

CITY OF DONNA, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2012

CITY OF DONNA, TEXAS
ANNUAL FINANCIAL REPORT
September 30, 2012

Council – Manager Form of Government

MAYOR

David S. Simmons

COUNCIL MEMBERS

Jose G. Garza, Jr.
Simon Saucedo, II
Sonia Gallegos
Irene Munoz

CITY MANAGER

Oscar E. Ramirez

FINANCE DIRECTOR

David R. Vasquez

CITY SECRETARY

Martha Alvarado

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CITY OF DONNA, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012

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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, 2012, 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. 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 the 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, 2012, 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, 2012, 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, 2012, 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 March 28, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 5 through 15 and 78 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited

procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 as a whole. The introductory section, the other supplementary information and combining schedules section, and the other schedules – unaudited 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. The other supplementary information and combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and other schedules – unaudited sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
March 28, 2013

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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, 2012.

Financial Highlights In Brief

In regards to the City's government-wide level financial statements, the 2012 and 2011 amounts are included in this discussion and analysis for comparative purposes.

- The assets of the City exceeded liabilities at the close of the 2012 and 2011 fiscal years by \$58,101,604 (net assets) and by \$54,462,186 (net assets), respectively. At the end of the 2012 and 2011 fiscal years the statement of net assets reflects a deficit amount for unrestricted net assets of \$6,516,709 and a deficit amount of \$7,589,903, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,957,994, a decrease of \$91,495 over the prior year.
- At the end of the current fiscal year, the unreserved undesignated fund balance for the general fund was \$874,428 or a positive 16.62 percent of total current year general fund expenditures.
- The City of Donna's total debt decreased by a net amount of \$2,149,077 or 4.57 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 international bridge passenger vehicle crossing services that started operating 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 in 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, which are considered to be major funds. 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 in the table of contents on pages 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 international bridge.

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, which 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 in 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 are 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 referenced in the table of contents of this report.

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* can be found as referenced in 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 \$58,101,604 at the close of fiscal year 2012 and by \$54,462,186 at the close of fiscal year 2011.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$6,294,420	\$5,950,239	\$ 9,509,693	\$ 9,306,312	\$ 15,804,113	\$ 15,256,552
Capital assets	24,192,991	22,636,462	65,129,590	65,269,933	89,322,581	87,906,394
Total assets	30,487,411	28,586,701	74,639,283	75,576,245	105,126,694	103,162,946
Long-term liabilities	3,069,403	3,656,487	41,373,579	43,413,748	44,442,982	47,070,235
Other liabilities	808,242	460,152	1,295,689	1,170,372	2,103,931	1,630,524
Total liabilities	3,877,645	4,116,639	42,669,268	44,584,120	46,546,913	48,700,759
Net assets						
Invested in capital assets, net of related debt	22,322,916	20,740,814	37,284,859	36,199,880	59,607,775	56,940,694
Restricted	2,861,266	2,172,676	2,149,273	2,938,719	5,010,539	5,111,395
Unrestricted (deficit)	1,425,585	1,556,572	(7,942,293)	(9,146,475)	(6,516,708)	(7,589,903)
Total net assets	\$26,609,767	\$24,470,062	\$ 31,491,839	\$ 29,992,125	\$ 58,101,604	\$ 54,462,187

By far the largest portion of the City's net assets (102.6% in 2012 and 105% in 2011) 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 are 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 (8.62% in 2012 and 9.38% in 2011) 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 \$1,425,585 for 2012 and \$1,556,572 for 2011.

The City's unrestricted net assets under business-type activities reflect a deficit balance of \$7,942,293 at 2012 and a deficit of \$9,146,475 at 2011.

The Water and Sewer Fund has unrestricted net assets of \$2,423,618 at 2012, which reflects an increase in the balance of \$1,687,687 from 2011. The City International Bridge Fund has an unrestricted net asset deficit of \$10,365,911 at 2012, which reflects an increase in the deficit of \$446,599 from 2011. The City International Bridge Fund went into operation December 14, 2010 and had 12 months of operating revenues in 2012.

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 2012 and 2011.

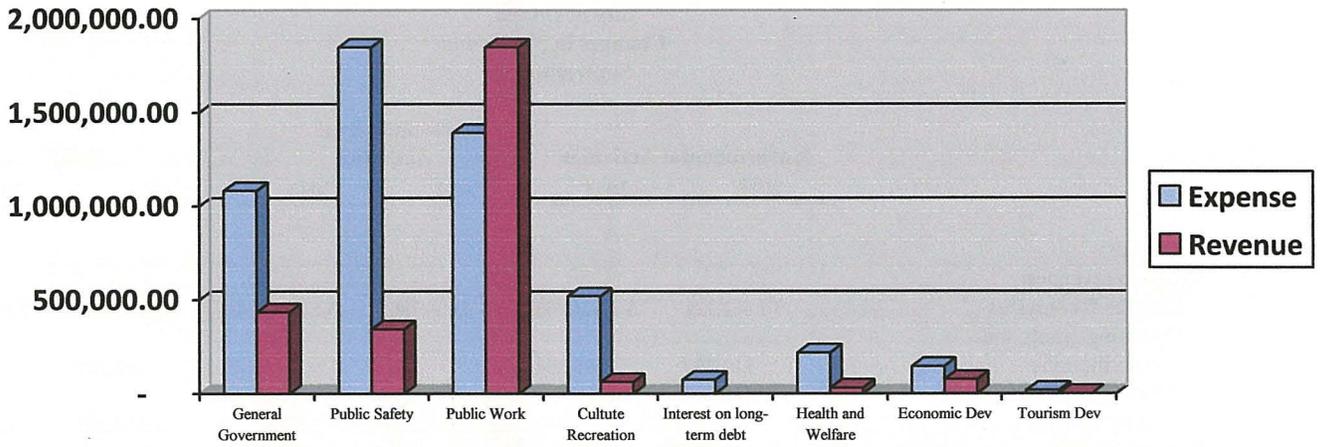
**City of Donna
Changes in Net Assets
September 30,**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,502,221	\$ 1,474,566	\$ 6,600,386	\$ 5,555,204	\$ 8,102,607	\$ 7,029,770
Operating grants and contributions	312,700	396,884	-	-	312,700	396,884
Capital grants and contributions	976,729	188,049	1,941,851	1,021,106	2,918,580	1,209,155
General Revenues:						
Property taxes	4,390,543	4,030,202	-	-	4,390,543	4,030,202
Other taxes	1,705,337	1,593,441	-	-	1,705,337	1,593,441
Other	51,463	49,785	10,256	65,464	61,719	115,249
Total revenues	8,938,993	7,732,927	8,552,493	6,641,774	17,491,486	14,374,701
Expenses:						
General government	1,083,063	977,799	-	-	1,083,063	977,799
Public safety	1,847,489	1,895,532	-	-	1,847,489	1,895,532
Public works	1,391,738	1,312,661	-	-	1,391,738	1,312,661
Culture and recreation	519,826	515,698	-	-	519,826	515,698
Public Health and welfare	217,651	162,383	-	-	217,651	162,383
Economic Development	144,809	86,969	-	-	144,809	86,969
Tourism development	17,598	18,487	-	-	17,598	18,487
Interest on long-term debt	73,071	142,594	-	-	73,071	142,594
Utility system operations	-	-	5,005,481	4,731,955	5,005,481	4,731,955
International Bridge Fund	-	-	3,551,342	3,029,406	3,551,342	3,029,406
Total expenses	5,295,244	5,112,126	8,556,823	7,832,057	13,852,068	12,944,181
Changes in net assets before transfers	3,643,749	2,620,801	(4,330)	(1,190,283)	3,639,418	1,430,518
Transfers	(1,504,045)	(1,440,198)	1,504,045	1,440,198	-	-
Changes in net assets	2,139,704	1,180,603	1,499,715	249,916	3,639,418	1,430,518
Net assets – beginning of year	24,470,062	23,289,459	29,992,125	29,742,209	54,462,187	53,031,668
Prior-period adjustment	-	-	-	-	-	-
Net assets – end of year	\$ 26,609,767	\$ 24,470,062	\$ 31,491,838	\$ 29,992,125	\$ 58,101,604	\$ 54,462,187

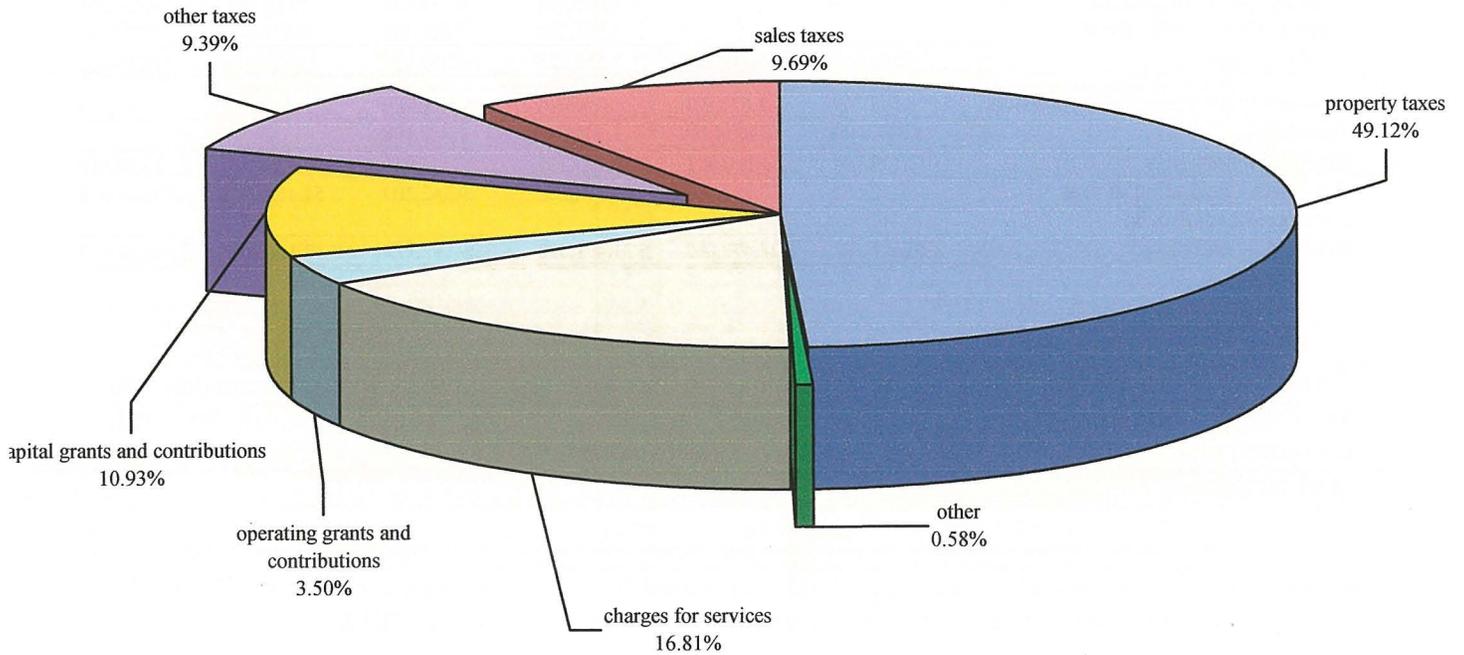
Total revenues generated from both governmental and business-type activities for 2012 amounted to \$17,491,486 with expenses of \$13,852,068 resulted in a net asset increase of \$3,639,418 for 2012. Compared to 2011, there was \$14,374,701 in revenues with expenses of \$12,944,181 that resulted in a net asset increase of \$1,430,518 for 2011.

Governmental activities. Governmental activities increased the City of Donna's net assets by \$2,139,704 thereby accounting for an increase of 8.74 percent in governmental net assets for 2012.

Expenses and Program Revenues-Governmental Activities

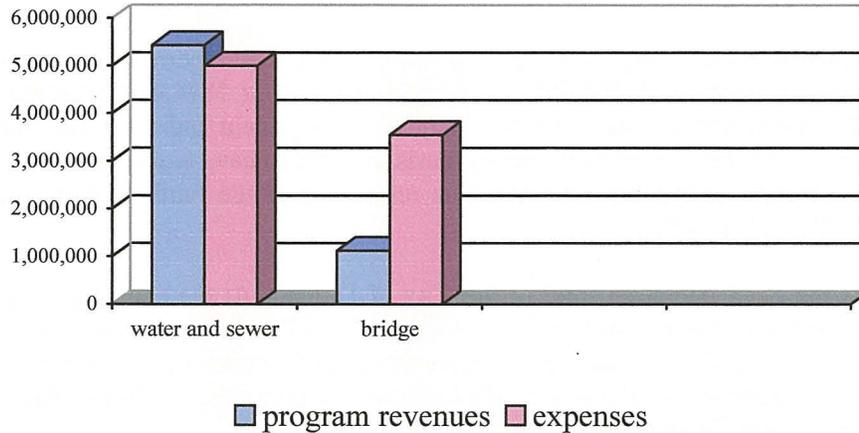


Revenues by Source-Governmental Activities

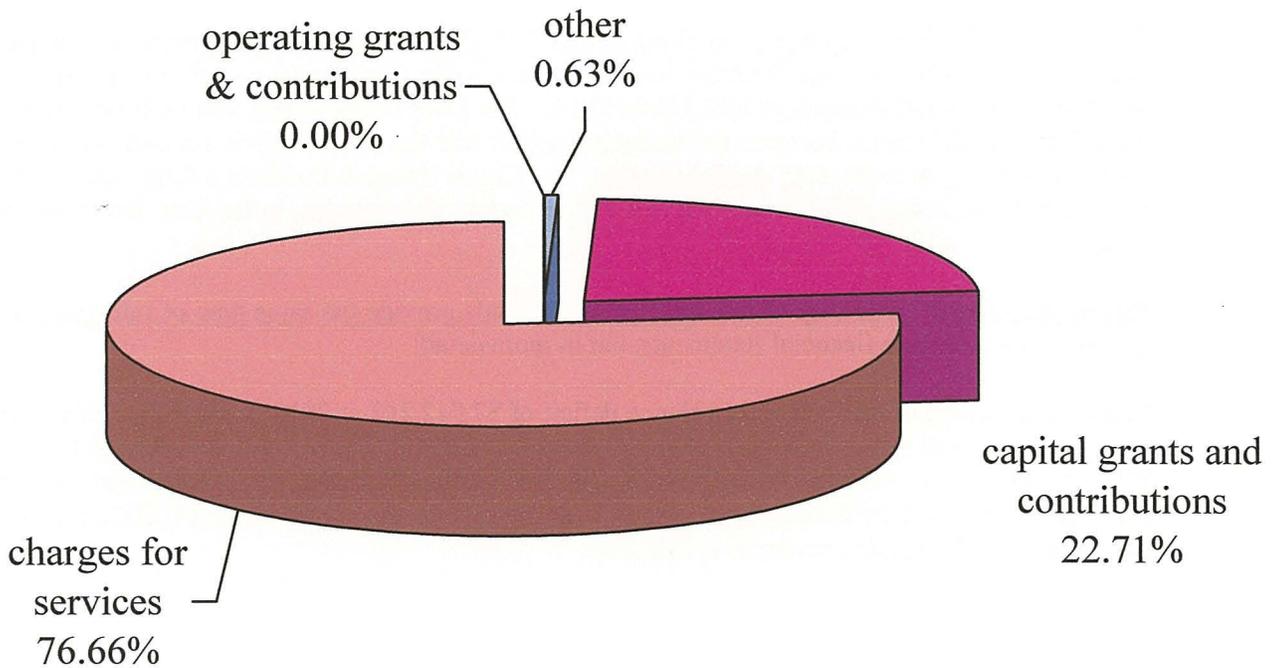


Business-type activities. Business-type activities increased the City of Donna's net assets by \$1,499,714 thereby accounting for an increase of 5.0 percent in total net assets in 2012. Capital contributions recorded were \$1,941,851, an increase of 90.17% over 2011. Interfund Transfers totaled \$1,504,045, an increase of \$63,847 or 4.4% over 2011.

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 \$3,957,994 a decrease of \$91,495. A positive amount of \$874,428 constitutes unassigned fund balance for all governmental funds. Good financial management indicates that the City should maintain an unassigned 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 \$1,674,016 is restricted and \$1,074,286 is for capital projects.

The General Fund is the chief operating fund of the City of Donna. At the end of the 2012 fiscal year unreserved undesignated fund balance of the General Fund was \$874,428. 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 2012 unreserved undesignated fund balance represents a positive 16.62 percent of total General Fund expenditures.

During the 2012 fiscal year, the net change in fund balance of the City's General Fund increased by \$532,423. The key components and factors in this increase are as follows:

- The City formally budgeted to increase the fund balance by \$250,000 for fiscal year 2012
- The City increased the general fund tax rate

The Debt Service Fund has a total fund balance of \$877,557, 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 2012 of \$30,406 and a net increase of \$39,333 in 2011. The Debt Service fund was budgeted at a deficit of \$116,750. The difference between the budgeted deficit and the actual deficit amount was primarily the result of an increase in the debt service tax rate. The City is trying to maintain a fund balance in the Debt Service Fund to assist with the debt service requirements, if necessary, 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 balance deficit of \$7,942,293 at 2012 is comprised of the respective proprietary funds as follows; Water and Sewer Fund \$2,423,618, City International Bridge Fund deficit of \$10,365,911. Please refer to the discussion of these amounts under the government-wide financial analysis above. The City International Bridge went into operation on December 14, 2010 therefore; there are 12 months of operating revenues at this time.

General Fund Budgetary Highlights

The original General Fund budget was increased by \$201,881 compared to prior year. While budget variances were incurred at the department level, Revenues over Expenditures was a positive \$532,423.

Capital Assets

The City of Donna's investment in capital assets for its governmental and business type activities as of September 30, 2012 and 2011 amounts to \$89,322,581 and \$87,906,395, 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 1.6 percent (a 6.9 percent increase for governmental activities and a .2 percent decrease for business-type activities, net of accumulated depreciation). The current year depreciation expense for business-type activities was \$2,110,421 for the Water and Sewer Fund and the International Bridge Fund.

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. The City did not provide for depreciation of its 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.

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

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,027,449	\$ 1,027,449	\$ 1,237,616	\$ 1,234,103	\$ 2,265,065	\$ 2,261,552
Buildings	2,637,123	2,637,123	2,871,024	2,932,330	5,508,147	5,569,453
Improvements other than buildings	8,931,391	8,617,718	495,169	544,536	9,426,560	9,162,254
Infrastructure	5,324,847	4,768,619	60,257,063	60,284,292	65,581,910	65,052,911
Furniture and equipment	6,242,770	5,583,417	229,297	274,672	6,472,067	5,858,089
Other developments in progress	29,411	2,136	39,421	-	68,832	2,136
Total	\$ 24,192,991	\$ 22,636,462	\$ 65,129,590	\$ 65,269,933	\$ 89,322,581	\$ 87,906,395

Debt Administration

The City of Donna's total long-term debt for its governmental and business-type activities as of September 30, 2012 and 2011 amounts to \$44,921,157 and \$47,070,234, respectively.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds - net	\$ 2,435,680	\$ 1,419,612	\$ 39,974,320	\$ 40,595,389	\$ 42,410,000	\$ 42,015,001
Less loss on refunded bonds	(138,211)	-	(322,186)	-	(460,397)	-
Less issuance face discount	-	-	(152)	(242)	(152)	(242)
General obligation tax notes	24,241	1,440,096	165,759	614,904	190,000	2,055,000
Claims payable	-	-	2,001,575	2,163,939	2,001,575	2,163,939
Capital leases	169,020	272,908	2,950	4,122	171,970	277,030
Notes and loans payable	233,051	233,051	-	-	233,051	233,051
Compensated absences	345,621	290,820	29,489	35,635	375,110	326,455
Total	\$ 3,069,402	\$ 3,656,487	\$ 41,851,755	\$ 43,413,747	\$ 44,921,157	\$ 47,070,234

The City's total debt decreased by a net \$2,149,077 or 4.57 percent, during the current fiscal year. In July 2012, the City restructured debt to lower debt service for cash flow relief. The City refunded the Limited Tax Refunding Bonds, Series 2009 and the Tax Notes, Series 2009 for the issuance of the Limited Tax Refunding Bonds, Series 2012 for \$4,775,000. Additional information on the City of Donna's long-term debt can be found in note 3, Section G of this report.

During and after the construction of the international bridge and related bridge service assets, bridge related debt service payments are funded primarily by the general government's Debt Service Fund via transfers to the City International Bridge Fund. Operating Income from the international bridge (excluding depreciation and amortization) contributed to debt service payments. For the current year the general government's Debt Service Fund has paid \$1,532,160 of the debt service payments on the 2007 Bonds with the remaining requirements coming from the 2007 Bond capitalized interest account. However, since the international bridge opened 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 the Republic of Mexico and the City of Donna will be ready to accommodate commercial traffic, the U.S. government has made no financial commitment to build, staff, 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 2013 budget were up \$37,899,401, or 11 percent from the prior year.
- The City maintained the tax rate to \$1.252376 per \$100 valuation.
- In the 2013 Budget, the General Fund expenditures are budgeted to increase 6.36 % and revenue also increased by 6.13%.
- In 2012, the toll bridge was in operations for the first full year and did generate additional revenues for the City. 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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,661,701	\$ 3,536,276	\$ 7,197,977
Receivables, net	2,084,300	845,144	2,929,444
Internal balances	507,635	(507,636)	-
Due from primary government	-	-	-
Inventories	4,285	-	4,285
Restricted assets			
Cash and cash equivalents	-	4,317,708	4,317,708
Capital assets:			
Land	1,027,449	1,237,616	2,265,065
Construction in progress	29,411	39,421	68,832
Other capital assets, net of accumulated depreciation	23,136,131	63,852,553	86,988,684
Other assets	-	72,098	72,098
Deferred charges	36,501	1,246,101	1,282,602
	<u>\$ 30,487,411</u>	<u>\$ 74,639,283</u>	<u>\$ 105,126,694</u>
Total assets			
LIABILITIES			
Accounts payable	\$ 536,021	\$ 526,288	\$ 1,062,310
Accrued interest payable	21,947	304,334	326,280
Accrued liabilities	77,397	29,156	106,552
Due to component unit	3,498	-	3,498
Due to fiduciary	34,891	-	34,891
Due to other governments	9,232	28,359	37,590
Deposits	98,620	407,553	506,173
Unearned revenue	26,637	-	26,637
Non-current liabilities:			
Due within one year	488,176	788,148	1,276,324
Due in more than one year	2,581,227	41,063,606	43,644,834
Total liabilities	<u>3,877,645</u>	<u>43,147,444</u>	<u>47,025,089</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	22,322,916	37,284,859	59,607,775
Restricted for:			
Capital projects	257,081	382,813	639,894
Operations and maintenance	-	746,200	746,200
Debt service	2,215,411	1,020,260	3,235,671
Other purposes	388,774	-	388,774
Unrestricted (deficit)	<u>1,425,585</u>	<u>(7,942,293)</u>	<u>(6,516,709)</u>
Total net assets (deficit)	<u>\$ 26,609,767</u>	<u>\$ 31,491,839</u>	<u>\$ 58,101,605</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 1-A

Component Units			
Donna Economic Development Corporation	Development Corporation of Donna, Inc.		
\$ 174,461	\$ 353,647		
74,254	253,390		
-	-		
1,749	1,749		
-	-		
406,924	396,699		
248,216	-		
-	-		
-	-		
-	-		
<u>254,308</u>	<u>239,678</u>		
<u>\$ 1,159,913</u>	<u>\$ 1,245,162</u>		
\$ -	\$ -		
29,447	28,215		
-	-		
-	-		
-	-		
-	-		
120,000	120,000		
<u>4,038,093</u>	<u>3,943,524</u>		
<u>4,187,540</u>	<u>4,091,739</u>		
248,216	-		
-	-		
-	-		
406,924	396,699		
-	-		
<u>(3,682,766)</u>	<u>(3,243,275)</u>		
<u>\$ (3,027,627)</u>	<u>\$ (2,846,576)</u>		

CITY OF DONNA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 1,083,063	\$ 197,791	\$ 236,918	\$ -
Public safety	1,847,489	268,301	75,182	-
Public works	1,391,738	945,531	-	901,729
Culture and recreation	519,826	60,926	600	-
Public health and welfare	217,651	29,673	-	-
Economic development	144,809	-	-	75,000
Tourism development	17,598	-	-	-
Interest on long-term debt	73,071	-	-	-
Total governmental activities	5,295,244	1,502,221	312,700	976,729
Business-type activities:				
Water and sewer	5,005,481	5,451,758	-	1,821,851
International Bridge	3,551,342	1,148,628	-	120,000
Total business-type activities	8,556,823	6,600,386	-	1,941,851
Total primary government	\$ 13,852,067	\$ 8,102,608	\$ 312,700	\$ 2,918,580
COMPONENT UNITS:				
Economic Development	\$ 690,281	\$ -	\$ -	\$ 114,200
Total component units	\$ 690,281	\$ -	\$ -	\$ 114,200
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				
Net assets (deficit)-ending				

The accompanying notes are an integral part of this statement.

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.
\$ (648,354)	\$ -	\$ (648,354)		
(1,504,006)	-	(1,504,006)		
455,523	-	455,523		
(458,300)	-	(458,300)		
(187,978)	-	(187,978)		
(69,809)	-	(69,809)		
(17,598)	-	(17,598)		
(73,071)	-	(73,071)		
<u>(2,503,593)</u>	<u>-</u>	<u>(2,503,593)</u>		
-	2,268,128	2,268,128		
-	(2,282,714)	(2,282,714)		
-	(14,586)	(14,586)		
<u>\$ (2,503,593)</u>	<u>\$ (14,586)</u>	<u>\$ (2,518,179)</u>		
			\$ (364,192)	\$ (211,888)
			<u>\$ (364,192)</u>	<u>\$ (211,888)</u>
4,390,543	-	4,390,543	-	-
865,983	-	865,983	432,991	432,991
731,064	-	731,064	-	-
108,290	-	108,290	-	-
8,245	10,256	18,501	120	1,151
43,218	-	43,218	-	-
(1,504,045)	1,504,045	-	-	-
<u>4,643,298</u>	<u>1,514,301</u>	<u>6,157,598</u>	<u>433,111</u>	<u>434,142</u>
2,139,705	1,499,714	3,639,419	68,919	222,254
24,470,062	29,992,125	54,462,187	(3,096,546)	(3,068,830)
<u>\$ 26,609,767</u>	<u>\$ 31,491,839</u>	<u>\$ 58,101,605</u>	<u>\$ (3,027,627)</u>	<u>\$ (2,846,576)</u>

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FUND FINANCIAL STATEMENTS

CITY OF DONNA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 1,032,783	\$ 727,964	\$ 1,900,954	\$ 3,661,701
Receivables, net:				
Property taxes	968,320	673,374	-	1,641,694
Accounts	307,627	-	5,315	312,942
Intergovernmental	129,663	-	-	129,663
Inventories	4,285	-	-	4,285
Due from other funds	68,742	114,327	3,750	186,819
Advances to other funds	588,061	-	-	588,061
	<u>\$ 3,099,480</u>	<u>\$ 1,515,665</u>	<u>\$ 1,910,020</u>	<u>\$ 6,525,165</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 265,840	\$ -	\$ 270,181	\$ 536,021
Accrued liabilities	77,397	-	-	77,397
Due to other funds	221,210	19,860	26,175	267,244
Due to component units	3,498	-	-	3,498
Due to other governments	9,232	-	-	9,232
Due to fiduciary	34,891	-	-	34,891
Deferred revenues	895,383	618,248	-	1,513,631
Unearned revenues	26,637	-	-	26,637
Deposits	98,620	-	-	98,620
	<u>1,632,707</u>	<u>638,108</u>	<u>296,356</u>	<u>2,567,171</u>
<u>Fund Balances</u>				
Nonspendable - inventory	4,285	-	-	4,285
Nonspendable - long term advances to funds	588,061	-	-	588,061
Restricted for:				
Tourism	-	-	371,519	371,519
Law enforcement	-	-	17,255	17,255
Fire equipment debt service	-	-	150,604	150,604
Equipment purchases	-	-	211,707	211,707
Park improvements	-	-	45,374	45,374
Debt service	-	877,557	-	877,557
Capital projects	-	-	817,205	817,205
Unassigned	874,428	-	-	874,428
	<u>1,466,773</u>	<u>877,557</u>	<u>1,613,664</u>	<u>3,957,994</u>
Total Liabilities and Fund Balances	<u>\$ 3,099,480</u>	<u>\$ 1,515,665</u>	<u>\$ 1,910,020</u>	<u>\$ 6,525,165</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, 2012

Total fund balances- governmental funds balance sheet	\$ 3,957,994
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.	24,192,990
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,513,631
Payables for bond principal less refunding loss, which are not due in the current period are not reported in the funds.	(2,530,520)
Payables for tax note principal, which are not due in the current period are not reported in the funds.	(24,241)
Payables for debt interest, which are not due in the current period are not reported in the funds.	(21,947)
Payables for capital lease obligations, which are not due in the current period are not reported in the funds.	(169,020)
Payables for compensated absences and claims, which are not due in the current period are not reported in the funds.	(345,622)
Bond issuance costs, which are expensed in the funds.	<u>36,501</u>
Net assets of governmental activities- statement of net assets	<u>\$ 26,609,767</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, 2012

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 4,036,307	\$ 1,876,874	\$ 108,290	\$ 6,021,470
Licenses and permits	123,623	-	-	123,623
Charges for services	1,204,455	-	66,861	1,271,315
Fines and forfeitures	97,283	-	-	97,283
Intergovernmental	241,369	-	236,918	478,287
Interest	583	2,578	5,084	8,245
Other	45,502	-	10,000	55,502
Total Revenues	5,749,122	1,879,451	427,153	8,055,726
Expenditures:				
Current:				
General government	1,078,438	-	4,745	1,083,183
Public safety	1,873,037	-	-	1,873,037
Public works	1,412,629	-	-	1,412,629
Culture and recreation	535,166	-	-	535,166
Health and welfare	217,651	-	-	217,651
Economic development	75,000	-	69,809	144,809
Tourism development	-	-	17,598	17,598
Capital Outlay	-	-	605,493	605,493
Debt Service:				
Principal retirements	62,061	524,969	42,736	629,765
Interest and other charges	5,784	121,730	9,251	136,765
Total Expenditures	5,259,764	646,699	749,632	6,656,095
Excess (Deficiency) of Revenues Over Expenditures	489,357	1,232,752	(322,479)	1,399,631
Other Financing Sources (Uses):				
Transfers in	43,066	236,918	5,304	285,288
Transfers out	-	(1,532,160)	(276,339)	(1,808,499)
Issuance of bonds	-	1,260,600	-	1,260,600
Payment to refunded bond escrow agent	-	(1,228,516)	-	(1,228,516)
Total Other Financing Sources (Uses)	43,066	(1,263,158)	(271,035)	(1,491,127)
Net Change in Fund Balances	532,423	(30,406)	(593,513)	(91,496)
Fund Balances at Beginning of Year	934,350	907,963	2,207,177	4,049,489
Fund Balances at End of Year	\$ 1,466,773	\$ 877,557	\$ 1,613,664	\$ 3,957,994

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, 2012

Net change in fund balances- total governmental funds	\$	(91,496)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		720,660
Capital assets and long-term liabilities from business-type fund closing not shown as transfers in the funds.		19,165
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.		74,740
Refunding issuance and payments to fiscal agent are reported in the SOA		(9,780)
Repayment of principal on long-term debt is an expenditure in the funds, but is not an expense in the SOA.		629,765
Issuance cost on new debt are not expensed in the SOA		29,562
Capital contributions are not recognized in the funds, but are recognized in the SOA.		810,543
Amortization of issuance costs in the SOA, previously expensed in the funds.		(4,438)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.		9,217
Compensated absences are reported as the amount is incurred in the SOA, but as paid in the funds		(48,234)
		<u>(48,234)</u>
Change in net assets of governmental activities- statement of activities	\$	<u>2,139,705</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
<u>Assets</u>				
Current Assets				
Cash and cash equivalents	\$ 3,212,939	\$ 323,338	\$ -	\$ 3,536,276
Restricted assets				
Cash and cash equivalents	2,160,170	2,157,538	-	4,317,708
Receivables, net:				
Accounts	750,144	-	-	750,144
Intergovernmental receivables	95,000	-	-	95,000
Due from other funds	286,120	45,821	-	331,941
Total Current Assets	<u>6,504,373</u>	<u>2,526,696</u>	<u>-</u>	<u>9,031,069</u>
Noncurrent assets				
Advances to other funds	322,830	-	-	322,830
Deferred charges, net	458,680	787,421	-	1,246,101
Other assets	72,098	-	-	72,098
Capital assets	55,718,758	25,259,423	-	80,978,180
Less accumulated depreciation	<u>(14,411,684)</u>	<u>(1,436,906)</u>	<u>-</u>	<u>(15,848,590)</u>
Net Capital Assets	<u>41,307,073</u>	<u>23,822,517</u>	<u>-</u>	<u>65,129,590</u>
Total Noncurrent Assets	<u>42,160,682</u>	<u>24,609,938</u>	<u>-</u>	<u>66,770,620</u>
Total Assets	<u>\$ 48,665,055</u>	<u>\$ 27,136,634</u>	<u>\$ -</u>	<u>\$ 75,801,689</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-Type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 522,390	\$ 3,897	\$ -	\$ 526,288
Accrued liabilities	10,171	18,985	-	29,156
Accrued interest payable	62,790	241,544	-	304,334
Compensated absences payable	8,167	3,629	-	11,796
Due to other funds	131,515	120,000	-	251,516
Due to other governments	28,359	-	-	28,359
Current portion of bonds and tax notes	242,888	478,175	-	721,063
Current portion of capital leases payable	-	1,255	-	1,255
Current portion of claims payable	54,034	-	-	54,034
Deposits	405,303	2,250	-	407,553
Total Current Liabilities	<u>1,465,617</u>	<u>869,736</u>	<u>-</u>	<u>2,335,353</u>
Noncurrent liabilities				
Bonds and tax notes, net of unamortized discount and refunding loss	8,337,062	30,759,616	-	39,096,678
Capital leases payable, net of current portion	-	1,695	-	1,695
Claims payable, net of current portion	1,685,057	262,484	-	1,947,541
Compensated absences, net of current portion	11,036	6,656	-	17,691
Advances from other funds	-	910,891	-	910,891
Total Noncurrent Liabilities	<u>10,033,155</u>	<u>31,941,342</u>	<u>-</u>	<u>41,974,497</u>
Total Liabilities	<u>11,498,772</u>	<u>32,811,078</u>	<u>-</u>	<u>44,309,850</u>
<u>Net Assets (Deficit)</u>				
Invested in capital assets, net of related debt	32,710,063	4,574,796	-	37,284,859
Restricted for capital projects	382,813	-	-	382,813
Restricted for operations and maintenance	629,529	116,671	-	746,200
Restricted for debt service	1,020,260	-	-	1,020,260
Unrestricted (deficit)	2,423,618	(10,365,911)	-	(7,942,293)
Total Net Assets (Deficit)	<u>\$ 37,166,283</u>	<u>\$ (5,674,444)</u>	<u>\$ -</u>	<u>\$ 31,491,839</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, 2012

	Business-type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
Operating Revenues:				
Charges for services	\$ 5,451,758	\$ 1,121,628	\$ -	\$ 6,573,386
Rent building	-	27,000	-	27,000
Total Operating Revenues	<u>5,451,758</u>	<u>1,148,628</u>	<u>-</u>	<u>6,600,386</u>
Operating Expenses:				
Salaries, wages and employee benefits	214,910	549,923	-	764,832
Supplies and materials	425,632	6,994	-	432,626
Property occupancy	154,178	14,794	-	168,972
Equipment maintenance	28,794	5,459	-	34,253
Other services	788,258	125,155	-	913,412
Depreciation and amortization	1,308,600	801,821	-	2,110,421
Operating contractor fees	1,592,264	-	-	1,592,264
Total Operating Expenses	<u>4,512,634</u>	<u>1,504,145</u>	<u>-</u>	<u>6,016,779</u>
Operating Income (Loss)	<u>939,124</u>	<u>(355,517)</u>	<u>-</u>	<u>583,606</u>
Non-Operating Revenues (Expenses):				
Interest income	9,384	872	-	10,256
Interest expense	(395,275)	(1,976,931)	-	(2,372,206)
Contributions	-	120,000	-	120,000
Amortization of issuance costs	(97,572)	(70,266)	-	(167,838)
Total Non-Operating Revenues (Expenses)	<u>(483,463)</u>	<u>(1,926,325)</u>	<u>-</u>	<u>(2,409,788)</u>
Income (Loss) Before Contributions and Transfers	455,661	(2,281,842)	-	(1,826,182)
Capital Contributions	1,821,851	-	-	1,821,851
Transfers In	39,421	1,532,160	-	1,571,581
Transfers Out	-	(5,304)	(62,232)	(67,536)
Change in Net Assets	<u>2,316,933</u>	<u>(754,987)</u>	<u>(62,232)</u>	<u>1,499,714</u>
Net Assets Beginning of Year	<u>34,849,350</u>	<u>(4,919,457)</u>	<u>62,232</u>	<u>29,992,125</u>
Net Assets at End of Year	<u>\$ 37,166,283</u>	<u>\$ (5,674,444)</u>	<u>\$ -</u>	<u>\$ 31,491,839</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
Cash Flows From Operating Activities:				
Cash received from customers	\$ 5,485,667	\$ 1,148,628	\$ -	\$ 6,634,295
Cash payments to employees for services	(211,875)	(541,975)	-	(753,850)
Cash payments to other suppliers for goods and services	(2,828,645)	(163,603)	-	(2,992,248)
Cash payments received for deposits	8,818	2,250	-	11,068
Net Cash Provided (Used) by Operating Activities	2,453,966	445,300	-	2,899,265
Cash Flows From Noncapital Financing Activities:				
Interfund loan or loan payments received (paid)	40,358	519,538	-	559,896
Transfers from (to) other funds	-	1,526,856	-	1,526,856
Net Cash Provided (Used) By Noncapital Financing Activities	40,358	2,046,394	-	2,086,752
Cash Flows From Capital and Related Financing Activities:				
Proceeds from issuance of long-term debt	39,400	-	-	39,400
Acquisition and construction of capital assets	(427,542)	(22,527)	-	(450,069)
Amount paid out on refunding	(376,624)	-	-	-
Principal paid on long-term debt	(821,823)	(477,987)	-	(1,299,810)
Interest paid on long-term debt	(406,837)	(1,979,196)	-	(2,386,033)
Capital contributions	220,938	120,000	-	340,938
Net Cash Provided (Used) By Capital and Related Financing Activities	(1,772,488)	(2,359,710)	-	(3,755,574)
Cash Flows from Investing Activities:				
Interest from investments	9,384	872	-	10,256
Net Cash Provided (Used) for Investing Activities	9,384	872	-	10,256
Net Increase (Decrease) in Cash and Cash Equivalents	731,220	132,856	-	864,076
Cash and Cash Equivalents at Beginning of Year	4,641,889	2,348,020	-	6,989,909
Cash and Cash Equivalents at End of Year	\$ 5,373,109	\$ 2,480,876	\$ -	\$ 7,853,985

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT 3-C

	Business-type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
Reconciliation of Operating Income to Net Cash				
Provided by Operating Activities:				
Operating income (loss)	\$ 939,124	\$ (355,517)	\$ -	\$ 583,608
Adjustments to Reconcile Operating Income (Loss) to Net				
Cash Provided by Operating Activities				
Depreciation	1,308,600	801,821	-	2,110,421
Change in Assets and Liabilities:				
Decrease (increase) in receivables	33,910	-	-	330,201
Decrease (increase) advances	(322,830)	-	-	(322,830)
Decrease (increase) in due from other funds	330,201	-	-	330,201
Increase (decrease) in accounts payable	131,683	(11,202)	-	120,481
Increase (decrease) in compensated absences	(1,215)	-	-	(1,215)
Increase (decrease) in due to other funds	32,987	-	-	32,987
Increase (decrease) in accrued liabilities	(7,312)	7,948	-	636
Increase (decrease) in deposits	8,818	2,250	-	11,068
Total Adjustments	<u>1,514,842</u>	<u>800,817</u>	<u>-</u>	<u>2,611,950</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,453,966</u>	<u>\$ 445,300</u>	<u>\$ -</u>	<u>\$ 3,195,558</u>
Noncash Capital and related Financing Activities:				
Bonds proceeds direct to refunding	\$ 3,475,000	\$ -	\$ -	\$ 3,475,000
Bonds proceeds direct to refunding	(3,475,000)	-	-	(3,475,000)
Amortization of issuance costs	(97,572)	(70,266)	-	(167,838)
Capital assets from developers	1,505,913	-	-	1,505,913
Intergovernmental receivable and capital contribution	95,000	-	-	95,000
Capital assets received provided from (to) other funds	39,421	-	(25,325)	14,096
Long-term liabilities of fund closed to governmental fund types	-	-	6,159	6,159
Current assets and current liabilities closed to the general fund	-	-	(43,066)	(43,066)

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	Fireman's Pension Fund	Component Units	
		Tax Increment Reinvestment Zone #1	Tax Increment Reinvestment Zone #2
<u>Assets</u>			
Restricted assets:			
Cash and cash equivalents	\$ 258	\$ 151,605	\$ -
Receivables	-	69,834	4,495
Due from other funds	-	34,891	-
Total Assets	258	256,330	4,495
<u>Liabilities</u>			
Accrued expenses	-	(1,746,323)	(1,221,148)
<u>Net Assets</u>			
Held in trust for pension benefits	258	-	-
Held in trust for reinvestment zone (deficit)	-	(967,324)	(1,739,323)
Total Net Assets	\$ 258	\$ (967,324)	\$ (1,739,323)

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, 2012

	Fireman's Pension Fund	Component Units	
		Tax Increment Reinvestment Zone #1	Tax Increment Reinvestment Zone #2
Additions			
Contributions:			
City	\$ 3,000	\$ 34,890	\$ -
Hidalgo County	-	17,610	-
Total Additions	<u>3,000</u>	<u>52,500</u>	<u>-</u>
Deductions			
Administration	-	7,076	5,000
Developer's expense	-	1,221,148	1,734,323
Benefits	3,000	-	-
Total Deductions	<u>3,000</u>	<u>1,228,224</u>	<u>1,739,323</u>
Change in Net Assets	-	(1,175,724)	(1,739,323)
Net Assets- Beginning of the Year	<u>258</u>	<u>208,400</u>	<u>-</u>
Net Assets (Deficit) - End of the Year	<u>\$ 258</u>	<u>\$ (967,324)</u>	<u>\$ (1,739,323)</u>

The accompanying notes are an integral part of this statement.

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CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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. Tax Increment Reinvestment Zone Number One and Two are component units that are fiduciary in nature and are reported in a separate component units column in the fiduciary fund financial statements.

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.

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (continued)

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.

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (continued)

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.

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.

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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. This fund also accounts for the related revenues and expenses of bridge crossing services.

The government reports the following fiduciary fund types:

The Fireman's Pension Fund and Component Units, Tax Increment Reinvestment Zone #1 and Zone #2, 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.

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 Tax Increment Zone #1 and #2 funds are authorized to invest in certificates of deposit, obligations of the U.S. Government and its agencies or instrumentalities and state obligations.

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."

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

2. Receivables and payables (continued)

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.

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (continued)

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.

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, is 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 or Development Corporation of Donna, Inc. component units have 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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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

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.

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.

E. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

There are two major categories of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and long-term receivables. The City has inventories and long-term advances to funds that are considered nonspendable.

In addition to the nonspendable fund balance, there is a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance Reporting (continued)

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the City Council. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Council. The City does not have any assigned fund balances. Unlike commitments, assignments generally only exist temporarily. An additional action does not have to be taken for the removal of an assignment.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Fund balance flow assumptions:

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (*Continued*)

A. Budgetary Information (continued)

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.
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 \$5,674,444. See Note N 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 \$3,027,627 and \$2,846,576, respectively. These economic development component units provide economic development stimulus, which intends that the funding is 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 is able to be serviced from cash flows available from the sales taxes they receive. Both component units assisted in the Donna-Rio Bravo international bridge project, which was a large economic development project for the City of Donna.

The fiduciary component units Tax Increment Reinvestment Zone #1 and Tax Increment Reinvestment Zone #2 (TIRZ) both reflect a net asset deficit of \$967,324 and \$1,739,323, respectively. These component units provide tax increment financing to support revitalization and development activities in the zones as discussed at the reporting entity. These are planned net asset deficits which have resulted from recording the liability to developer's for improvements in the zone areas. These deficits will remain until the tax increment payments from the City and Hidalgo County are collected and remitted to the TIRZ. No funds shall be disbursed from the Tax Increment funds without the prior written approval of the Zone Board.

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 State statutes at September 30, 2012.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments (continued)

1. Primary Government (continued)

At September 30, 2012, the carrying amount of the City’s deposits with financial institutions was \$3,437,037 and the bank balance was \$3,552,842. 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.

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, 2012 and during the year ended September 30, 2012 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, 2012, the City had the following investments:

	Fair Value	Weighted Average Maturity	Credit Rating
Local Government Investments			
Cooperative (LOGIC)	\$ 6,012,584	50 days	AAAm
AIM Trust Treasury Portfolio	2,212,489	< 90 days	Baa3

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, 2012

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, 2012, the Local Government Investment Cooperative (LOGIC) reported the following concentrations of investments in its portfolio:

Commercial paper	67.52%
Repurchase Agreements	23.37%
Government Securities	9.11%

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, 2012

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, 2012, the reported amount of deposits for DEDC-4A totaled \$174,460, and the bank balances totaled \$174,460. The reported deposits for DCD-4B totaled \$353,647 and the bank balances totaled \$353,647.

At September 30, 2012, 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, 2012, are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
AIM Trust Trasury Portfolio	\$ 406,924	< 90 days	Baa3

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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, 2012, are as follows:

AIM Trust Treasury Portfolio	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
	\$ 396,699	< 90 days	Baa3

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:

	Primary Government	Component Units	
		Donna Economic Development Corporation	Development Corporation of Donna
Cash on hand	\$ 5,438	\$ -	\$ -
Carrying amount deposits, including CD's	3,437,037	174,461	353,647
Short-term investments	8,225,072	406,924	396,699
Less: Statement of Fiduciary Net Assets	<u>(151,862)</u>	<u>-</u>	<u>-</u>
Cash and investments	<u>\$ 11,515,685</u>	<u>\$ 581,385</u>	<u>\$ 750,346</u>
Cash and cash equivalents	\$ 7,197,977	\$ 174,461	\$ 353,647
Cash and cash equivalents - restricted	<u>4,317,708</u>	<u>406,924</u>	<u>396,699</u>
Cash and cash equivalents Statement of Net Assets	<u>\$ 11,515,685</u>	<u>\$ 581,385</u>	<u>\$ 750,346</u>

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

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, 2011, upon which the 2011 levy was based, was \$341,166,627.

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, 88% of the current year tax levy (October 1, 2011) 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, 2012, was \$.706169 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, 2012, was \$.546207 per \$100 of assessed valuation. The combined tax rate for the City is \$1.252376 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.

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

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, 2012:

	General Fund	Debt Service Fund	Total
Property taxes receivable	\$ 1,246,118	\$ 835,910	\$ 2,082,028
Less allowance for uncollectibles	(277,798)	(162,536)	(440,334)
Net property taxes receivable	<u>\$ 968,320</u>	<u>\$ 673,374</u>	<u>\$ 1,641,694</u>
Deferred property taxes	\$ 895,383	\$ 618,248	\$ 1,513,631
Net deferred property taxes	<u>\$ 895,383</u>	<u>\$ 618,248</u>	<u>\$ 1,513,631</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	Total
Receivables:					
Property taxes	\$ 1,246,118	\$ 835,910	\$ -	\$ -	\$ 2,082,028
Accounts	391,816	-	12,588	1,139,986	1,544,390
Intergovernmental - grant	129,663	-	-	95,000	224,663
Gross receivables	1,767,597	835,910	12,588	1,234,986	3,851,081
Less: Allowance for uncollectible	(361,987)	(162,536)	(7,273)	(389,842)	(921,638)
Net total receivables	<u>\$ 1,405,610</u>	<u>\$ 673,374</u>	<u>\$ 5,315</u>	<u>\$ 845,144</u>	<u>\$ 2,929,443</u>

Revenues of the Water and Sewer Fund are reported net of a provision for estimated uncollectible amounts in the amount of \$47,666.

2. Component Units

Accounts Receivable

At September 30, 2012, the DEDC-4A and the DCD-4B each had a sales tax receivable of \$74,254.

Loans Receivable

At September 30, 2012 the Development Corporation of Donna (DCD-4B) had U. S. Department of Agriculture, Rural Business Enterprise Grant program loans outstanding in the amount of \$179,136. These loans were funded \$114,200 by the grant and the City provided matching funds of \$57,442.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

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)	\$ 895,383	\$ -
Delinquent property taxes (Debt Service Fund)	618,248	-
Micellaneous advances (General Fund)	-	26,637
	\$ 1,513,631	\$ 26,637

E. Interfund Payables/ Receivables, Advances and Transfers

Interfund receivable and payable balances at September 30, 2012 were as follows:

Governmental Funds – Receivable Fund

Receivable Entity	Payable Entity	Amount
General Fund	Water and Sewer Fund	\$ 68,597
General Fund	Capital Projects Fund	144
Debt Service Fund	Water and Sewer Fund	62,918
Debt Service Fund	General Fund	51,409
Nonmajor Governmental Fund	General Fund	3,750
		\$ 186,818

Proprietary Funds – Receivable Fund

Receivable Entity	Payable Entity	Amount
Water & Sewer Fund	General Fund	\$ 166,120
Water & Sewer Fund	City International Bridge Fund	120,000
City International Bridge Fund	Debt Service Fund	19,860
City International Bridge Fund	Nonmajor Governmental Fund	25,961
		\$ 331,941

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. The \$120,000 payable from the City International Bridge Fund to the Water and Sewer Fund is the amount of long-term advances that the City expects to be able to repay within the coming year.

Certain interfund loans were not expected to be repaid within the next year. These loans are reported as long-term advances. The following advances were made to sustain operations of the City International Bridge Fund, which did not generate revenues to meet operating and debt obligations.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Payables/ Receivables, Advances and Transfers (continued)

Advances receivable and payable balances at September 30, 2012 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	City International Bridge Fund	\$ 588,061
		<u>\$ 588,061</u>

Proprietary Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
Water & Sewer	City International Bridge Fund	\$ 322,830
		<u>\$ 322,830</u>

Advances are interfund loans which are not scheduled to be repaid within one year. No amount is planned for repayment to the General Fund in the next fiscal year.

Due to/from the primary government and component units at September 30, 2012 were as follows:

Receivable Entity	Payable Entity	Amount
Component Unit - DCD (4A)	Primary Government - General Fund	\$ 1,749
Component Unit - DCD (4B)	Primary Government - General Fund	1,749
		<u>\$ 3,498</u>

Interfund transfers during the year were as follows:

	Transfer In:					Total
	Debt Service	City International Bridge Fund	General Fund	Water & Sewer Fund	Nonmajor Governmental	
Transfer Out:						
Nonmajor Proprietary	\$ -	\$ -	\$ 43,066	\$ -	\$ -	\$ 43,066
City Int'l. Bridge Fund	-	-	-	-	5,304	5,304
Debt Service Fund	-	1,532,160	-	-	-	1,532,160
Nonmajor Governmental	236,918	-	-	39,421	-	276,339
Total	<u>\$ 236,918</u>	<u>\$ 1,532,160</u>	<u>\$ 43,066</u>	<u>\$ 39,421</u>	<u>\$ 5,304</u>	<u>\$ 1,856,869</u>

Transfers were used primarily to 1) close the Cemetery Fund to the General Fund, 2) transfer of remaining tax notes proceeds from the City International Bridge Fund to the Capital Projects Fund, 3) to move tax revenues levied for debt service of bonds from the Debt Service Fund to the City International Bridge Fund, and 4) to move funds from the Urban County Program Fund to pay preauthorized debt service payments and 5) move Water and Sewer Fund infrastructure capital assets constructed with tax notes proceeds from the Capital Projects Fund to the Water and Sewer Fund.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Payables/ Receivables, Advances and Transfers (continued)

The Cemetery Fund also transferred net capital assets of \$25,325 and long-term liabilities of \$6,160 to the governmental activities. Current assets and liabilities of \$43,066 are shown in the fund financial statements as a transfer in and the remaining amount for capital assets and long-term liabilities is shown as a transfer in at the government-wide financial statements. The total net assets transfer from the Cemetery Fund to governmental funds was \$62,232.

F. Capital assets

1. Primary Government

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance at October 1, 2011	Increases	Decreases	Balance at September 30, 2012
<u>Governmental Activities:</u>				
Capital assets, not subject to depreciation:				
Land	\$ 1,027,449	\$ -	\$ -	\$ 1,027,449
Construction in progress	2,136	27,275	-	29,411
Total capital assets, not to be depreciated	<u>1,029,585</u>	<u>27,275</u>	<u>-</u>	<u>1,056,860</u>
Capital assets, depreciable:				
Buildings	2,637,123	-	-	2,637,123
Improvements other than buildings	8,617,718	313,673	-	8,931,391
Infrastructure	4,768,619	556,228	-	5,324,847
Furniture and equipment	5,583,417	659,353	-	6,242,770
Total capital assets, depreciable	<u>21,606,877</u>	<u>1,529,254</u>	<u>-</u>	<u>23,136,131</u>
Governmental Activities Capital Assets	<u>\$ 22,636,462</u>	<u>\$ 1,556,529</u>	<u>\$ -</u>	<u>\$ 24,192,991</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, 2011	Increases	Decreases	Balance at September 30, 2012
<u>Business-type Activities:</u>				
Capital assets, not subject to depreciation:				
Land	\$ 1,234,103	\$ 3,513	\$ -	\$ 1,237,616
Construction in progress	-	39,421	-	39,421
Total assets, not to be depreciated	<u>1,234,103</u>	<u>42,934</u>	<u>-</u>	<u>1,277,037</u>
Capital assets, being depreciated:				
Buildings	3,006,302	-	-	3,006,302
Improvements other than buildings	581,161	-	(40,927)	540,234
Infrastructure	73,612,880	1,952,469	-	75,565,349
Furniture and equipment	596,433	-	(7,175)	589,258
Total assets, being depreciated	<u>77,796,776</u>	<u>1,952,469</u>	<u>(48,102)</u>	<u>79,701,143</u>
Less accumulated depreciation:				
Buildings	73,972	61,307	-	135,279
Improvements other than buildings	36,625	25,153	(16,712)	45,066
Infrastructure	13,328,588	1,978,106	-	15,306,694
Furniture and equipment	321,761	45,855	(6,065)	361,551
Total accumulated depreciation	<u>13,760,946</u>	<u>2,110,421</u>	<u>(22,777)</u>	<u>15,848,590</u>
Total capital assets, being depreciated, net	<u>64,035,830</u>	<u>(157,952)</u>	<u>(25,325)</u>	<u>63,852,553</u>
Business-Type Activities Capital Assets, Net	<u>\$ 65,269,933</u>	<u>\$ (115,018)</u>	<u>\$ (25,325)</u>	<u>\$ 65,129,590</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital assets (continued)

No interest was capitalized in the Business-Type Activities in 2012. Cemetery assets of \$25,325, net were transferred to governmental activities.

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

<u>Business-type Activities:</u>	
Water and Sewer	\$1,308,600
City International Bridge Fund	<u>801,821</u>
Total depreciation expense - business-type activities	<u><u>\$2,110,421</u></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.

2. Component Units

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, 2011	Increases	Decreases	Balance at September 30, 2012
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>

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. Bond obligations and tax notes are direct obligations and pledge the full faith and credit of the government. The original amount of outstanding general obligation bonds and tax notes issued in prior years was \$4,542,374.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

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. The original issuance amount of these bonds was \$3,050,000. \$ 1,155,000

Series 2006 Limited Tax Refunding Bonds 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 accounted for with business-type activities. The original issuance amount of these bonds was \$41,774 accounted for with governmental activities and \$1,248,226 accounted for with business-type activities. 20,080

Series 2006 Tax Notes 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% is accounted for with governmental activities and 87.24% is accounted for with business-type activities. The original issuance amount of these tax notes was \$190,000 accounted for with governmental activities and \$875,000 accounted for with business-type activities. 24,241

Series 2012 Limited Tax Refunding Bonds due in variable annual installments of \$525,000 to \$680,000 through February 1, 2025; interest at 2.84%, payable semi-annually. Approximately 26.40% is accounted for with governmental activities and 73.60% is accounted for with business-type activities. The original issuance amount of these bonds was \$1,260,600 accounted for with governmental activities and \$3,514,400 accounted for with business-type activities. 1,260,600

Total General Obligation Bonds and Tax Notes	2,459,921
Less Current Portion of Bonds and Tax Notes Payable	(288,937)
Less Loss on Refunded Bonds (Amortized Over the Life of the Bond, 12 Years)	<u>(138,211)</u>
General Obligation Bonds and Tax Notes Payable, Net of Current Portion and Loss	<u><u>\$ 2,032,773</u></u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Governmental activities: (continued)

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2013	\$ 288,937	\$ 85,661
2014	279,858	72,422
2015	305,182	58,624
2016	325,344	43,595
2017	-	35,801
2018-2022	760,320	126,410
2023-2025	500,280	21,799
Total	<u>\$ 2,459,921</u>	<u>\$ 444,312</u>

Business – type activities:

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 \$42,487,626.

Bonds and tax notes outstanding at September 30, 2012 are as follows:

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. The original issuance amount of these bonds was \$750,000. \$ 275,000

Series 2006 Limited Tax Refunding Bonds 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 accounted for with business-type activities. The original issuance amount of these bonds was \$41,774 accounted for with governmental activities and \$1,248,226 accounted for with business-type activities. 599,920

Series 2006 Tax Notes 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% is accounted for with governmental activities and 87.24% is accounted for with business-type activities. The original issuance amount of these tax notes was \$190,000 accounted for with governmental activities and \$875,000 accounted for with business-type activities. 165,759

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business – type activities (continued):

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. This debt is for the international bridge and related infrastructure. The original issuance amount of these bonds was \$30,600,000. 30,500,000

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. The original issue amount of these bonds was \$5,500,000. 5,085,000

Series 2012 Limited Tax Refunding Bonds due in variable annual installments of \$525,000 to \$680,000 through February 1, 2025; interest at 2.84%, payable semi-annually. Approximately 26.40% is accounted for with governmental activities and 73.60% is accounted for with business-type activities. The original issuance amount of these bonds was \$1,260,600 accounted for with governmental activities and \$3,514,400 accounted for with business-type activities. 3,514,400

Total Bonds and Tax Notes Payable 40,140,079

Less Current Portion Payable from Restricted Assets (721,063)

Less Unamortized Face Discount on 2001A Bond (Amortized Over the Life of the Bond, 15 Years) (152)

Less Loss on Refunded Bonds (Amortized Over the Life of the Bond, 12 Years) (322,186)

Bonds and Tax Notes Payable, Net of Current Portion, Discount Net of Current Portion and Loss \$ 39,096,678

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

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2013	\$ 721,063	\$ 2,267,848
2014	765,142	2,230,394
2015	784,818	2,189,538
2016	799,656	2,147,744
2017	875,000	2,101,086
2018-2022	7,214,680	9,516,037
2023-2027	8,339,720	7,452,059
2028-2032	9,475,000	4,945,261
2033-2037	11,165,000	1,769,285
Total	<u>\$ 40,140,079</u>	<u>\$ 34,619,252</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business – type activities (continued):

The City International Bridge Fund accounts and reports for all the bridge related activities including debt. \$1,532,160 of the bridge debt service payments was 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 advances from the General Fund.

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.

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 \$8.9M 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 23 percent of net revenues. Principal and interest paid for the current year and total water and sewer fund net revenues were \$1,377,789 and \$2,257,108, 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, assistance from other funds of the City, and bridge operations. Budgets approved for 2012-2013 continue that debt servicing arrangement.

Current Year Long-Term Debt Refunding

On July 31, 2012, the City issued \$4,775,000 in Limited Tax Refunding Bonds with an interest rate of 2.84%. The refunding bonds mature in the years 2018 through 2025 in installments ranging from \$386,400 to \$500,480. The City refunded Limited Tax Refunding Bonds, Series 2009 and Tax Notes, Series 2009. The refunded bonds were due in varying installments of \$565,000 to \$590,000 with a final payment in 2017 and \$325,000 to \$360,000 with a final payment in 2016 respectively. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments on the Limited Tax Refunding Bonds, Series 2009 and Tax Notes, Series 2009. Issuance costs were paid out of the bond proceeds. The refunding was undertaken to restructure the bonds and thereby extend the principal maturity dates to 2018 through 2025, resulting in greater near-term cash flow to the City. As a result of the refunding, the City sustained an economic loss (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$371,343.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business – type activities (continued):

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, 2012 the amount of defeased debt outstanding was \$4,300,000.

The refunding amounts were allocated to the respective funds that held the debt refunded. \$3,514,400 was allocated to the Water and Sewer Fund and \$1,260,600 was allocated to governmental activities.

Prior Year Long-Term Debt Refunding

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.

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, 2012 the amount of defeased debt outstanding was \$2,875,000.

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.	\$ 141,407
Lease payable due in monthly installments of \$141, including interest, collateralized by a color copier.	1,228
Lease payable due in annual installments of \$4,717, including interest, collateralized by a Cannon copier.	4,535
Lease payable due in annual installments of \$10,580, including interest, collateralized by 2011 Ford F250.	19,155
Lease payable due in annual installments of \$102, including interest, collateralized by a Ricoh multifunctional copier.	<u>2,695</u>
Total Capital Lease Obligations	169,020
Less: Current Portion of Capital Lease Obligations	<u>(60,991)</u>
Capital Lease Obligations, Net of Current Portion	<u>\$ 108,029</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012 are as follows:

Fiscal Year Ending September 30,	Governmental Activities
2013	\$ 69,691
2014	63,705
2015	52,313
Total Payments	\$ 185,709
Less: Amounts Representing Interest	16,689
Present Value of Payments	\$ 169,020

Business-type Activities:

Lease payable due in annual installments of \$118, including interest, collateralized by a Ricoh multifunctional copier.	\$ <u>2,950</u>
Total Capital Lease Obligations	2,950
Less: Current Portion of Capital Lease Obligations	(1,255)
Capital Lease Obligations, Net of Current Portion	\$ <u>1,695</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012 are as follows:

Fiscal Year Ending September 30,	Business-type Activities
2013	\$ 1,419
2014	1,419
2015	356
Total Payments	\$ 3,194
Less: Amounts Representing Interest	244
Present Value of Payments	\$ 2,950

The City's commitment under operating leases and related 2012 rent expense is not material to its combined financial position. None of the City's leasing arrangements involve contingent or sublease rentals.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business-type activities: (continued)

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, 2012, 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

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.

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. 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 September 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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Claims Payable (continued)

Business-type activities: (continued)

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 September 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%.

\$ 1,739,091

Claims payable by the International Bridge Fund to consultant are due in monthly installments of \$10,000 including interest through September 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%.

262,484

Total Present Value of Claims Payable to Consultant 2,001,575

Less Current Portion of Claims Payable (54,034)

Total Present Value of Claims Payable, Net of Current Portion \$ 1,947,541

The future minimum claims obligations and the net present value of these minimum claims payments as of September 30, 2012 are as follows:

Fiscal Year Ending September 30,	Business-Type Activities
2013	\$ 120,000
2014	273,600
2015	<u>1,756,246</u>
Total Payments	\$ 2,149,846
Less: Amounts Representing Interest	<u>148,271</u>
Present Value of Payments	<u>\$ 2,001,575</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Claims Payable (continued)

Business-type activities: (continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2012 is as follows:

	Balance at September 30, 2011	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2012	Amounts Due within One Year
<u>Governmental Activities:</u>					
Bonds payable	\$ 1,419,612	\$ 1,260,600	\$ 244,532	\$ 2,435,680	\$ 264,696
Less loss on refunded bonds	-	(138,211)	-	(138,211)	-
Tax notes payable	1,440,096	-	1,415,855	24,241	24,241
Capital leases	272,908	-	103,888	169,020	60,991
Notes and loans payable	233,051	-	-	233,051	-
Compensated absences	290,820	221,737	166,936	345,621	138,248
Total Governmental Activities					
Long-term Liabilities	<u>\$ 3,656,487</u>	<u>\$ 1,344,126</u>	<u>\$ 1,931,211</u>	<u>\$ 3,069,402</u>	<u>\$ 488,176</u>
<u>Business-type Activities:</u>					
Bonds payable	\$ 40,595,389	\$ 3,514,400	\$ 4,135,469	39,974,320	\$ 555,304
Less issuance face discount	(242)	-	(90)	(152)	-
Less loss on refunded bonds	-	(322,186)	-	(322,186)	-
Tax notes payable	614,904	-	449,145	165,759	165,759
Capital Leases	4,122	-	1,172	2,950	1,255
Claims Payables	2,163,939	-	162,364	2,001,575	54,034
Compensated absences	35,635	8,094	14,240	29,489	11,796
Total Business-Type Activities					
Long-term Liabilities	<u>\$ 43,413,747</u>	<u>\$ 3,200,308</u>	<u>\$ 4,762,300</u>	<u>\$ 41,851,755</u>	<u>\$ 788,148</u>

2. Component Units

Donna Economic Development Corporation (DEDC-4A):

Bonds outstanding at September 30, 2012 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>\$ 4,200,000</u>
Total DEDC -4A Bonds Payable	4,200,000
Less Current Portion	(120,000)
Less Unamortized Face Discount on Bonds (Amortized Over the Life of the Bond, 25 Years)	<u>(41,907)</u>
Total DEDC-4A Bonds, Net of Current Portion and Discount	<u>\$ 4,038,093</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

The bonds payable annual debt service requirements to maturity are:

Fiscal Year Ending September 30,	Bonds Payable	
	Principal	Interest
2013	\$ 120,000	\$ 178,644
2014	130,000	175,644
2015	135,000	171,744
2016	135,000	167,019
2017	140,000	162,294
2018-2022	795,000	722,269
2023-2027	975,000	544,575
Thereafter	<u>1,770,000</u>	<u>350,036</u>
Total	<u>\$ 4,200,000</u>	<u>\$ 2,472,225</u>

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

Bonds outstanding at September 30, 2012 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>\$ 4,125,000</u>
Total DCD-4B Bonds Payable	4,125,000
Less Current Portion	(120,000)
Less Unamortized Face Discount on Bonds (Amortized Over the Life of the Bond, 25 Years)	<u>(61,476)</u>
Total DCD-4B Bonds, Net of Current Portion and Discount	<u>\$ 3,943,524</u>

The bonds payable annual debt service requirements to maturity are:

Fiscal Year Ending September 30,	Bonds Payable	
	Principal	Interest
2013	\$ 120,000	\$ 171,169
2014	130,000	167,569
2015	135,000	163,669
2016	135,000	159,450
2017	140,000	155,063
2018-2022	780,000	699,613
2023-2027	950,000	532,931
Thereafter	<u>1,735,000</u>	<u>343,424</u>
Total	<u>\$ 4,125,000</u>	<u>\$ 2,392,888</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

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

The following are summaries of changes in long-term debt obligations for DEDC-4A and DCD-4B for the year ended September 30, 2012:

Donna Economic Development Corporation (DEDC-4A)

	Balance at September 30, 2011	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2012	Amounts Due within One Year
Bonds Payable	\$ 4,320,000	\$ -	\$ 120,000	\$ 4,200,000	\$ 120,000

Prior Years Long-Term Debt Refunding

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.

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, 2012 the amount of defeased debt outstanding was \$3,235,000.

	Balance at September 30, 2011	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2012	Amounts Due within One Year
Bonds payable	\$ 4,235,000	\$ -	\$ 110,000	\$ 4,125,000	\$ 120,000

Prior Years Long-Term Debt Refunding

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.

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, 2012 the amount of defeased debt outstanding was \$3,155,000.

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 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. Annual principal and interest payments on the bonds are expected to require 100 percent of net revenues.

The total principal and interest remaining to be paid on the bonds to be paid by the Donna Economic Development Corporation (4A) is \$6,672,225. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$300,648 and \$265,531, respectively.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

Development Corporation of Donna, Inc. (DCD-4B): (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. Annual principal and interest payments on the bonds are expected to require 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds to be paid by the Development Corporation of Donna, Inc. (4B) \$6,517,888. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$283,465 and \$411,908, respectively.

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. By the end of the fiscal year, the City was up-to-date on these reportings.

H. Other 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, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Assets and Payables (continued)

1. Primary Government (continued)

Business-type activities: *(continued)*

Restricted assets included in business-type activities as of September 30, 2012 consist of:

	Cash and Cash Equivalents
Water and Sewer:	
O&M Reserve	\$ 629,529
Construction	382,813
Debt Service	1,083,050
Escrow Deposits	64,778
Total Water and Sewer	\$ 2,160,170
City International Bridge:	
O&M Reserve	\$ 116,671
Debt Service	2,040,867
Total International Bridge	\$ 2,157,538
Restricted Assets on the Statement of Net Assets	\$ 4,317,708

Liabilities payable from restricted assets included in business-type activities as of September 30, 2012 consist of:

	Accrued Interest Payable	Total
Water and Sewer Fund	\$ 62,790	\$ 62,790
City International Bridge Fund	241,544	241,544
Total restricted liabilities	\$ 304,334	\$ 304,334

2. Component Units

Fiduciary Fund Liabilities

Accrued Expenses

Tax Increment Reinvestment Zone #1 and Tax Increment Reinvestment Zone #2 have accrued expenses of \$1,746,323 and \$1,221,148, respectively, which are amounts accrued for completed construction by developers. These amounts will be reimbursed to the extent that tax increment funding becomes available.

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, 2012

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 2011	Plan Year 2012
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)	60/5, 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:

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

1. Texas Municipal Retirement System (continued)

Contributions (continued)

1. Annual Required Contribution (ARC)	\$ 80,771
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	80,771
5. Contributions Made	(80,771)
6. Increase (decrease) in net pension obligation	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	\$ -

Three Year Trend Information

Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 80,771	100%	-
2011	105,262	100%	-
2010	95,036	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2010 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
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	28.9 years; closed period	25.5 years; closed period	25.5 years; closed period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.50%	7.00%	7.00%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.00% 2.10%	3.00% 2.10%	3.00% 2.10%

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

1. Texas Municipal Retirement System (continued)

Contributions (continued)

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Overfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	\$ 3,430,367	\$ 3,190,093	107.5%	\$ (240,274)	\$ 2,468,064	-9.7%

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.

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:

Current Firefighters	<u>2012</u> 8
Current Firefighters' beneficiaries	3
Active Firefighters	27

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).

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

2. Firemen's Relief and Retirement Fund (continued)

Contributions and Covered Payroll

For the plan in effect December 31, 2012, the City's contribution was \$3,000. 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.

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.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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)

Annual Pension Cost – The City’s OPEB cost for the year ended September 30, 2012 was as follows:

Actuarial valuation date	12/31/11
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 return	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, 2012, 2011 and 2010 were \$770, \$977, and \$937, respectively, which equaled the required contributions each year.

J. Construction and Improvement Commitments

At September 30, 2012, the City did not have any significant contractual commitments outstanding.

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 \$24,248,700; 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, \$0 during 2011, and \$0 during 2010. Additionally, full time employees are covered by a fully insured health insurance plan.

L. Fund Balances

The City has classified its fund balances with the following hierarchy:

Nonspendable: The City’s nonspendable fund balances totaled \$592,346 and represented \$4,285 in inventory and \$588,061 in long term advances to funds.

Spendable: The City has classified the spendable fund balances as *Restricted and Unassigned* and considered each to have been spent when expenditures are incurred. The City currently has no funds classified as *Assigned*.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

L. Fund Balances (continued)

- Restricted for Federal and State Programs, Debt Service, and capital projects:

Federal Laws, Texas Statutes and local ordinances require that certain revenues be specifically designated for the purposes as determined by state and local regulations, debt service, and capital projects. The funds have been included in the restricted category of fund balance. The restricted fund balances totaled \$2,491,221 and represented \$796,459 in local and state, \$817,205 in capital projects and \$877,557 in debt service.

- Unassigned:

The unassigned fund balance for the General Fund is \$874,428.

M. 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 and the Disaster Recovery Texas CDBG. 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, 2012, 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. City International Bridge Fund - 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 has and will have to continue providing a significant level of debt service funding for the debts of the international bridge with a levy of taxes and assistance from other funds of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Taxes:			
Ad valorem	\$ 2,329,929	\$ 2,438,929	\$ 109,000
Sales	800,000	865,983	65,983
Franchise	650,000	731,064	81,064
Total Taxes	<u>3,779,929</u>	<u>4,036,307</u>	<u>256,378</u>
Licenses and permits:			
Licenses	8,100	6,700	(1,400)
Permits	80,457	116,923	36,466
Total Licenses and Permits	<u>88,557</u>	<u>123,623</u>	<u>35,066</u>
Charges for services	<u>1,128,796</u>	<u>1,204,455</u>	<u>75,659</u>
Fines and forfeitures:			
Municipal court	125,000	87,765	(37,235)
Other fines	16,275	9,518	(6,757)
Total Fines and Forfeitures	<u>141,275</u>	<u>97,283</u>	<u>(43,992)</u>
Intergovernmental	<u>229,473</u>	<u>241,369</u>	<u>11,896</u>
Other revenues:			
Interest	750	583	(167)
Other	13,800	45,502	31,702
Total Other Revenues	<u>14,550</u>	<u>46,086</u>	<u>31,536</u>
Total Revenues	<u>5,382,580</u>	<u>5,749,122</u>	<u>366,542</u>
Expenditures:			
General Government:			
City Council:			
Supplies	-	127	(127)
Other services	30,668	73,881	(43,213)
Total City Council	<u>30,668</u>	<u>74,008</u>	<u>(43,340)</u>

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued):			
Public Safety (continued):			
Safety Inspections:			
Personnel services	\$ 46,603	\$ 26,878	\$ 19,725
Supplies	4,200	2,972	1,228
Property occupancy	-	-	-
Equipment maintenance and repairs	3,775	4,837	(1,062)
Other services	6,075	2,364	3,711
Total Safety Inspections	<u>60,653</u>	<u>37,051</u>	<u>23,602</u>
Total Public Safety	<u>1,906,621</u>	<u>1,873,037</u>	<u>33,584</u>
Public Works:			
Public Works Department:			
Personnel services	330,450	312,371	18,079
Supplies	33,800	71,597	(37,797)
Property occupancy	13,638	26,493	(12,855)
Equipment maintenance and repairs	11,143	33,170	(22,027)
Other services	25,113	26,880	(1,767)
Total Public Works Department	<u>414,144</u>	<u>470,511</u>	<u>(56,367)</u>
City Vehicle Maintenance			
Personnel services	27,243	26,401	842
Supplies	1,275	4,642	(3,367)
Equipment maintenance and repairs	350	17	333
Other services	460	1,053	(593)
Total City Vehicle Maintenance	<u>29,328</u>	<u>32,113</u>	<u>(2,785)</u>
Sanitation Services:			
Other services	616,000	668,660	(52,660)
Total Sanitation Services	<u>616,000</u>	<u>668,660</u>	<u>(52,660)</u>
Street and Roadway Lighting			
Property occupancy	50	-	50
Other services	212,355	199,150	13,205
Total Street and Roadway Lighting	<u>212,405</u>	<u>199,150</u>	<u>13,255</u>
Public Infrastructure Improvements:			
Capital outlay - Disaster Recovery Funds	-	42,194	(42,194)
Total Public Works	<u>1,271,877</u>	<u>1,412,629</u>	<u>(140,752)</u>
Culture and Recreation:			
Parks:			
Personnel services	96,170	74,289	21,881
Supplies	9,600	20,294	(10,694)
Property occupancy	3,350	34,030	(30,680)
Equipment maintenance and repairs	3,700	3,940	(240)
Other services	34,177	41,483	(7,306)
Total Parks	<u>146,997</u>	<u>174,036</u>	<u>(27,039)</u>

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued):			
General Government (continued):			
City Management:			
Personnel services	\$ 68,871	\$ 71,448	\$ (2,577)
Supplies	2,450	3,421	(971)
Equipment maintenance and repairs	625	1,159	(534)
Other services	67,248	115,872	(48,624)
Total City Management	139,194	191,900	(52,706)
Finance/Accounting:			
Personnel services	180,717	141,540	39,177
Supplies	7,625	5,198	2,427
Equipment maintenance and repairs	13,152	4,669	8,483
Other services	45,406	130,301	(84,895)
Total Finance/Accounting	246,900	281,709	(34,809)
City Hall:			
Personnel services	36,617	33,727	2,890
Supplies	11,073	6,479	4,594
Property occupancy	2,600	2,013	587
Equipment maintenance and repairs	16,020	7,019	9,001
Other services	42,619	44,328	(1,709)
Total City Hall	108,929	93,566	15,363
City Secretary:			
Personnel services	42,352	41,722	630
Supplies	1,275	1,061	214
Equipment maintenance and repairs	-	38	(38)
Other services	2,550	1,050	1,500
Total City Secretary	46,177	43,870	2,307
Business Rental Properties:			
Property occupancy	325	140	185
Other services	8,200	9,652	(1,452)
Total Business Rental Properties	8,525	9,792	(1,267)
Municipal Court:			
Personnel services	68,176	67,351	825
Supplies	4,050	996	3,054
Equipment maintenance and repairs	10,295	8,992	1,303
Other services	30,745	3,925	26,820
Capital outlay	3,400	-	3,400
Total Municipal Court	116,666	81,264	35,402

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued) :			
General Government (continued):			
Planning and Community Development:			
Personnel services	\$ 77,848	\$ 88,359	\$ (10,511)
Supplies	5,355	5,684	(329)
Equipment maintenance and repairs	2,150	1,102	1,049
Other services	44,670	95,288	(50,618)
Capital outlay	-	-	-
Total Planning and Community Development	130,023	190,432	(60,409)
Tax/Assessor Collector:			
Personnel services	50,731	49,993	738
Supplies	4,975	3,207	1,768
Equipment maintenance and repairs	6,225	7,062	(837)
Other services	111,290	42,759	68,531
Total Tax Assessor Collector	173,221	103,021	70,200
Elections:			
Supplies	750	-	750
Equipment maintenance and repairs	850	-	850
Other services	12,900	8,876	4,024
Total Elections	14,500	8,876	5,624
Total General Government	1,014,803	1,078,437	(63,634)
Public Safety:			
Police:			
Personnel services	1,417,522	1,349,296	68,226
Supplies	117,295	172,121	(54,826)
Property occupancy	8,000	2,515	5,485
Equipment maintenance and repairs	73,016	73,865	(849)
Other services	93,673	89,667	4,006
Capital outlay	-	-	-
Total Police	1,709,506	1,687,464	22,042
Fire:			
Personnel services	42,443	38,155	4,288
Supplies	17,645	13,464	4,181
Property occupancy	1,750	724	1,026
Equipment maintenance and repairs	13,379	35,473	(22,094)
Other services	55,550	54,871	679
Total Fire	130,767	142,686	(11,919)
Emergency Medical Services:			
Property occupancy	-	295	(295)
Other services	5,695	5,541	154
Total Emergency Medical Services	5,695	5,836	(141)

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued) :			
Culture and Recreation (continued):			
Library:			
Personnel services	\$ 187,465	\$ 178,681	\$ 8,784
Supplies	10,500	13,141	(2,641)
Property occupancy	2,500	1,444	1,056
Equipment maintenance and repairs	1,000	-	1,000
Other services	57,643	44,427	13,216
Total Library	<u>259,108</u>	<u>237,693</u>	<u>21,415</u>
Swimming Pool:			
Personnel services	33,182	25,214	7,968
Supplies	3,300	6,197	(2,897)
Property occupancy	1,000	1,466	(466)
Equipment maintenance and repairs	500	853	(353)
Other services	12,842	10,653	2,189
Total Swimming Pool	<u>50,824</u>	<u>44,382</u>	<u>6,442</u>
Community Support Services:			
Supplies	250	253	(3)
Property occupancy	7,500	27,373	(19,873)
Other services	59,735	51,429	8,306
Total Community Support Services	<u>67,485</u>	<u>79,055</u>	<u>(11,570)</u>
Total Culture and Recreation	<u>524,414</u>	<u>535,166</u>	<u>(10,752)</u>
Public Health:			
Health Inspection/Code Enforcement:			
Personnel services	53,417	47,859	5,558
Supplies	8,325	7,465	860
Equipment maintenance and repairs	6,050	5,035	1,015
Other services	18,005	10,196	7,809
Total Inspection/Code Enforcement	<u>85,797</u>	<u>70,556</u>	<u>15,241</u>
Animal Control:			
Personnel services	21,792	14,078	7,714
Supplies	6,400	1,280	5,120
Equipment maintenance and repairs	1,050	3,760	(2,710)
Other services	25,700	54,889	(29,189)
Total Animal Control	<u>54,942</u>	<u>74,008</u>	<u>(19,066)</u>
Cemetery:			
Personnel services	36,385	38,964	(2,579)
Supplies	3,220	7,964	(4,744)
Equipment maintenance and repairs	2,870	2,709	161
Other services	12,649	23,450	(10,801)
Total Cemetery	<u>55,124</u>	<u>73,087</u>	<u>(17,963)</u>
Total Public Health	<u>195,863</u>	<u>217,651</u>	<u>(21,788)</u>

(Continued)

CITY OF DONNA, TEXAS
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued) :			
Economic Development:			
Other Services	\$ 150,000	\$ 75,000	\$ 75,000
Debt Service:			
Principal retirements	61,100	62,061	(961)
Interest and fiscal charges	5,722	5,784	(62)
Total Debt Service	66,822	67,845	(1,023)
Total Expenditures	5,130,400	5,259,764	(129,364)
Excess (Deficiency) of Revenues Over (under) Expenditures	252,180	489,357	237,177
Other Financing Sources (Uses):			
Transfers In	-	43,066	43,066
Transfers Out	(2,180)	-	2,180
Total Other Financing Sources (Uses)	(2,180)	43,066	45,246
Net Change in Fund Balance	250,000	532,424	282,424
Fund Balance at Beginning of Year	934,350	934,350	-
Fund Balance at End of Year	\$ 1,184,350	\$ 1,466,773	\$ 282,424

CITY OF DONNA, TEXAS
 SCHEDULE OF FUNDING PROGRESS
 SEPTEMBER 30, 2012

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)
2009	2,647,155	2,756,569	96.0%	109,414	2,205,566	5.0%
2010	3,072,668	2,977,179	103.2%	(95,489)	2,385,938	-4.0%
2011	3,430,367	3,190,093	107.5%	(240,274)	2,468,064	-9.7%

B. THE DONNA FIREMEN'S RELIEF AND RETIREMENT FUND

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

CITY OF DONNA, TEXAS
 NOTES TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary Expenditures in Excess of Appropriations

During the year ended September 30, 2012, expenditures exceeded appropriations as follows in the General Fund.

<u>Department</u>	<u>General Fund Excess of Expenditures Over Appropriations</u>	
City Council	\$	43,340
City Management		52,706
Finance/Accounting		34,809
Business Rental Properties		1,267
Planning and Community Development		60,409
Fire		11,919
Emergency Medical Services		141
Public Works		56,367
City Vehicle Maintenance		2,785
Sanitation Services		52,660
Public Infrastructure Improvements		42,194
Parks		27,039
Community Support Services		11,570
Animal Control		19,066
Cemetery		17,963
Debt Service		1,023
	<u>\$</u>	<u>435,258</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 AND
COMBINING SCHEDULES**

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CITY OF DONNA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 787,463	\$ 1,113,492	\$ 1,900,954
Receivables, net:			
Accounts	5,315	-	5,315
Due from other funds	3,750	-	3,750
	<u>796,528</u>	<u>1,113,492</u>	<u>1,910,020</u>
Total Assets	<u>\$ 796,528</u>	<u>\$ 1,113,492</u>	<u>\$ 1,910,020</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ 270,181	\$ 270,181
Due to other funds	69	26,106	26,175
	<u>69</u>	<u>296,287</u>	<u>296,356</u>
Total Liabilities	<u>69</u>	<u>296,287</u>	<u>296,356</u>
 Fund Balances:			
Restricted for:			
Tourism	371,519	-	371,519
Law enforcement	17,255	-	17,255
Fire equipment debt service	150,604	-	150,604
Equipment purchases	211,707	-	211,707
Park improvements	45,374	-	45,374
Capital projects	-	817,205	817,205
	<u>796,459</u>	<u>817,205</u>	<u>1,613,664</u>
Total Fund Balances	<u>796,459</u>	<u>817,205</u>	<u>1,613,664</u>
Total Liabilities and Fund Balances	<u>\$ 796,528</u>	<u>\$ 1,113,492</u>	<u>\$ 1,910,020</u>

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 108,290	\$ -	\$ 108,290
Charges for services	66,861	-	66,861
Fines and forfeitures	-	-	-
Intergovernmental	236,918	-	236,918
Interest	1,631	3,453	5,084
Other	10,000	-	10,000
Total Revenues	423,700	3,453	427,153
Expenditures:			
Current:			
Tourism development	17,598	-	17,598
Capital outlay	-	610,238	610,238
Economic Development - Industrial Park	-	69,809	69,809
Debt Service			
Principal retirements	42,736	-	42,736
Interest and fiscal charges	9,170	80	9,251
Total Expenditures	69,505	680,127	749,632
Excess (Deficiency) of Revenues Over (Under) Expenditures	354,195	(676,674)	(322,479)
Other Financing Sources (Uses):			
Transfers in	-	5,304	5,304
Transfers out	(236,918)	(39,421)	(276,339)
Total Other Financing Sources (Uses)	(236,918)	(34,117)	(271,035)
Net Change in Fund Balances	117,277	(710,791)	(593,514)
Fund Balances at Beginning of Year	679,182	1,527,995	2,207,177
Fund Balances at End of Year	\$ 796,459	\$ 817,205	\$ 1,613,664

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.

CITY OF DONNA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2012

	Hotel Occupancy Tax	Texas Confiscated Forfeitures	Fire Equipment Service Fee
<u>Assets</u>			
Cash and cash equivalents	\$ 371,524	\$ 17,319	\$ 141,838
Receivables, net:			
Accounts	-	-	5,315
Due from other funds	-	-	3,450
Total Assets	\$ 371,524	\$ 17,319	\$ 150,604
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ 5	\$ 64	\$ -
Total Liabilities	5	64	-
Fund Balances:			
Restricted for:			
Tourism	371,519	-	-
Law enforcement	-	17,255	-
Fire equipment debt service	-	-	150,604
Equipment purchases	-	-	-
Park improvements	-	-	-
Total Fund Balances	371,519	17,255	150,604
Total Liabilities and Fund Balances	\$ 371,524	\$ 17,319	\$ 150,604

EXHIBIT 6-C

<u>Tax Note Equipment Fund</u>	<u>Urban County CDBG Program</u>	<u>Park Improvement Fee Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 211,707	\$ -	\$ 45,074	\$ 787,463
-	-	-	5,315
<u>-</u>	<u>-</u>	<u>300</u>	<u>3,750</u>
<u>\$ 211,707</u>	<u>\$ -</u>	<u>\$ 45,374</u>	<u>\$ 796,528</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>69</u>
-	-	-	371,519
-	-	-	17,255
-	-	-	150,604
211,707	-	-	211,707
<u>-</u>	<u>-</u>	<u>45,374</u>	<u>45,374</u>
<u>211,707</u>	<u>-</u>	<u>45,374</u>	<u>796,459</u>
<u>\$ 211,707</u>	<u>\$ -</u>	<u>\$ 45,374</u>	<u>\$ 796,528</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, 2012

	<u>Hotel Occupancy Tax</u>	<u>Texas Confiscated Forfeitures</u>	<u>Fire Equipment Service Fee</u>
Revenues			
Taxes	\$ 108,290	\$ -	\$ -
Fines and forfeitures	-	-	-
Charges for services	-	-	66,561
Other	10,000	-	-
Intergovernmental	-	-	-
Interest	<u>659</u>	<u>41</u>	<u>331</u>
Total Revenues	<u>118,949</u>	<u>41</u>	<u>66,892</u>
Expenditures:			
Current:			
Tourism development	17,598	-	-
Debt service			
Principal retirements	-	-	42,736
Interest and other charges	<u>-</u>	<u>-</u>	<u>9,170</u>
Total Expenditures	<u>17,598</u>	<u>-</u>	<u>51,906</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>101,350</u>	<u>41</u>	<u>14,986</u>
Other Financing Sources (Uses):			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	101,350	41	14,986
Fund Balances at Beginning of Year	<u>270,169</u>	<u>17,215</u>	<u>135,619</u>
Fund Balances at End of Year	<u>\$ 371,519</u>	<u>\$ 17,255</u>	<u>\$ 150,604</u>

EXHIBIT 6-D

<u>Tax Note Equipment Fund</u>	<u>Urban County CDBG Program</u>	<u>Park Improvement Fee Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ 108,290
-	-	-	-
-	-	300	66,861
-	-	-	10,000
-	236,918	-	236,918
<u>496</u>	<u>-</u>	<u>105</u>	<u>1,631</u>
<u>496</u>	<u>236,918</u>	<u>405</u>	<u>423,700</u>
-	-	-	17,598
-	-	-	42,736
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,170</u>
-	-	-	69,505
<u>496</u>	<u>236,918</u>	<u>405</u>	<u>354,195</u>
<u>-</u>	<u>(236,918)</u>	<u>-</u>	<u>(236,918)</u>
<u>-</u>	<u>(236,918)</u>	<u>-</u>	<u>(236,918)</u>
496	-	405	117,277
<u>211,212</u>	<u>-</u>	<u>44,969</u>	<u>679,182</u>
<u>\$ 211,707</u>	<u>\$ -</u>	<u>\$ 45,374</u>	<u>\$ 796,459</u>

CITY OF DONNA, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Taxes:			
Ad valorem taxes	\$ 1,805,527	\$ 1,876,874	\$ 71,347
Interest	10,457	2,578	(7,879)
Total Revenues	<u>1,815,984</u>	<u>1,879,451</u>	<u>63,467</u>
Expenditures:			
Debt Service:			
Principal retirements	268,137	524,969	(256,832)
Interest and fiscal charges	63,306	121,730	(58,424)
Total Expenditures	<u>331,443</u>	<u>646,699</u>	<u>(315,256)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,484,541</u>	<u>1,232,752</u>	<u>(251,789)</u>
Other Financing Sources (Uses)			
Bonds issued	-	1,260,600	1,260,600
Amounts paid to fiscal agent for refunding	-	(1,228,516)	(1,228,516)
Transfers in	236,917	236,918	1
Transfers out	(1,838,209)	(1,532,160)	306,049
Total Other Financing Sources (Uses)	<u>(1,601,292)</u>	<u>(1,263,158)</u>	<u>306,050</u>
Net Change in Fund Balance	(116,750)	(30,406)	54,262
Fund Balance at Beginning of Year	<u>907,963</u>	<u>907,963</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 791,213</u>	<u>\$ 877,557</u>	<u>\$ 54,262</u>

CITY OF DONNA, TEXAS
HOTEL OCCUPANCY TAX FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Taxes	\$ 75,000	\$ 108,290	\$ 33,290
Other	-	10,000	10,000
Interest Earned	-	659	659
Total Revenues	<u>75,000</u>	<u>118,949</u>	<u>43,949</u>
Expenditures:			
Current:			
Tourism development			
Visitor information center	32,000	17,598	14,402
Tourism advertising	45,000	-	45,000
Administration of tax funds	2,500	-	2,500
Total Tourism Development	<u>79,500</u>	<u>17,598</u>	<u>61,902</u>
Total Expenditures	<u>79,500</u>	<u>17,598</u>	<u>61,902</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,500)</u>	<u>101,350</u>	<u>105,850</u>
Fund Balance at Beginning of Year	<u>270,169</u>	<u>270,169</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 265,669</u>	<u>\$ 371,519</u>	<u>\$ 105,850</u>

CITY OF DONNA, TEXAS
 FIRE EQUIPMENT SERVICE FEE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Charges for services	\$ 57,500	\$ 66,561	\$ 9,061
Interest Income	-	331	331
Total Revenues	<u>57,500</u>	<u>66,892</u>	<u>9,392</u>
Expenditures:			
Debt service:			
Principal retirements	42,736	42,736	-
Interest	9,170	9,170	-
Total Expenditures	<u>51,906</u>	<u>51,906</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	5,594	14,986	9,392
Fund Balance at Beginning of Year	<u>135,619</u>	<u>135,619</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 141,213</u>	<u>\$ 150,604</u>	<u>\$ 9,392</u>

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. Exhibit 9-B presents the budgetary comparison schedule for the City Internal Bridge Fund.

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**BUDGETARY COMPARISON - WATER AND
SEWER FUND**

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CITY OF DONNA, TEXAS
WATER AND SEWER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Operating Revenues			
Sales:			
Water sales	\$ 3,069,972	\$ 3,138,454	\$ 68,482
Sewer sales	2,144,595	2,100,585	(44,010)
Penalties - delinquent	135,000	168,625	33,625
Provision for bad debt	(60,000)	(47,666)	12,334
Total Sales	<u>5,289,567</u>	<u>5,359,997</u>	<u>70,430</u>
Service Charges:			
Water access and tap fees	15,700	15,020	(680)
Sewer access fees	10,700	32,698	21,998
Customer service cut ons	22,000	25,543	3,543
Line extension reimbursement fees	-	18,500	18,500
Total Service Charges	<u>48,400</u>	<u>91,761</u>	<u>43,361</u>
Total Operating Revenues	<u>5,337,967</u>	<u>5,451,758</u>	<u>113,791</u>
Non-Operating Revenues:			
Interest income	<u>3,875</u>	<u>9,384</u>	<u>5,509</u>
Total Non-Operating Revenues	<u>3,875</u>	<u>9,384</u>	<u>5,509</u>
Total Revenues	<u>5,341,842</u>	<u>5,461,142</u>	<u>119,300</u>
Expenses:			
City Management:			
Personal services	55,286	51,204	4,082
Supplies	2,275	1,727	548
Equipment maintenance	3,450	5,877	(2,427)
Other services	72,404	41,556	30,848
	<u>133,415</u>	<u>100,364</u>	<u>33,051</u>
City Secretary:			
Personal services	14,121	14,376	(255)
Supplies	400	32	368
Equipment maintenance	200	-	200
Other services	100	-	100
	<u>14,821</u>	<u>14,408</u>	<u>413</u>

(Continued)

CITY OF DONNA, TEXAS
WATER AND SEWER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Finance/Accounting:			
Personal services	\$ 144,740	\$ 109,491	\$ 35,249
Supplies	13,945	1,666	12,279
Equipment maintenance	22,150	2,624	19,527
Other services	110,412	127,399	(16,987)
	<u>291,247</u>	<u>241,180</u>	<u>50,067</u>
City Hall:			
Personal services	4,234	9,198	(4,964)
	<u>4,234</u>	<u>9,198</u>	<u>(4,964)</u>
Engineer:			
Other services	25,000	15,000	10,000
	<u>25,000</u>	<u>15,000</u>	<u>10,000</u>
Water Distribution:			
Supplies	10,000	29,061	(19,061)
Property occupancy	102,800	72,909	29,891
Equipment maintenance	1,500	-	1,500
Other services	10,518	640	9,878
	<u>124,818</u>	<u>102,610</u>	<u>22,208</u>
Sewer Collection:			
Equipment Maintenance	-	364	(364)
Property occupancy	77,500	78,471	(971)
Other services	53,950	47,544	6,406
	<u>131,450</u>	<u>126,379</u>	<u>5,071</u>
Sewer Treatment and Disposal:			
Supplies	102,061	108,461	(6,400)
Property occupancy	-	-	-
Equipment maintenance	-	2,146	(2,146)
Other services	187,231	172,111	15,120
	<u>289,292</u>	<u>282,718</u>	<u>6,574</u>
Water/Sewer Business Operations:			
Other services	168,000	206,714	(38,714)
	<u>168,250</u>	<u>206,714</u>	<u>(38,464)</u>

(Continued)

CITY OF DONNA, TEXAS
 WATER AND SEWER FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Water/Sewer Liaison for City:			
Personal services	\$ 24,407	\$ 30,641	\$ (6,234)
Supplies	2,375	542	1,833
Equipment maintenance	900	-	900
Other services	2,503	464	2,039
	<u>30,185</u>	<u>31,647</u>	<u>(1,462)</u>
Water Supply and Treatment:			
Supplies	250,591	252,712	(2,121)
Property occupancy	27,500	2,569	24,931
Other services	208,808	163,628	45,180
	<u>486,899</u>	<u>418,909</u>	<u>67,990</u>
Water/Sewer Operations Support:			
Supplies	30,500	31,430	(930)
Property occupancy	4,600	230	4,370
Equipment maintenance	22,230	17,783	4,447
Other services	18,851	13,202	5,649
	<u>76,181</u>	<u>62,646</u>	<u>13,535</u>
Water/Sewer Operations Contractor:			
Other services	1,691,470	1,592,264	99,206
	<u>1,691,470</u>	<u>1,592,264</u>	<u>99,206</u>
Non-Departmental Expenses:			
Debt interest	779,627	395,275	384,352
Amortization of issuance costs	67,229	97,572	(30,343)
Depreciation	1,018,000	1,308,600	(290,600)
	<u>1,864,856</u>	<u>1,801,447</u>	<u>63,409</u>
Total Expenses	<u>5,332,118</u>	<u>5,005,481</u>	<u>326,637</u>
Income (Loss) Before Transfers and Capital Contributions	<u>9,724</u>	<u>455,661</u>	<u>445,937</u>
Transfers In	-	39,421	39,421
Capital Grants and Contributions	-	1,821,851	1,821,851
Change in Net Assets	<u>9,724</u>	<u>2,316,933</u>	<u>2,307,209</u>
Net Assets Beginning of Year	<u>34,849,350</u>	<u>34,849,350</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 34,859,074</u>	<u>\$ 37,166,283</u>	<u>\$ 2,307,209</u>

**BUDGETARY COMPARISON – CITY
INTERNATIONAL BRIDGE FUND**

CITY OF DONNA, TEXAS
 CITY INTERNATIONAL BRIDGE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Charges for services	\$ 840,000	\$ 1,121,628	\$ 281,628
Rent	27,000	27,000	-
Interest Earned	2,654	872	(1,782)
Total Revenues	<u>869,654</u>	<u>1,149,499</u>	<u>279,845</u>
Expense:			
Current:			
City Administration	20,785	22,808	(2,023)
Finance/Accounting Department	169,901	224,906	(55,005)
Security for Bridge	122,543	77,068	45,475
Bridge Property	49,250	20,715	28,535
Operations of Toll Bridge	427,107	356,675	70,432
Rental Operations of TABC Bldg.	2,000	152	1,848
Interest and fiscal charges	1,693,786	1,976,931	(283,145)
Amortization of issuance costs	68,535	70,266	(1,731)
Depreciation	900,000	801,821	98,179
Total Expenses	<u>3,453,907</u>	<u>3,551,342</u>	<u>(97,435)</u>
Change in Net Assets Before Transfers	(2,584,253)	(2,401,842)	182,411
Contributions and Transfers	<u>1,958,209</u>	<u>1,646,856</u>	<u>(311,353)</u>
Change in Net Assets	(626,044)	(754,987)	(128,943)
Net Assets at Beginning of Year	<u>(4,919,457)</u>	<u>(4,919,457)</u>	<u>-</u>
Net Assets at End of Year	<u>\$ (5,545,501)</u>	<u>\$ (5,674,444)</u>	<u>\$ (128,943)</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:

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 FUND
 SEPTEMBER 30, 2012

	Nonmajor Proprietary Fund
	Cemetery Fund
<u>Assets</u>	
Current Assets:	
Receivables, net:	
Accounts	\$ -
Due from primary government	-
Inventories	-
	-
Total Current Assets	-
Capital Assets	-
Less accumulated depreciation	-
	-
Net Capital Assets	-
Total Noncurrent Assets	-
	-
Total Assets	\$ -
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ -
Accrued liabilities	-
Compensated absences payable	-
Unearned revenue	-
	-
Total Current Liabilities	-
Noncurrent liabilities:	
Compensated absences, net of current portion	-
	-
Total Noncurrent Liabilities	-
	-
Total Liabilities	-
<u>Net Assets</u>	
Invested in capital assets, net of related debt	-
Unrestricted	-
	-
Total Net Assets	\$ -

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

		Nonmajor Proprietary Fund
		Cemetery Fund
Operating Revenues:		
Charges for services		\$ -
Total Operating Revenues		-
Operating Expenses:		
Salaries, wages and employee benefits		-
Supplies and materials		-
Property occupancy		-
Equipment maintenance		-
Other services		-
Depreciation		-
Total Operating Expenses		-
Operating Loss		-
Non-Operating Revenues (Expenses):		
Interest income		-
Interest expense		-
Total Non-Operating Revenues (Expenses)		-
Loss Before Transfers		-
Transfers Out		(62,232)
Change in Net Assets		(62,232)
Net Assets Beginning of Year		62,232
Net Assets at End of Year		\$ -

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Cemetery Fund	Total Nonmajor Proprietary Funds
Cash Flows From Operating Activities:		
Cash received from customers	\$ -	\$ -
Cash payments to employees for services	-	-
Cash payments to other suppliers for goods and services	-	-
	-	-
Net Cash Provided (Used) by Operating Activities	-	-
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan repayments received	-	-
Transfers from (to) other funds	-	-
	-	-
Net Cash Provided (Used) By Noncapital Financing Activities	-	-
Cash Flows From Capital and Related Financing Activities:		
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
	-	-
Net Cash Provided (Used) By Capital Noncapital Financing Activities	-	-
Cash Flows from Investing Activities:		
Interest from investments	-	-
	-	-
Net Cash Provided (Used) for Investing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	-	-
Cash and Cash Equivalents at End of Year	\$ -	\$ -

	<u>Cemetery Fund</u>	<u>Total Nonmajor Proprietary Funds</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income (loss)	\$ -	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Depreciation	-	-
Change in Assets and Liabilities:		
Decrease (increase) in receivables	-	-
Decrease (increase) in inventories	-	-
Increase (decrease) in accounts payable	-	-
Increase (decrease) in compensated absences	-	-
Increase (decrease) in accrued liabilities	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ -</u>
Noncash Capital and related Financing Activities:		
Capital assets received provided from (to) other funds	\$ (25,325)	\$ (25,325)
Long-term liabilities of fund closed to governmental fund types	6,159	6,159
Current assets and current liabilities closed to the general fund	(43,066)	(43,066)

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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, 2012

Assets

Cash and cash equivalents	\$	174,462
Restricted cash and cash equivalents		406,924
Receivables, net:		
Accounts		74,254
Due from primary government		1,749
Total Assets	\$	657,389

Liabilities and Fund BalanceLiabilities:

	\$	-
Total Liabilities		-

Fund Balance:

Restricted for debt service		406,924
Unassigned		250,465
Total Fund Balance		657,389

Total Liabilities and Fund Balance	\$	657,389
---	-----------	----------------

RECONCILIATION OF FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total fund balance- component unit balance sheet	\$	657,389
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.		254,308
Discounts on bonds are not reported in the fund.		41,907
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.		(29,447)
Bond debt principal remaining which is not due in the current period are not reported in the fund.		(4,200,000)
Net assets of component unit- statement of net assets (deficit)	\$	(3,027,627)

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, 2012

Revenues:		
Sales taxes	\$	432,991
Interest		120
		433,111
	Total Revenues	433,111
Expenditures:		
Current:		
Economic development		167,580
Debt service:		
Principal retirements		120,000
Interest and fiscal charges		183,544
		471,124
	Total Expenditures	471,124
Net Change in Fund Balance		(38,012)
Fund Balance at Beginning of Year		695,402
Fund Balance at End of Year		\$ 657,389

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

Net change in fund balance- component unit	\$	(38,012)
Amounts reported for component units in the statement of activities ("SOA") are different because:		
Amortization of issuance costs and discounts on bonds are not reported in the fund		(13,464)
Net change in accrued interest is reported as an expense in the SOA.		396
Repayment of principal on bonds is not reported as financing use in the SOA.		120,000
		68,919
Change in net assets of component unit-statement of activities	\$	68,919

CITY OF DONNA, TEXAS
BALANCE SHEET
DEVELOPMENT CORPORATION OF DONNA, INC (4B)
COMPONENT UNIT
SEPTEMBER 30, 2012

<u>Assets</u>		
Cash and cash equivalents	\$	353,647
Restricted cash and cash equivalents		396,699
Receivables, net:		
Accounts		74,254
Loans		179,136
Due from primary government		<u>1,749</u>
	Total Assets	<u>\$ 1,005,484</u>
<u>Liabilities and Fund Balance</u>		
<u>Liabilities:</u>		
	\$	-
	Total Liabilities	<u>-</u>
<u>Fund Balance:</u>		
Nonspendable - long-term receivables		179,136
Restricted for debt service		396,699
Unassigned		<u>429,649</u>
	Total Fund Balance	<u>1,005,484</u>
	Total Liabilities and Fund Balance	<u>\$ 1,005,484</u>

RECONCILIATION OF FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total fund balance- component unit balance sheet	\$	1,005,484
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.		239,678
Discounts on bonds are not reported in the fund.		61,476
Payables for accrued interest are not reported in the fund.		(28,215)
Bond debt principal remaining which is not due in the current period are not reported in the fund.		<u>(4,125,000)</u>
Net assets of component unit- statement of net assets (deficit)	\$	<u>(2,846,576)</u>

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, 2012

Revenues:	
Sales taxes	\$ 432,991
Intergovernmental	114,200
Interest	1,151
Total Revenues	548,342
Expenditures:	
Current:	
Economic development	136,434
Debt service:	
Principal retirements	110,000
Interest and fiscal charges	176,419
Total Expenditures	422,853
Net Change in Fund Balance	125,489
Fund Balance at Beginning of Year	879,995
Fund Balance at End of Year	\$ 1,005,484

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

Net change in fund balance- component unit	\$ 125,489
Amounts reported for component units in the statement of activities ("SOA") are different because:	
Amortization of issuance costs and discounts on bonds are not reported in the fund	(13,689)
Net change in accrued interest is reported as an expense in the SOA.	453
Repayment of principal on bonds is not reported as financing use in the SOA.	110,000
Change in net assets of component unit- <i>statement of activities</i>	\$ 222,254

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OTHER SCHEDULES - UNAUDITED

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>
2004	\$ 796,100	\$ 1,583,241	\$ 835,488	\$ 524,302	\$ 91,624	\$ 1,440,417
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	-
2011	977,799	1,895,532	1,312,662	515,698	162,383	(27,000)
2012	1,083,063	1,847,489	1,391,738	519,826	217,651	144,809

TABLE 1

Tourism Development	Interest on Long-Term Debt	Water and Sewer	City International Bridge Fund	Donna International Bridge Corporation	Cemetary	Totals
\$ 155,379	\$ 335,325	\$ 3,654,074	\$ -	\$ 20,235	\$ 61,192	\$ 9,497,377
162,234	329,320	4,328,672	0	10,555	63,881	10,773,270
83,140	432,579	4,448,382	0	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
18,487	144,374	4,731,955	3,029,406	-	70,696	12,831,992
17,598	73,071	5,005,481	3,551,342	-	-	13,852,068

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		
2004	\$ 4,478,018	\$ 2,353,387	\$ 997,774	\$ 3,774,779	\$ 74,675	\$ 13,878	\$ -	\$ 11,692,511	
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	
2011	7,029,771	396,884	1,209,155	5,623,643	43,814	71,435	-	14,374,702	
2012	8,102,608	312,700	2,918,580	6,095,880	18,501	43,218	-	17,491,487	

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)
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	3,551,743	83,718	677,142	1,141,676	110,081	18,898	5,583,258
2011	3,852,989	101,415	326,847	1,189,906	105,244	48,943	5,625,344
2012	4,036,307	123,623	241,369	1,204,455	97,283	46,085	5,749,122

TABLE 4

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

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Public Health	Economic Development	Debt Service	Totals
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
2011	1,010,748	1,905,641	1,472,449	516,101	160,389	86,969	66,414	5,218,711
2012	1,078,438	1,873,037	1,412,629	535,166	217,651	75,000	67,845	5,259,766

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
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
2011	2,642,087	2,090,514	150,781	(56,190)	52,375	17,432	4,832,002	9,729,001
2012	3,121,738	2,100,585	168,625	(47,666)	91,761	1,847,951	39,421	7,322,415

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

**LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>Water Distribution</u>	<u>Sewer Collection</u>	<u>Sewer Treatment</u>	<u>Water/Sewer Operations</u>	<u>Water/Supply and Treatment</u>	<u>Engineering Services</u>
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	184,816	498,168	17,550
2010	7,718	69,573	320,118	249,784	382,669	8,911
2011	11,925	112,108	267,055	266,037	393,276	12,576
2012	102,610	126,379	282,718	301,007	418,909	15,000

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>
\$ 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	1,730,022	359,898	1,145,331	787,071	194,856	5,919,523
400,126	1,762,784	301,336	124,700	875,262	-	4,502,981
255,558	1,842,431	368,003	27,257	1,202,986		4,759,212
365,150	1,592,264	395,275	-	1,406,172	-	5,005,484

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TABLE 7**CITY OF DONNA, TEXAS****PROPERTY TAX RATES AND ASSESSED VALUES****LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Tax Levy Year	General Fund	Debt Service Fund	Total	Assessed Values
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	336,306,436
2010	2009	0.638126	0.400194	1.038320	338,951,607
2011	2010	0.674052	0.451927	1.125979	336,002,503
2012	2011	0.706169	0.546207	1.252376	341,431,546

CITY OF DONNA, TEXAS
SCHEDULE OF INSURANCE IN FORCE
September 30, 2012
(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	10/01/11	09/30/12
General Liability	TML-IRP	9424	10/01/11	09/30/12
Errors and Omissions	TML-IRP	9424	10/01/11	09/30/12
Automobile Liability	TML-IRP	9424	10/01/11	09/30/12
Automobile Physical Damage	TML-IRP	9424	10/01/11	09/30/12
Mobile Equipment	TML-IRP	9424	10/01/11	09/30/12
Boiler & Machinery	TML-IRP	9424	10/01/11	09/30/12
Workers' Compensation	TML-IRP	9424	10/01/11	09/30/12
Law Enforcement Liability	TML-IRP	9424	10/01/11	09/30/12
Public Employee Dishonesty	TML-IRP	9424	10/01/11	09/30/12
Forgery or Alteration	TML-IRP	9424	10/01/11	09/30/12
Computer Fraud	TML-IRP	9424	10/01/11	09/30/12
Tax Assess/Collect Surety Bond	Hartford Casualty Ins Co	61BSBBX5218	10/01/11	09/30/12

TABLE 8

<u>Details and Coverage</u>	<u>Per Occur Liability Limits</u>		<u>Annual Premium</u>
Fire, windstorm, valuable papers, accounts receivable, data processing equipment	24,248,700	\$	50,059
General, products, personal	500,000	1 \$	5,521
Public officials and employee liability, claims made	1,000,000	1 \$	8,580
All owned and leased vehicles	1,000,000	\$	20,441
Schedule of vehicles	1,000,000	\$	10,529
Schedule of Mobile equipment	408,562	\$	1,570
	100,000	\$	-
Includes volunteer firemen	N/A	\$	53,625
Law enforcement liability	1,000,000	1 \$	17,075
Public officials and employee dishonesty, claims made	100,000	\$	1,240
Loss resulting from forgery or alteration of covered docs	100,000	\$	161
Loss of money, securities and property	100,000	\$	124
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, 2011. 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

2012 Market Valuation Established by Hidalgo County Appraisal District ⁽¹⁾		\$ 539,442,163
Less Exemptions/Reductions at 100% Market Value:		
Over 65 and Disabled	\$ 3,329,094	
Disabled Veterans Exemptions	2,575,521	
Productivity Loss	25,523,317	
Abatement Value Loss	71,165	
Exempt Property	127,510,377	
CHODO (Partial)	61,188	
Charitable	60,310	
Value Loss to 10% Cap	980,244	\$ 160,111,216
2012 Net Taxable Assessed Valuation		\$ 379,330,947
General Obligation Debt Payable from Ad Valorem Taxes		
(as of September 30, 2012)		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001	1,155,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001-A	275,000	
Limited Tax Refunding Bonds, Series 2006	620,000	
Tax Notes, Series 2006	190,000	
Combination Tax and Int'l Toll Bridge Certificates of Obligation, Series 2007	30,500,000	
Combination Tax and Revenue Certificates of Obligation, Series 2009	5,085,000	
Limited Tax Refunding Bonds, Series 2012	4,775,000	
Tax Notes, Series 2009	-	
Funded Debt Payable from Ad Valorem Taxes	-	\$ 42,600,000
Less: Self-supporting Debt		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001 ⁽²⁾	\$ 912,450	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001-A ⁽⁴⁾	275,000	
Limited Tax Refunding Bonds, Series 2006 ⁽⁵⁾	599,920	
Tax Notes, Series 2006 ^{(4) & (5)}	165,759	
Combination Tax and Int'l Toll Bridge Certificates of Obligation, Series 2007 ⁽⁵⁾	30,500,000	
Combination Tax and Revenue Certificates of Obligation, Series 2009 ⁽⁴⁾	5,085,000	
Limited Tax Refunding Bonds, Series 2012 ⁽⁴⁾	3,514,400	
Tax Notes, Series 2009	-	\$ 41,052,529
Net Funded Debt Payable from Ad Valorem Taxes		\$ 1,547,471
Interest and Sinking Fund Balance (as of September 30, 2012)		\$ 877,557 ⁽³⁾
Ratio Funded Debt to Net Taxable Assessed Valuation		11.23%

2011 Estimated Population - 25,100
Per Capita Taxable Assessed Valuation - \$15,113
Per Capita Funded Debt - \$1,697

(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,					
	2013	(1)	2012		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 201,742,850	37.18%	\$ 186,098,019	37.68%	\$ 180,062,623	49.82%
Real, Residential, Multi-Family	23,090,738	4.26%	12,003,448	2.43%	11,302,919	3.13%
Real, Vacant Lots/Tracts	23,364,004	4.31%	18,252,276	3.70%	19,963,067	5.52%
Real, Acreage (Land Only)	28,478,703	5.25%	22,912,459	4.64%	20,477,633	5.67%
Real, Farm and Ranch Improvements	1,784,229	0.33%	1,434,091	0.29%	1,926,532	0.53%
Real, Commercial	82,050,572	15.12%	74,435,684	15.07%	69,816,793	19.32%
Real, Industrial	6,633,333	1.22%	4,886,074	0.99%	5,998,498	1.66%
Real and Tangible Personal, Utilities	6,194,219	1.14%	6,631,484	1.34%	7,579,819	2.10%
Tangible Personal, Commercial	22,411,992	4.13%	22,022,328	4.46%	23,668,277	6.55%
Tangible Personal, Industrial	2,914,628	0.54%	3,091,604	0.63%	3,939,854	1.09%
Tangible Personal, Mobile Homes	12,393,515	2.28%	12,112,850	2.45%	11,689,076	3.23%
Tangible Personal, Other	216,027	0.04%	-	0.00%	3,229,948	0.89%
Residential Inventory	1,802,726	0.33%	2,147,083	0.43%	-	0.00%
Special Inventory	1,910,198	0.35%	1,710,153	0.35%	1,806,793	0.50%
Total Exempt Property	127,570,687	23.51%	126,164,888	25.54%	-	0.00%
Total Appraised Value Before Exemptions	542,558,421	100%	\$ 493,902,441	100%	\$ 361,461,832	100%
Less: Total Exemptions/Reductions	(163,227,474)		(152,470,895)		(25,459,329)	
Taxable Assessed Valuation	<u>379,330,947</u>		<u>\$ 341,431,546</u>		<u>\$ 336,002,503</u>	

Category	2010	% of	2009	% of	2008	% of
	Amount	Total	Amount	Total	Amount	Total
Real, Residential, Single-Family	\$ 183,631,647	51.37%	\$ 185,262,397	51.95%	\$ 174,981,388	54.27%
Real, Residential, Multi-Family	11,180,787	3.13%	12,044,952	3.38%	11,573,572	3.59%
Real, Vacant Lots/Tracts	22,371,971	6.26%	22,894,057	6.42%	17,291,693	5.36%
Real, Acreage (Land Only)	13,299,889	3.72%	11,874,932	3.33%	6,741,597	2.09%
Real, Farm and Ranch Improvements	1,810,497	0.51%	1,715,479	0.48%	1,560,995	0.48%
Real, Commercial	70,074,113	19.60%	67,586,895	18.95%	53,349,191	16.55%
Real, Industrial	6,238,758	1.75%	6,072,271	1.70%	5,624,882	1.74%
Vehicles	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	8,252,576	2.31%	8,626,804	2.42%	8,990,799	2.79%
Tangible Personal, Commercial	20,881,471	5.84%	20,771,398	5.82%	21,661,139	6.72%
Tangible Personal, Industrial	4,119,225	1.15%	2,557,213	0.72%	3,682,980	1.14%
Tangible Personal, Mobile Homes	11,246,313	3.15%	12,415,278	3.48%	10,553,209	3.27%
Tangible Personal, Other	1,643,375	0.46%	1,703,186	0.48%	3,120,849	0.97%
Special Inventory	2,699,693	0.76%	3,125,324	0.88%	3,314,514	1.03%
Total Appraised Value Before Exemptions	\$ 357,450,315	100%	\$ 356,650,186	100%	\$ 322,446,808	100%
Less: Total Exemptions/Reductions	(18,498,708)		(20,343,720)		(14,547,775)	
Taxable Assessed Valuation	<u>\$ 338,951,607</u>		<u>\$ 336,306,466</u>		<u>\$ 307,899,033</u>	

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

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

<u>Tax Year</u>	<u>Estimated Population</u>	<u>Taxable Assessed Valuation (1)</u>	<u>Per Capita Taxable Assessed Valuation</u>	<u>Gross Funded Tax Debt</u>	<u>Ratio Funded Debt to Taxable Assessed Valuation</u>	<u>Gross Per Capita Funded Tax Debt</u>
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
2011	15,798	341,431,546	21,612	44,125,000	12.92%	2,793
2012	25,100	379,330,947	15,113	42,600,000	11.23%	1,697

(1) 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>
2003	2002	0.662075	0.377753	1.039828	2,185,296	87.63%	104.85%
2004	2003	0.626004	0.413824	1.039828	2,298,670	87.32%	108.72%
2005	2004	0.623944	0.367704	0.991648	2,444,462	87.86%	105.72%
2006	2005	0.622352	0.366786	0.989138	2,641,298	87.90%	107.63%
2007	2006	0.589760	0.400239	0.989999	2,755,959	87.31%	108.95%
2008	2007	0.589805	0.400194	0.989999	3,048,197	87.17%	104.90%
2009	2008	0.589805	0.400194	0.989999	3,307,162	89.30%	107.46%
2010	2009	0.638126	0.400194	1.038320	3,472,824	87.00%	103.00%
2011	2010	0.674052	0.451927	1.125979	3,778,152	88.00%	104.00%
2012	2011	0.706169	0.546207	1.252376	3,720,197	88.00%	102.00%
2013	2012	0.706169	0.546207	0.622376	4,750,650	In process of collection	

(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 - 2012 Top Ten Taxpayers

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>2012 Taxable Assessed Valuation</u>	<u>% of Taxable Assessed Valuation</u>
Victoria Palms I LP	Hotel/Winter Resort	\$ 7,601,143	2.23%
Arbor Cove LTD	Residential Housing Complex	3,116,258	0.91%
SH Hester Donna LLC	Land & Packaging Company	2,838,389	0.83%
AEP Texas Central Co	Electric Utility	2,664,140	0.78%
Bland Farms LLC	Agriculture	2,292,340	0.67%
D & J Investments LTD	Financial Investments	2,235,216	0.65%
H.E. Butt Grocery Company	Grocery Store	2,181,620	0.64%
W Silver Recycling Inc	Recycling Business	2,130,910	0.62%
Packaging Corporation of America	Packaging Company	2,098,546	0.61%
Victoria Palms II LP	Winter Resort Park	2,000,145	0.59%
Totals		\$ 29,158,707	8.54%

Source: City of Donna, Texas Tax Department

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	
2013	\$ 1,010,000	\$ 2,353,509	\$ 3,363,509	
2014	1,045,000	2,302,816	3,347,816	
2015	1,090,000	2,248,162	3,338,162	
2016	1,125,000	2,191,339	3,316,339	21.87%
2017	875,000	2,136,887	3,011,887	
2018	1,445,000	2,077,551	3,522,551	
2019	1,515,000	2,007,130	3,522,130	
2020	1,590,000	1,932,647	3,522,647	
2021	1,670,000	1,853,997	3,523,997	34.23%
2022	1,755,000	1,771,123	3,526,123	
2023	1,840,000	1,683,949	3,523,949	
2024	1,935,000	1,590,524	3,525,524	
2025	2,030,000	1,492,356	3,522,356	
2026	1,460,000	1,398,877	2,858,877	48.94%
2027	1,575,000	1,308,153	2,883,153	
2028	1,685,000	1,210,519	2,895,519	
2029	1,800,000	1,105,896	2,905,896	
2030	1,915,000	994,230	2,909,230	
2031	1,930,000	878,635	2,808,635	69.15%
2032	2,145,000	755,983	2,900,983	
2033	2,265,000	623,105	2,888,105	
2034	2,100,000	489,930	2,589,930	
2035	2,100,000	359,375	2,459,375	
2036	2,300,000	221,875	2,521,875	
2037	2,400,000	75,000	2,475,000	100.00%
	<u>\$ 42,600,000</u>	<u>\$ 35,063,562</u>	<u>\$ 77,663,562</u>	

Source: Municipal Advisory Council and City of Donna

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)	\$ 141,407
Lease payable due in annual installments of \$4,717, including interest, collateralized by a Canan Copier.	4,535
Lease payable due in annual installments of \$10,579, including Interest, collateralized by a Ford Fire Pick-up.	19,155
Lease payable due in annual installments of \$1,219 including interest, collateralized by a Ricoh Copier.	2,695
Lease payable due in monthly installments of \$1,691, including interest, collateralized by a color copy machine at city hall.	1,227
Total Capital Lease Debt	\$ 169,020
Less: Current Portion of Capital Lease Obligations	69,691
Capital Lease Obligations, Net of Current Portion	\$ 99,329

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

Year Ending September 30,	General Government Long-Term Debt
2013	69,691
2014	63,705
2015	52,313
	\$ 185,709
Less: Amounts Representing Interest	16,689
Balance at September 30, 2011	\$ 169,020

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	2012 Taxable Assessed Valuation	2012 Tax Rate	Net Debt Outstanding as of 9/30/2012	Estimated % Applicable	Overlapping Funded Debt as of 9/30/2012	Authorized But Unissued Debt as of 9/30/2011
City of Donna	\$ 379,330,947 (1)	1.252376	\$ 42,600,000	100.00%	\$ 42,600,000	\$ -
Donna Independent School District	934,610,294 (1)	1.2582	110,080,000	44.85%	49,370,880	52,000,000
Donna Irrigation District Hidalgo Co. No. 1	264,198,319 (1)	0.2100	-	84.57%	-	-
Hidalgo County	27,320,028,938 (1)	0.5900	185,405,000	1.45%	2,688,373	-
Hidalgo County Drainage District No. 1	26,444,329,673 (1)	0.0750	93,740,000	1.54%	1,443,596	-
South Texas CCD	27,823,911,241 (1)	0.1507	61,389,287	1.29%	791,922	-
Total Direct and Overlapping G.O. Tax Debt					\$ 96,894,770	

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: City of Donna and Texas Municipal Reports published by the Municipal Advisory Council of Texas.

Note: Data obtained from the City is unaudited and subject to change.

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

Revenues	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
Taxes	\$ 4,036,307	\$ 3,852,989	\$ 3,551,743	\$ 3,472,034	\$ 3,327,974
Licenses and Permits	123,623	101,415	83,718	96,836	84,745
Charges for Service	1,204,455	1,189,906	1,141,676	1,111,621	1,229,875
Fines and Forfeits	97,283	105,244	110,081	138,660	113,433
Intergovernmental	241,369	326,847	677,142	182,660	607,904
Interest	583	48,943	1,633	5,194	20,677
Other Revenues	45,502		17,265	16,824	34,953
Total Revenues	\$ 5,749,122	\$ 5,625,344	\$ 5,583,258	\$ 5,023,829	\$ 5,419,561
Expenditures					
Current:					
General Government	\$ 1,078,438	\$ 1,010,748	\$ 1,069,874	\$ 974,982	\$ 988,942
Public Safety	1,873,037	1,905,641	2,271,697	1,957,380	1,868,023
Public Works	1,412,629	1,472,449	1,790,994	1,215,055	1,155,302
Economic Development	75,000	86,969	-	14,100	494,580
Culture and Recreation	535,166	516,101	512,410	498,168	518,850
Health and Welfare	217,651	160,389	143,771	139,375	119,950
Debt Service:					
Principal Retirements	62,061	60,339	65,814	25,729	19,909
Interest, Fiscal & Issuance Charges	5,784	6,075	6,626	3,983	6,570
Total Expenditures	\$ 5,259,766	\$ 5,218,711	\$ 5,861,186	\$ 4,828,772	\$ 5,172,126
Excess/Deficiency of Revenues Over Expenditures	489,356	406,633	(277,928)	\$ 195,057	\$ 247,435
Other Financing Sources/Uses					
Operating Transfers In	43,066.00	-	-	\$ 1,720	\$ 3,212
Operating Transfers Out	-	-	(127,191)	(68,798)	(54,503)
Tax Note Proceeds	-	-	-	-	-
Loan and Lease Proceeds	-	-	137,317	26,293	-
Total Other Financing Sources/Uses	\$ 43,066	\$ -	\$ 10,126	\$ (40,785)	\$ (51,291)
Excess/Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Uses	\$ 532,422	\$ 406,633	\$ (267,802)	\$ 154,272	\$ 196,144
Beginning Fund Balance	934,350	871,372	871,372	717,100	520,956
Prior Period Adjustment	-	-	-	-	-
Ending Fund Balance	\$ 1,466,772	\$ 1,278,005	\$ 603,570	\$ 871,372	\$ 717,100

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>
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
2011	1,592,805	42.82%	0.4665	88.97
2012	1,731,965	36.46%	0.4566	69.00

Source: Office of the Texas Comptroller and City of Donna

Annual Financial Report

CITY OF DONNA, TEXAS
Table 11 - Interest and Sinking Fund Budget Projection

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/13	\$ (2,190,626)
Interest and Sinking Fund Balance at 9/30/12	877,557
2012 Interest and Sinking Fund Tax Levy @ 100% Collection	1,944,040
Amount paid from other resources	243,727
Estimated Balance as of 9/30/13	<u>\$ 874,698</u>

Source: City of Donna, Texas

CITY OF DONNA, TEXAS
Table 12 - Current Investments

The City's cash and temporary investments at September 30, 2012 are shown below:

Name	Carrying Amount	Market Value
Non-Interest Bearing Cash Accounts	\$ 3,437,037	\$ 3,437,037
Money Market Fund available from Trustee	2,212,489	2,212,489
Local Government Investment Cooperative (LOGIC) ⁽¹⁾	6,012,584	6,012,584
Bank Certificates of Deposit held by Trustee	-	-
Total	\$ 11,662,110	\$ 11,662,110

(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

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