNA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2010

	Hotel Occupancy Tax	Texas Confiscated Forfeitures	Fire Equipment Service Fee
<u>Assets</u>			
Cash and cash equivalents	\$ 179,420	\$ 12,505	\$ 117,620
Receivables, net:			
Accounts	-	-	5,510
Due from other funds	3,498	-	-
Total Assets	\$ 182,917	\$ 12,505	\$ 123,130
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 242
Total Liabilities	-	-	242
Fund Balances:			
Reserved for capital projects	-	-	-
Reserved for equipment	-	12,505	122,887
Unreserved	182,917	-	-
Total Fund Balances	182,917	12,505	122,887
Total Liabilities and Fund Balances	\$ 182,917	\$ 12,505	\$ 123,130

EXHIBIT 6-C

<u>Tax Note Equipment Fund</u>	<u>Computer Grants for Library</u>	<u>Urban County CDBG Program</u>	<u>Park Improvement Fee Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 280,571	\$ -	\$ -	\$ 42,638	\$ 632,754
-	-	-	-	5,510
-	-	-	-	3,498
<u>\$ 280,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,638</u>	<u>\$ 641,762</u>
\$ 69,781	\$ -	\$ -	\$ -	\$ 70,023
69,781	-	-	-	70,023
-	-	-	42,638	42,638
210,790	-	-	-	346,183
-	-	-	-	182,917
<u>210,790</u>	<u>-</u>	<u>-</u>	<u>42,638</u>	<u>571,738</u>
<u>\$ 280,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,638</u>	<u>\$ 641,762</u>

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Hotel Occupancy Tax	Texas Confiscated Forfeitures	Fire Equipment Service Fee
Revenues			
Taxes	\$ 86,710	\$ -	\$ -
Fines and forfeitures	-	319	-
Charges for services	-	-	64,721
Other	7,000	-	-
Intergovernmental	-	-	-
Interest	324	28	242
Total Revenues	94,033	346	64,963
Expenditures:			
Current:			
Tourism development	17,500	-	-
Debt service			
Principal retirements	-	-	38,778
Interest and other charges	-	-	13,129
Total Expenditures	17,500	-	51,906
Excess (Deficiency) of Revenues Over (Under) Expenditures	76,533	346	13,057
Other Financing Sources (Uses):			
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	76,533	346	13,057
Fund Balances at Beginning of Year	106,384	12,159	109,830
Fund Balances at End of Year	\$ 182,917	\$ 12,505	\$ 122,887

EXHIBIT 6-D

<u>Tax Note Equipment Fund</u>	<u>Computer Grants for Library</u>	<u>Urban County CDBG Program</u>	<u>Park Improvement Fee Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 86,710
-	-	-	-	319
-	-	-	4,650	69,371
-	-	-	-	7,000
-	-	232,946	-	232,946
<u>680</u>	<u>-</u>	<u>-</u>	<u>92</u>	<u>1,366</u>
<u>680</u>	<u>-</u>	<u>232,946</u>	<u>4,742</u>	<u>397,711</u>
-	-	-	-	17,500
-	-	-	-	38,778
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,129</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,406</u>
<u>680</u>	<u>-</u>	<u>232,946</u>	<u>4,742</u>	<u>328,305</u>
<u>-</u>	<u>-</u>	<u>(232,946)</u>	<u>-</u>	<u>(232,946)</u>
<u>-</u>	<u>-</u>	<u>(232,946)</u>	<u>-</u>	<u>(232,946)</u>
680	-	-	4,742	95,359
<u>210,110</u>	<u>-</u>	<u>-</u>	<u>37,896</u>	<u>476,380</u>
<u>\$ 210,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,638</u>	<u>\$ 571,738</u>

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CITY OF DONNA, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues:			
Taxes:			
Ad valorem taxes	\$ 1,300,236	\$ 1,345,786	\$ 45,550
Interest	39,475	3,451	(36,024)
Total Revenues	<u>1,339,711</u>	<u>1,349,237</u>	<u>9,526</u>
Expenditures:			
Debt Service:			
Principal retirements	298,040	298,040	-
Interest and fiscal charges	127,551	123,862	3,689
Total Expenditures	<u>425,591</u>	<u>421,902</u>	<u>3,689</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>914,120</u>	<u>927,335</u>	<u>13,215</u>
Other Financing Sources (Uses)			
Transfers in	232,946	232,946	-
Transfers out	<u>(1,303,945)</u>	<u>(1,304,085)</u>	<u>(140)</u>
Total Other Financing Sources (Uses)	<u>(1,070,999)</u>	<u>(1,071,139)</u>	<u>(140)</u>
Net Change in Fund Balance	(156,879)	(143,803)	13,076
Fund Balance at Beginning of Year	<u>1,012,433</u>	<u>1,012,433</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 855,554</u>	<u>\$ 868,630</u>	<u>\$ 13,076</u>

CITY OF DONNA, TEXAS
HOTEL OCCUPANCY TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 75,000	\$ 86,710	\$ 11,710
Rents	-	7,000	7,000
Interest Earned	-	324	324
Total Revenues	<u>75,000</u>	<u>94,033</u>	<u>19,033</u>
Expenditures:			
Current:			
Tourism development			
Visitor information center	22,100	17,500	4,600
Tourism advertising	15,000	-	15,000
Administration of tax funds	2,500	-	2,500
Total Tourism Development	<u>39,600</u>	<u>17,500</u>	<u>22,100</u>
Total Expenditures	<u>39,600</u>	<u>17,500</u>	<u>22,100</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>35,400</u>	<u>76,533</u>	<u>41,133</u>
Fund Balance at Beginning of Year	<u>106,384</u>	<u>106,384</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 141,784</u>	<u>\$ 182,917</u>	<u>\$ 41,133</u>

CITY OF DONNA, TEXAS
 FIRE EQUIPMENT SERVICE FEE
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Charges for services	\$ 57,500	\$ 64,721	\$ 7,221
Interest Income	-	242	242
Total Revenues	<u>57,500</u>	<u>64,963</u>	<u>7,463</u>
Expenditures:			
Debt service:			
Principal retirements	40,709	38,778	(1,931)
Interest	11,198	13,129	1,931
Total Expenditures	<u>51,907</u>	<u>51,906</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over Expenditures	5,593	13,057	7,464
Fund Balance at Beginning of Year	<u>109,830</u>	<u>109,830</u>	-
Fund Balance at End of Year	<u>\$ 115,423</u>	<u>\$ 122,887</u>	<u>\$ 7,464</u>

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MAJOR PROPRIETARY FUNDS

The Proprietary Funds are used to account for City operations that are financed and/or operated in a manner similar to private business enterprises. Included in Proprietary Funds are:

Water and Sewer Fund is used to account for revenue and expenses for the City's water and sewer operations. The Water and Sewer Fund is a major proprietary fund, therefore, financial information is presented in the fund financial statements on Exhibits 3-A, 3-B, and 3-C. Exhibit 9-A presents the budgetary comparison schedule for the water and sewer fund.

City International Bridge Fund is used to account for the assets and liabilities of the City's international bridge crossing project. The City International Bridge Fund is the other major proprietary fund, therefore, financial information is presented in the fund financial statements on Exhibits 3-A, 3-B, and 3-C. Since the international toll bridge and related bridge service assets are under construction at this time, there are no budgeted operations to present.

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BUDGETARY COMPARISON- WATER AND SEWER FUND

CITY OF DONNA, TEXAS
WATER AND SEWER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Operating Revenues			
Sales:			
Water sales	\$ 3,034,205	\$ 2,453,081	\$ (581,124)
Sewer sales	2,093,518	1,897,293	(196,225)
Penalties - delinquent	130,000	146,411	16,411
Provision for bad debt	(60,000)	(32,173)	27,827
Total Sales	<u>5,197,723</u>	<u>4,464,611</u>	<u>(733,112)</u>
Service Charges:			
Water access and tap fees	20,700	32,498	11,798
Sewer access fees	6,500	8,150	1,650
Customer service cut ons	20,000	22,698	2,698
Line extension reimbursement fees	50	-	(50)
Total Service Charges	<u>47,250</u>	<u>63,346</u>	<u>16,096</u>
Total Operating Revenues	<u>5,244,973</u>	<u>4,527,957</u>	<u>(717,016)</u>
Non-Operating Revenues:			
Interest income	73,200	26,702	(46,499)
Other	1,000	8,663	7,663
Total Non-Operating Revenues	<u>74,200</u>	<u>35,365</u>	<u>(38,835)</u>
Total Revenues	<u>5,319,173</u>	<u>4,563,322</u>	<u>(755,851)</u>
Expenses:			
City Management:			
Personal services	72,897	95,369	(22,472)
Supplies	1,650	3,534	(1,884)
Equipment maintenance	950	345	606
Other services	77,504	46,194	31,310
	<u>153,001</u>	<u>145,441</u>	<u>7,560</u>
City Secretary:			
Personal services	14,042	14,722	(680)
Supplies	400	104	296
Equipment maintenance	200	-	200
Other services	100	-	100
	<u>14,742</u>	<u>14,826</u>	<u>(84)</u>

CITY OF DONNA, TEXAS
WATER AND SEWER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Finance/Accounting:			
Personal services	\$ 182,201	\$ 132,385	\$ 49,816
Supplies	11,945	2,357	9,588
Equipment maintenance	22,150	3,076	19,074
Other services	95,912	94,918	994
	<u>312,208</u>	<u>232,735</u>	<u>79,473</u>
City Hall:			
Personal services	7,453	7,124	329
	<u>7,453</u>	<u>7,124</u>	<u>329</u>
Engineer:			
Other services	50,000	8,911	41,089
	<u>50,000</u>	<u>8,911</u>	<u>41,089</u>
Water Distribution:			
Supplies	12,500	12	12,488
Property occupancy	105,750	1,600	104,150
Equipment maintenance	1,500	2,762	(1,262)
Other services	10,418	3,344	7,074
	<u>130,168</u>	<u>7,718</u>	<u>122,450</u>
Sewer Collection:			
Equipment Maintenance	-	1,392	(1,392)
Property occupancy	97,500	22,055	75,445
Other services	55,950	46,126	9,824
	<u>153,450</u>	<u>69,573</u>	<u>83,877</u>
Sewer Treatment and Disposal:			
Supplies	76,546	76,546	0
Other services	403,181	243,573	159,608
	<u>479,727</u>	<u>320,118</u>	<u>159,609</u>
Water/Sewer Business Operations:			
Other services	166,700	172,352	(5,652)
	<u>166,700</u>	<u>172,352</u>	<u>(5,652)</u>

CITY OF DONNA, TEXAS
 WATER AND SEWER FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budget	Actual	Variance with Budget Positive (Negative)
Water/Sewer Liaison for City:			
Personal services	\$ 22,863	\$ 23,540	\$ (677)
Supplies	3,375	503	2,872
Equipment maintenance	900	-	900
Other services	2,753	854	1,899
	<u>29,891</u>	<u>24,897</u>	<u>4,994</u>
Water Supply and Treatment:			
Supplies	212,318	201,410	10,908
Property occupancy	10,000	-	10,000
Other services	197,083	181,259	15,824
	<u>419,401</u>	<u>382,669</u>	<u>36,732</u>
Water/Sewer Operations Support:			
Supplies	27,000	25,870	1,130
Property occupancy	4,600	1,200	3,400
Equipment maintenance	20,055	15,409	4,646
Other services	15,221	10,055	5,166
	<u>66,876</u>	<u>52,535</u>	<u>14,341</u>
Water/Sewer Operations Contractor:			
Other services	1,598,082	1,762,784	(164,702)
	<u>1,598,082</u>	<u>1,762,784</u>	<u>(164,702)</u>
Non-Departmental Expenses:			
Debt interest	403,966	301,336	102,630
Amortization of issuance costs	20,238	22,739	(2,501)
Depreciation	800,000	852,523	(52,523)
	<u>1,224,204</u>	<u>1,176,598</u>	<u>47,606</u>
Total Expenses	<u>4,805,903</u>	<u>4,378,281</u>	<u>427,622</u>
Income (Loss) Before Capital Contributions	<u>513,270</u>	<u>185,041</u>	<u>(1,183,472)</u>
Capital Contributions	<u>-</u>	<u>4,727,121</u>	<u>4,727,121</u>
Fees For Capital Contributions	<u>-</u>	<u>(124,700)</u>	<u>(124,700)</u>
Transfers In	<u>-</u>	<u>4,463,659</u>	<u>4,463,659</u>
Change in Net Assets	<u>513,270</u>	<u>9,251,121</u>	<u>3,418,949</u>
Net Assets Beginning of Year	<u>19,727,417</u>	<u>19,727,417</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 20,240,687</u>	<u>\$ 28,978,538</u>	<u>\$ 8,737,851</u>

NONMAJOR PROPRIETARY FUNDS

The Proprietary Funds are used to account for City operations that are financed and/or operated in a manner similar to private business enterprises. Included in Proprietary Funds are:

Donna International Bridge Corporation is a blended non-major component unit of the City, therefore, its financial information is presented herein in the fund financial statements on Exhibits 10-A, 10-B, and 10-C.

Cemetery Fund is used to account for revenues and expenses for the City's cemetery operations. The cemetery fund is a non-major proprietary fund, therefore, financial information is presented herein in the fund financial statements on Exhibits 10-A, 10-B, and 10-C.

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 SEPTEMBER 30, 2010

	Donna International Bridge Corporation (Component Unit)	Cemetery Fund	Total Nonmajor Proprietary Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 21,891	\$ 21,891
Receivables, net:			
Accounts	-	17,346	17,346
Due from primary government	-	46	46
Inventories	-	4,285	4,285
Total Current Assets	-	43,568	43,568
Capital Assets			
Capital Assets	-	48,102	48,102
Less accumulated depreciation	-	(19,705)	(19,705)
Net Capital Assets	-	28,397	28,397
Total Noncurrent Assets	-	28,397	28,397
Total Assets	\$ -	\$ 71,965	\$ 71,965
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ -	\$ 2,257	\$ 2,257
Accrued liabilities	-	1,070	1,070
Compensated absences payable	-	1,067	1,067
Unearned revenue	-	400	400
Total Current Liabilities	-	4,794	4,794
Noncurrent liabilities:			
Compensated absences, net of current portion	-	4,939	4,939
Total Noncurrent Liabilities	-	4,939	4,939
Total Liabilities	-	9,733	9,733
<u>Net Assets</u>			
Invested in capital assets, net of related debt	-	28,397	28,397
Unrestricted	-	33,835	33,835
Total Net Assets	\$ -	\$ 62,232	\$ 62,232

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Donna International Bridge Corporation (Component Unit)	Cemetery Fund	Total Nonmajor Proprietary Funds
Operating Revenues:			
Charges for services	\$ -	\$ 25,049	\$ 25,049
Total Operating Revenues	-	25,049	25,049
Operating Expenses:			
Salaries, wages and employee benefits	-	50,341	50,341
Supplies and materials	-	2,419	2,419
Property occupancy	-	86	86
Equipment maintenance	-	2,122	2,122
Other services	-	10,611	10,611
Depreciation	-	3,071	3,071
Total Operating Expenses	-	68,651	68,651
Operating Loss	-	(43,602)	(43,602)
Non-Operating Revenues (Expenses):			
Interest income	5	62	67
Interest expense	-	(141)	(141)
Total Non-Operating Revenues (Expenses)	5	(79)	(74)
Loss Before Transfers	5	(43,680)	(43,675)
Transfers In	(156)	45,000	44,844
Change in Net Assets	(151)	1,320	1,169
Net Assets Beginning of Year	151	60,912	61,063
Net Assets at End of Year	\$ -	\$ 62,232	\$ 62,232

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Donna International Bridge Corporation (Component Unit)	Cemetery Fund	Total Nonmajor Proprietary Funds
Cash Flows From Operating Activities:			
Cash received from customers	\$ -	\$ 27,800	\$ 27,800
Cash payments to employees for services	-	(48,150)	(48,150)
Cash payments to other suppliers for goods and services	-	(15,182)	(15,182)
	<u>-</u>	<u>(35,532)</u>	<u>(35,532)</u>
Net Cash Provided (Used) by Operating Activities			
Cash Flows From Noncapital Financing Activities:			
Interfund loan or loan repayments received	-	(252)	(252)
Transfers from (to) other funds	(156)	45,000	44,844
	<u>(156)</u>	<u>44,748</u>	<u>44,592</u>
Net Cash Provided (Used) By Noncapital Financing Activities			
Cash Flows From Capital and Related Financing Activities:			
Principal paid on long-term debt	-	(1,822)	(1,822)
Interest paid on long-term debt	-	(141)	(141)
	<u>-</u>	<u>(1,963)</u>	<u>(1,963)</u>
Net Cash Provided (Used) By Capital Noncapital Financing Activities			
Cash Flows from Investing Activities:			
Interest from investments	5	62	67
	<u>5</u>	<u>62</u>	<u>67</u>
Net Cash Provided (Used) for Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(151)	7,316	7,165
Cash and Cash Equivalents at Beginning of Year	151	14,575	14,726
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 21,891</u>	<u>\$ 21,891</u>

	Donna International Bridge Corporation (Component Unit)	Cemetery Fund	Total Nonmajor Proprietary Funds
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating income (loss)	\$ -	\$ (43,602)	\$ (43,602)
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided by Operating Activities			
Depreciation	-	3,071	3,071
Change in Assets and Liabilities:			
Decrease (increase) in receivables	-	3,151	3,151
Decrease (increase) in inventories	-	-	-
Increase (decrease) in accounts payable	-	57	57
Increase (decrease) in compensated absences	-	2,423	2,423
Increase (decrease) in accrued liabilities	-	(632)	(632)
Total Adjustments	-	8,070	8,070
Net Cash Provided (Used) by Operating Activities	\$ -	\$ (35,532)	\$ (35,532)

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COMPONENT UNITS

The Donna Economic Development Corporation (4A) – was organized exclusively for the purposes of benefiting and accomplishing public purposes of the City of Donna, by promotion and development of commercial, industrial and manufacturing enterprises, and in promoting and encouraging employment and the public welfare for the City by the State Act, Section 4A. Exhibit 11-A and 11-B presents the governmental fund financial statements.

The Development Corporation of Donna, Inc. (4B) - was organized for the same purposes as mentioned above, except under Section 4B of the State Act. Exhibit 11-C and 11-D presents the governmental fund financial statements.

Also presented on Exhibit 11-A and 11-C are the respective reconciliations of the governmental fund balance sheets to the statement of net assets, and presented on Exhibit 11-B and 11-D are the respective reconciliations of the statements of revenues, expenditures, and changes in fund balances of these governmental funds to the statement of activities.

CITY OF DONNA, TEXAS
 BALANCE SHEET
 DONNA ECONOMIC DEVELOPMENT CORPORATION (4A)
 COMPONENT UNIT
 SEPTEMBER 30, 2010

<u>Assets</u>		
Cash and cash equivalents	\$	226,738
Restricted cash and cash equivalents		567,761
Receivables, net:		
Accounts		61,501
Due from primary government		2,954
		<u>858,954</u>
Total Assets	\$	<u>858,954</u>

Liabilities and Fund Balance

<u>Liabilities:</u>		
Accounts payable	\$	51,575
Total Liabilities		<u>51,575</u>

<u>Fund Balance:</u>		
Reserved for industrial park and bridge		176,444
Reserved for debt service		391,317
Unreserved		239,619
		<u>807,380</u>
Total Fund Balance		<u>807,380</u>
Total Liabilities and Fund Balance	\$	<u>858,954</u>

RECONCILIATION OF FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total fund balance- component unit balance sheet	\$	807,380
Amounts reported for component units in the statement of net assets ("SNA") are different because:		
Deferred charges for debt issuance cost are not reported in the fund.		277,427
Discounts on bonds are not reported in the fund.		45,717
Capital assets used in component unit activities are not reported in the fund.		248,216
Payables for accrued interest are not reported in the fund.		(30,024)
Payment to escrow agent to refund bonds not reported as a financing use in the SOA.		(4,390,000)
Net assets of component unit- statement of net assets (deficit)	\$	<u>(3,041,284)</u>

CITY OF DONNA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
DONNA ECONOMIC DEVELOPMENT CORPORATION (4A)
COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Revenues:		
Sales taxes	\$	374,731
Interest		679
		<u> </u>
	Total Revenues	<u>375,411</u>
Expenditures:		
Current:		
Economic development		598,816
Debt service:		
Interest and issuance costs		403,890
		<u> </u>
	Total Expenditures	<u>1,002,706</u>
	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(627,295)</u>
Other Financing Sources (Uses)		
Bonds issued for nonrefunding purposes		505,218
Bond discount		(47,622)
Bonds issued to refund other bonds		3,884,782
Bonds refunded		(3,660,000)
		<u> </u>
Total Other Financing Sources (Uses)		<u>682,378</u>
Net Change in Fund Balance		55,083
Fund Balance at Beginning of Year		<u>752,297</u>
Fund Balance at End of Year	\$	<u>807,380</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Net change in fund balance- component unit	\$	55,083
Amounts reported for component units in the statement of activities ("SOA") are different because:		
Issuance costs are not expensed in the SOA in the year of issuance but rather amortized		216,538
Amortization of issuance costs and discounts on bonds are not reported in the fund		(13,464)
Debt issued and related discount is reported as a liability in the SOA, not as other resources		(4,342,378)
Payment to escrow agent to refund bonds is not reported as financing use in the SOA.		3,660,000
		<u> </u>
Change in net assets of component unit-statement of activities	\$	<u>(424,221)</u>

**CITY OF DONNA, TEXAS
BALANCE SHEET
DEVELOPMENT CORPORATION OF DONNA, INC (4B)
COMPONENT UNIT
SEPTEMBER 30, 2010**

Assets

Cash and cash equivalents	\$	806,134
Restricted cash and cash equivalents		397,767
Receivables, net:		
Accounts		61,501
Accrued interest		6
Total Assets	\$	1,265,408

Liabilities and Fund BalanceLiabilities:

Accounts payable	\$	5,000
Due to primary government		450,341
Total Liabilities		455,341

Fund Balance:

Reserved for industrial park and bridge	16,552
Reserved for debt service	381,215
Unreserved	412,300
Total Fund Balance	810,067

Total Liabilities and Fund Balance	\$	1,265,408
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RECONCILIATION OF FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total fund balance- component unit balance sheet	\$	810,067
Amounts reported for component units in the statement of net assets ("SNA") are different because:		
Deferred charges for debt issuance costs are not reported in the fund.		261,467
Discounts on bonds are not reported in the fund.		67,065
Payables for accrued interest are not reported in the fund.		(29,205)
Payment to escrow agent to refund bonds is not reported as a financing use in the SOA.		(4,305,000)
Net assets of component unit- statement of net assets (deficit)	\$	(3,195,607)

CITY OF DONNA, TEXAS
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE**
 DEVELOPMENT CORPORATION OF DONNA, INC. (4B)
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Revenues:	
Sales taxes	\$ 374,731
Interest	<u>670</u>
	Total Revenues <u>375,401</u>
Expenditures:	
Current:	
Economic development	586,782
Debt service:	
Interest and issuance costs	<u>388,858</u>
	Total Expenditures <u>975,640</u>
	Excess (Deficiency) of Revenues Over (under) Expenditures <u>(600,239)</u>
Other Financing Sources (Uses)	
Bonds issued for nonrefunding purposes	506,314
Bond discount	(69,859)
Bonds issued to refund other bonds	3,798,686
Bonds refunded	<u>(3,560,000)</u>
	Total Other Financing Sources (Uses) <u>675,141</u>
Net Change in Fund Balance	74,902
Fund Balance at Beginning of Year	<u>735,165</u>
Fund Balance at End of Year	<u>\$ 810,067</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

Net change in fund balance- component unit	\$ 74,902
Amounts reported for component units in the statement of activities ("SOA") are different because:	
Issuance costs are not expensed in the SOA in the year of issuance but rather amortized	207,835
Amortization of issuance costs and discounts on bonds are not reported in the fund	(13,689)
Debt issued and related discount is reported as a liability in the SOA, not as other resources	(4,235,141)
Payment to escrow agent to refund bonds is not reported as a financing use in the SOA.	<u>3,560,000</u>
Change in net assets of component unit-statement of activities	<u>\$ (406,093)</u>

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INFORMATIONAL TABLES

**CITY OF DONNA
GOVERNMENT - WIDE EXPENSES BY FUNCTION
FISCAL YEAR ENDED
(Unaudited)**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Public Health and Welfare</u>	<u>Economic Development</u>
2005	\$ 880,617	\$ 1,726,564	\$ 1,044,446	\$ 549,453	\$ 115,669	\$ 1,561,859
2006	966,082	1,771,330	1,130,324	575,807	151,322	237,366
2007	911,943	1,751,093	1,051,501	449,060	134,225	3,737,303
2008	989,315	1,887,064	1,155,302	548,678	174,118	494,580
2009	981,874	1,892,031	1,216,881	513,119	165,438	14,100
2010	1,090,389	2,114,746	1,313,233	513,191	141,256	-

TABLE 1

Tourism Development	Interest on Long-Term Debt	Water and Sewer	City International Bridge Fund	Donna International Bridge Corporation	Cemetary	Totals
\$ 162,234	\$ 329,320	\$ 4,328,672	\$ -	\$ 10,555	\$ 63,881	\$ 10,773,270
83,140	432,579	4,448,382	-	7,500	67,650	9,871,482
26,015	453,620	4,264,804	-	5	61,366	12,840,935
25,375	135,685	4,336,321	602,044	7,500	70,542	10,426,524
13,961	124,192	5,724,668	480,594	20	77,625	11,204,503
17,500	151,112	4,378,282	2,362,173	-	68,792	12,150,674

TABLE 2

**CITY OF DONNA
GOVERNMENT - WIDE REVENUES
FISCAL YEAR ENDED
(Unaudited)**

Fiscal Year	Program Revenues			General Revenues					Totals
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Interest	Miscellaneous	Special Item		
2005	\$ 4,842,896	\$ 481,349	\$ 1,049,271	\$ 3,922,327	\$ 56,052	\$ 2,452	\$ 122,450	\$ 10,476,797	
2006	5,099,904	246,733	1,936,509	4,269,347	333,988	38,371	-	11,924,852	
2007	5,239,873	464,659	4,991,309	4,599,815	425,399	42,034	476,159	16,239,248	
2008	6,221,862	293,720	3,123,364	4,727,955	805,333	24,211	-	15,196,445	
2009	6,474,556	212,348	2,779,022	4,941,511	413,266	31,273	(192,074)	14,659,902	
2010	5,965,172	351,889	5,992,213	5,124,542	94,843	27,400	-	17,556,059	

TABLE 3

**CITY OF DONNA
GENERAL FUND REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Taxes	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Fines and Forfeitures	Interest and Other	Totals (Excluding Other Sources)
2001	\$ 2,274,614	\$ 96,586	\$ 43,134	\$ 512,856	\$ 75,672	\$ 83,853	\$ 3,086,715
2002	2,411,755	88,703	257,447	573,985	146,086	121,026	3,599,002
2003	2,586,134	114,508	773,171	706,917	193,268	22,401	4,396,399
2004	2,674,661	109,105	1,629,849	755,954	224,452	29,994	5,424,015
2005	2,870,387	159,316	550,108	787,653	163,615	35,220	4,566,299
2006	3,092,271	85,393	1,477,772	787,170	146,838	41,046	5,630,490
2007	3,235,365	70,282	3,847,188	912,318	152,733	84,792	8,302,678
2008	3,327,974	84,745	607,904	1,229,875	113,433	55,630	5,419,561
2009	3,472,034	96,836	182,660	1,111,621	138,660	22,018	5,023,829
2010	3,551,742	83,718	677,142	1,141,676	110,081	18,898	5,583,257

TABLE 4

**CITY OF DONNA, TEXAS
GENERAL FUND EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Public Health</u>	<u>Economic Development</u>	<u>Debt Service</u>	<u>Totals</u>
2001	\$ 783,900	\$ 1,332,998	\$ 849,226	\$ 302,356	\$ 46,579	\$ 23,228	\$ 72,952	\$ 3,411,239
2002	888,738	1,396,676	764,577	348,198	106,158	165,653	69,209	3,739,209
2003	1,032,985	1,725,466	903,859	457,100	122,750	1,355,168	13,600	5,610,928
2004	800,196	1,602,327	963,744	499,405	92,208	1,661,146	66,825	5,685,851
2005	907,657	1,822,712	1,061,768	626,747	115,669	1,175,468	39,076	5,749,097
2006	978,652	1,761,777	1,174,028	583,789	151,322	2,086,923	174,473	6,910,964
2007	904,889	1,700,035	1,073,277	470,332	123,875	3,737,303	46,143	8,055,854
2008	988,942	1,868,023	1,155,302	518,850	119,950	494,580	26,479	5,172,126
2009	974,982	1,957,380	1,215,055	498,168	139,375	14,100	29,712	4,828,772
2010	1,069,874	2,271,697	1,790,994	512,410	143,771	-	72,440	5,861,186

TABLE 5

**CITY OF DONNA
WATER AND SEWER FUND REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Water Sales	Sewer Sales	Penalties	Provision for Bad Debt	Other Service Charges	Interest/Capital/Other	Transfers In	Totals
2001	\$ 1,845,069	\$ 1,016,662	\$ 79,710	\$ (9,445)	\$ 45,082	\$ 498,621	\$ 779,498	\$ 4,255,197
2002	2,039,166	1,206,842	76,337	(50,053)	61,722	462,853	369,139	4,166,006
2003	1,852,176	1,196,593	96,772	(153,273)	54,335	439,920	346,268	3,832,791
2004	1,854,716	1,226,569	102,204	(5,883)	93,953	294,251	314,424	3,880,234
2005	1,965,934	1,330,890	110,905	(26,915)	181,839	399,777	300,577	4,263,007
2006	2,199,866	1,617,092	118,752	(63,625)	90,555	655,404	188,138	4,806,182
2007	2,228,945	1,558,480	124,155	(38,146)	137,852	1,098,989	23,972	5,134,247
2008	2,707,828	1,821,315	154,387	(38,049)	57,383	2,603,175	400	7,306,439
2009	2,873,005	2,000,240	150,399	(45,551)	51,573	2,094,327	-	7,123,993
2010	2,472,028	1,936,599	146,411	(32,173)	63,346	35,365	8,688,732	13,310,308

**CITY OF DONNA
WATER AND SEWER FUND EXPENSES BY FUNCTION
AND TRANSFERS OUT**

**LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Water Distribution	Sewer Collection	Sewer Treatment	Water/Sewer Operations	Water/Supply and Treatment	Engineering Services
2001	\$ 133,680	\$ 128,060	\$ 215,945	\$ 126,874	\$ 356,666	\$ 70,692
2002	71,234	75,309	219,509	212,040	283,844	143,656
2003	77,753	84,701	219,379	202,086	302,007	70,607
2004	118,419	109,091	269,321	205,791	248,880	39,078
2005	99,166	162,026	267,241	234,822	257,651	338,013
2006	97,859	222,331	327,300	259,982	355,705	252,048
2007	137,062	198,981	388,581	201,482	349,794	15,041
2008	46,326	77,606	412,581	236,204	373,019	8,400
2009	36,893	72,797	473,255	287,091	498,168	17,550
2010	7,718	69,573	320,118	249,784	382,669	8,911

TABLE 6

<u>Administrative</u>	<u>Water/Sewer Operations Contractor</u>	<u>Debt Interest and Fees</u>	<u>Fees for Capital Contributions</u>	<u>Depreciation and Amortization</u>	<u>Transfers Out</u>	<u>Totals</u>
\$ 255,499	\$ 922,242	\$ 459,816	\$ -	\$ 661,181	\$ -	3,330,655
249,498	1,099,967	418,717	-	746,948	-	3,520,722
271,744	1,181,302	458,775	16,875	735,569	-	3,620,798
272,628	1,264,598	440,901	61,400	623,967	-	3,654,074
342,192	1,329,509	421,742	62,000	814,310	-	4,328,672
364,098	1,329,509	402,245	42,400	794,905	-	4,448,382
411,757	1,363,047	446,925	-	752,134	315,000	4,579,804
485,419	1,601,873	329,096	235,434	831,706	-	4,637,664
418,866	1,627,747	285,512	1,145,331	861,457	194,856	5,919,523
400,126	1,762,784	301,336	124,700	875,262	-	4,502,981

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TABLE 7

CITY OF DONNA, TEXAS

PROPERTY TAX RATES AND ASSESSED VALUES

LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Tax Levy Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Assessed Values</u>
2001	2000	\$ 0.597220	\$ 0.437440	\$ 1.034660	\$ 190,274,814
2002	2001	0.627790	0.409480	1.037270	199,963,135
2003	2002	0.662075	0.377753	1.039828	210,159,411
2004	2003	0.626004	0.413824	1.039828	221,077,628
2005	2004	0.623944	0.367704	0.991648	246,505,000
2006	2005	0.622352	0.366786	0.989138	267,030,270
2007	2006	0.589760	0.400239	0.989999	278,379,965
2008	2007	0.589805	0.400194	0.989999	307,899,033
2009	2008	0.589805	0.400194	0.989999	334,057,173
2010	2009	0.638126	0.400194	1.038320	334,465,649

**CITY OF DONNA, TEXAS
SCHEDULE OF INSURANCE IN FORCE
September 30, 2010
(Unaudited)**

<u>Type of coverage</u>	<u>Insurer</u>	<u>Policy Number</u>	<u>Policy Period</u>	
			<u>From</u>	<u>To</u>
Real and Personal Property	Texas Municipal League Intergovernmental Risk Pool (TML-IRP)	9424	10/01/09	09/30/10
General Liability	TML-IRP	9424	10/01/09	09/30/10
Errors and Omissions	TML-IRP	9424	10/01/09	09/30/10
Automobile Liability	TML-IRP	9424	10/01/09	09/30/10
Automobile Physical Damage	TML-IRP	9424	10/01/09	09/30/10
Mobile Equipment	TML-IRP	9424	10/01/09	09/30/10
Boiler & Machinery	TML-IRP	9424	10/01/09	09/30/10
Workers' Compensation	TML-IRP	9424	10/01/09	09/30/10
Law Enforcement Liability	TML-IRP	9424	10/01/09	09/30/10
Public Employee Dishonesty	TML-IRP	9424	10/01/09	09/30/10
Forgery or Alteration	TML-IRP	9424	10/01/09	09/30/10
Computer Fraud	TML-IRP	9424	10/01/09	09/30/10
Tax Assessor/Collector Surety Bond	Hartford Casualty Ins Co	618SBBX5218	10/23/09	09/30/10

TABLE 8

<u>Details and Coverage</u>	<u>Per Occurrence Liability Limits</u>		<u>Annual Premium</u>
Fire, windstorm, valuable papers, accounts receivable, data processing equipment	\$ 19,300,288		\$ 36,442
General, products, personal	\$ 500,000	1	\$ 5,478
Public officials and employee liability, claims made	\$ 1,000,000	1	\$ 7,321
All owned and leased vehicles	\$ 1,000,000		\$ 17,770
Schedule of vehicles			\$ 9,090
Schedule of Mobile equipment	\$ 408,562		\$ 1,317
	\$ 100,000		\$ -
Includes volunteer firemen	N/A		\$ 72,369
Law enforcement liability	\$ 1,000,000	1	\$ 14,844
Public officials and employee dishonesty, claims made	\$ 100,000		\$ 901
Loss resulting from forgery or alteration of covered documents	\$ 100,000		\$ 109
Loss of money, securities and property	\$ 100,000		\$ 85
Employee Dishonesty	\$ 250,000		\$ 1,000

Note 1: Liability Insurance Annual Aggregate \$1,000,000

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Continuing Financial Disclosure Tables

The Continuing Financial Disclosure Tables portion of the Statistical section presents various financial data originally distributed in debt official statements. The City is required to update financial tables originally distributed in debt official statements. The financial tables that follow are updated through September 30, 2010. This financial information is also sent to the Nationally Recognized Municipal Securities Information Repository (NRMSIR).

City of Donna, Texas

Table 1 - Valuation, Exemption and Debt Obligation

2010 Market Valuation Established by Hidalgo County Appraisal District (1)		\$ 361,461,832
Less Exemptions/Reductions at 100% Market Value:		
Over 65 and Disabled	\$ 3,049,961	
Disabled Veterans Exemptions	1,956,193	
Productivity Loss	18,389,182	
Abatement Value Loss	1,228,656	
Pollution Control Exemption Loss	16,560	
Historical Loss	66,955	
Value Loss to 10% Cap	<u>751,822</u>	<u>\$ 25,459,329</u>
 2010 Net Taxable Assessed Valuation		 \$ 336,002,503
General Obligation Debt Payable from Ad Valorem Taxes		
(as of September 30, 2010)		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001	1,625,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001-A	390,000	
Limited Tax Refunding Bonds, Series 2006	895,000	
Tax Notes, Series 2006	550,000	
Tax Notes, Series 2006 - A	70,000	
Combination Tax and Int'l Toll Bridge Certificates of Obligation, Series 2007	30,600,000	
Combination Tax and Revenue Certificates of Obligation, Series 2009	5,500,000	
Limited Tax Refunding Bonds, Series 2009	3,990,000	
Tax Notes, Series 2009	<u>1,790,000</u>	
Funded Debt Payable from Ad Valorem Taxes		<u>\$ 45,410,000</u>
Less: Self-supporting Debt		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001 (2)	\$ 1,283,750	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001-A (4)	390,000	
Tax Notes, Series 2006 (4)	80,729	
Tax Notes, Series 2006 - A (4)	27,372	
Combination Tax and Int'l Toll Bridge Certificates of Obligation, Series 2007 (5)	30,600,000	
Combination Tax and Revenue Certificates of Obligation, Series 2009 (4)	5,500,000	
Limited Tax Refunding Bonds, Series 2009	3,990,000	
Tax Notes, Series 2009	<u>\$ 1,790,000</u>	<u>\$ 43,661,851</u>
 Net Funded Debt Payable from Ad Valorem Taxes		 \$ 1,748,149
 Interest and Sinking Fund Balance (as of September 30, 2010)		 \$ 1,012,433 (3)
 Ratio Funded Debt to Net Taxable Assessed Valuation		 13.51%

2011 Estimated Population -	17,902
Per Capita Taxable Assessed Valuation -	\$18,769
Per Capita Funded Debt -	\$2,537

(1) Preliminary values, subject to change. Texas Comptroller of Public Accounts, Property Tax Division.

(2) This is 79% of the project costs that are HUD CDBG eligible. The City supports the other 21% of debt service with ad valorem taxes.

(3) City of Donna, Texas

(4) This amount is self-supporting debt of the Water and Sewer Fund.

(5) The toll bridge is open to passenger vehicle traffic only. The projection of the percentage allocations of total POV traffic in the Traffic Engineering Study report, when applied to the current POV traffic crossings, seems to project that the 2007 Bonds for the toll bridge will eventually become half self supporting. The City will continue to seek a financial commitment from the U.S. Government to construct and operate facilities to accommodate commercial traffic at the international bridge, since the eventual self support of the 2007 Bonds is dependent on this. At this time the City's general government Debt Service Fund is supporting the 2007 Bonds.

CITY OF DONNA, TEXAS

Table 2 - Taxable Assessed Valuation by Category

Category	Taxable Appraised Value For Fiscal Year Ended September 30,					
	2012		2011		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 186,098,019	37.68%	\$ 180,062,623	49.82%	\$ 183,631,647	51.37%
Real, Residential, Multi-Family	12,003,448	2.43%	11,302,919	3.13%	11,180,787	3.13%
Real, Vacant Lots/Tracts	18,252,276	3.70%	19,963,067	5.52%	22,371,971	6.26%
Real, Acreage (Land Only)	22,912,459	4.64%	20,477,633	5.67%	13,299,889	3.72%
Real, Farm and Ranch Improvements	1,434,091	0.29%	1,926,532	0.53%	1,810,497	0.51%
Real, Commercial	74,435,684	15.07%	69,816,793	19.32%	70,074,113	19.60%
Real, Industrial	4,886,074	0.99%	5,998,498	1.66%	6,238,758	1.75%
Real and Tangible Personal, Utilities	6,631,484	1.34%	7,579,819	2.10%	8,252,576	2.31%
Tangible Personal, Commercial	22,022,328	4.46%	23,668,277	6.55%	20,881,471	5.84%
Tangible Personal, Industrial	3,091,604	0.63%	3,939,854	1.09%	4,119,225	1.15%
Tangible Personal, Mobile Homes	12,112,850	2.45%	11,689,076	3.23%	11,246,313	3.15%
Tangible Personal, Other	-	0.00%	3,229,948	0.89%	1,643,375	0.46%
Residential Inventory	2,147,083	0.43%	-	0.00%	-	0.00%
Special Inventory	1,710,153	0.35%	1,806,793	0.50%	2,699,693	0.76%
Total Exempt Property	126,164,888	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 493,902,441	74.46%	\$ 361,461,832	100.00%	\$ 357,450,315	100.00%
Less: Total Exemptions/Reductions	(152,470,895)		(25,459,329)		(18,498,708)	
Taxable Assessed Valuation	\$ 341,431,546		\$ 336,002,503		\$ 338,951,607	

Category	2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 185,262,397	51.95%	\$ 174,981,388	54.27%	\$ 150,618,597	51.80%
Real, Residential, Multi-Family	12,044,952	3.38%	11,573,572	3.59%	11,405,152	3.92%
Real, Vacant Lots/Tracts	22,894,057	6.42%	17,291,693	5.36%	14,779,916	5.08%
Real, Acreage (Land Only)	11,874,932	3.33%	6,741,597	2.09%	7,427,173	2.55%
Real, Farm and Ranch Improvements	1,715,479	0.48%	1,560,995	0.48%	1,134,842	0.39%
Real, Commercial	67,586,895	18.95%	53,349,191	16.55%	52,124,693	17.93%
Real, Industrial	6,072,271	1.70%	5,624,882	1.74%	5,553,819	1.91%
Vehicles	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	8,626,804	2.42%	8,990,799	2.79%	9,882,869	3.40%
Tangible Personal, Commercial	20,771,398	5.82%	21,661,139	6.72%	17,592,027	6.05%
Tangible Personal, Industrial	2,557,213	0.72%	3,682,980	1.14%	3,531,577	1.21%
Tangible Personal, Mobile Homes	12,415,278	3.48%	10,553,209	3.27%	10,260,543	3.53%
Tangible Personal, Other	1,703,186	0.48%	3,120,849	0.97%	3,570,024	1.23%
Special Inventory	3,125,324	0.88%	3,314,514	1.03%	2,888,248	0.99%
Total Appraised Value Before Exemptions	\$ 356,650,186	100.00%	\$ 322,446,808	100.00%	\$ 290,769,480	100.00%
Less: Total Exemptions/Reductions	(20,343,720)		(14,547,775)		(12,389,515)	
Taxable Assessed Valuation	\$ 336,306,466		\$ 307,899,033		\$ 278,379,965	

(1) Preliminary values, subject to change. Texas Comptroller of Public Accounts, Property Tax Division.

Sources: Texas Comptroller of Public Accounts, Property Tax Division.

CITY OF DONNA, TEXAS
Table 3 - Valuation and Funded Debt History

Tax Year	Estimated Population	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Gross Funded Tax Debt	Ratio Funded Debt to Taxable Assessed Valuation	Gross Per Capita Funded Tax Debt
2001	14,987 ⁽¹⁾	199,963,135	13,342	15,340,000	7.67%	1,024
2002	15,212	210,159,411	13,815	14,665,000	6.98%	964
2003	15,440	221,077,628	14,318	14,395,000	6.51%	932
2004	15,672	246,505,000	15,729	14,205,000	5.76%	906
2005	15,907	267,030,270	16,787	13,484,523	5.05%	848
2006	16,449	278,379,965	16,924	14,374,999	5.16%	874
2007	16,925	307,899,033	18,192	12,655,000	4.11%	748
2008	17,415	336,306,436	19,311	40,170,000	11.94%	2,307
2009	17,902	338,951,607	18,934	46,605,000	13.75%	2,603
2010	17,902	336,002,503	18,769	45,410,000	13.51%	2,537

(1) 2000 U.S. Census Bureau

(2) The valuations shown are the Total Taxable Assessed Valuations reported annually in September to the Property Tax Board.

The valuations are subject to change during the ensuing year due to settlement of contested valuations, etc.

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Comptroller of Public Accounts, Property Tax Division, and the City of Donna, Texas Tax Department.

CITY OF DONNA, TEXAS
Table 4 - Tax Rate, Levy and Collections History

<u>Fiscal Year Ending</u>	<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Tax Rate</u>	<u>Tax Levy ⁽¹⁾</u>	<u>% Current Collections</u>	<u>% Total Collections</u>
2002	2001	0.6278	0.4095	1.0373	2,078,396	86.30%	104.37%
2003	2002	0.6621	0.3778	1.0399	2,185,296	87.63%	104.85%
2004	2003	0.6260	0.4138	1.0398	2,298,670	87.32%	108.72%
2005	2004	0.6239	0.3677	0.9916	2,444,462	87.86%	105.72%
2006	2005	0.6224	0.3668	0.9892	2,641,298	87.90%	107.63%
2007	2006	0.5898	0.4002	0.9900	2,755,959	87.31%	108.95%
2008	2007	0.5898	0.4002	0.9900	3,048,197	87.17%	104.90%
2009	2008	0.5898	0.4002	0.9900	3,307,162	89.30%	107.46%
2010	2009	0.6381	0.4002	1.0383	3,472,824	87.00%	103.00%
2011	2010	0.6741	0.4519	1.1259	3,778,152	88.00%	104.00%

(1) The levies shown are those reported annually in September to the State Property Tax Board. The levies are subject to change during the ensuing year due to settlement of contested valuations, etc.

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas and the City of Donna, Texas Tax Department.

CITY OF DONNA, TEXAS
Table 5 - 2010 Top Ten Taxpayers

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>2010 Taxable Assessed Valuation</u>	<u>% of Taxable Assessed Valuation</u>
Victoria Palms I, LP	Hotel/Winter Resort	\$ 8,497,987	2.53%
Arbor Cove, LTD	Residential Housing Complex	3,104,662	0.92%
Bland Farms, LLC	Cold Storage	2,851,285	0.85%
AEP Texas Central Co	Electric Utility	2,840,760	0.85%
CSI Leasing Inc	Equipment Leasing	2,588,858	0.77%
SH Hester Donna LLC	Land and Packaging Company	2,468,076	0.73%
Victoria Palms II LP	Winter Resort Park	2,393,699	0.71%
H.E. Butt Grocery Company	Grocery Store	2,234,070	0.66%
D & J Investments LTD	Financial Investments	1,982,261	0.59%
Packaging Corporation of America	Mfg container board & corrugated pkaging	1,920,010	0.57%
Totals		<u>\$ 30,881,668</u>	<u>9.19%</u>

CITY OF DONNA, TEXAS

Table 6 - Tax Supported Debt Service Requirements

Fiscal Year Ending 9/30	Existing Outstanding Gross Funded Debt			% of Principal Retired
	Principal	Interest	Requirements	
2011	\$ 1,340,000	\$ 2,519,493	\$ 3,859,493	
2012	1,660,000	2,457,833	4,117,833	
2013	1,900,000	2,382,220	4,282,220	
2014	1,975,000	2,296,363	4,271,363	
2015	2,055,000	2,204,701	4,259,701	19.67%
2016	2,050,000	2,110,989	4,160,989	
2017	1,465,000	2,026,810	3,491,810	
2018	880,000	1,963,815	2,843,815	
2019	990,000	1,908,872	2,898,872	
2020	1,000,000	1,850,222	2,850,222	33.73%
2021	1,110,000	1,787,902	2,897,902	
2022	1,115,000	1,722,068	2,837,068	
2023	1,225,000	1,652,715	2,877,715	
2024	1,335,000	1,576,543	2,911,543	
2025	1,350,000	1,496,551	2,846,551	47.24%
2026	1,460,000	1,412,728	2,872,728	
2027	1,575,000	1,322,004	2,897,004	
2028	1,685,000	1,224,370	2,909,370	
2029	1,800,000	1,119,747	2,919,747	
2030	1,915,000	1,008,081	2,923,081	65.81%
2031	1,930,000	892,486	2,822,486	
2032	2,145,000	769,834	2,914,834	
2033	2,265,000	636,956	2,901,956	
2034	2,385,000	496,856	2,881,856	
2035	2,100,000	359,375	2,459,375	89.65%
2036	2,300,000	221,875	2,521,875	
2037	2,400,000	75,000	2,475,000	100.00%
	<u>\$ 45,410,000</u>	<u>\$ 39,496,403</u>	<u>\$ 84,906,403</u>	

CITY OF DONNA, TEXAS
Table 7 - Other Obligations

Capital Lease Obligations

The City leases certain equipment under non-cancelable leases expiring over future years. The following summarizes the City's obligations classified under Governmental activities:

4.98% lease payable in annual installments of \$51,906, including interest, collateralized by a fire truck. This lease is payable from the Fire Equipment Service Fee Fund. (1)	\$ 224,552
Lease payable due in annual installments of \$4,717, including interest, collateralized by a Canan Copier.	12,669
Lease payable due in annual installments of \$5,945, including interest, collateralized by ten handheld computers.	10,205
Lease payable due in monthly installments of \$1,691, including interest, collateralized by a color copy machine at city hall.	4,164
Lease payable due in annual installments of \$42,668, including interest, collateralized by three 2010 Ford Crown Victorias.	<u>80,670</u>
Total Capital Lease Debt	<u><u>\$ 332,260</u></u>
Less: Current Portion of Capital Lease Obligations	<u>106,927</u>
Capital Lease Obligations, Net of Current Portion	<u><u>\$ 225,333</u></u>

The schedule of the future minimum lease payments under these capital leases is as follows:

Year Ending September 30,	General Government Long-Term Debt
2011	\$ 106,623
2012	104,747
2013	57,892
2014	51,906
2015	51,906
Thereafter	-
	<u>\$ 373,075</u>
Less: Amounts Representing Interest	<u>40,815</u>
Balance at September 30, 2010	<u><u>\$ 332,260</u></u>

Source: City of Donna, Texas

(1) Payments on this debt are from a Special Revenue Fund which is used to acquire fire fighting equipment.

CITY OF DONNA, TEXAS
Table 8 - Estimated Overlapping Debt

Taxing Jurisdiction	2010 Taxable Assessed Valuation	2010 Tax Rate	Net Debt Outstanding as of 9/30/2010	Estimated % Applicable	Overlapping Funded Debt as of 9/30/2010	Authorized But Unissued Debt as of 9/30/2010
City of Donna	\$ 341,166,627 (1)	1.1259	\$ 45,410,000	100.00%	\$ 45,410,000	\$ -
Donna Independent School District	967,480,534 (1)	1.2582	114,540,000	44.85%	51,371,190	52,000,000
Donna Irrigation District Hidalgo Co. No. 1	247,048,074 (1)	0.0000	-	84.57%	-	-
Hidalgo County	25,627,222,333 (1)	0.5900	197,250,000	1.45%	2,860,125	-
Hidalgo County Drainage District No. 1	25,935,647,449 (1)	0.0725	96,675,000	1.54%	1,245,000	-
South Texas CCD	27,880,066,047 (1)	0.1497	69,770,002	1.29%	900,033	-
Total Direct and Overlapping G.O. Tax Debt					\$ 101,786,348	

Ratio of Direct Overlapping G.O. Tax Debt to Taxable Assessed Valuation

Per Capita Overlapping Funded Debt

(1) Preliminary data, subject to change. Hidalgo County Appraisal District.

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

CITY OF DONNA, TEXAS
Table - 9 General Fund Revenues, Expenditures History

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Revenues					
Taxes	\$ 3,551,742	\$ 3,472,034	\$ 3,327,974	\$ 3,235,365	\$ 3,092,271
Licenses and Permits	83,718	96,836	84,745	70,282	85,393
Charges for Service	1,141,676	1,111,621	1,229,875	912,318	787,170
Fines and Forfeits	110,081	138,660	113,433	152,733	146,838
Intergovernmental	677,142	182,660	607,904	3,847,188	1,477,772
Interest	1,633	5,194	20,677	32,910	19,052
Other Revenues	17,265	16,824	34,953	51,882	21,994
Total Revenues	\$ 5,583,257	\$ 5,023,829	\$ 5,419,561	\$ 8,302,678	\$ 5,630,490
Expenditures					
Current:					
General Government	\$ 1,069,874	\$ 974,982	\$ 988,942	\$ 904,889	\$ 978,652
Public Safety	2,271,697	1,957,380	1,868,023	1,700,035	1,761,777
Public Works	1,790,994	1,215,055	1,155,302	1,073,277	1,174,028
Economic Development	-	14,100	494,580	3,737,303	2,086,923
Culture and Recreation	512,410	498,168	518,850	470,332	583,789
Health and Welfare	143,771	139,375	119,950	123,875	151,322
Debt Service:					
Principal Retirements	65,814	25,729	19,909	17,548	14,728
Interest, Fiscal & Issuance Charges	6,626	3,983	6,570	28,595	159,745
Total Expenditures	\$ 5,861,186	\$ 4,828,772	\$ 5,172,126	\$ 8,055,854	\$ 6,910,964
Excess/Deficiency of Revenues Over Expenditures	\$ (277,929)	\$ 195,057	\$ 247,435	\$ 246,824	\$ (1,280,474)
Other Financing Sources/Uses					
Operating Transfers In	\$ -	\$ 1,720	\$ 3,212	\$ 574,690	\$ 127,488
Operating Transfers Out	(127,191)	(68,798)	(54,503)	(63,038)	(54,013)
Tax Note Proceeds	-	-	-	-	1,074,697
Loan and Lease Proceeds	137,317	26,293	-	-	72,275
Total Other Financing Sources/Uses	\$ 10,126	\$ (40,785)	\$ (51,291)	\$ 511,652	\$ 1,220,447
Excess/Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Uses	\$ (267,803)	\$ 154,272	\$ 196,144	\$ 758,476	\$ (60,027)
Beginning Fund Balance	871,372	717,100	520,956	(237,520)	140,951
Prior Period Adjustment	-	-	-	-	(318,444)
Ending Fund Balance	\$ 603,569	\$ 871,372	\$ 717,100	\$ 520,956	\$ (237,520)

Source: City of Donna, Texas Annual Financial Reports

CITY OF DONNA, TEXAS

Table 10 - Municipal Sales Tax History

<u>Fiscal Year Ended 9/30</u>	<u>Total Collected</u>	<u>% of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>	<u>Total Collections Per Capita</u>
2001	931,150	42.61%	0.4431	61.21
2002	801,917	34.89%	0.3627	51.94
2003	776,309	31.76%	0.3149	49.53
2004	864,141	32.72%	0.3236	54.32
2005	933,910	33.89%	0.3355	56.78
2006	1,056,113	34.65%	0.3430	62.40
2007	1,577,673	134.26%	0.7812	93.22
2008	1,561,820	47.23%	0.4644	89.68
2009	1,547,514	44.56%	0.4566	86.44
2010	1,467,723	44.51%	0.4368	81.99

Source: Office of the Texas Comptroller and City of Donna

Annual Financial Report

CITY OF DONNA, TEXAS
Table 11 - Current Investments

The City's cash and temporary investments at September 30, 2010 are shown below:

Name	Carrying Amount	Market Value
Non-Interest Bearing Cash Accounts	\$ 281,404	\$ 281,404
Money Market Fund available from Trustee	2,631,199	2,631,199
Local Government Investment Cooperative (LOGIC) (1)	9,641,619	9,641,619
Bank Certificates of Deposit held by Trustee	-	-
Total	\$ 12,554,222	\$ 12,554,222

(1) Local Government Investment Cooperative ("LOGIC" or the "Cooperative") is organized under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, which permits the creation of investment pools to which a majority of political subdivisions in Texas may delegate the authority to make investment purchases and sales with local investment funds and to hold legal title as custodian of the investment securities.

Source: City of Donna, Texas