

CITY OF DONNA, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2009

CITY OF DONNA, TEXAS

ANNUAL FINANCIAL REPORT

September 30, 2009

Council – Manager Form of Government

MAYOR

David S. Simmons

COUNCIL MEMBERS

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

CITY MANAGER

Oscar Cuellar, Jr.

FINANCE DIRECTOR

Daniel Downs

CITY SECRETARY

Martha Alvarado

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CITY OF DONNA, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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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, 2009, 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 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.

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, 2009, and the changes in financial position thereof for the year then ended.

In addition, 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, 2009, 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, 2009, 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 September 20, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information schedules on pages 5-15 and 85-95, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
September 20, 2010

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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, 2009.

Financial Highlights In Brief

In regards to the City's government-wide level financial statements, the 2009 and 2008 amounts are included in this discussion and analysis for comparative purposes.

- The assets of the City exceeded liabilities at the close of the 2009 and 2008 fiscal years by \$48,403,546 (net assets) and by \$44,948,147 (net assets), respectively. At the end of the 2009 and 2008 fiscal years the statement of net assets reflects a positive amount for unrestricted net assets of \$243,539 and \$1,583,980, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,449,106 an increase of \$348,054 over the prior year.
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$121,372 or a positive 2.51 percent of total current year general fund expenditures.
- The City of Donna's total debt increased by a net amount of \$6,655,824 or 16.17 percent during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, public health and welfare, economic development and tourism development. The business-type activities of the City include a utility system (water and sanitary sewer) and cemetery operations. The City should be ready to provide international bridge passenger vehicle crossing services in late calendar year 2010. However, in connection with recent river flooding in the summer of 2010, it is not certain that the Mexican side will be ready by the end of calendar year 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 on pages 8-21 of this report.

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

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

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

The City of Donna maintains eleven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds, wherein the general fund is considered to be a major fund. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found on pages 24-27 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system fund and the City international bridge fund, wherein both funds are considered to be major funds. Data for the other two proprietary funds are combined into a single, aggregated presentation. The individual fund data for both of these non-major proprietary funds is provided in the form of *combining statements* elsewhere in this report. The basic proprietary fund financial statements can be found on pages 28-35 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of individuals, private organizations, and other governments. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Donna maintains three private purpose trust fiduciary funds. The Firemen's Relief and Retirement Fund is reported as a fiduciary pension fund. Tax Increment Reinvestment Zone Number One is reported as a fiduciary fund of the primary government and it is anticipated that Tax Increment Reinvestment Zone Number Two will also be reported as a fiduciary fund when it has transactions to report. The basic fiduciary fund financial statements can be found on pages 36-37 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 on pages 39-82 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* is on pages 85-95 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. This information is on page 93.

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 begin on page 100 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 \$48,403,546 at the close of fiscal year 2009 and by \$44,948,147 at the close of fiscal year 2008. (In accordance with generally accepted accounting principles certain of the amounts for 2008 in the statement of net assets herein have been restated to reflect the prior period adjustments in order for them to be comparable to the amounts in 2009.)

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 4,186,623	\$ 3,724,703	\$ 22,150,007	\$ 28,047,049	\$ 26,336,630	\$ 31,771,752
Capital assets	21,492,308	20,902,664	52,631,020	35,781,234	74,123,328	56,683,898
Total assets	<u>25,678,931</u>	<u>24,627,367</u>	<u>74,781,027</u>	<u>63,828,283</u>	<u>100,459,958</u>	<u>88,455,650</u>
Long-term liabilities	2,722,543	3,032,740	45,095,563	38,129,542	47,818,106	41,162,282
Other liabilities	577,432	522,042	3,660,874	1,823,179	4,238,306	2,345,221
Total liabilities	<u>3,299,975</u>	<u>3,554,782</u>	<u>48,756,437</u>	<u>39,952,721</u>	<u>52,056,412</u>	<u>43,507,503</u>
Net assets						
Invested in capital assets, net of related debt	19,030,800	18,123,327	23,273,380	20,242,545	42,304,180	38,365,872
Restricted	2,062,762	1,800,502	3,793,066	3,197,793	5,855,828	4,998,295
Unrestricted (deficit)	1,285,394	1,148,756	(1,041,856)	435,224	243,539	1,583,980
Total net assets	<u>\$ 22,378,956</u>	<u>\$ 21,072,585</u>	<u>\$ 26,024,590</u>	<u>\$ 23,875,562</u>	<u>\$ 48,403,546</u>	<u>\$ 44,948,147</u>

By far the largest portion of the City's net assets (87.40% in 2009 and 85.36% in 2008) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment, net of accumulated depreciation under the business-type activities), less any related debt used to acquire those assets that is still outstanding. The City of Donna uses these capital assets to provide services to citizens and to customers of its business-type activities; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Donna's net assets (12.10% in 2009 and 11.12% in 2008) 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 \$1,285,394 for 2009 and \$1,148,756 for 2008.

The City's unrestricted net assets under business-type activities reflect a deficit of \$(1,041,856) at 2009 and a positive balance of \$435,224 at 2008.

The Water and Sewer Fund has an unrestricted net asset deficit of \$(542,686) at 2009, which reflects a decrease in unrestricted net assets of \$(959,430) from 2008. This is in spite of the positive results from operations of the fund in 2009 and 2008. This is primarily in connection with the non-operating expenses for consultant fees to obtain capital grant contributions. Capital contribution fees expensed to unrestricted net assets totaled \$1,145,331 in 2009 and \$216,094 in 2008. If the City intends on incurring more of these types of fees, then more income from operations will need to be generated. The City International Bridge Fund has an unrestricted net asset deficit of \$(530,587) at 2009, which reflects an increase in the deficit of \$(323,217) from 2008. The assets of the International Bridge Fund were still under construction at 2009, thus no operating revenues are being generated. The City believes that this situation will start to turn around once operations begin. An additional item effecting unrestricted net assets in 2009 is the special item to charge off deferred organizational costs of \$192,074 in the blended component unit, Donna International Bridge Corporation.

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 2009 and 2008. (In accordance with generally accepted accounting principles certain of the amounts for 2008 in the statement of changes in net assets herein have been restated to reflect prior period adjustments in order for them to be comparable to the amounts in 2009.)

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

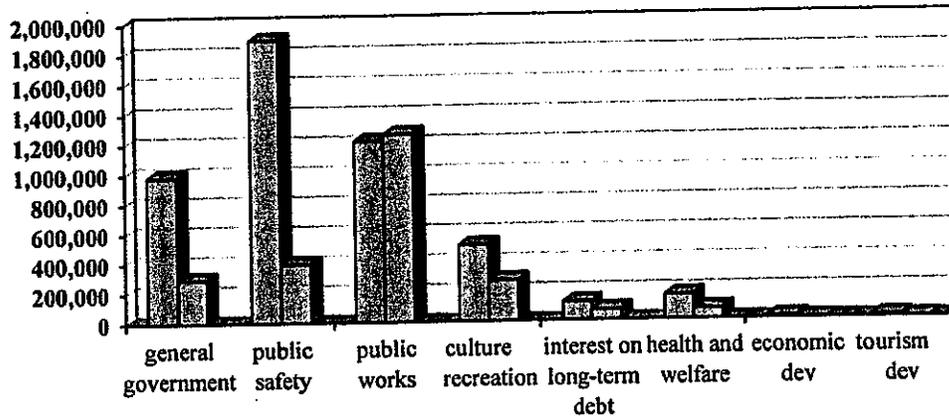
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,415,240	\$ 1,493,498	\$ 5,059,316	\$ 4,728,364	\$ 6,474,556	\$ 6,221,862
Operating grants and contributions	212,348	293,720	-	-	212,348	293,720
Capital grants and contributions	737,549	644,630	2,041,473	2,478,734	2,779,022	3,123,364
General Revenues:						
Property taxes	3,427,368	3,220,106	-	-	3,427,368	3,220,106
Other taxes	1,514,143	1,507,849	-	-	1,514,143	1,507,849
Other	43,536	104,189	401,003	725,355	444,539	829,544
Total revenues	7,350,184	7,263,992	7,501,792	7,932,453	14,851,976	15,196,445
Expenses:						
General government	981,874	989,315	-	-	981,874	989,315
Public safety	1,892,031	1,887,064	-	-	1,892,031	1,887,064
Public works	1,216,881	1,155,302	-	-	1,216,881	1,155,302
Culture and recreation	513,119	548,678	-	-	513,119	548,678
Public Health and welfare	165,438	174,118	-	-	165,438	174,118
Economic Development	14,100	494,580	-	-	14,100	494,580
Tourism development	13,961	25,375	-	-	13,961	25,375
Interest on long-term debt	124,192	135,685	-	-	124,192	135,685
Utility system operations	-	-	4,579,337	4,402,230	4,579,336	4,402,230
Fees to acquire WS capital grants	-	-	1,145,331	235,434	1,145,331	235,434
International Bridge Fund	-	-	480,594	602,044	480,594	602,044
Int'l Bridge Corp. miscellaneous	-	-	20	7,500	20	7,500
Cemetery operations	-	-	77,625	70,542	77,625	70,542
Total expenses	4,921,596	5,410,117	6,282,907	5,317,750	11,204,502	10,727,867
Changes in net assets before transfers	2,428,588	1,853,875	1,218,885	2,614,703	3,647,474	4,468,578
Transfers	(1,122,217)	(1,227,733)	1,122,217	1,227,733	-	-
Special item: (DIBC charge off)	-	-	(192,074)	-	(192,074)	-
Changes in net assets	1,306,371	626,142	2,149,028	3,842,436	3,455,399	4,468,578
Net assets – beginning of year	21,072,585	20,446,443	23,875,562	20,033,126	44,948,147	40,479,569
Net assets – end of year	\$ 22,378,956	\$ 21,072,585	\$ 26,024,590	\$ 23,875,562	\$ 48,403,546	\$ 44,948,147

Total revenues generated from both governmental and business-type activities for 2009 amounted to \$14,851,976 with expenses of \$11,204,502 along with a special item charging off deferred organizational costs of \$192,074 resulted in a net asset increase \$3,455,399 for 2009. This is in contrast to \$15,196,445 in revenues with expenses of \$10,727,867 that resulted in a net asset increase of \$4,468,578 for 2008.

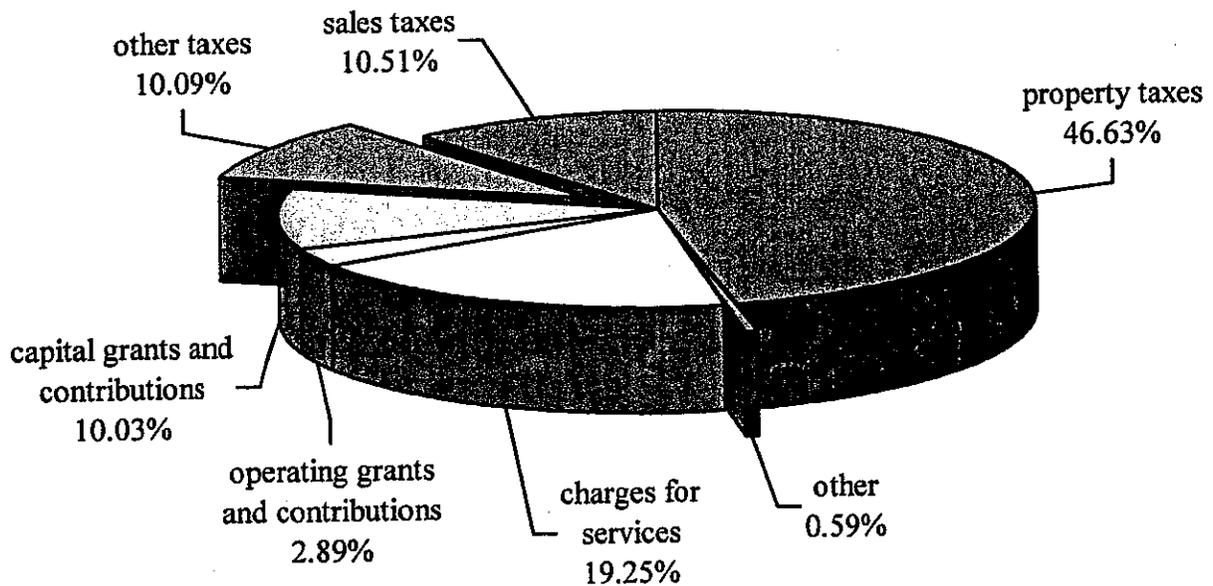
Governmental activities. Governmental activities increased the City of Donna's net assets by \$1,306,371 thereby accounting for an increase of 6.20 percent in total net assets for 2009.

Expenses and Program Revenues-Governmental Activities

■ expenses
 ■ program revenues

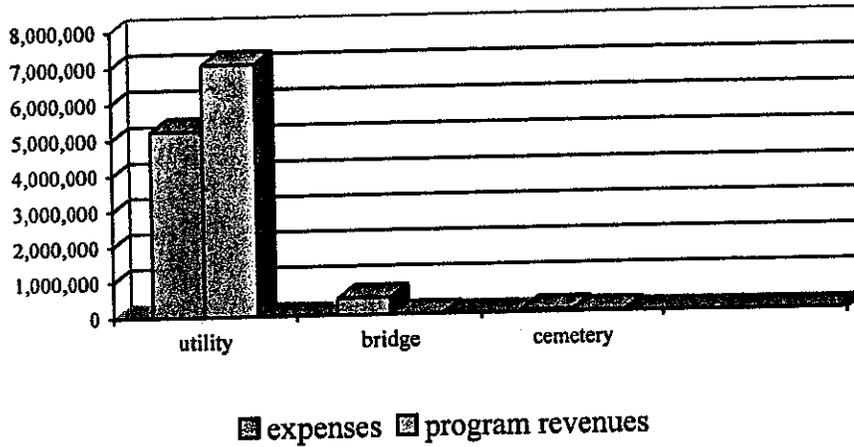


Revenues by Source-Governmental Activities

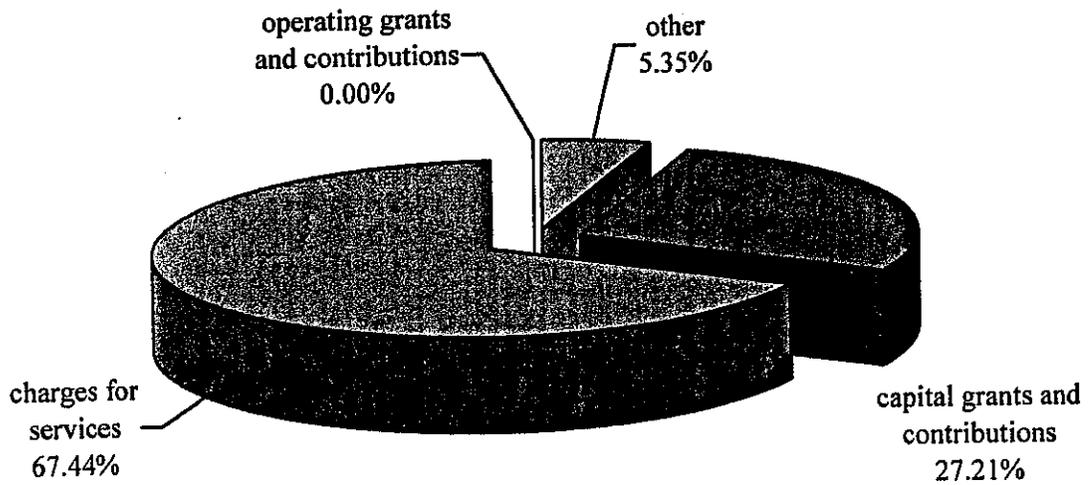


Business-type activities. Business-type activities increased the City of Donna's net assets by \$2,149,028 thereby accounting for an increase of 9.00 percent in total net assets in 2009. Capital contributions in comparison to the increased amount of net assets are approximately 95% and the net interfund transfers from governmental activities in comparison to the increased amount of net assets are approximately a net 52%. The City International Bridge Fund's assets are under construction and therefore it has no operations at this time.

Expenses and Program Revenues-Business Type Activities



Revenues by Source-Business-Type Activities



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,449,106 an increase of \$348,054. A positive amount of \$227,756 constitutes combined unreserved undesignated fund balance for all governmental funds. Good financial management indicates that the City should maintain an unreserved undesignated fund balance on a continuing basis in order to have working capital to operate the City and as a reserve hedge against emergencies. The remainder of the fund balance of \$1,471,350 is reserved and \$750,000 is designated to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes and financial compliance.

The General Fund is the chief operating fund of the City of Donna. At the end of the 2009 fiscal year unreserved undesignated fund balance of the General Fund was \$121,372 and at the end of the 2008 fiscal year unreserved undesignated fund balance of the General Fund was \$208,872. 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 2009 unreserved undesignated fund balance represents a positive 2.51 percent of total General Fund expenditures, while total fund balance represents a positive 18.05 percent of that same amount.

During the 2009 fiscal year, the net change in fund balance of the City's General Fund increased by \$154,272. The key components and factors in this increase are as follows:

- The City formally budgeted to increase fund balance by \$250,000 for fiscal year 2009.
- The City Manager did some departmental re-organization of personnel that helped to save some resources.

The Debt Service Fund has a total fund balance of \$1,012,433, all of which is reserved for the payment of debt service. There was a net increase in fund balance in the Debt Service fund during fiscal year 2009 of \$107,585 and a net decrease of \$(85,192) in 2008. Considering the Debt Service fund was budgeted for a net decrease of \$(71,729), it did better than what was budgeted. This was primarily the result of a final transfer from the Water and Sewer Fund of some remaining Debt Service Fund funds that were on deposit in that fund. The City is trying to maintain a fund balance in the Debt Service Fund that is capable of assisting with the debt service requirements in the City International Bridge Fund.

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

The combined unrestricted net asset deficit of \$(1,041,856) at 2009 is comprised of the respective proprietary funds as follows. Water and Sewer Fund \$(542,686), City International Bridge Fund \$(530,587), Donna International Bridge Corporation blended component unit \$151, and Cemetery Fund \$31,266. Please refer to the discussion of these amounts under the government-wide financial analysis above. The capital assets for the international bridge and related bridge service assets are under construction in the City International Bridge Fund. Therefore, there are no operating revenues at this time.

General Fund Budgetary Highlights

There were no amendments to the original General Fund budget during the year. While budget variances were incurred, the original budget held up well during 2009. If the City had the time to perform final end of year budget amendments, the budget would have been acceptable, since fund balance increased by \$154,272.

Capital Assets

The City of Donna's investment in capital assets for its governmental and business type activities as of September 30, 2009 and 2008, amounts to \$74,123,328 and \$56,683,898, 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 30.77 percent (a 2.82 percent increase for governmental activities and a 47.09 percent increase for business-type activities, net of accumulated depreciation). The current year depreciation expense for business-type activities was \$790,143 for both the Water and Sewer Fund and the Cemetery Fund. There is no depreciation of the international bridge and related service assets, since they are construction in progress.

Additional information on the City of Donna's capital assets can be found in note 3, Section E on pages 58-60 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	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,027,449	\$ 1,027,449	\$ 1,201,299	\$ 1,215,013	\$ 2,228,748	\$ 2,242,462
Buildings	2,637,123	2,626,804	54,385	46,395	2,691,508	2,673,199
Improvements other than buildings	8,269,193	8,209,773	28,308	30,354	8,297,501	8,240,127
Water and sewer system	-	-	17,616,742	18,185,597	17,616,742	18,185,597
Infrastructure- streets	3,791,875	3,540,755	-	-	3,791,875	3,540,755
Furniture and equipment	5,300,115	5,031,330	45,004	27,641	5,345,119	5,058,971
Construction of Int'l Bridge Complex	-	-	29,586,741	14,320,714	29,586,741	14,320,714
Other developments in progress	466,553	466,553	4,098,541	1,955,520	4,565,094	2,422,073
Total	\$ 21,492,308	\$ 20,902,664	\$ 52,631,020	\$ 35,781,234	\$ 74,123,328	\$ 56,683,898

Debt Administration

The City of Donna's total long-term debt for its governmental and business-type activities as of September 30, 2009 and 2008, amounts to \$47,818,106 and \$41,162,282, respectively.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds - net	\$ 1,873,192	\$ 2,077,240	\$ 41,831,325	\$ 36,922,125	\$ 43,704,517	\$ 38,999,365
General obligation tax notes	98,408	202,499	761,592	967,500	860,000	1,169,999
Claims payable	-	-	2,479,016	216,094	2,479,016	216,094
Capital leases	283,667	304,926	-	-	283,667	304,926
Notes and loans payable	249,219	264,334	1,822	3,525	251,041	267,859
Compensated absences	218,057	183,741	21,808	20,298	239,865	204,039
Total	\$ 2,722,543	\$ 3,032,740	\$ 45,095,563	\$ 38,129,542	\$ 47,818,106	\$ 41,162,282

The City's total debt increased by a net \$6,655,824 or 16.17 percent, during the current fiscal year. The City paid down existing debts in the amount of \$1,228,168. In August 2009 the City issued the \$5,500,000 2009 Tax and Limited Pledge Revenue Certificates of Obligation for financing 78% of the construction of the Wastewater Treatment Plant upgrade and expansion project. The other 22% is being financed by an EPA CWTAP grant from the Texas Water Development Board. The other significant increase in long-term debt came from the two payment agreements with a consultant that are classified as claims payable above. Additional information on the City of Donna's long-term debt can be found in note 3, Section F and G on pages 60-71 of this report.

During the construction of the international bridge and related bridge service assets, all bridge related debt service payments are funded by the general government's Debt Service Fund via transfers to the City International Bridge Fund with the exception that it participates with the funds available from the 2007 Bonds capitalized interest account to assist in making the debt service payments on the 2007 Bonds. To date, through 2009, the general government's Debt Service Fund has paid just over half of the debt service payments on the 2007 Bonds with the balance coming from the 2007 Bond capitalized interest account. This sharing process should provide for the debt service payments on the 2007 Bonds well into the fiscal year ending 2012, at which time the City hopes that revenues from bridge crossing services will start to provide a share of the debt service payments on the 2007 Bonds. However, since the international bridge will open as a passenger traffic only 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 City will be ready to accommodate commercial traffic, the U.S. government has made no financial commitment to build and operate facilities to accommodate commercial traffic that was originally projected.

Economic Factors and Next Year's Budgets and Rates

- The assessed taxable valuations used in preparing the 2010 budget were up \$408,476, or .12 percent from the prior year.
- The City raised the tax rate to \$1.038320 per \$100 valuation from \$0.989999.
- In the 2010 Budget, the General Fund expenditures are budgeted to increase 9.02% in connection with a budgeted increase in revenues plus the proceeds from a lease to purchase four police vehicles.
- The City is in the process of constructing the international toll bridge with related bridge service assets. The toll bridge should generate some additional revenues for the City once it starts providing passenger vehicle crossing services. The toll bridge crossing activities should also assist in increasing some other economic activity within the City.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,441,513	\$ 1,411,551	\$ 3,853,064
Receivables, net	1,605,154	729,395	2,334,549
Internal balances	105,138	(105,138)	-
Due from component unit	10,990	-	10,990
Inventories	-	4,285	4,285
Prepaid expenses	-	151,956	151,956
Restricted assets			
Cash and cash equivalents	-	9,913,137	9,913,137
Investments	-	6,532,210	6,532,210
Accrued interest receivable	-	59,493	59,493
Intergovernmental receivables	-	1,849,128	1,849,128
Capital assets:			
Land	1,027,449	1,201,299	2,228,748
Construction in progress	466,553	33,685,282	34,151,835
Other capital assets, net of accumulated depreciation	19,998,306	17,744,439	37,742,745
Other assets	-	72,098	72,098
Deferred charges	23,828	1,531,892	1,555,720
Total assets	<u>\$ 25,678,931</u>	<u>\$ 74,781,027</u>	<u>\$ 100,459,958</u>
LIABILITIES			
Accounts payable	\$ 342,086	\$ 321,615	\$ 663,701
Accrued interest payable	26,557	327,473	354,030
Accrued liabilities	60,016	6,856	66,872
Due to primary government	-	-	-
Deposits	92,901	376,552	469,453
Unearned revenue	55,872	5,972	61,844
Construction payables	-	2,622,406	2,622,406
Non-current liabilities:			
Due within one year	358,283	1,007,688	1,365,971
Due in more than one year	2,364,260	44,087,875	46,452,135
Total liabilities	<u>3,299,975</u>	<u>48,756,437</u>	<u>52,056,412</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	19,030,800	23,273,380	42,304,180
Restricted for:			
Capital projects	387,004	1,297,980	1,684,984
Operations and maintenance	-	625,354	625,354
Debt service	1,474,479	1,869,732	3,344,211
Other purposes	201,279	-	201,279
Unrestricted (deficit)	1,285,394	(1,041,856)	243,539
Total net assets (deficit)	<u>\$ 22,378,956</u>	<u>\$ 26,024,590</u>	<u>\$ 48,403,546</u>

The accompanying notes are an integral part of this statement.

Component Units			
Donna Economic Development Corporation		Development Corporation of Donna, Inc.	
\$	698,599	\$	683,918
	57,967		57,967
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	248,216		-
	-		-
	-		-
	72,448		64,526
\$	1,077,230	\$	806,411
	-		-
	30,024		29,205
	-		-
	4,269		6,721
	-		-
	-		-
	125,000		120,000
	3,535,000		3,440,000
	-		-
	3,694,293		3,595,926
	248,216		-
	-		-
	-		-
	177,080		173,043
	-		-
	(3,042,359)		(2,962,558)
\$	(2,617,063)	\$	(2,789,515)

CITY OF DONNA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 981,874	\$ 289,189	\$ 3,296	\$ -
Public safety	1,892,031	232,509	83,754	78,558
Public works	1,216,881	785,496	6,759	468,540
Culture and recreation	513,119	61,989	23,070	190,451
Public health and welfare	165,438	46,057	25,485	-
Economic development	14,100	-	-	-
Tourism development	13,961	-	-	-
Interest on long-term debt	124,192	-	69,984	-
Total governmental activities	<u>4,921,596</u>	<u>1,415,240</u>	<u>212,348</u>	<u>737,549</u>
Business-type activities:				
Water and sewer	5,724,668	5,029,666	-	2,039,920
International Bridge	480,594	-	-	1,553
Donna International Bridge Corporation	20	-	-	-
Cemetery services	77,625	29,650	-	-
Total business-type activities	<u>6,282,907</u>	<u>5,059,316</u>	<u>-</u>	<u>2,041,473</u>
Total primary government	<u>\$ 11,204,502</u>	<u>\$ 6,474,556</u>	<u>\$ 212,348</u>	<u>\$ 2,779,022</u>
COMPONENT UNITS:				
Economic Development	\$ 411,313	\$ -	\$ -	\$ -
Total component units	<u>\$ 411,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Taxes:
Property taxes
Sales taxes
Franchise taxes
Hotel occupancy tax
Investment earnings
Miscellaneous
Special Items
Transfers
Total general revenues and transfers
Change in net assets
Net assets (deficit)-beginning
Prior-period adjustments
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.
\$ (689,389)	\$ -	\$ (689,389)		
(1,497,210)	-	(1,497,210)		
43,914	-	43,914		
(237,609)	-	(237,609)		
(93,896)	-	(93,896)		
(14,100)	-	(14,100)		
(13,961)	-	(13,961)		
(54,208)	-	(54,208)		
<u>(2,556,459)</u>	<u>-</u>	<u>(2,556,460)</u>		
-	1,344,918	1,344,918		
-	(479,041)	(479,041)		
-	(20)	(20)		
-	(47,975)	(47,975)		
-	817,883	817,883		
<u>\$ (2,556,459)</u>	<u>\$ 817,883</u>	<u>\$ (1,738,577)</u>		
			\$ (209,689)	\$ (201,624)
			<u>(209,689)</u>	<u>(201,624)</u>
3,427,368	-	3,427,368	-	-
772,619	-	772,619	386,309	386,309
664,341	-	664,341	-	-
77,183	-	77,183	-	-
23,559	389,707	413,266	331	673
19,977	11,296	31,273	-	-
-	(192,074)	(192,074)	-	-
<u>(1,122,217)</u>	<u>1,122,217</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,862,830	1,331,146	5,193,976	386,640	386,982
1,306,371	2,149,028	3,455,399	176,951	185,358
21,072,585	24,176,905	45,249,490	(2,794,014)	(2,974,873)
-	(301,343)	(301,343)	-	-
<u>\$ 22,378,956</u>	<u>\$ 26,024,590</u>	<u>\$ 48,403,546</u>	<u>\$ (2,617,063)</u>	<u>\$ (2,789,515)</u>

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FUND FINANCIAL STATEMENTS

CITY OF DONNA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 823,967	\$ 1,001,451	\$ 616,095	\$ 2,441,513
Receivables, net:				
Property taxes	702,883	493,750	-	1,196,633
Accounts	288,868	-	16,301	305,169
Intergovernmental	103,352	-	-	103,352
Due from other funds	178,581	-	22,739	201,320
Due from component units	10,990	-	-	10,990
Total Assets	\$ 2,108,641	\$ 1,495,201	\$ 655,135	\$ 4,258,977
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 323,041	\$ -	\$ 19,045	\$ 342,086
Accrued liabilities	60,016	-	-	60,016
Due to other funds	22,739	2,654	70,789	96,182
Deferred revenues	682,700	480,114	-	1,162,814
Unearned revenues	55,872	-	-	55,872
Deposits	92,901	-	-	92,901
Total Liabilities	1,237,269	482,768	89,834	1,809,871
Fund Balances				
Reserved for:				
Reserved for debt service	-	1,012,433	-	1,012,433
Reserved for capital projects	-	-	126,818	126,818
Reserved for equipment	-	-	332,099	332,099
Unreserved				
Designated for:				
Financial Compliance	750,000	-	-	750,000
Undesignated	121,372	-	-	121,372
Unreserved, reported in nonmajor:				
Special revenue fund	-	-	106,384	106,384
Total Fund Balances	871,372	1,012,433	565,301	2,449,106
Total Liabilities and Fund Balances	\$ 2,108,641	\$ 1,495,201	\$ 655,134	\$ 4,258,977

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, 2009

Total fund balances- governmental funds balance sheet	\$ 2,449,106
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.	21,492,308
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,162,814
Payables for bond principal, which are not due in the current period are not reported in the funds.	(1,873,192)
Payables for tax note principal, which are not due in the current period are not reported in the funds.	(98,408)
Payables for debt interest, which are not due in the current period are not reported in the funds.	(26,557)
Payables for note principal, which are not due in the current period are not reported in the funds.	(249,219)
Payables for capital lease obligations, which are not due in the current period are not reported in the funds.	(283,667)
Payables for compensated absences, which are not due in the current period are not reported in the funds.	(218,057)
Bond issuance costs, which are expensed in the funds.	<u>23,828</u>
Net assets of governmental activities- statement of net assets	<u>\$ 22,378,956</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, 2009

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,472,034	\$ 1,326,893	\$ 77,183	\$ 4,876,110
Licenses and permits	96,836	-	-	96,836
Charges for services	1,111,621	-	64,100	1,175,721
Fines and forfeitures	138,660	-	4,023	142,683
Intergovernmental	182,660	-	481,009	663,669
Interest	5,194	12,582	5,783	23,559
Other	16,824	-	3,693	20,517
Total Revenues	5,023,829	1,339,475	635,791	6,999,095
Expenditures:				
Current:				
General government	974,982	-	2,183	977,165
Public safety	1,957,380	-	2,110	1,959,490
Public works	1,215,055	-	-	1,215,055
Culture and recreation	498,168	-	199,392	697,561
Health and welfare	139,375	-	25,486	164,861
Economic development	14,100	-	-	14,100
Tourism development	-	-	13,961	13,961
Capital Outlay	-	-	24,852	24,852
Debt Service:				
Principal retirements	25,729	308,139	36,938	370,806
Interest and other charges	3,983	98,316	14,968	117,267
Total Expenditures	4,828,772	406,455	319,890	5,555,117
Excess (Deficiency) of Revenues Over Expenditures	195,057	933,020	315,901	1,443,978
Other Financing Sources (Uses):				
Transfers in	1,720	422,840	-	424,560
Transfers out	(68,798)	(1,248,275)	(229,704)	(1,546,777)
Lease proceeds	26,293	-	-	26,293
Total Other Financing Sources (Uses)	(40,785)	(825,435)	(229,704)	(1,095,924)
Net Change in Fund Balances	154,272	107,585	86,197	348,054
Fund Balances at Beginning of Year	717,100	904,848	487,663	2,109,611
Prior-Period Adjustment	-	-	(8,559)	(8,559)
Fund Balances at End of Year	\$ 871,372	\$ 1,012,433	\$ 565,301	\$ 2,449,106

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, 2009

Net change in fund balances- total governmental funds	\$ 348,054
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	589,644
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	65,401
Lease proceeds are not reported as revenues in the SOA	(26,293)
Repayment of principal on long-term debt is an expenditure in the funds, but is not an expense in the SOA.	370,806
Amortization of bond issuance costs is not reported in the funds.	(9,378)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.	2,453
Compensated absences are reported as the amount is incurred in the SOA, but as the amount is paid in the funds.	<u>(34,316)</u>
Change in net assets of governmental activities- statement of activities	<u>\$ 1,306,371</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Business-type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,396,209	\$ 616	\$ 14,726	\$ 1,411,551
Restricted assets				
Cash and cash equivalents	8,232,631	1,680,506	-	9,913,137
Investments	-	6,532,210	-	6,532,210
Accrued interest	-	59,493	-	59,493
Intergovernmental receivables	1,849,128	-	-	1,849,128
Receivables, net:				
Accounts	708,739	159	20,497	729,395
Inventories	-	-	4,285	4,285
Prepaid expenses	151,956	-	-	151,956
Total Current Assets	12,338,663	8,272,984	39,508	20,651,155
Noncurrent assets				
Deferred charges, net	517,207	1,014,685	-	1,531,892
Other assets	72,098	-	-	72,098
Capital assets	33,174,680	30,523,410	48,102	63,746,192
Less accumulated depreciation	(11,098,538)	-	(16,634)	(11,115,172)
Net Capital Assets	22,076,142	30,523,410	31,468	52,631,020
Total Noncurrent Assets	22,665,447	31,538,095	31,468	54,235,010
Total Assets	\$ 35,004,110	\$ 39,811,079	\$ 70,976	\$ 74,886,166

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Business-Type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
<u>Liabilities</u>				
<u>Current liabilities</u>				
Accounts payable	\$ 315,665	\$ 3,750	\$ 2,200	\$ 321,615
Accrued liabilities	5,553	-	1,302	6,856
Accrued interest	80,346	247,127	-	327,473
Construction payables	2,069,074	553,332	-	2,622,405
Compensated absences payable	5,428	-	1,067	6,495
Due to other funds	104,932	-	206	105,138
Current portion of bonds	500,000	125,790	-	625,790
Current portion of tax notes	52,325	162,712	-	215,037
Current portion of claims payable	56,047	102,497	-	158,544
Current portion of notes payable	-	-	1,822	1,822
Unearned revenue	5,172	-	800	5,972
Deposits	376,552	-	-	376,552
Total Current Liabilities	<u>3,571,094</u>	<u>1,195,208</u>	<u>7,398</u>	<u>4,773,699</u>
<u>Noncurrent liabilities</u>				
Bonds, net of unamortized discount	9,739,517	31,466,018	-	41,205,535
Claims payable, net of current portion	1,845,184	475,288	-	2,320,472
Tax notes, net of current portion	108,100	438,455	-	546,554
Compensated absences, net of current portion	12,797	-	2,515	15,313
Total Noncurrent Liabilities	<u>11,705,598</u>	<u>32,379,761</u>	<u>2,515</u>	<u>44,087,874</u>
Total Liabilities	<u>15,276,692</u>	<u>33,574,969</u>	<u>9,913</u>	<u>48,861,574</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	17,391,919	5,851,815	29,646	23,273,380
Restricted for capital projects	614,792	683,188	-	1,297,980
Restricted for operations and maintenance	625,354	-	-	625,354
Restricted for debt service	1,638,038	231,694	-	1,869,732
Unrestricted (deficit)	(542,686)	(530,587)	31,417	(1,041,856)
Total Net Assets	<u>\$ 19,727,417</u>	<u>\$ 6,236,110</u>	<u>\$ 61,063</u>	<u>\$ 26,024,590</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, 2009

	Business-type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
Operating Revenues:				
Charges for services	\$ 5,029,666	\$ -	\$ 29,650	\$ 5,059,316
Total Operating Revenues	5,029,666	-	29,650	5,059,316
Operating Expenses:				
Salaries, wages and employee benefits	233,447	-	50,992	284,439
Supplies and materials	429,105	-	5,162	434,267
Property occupancy	57,572	-	460	58,032
Equipment maintenance	43,308	-	1,854	45,162
Other services	1,041,187	136,470	15,691	1,193,348
Depreciation	787,072	-	3,071	790,143
Operating contractor fees	1,627,747	-	-	1,627,747
Total Operating Expenses	4,219,438	136,470	77,230	4,433,138
Operating Income (Loss)	810,228	(136,470)	(47,580)	626,178
Non-Operating Revenues (Expenses):				
Interest income	45,335	344,124	248	389,707
Interest expense	(285,512)	(344,124)	(415)	(630,051)
Amortization of issuance costs	(74,386)	-	-	(74,386)
Other	9,072	2,224	-	11,296
Total Non-Operating Revenues (Expenses)	(305,491)	2,224	(167)	(303,434)
Income (Loss) Before Contributions and Transfers	504,737	(134,246)	(47,747)	322,744
Capital Contributions	2,039,920	1,553	-	2,041,473
Fees for Capital Contributions	(1,145,331)	-	-	(1,145,331)
Special Items- Charge off Organizational Costs	-	-	(192,074)	(192,074)
Transfers In	-	1,273,053	44,020	1,317,073
Transfers Out	(194,856)	-	-	(194,856)
Change in Net Assets	1,204,469	1,140,360	(195,801)	2,149,029
Net Assets Beginning of Year	18,824,291	5,095,750	256,864	24,176,905
Prior-Period Adjustment	(301,343)	-	-	(301,343)
Net Assets at End of Year	\$ 19,727,417	\$ 6,236,110	\$ 61,063	\$ 26,024,590

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities -	
	Water and Sewer Fund	City International Bridge Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 4,946,305	\$ -
Cash payments to employees for services	(231,997)	-
Cash payments to other suppliers for goods and services	(3,211,080)	(15,116)
Net Cash Provided (Used) by Operating Activities	1,503,228	(15,116)
 Cash Flows From Noncapital Financing Activities:		
Interfund loan proceeds or loan (repayments)- net	(78,441)	-
Cash received from other	9,072	253
Transfers from (to) other funds	(194,856)	-
Net Cash Provided (Used) By Noncapital Financing Activities	(264,225)	253
 Cash Flows From Capital and Related Financing Activities:		
Proceeds from issuance of long-term debt	5,500,000	-
Payment of bond issuance costs	(84,377)	-
Fees for capital contributions	(118,917)	-
Refund of issuance costs	-	30,321
Acquisition and construction of capital assets	(286,482)	(13,731,062)
Principal paid on long-term debt	(519,635)	-
Interest paid on long-term debt	(290,111)	(1,012,500)
Interest capitalized to capital assets	-	833,454
Capital contributions	125,734	-
Net Cash Provided (Used) By Capital and Related Financing Activities	4,326,212	(13,879,787)
 Cash Flows from Investing Activities:		
Investments purchased	-	(11,717,210)
Investments redeemed	-	13,700,000
Interest from investments	45,335	460,878
Net Cash Provided (Used) for Investing Activities	45,335	2,443,668
Net Increase (Decrease) in Cash and Cash Equivalents	5,610,550	(11,450,982)
Cash and Cash Equivalents at Beginning of Year	4,018,290	13,132,104
Cash and Cash Equivalents at End of Year	\$ 9,628,840	\$ 1,681,122

The accompanying notes are an integral part of this statement

<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
\$ 32,180	\$ 4,978,485
-	(231,997)
-	(3,226,196)
<u>32,180</u>	<u>1,520,292</u>
(35,525)	(113,966)
-	9,325
-	(194,856)
<u>(35,525)</u>	<u>(299,497)</u>
-	5,500,000
-	(84,377)
-	(118,917)
-	30,321
-	(14,017,544)
-	(519,635)
-	(1,302,611)
-	833,454
-	125,734
<u>-</u>	<u>(9,553,575)</u>
-	(11,717,210)
-	13,700,000
248	506,461
<u>248</u>	<u>2,489,251</u>
(3,097)	(5,843,529)
17,823	17,168,217
<u>\$ 14,726</u>	<u>\$ 11,324,688</u>

CITY OF DONNA, TEXAS
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities-	
	Water and Sewer Fund	City International Bridge Fund
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income (loss)	\$ 819,228	\$ (136,470)
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Operating expenses paid directly by City's General Fund	-	25,295
Depreciation	787,072	-
Other	3,486	10,000
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(97,231)	-
Decrease (increase) in inventories	-	-
Increase (decrease) in accounts payable	(29,819)	(116)
Increase (decrease) in compensated absences	344	-
Increase (decrease) in accrued liabilities	1,106	-
Increase (decrease) in unearned revenue	5,172	-
Increase (decrease) in claims	-	86,175
Increase (decrease) in deposits	13,870	-
Total Adjustments	684,000	121,354
Net Cash Provided (Used) by Operating Activities	\$ 1,503,228	\$ (15,116)
 Noncash Capital and related Financing Activities:		
Capital provided by grants	\$ 24,853	\$ -
Capital provided by private contributions	112,462	1,553
Capital provided by general government	-	267
Intergovernmental receivables	225,693	-
Decrease (increase) in deferred issuance costs	(399,137)	87,090
Acquisition and construction of capital assets	(167,071)	(1,373,261)
Construction payables	(225,693)	-
Claims payable	1,685,136	577,785
Debt service paid directly by general government	-	1,247,478
Principal paid on long-term debt by general government	-	(277,225)
Interest paid on long-term debt by general government	-	(970,253)
Other income item	-	1,971
Amortization of bond discount	(152)	-
Amortization of deferred issuance costs	(74,386)	(87,090)
Interest expense capitalized	-	887,860
Fees for capital contributions	(1,026,414)	-
Consultant fees expensed- claims payable	(3,486)	(96,175)
Decrease in deferred organizational costs	-	-
Charge off of organizational costs	-	-
Prepaid expenses	(151,957)	-
Bonds payable (discount amortization)	152	-

The accompanying notes are an integral part of this statement

Nonmajor Proprietary Funds	Total Proprietary Funds
\$ (47,580)	\$ 635,178
80,158	105,453
3,071	790,143
-	13,486
2,515	(94,716)
1,558	1,558
(9,250)	(39,185)
1,167	1,511
541	1,647
-	5,172
-	86,175
-	13,870
<u>79,760</u>	<u>885,114</u>
<u>\$ 32,180</u>	<u>\$ 1,520,292</u>

\$ -	\$ 24,853
-	114,015
-	267
-	225,693
-	(312,047)
-	(1,540,332)
-	(225,693)
-	2,262,921
2,118	1,249,596
(1,703)	(278,928)
(415)	(970,668)
-	1,971
-	(152)
-	(161,476)
-	887,860
-	(1,026,414)
-	(99,661)
192,074	192,074
(192,074)	(192,074)
-	(151,957)
-	152

CITY OF DONNA, TEXAS
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2009

	Fireman's Pension Fund	Tax Increment Reinvestment Zone One
<u>Assets</u>		
Cash and cash equivalents	\$ 253	24,771
Receivables:		
Hidalgo County	-	14,112
City of Donna	-	4,411
Total Assets	\$ 253	\$ 43,294
 <u>Liabilities</u>	 \$ -	 \$ -
 <u>Net Assets</u>		
Held in trust for pension benefits	253	-
Held in trust for reinvestment zone one	-	43,294
Total Net Assets	\$ 253	\$ 43,294

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, 2009

	<u>Fireman's Pension Fund</u>	<u>Tax Increment Reinvestment Zone One</u>
Additions		
Contributions by City	\$ 3,641	\$ -
Property tax increments from:		
City of Donna	-	20,608
Hidalgo County	-	14,112
Interest earnings	<u>2</u>	<u>15</u>
Total Additions	<u>3,643</u>	<u>34,735</u>
Deductions		
Benefits	<u>3,641</u>	<u>-</u>
Total Deductions	<u>3,641</u>	<u>-</u>
Change in Net Assets	2	34,735
Net Assets- Beginning of the Year	251	-
Prior Period Adjustment	<u>-</u>	<u>8,559</u>
Net Assets- End of the Year	<u>\$ 253</u>	<u>\$ 43,294</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, 2009

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 City should be ready to provide international bridge passenger vehicle crossing services in late calendar year 2010. However, in connection with recent river flooding from Hurricane Alex and a couple of tropical depressions in the summer of 2010, it is not certain that the Mexican side will be ready by the end of calendar year 2010.

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

Discretely Presented Component Units

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (continued)

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

Blended Component Unit

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

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

Fiduciary Component Units

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (continued)

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

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

B. Government-wide and fund financial statements

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government reports the following major governmental funds:

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

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

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

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

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

The government reports the following major proprietary funds:

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

The *city international bridge fund* is accounting for the construction of the international toll bridge and related bridge service assets and the related financing to construct these assets. When bridge crossing services begin, this fund will also account for the related revenues and expenses.

The government reports the following fiduciary fund types:

The *private purpose trusts* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes in a fiduciary (trustee) capacity for individuals, private organizations, and other governments.

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Investments for the component units are reported at fair value.

1. Receivables and payables

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

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

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

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

2. Receivables and payables

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Inventories and prepaid items (continued)

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

Water and sewer bond ordinances and the international bridge bond ordinance 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 include property, plant, equipment and infrastructure assets (e.g., streets, sidewalks, water and sewer systems and similar items), 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. One exception to the capitalization herein is that the donated infrastructure assets from a few recent year subdivisions prior to this year have not been capitalized into the respective governmental and business-type activities.

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

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (continued)

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 nor 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:

Building and improvements	40 years
Water and sewer systems	10-40 years
Machinery and equipment	5-10 years

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Compensated Absences

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.

8. Fund Equity

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to August 15 of each year, the City Manager is required to submit to City Council a proposed budget for the fiscal year beginning on October 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

A. Budgetary Information (continued)

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

2. Net Asset Deficits

The Water and Sewer Fund, a proprietary fund, has an unrestricted net asset deficit of \$542,686 in spite of the positive results from the operations of this fund in 2009 and 2008. This fund incurred non-operating consultant fees to obtain capital contributions in 2009 and 2008. Capital contribution fees expensed in 2009 totaled \$1,145,331 and in 2008 totaled \$235,434 via a prior period adjustment. Except for \$118,918 in fees that were paid from bond proceeds and \$19,340 in fees that were paid from the corresponding grant, both of which were paid to another consultant, the remaining capital contribution fee amounts have been discounted in connection with the claims payable to the consultant to reflect the longer term payment arrangement. If the City intends on incurring more of these types of fees, then more income from operations will need to be generated.

The City International Bridge Fund, a proprietary fund, has an unrestricted net asset deficit of \$530,587. At this time the capital assets for the international toll bridge crossing and related bridge service assets are under construction. In connection with this there are no bridge crossing operations and thus no revenues at this time. In addition, non-capital expenditures funded from the debt issued are also adding to the unrestricted net asset deficit during the construction period. Future operating revenues along with continued transfers from the general government for payment of debt service should begin to reduce this net asset deficit in the years ahead.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

A. Budgetary Information (continued)

2. Net Asset Deficit (continued)

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 \$3,042,359 and \$2,962,558, 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 are assisting the Donna-Rio Bravo international bridge project, which is a large economic development project for the City of Donna.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

1. Primary Government

Deposits:

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits, excluding the amount covered by FDIC insurance. The City's deposits were fully insured and collateralized as required by the state statutes at September 30, 2009.

At September 30, 2009, the carrying amount of the City's deposits with financial institutions was \$3,396,319 and the bank balance was \$3,433,632. Bank balances of the City were covered by FDIC insurance and the remainder by pledged securities held by the City's agent in the City's name.

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, 2009 and during the year ended September 30, 2009 were entirely covered by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank. Of the total bank balance at year end, the Federal Depository Insurance Corporation (FDIC) covered \$250,000. The remainder was covered by collateral with a value of \$7,020,536. The collateral is held by Amegy Bank of Texas in the City's name under a joint safekeeping arrangement with First National Bank.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

1. Primary Government (continued)

Investments

At September 30, 2009, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Local Government Investments			
Cooperative (LOGIC)	\$ 8,712,523	53 days	AAAm
Certificates of Deposit	6,532,210	179 days	N/A
AIM Trust Treasury Portfolio	1,680,506	< 90 days	AAAm

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.

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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

1. Primary Government (continued)

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, 2009, the Local Government Investment Cooperative (LOGIC) reported the following concentrations of investments in its portfolio:

Commercial paper	73.65%
Repurchase Agreements	6.91%
Government Securities	19.44%

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.

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.

The certificates of deposit are secured by irrevocable standby letters of credit in the amount of each of the certificates.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

1. Primary Government (continued)

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 third years.

2. Component Units

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

Deposits for DEDC-4A, DCD-4B, and DIBC are held separately from those of the City's funds. At September 30, 2009, the reported amount of deposits for DEDC-4A totaled \$4,708, and the bank balances totaled \$4,603. The reported deposits for DCD-4B totaled \$2,710 and the bank balances totaled \$2,606. The reported deposit for the DIBC was \$151 and the bank balance was \$151.

At September 30, 2009, DEDC-4A, DCD-4B, and DIBC deposits were each covered by Federal Depository Insurance of \$250,000. No securities were required to be pledged to cover any balances above what Federal Depository Insurance covers for these component units.

Investments

The DEDC-4A's investments at September 30, 2009, are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
AIM Trust Trasury Portfolio	\$ 693,891	< 90 days	AAAm

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

2. Component Units (continued)

The DCB-4B's investments at September 30, 2009, are as follows:

AIM Trust Treasury Portfolio	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
	\$ 681,208	< 90 days	AAAm

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 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, DCB-4B, and the DIBC follow the same policies relating to investments.

3. Reconciliation

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets is as follows:

	Primary Government with Blended Component Unit	<u>Component Units</u>	
		Donna Economic Development Corporation	Development Corporation of Donna
Cash on hand	\$ 1,725	\$ -	\$ -
Carrying amount deposits	3,396,470	4,708	2,710
Short-term investments	10,393,029	693,891	681,208
Less: Statement of Fiduciary Net Assets	<u>(25,023)</u>	-	-
Cash and cash equivalents	<u>\$ 13,766,201</u>	<u>\$ 698,599</u>	<u>\$ 683,918</u>
Cash and cash equivalents	\$ 3,853,064	\$ 698,599	\$ 683,918
Cash and cash equivalents-restricted	<u>9,913,137</u>	-	-
Cash and cash equivalents Statement of Net Assets	<u>\$ 13,766,201</u>	<u>\$ 698,599</u>	<u>\$ 683,918</u>

Virtually all funds of the city international bridge fund and both economic development corporations are held in respective trust accounts in connection with the City bond ordinance for the international bridge project and the respective sales tax revenue bond resolutions. The trustee only has two short term investment offerings that are either with the Dreyfus Treasury and Agency Cash Management Fund or with the AIM Treasury Trust Portfolio, Private Class fund to invest short term funds held in the trust accounts.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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, 2008, upon which the 2008 levy was based, was \$334,057,173.

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, 89% of the current year tax levy (October 1, 2008) 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, 2009, was \$.589805 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, 2009, was \$.400194 per \$100 of assessed valuation. The combined tax rate for the City is \$.989999 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, 2009

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, 2009:

	General Fund	Debt Service Fund	Total
Property taxes receivable	\$ 941,760	\$ 604,279	\$ 1,546,039
Less allowance for uncollectibles	(203,073)	(110,529)	(313,602)
Less taxes receivable for TIRZ #1	(35,804)	-	(35,804)
Net property taxes receivable	<u>\$ 702,883</u>	<u>\$ 493,750</u>	<u>\$ 1,196,633</u>
Deferred property taxes	\$ 718,504	\$ 480,114	\$ 1,198,618
Less taxes deferred for TIRZ #1	(35,804)	-	(35,804)
Net deferred property taxes	<u>\$ 682,700</u>	<u>\$ 480,114</u>	<u>\$ 1,162,814</u>

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

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Water and Sewer Fund	City International Bridge Fund	Nonmajor Enterprise Funds	Total
Receivables:							
Property taxes	\$ 905,956	\$ 604,279	\$ -	\$ -	\$ -	\$ -	\$ 1,510,235
Accounts	336,618	-	20,872	961,575	159	20,497	1,339,721
Accrued interest	-	-	-	-	59,493	-	59,493
Intergovernmental	103,352	-	-	1,849,128	-	-	1,952,480
Gross receivables	1,345,926	604,279	20,872	2,810,703	59,652	20,497	4,861,929
Less: Allowance for uncollectible	(250,823)	(110,529)	(4,571)	(252,836)	-	-	(618,759)
Net total receivables	<u>\$ 1,095,103</u>	<u>\$ 493,750</u>	<u>\$ 16,301</u>	<u>\$ 2,557,867</u>	<u>\$ 59,652</u>	<u>\$ 20,497</u>	<u>\$ 4,243,170</u>

Revenues of the Water and Sewer Fund are reported net of a provision for estimated uncollectible amounts in the amount of \$45,551.

2. Component Units

At September 30, 2009 the DEDC-4A and the DCD-4B each had a sales tax receivable of \$57,940 and \$27 in accrued interest receivable.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Deferred Revenues and Unearned Revenues

2. Component Units (continued)

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)	\$ 682,700	\$ -
Delinquent property taxes (Debt Service Fund)	480,114	-
Grants (General Fund)	-	28,284
Micellaneous advances (General Fund)	-	27,588
Micellaneous advances (Water and Sewer Fund)	-	5,172
Micellaneous advances (Cemetery Fund)	-	800
	\$ 1,162,814	\$ 61,844

Inter-fund receivable and payable balances at September 30, 2009 were as follows:

Governmental Funds – Receivable Fund

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 70,789
General Fund	Water and Sewer Fund	104,932
General Fund	Nonmajor Proprietary Funds	206
General Fund	Debt Service Fund	2,654
Nonmajor Gov Funds	General Fund	22,739
		\$ 201,320

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.

Due to/from the primary government and component units at September 30, 2009 were as follows:

Receivable Entity	Payable Entity	Amount
Primary Government - General Fund	Component Unit - DEDC (4A)	\$ 4,269
Primary Government - General Fund	Component Unit - DCD (4B)	6,721
		\$ 10,990

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Deferred Revenues and Unearned Revenues

2. Component Units (continued)

Inter-fund transfers during the year were as follows:

	Transfer In:				Total
	General Fund	Debt Service	City International Bridge Fund	Nonmajor Proprietary	
Transfer Out:					
General Fund	\$ -	\$ -	\$ 24,778	\$ 44,020	\$ 68,798
Water and Sewer	-	194,856	-	-	194,856
Debt Service Fund	-	-	1,248,275	-	1,248,275
Nonmajor Governmental	1,720	227,984	-	-	229,704
Total	<u>\$ 1,720</u>	<u>\$ 422,840</u>	<u>\$ 1,273,053</u>	<u>\$ 44,020</u>	<u>\$ 1,741,633</u>

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

E. Capital assets

1. Primary Government

Capital asset activity for the year ended September 30, 2009 was as follows:

	Balance at October 1, 2008	Increases	Decreases	Balance at September 30, 2009
<u>Governmental Activities:</u>				
Capital assets, not subject to depreciation:				
Land	\$ 1,027,449	\$ -	\$ -	\$ 1,027,449
Construction in progress	466,553	-	-	466,553
Total capital assets, not to be depreciated	<u>1,494,002</u>	<u>-</u>	<u>-</u>	<u>1,494,002</u>
Capital assets, depreciable:				
Buildings	2,626,804	10,319	-	2,637,123
Improvements other than buildings	8,209,773	59,420	-	8,269,193
Infrastructure- streets	3,540,755	251,120	-	3,791,875
Furniture and equipment	5,031,330	268,785	-	5,300,115
Total capital assets, depreciable	<u>19,408,662</u>	<u>589,644</u>	<u>-</u>	<u>19,998,306</u>
Governmental Activities Capital Assets	<u>\$ 20,902,664</u>	<u>\$ 589,644</u>	<u>\$ -</u>	<u>\$ 21,492,308</u>

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (continued)

1. Primary Government (continued)

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, 2008	Increases	Decreases	Balance at September 30, 2009
<u>Business-type Activities:</u>				
Capital assets, not subject to depreciation:				
Land-water and sewer	\$ 168,320	\$ 96,310	\$ -	\$ 264,630
Land-international bridge site	1,046,693	103	(110,127)	936,669
Construction in progress-water and sewer	1,955,520	2,143,021	-	4,098,541
Construction in progress-int'l bridge complex	14,061,547	14,278,766	-	28,340,313
Intangible assets - access roads to bridge site	259,167	987,261	-	1,246,428
Total assets, not to be depreciated	<u>17,491,247</u>	<u>17,505,461</u>	<u>(110,127)</u>	<u>34,886,581</u>
Capital assets, being depreciated:				
Buildings	63,521	11,754	-	75,275
Water and sewer system	28,236,020	194,399	-	28,430,419
Cemetery fence	40,927	-	-	40,927
Furniture and equipment	291,441	38,442	(16,893)	312,990
Total assets, being depreciated	<u>28,631,909</u>	<u>244,595</u>	<u>(16,893)</u>	<u>28,859,611</u>
Less accumulated depreciation:				
Buildings	17,126	3,764	-	20,890
Water and sewer system	10,050,423	763,254	-	10,813,677
Cemetery fence	10,573	2,046	-	12,619
Furniture and equipment	263,800	21,079	(16,893)	267,986
Total accumulated depreciation	<u>10,341,922</u>	<u>790,143</u>	<u>(16,893)</u>	<u>11,115,172</u>
Total capital assets, being depreciated, net	<u>18,289,987</u>	<u>(545,548)</u>	<u>-</u>	<u>17,744,439</u>
Business-Type Activities Capital Assets, Net	<u>\$ 35,781,234</u>	<u>\$ 16,959,913</u>	<u>\$ (110,127)</u>	<u>\$ 52,631,020</u>

\$1,721,314 of interest was capitalized in the City International Bridge Fund in 2009. \$34,289 of interest was capitalized in the Water and Sewer Fund in 2009.

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

<u>Business-type Activities:</u>	
Water and Sewer	\$ 787,072
Cemetery	3,071
Total depreciation expense - business-type activities	<u>\$ 790,143</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.

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital assets (continued)

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, 2008	Increases	Decreases	Balance at September 30, 2009
Capital assets, not subject to depreciation:				
Land	\$ 248,216	\$ -	\$ -	\$ 248,216
Total capital assets, not being depreciated	248,216	-	-	248,216
Governmental Activities Capital Assets, Net	\$ 248,216	\$ -	\$ -	\$ 248,216

F. 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 \$3,240,980.

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

Governmental activities:

Series 2001 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in variable annual installments of \$50,000 to \$320,000 through February 1, 2016; interest at 4.0% to 4.8%, payable semi-annually.	\$ 1,840,000
Series 2006 Limited Tax Refunding Bond due in variable annual installments of \$20,000 to \$165,000 through February 1, 2016; interest is at 3.82% to 4.27%, payable semi-annually. Approximately 96.76% of debt is accounted for with business-type activities.	33,192

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

1. Primary Government (continued)

Series 2006 Tax Note due in variable annual installments of \$20,000 to \$190,000 through February 1, 2013; interest is at 3.82% to 4.12%, payable semi-annually. Approximately 87.24% of debt is accounted for with business-type activities. 91,859

Series 2006A Tax Note due in variable annual installments of \$15,000 to \$70,000 through February 1, 2011; interest is at 3.82% to 3.97%, payable semi-annually. Approximately 95.32% of debt is accounted for with business-type activities. 6,549

Total General Obligation Bonds and Tax Notes 1,971,600

Less Current Portion of Bonds and Tax Notes Payable 244,173

General Obligation Bonds and Tax Notes Payable,
 Net of Current Portion \$1,727,427

Debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental</u> <u>Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 244,173	\$ 84,607
2011	259,973	73,868
2012	268,136	62,303
2013	288,936	49,760
2014	279,857	36,621
Thereafter	<u>630,525</u>	<u>30,617</u>
Total	<u>\$ 1,971,600</u>	<u>\$ 337,776</u>

Bond Obligations in the Proprietary Funds

The City also issues bonds and tax notes where the City plans to service the debt from income derived from the acquired or constructed assets for business-type activities. The original amount of outstanding bonds and tax notes issued in prior years was \$41,444,020. In the current year the City issued \$5,500,000 of Certificates of Obligation to finance the rehabilitation and expansion of the City's existing wastewater treatment plant along with the related professional services for this project.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

1. Primary Government (continued)

Bonds and tax notes outstanding at September 30, 2009 are as follows:

Business – type activities:

Series 1995 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in variable annual installments of \$20,000 to \$75,000 through August 1, 2015; interest at 5.3% to 6.8%, payable semi-annually. This debt was for water improvements	\$ 380,000
Series 1997 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in variable annual installments of \$215,000 to \$600,000 through February 1, 2017; interest at 4.45% to 5.8%, payable semi-annually. This debt was for water improvements	3,920,000
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.	440,000
Series 2006 Limited Tax Refunding Bond due in variable annual installments of \$20,000 to \$165,000 through February 1, 2016; interest at 3.82% to 4.27%, payable semi-annually. Approximately 3.24% is accounted for with governmental activities and 96.76% is for the International Bridge project.	991,808
Series 2006 Tax Note due in variable annual installments of \$20,000 to \$190,000 through February 1, 2013; interest at 3.82% to 4.12%, payable semi-annually. Approximately 12.76% of debt is accounted for with governmental activities. Approximately 14.68% of debt is for Water and Sewer and 72.56% for the International Bridge project.	628,140
Series 2006A Tax Note due in variable annual installments of \$15,000 to \$70,000 through February 1, 2011; interest at 3.82% to 3.97%, payable semi-annually. Approximately 4.68% of debt is accounted for with governmental activities. Approximately 39.10% of debt is for Water and Sewer and 56.22% for the International Bridge project.	133,452
Series 2007 Combination Tax and International Toll Bridge Revenue Certificates of Obligation due in variable annual installments of \$100,000 to \$2,400,000 from February 15, 2012 through February 15, 2037; interest rate at 6.25%, payable semi-annually. Interest only is due from February 15, 2008 through August 15, 2011, payable semi-annually.	30,600,000

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

1. Primary Government (continued)

Business – type activities (continued):

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 wastewater improvements.	<u>5,500,000</u>
Total Bonds and Tax Notes Payable	42,593,400
Less Current Portion of Bonds Payable from Restricted Assets	840,827
Less Unamortized Face Discount on 2001A Bond (Amortized Over the Life of the Bond, 15 Years)	<u>483</u>
Bonds and Tax Notes Payable, Net of Current Portion and Discount	<u>\$41,752,090</u>

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

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2010	\$ 840,827	\$ 2,478,965
2011	925,027	2,443,176
2012	1,041,864	2,394,436
2013	1,256,064	2,335,683
2014	1,335,143	2,266,591
2015-2019	6,099,475	10,209,673
2020-2024	5,785,000	8,589,449
2525-2029	7,870,000	6,575,399
2030-2034	10,640,000	3,804,211
2035-2037	6,800,000	656,250
Total	<u>\$ 42,593,400</u>	<u>\$ 41,753,833</u>

The City International Bridge Fund accounts and reports for all the bridge related activities including debt. All bridge related debt service payments are funded by the general government's Debt Service Fund via transfers to the City International Bridge Fund with the exception that it participates with the funds available from the 2007 Bonds capitalized interest account to assist in making the debt service payments on the 2007 Bonds. For 2008 and 2009 the general government's Debt Service Fund provided a total of \$1,725,000 for debt service payments for the 2007 Bonds with the remaining debt service on the 2007 Bonds for these two years of \$1,505,000 coming from the capitalized interest account of the 2007 Bonds.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

1. Primary Government (continued)

Business – type activities (continued):

This sharing of the debt service payments on the 2007 Bonds left \$2,228,658 available in the capitalized interest account at September 30, 2009. It is the City’s intention to continue this debt service sharing process in providing funds to make the debt service payments on the 2007 Bonds. This sharing process should provide for the debt service payments on the 2007 Bonds well into fiscal year end 2012.

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 as 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.	\$ 263,629
Lease payable due in monthly installments of \$141, including interest, collateralized by a color copier.	5,466
Lease payable due in annual installments of \$5,495, including interest, collateralized by Ten Handheld Computers.	<u>14,572</u>
Total Capital Lease Obligations	283,667
Less: Current Portion of Capital Lease Obligations	<u>44,447</u>
Capital Lease Obligations, Net of Current Portion	<u>\$ 239,220</u>

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

1. Primary Government (continued)

Capital Lease Obligations (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009 are as follows:

Fiscal Year Ending September 30,	Governmental Activities
2010	\$ 59,543
2011	59,543
2012	59,543
2013	53,176
2014	51,906
Thereafter	51,906
Total Payments	\$ 335,617
Less: Amounts Representing Interest	51,950
Present Value of Payments	\$ 283,667

The City's commitment under operating leases and related 2009 rent expense is not material to its combined financial position. None of the City's leasing arrangements involve contingent or sublease rentals.

Notes Payable

Governmental activities:

Note payable to OMI due in monthly installments of \$1,743, including interest, through September 2010; interest is 9.75%. The note is collateralized by public works and parks equipment. Approximately 10.13% of the note is accounted for with business-type activities.

	\$ 16,168
Total Notes Payable	16,168
Less: Current Portion of Notes Payable	16,168
Notes Payable, Net of Current Portion	\$ 0

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

1. Primary Government (continued)

Notes Payable (continued)

Business-type activities:

Note payable to OMI due in monthly installments of \$1,743, including interest, through September 2010; interest is 9.75%. The note is collateralized by a mowing tractor for the cemetery. Approximately 89.87% of the note is accounted for with governmental activities.

		\$ 1,822
Total Notes Payable		1,822
Less: Current Portion of Notes Payable		<u>1,822</u>
Notes Payable, Net of Current Portion		<u>\$ 0</u>

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, 2009, the City's accumulated share of costs is \$233,052, which is recorded as a liability of the City at that date. At this time, it is uncertain when the road improvements will be completed, thus uncertain when the City will begin to repay the School District.

Claims Payable

Business-type activities:

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

1. Primary Government (continued)

Claims Payable (continued)

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 Sept. 30, 2009. And in connection with the International Bridge Fund not being able to make these payments, the DEDC-4A and the DCD-4B component units will be funding the debt service for this debt on an equal basis. The fees on the funding awards were for access roads to the international bridge site. Since these roads are not owned by the City but were needed for the project, the City capitalized the fees as intangible assets and will amortize them over the anticipated asset life of the access roads.

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

Claims payable by Water and Sewer Fund to consultant are due in monthly installments of \$10,000 including interest through Sept. 30, 2013 with a balloon payment of \$1,756,246 including interest due November 2014. These claims payable were discounted to a rate of 3.73%.	\$ 1,901,231
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Claims payable by the International Bridge Fund to consultant are due in monthly installments of \$10,000 including interest through Sept. 30, 2012 with a balloon payment of \$273,600 including interest due November 2013. These claims payable were discounted to a rate of 3.63%	<u>577,785</u>
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Total Present Value of Claims Payable to Consultant	2,479,016
Less Current Portion of Claims Payable	<u>158,544</u>
Total Present Value of Claims Payable, Net of Current Portion	<u>\$ 2,320,272</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

1. Primary Government (continued)

Claims Payable (continued)

The future minimum claims obligations and the net present value of these minimum claims payments as of September 30, 2009 are as follows:

Fiscal Year Ending September 30,	Business-Type Activities
2010	\$ 240,000
2011	240,000
2012	240,000
2013	393,600
2014	1,756,246
Total Payments	\$ 2,869,846
Less: Amounts Representing Interest	390,830
Present Value of Payments	\$ 2,479,016

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2009 is as follows:

	Balance at September 30, 2008	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2009	Amounts Due within One Year
<u>Governmental Activities:</u>					
Bonds payable	\$ 2,077,240	\$ -	\$ 204,048	\$ 1,873,192	\$ 219,210
Tax notes payable	202,499	-	104,091	98,408	24,963
Capital leases	304,926	26,293	47,552	283,667	44,438
Notes and loans payable	264,334	-	15,115	249,219	16,168
Compensated absences	183,741	87,471	53,155	218,057	53,504
Total Governmental Activities					
Long-term Liabilities	\$ 3,032,740	\$ 113,764	\$ 423,961	\$ 2,722,543	\$ 358,283
<u>Business-type Activities:</u>					
Bonds payable	\$ 36,922,760	\$ 5,500,000	\$ 590,952	41,831,808	\$ 625,790
Less issuance face discount	(635)	-	(152)	(483)	-
Tax notes payable	967,500	-	205,908	761,592	215,037
Claims Payables	216,094	2,262,922	-	2,479,016	158,544
Notes Payables	3,525	-	1,703	1,822	1,822
Compensated absences	20,298	7,306	5,796	21,808	6,495
Total Business-Type Activities					
Long-term Liabilities	\$ 38,129,542	\$ 7,770,228	\$ 804,207	\$ 45,095,563	\$ 1,007,688

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

2. Component Units

Changes in Long-Term Liabilities (continued)

Donna Economic Development Corporation (DEDC-4A):

Bonds outstanding at September 30, 2009 are:

Series 2006 Sales Tax Revenue Bond due in variable installments of \$90,000 to \$310,000 through August 1, 2026; interest is between 4.90% to 4.99%, payable semi-annually.	<u>\$ 3,660,000</u>
Total DEDC-4A Bonds Payable	3,660,000
Less: Current Portion of DEDC-4A Bonds Payable	<u>125,000</u>
Total DEDC-4A Bonds, Net of Current Portion	<u>\$ 3,535,000</u>

The notes payable annual debt service requirements to maturity are:

Fiscal Year Ending September 30,	Bonds Payable	
	Principal	Interest
2010	\$ 125,000	\$ 182,147
2011	140,000	176,021
2012	160,000	169,161
2013	165,000	161,290
2014	175,000	153,122
2015-2019	1,005,000	626,476
2020-2024	1,285,000	349,050
Thereafter	<u>605,000</u>	<u>45,659</u>
Total	<u>\$ 3,660,000</u>	<u>\$ 1,862,926</u>

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

Bonds outstanding at September 30, 2009 are:

Series 2006 Sales Tax Revenue Bond due in variable installments of \$85,000 to \$305,000 through August 1, 2026; interest is between 4.90% to 4.99%, payable semi-annually.	<u>\$ 3,560,000</u>
Total DCD-4B Bonds Payable	<u>3,560,000</u>
Less: Current Portion of DCD-4B Bonds Payable	<u>120,000</u>
Total DCD-4B Bonds, Net of Current Portion	<u>\$ 3,440,000</u>

CITY OF DONNA, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt (continued)

2. Component Units

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

The bonds payable annual debt service requirements to maturity are:

Fiscal Year Ending September 30,	Bonds Payable	
	Principal	Interest
2010	\$ 120,000	\$ 177,179
2011	135,000	171,298
2012	150,000	164,684
2013	160,000	157,303
2014	165,000	149,384
2015-2019	975,000	613,752
2020-2024	1,260,000	342,813
Thereafter	595,000	44,910
Total	<u>\$ 3,560,000</u>	<u>\$ 1,821,323</u>

The following are summaries of changes in long-term debt obligations for DEDC-4A and DCD-4B for the year ended September 30, 2009:

Donna Economic Development Corporation (DEDC-4A)

	Balance at September 30, 2008	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2009	Amounts Due within One Year
Bonds Payable	<u>\$ 3,770,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 3,660,000</u>	<u>\$ 125,000</u>

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

	Balance at September 30, 2008	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2009	Amounts Due within One Year
Bonds payable	<u>\$ 3,665,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 3,560,000</u>	<u>\$ 120,000</u>

G. Restricted Assets and Payables

1. Primary Government

Business-type activities:

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Restricted Assets and Payables (continued)

1. Primary Government (continued)

Restricted assets included in business-type activities as of September 30, 2009 consist of:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Receivables</u>
Water and Sewer:			
O&M Reserve	\$ 625,354	\$ -	\$ -
Construction	5,888,893	-	-
Debt Service	1,718,384	-	-
Other	-	-	1,385
TWDB CWTAP Grant	-	-	1,838,018
TWDB EDAP Grant	-	-	9,725
Total water and sewer	<u>\$ 8,232,631</u>	<u>\$ -</u>	<u>\$1,849,128</u>
City International Bridge:			
Construction	\$ 1,647,585	\$ 3,000,000	\$ 32,554
Debt Service	32,921	3,532,210	26,939
Total international bridge	<u>\$ 1,680,506</u>	<u>\$ 6,532,210</u>	<u>\$ 59,493</u>
Restricted Assets on the Statement of Net Assets	<u>\$ 9,913,137</u>	<u>\$ 6,532,210</u>	<u>\$1,908,621</u>

Liabilities payable from restricted assets included in business-type activities as of September 30, 2009 consist of:

	<u>Interest Payable</u>	<u>Construction Payable</u>	<u>Other Payable</u>	<u>Total</u>
Water and Sewer Fund	\$ 80,346	\$ 2,069,074	\$ -	\$ 2,149,420
City International Bridge Fund	247,127	553,332	3,750	804,209
Total restricted liabilities	<u>\$ 327,473</u>	<u>\$ 2,622,406</u>	<u>\$ 3,750</u>	<u>\$ 2,953,629</u>

H. 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, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Retirement Benefit Plans (continued)

1. Texas Municipal Retirement System (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 2008	Plan Year 2009
Employee deposit rate	5%	5%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/10, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

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

1. Annual Required Contribution (ARC)	\$ 65,919
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	65,919
5. Contributions Made	(65,919)
6. Increase (decrease) in net pension obligation	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	\$ -

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Retirement Benefit Plans (continued)

1. Texas Municipal Retirement System (continued)

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 38,713	100%	\$ -
2008	48,424	100%	-
2009	65,919	100%	-

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	Unit Credit	Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 year; open period	30 years; closed period	29 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return *	7.00%	7.00%	7.50%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	N/A	2.10%	2.10%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 2,402,514	\$ 2,487,967	96.6%	\$ 85,453	\$ 2,156,982	4.0%

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Retirement Benefit Plans (continued)

2. Firemen's Relief and Retirement Fund

Plan Description

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

1. Firemen's Relief and Retirement Fund

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

	<u>2009</u>
Current Firefighters	8
Current Firefighters' beneficiaries	5
Active Firefighters	26

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

Contributions and Covered Payroll

For the plan in effect December 31, 2009, the City's contribution was \$3,641. 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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Retirement Benefit Plans (continued)

2. *Firemen's Relief and Retirement Fund*

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.

Annual Pension Cost – The City's OPEB cost for the year ended September 30, 2009 was as follows:

Actuarial valuation date	12/31/08
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
Amortization period	25 years – Open period
Asset valuation method	Fund Value

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Retirement Benefit Plans (continued)

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

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, 2009, 2008 and 2007 were \$ 5,743, \$4,842 and \$4,896, respectively, which equaled the required contributions each year.

I. Construction and Improvement Commitments

At September 30, 2009, the City had the following contractual commitments outstanding:

Project	Remaining Commitment
Governmental Activities:	
<i>Engineering contract:</i>	
Valley View Road Improv-access new middle school	<u>\$ 9,780</u>
Business-type Activities:	
Water and Sewer Fund Project Contracts:	
<i>Engineering contracts:</i>	
WW Plant Upgrade & Expansion	\$ 119,902
WW Collection for Western Colonias	139,000
WW Treatment Plant Discharge	38,393
Wastewater (WW) Certificate	2,005
<i>Construction contracts:</i>	
WW Treatment Plant Upgrade & Expansion	5,080,526
WW Collection for Western Colonias	3,160,166
Other Contracts	<u>75,632</u>
Total Water & Sewer Fund Contracts	8,615,624
Donna International Bridge Project Contracts:	
Primary Construction Contract	3,564,540
Engineering Contract (see note below)	278,804
Bridge Consultant Contract	280,000
Other Contracts	<u>160,176</u>
Total International Bridge Project Contracts	4,283,520
Total Business-type Activities	<u><u>\$ 12,899,144</u></u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Construction and Improvement Commitments (continued)

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

J. 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 \$15,939,497; 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. A total of \$54,165 in claim settlements was paid out of the General Fund during the current year and \$20,000 during 2008. No settlements were paid out in 2007. Additionally, full time employees are covered by a fully insured health insurance plan.

K. Contingencies

1. Litigation

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

2. Federally Assisted Grant Programs

The City participates periodically in Federal and State assisted grant programs. The principal grant programs the City currently participates in are with the Community Development Block Grant, the Colonia Wastewater Treatment Assistance Program, and Texas Water Development Board EDAP Grant. Under the terms of the Community Development Block Grant, Hidalgo County (the County) includes the surface area and population of the City of Donna in its application to the Department of Housing and Urban Development. Consequently, the County is the grantee of these funds. Also the County assumes responsibility for the eligibility of activities, environmental assessments, awarding of contracts, approval and payment for completed contracts, project close out, and audits for the projects. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2009, 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.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

K. Contingencies (continued)

3. Consultant Contracts

In 2004 the City entered into an agreement that engages a consultant to perform services regarding the planning, coordination, development and management of the City of Donna's financial applications to the Texas Water Development Board and the Border Environmental and Cooperation Commission for water and sewer improvements. The terms of this agreement provide for the payment of a ten percent fee of all grants or loans received which the consultant assists the City of Donna in obtaining. These fees are payable from City water/sewer funds upon receipt of such grants or loans.

In 2009 the City entered into the latest in the successive series of agreements with a consultant to perform the coordination, planning, development and management of the Donna international bridge project. This latest agreement added a six percent fee for all grants received by the consultant for the project. These fees are payable upon receipt of such funding assistance.

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

L. Subsequent Events

1. Long-Term Debt Issuances:

Donna Economic Development Corporation issued \$4,390,000 in Sales Tax Revenue and Refunding Bonds, Series 2009 in November 2009. The proceeds first refunded the Sales Tax Revenue Bonds, Series 2006. The additional proceeds of approximately \$500,000 may be utilized for the Donna international bridge project and/or for improvements at the Donna Industrial Park.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

L. Subsequent Events (continued)

1. Long-Term Debt Issuances (continued):

Development Corporation of Donna, Inc. issued \$4,305,000 in Sales Tax Revenue and Refunding Bonds, Series 2009 in December 2009. The proceeds first refunded the Sales Tax Revenue Bonds, Series 2006. The additional proceeds of approximately \$500,000 may be utilized for the Donna international bridge project and/or for improvements at the Donna Industrial Park.

City of Donna issued \$1,855,000 in Tax Notes, Series 2009 in December 2009. The proceeds may be utilized for the Donna international bridge project, Donna Industrial Park improvements or other City projects as enumerated in the tax note.

City of Donna issued \$4,090,000 in Limited Tax Refunding Bonds, Series 2009 in December 2009. In January 2010 the proceeds refunded 100% of the outstanding amount on the Combination Tax and Limited Pledge Certificates of Obligation, Series 1995 and refunded 100% of outstanding amount after the February 1, 2010 principal payment on the Combination Tax and Limited Pledge Certificates of Obligation, Series 1997.

2. Construction Contracts:

City of Donna in January 2010 reduced the contract with the primary construction contractor for the international bridge by a net amount of \$620,098 wherein sewer lift station #3 was removed in the amount of \$720,000. A construction contract for the international center span for the international bridge was then approved for \$623,669. The \$623,669 was an amendment to the existing contract with the construction contractor. The City entered into an interlocal agreement with the State of Tamaulipas, Mexico, wherein each international party will share the cost of the international center span equally.

City of Donna in April 2010 approved a bid with a contract for sewer lift station #3 above in the amount of \$247,400 with another contractor to be paid from the 2009 Tax Notes.

Donna Economic Development Corporation and City of Donna approved two bids for contracts for the Donna Industrial Park phase I improvements project in the amounts of \$430,838 for materials and \$303,180 for labor. The contracts include components for streets, drainage, water, and sewer. Both the Corporation and the City also approved an engineer design contract for this project with a cost of 10% of the project improvements costs and also approved this same engineer to oversee the construction of the improvements project with a contract for \$85,079.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

L. Subsequent Events (continued)

3. Consultant Contracts:

The City entered into the following separate agreements with same consultant after year end.

An agreement to perform consulting services regarding the planning and application for funding from the United States Department of Agriculture (USDA) for implementation of a water meter replacement program. The City shall pay the consultant a fee of \$213,733 for any grants received for this project.

Another agreement to perform consulting services regarding the coordination of the TWDB western colonias wastewater collection project and the wastewater treatment plant upgrade and expansion project. The compensation in this agreement reflects certain tasks and the related amount to be paid for each task for a total of \$213,733. The consultant had already invoiced the City \$35,000 on this contract by the end of the fiscal year. The \$213,733 contract is already included in the claims payable amount for the Water and Sewer Fund at year-end. The present value difference of \$151,957 is included with prepaid expenses until the contract is completed.

Another agreement to perform consulting services regarding the planning and application for funding from USDA for implementation of a fire and police sub-station at the Donna international bridge site. The City shall pay the consultant a fee of 10% for any grants received for this project.

Another agreement to perform consulting services regarding the coordination, planning and development of a High Water Bridge over the floodway on Texas Farm to Market Road 493. The City shall pay the consultant a fee of 6% for funds received in this state project, provided this project occurs.

Another agreement to perform consulting services regarding the coordination, planning and development of an Overpass by Texas Farm to Market Road 493 over Texas State Highway 281. The City shall pay the consultant a fee of 6% for funds received for this state project, provided this project occurs.

Another agreement to perform consulting services regarding the coordination, planning, development and funding of Federal Commercial Inspection Facilities for the Department of Homeland Security. The City and the Donna International Bridge Corporation shall pay a fee of 6% for any grants received for this federal project, provided this project occurs. (The City and the Donna International Bridge Corporation shall also pay a fee of 6% for any grants received for any other projects as assigned by the City or the Corporation.)

Another agreement to perform consulting services regarding the planning and application for funding from the State Energy Conservation Office for an Energy Efficiency and Conservation Block Grant (EFCBG) for implementation of energy efficiency upgrades to certain City buildings. The City shall pay the consultant a fee of \$6,000 for any grants received for this project.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

4. Water Rate Revenue Reduction:

The City approved a water rate reduction subsequent to year end that became effective with the May 2010 billing. The water rate reduction is projected to reduce water revenues on an annual basis by \$363,414.

M. Special Item

\$192,074 of organizational costs previously deferred in the blended component unit, Donna International Bridge Corporation, were expensed. The charges were written off because it is likely that the City, and not the corporation, will run the operations of the bridge.

N. Prior Period Adjustments

In fiscal year ending 2008, the City capitalized fees of a consultant into certain sewer assets in the Water and Sewer Fund. Upon a closer reading of the consultant's contract with the City, it was subsequently determined that the fees being charged to the City were for obtaining capital grant contributions rather than participating in the construction of the related assets that were being financed. Therefore, such fees have been removed from these sewer assets and expensed as non-operating expenses to coincide with the recognition of the related capital grant contributions. The amount expensed as a prior period adjustment is \$216,094 for this consultant and \$19,340 for another consultant for a total of \$235,434. The discounted fees of \$216,094 are claims payable, but were originally reported in the undiscounted amount of \$268,213 in 2008, since there was no payment agreement at that time.

In the fiscal year ending 2008 the City capitalized consultant and legal fees into capital assets in error in the Water and Sewer Fund. These fees were in connection with the defeasance (pay off) of the Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 1998. Therefore, such fees have been removed from the assets and expensed as operating expenses in the amount of \$65,909 in the fiscal year ending 2008 as a prior period adjustment.

During the year it was discovered that certain engineering fees had been incurred in prior years for the design of the FM 493 access road south of US 281 to the bridge site. These fees in the amount of \$259,167 had been previously capitalized with the international bridge and related service assets in construction in progress in the City International Bridge Fund. These fees have now been reclassified as an intangible asset reflecting the City's efforts to provide for this access road to the bridge site, since this road is not owned by the City, but is very necessary for the success of the international bridge project.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS *(Continued)*

In fiscal year ending 2008 the City reported the activities of Tax Increment Reinvestment Zone Number One in a Special Revenue Fund. However, upon further review it appears that Tax Increment Reinvestment Zone Number One (TIRZ #1) is more appropriately classified as a private trust fiduciary fund. This is in connection with the developer taking on all financial responsibilities for the qualifying development activities within TIRZ #1, wherein the City and the TIRZ #1 Board of Directors are in substance trustees acting in a fiduciary capacity 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 from the City and the County.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Taxes:			
Ad valorem	\$ 1,989,743	\$ 2,035,074	\$ 45,331
Sales	815,000	772,619	(42,381)
Franchise	616,000	664,341	48,341
Other	50	-	(50)
Total Taxes	<u>3,420,793</u>	<u>3,472,034</u>	<u>51,241</u>
Licenses and permits:			
Licenses	11,050	15,817	4,767
Permits	72,485	81,019	8,534
Total Licenses and Permits	<u>83,535</u>	<u>96,835</u>	<u>13,300</u>
Charges for services	<u>1,080,743</u>	<u>1,111,621</u>	<u>30,878</u>
Fines and forfeitures:			
Municipal court	150,000	100,334	(49,666)
Other fines	17,633	38,326	20,693
Total Fines and Forfeitures	<u>167,633</u>	<u>138,661</u>	<u>(28,972)</u>
Intergovernmental	Total 83,378	182,660	99,282
Other revenues:			
Interest	5,000	5,194	194
Other	11,800	16,824	5,024
Total Other Revenues	<u>16,800</u>	<u>22,018</u>	<u>5,218</u>
Total Revenues	<u>4,852,882</u>	<u>5,023,829</u>	<u>170,947</u>
Expenditures:			
General Government:			
City Council:			
Supplies	-	714	(714)
Other services	30,091	43,371	(13,280)
Total City Council	<u>30,091</u>	<u>44,085</u>	<u>(13,994)</u>

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued) :			
General Government (continued):			
City Management:			
Personnel services	\$ 64,514	\$ 62,965	\$ 1,549
Supplies	3,450	2,927	523
Property occupancy	-	486	(486)
Equipment maintenance and repairs	875	1,092	(217)
Other services	65,998	77,733	(11,735)
Capital outlay	-	5,776	(5,776)
Total City Management	134,837	150,979	(16,142)
Finance/Accounting:			
Personnel services	175,894	107,958	67,936
Supplies	7,525	3,530	3,995
Equipment maintenance and repairs	13,352	4,521	8,831
Other services	45,428	86,632	(41,204)
Total Finance/Accounting	242,199	202,641	39,558
City Hall:			
Personnel services	35,680	36,306	(626)
Supplies	10,780	6,990	3,790
Property occupancy	2,600	2,824	(224)
Equipment maintenance and repairs	15,800	9,725	6,075
Other services	44,655	31,357	13,298
Total City Hall	109,515	87,202	22,313
City Secretary:			
Personnel services	40,237	40,594	(357)
Supplies	1,025	1,094	(69)
Property occupancy	-	966	(966)
Equipment maintenance and repairs	-	167	(167)
Other services	2,400	5,172	(2,772)
Total City Secretary	43,662	47,993	(4,331)
Business Rental Properties:			
Property occupancy	325	425	(100)
Other services	4,712	4,792	(80)
Total Business Rental Properties	5,037	5,217	(180)
Municipal Court:			
Personnel services	63,948	65,479	(1,531)
Supplies	4,550	24,193	(19,643)
Property occupancy	-	1,195	(1,195)
Equipment maintenance and repairs	8,725	18,856	(10,131)
Other services	28,319	23,982	4,337
Capital outlay	4,000	-	4,000
Total Municipal Court	109,542	133,705	(24,163)

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Expenditures (Continued) :			
General Government (continued):			
Planning and Community Development:			
Personnel services	\$ 89,154	\$ 71,414	\$ 17,740
Supplies	4,755	2,934	1,821
Equipment maintenance and repairs	2,100	1,401	699
Other services	37,897	39,564	(1,667)
Total Planning and Community Development	133,906	115,313	18,593
Tax/Assessor Collector:			
Personnel services	48,657	48,534	123
Supplies	4,975	3,053	1,922
Equipment maintenance and repairs	2,725	4,287	(1,562)
Other services	107,813	127,256	(19,443)
Total Tax Assessor Collector	164,170	183,129	(18,959)
Elections:			
Supplies	750	207	543
Equipment maintenance and repairs	700	850	(150)
Other services	3,050	3,660	(610)
Total Elections	4,500	4,718	(218)
Total General Government	977,459	974,982	2,477
Public Safety:			
Police:			
Personnel services	1,367,462	1,395,828	(28,366)
Supplies	83,500	77,968	5,532
Property occupancy	8,000	2,294	5,706
Equipment maintenance and repairs	65,166	94,577	(29,411)
Other services	82,963	91,475	(8,512)
Capital outlay	-	88,877	(88,877)
Total Police	1,607,091	1,751,017	(143,926)
Fire:			
Personnel services	36,606	37,617	(1,011)
Supplies	15,895	12,382	3,513
Property occupancy	10,350	2,327	8,023
Equipment maintenance and repairs	11,740	19,068	(7,328)
Other services	51,323	52,706	(1,383)
Total Fire	125,914	124,100	1,814
Emergency Medical Services:			
Other services	5,388	7,470	(2,082)
Total Emergency Medical Services	5,388	7,470	(2,082)

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued) :			
Public Safety (continued):			
Safety Inspections:			
Personnel services	\$ 40,089	\$ 27,150	\$ 12,939
Supplies	4,000	1,998	2,002
Property occupancy	-	199	(199)
Equipment maintenance and repairs	4,025	2,297	1,728
Other services	8,066	43,147	(35,081)
Total Safety Inspections	56,180	74,791	(18,611)
Total Public Safety	1,794,573	1,957,380	(162,807)
Public Works:			
Public Works Department:			
Personnel services	293,252	275,591	17,661
Supplies	29,550	32,853	(3,303)
Property occupancy	12,388	25,576	(13,188)
Equipment maintenance and repairs	8,775	30,203	(21,428)
Other services	19,365	19,352	13
Capital outlay	-	2,500	(2,500)
Total Public Works Department	363,330	386,075	(22,745)
City Vehicle Maintenance			
Personnel services	32,912	26,090	6,822
Supplies	400	754	(354)
Equipment maintenance and repairs	-	86	(86)
Other services	333	(108)	441
Total City Vehicle Maintenance	33,645	26,822	6,823
Sanitation Services:			
Other services	535,000	570,137	(35,137)
Total Sanitation Services	535,000	570,137	(35,137)
Street and Roadway Lighting			
Property occupancy	50	-	50
Other services	222,000	232,021	(10,021)
Total Street and Roadway Lighting	222,050	232,021	(9,971)
Total Public Works	1,154,025	1,215,055	(61,030)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued):			
Culture and Recreation:			
Parks:			
Personnel services	\$ 94,246	\$ 70,836	\$ 23,410
Supplies	8,425	7,950	475
Property occupancy	2,050	6,056	(4,006)
Equipment maintenance and repairs	2,950	7,074	(4,124)
Other services	33,363	53,117	(19,754)
Total Parks	141,034	145,033	(3,999)
Library:			
Personnel services	169,241	159,036	10,205
Supplies	7,550	9,661	(2,111)
Property occupancy	2,500	11,083	(8,583)
Equipment maintenance and repairs	1,000	123	877
Other services	45,936	51,372	(5,436)
Total Library	226,227	231,275	(5,048)
Swimming Pool:			
Personnel services	32,697	28,932	3,765
Supplies	3,150	4,476	(1,326)
Property occupancy	900	2,041	(1,141)
Equipment maintenance and repairs	500	1,252	(752)
Other services	13,200	12,431	769
Total Swimming Pool	50,447	49,132	1,315
Community Support Services:			
Supplies	150	132	18
Property occupancy	5,900	9,775	(3,875)
Other services	56,207	62,821	(6,614)
Total Community Support Services	62,257	72,729	(10,472)
Total Culture and Recreation	479,965	498,168	(18,203)
Public Health:			
Health Inspection/Code Enforcement:			
Personnel services	69,978	62,507	7,471
Supplies	16,325	10,132	6,193
Equipment maintenance and repairs	5,800	5,995	(195)
Other services	36,413	60,741	(24,328)
Total Public Health	128,516	139,375	(10,859)
Economic Development Projects:			
Other services	-	14,100	(14,100)
Total Economic Development Projects	-	14,100	(14,100)

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CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued) :			
Debt Service:			
Principal retirements	\$ 19,474	\$ 25,729	\$ (6,255)
Interest and fiscal charges	3,870	3,983	(113)
Total Debt Service	<u>23,344</u>	<u>29,712</u>	<u>(6,368)</u>
Total Expenditures	<u>4,557,882</u>	<u>4,828,772</u>	<u>(270,890)</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>295,000</u>	<u>195,057</u>	<u>(99,943)</u>
Other Financing Sources (Uses):			
Operating transfers in	4,000	1,721	(2,279)
Operating transfers out	(49,000)	(68,799)	(19,799)
Lease proceeds	-	26,293	26,293
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(40,785)</u>	<u>4,215</u>
Net Change in Fund Balance	250,000	154,272	(95,728)
Fund Balance at Beginning of Year	717,100	717,100	-
Fund Balance at End of Year	<u>\$ 967,100</u>	<u>\$ 871,372</u>	<u>\$ (95,728)</u>

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CITY OF DONNA, TEXAS
 SCHEDULE OF FUNDING PROGRESS
 SEPTEMBER 30, 2009

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)
2006	2,030,682	1,872,696	108.4%	(157,986)	1,937,066	-7.6%
2007	2,164,996	2,153,532	100.5%	(11,464)	1,962,650	-0.6%
2008	2,402,514	2,487,967	96.6%	85,453	2,156,982	4.0%

The City contributes to the TMRS plan at the full actuarially determined rate as compiled by TMRS.

B. THE DONNA FIREMEN'S RELIEF AND RETIREMENT FUND

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

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CITY OF DONNA, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary Expenditures in Excess of Appropriations

During the year ended September 30, 2009, expenditures exceeded appropriations as follows in the General Fund.

<u>Department</u>	<u>General Fund Excess of Expenditures Over Appropriations</u>
City Council	\$ 13,994
City Management	16,142
City Secretary	4,331
Business Rental Properties	180
Municipal Court	24,163
Tax Collector Assessor	18,959
Elections	218
Police	143,926
Emergency Medical Services	2,082
Safety Inspections	18,611
Public Works	22,745
Sanitation Services	35,137
Street and Roadway Lighting	9,971
Parks	3,999
Library	5,048
Community Support Services	10,472
Health Inspection/Code Enforcement	10,859
Economic Development	14,100
Debt Service	6,368
	<u>\$ 361,305</u>

2. Budgetary Basis of Accounting

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

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

Reinvestment Zone One was moved to a fiduciary fund.

CAPITAL PROJECT FUNDS

2001 Street Bond Improvements Fund accounts for the proceeds from the issuance of the 2001 Certificates of Obligation for the purpose of the City street improvements.

DISD Street Improvements Fund has been accounting for the improvements made to certain streets that provide access to a middle school built by Donna Independent School District. There was no construction activity to account for during this fiscal year. Therefore, this fund is not presented.

CITY OF DONNA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	Special Revenue Funds	2001 Street Bond Improvement Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 530,867	\$ 85,229	\$ 616,096
Receivables, net:			
Accounts	16,301	-	16,301
Due from other funds	19,045	3,693	22,738
Total Assets	\$ 566,213	\$ 88,922	\$ 655,135
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 19,045	\$ -	\$ 19,045
Due to other funds	70,789	-	70,789
Total Liabilities	89,834	-	89,834
 Fund Balances:			
Reserved for capital projects	37,896	88,922	126,818
Reserved for equipment	332,099	-	332,099
Unreserved	106,384	-	106,384
Total Fund Balances	476,379	88,922	565,301
Total Liabilities and Fund Balances	\$ 566,213	\$ 88,922	\$ 655,135

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds	2001 Street Bond Improvement Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 77,183	\$ -	\$ 77,183
Charges for services	64,100	-	64,100
Fines and forfeitures	4,023	-	4,023
Intergovernmental	481,009	-	481,009
Interest	4,900	883	5,783
Other	-	3,693	3,693
Total Revenues	631,215	4,576	635,791
Expenditures:			
Current:			
General government	2,183	-	2,183
Public safety	2,110	-	2,110
Culture and recreation	199,392	-	199,392
Health and welfare	25,485	-	25,485
Tourism development	13,961	-	13,961
Capital outlay	24,852	-	24,852
Debt Service			
Principal retirements	36,938	-	36,938
Interest and fiscal charges	14,968	-	14,968
Total Expenditures	319,889	-	319,889
Excess (Deficiency) of Revenues Over (Under) Expenditures	311,326	4,576	315,902
Other Financing Sources (Uses):			
Transfers out	(229,705)	-	(229,705)
Total Other Financing Sources (Uses)	(229,705)	-	(229,705)
Net Change in Fund Balances	81,621	4,576	86,197
Fund Balances at Beginning of Year	403,317	84,346	487,663
Prior-Period Adjustment	(8,559)	-	(8,559)
Fund Balances at End of Year	\$ 476,379	\$ 88,922	\$ 565,301

CITY OF DONNA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2009

	Hotel Occupancy Tax	Texas Confiscated Forfeitures	Fire Equipment Service Fee
<u>Assets</u>			
Cash and cash equivalents	\$ 96,337	\$ 12,159	\$ 104,584
Receivables, net:			
Accounts	10,934	-	5,367
Due from other funds	-	-	-
Total Assets	\$ 107,271	\$ 12,159	\$ 109,951
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	887	-	121
Total Liabilities	887	-	121
Fund Balances:			
Reserved for capital projects	-	-	-
Reserved for equipment	-	12,159	109,830
Unreserved	106,384	-	-
Total Fund Balances	106,384	12,159	109,830
Total Liabilities and Fund Balances	\$ 107,271	\$ 12,159	\$ 109,951

<u>Tax Note Equipment Fund</u>	<u>Computer Grants for Library</u>	<u>Urban County CDBG Program</u>	<u>Park Improvement Fee Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 279,891	\$ -	\$ -	\$ 37,896	\$ 530,867
-	-	-	-	16,301
-	19,045	-	-	19,045
<u>\$ 279,891</u>	<u>\$ 19,045</u>	<u>\$ -</u>	<u>\$ 37,896</u>	<u>\$ 566,213</u>
\$ -	\$ 19,045	\$ -	\$ -	\$ 19,045
69,781	-	-	-	70,789
<u>69,781</u>	<u>19,045</u>	<u>-</u>	<u>-</u>	<u>89,834</u>
-	-	-	37,896	37,896
210,110	-	-	-	332,099
-	-	-	-	106,384
<u>210,110</u>	<u>-</u>	<u>-</u>	<u>37,896</u>	<u>476,379</u>
<u>\$ 279,891</u>	<u>\$ 19,045</u>	<u>\$ -</u>	<u>\$ 37,896</u>	<u>\$ 566,213</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, 2009

	Hotel Occupancy Tax	Texas Confiscated Forfeitures	Fire Equipment Service Fee
Revenues			
Taxes	\$ 77,183	\$ -	\$ -
Fines and forfeitures	-	4,023	-
Charges for services	-	-	63,050
Intergovernmental	-	-	-
Interest	610	94	815
Total Revenues	77,793	4,117	63,865
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	2,110	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Tourism development	13,961	-	-
Capital Outlay	-	-	-
Debt service			
Principal retirements	-	-	36,938
Interest and other charges	-	-	14,968
Total Expenditures	13,961	2,110	51,906
Excess (Deficiency) of Revenues Over (Under) Expenditures	63,831	2,007	11,959
Other Financing Sources (Uses):			
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	63,832	2,007	11,959
Fund Balances at Beginning of Year	42,552	10,152	97,871
Prior-Period Adjustment	-	-	-
Fund Balances at End of Year	\$ 106,384	\$ 12,159	\$ 109,830

<u>Tax Note Equipment Fund</u>	<u>Computer Grants for Library</u>	<u>Urban County CDBG Program</u>	<u>Park Improvement Fee Fund</u>	<u>Tax Increment Reinvestment Zone One</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,183
-	-	-	-	-	4,023
-	-	-	1,050	-	64,100
-	190,451	290,558	-	-	481,009
<u>2,993</u>	<u>-</u>	<u>-</u>	<u>388</u>	<u>-</u>	<u>4,900</u>
<u>2,993</u>	<u>190,451</u>	<u>290,558</u>	<u>1,438</u>	<u>-</u>	<u>631,215</u>
608	-	1,575	-	-	2,183
-	-	-	-	-	2,110
-	190,451	8,941	-	-	199,392
-	-	25,485	-	-	25,485
-	-	-	-	-	13,961
-	-	24,852	-	-	24,852
-	-	-	-	-	36,938
-	-	-	-	-	14,968
<u>608</u>	<u>190,451</u>	<u>60,853</u>	<u>-</u>	<u>-</u>	<u>319,889</u>
<u>2,385</u>	<u>-</u>	<u>229,705</u>	<u>1,438</u>	<u>-</u>	<u>311,326</u>
<u>-</u>	<u>-</u>	<u>(229,705)</u>	<u>-</u>	<u>-</u>	<u>(229,705)</u>
<u>-</u>	<u>-</u>	<u>(229,705)</u>	<u>-</u>	<u>-</u>	<u>(229,705)</u>
2,385	-	-	1,438	-	81,621
207,725	-	-	36,458	8,559	403,317
-	-	-	-	(8,559)	(8,559)
<u>\$ 210,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,896</u>	<u>\$ -</u>	<u>\$ 476,379</u>

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CITY OF DONNA, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
Revenues:			
Taxes:			
Ad valorem taxes	\$ 1,298,847	\$ 1,326,893	\$ 28,046
Interest	<u>39,232</u>	<u>12,582</u>	<u>(26,650)</u>
Total Revenues	<u>1,338,079</u>	<u>1,339,475</u>	<u>1,396</u>
Expenditures:			
Debt Service:			
Principal retirements	308,139	308,139	-
Interest and fiscal charges	<u>103,447</u>	<u>98,316</u>	<u>5,131</u>
Total Expenditures	<u>411,586</u>	<u>406,455</u>	<u>5,131</u>
Excess (Deficiency) of Revenues Over Expenditures	926,493	933,020	6,527
Other Financing Sources (Uses)			
Transfers in	227,984	422,840	194,856
Transfers out	<u>(1,226,206)</u>	<u>(1,248,275)</u>	<u>(22,069)</u>
Total Other Financing Sources (Uses)	(998,222)	(825,435)	172,787
Net Change in Fund Balance	(71,729)	107,585	179,314
Fund Balance at Beginning of Year	<u>904,848</u>	<u>904,848</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 833,119</u>	<u>\$ 1,012,433</u>	<u>\$ 179,314</u>

CITY OF DONNA, TEXAS
HOTEL OCCUPANCY TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Taxes	\$ 71,000	\$ 77,183	\$ 6,183
Interest Earned	-	610	610
Total Revenues	<u>71,000</u>	<u>77,793</u>	<u>6,793</u>
Expenditures:			
Current:			
Tourism development			
Visitor information center	46,728	7,060	39,668
Tourism advertising	6,000	6,901	(901)
Administration of tax funds	1,950	-	1,950
Total Tourism Development	<u>54,678</u>	<u>13,961</u>	<u>40,717</u>
Total Expenditures	<u>54,678</u>	<u>13,961</u>	<u>40,717</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,322</u>	<u>63,832</u>	<u>47,510</u>
Fund Balance at Beginning of Year	<u>42,552</u>	<u>42,552</u>	-
Fund Balance at End of Year	<u>\$ 58,874</u>	<u>\$ 106,384</u>	<u>\$ 47,510</u>

CITY OF DONNA, TEXAS
 FIRE EQUIPMENT SERVICE FEE
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
Revenues:			
Charges for services	\$ 60,000	\$ 63,050	\$ 3,050
Interest Income	-	815	815
Total Revenues	<u>60,000</u>	<u>63,865</u>	<u>3,865</u>
Expenditures:			
Debt service:			
Principal retirements	36,938	36,938	-
Interest	<u>14,969</u>	<u>14,968</u>	<u>(1)</u>
Total Expenditures	<u>51,907</u>	<u>51,906</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over Expenditures	8,093	11,959	3,866
Fund Balance at Beginning of Year	<u>97,871</u>	<u>97,871</u>	-
Fund Balance at End of Year	<u>\$ 105,964</u>	<u>\$ 109,830</u>	<u>\$ 3,866</u>

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MAJOR PROPRIETARY FUNDS

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

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

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

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BUDGETARY COMPARISON- WATER AND SEWER FUND

CITY OF DONNA, TEXAS
WATER AND SEWER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget	Actual	Variance with Budget Positive (Negative)
Operating Revenues			
Sales:			
Water sales	\$ 2,945,830	\$ 2,873,005	\$ (72,825)
Sewer sales	2,032,542	2,000,240	(32,302)
Penalties - delinquent	120,000	150,399	30,399
Provision for bad debt	(60,000)	(45,551)	14,449
Total Sales	<u>5,038,372</u>	<u>4,978,093</u>	<u>(60,279)</u>
Service Charges:			
Water access and tap fees	25,500	21,621	(3,879)
Sewer access fees	5,700	6,850	1,150
Customer service cut ons	23,500	23,102	(398)
Line extension reimbursement fees	500	-	(500)
Total Service Charges	<u>55,200</u>	<u>51,573</u>	<u>(3,627)</u>
Total Operating Revenues	<u>5,093,572</u>	<u>5,029,666</u>	<u>(63,906)</u>
Non-Operating Revenues:			
Interest income	96,500	45,335	(51,165)
Other	900	9,072	8,172
Total Non-Operating Revenues	<u>97,400</u>	<u>54,407</u>	<u>(42,993)</u>
Total Revenues	<u>5,190,972</u>	<u>5,084,073</u>	<u>(106,899)</u>
Expenses:			
City Management:			
Personal services	64,513	61,290	3,223
Supplies	2,775	2,349	426
Equipment maintenance	750	908	(158)
Other services	77,354	123,547	(46,193)
	<u>145,392</u>	<u>188,094</u>	<u>(42,702)</u>
City Secretary:			
Personal services	13,413	13,631	(218)
Supplies	150	312	(162)
Equipment maintenance	50	1,170	(1,120)
Other services	50	28	22
	<u>13,663</u>	<u>15,141</u>	<u>(1,478)</u>

CITY OF DONNA, TEXAS
 WATER AND SEWER FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Finance/Accounting:			
Personal services	\$ 175,894	\$ 111,990	\$ 63,904
Supplies	11,945	2,335	9,610
Equipment maintenance	22,150	3,951	18,199
Other services	92,912	88,371	4,541
	<u>302,901</u>	<u>206,647</u>	<u>96,254</u>
City Hall:			
Personal services	8,918	8,984	(66)
	<u>8,918</u>	<u>8,984</u>	<u>(66)</u>
Engineer:			
Other services	50,000	17,550	32,450
	<u>50,000</u>	<u>17,550</u>	<u>32,450</u>
Water Distribution:			
Supplies	12,500	-	12,500
Property occupancy	105,750	17,560	88,190
Equipment maintenance	1,500	16,240	(14,740)
Other services	10,086	3,093	6,993
	<u>129,836</u>	<u>36,893</u>	<u>92,943</u>
Sewer Collection:			
Supplies	97,500	20,800	76,700
Property occupancy	55,950	51,997	3,953
Other services	153,450	72,797	80,653
	<u>153,450</u>	<u>72,797</u>	<u>80,653</u>
Sewer Treatment and Disposal:			
Supplies	66,340	117,794	(51,454)
Property occupancy	-	8,900	(8,900)
Other services	358,181	346,561	11,620
	<u>424,521</u>	<u>473,255</u>	<u>(48,734)</u>
Water/Sewer Business Operations:			
Other services	166,700	184,816	(18,116)
	<u>166,700</u>	<u>184,816</u>	<u>(18,116)</u>

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CITY OF DONNA, TEXAS
WATER AND SEWER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget	Actual	Variance with Budget Positive (Negative)
Water/Sewer Liaison for City:			
Personal services	\$ 57,159	\$ 37,553	\$ 19,606
Supplies	3,375	949	2,426
Equipment maintenance	900	502	398
Other services	2,753	1,541	1,212
	<u>64,187</u>	<u>40,546</u>	<u>23,641</u>
Water Supply and Treatment:			
Supplies	194,509	275,636	(81,127)
Property occupancy	10,000	8,900	1,100
Other services	195,464	213,632	(18,168)
	<u>399,973</u>	<u>498,168</u>	<u>(98,195)</u>
Water/Sewer Operations Support:			
Supplies	27,000	29,730	(2,730)
Property occupancy	4,600	1,412	3,188
Equipment maintenance	20,055	20,538	(483)
Other services	15,221	10,049	5,172
	<u>66,876</u>	<u>61,729</u>	<u>5,147</u>
Water/Sewer Operations Contractor:			
Other services	1,556,080	1,627,747	(71,667)
	<u>1,556,080</u>	<u>1,627,747</u>	<u>(71,667)</u>
Non-Departmental Expenses:			
Debt interest	495,978	285,512	210,466
Amortization of issuance costs	14,860	74,386	(59,526)
Fees for capital contributions	-	1,145,331	(1,145,331)
Depreciation	792,000	787,071	4,929
	<u>1,302,838</u>	<u>2,292,301</u>	<u>(989,463)</u>
Total Expenses	<u>4,785,335</u>	<u>5,724,668</u>	<u>(939,333)</u>
Capital Contributions	-	2,039,920	2,039,920
Transfers Out	-	(194,856)	(194,856)
Change in Net Assets	405,637	1,204,469	798,832
Net Assets Beginning of Year	18,824,291	18,824,291	-
Prior Period Adjustments	-	(301,343)	(301,343)
Net Assets at End of Year	<u>\$ 19,229,928</u>	<u>\$ 19,727,417</u>	<u>\$ 497,489</u>

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NONMAJOR PROPRIETARY FUNDS

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

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

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

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 SEPTEMBER 30, 2009

	Donna International Bridge Corporation (Component Unit)	Cemetery Fund	Total Nonmajor Proprietary Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 151	\$ 14,575	\$ 14,726
Receivables, net:			
Accounts	-	20,497	20,497
Inventories	-	4,285	4,285
	151	39,357	39,508
Capital Assets	-	48,102	48,102
Less accumulated depreciation	-	(16,634)	(16,634)
Net Capital Assets	-	31,468	31,468
Total Noncurrent Assets	-	31,468	31,468
	151	70,825	70,976
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ -	\$ 2,200	\$ 2,200
Accrued liabilities	-	1,302	1,302
Compensated absences payable	-	1,067	1,067
Due to other funds	-	206	206
Current portion of note payable	-	1,822	1,822
Unearned revenue	-	800	800
	-	7,397	7,397
Noncurrent liabilities:			
Compensated absences, net of current portion	-	2,516	2,516
	-	2,516	2,516
	-	9,913	9,913
<u>Net Assets</u>			
Invested in capital assets, net of related debt	-	29,646	29,646
Unrestricted	151	31,266	31,417
	151	60,912	61,063

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Donna International Bridge Corporation (Component Unit)	Cemetery Fund	Total Nonmajor Proprietary Funds
Operating Revenues:			
Charges for services	\$ -	\$ 29,650	\$ 29,650
Total Operating Revenues	<u>-</u>	<u>29,650</u>	<u>29,650</u>
Operating Expenses:			
Salaries, wages and employee benefits	-	50,992	50,992
Supplies and materials	11	5,151	5,162
Property occupancy	-	460	460
Equipment maintenance	-	1,854	1,854
Other services	9	15,682	15,691
Depreciation	-	3,071	3,071
Total Operating Expenses	<u>20</u>	<u>77,210</u>	<u>77,230</u>
Operating Loss	<u>(20)</u>	<u>(47,560)</u>	<u>(47,580)</u>
Non-Operating Revenues (Expenses):			
Interest income	3	245	248
Interest expense	-	(415)	(415)
Total Non-Operating Revenues (Expenses)	<u>3</u>	<u>(170)</u>	<u>(167)</u>
Loss Before Transfers	<u>(17)</u>	<u>(47,730)</u>	<u>(47,747)</u>
Special Item- Charge off Organizational Costs	<u>(192,074)</u>	<u>-</u>	<u>(192,074)</u>
Transfers In	<u>20</u>	<u>44,000</u>	<u>44,020</u>
Change in Net Assets	<u>(192,071)</u>	<u>(3,730)</u>	<u>(195,801)</u>
Net Assets Beginning of Year	192,222	64,642	256,864
Net Assets at End of Year	<u>\$ 151</u>	<u>\$ 60,912</u>	<u>\$ 61,063</u>

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Donna International Bridge Corporation (Component Unit)	Cemetery Fund	Total Nonmajor Proprietary Funds
Cash Flows From Operating Activities:			
Cash received from customers	\$ -	\$ 32,180	\$ 32,180
Cash payments to employees for services	-	-	-
Cash payments to other suppliers for goods and services	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>32,180</u>	<u>32,180</u>
Cash Flows From Noncapital Financing Activities:			
Interfund loan proceeds or loan (repayments)- net	<u>(1,525)</u>	<u>(34,000)</u>	<u>(35,525)</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(1,525)</u>	<u>(34,000)</u>	<u>(35,525)</u>
Cash Flows from Investing Activities:			
Interest from investments	<u>3</u>	<u>245</u>	<u>248</u>
Net Cash Provided (Used) for Investing Activities	<u>3</u>	<u>245</u>	<u>248</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,522)</u>	<u>(1,575)</u>	<u>(3,097)</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,673</u>	<u>16,150</u>	<u>17,823</u>
Cash and Cash Equivalents at End of Year	<u>\$ 151</u>	<u>\$ 14,575</u>	<u>\$ 14,726</u>

	Donna International Bridge Corporation (Component Unit)	Cemetery Fund	Total Nonmajor Proprietary Funds
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating income (loss)	\$ (20)	\$ (47,560)	\$ (47,580)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating expenses paid directly by City's General Fund	7,520	72,638	80,158
Depreciation	-	3,071	3,071
Change in Assets and Liabilities:			
Decrease (increase) in receivables	-	2,515	2,515
Decrease (increase) in inventories	-	1,558	1,558
Increase (decrease) in accounts payable	(7,500)	(1,750)	(9,250)
Increase (decrease) in compensated absences	-	1,167	1,167
Increase (decrease) in accrued liabilities	-	541	541
Total Adjustments	<u>20</u>	<u>79,740</u>	<u>79,760</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ 32,180</u>	<u>\$ 32,180</u>
Noncash Capital and Related Financing Activities:			
Decrease in deferred organizational costs	\$ 192,074	\$ -	\$ 192,074
Debt service paid directly by general government	-	2,118	2,118
Principal paid on long-term debt by general government	-	(1,703)	(1,703)
Interest paid on long-term debt by general government	-	(415)	(415)
Charge off deferred organizational costs	(192,074)	-	(192,074)

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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, 2009

Assets

Cash and cash equivalents	\$	698,599
Receivables, net:		
Accounts		57,940
Accrued interest		27
		756,566
Total Assets	\$	756,566

Liabilities and Fund BalanceLiabilities:

Due to primary government	\$	4,269
		4,269
Total Liabilities		4,269

Fund Balance:

Reserved for debt service reserve		329,442
Reserved for current debt service		307,147
Unreserved		115,708
		752,297
Total Fund Balance		752,297

Total Liabilities and Fund Balance \$ 756,566

RECONCILIATION OF FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total fund balance- component unit balance sheet	\$	752,297
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.		72,448
Capital assets used in component unit activities are not reported in the fund.		248,216
Payables for accrued interest are not reported in the fund.		(30,024)
Payables for bond principal, which are not due in the current period are not reported in the fund.		(3,660,000)
		(2,617,063)
Net assets of component unit- statement of net assets (deficit)	\$	(2,617,063)

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, 2009

Revenues:		\$ 386,309
Sales taxes		331
Interest		<u> </u>
	Total Revenues	<u>386,640</u>
Expenditures:		
Current:		
Economic development		14,436
Debt service:		
Principal retirements		110,000
Interest		<u>187,537</u>
	Total Expenditures	<u>311,973</u>
	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>74,667</u>
Net Change in Fund Balance		74,667
Fund Balance at Beginning of Year		<u>677,630</u>
Fund Balance at End of Year		<u><u>\$ 752,297</u></u>

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

Net change in fund balance- component unit		\$ 74,667
Amounts reported for component units in the statement of activities ("SOA") are different because:		
Amortization of deferred issuance costs in SOA.		(8,604)
Net change in accrued interest is reported as an expense in the SOA.		888
Repayment of principal on bonds is not reported as an expense in the SOA.		<u>110,000</u>
Change in net assets of component unit-statement of activities		<u><u>\$ 176,951</u></u>

CITY OF DONNA, TEXAS
BALANCE SHEET
DEVELOPMENT CORPORATION OF DONNA, INC (4B)
COMPONENT UNIT
SEPTEMBER 30, 2009

<u>Assets</u>		
Cash and cash equivalents		\$ 683,918
Receivables, net:		
Accounts		57,940
Accrued interest		<u>27</u>
Total Assets		<u>\$ 741,885</u>

Liabilities and Fund Balance

<u>Liabilities:</u>		
Due to primary government		<u>\$ 6,721</u>
Total Liabilities		<u>6,721</u>

<u>Fund Balance:</u>		
Reserved for debt service reserve		322,565
Reserved for current debt service		297,179
Unreserved		<u>115,421</u>
Total Fund Balance		<u>735,165</u>
Total Liabilities and Fund Balance		<u>\$ 741,885</u>

RECONCILIATION OF FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total fund balance- component unit balance sheet		\$ 735,165
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.		64,526
Payables for accrued interest are not reported in the fund.		(29,205)
Payables for bond principal, which are not due in the current period are not reported in the fund.		<u>(3,560,000)</u>
Net assets of component unit- statement of net assets (deficit)		<u>\$ (2,789,515)</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, 2009

Revenues:		
Sales taxes		\$ 386,309
Interest		<u>673</u>
	Total Revenues	<u>386,982</u>
Expenditures:		
Current:		
Economic development		12,485
Debt service:		
Principal retirements		105,000
Interest		<u>182,323</u>
	Total Expenditures	<u>299,808</u>
	Excess (Deficiency) of Revenues Over (under) Expenditures	<u>87,174</u>
Net Change in Fund Balance		87,174
Fund Balance at Beginning of Year		<u>647,991</u>
Fund Balance at End of Year		<u><u>\$ 735,165</u></u>

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

Net change in fund balance- component unit	\$ 87,174
Amounts reported for component units in the statement of activities ("SOA") are different because:	
Amortization of deferred issuance costs in SOA.	(7,664)
Net change in accrued interest is reported as an expense in the SOA.	848
Repayment of principal on bonds is not reported as expense in the SOA.	<u>105,000</u>
Change in net assets of component unit-statement of activities	<u><u>\$ 185,358</u></u>

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INFORMATIONAL TABLES

CITY OF DONNA

GOVERNMENT-WIDE EXPENSES BY FUNCTION

**FISCAL YEAR ENDED
(Unaudited)**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Public Health and Welfare</u>	<u>Economic Development</u>
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

TABLE 1

<u>Tourism Development</u>	<u>Interest on Long-Term Debt</u>	<u>Water and Sewer</u>	<u>City International Bridge Fund</u>	<u>Donna International Bridge Corporation</u>	<u>Cemetery</u>	<u>Totals</u>
\$ 155,379	\$ 335,325	\$ 3,654,074	\$ -	\$ 20,235	\$ 61,192	\$ 9,497,377
162,234	329,320	4,328,672	-	10,555	63,881	10,773,270
83,140	432,579	4,448,382	-	7,500	67,650	9,871,482
26,015	453,620	4,264,804	-	5	61,366	12,840,935
25,375	135,685	4,336,321	602,044	7,500	70,542	10,426,524
13,961	124,192	5,724,668	480,594	20	77,625	11,204,502

CITY OF DONNA

TABLE 2

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

TABLE 3

CITY OF DONNA, TEXAS
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)
2000	\$ 2,307,161	\$ 60,733	\$ 23,995	\$ 518,841	\$ 83,713	\$ 48,945	\$ 3,043,388
2001	2,274,614	96,586	43,134	512,856	75,672	83,853	3,086,715
2002	2,411,755	88,703	257,447	573,985	146,086	121,026	3,599,002
2003	2,586,134	114,508	773,171	706,917	193,268	22,401	4,396,399
2004	2,674,661	109,105	1,629,849	755,954	224,452	29,994	5,424,015
2005	2,870,387	159,316	550,108	787,653	163,615	35,220	4,566,299
2006	3,092,271	85,393	1,477,772	787,170	146,838	41,046	5,630,490
2007	3,235,365	70,282	3,847,188	912,318	152,733	84,792	8,302,678
2008	3,327,974	84,745	607,904	1,229,875	113,433	55,630	5,419,561
2009	3,472,034	96,836	182,660	1,111,621	138,660	22,018	5,023,829

TABLE 4

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

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Public Health</u>	<u>Economic Development</u>	<u>Debt Service</u>	<u>Totals</u>
2000	\$ 684,676	\$ 1,049,960	\$ 727,244	\$ 269,394	\$ 16,949	\$ 9,152	\$ 126,540	\$ 2,883,915
2001	783,900	1,332,998	849,226	302,356	46,579	23,228	72,952	3,411,239
2002	888,738	1,396,676	764,577	348,198	106,158	165,653	69,209	3,739,209
2003	1,032,985	1,725,466	903,859	457,100	122,750	1,355,168	13,600	5,610,928
2004	800,196	1,602,327	963,744	499,405	92,208	1,661,146	66,825	5,685,851
2005	907,657	1,822,712	1,061,768	626,747	115,669	1,175,468	39,076	5,749,097
2006	978,652	1,761,777	1,174,028	583,789	151,322	2,086,923	174,473	6,910,964
2007	904,889	1,700,035	1,073,277	470,332	123,875	3,737,303	46,143	8,055,854
2008	988,942	1,868,023	1,155,302	518,850	119,950	494,580	26,479	5,172,126
2009	974,982	1,957,380	1,215,055	498,168	139,375	14,100	29,712	4,828,772

CITY OF DONNA

TABLE 5

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
2000	\$ 1,761,169	\$ 626,486	\$ 75,672	\$ (76,655)	\$ 46,388	\$ 290,895	\$ 436,084	\$ 3,160,039
2001	1,845,069	1,016,662	79,710	(9,445)	45,082	498,621	779,498	4,255,197
2002	2,039,166	1,206,842	76,337	(50,053)	61,722	462,853	369,139	4,166,006
2003	1,852,176	1,196,593	96,772	(153,273)	54,335	439,920	346,268	3,832,791
2004	1,854,716	1,226,569	102,204	(5,883)	93,953	294,251	314,424	3,880,234
2005	1,965,934	1,330,890	110,905	(26,915)	181,839	399,777	300,577	4,263,007
2006	2,199,866	1,617,092	118,752	(63,625)	90,555	655,404	188,138	4,806,182
2007	2,228,945	1,558,480	124,155	(38,146)	137,852	1,098,989	23,972	5,134,247
2008	2,707,828	1,821,315	154,387	(38,049)	57,383	2,603,175	400	7,306,439
2009	2,873,005	2,000,240	150,399	(45,551)	51,573	2,094,327	-	7,123,993

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>
2000	\$ 110,707	\$ 113,163	\$ 175,771	\$ 111,139	\$ 234,931	\$ 32,128
2001	133,680	128,060	215,945	126,874	356,666	70,692
2002	71,234	75,309	219,509	212,040	283,844	143,656
2003	77,753	84,701	219,379	202,086	302,007	70,607
2004	118,419	109,091	269,321	205,791	248,880	39,078
2005	99,166	162,026	267,241	234,822	257,651	338,013
2006	97,859	222,331	327,300	259,982	355,705	252,048
2007	137,062	198,981	388,581	201,482	349,794	15,041
2008	46,326	77,606	412,581	236,204	373,019	8,400
2009	36,893	72,797	473,255	287,091	498,168	17,550

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>
\$ 248,846	\$ 875,485	\$ 238,385	\$ -	\$ 424,632	\$ -	\$ 2,565,187
255,499	922,242	459,816	-	661,181	-	3,330,655
249,498	1,099,967	418,717	-	746,948	-	3,520,722
271,744	1,181,302	458,775	16,875	735,569	-	3,620,798
272,628	1,264,598	440,901	61,400	623,967	-	3,654,074
342,192	1,329,509	421,742	62,000	814,310	-	4,328,672
364,098	1,329,509	402,245	42,400	794,905	-	4,448,382
411,757	1,363,047	446,925	-	752,134	315,000	4,579,804
485,419	1,601,873	329,096	235,434	831,706	-	4,637,664
418,866	1,627,747	285,512	1,145,331	861,457	194,856	5,919,523

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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	Totals	Assessed Values
2000	1999	\$ 0.561500	\$ 0.458500	\$ 1.020000	\$ 184,170,604
2001	2000	0.597220	0.437440	1.034660	190,274,814
2002	2001	0.627790	0.409480	1.037270	199,963,135
2003	2002	0.662075	0.377753	1.039828	210,159,411
2004	2003	0.626004	0.413824	1.039828	221,077,628
2005	2004	0.623944	0.367704	0.991648	246,505,000
2006	2005	0.622352	0.366786	0.989138	267,030,270
2007	2006	0.589760	0.400239	0.989999	278,379,965
2008	2007	0.589805	0.400194	0.989999	307,899,033
2009	2008	0.589805	0.400194	0.989999	334,057,173

CITY OF DONNA, TEXAS
SCHEDULE OF INSURANCE IN FORCE

September 30, 2009
(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	10/01/08	09/30/09
General Liability	TML-IRP	9424	10/01/08	09/30/09
Errors and Omissions	TML-IRP	9424	10/01/08	09/30/09
Automobile Liability	TML-IRP	9424	10/01/08	09/30/09
Automobile Physical Damage	TML-IRP	9424	10/01/08	09/30/09
Mobile Equipment	TML-IRP	9424	10/01/08	09/30/09
Boiler & Machinery	TML-IRP	9424	10/01/08	09/30/09
Workers' Compensation	TML-IRP	9424	10/01/08	09/30/09
Law Enforcement Liability	TML-IRP	9424	10/01/08	09/30/09
Public Employee Dishonesty	TML-IRP	9424	10/01/08	09/30/09
Forgery or Alteration	TML-IRP	9424	10/01/08	09/30/09
Computer Fraud	TML-IRP	9424	10/01/08	09/30/09
Tax Assessor/Collector Surety Bond	Hartford Casualty Ins. Co.	61BSBBX5218	10/23/08	10/24/09

TABLE 8

<u>Details and Coverage</u>	<u>Per Occurrence Liability Limits</u>	<u>Annual Premium</u>
Fire, windstorm, valuable papers, accounts receivable, data processing equipment	\$ 15,939,497	\$ 37,933
General, products, personal	\$ 500,000	1 \$ 6,227
Public officials and employee liability, claims made	\$ 500,000	1 \$ 7,378
All owned and leased vehicles	\$ 1,000,000	\$ 18,290
Schedule of vehicles	\$ 1,136,418	\$ 10,281
Schedule of mobile equipment	\$ 305,076	\$ 1,759
	\$ 100,000	\$ -
Includes volunteer firemen	N/A	\$ 76,426
Law enforcement liability	\$ 500,000	1 \$ 14,280
Public officials and employee dishonesty, claims made	\$ 100,000	\$ 1,146
Loss resulting from forgery or alteration of covered documents	\$ 100,000	\$ 135
Loss of money, securities and property	\$ 100,000	\$ 104
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, 2009. 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

2009 Market Valuation Established by Hidalgo County Appraisal District ⁽¹⁾		\$ 356,826,927
Less Exemptions/Reductions at 100% Market Value:		
Agricultural Productivity Loss	\$ 11,272,562	
Tax Increment Financing	3,859,783	
Over 65 Exemption	3,064,833	
Value Loss to 10% Cap	1,592,548	
Disabled Veterans Exemption	1,494,864	
Abatements	953,030	
Other Exemptions	123,658	22,361,278
2009 Assessed Taxable Valuation		\$ 334,465,649
General Obligation Debt Payable from Ad Valorem Taxes (as of September 30, 2009)		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 1995	\$ 380,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 1997	3,920,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001	1,840,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001-A	440,000	
Limited Tax Refunding Bonds, Series 2006	1,025,000	
Tax Notes, Series 2006	720,000	
Tax Notes, Series 2006A	140,000	
Combination Tax and International Toll Bridge Revenue Certificates of Obligation, Series 2007	30,600,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009	5,500,000	
Total Gross Funded Debt Payable from Ad Valorem Taxes		\$ 44,565,000
Less: Self Supporting Debt		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 1995 ⁽⁴⁾	\$ 380,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 1997 ⁽⁴⁾	3,920,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001 ⁽²⁾	1,453,600	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001-A ⁽⁴⁾	440,000	
Tax Notes, Series 2006 ⁽⁴⁾	105,681	
Tax Notes, Series 2006A ⁽⁴⁾	54,744	
Combination Tax and International Toll Bridge Revenue Certificates of Obligation, Series 2007 ⁽³⁾	15,300,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009 ⁽⁴⁾	5,500,000	27,154,025
Total Net Funded Debt Payable from Ad Valorem Taxes		\$ 17,410,975
Interest and Sinking Fund (as of September 30, 2009)		\$ 1,012,433 ⁽³⁾
Ratio Gross Funded Debt to Assessed Taxable Valuation		13.32%
Ratio Net Funded Debt to Assessed Taxable Valuation		5.21%
2009 Estimated Population -	17,902	
Per Capita Taxable Assessed Valuation -	\$18,683	
Per Capita Gross Funded Debt -	\$2,489	
Per Capita Net Funded Debt -	\$973	

⁽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 will open as a passenger vehicle traffic only international bridge. 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 dependant on this. At this time the City's general government Debt Service Fund is supporting half of the debt service for the 2007 Bonds with the other half coming from the 2007 Bond capitalized interest account until it is depleted.

CITY OF DONNA, TEXAS
Table 2 - Taxable Assessed Valuation by Category

Category	Taxable Appraised Value For Fiscal Year Ended September 30,					
	2010 ⁽¹⁾		2009		2008	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 183,407,612	51.40%	\$ 184,554,838	51.65%	\$ 174,981,388	54.27%
Real, Residential, Multi-Family	9,814,928	2.75%	12,044,952	3.37%	11,573,572	3.59%
Real, Vacant Lots/Tracts	22,543,955	6.32%	22,703,164	6.35%	17,291,693	5.36%
Real, Acreage (Land Only)	13,299,889	3.73%	14,070,060	3.94%	6,741,597	2.09%
Real, Farm and Ranch Improvements	1,810,497	0.51%	2,012,979	0.56%	1,560,995	0.48%
Real, Commercial	71,185,580	19.95%	67,324,962	18.84%	53,349,191	16.55%
Real, Industrial	6,238,758	1.75%	5,729,144	1.60%	5,624,882	1.74%
Vehicles	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	8,138,940	2.28%	8,626,804	2.41%	8,990,799	2.79%
Tangible Personal, Commercial	20,678,162	5.80%	19,577,777	5.48%	21,661,139	6.72%
Tangible Personal, Industrial	4,119,225	1.15%	3,413,828	0.96%	3,682,980	1.14%
Tangible Personal, Mobile Homes	11,079,447	3.10%	10,980,948	3.07%	10,553,209	3.27%
Tangible Personal, Other	166,866	0.05%	1,451,445	0.41%	2,735,821	0.85%
Intangible	-	0.00%	-	0.00%	-	0.00%
Real Inventory	1,643,375	0.46%	1,703,186	0.48%	385,028	0.12%
Special Inventory	2,699,693	0.75%	3,125,324	0.88%	3,314,514	1.03%
Total Appraised Value Before Exemptions	\$ 356,826,927	100.00%	\$ 357,319,411	100.00%	\$ 322,446,808	100.00%
Less: Total Exemptions/Reductions	(22,361,278)		(23,262,238)		(14,547,775)	
Taxable Assessed Valuation	\$ 334,465,649		\$ 334,057,173		\$ 307,899,033	

Category	Taxable Appraised Value For Fiscal Year Ended September 30,					
	2007		2006		2005	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 150,618,597	51.80%	\$ 142,588,280	51.10%	\$ 128,690,845	50.00%
Real, Residential, Multi-Family	11,405,152	3.92%	11,183,293	4.01%	9,121,160	3.54%
Real, Vacant Lots/Tracts	14,779,916	5.08%	15,029,516	5.39%	13,989,111	5.44%
Real, Acreage (Land Only)	7,427,173	2.55%	7,583,592	2.72%	7,805,691	3.03%
Real, Farm and Ranch Improvements	1,134,842	0.39%	1,115,794	0.40%	1,214,598	0.47%
Real, Commercial	52,124,693	17.93%	48,370,164	17.33%	43,601,994	16.94%
Real, Industrial	5,553,819	1.91%	5,721,497	2.05%	5,748,438	2.23%
Vehicles	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	9,882,869	3.40%	9,657,763	3.46%	9,364,324	3.64%
Tangible Personal, Commercial	17,592,027	6.05%	18,104,256	6.49%	18,714,405	7.27%
Tangible Personal, Industrial	3,531,577	1.21%	3,254,364	1.17%	3,432,746	1.33%
Tangible Personal, Mobile Homes	10,260,543	3.53%	10,519,792	3.77%	10,628,089	4.13%
Tangible Personal, Other	2,617,855	0.90%	2,712,143	0.97%	2,713,740	1.05%
Intangible	-	0.00%	-	0.00%	-	0.00%
Real Inventory	952,169	0.33%	790,299	0.28%	263,340	0.10%
Special Inventory	2,888,248	1.00%	2,421,691	0.86%	2,093,202	0.83%
Total Appraised Value Before Exemptions	\$ 290,769,480	100.00%	\$ 279,052,444	100.00%	\$ 257,381,683	100.00%
Less: Total Exemptions/Reductions	(12,389,515)		(12,022,174)		(10,876,683)	
Taxable Assessed Valuation	\$ 278,379,965		\$ 267,030,270		\$ 246,505,000	

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

Source: 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</u> ⁽¹⁾	<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>
2000	14,768	165,748,079	11,223	11,535,000	6.96%	781
2001	14,987 ⁽¹⁾	184,170,604	12,289	15,340,000	8.06%	1,024
2002	15,212	190,274,814	12,508	14,665,000	6.63%	964
2003	15,440	221,077,628	14,318	14,395,000	5.84%	932
2004	15,672	246,505,000	15,729	14,205,000	5.32%	906
2005	15,907	267,030,270	16,787	13,484,523	4.84%	848
2006	16,449	278,379,965	16,924	14,374,999	4.30%	874
2007	16,925	307,899,033	18,192	12,655,000	4.11%	748
2008	17,415	334,057,173	19,182	40,170,000	12.02%	2,307
2009	17,902	334,465,649	18,683	44,565,000	13.32%	2,489

⁽¹⁾ 2000 U.S. Census Bureau

⁽²⁾ The valuations shown are the Total Taxable Assessed Valuations reported annually in September to the Property Tax Board. The valuations are subject to change during the ensuing year due to settlement of contested valuations, etc.

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

CITY OF DONNA, TEXAS

Table 4 - Tax Rate, Levy, and Collections History

<u>Fiscal Year Ending 9/30</u>	<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Tax Rate</u>	<u>Tax Levy</u> ⁽¹⁾	<u>% Current Collections</u>	<u>% Total Collections</u>
2001	2000	0.5972	0.4374	1.0346	1,968,697	85.43%	107.15%
2002	2001	0.6278	0.4095	1.0373	2,078,396	86.30%	104.37%
2003	2002	0.6621	0.3778	1.0399	2,185,296	87.63%	104.85%
2004	2003	0.6260	0.4138	1.0398	2,298,670	87.32%	108.72%
2005	2004	0.6239	0.3677	0.9916	2,444,462	87.86%	105.72%
2006	2005	0.6224	0.3668	0.9892	2,641,298	87.90%	107.63%
2007	2006	0.5898	0.4002	0.9900	2,755,959	87.31%	108.95%
2008	2007	0.5898	0.4002	0.9900	3,048,197	87.17%	104.90%
2009	2008	0.5898	0.4002	0.9900	3,307,162	89.30%	107.46%
2010	2009	0.6381	0.4002	1.0383	3,472,824	(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 - Top Ten Taxpayers

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>2009 Taxable Assessed Valuation</u>	<u>% of Taxable Assessed Valuation</u>
Victoria Palms I, LP	Hotel/Winter Resort	\$ 9,064,358	2.71%
AEP Texas Central Company	Electric Utility	3,204,100	0.96%
Arbor Cove, LTD	Residential Housing Complex	3,159,033	0.94%
Bland Farms, LLC	Cold Storage	2,851,286	0.85%
Interstate Fruit & Vegetable Co., Inc.	Packaging Company	2,838,951	0.85%
SH Hester Donna, LLC	Land and Packaging Company	2,468,074	0.74%
Victoria Palms II	Winter Resort Park	2,398,434	0.72%
H.E. Butt Grocery Company	Grocery Store	2,232,566	0.67%
Southwestern Bell Telephone	Telephone Utility	2,133,450	0.64%
Grande Valley Homes, LLC	Home Builder	2,071,145	0.62%
Totals		\$ 32,421,397	9.70%

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	
2010	\$ 1,085,000	\$ 2,538,017	\$ 3,623,017	
2011	1,185,000	2,495,119	3,680,119	
2012	1,310,000	2,438,472	3,748,472	
2013	1,545,000	2,371,196	3,916,196	11.50%
2014	1,615,000	2,293,352	3,908,352	
2015	1,695,000	2,209,210	3,904,210	
2016	1,690,000	2,120,765	3,810,765	
2017	1,475,000	2,032,528	3,507,528	26.03%
2018	880,000	1,963,815	2,843,815	
2019	990,000	1,908,872	2,898,872	
2020	1,000,000	1,850,222	2,850,222	
2021	1,110,000	1,787,902	2,897,902	34.96%
2022	1,115,000	1,722,068	2,837,068	
2023	1,225,000	1,652,715	2,877,715	
2024	1,335,000	1,576,543	2,911,543	
2025	1,350,000	1,496,551	2,846,551	46.24%
2026	1,460,000	1,412,728	2,872,728	
2027	1,575,000	1,322,004	2,897,004	
2028	1,685,000	1,224,370	2,909,370	
2029	1,800,000	1,119,747	2,919,747	60.87%
2030	1,915,000	1,008,081	2,923,081	
2031	1,930,000	892,486	2,822,486	
2032	2,145,000	769,834	2,914,834	
2033	2,265,000	636,956	2,901,956	79.39%
2034	2,385,000	496,856	2,881,856	
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>\$ 44,565,000</u>	<u>\$ 41,996,659</u>	<u>\$ 86,561,659</u>	

CITY OF DONNA, TEXAS
Table 7 - Other Obligations

Capital Lease Obligations

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

4.98% lease payable in annual installments of \$51,906, including interest, collateralized by a Ferrara apparatus fire truck with custom pumper/rescue equipment. (1)	\$ 263,629
Lease payable due in annual installments of \$5,495, including interest, collateralized by ten handheld computers.	14,572
Lease payable due in monthly installments of \$141, including interest, collateralized by a color copy machine.	<u>5,466</u>
Total Capital Lease Debt	<u><u>\$ 283,667</u></u>

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

Year Ending September 30,	General Government Long-Term Debt
2010	\$ 59,543
2011	59,543
2012	59,543
2013	53,176
2014	51,906
Thereafter	<u>51,906</u>
	335,617
Less: Amounts Representing Interest	<u>51,950</u>
Balance at September 30, 2009	<u><u>\$ 283,667</u></u>

Source: City of Donna, Texas.

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

CITY OF DONNA, TEXAS
Table 7 - Other Obligations
(Continued)

Claims Payable

The City was invoiced for a substantial amount of consultant fees during fiscal years ended 2009 and 2008 for the Water and Sewer Fund. This fund was invoiced fees under an agreement entered into in 2004 for 10% on capital grants and a loan received for sewer improvements. The International Bridge Fund was invoiced substantial fees under two separate agreements entered into in 2004 and 2009, for fees of 5% and 6%, respectively, on funding received by third parties to build or improve access roads to the international bridge site. In connection with the City's inability to pay these amounts, the consultant offered a payment agreement for each fund wherein the City accepted the terms of both payment agreements. The following summarizes the City's claims payable obligations classified under Business-type activities:

Both of the payment agreements have no stated interest rate and therefore have been discounted to reflect the present value 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%.

\$ 1,901,231

Claims payable by 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%.

577,785

Total Claims Payable Debt \$ 2,479,016

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

Year Ending September 30,	Business-type Activities Claims Payable
2010	\$ 240,000
2011	240,000
2012	240,000
2013	393,600
2014	<u>1,756,246</u>
	2,869,846
Less: Amounts Representing Interest	<u>390,830</u>
Balance at September 30, 2009	<u><u>\$ 2,479,016</u></u>

Source: City of Donna, Texas.

CITY OF DONNA, TEXAS
Table 7 - Other Obligations
(Continued)

Note Payable

The City is acquiring certain equipment with a note payable. The following summarizes the City's note payable obligation. Approximately 89.87% is for Governmental activities and 10.13% is for Business-type activities:

9.75% note payable due in monthly payments of \$1,743 including interest, through September 2010 and collateralized by public works, parks, and cemetery equipment.	<u>\$ 17,990</u>
Total Note Payable Debt	<u><u>\$ 17,990</u></u>

The schedule of debt service payments to maturity, including interest under these notes payable are as follows:

Year Ending September 30, 2010	Note Payable Long-Term Debt
	<u>\$ 20,915</u>
	20,915
Less: Amounts Representing Interest	2,925
Balance at September 30, 2009	<u><u>\$ 17,990</u></u>

Other Long Term Payable

Accumulated amount incurred for City street improvements being made to provide access to a public middle school built by Donna Independent School District (DISD). DISD provides half the funding for this project via an interlocal agreement and the City's half is funded via a loan from DISD. Once the street improvements are complete, the interlocal agreement provides for the City to repay the DISD loan in seven equal annual payments, without interest.

\$ 233,052

Source: City of Donna, Texas.

CITY OF DONNA, TEXAS
Table 8 - Estimated Overlapping Debt

Taxing Jurisdiction	Taxable Assessed Valuation	Tax Rate	Total Funded Debt	Data Reported as of	Estimated % Applicable	Overlapping Funded Debt as of 9/30/09	Authorized But Unissued Debt as of 9/30/09
City of Donna	\$334,465,649 ⁽¹⁾	1.0383	\$ 44,565,000	9/30/2009	100.00%	\$ 44,565,000	\$ -
Donna Independent School District	965,988,748 ⁽¹⁾	1.1779	65,215,000	3/31/2009	44.85%	29,248,928	-
Donna Irrigation District Hidalgo Co. No. 1	247,631,467 ⁽¹⁾	0.2100	-		84.57%	-	-
Hidalgo County	27,491,085,119 ⁽¹⁾	0.5900	177,828,984	12/31/2008	1.45%	2,578,520	-
Hidalgo County Drainage District No. 1	25,859,376,824 ⁽¹⁾	0.0700	99,408,321	3/31/2008	1.54%	1,530,888	-
South Texas CCD	27,944,628,704 ⁽¹⁾	0.1491	76,905,188	11/30/2008	1.29%	992,077	-
Total Direct and Overlapping G.O. Tax Debt						\$ 78,915,413	
Ratio of Direct Overlapping G. O. Tax Debt to Taxable Assessed Valuation						23.59%	
Per Capita Overlapping Funded Debt						\$ 4,408	

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

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

CITY OF DONNA, TEXAS

Table - 9 General Fund Revenues, Expenditures History

Revenues	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
Taxes	\$ 3,472,034	\$ 3,327,974	\$ 3,235,365	\$ 3,092,271	\$ 2,870,387
Licenses and Permits	96,836	84,745	70,282	85,393	159,316
Charges for Service	1,111,621	1,229,875	912,318	787,170	787,654
Fines and Forfeits	138,660	113,433	152,733	146,838	163,615
Intergovernmental	182,660	607,904	3,847,188	1,477,772	550,108
Interest	5,194	20,677	32,910	19,052	7,441
Other Revenues	16,824	34,953	51,882	21,994	27,778
Total Revenues	\$ 5,023,829	\$ 5,419,561	\$ 8,302,678	\$ 5,630,490	\$ 4,566,299
Expenditures					
Current:					
General Government	\$ 974,982	\$ 988,942	\$ 904,889	\$ 978,652	\$ 907,658
Public Safety	1,957,380	1,868,023	1,700,035	1,761,777	1,822,712
Public Works	1,215,055	1,155,302	1,073,277	1,174,028	1,061,768
Economic Development	14,100	494,580	3,737,303	2,086,923	1,175,468
Culture and Recreation	498,168	518,850	470,332	583,789	626,746
Health and Welfare	139,375	119,950	123,875	151,322	115,669
Debt Service:					
Principal Retirements	25,729	19,909	17,548	14,728	-
Interest, Fiscal & Issuance Charges	3,983	6,570	28,595	159,745	39,076
Total Expenditures	\$ 4,828,772	\$ 5,172,126	\$ 8,055,854	\$ 6,910,964	\$ 5,749,097
Excess/Deficiency of Revenues Over Expenditures	\$ 195,057	\$ 247,435	\$ 246,824	\$ (1,280,474)	\$ (1,182,798)
Other Financing Sources/Uses					
Operating Transfers In	\$ 1,720	\$ 3,212	\$ 574,690	\$ 127,488	\$ 237,968
Operating Transfers Out	(68,798)	(54,503)	(63,038)	(54,013)	(38,192)
Tax Notes Proceeds	-	-	-	1,074,697	717,000
Loan and Lease Proceeds	26,293	-	-	72,275	-
Total Other Financing Sources/Uses	\$ (40,785)	\$ (51,291)	\$ 511,652	\$ 1,220,447	\$ 916,776
Excess/Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Uses	\$ 154,272	\$ 196,144	\$ 758,476	\$ (60,027)	\$ (266,022)
Beginning Fund Balance	717,100	520,956	(237,520)	140,951	406,973
Prior Period Adjustment	-	-	-	(318,444)	-
Ending Fund Balance	\$ 871,372	\$ 717,100	\$ 520,956	\$ (237,520)	\$ 140,951

Source: City of Donna, Texas Annual Financial Reports.

CITY OF DONNA, TEXAS
Table 10 - Municipal Sales Tax History

<u>Calendar Year</u>	<u>Total Collected (1)</u>	<u>% of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>	<u>Total Collections Per Capita</u>
2000 \$	885,983	45.00%	0.5345	59.99
2001	952,961	45.85%	0.5174	63.59
2002	977,695	44.74%	0.5138	64.27
2003	1,047,813	45.58%	0.4740	67.86
2004	1,072,921	43.89%	0.4353	68.46
2005	1,208,448	45.75%	0.4526	75.97
2006	1,410,609	51.18%	0.5067	85.76
2007	1,592,318	52.24%	0.5172	94.08
2008	1,574,754	47.62%	0.4714	90.43
2009	1,514,223	43.60%	0.4527	84.58

(1) Source: Office of the Texas Comptroller.
Source: City of Donna, Texas.

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

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/10		\$ (1,638,725)
Interest and Sinking Fund Balance Fund Balance at 9/30/09	\$ 1,012,433	
2009 Interest and Sinking Fund Tax Levy @ 100% Collection	1,345,779	
Amount paid from other resources	232,946	<u>2,591,158</u>
Estimated Balance as of 9/30/10		<u><u>\$ 952,433</u></u>

Source: City of Donna, Texas Budget for Debt Service Fund.

CITY OF DONNA, TEXAS
Table 12 - Current Investments

The City's cash and temporary investments at September 30, 2009, are shown below:

Name	Carrying Amount	Market Value
Interest Bearing Cash Accounts	\$ 3,371,447	\$ 3,371,447
Money Market Fund available from Trustee	1,680,506	1,680,506
Local Government Investment Cooperative (LOGIC) ⁽¹⁾	8,712,523	8,712,523
Bank Certificates of Deposit held by Trustee	6,532,210	6,532,210
Total	<u>\$ 20,296,686</u>	<u>\$ 20,296,686</u>

⁽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. As of August 31, 2009, LOGIC asset balances totaled approximately \$2.136 billion.

Source: City of Donna, Texas.

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