City of Donna

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2016

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City of Donna, Texas
City Officials
September 30, 2016

ANNUAL FINANCIAL REPORT

Council – Manager Form of Government

MAYOR	Irene Munoz
MAYOR PR0-TEM	Sonia Gallegos
COUNCIL MEMBERS	Simon Sauceda, II Jose G. Garza, Jr. Catarina Silva Alvarado
INTERIM CITY MANAGER	Ernesto Silva
FINANCE DIRECTOR	David R. Vasquez
CITY SECRETARY	Martha Alvarado

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City of Donna, Texas
Table of Contents
September 30, 2016

REPORT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statement

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 (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Governmental Activities

The City of Donna does not have a property control ledger for its governmental capital assets. 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 and a gain/loss reported upon the disposition of a capital asset, which would decrease the assets and net position and increase expenses of governmental activities. The amount by which this departure would affect the assets and expenses and net position of governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance 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, 2016, and the changes in financial position thereof for the year then ended.

Basis for Qualified Opinions on Business-Type Activities and the Water Sewer Fund

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 position, and expenses of the water and sewer fund and business-type activities is not reasonably determinable.

Qualified Opinions

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, 2016, and the respective changes in financial position, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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 capital projects 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System, Schedule of Employer Contributions – Texas Municipal Retirement System, Schedule of Changes in Net Pension Liability and Related Ratios – Firemen's Relief and Retirement Fund, Schedule of Employer Contributions – Firemen's Relief and Retirement Fund, and the Notes to Budgetary Comparison Schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the other supplementary information and combining schedules section, and the other schedules – unaudited section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and other schedules – unaudited section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Carr, Riggs & Ingram, L.L.C.

McAllen, Texas
March 29, 2017

FINANCIAL SECTION

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As management of the City of Donna, we offer readers of the City of Donna 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, 2016.

Financial Highlights

In regards to the City's government-wide level financial statements, the 2016 and 2015 amounts are included in this discussion and analysis for comparative purposes.

- The assets of the City exceeded liabilities at the close of the 2016 and 2015 fiscal years by $60,214,322 (net position) and by $62,142,247 (net position), respectively. At the end of the 2016 and 2015 fiscal years the statement of net position reflects a deficit amount for unrestricted net position of $15,258,216 and a deficit amount of $7,761,717, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7,837,864 an increase of $107,885 or 1.4% over the prior year.
- At the end of the current fiscal year, the unreserved undesignated fund balance for the general fund was $2,590,168 or a positive 31 percent of total current year general fund expenditures.
- The City of Donna's total debt increased by a net amount of $9,004,255 or 18.5 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 position* presents information on all the City's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position 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 position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

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

The government-wide financial statements can be found on pages 17-20 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 ten 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, debt service funds, and capital projects funds which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found as referenced in the table of contents on pages of this report.

Proprietary funds. The City of Donna maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sanitary sewer system, and international bridge.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system fund and the City international bridge fund, which are considered to be major funds. The basic proprietary fund financial statements can be found as referenced in the table of contents of this report.

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position 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 $60,214,322 at the close of fiscal year 2016 and by $62,142,247 at the close of fiscal year 2015.

City of Donna
Net Position
September 30,

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 10,803,974	$ 9,991,805	$ 13,128,551	$ 10,699,294	$ 23,932,525	$ 20,691,099
Capital assets	31,554,475	29,982,220	61,666,336	62,096,458	93,220,811	92,078,678
Total assets	42,358,449	39,974,025	74,794,887	72,795,752	117,153,336	112,769,777
Deferred Outflows of Resources	843,808	337,777	4,115,736	135,161	4,959,544	472,938
Long-term liabilities	7,176,269	7,115,898	50,331,519	39,644,637	57,507,788	46,760,535
Other liabilities	3,138,512	1,988,893	1,252,258	2,350,841	4,390,770	4,339,734
Total liabilities	10,314,781	9,104,791	51,583,777	41,995,476	61,898,558	51,100,267
Net Position						
Invested in capital assets, net of related debt	25,485,725	24,886,384	34,591,149	36,392,353	60,076,874	61,278,737
Restricted	5,720,758	5,481,325	9,674,905	3,143,902	15,395,663	8,625,227
Unrestricted (deficit)	1,680,992	839,100	(16,939,208)	(8,600,817)	(15,258,216)	(7,761,717)
Total net position	$ 32,887,476	$ 31,206,809	$ 27,326,846	$ 30,935,438	$ 60,214,322	$ 62,142,247

The largest portion of the City's net position (100 % in 2016 and 98.61% in 2015) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment, net of accumulated depreciation under the business-type activities); less any related debt used to acquire those assets that are still outstanding. The City of Donna uses these capital assets to provide services to citizens and to customers of its business-type activities; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Donna's net position (26% in 2016 and 14% in 2015) represents resources that are subject to external restrictions on how they may be used.

The City's unrestricted net position under governmental activities reflects a positive balance of $1,680,992 for 2016 and $839,100 for 2015.

The City's unrestricted net position under business-type activities reflect a deficit balance of $16,939,208 at 2016 and a deficit of $8,600,817 at 2015.

The Water and Sewer Fund has an unrestricted deficit balance of $3,928,986 at 2016, which reflects a decrease of $8,188,535 or -192 percent verses fiscal year 2015. The City International Bridge Fund has an unrestricted net position deficit of $13,010,223 at 2016, which reflects an increase in the deficit of $149,857 from 2015. The City International Bridge Fund went into operation on December 14, 2010.

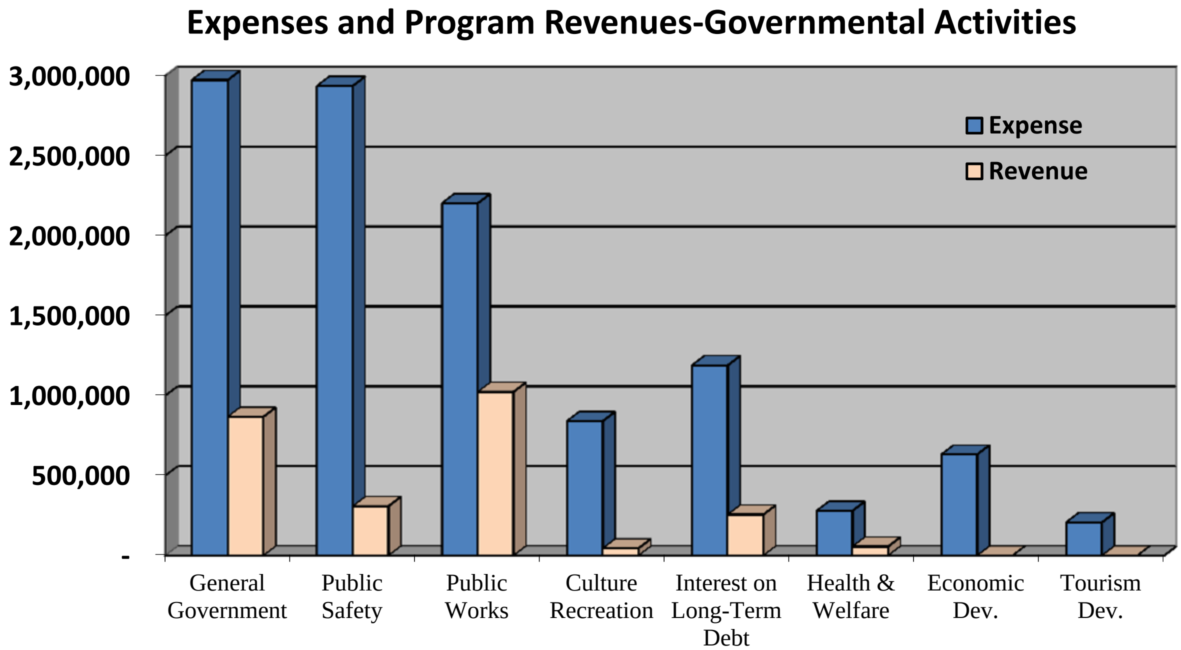
The following table presents a summary of the government-wide statement of changes in net position for both governmental activities and business-type activities for 2016 and 2015.

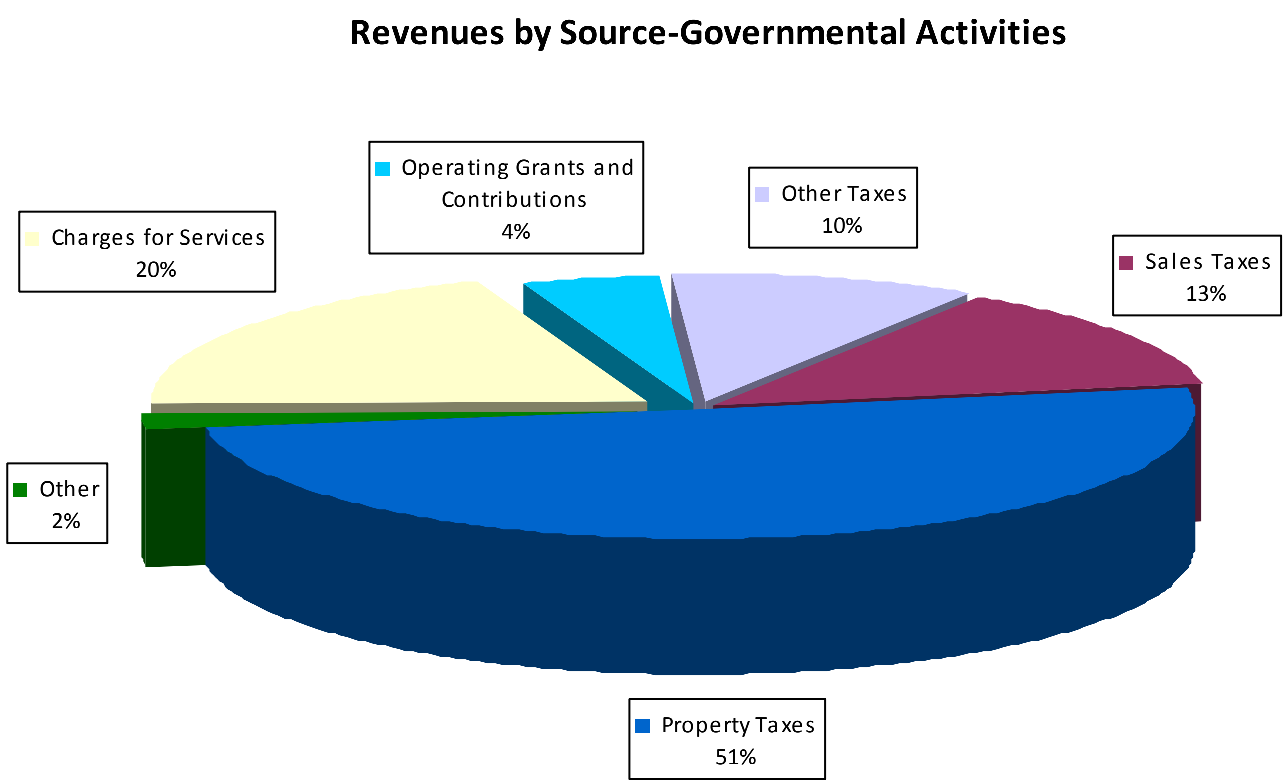
City of Donna
Changes in Net Position
September 30,

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 2,086,156	$ 2,375,381	$ 7,034,783	$ 6,780,186	$ 9,120,939	$ 9,155,567
Operating grants and contributions	-	424,889	-	-	-	424,889
Capital grants and contributions	469,733	-	753,684	432,157	1,223,417	432,157
General Revenues:						
Property taxes	5,338,779	5,574,392	-	-	5,338,779	5,574,392
Other taxes	2,463,563	2,147,013	-	-	2,463,563	2,147,013
Other	204,660	91,095	53,920	47,746	258,580	138,841
Total revenues	10,562,891	10,612,770	7,842,387	7,260,089	18,405,278	17,872,859
Expenses:						
General government	2,973,410	2,423,156	-	-	2,973,410	2,423,156
Public safety	2,936,275	2,675,445	-	-	2,936,275	2,675,445
Public works	2,202,414	2,276,526	-	-	2,202,414	2,276,526
Culture and recreation	840,311	723,354	-	-	840,311	723,354
Public health and welfare	279,247	231,283	-	-	279,247	231,283
Economic Development	632,000	9,000	-	-	632,000	9,000
Tourism development	207,043	231,556	-	-	207,043	231,556
Interest on long-term debt	1,189,004	117,228	-	-	1,189,004	117,228
Utility system operations	-	-	5,764,408	5,806,462	5,764,408	5,806,462
International Bridge Fund	-	-	3,589,093	4,488,981	3,589,093	4,488,981
Total expenses	11,259,704	8,687,548	9,353,501	10,295,443	20,613,205	18,982,991
Changes in net position before transfers	(696,814)	1,925,222	(1,511,114)	(3,035,354)	(2,207,927)	(1,110,132)
Transfers	2,377,478	(1,610,089)	(2,097,478)	1,610,089	280,000	-
Changes in net position	1,680,666	315,131	(3,608,592)	(1,425,266)	(1,927,927)	(1,110,132)
Net Position – beginning of year	31,206,809	30,621,679	30,935,438	32,332,158	62,142,247	62,953,838
Prior period adjustment		269,997	-	28,545	-	298,542
Net Position – end of year	$ 32,887,476	$ 31,206,809	$ 27,326,846	$ 30,935,438	$ 60,214,322	$ 62,142,247

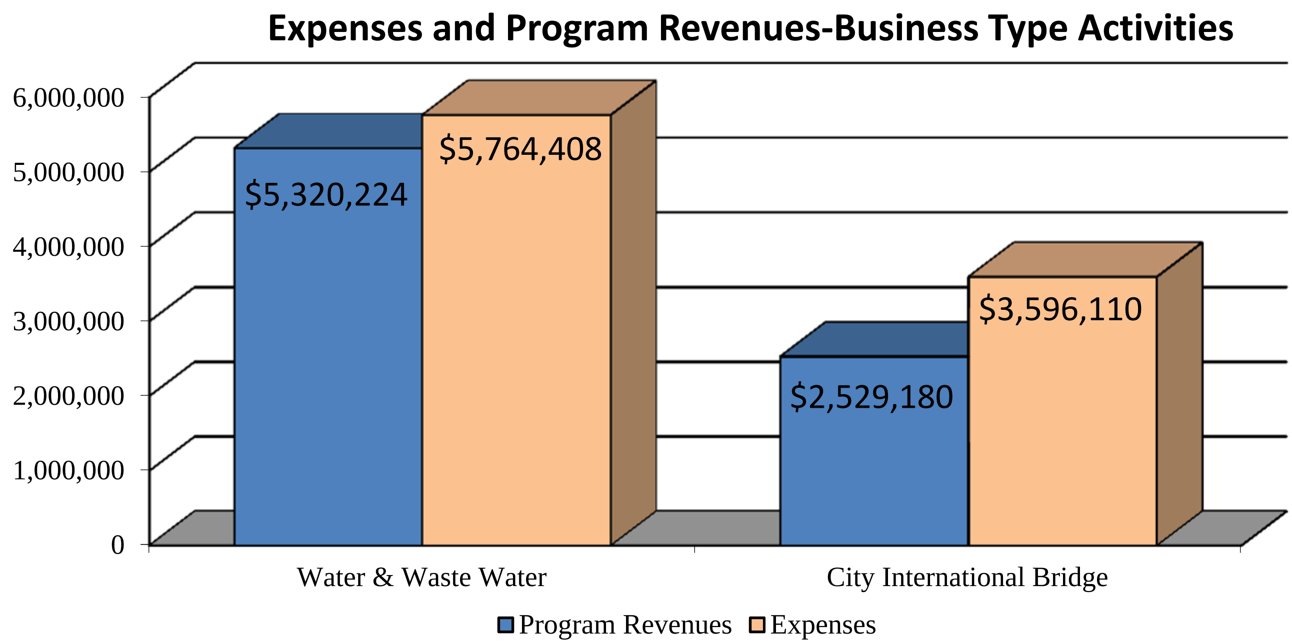
Total revenues generated from both governmental and business-type activities for fiscal year 2016 amounted to $18,405,278 with expenses of $20,613,205 resulted in a net position decrease of $2,207,927 for fiscal year 2016. Compared to fiscal year 2015, there was $17,872,859 in revenues with expenses of $18,982,991 that resulted in a net position decrease of $1,110,132 for fiscal year 2015.

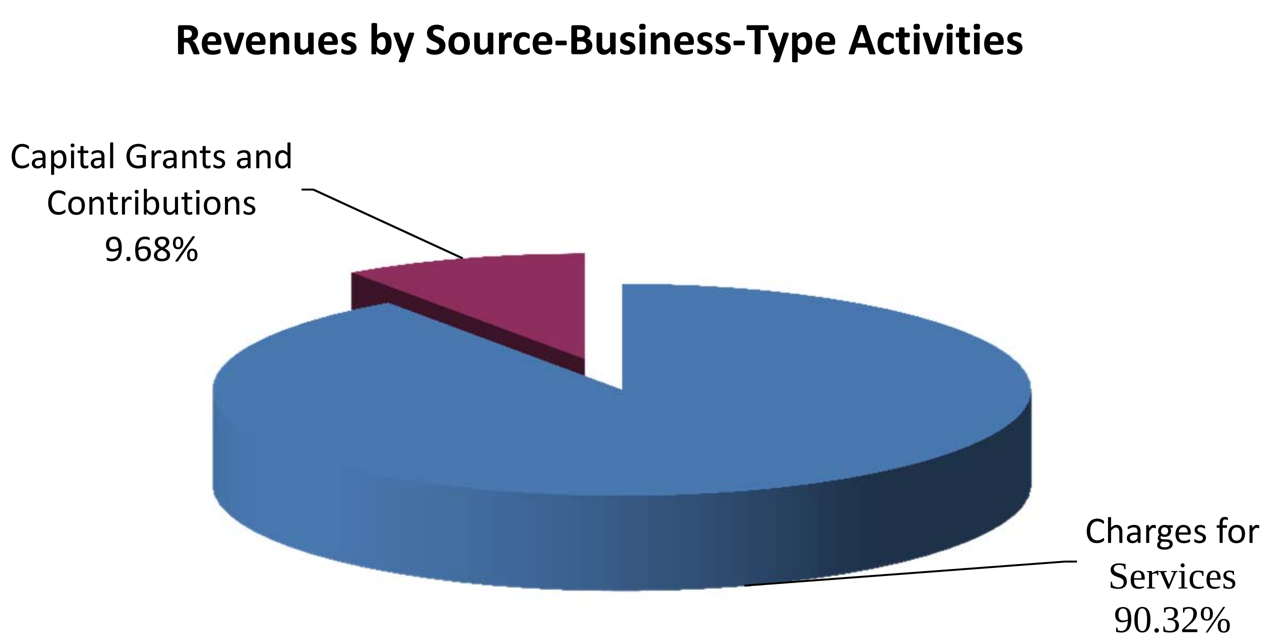
Governmental activities. Governmental activities increased the City of Donna's net position by $1,680,666 thereby accounting for an increase of 5.39 percent in governmental net position for 2016.





Business-type activities. Business-type activities decreased the City of Donna's net position by $3,608,592 thereby accounting for a decrease of 11.66 percent in total net position in fiscal year 2016. Capital contributions recorded were $753,684 an increase of $321,527 over fiscal year 2015. Interfund Transfers totaled $2,097,478, an increase of $3,708,567 over fiscal year 2015.





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 $7,837,865 an increase of $107,885 or 1.4 percent. A positive amount of $2,439,121 constitutes unassigned fund balance for all governmental funds and $4,285 is for non-spendable inventory. Good financial management indicates that the City should maintain an unassigned fund balance on a continuing basis in order to have working capital to operate the City and as a reserve hedge against emergencies. The remainder of the fund balance of $5,398,744 is restricted and $2,054,501 is for capital projects.

The General Fund is the chief operating fund of the City of Donna. At the end of the 2016 fiscal year unreserved undesignated fund balance of the General Fund was $2,590,168. 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 2016 unreserved undesignated fund balance represents a positive 30.97 percent of total General Fund expenditures.

During the 2016 fiscal year, the net change in fund balance of the City's General Fund decreased by $212,505. The key components and factors in this decrease are as follows:

- The City decided to use fund balance to fund a capital plan of $593,698 from the General Fund
- Prudent budgeting lead to surplus of $381,193.

The Debt Service Fund has a total fund balance of $2,734,765, 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 2016 of $1,350,989 and a net increase of $239,986 in 2015. The Debt Service fund was budgeted with a deficit balance of $206,797 in 2016. The City is trying to maintain a fund balance in the Debt Service Fund to assist with the debt service requirements to help support 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 position balance deficit of $16,939,208 at 2016 is comprised of the respective proprietary funds as follows; Water and Sewer Fund deficit of $3,928,986, City International Bridge Fund deficit of $13,010,223. Please refer to the discussion of these amounts under the government-wide financial analysis above. The City International Bridge went into operation on December 14, 2010 therefore this is the sixth consecutive year of 12 months of operation at the bridge.

General Fund Budgetary Highlights

The original General Fund budget increased by $940,337 (Expenditures) or 11.65 percent compared to fiscal year 2015 of $1,807,033. While budget variances were incurred at the department level, Revenues over Expenditures was a positive $381,193.

Capital Assets

The City of Donna's investment in capital assets for its governmental and business type activities as of September 30, 2016 and 2015 amounts to $91,238,750 and $92,078,675 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 0 percent. The current year depreciation expense for business-type activities was $2,660,555 for the Water and Sewer Fund and the International Bridge Fund.

The City needs to inventory much of its major general capital assets so that it may account for and depreciate them. In business-type activities the City needs to inventory its older major water and sewer infrastructure assets. The City's intention is to inventory these capital assets. The City did not provide for depreciation of its general government capital assets used by funds categorized as governmental activities, therefore depreciation expense is not included in the government-wide Statement of Activities. While the City does report these general government capital assets in the governmental activities column of the government-wide Statement of Net Position, there is no accumulated depreciation reported because the City did not depreciate these general government capital assets.

Additional information on the City of Donna's capital assets can be found in note 1 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	
	2016	2015	2016	2015	2016	2015
Land	$ 1,027,449	$ 1,027,449	$ 1,520,756	$ 1,237,616	$ 2,548,205	$ 2,265,065
Buildings	2,864,689	2,819,611	7,521,493	7,814,379	10,386,182	10,633,990
Improvements other than buildings	10,372,636	10,050,452	424,502	451,370	10,797,138	10,501,822
Infrastructure	6,269,712	6,371,429	50,270,436	50,574,966	56,540,148	56,946,395
Furniture and equipment	7,744,155	8,464,516	1,236,692	1,147,841	8,980,847	9,612,357
Other developments in progress	1,689,778	1,248,762	296,452	870,284	1,986,230	2,119,046
Total	$ 29,968,419	$ 29,982,219	$ 61,270,331	$ 62,096,456	$ 91,238,750	$ 92,078,675

Debt Administration

The City of Donna's total long-term debt for its governmental and business-type activities as of September 30, 2016 and 2015 amounts to $57,507,786 and $48,503,531 respectively.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds - net	$ 5,682,979	$ 6,029,345	$ 46,098,313	$ 37,794,056	$ 51,781,292	$ 43,823,401
Tax Notes Payable	363,600	432,000	646,400	768,000	1,010,000	1,200,000
Contractual Obligations	675,883	760,000			675,883	760,000
Claims payable		-	3,568,882	2,158,301	3,568,882	2,158,301
Capital leases	-	74,755	-	4,197	-	78,952
Notes and loans payable	233,051	233,051	-	-	233,051	233,051
Compensated absences	220,755	232,268	17,923	17,558	238,678	249,826
Total	$ 7,176,268	$ 7,761,419	$ 50,331,518	$ 40,742,112	$ 57,507,786	$ 48,503,531

The City's total debt increased by a net $9,004,255 or 18.5 percent, during the current fiscal year. Additional information on the City of Donna's long-term debt can be found in note 3, Section G of this report.

During and after the construction of the international bridge and related bridge service assets, bridge related debt service payments are funded primarily by the general government's Debt Service Fund via transfers to the City International Bridge Fund. Operating Income from the international bridge (excluding depreciation and amortization) contributed to debt service payments. For the current year the general government's Debt Service Fund has paid $490,126 of the debt service payments on the 2007 Bonds. However, since the international bridge opened only as a passenger traffic international bridge, the City's general government Debt Service Fund will be required to continue providing a significant level of debt service funding for the debts of the international bridge.

Economic Factors and Next Year's Budgets and Rates

- The assessed taxable valuations used in preparing the 2016-2017 budget were up $39,891,675 or 8 percent from the prior year. This is the 6th consecutive year of increases in assessed values.
- The City decreased the tax rate for fiscal year 2016-2017 to $.88 per $100 valuation, a decrease of $0.10 or 10% from prior year. This is the 3rd consecutive year of decreases in the tax rate.
- In the 2016-2017 Budget, the General Fund revenues and expenditures are budgeted at an increase of 11% over 2016 fiscal year. The 2016-17 General Fund budget is a balanced budget.
- The Sales Tax increased by $218,162 or 17 percent over prior year.
- The City of Donna 559 submission for southbound empty commercial traffic was approved.
- The city has submitted a second 559 application for the crossing of northbound empty commercial traffic. The application is currently under review by the Federal Government.

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.

BASIC FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 6,108,590	$ 2,591,961	$ 8,700,551
Receivables, net	2,178,377	756,269	2,934,646
Internal balances	1,514,126	(1,514,126)	-
Due from component unit	6,498	- -	6,498
Due from primary government	-	-	-
Inventories	4,284	-	4,284
Restricted assets			
Cash and cash equivalents	-	9,521,536	9,521,536
Intergovernmental receivables	-	452,720	452,720
Long-term investments	992,099	1,249,094	2,241,193
Capital assets:			
Land	1,027,449	1,520,756	2,548,205
Construction in progress	2,219,171	428,835	2,648,006
Other capital assets, net of accumulated depreciation	28,307,855	59,716,745	88,024,600
Other assets	-	71,098	71,098
Total assets	42,358,449	74,794,887	117,153,336
Deferred Outflows of Resources			
Deferred amounts on refunding (net)	15,357	3,931,249	3,946,606
Deferred outflows pensions	828,451	184,487	1,012,938
Total deferred outflows of resources	843,808	4,115,736	4,959,544
Liabilities			
Accounts payable	138,125	56,715	194,840
Accrued interest payable	28,155	308,938	337,092
Accrued liabilities	1,159,282	19,394	1,178,676
Due to primary government	-	-	-
Due to other governments	18,722		18,722
Due to component unit	71,762	-	71,762
Deposits	122,523	512,999	635,522
Unearned revenue	10,326	-	10,326
Non-current liabilities:			
Due within one year	390,463	1,256,969	1,647,432
Due in more than one year	6,785,806	49,074,550	55,860,356
Pension liability	1,589,617	354,212	1,943,829
Total liabilities	10,314,781	51,583,777	61,898,558
Net Position (Deficit)			
Net investment in capital assets	25,485,725	34,591,149	60,076,874
Restricted for:			
Capital projects	2,064,396	485,580	2,549,976
Operations and maintenance	-	1,157,135	1,157,135
Restricted for repairs and replacements	-	300,032	300,032
Debt service	3,239,080	7,732,158	10,971,238
Tourism	399,839	- -	399,839
Other purposes	17,444	-	17,444
Unrestricted (deficit)	1,680,992	(16,939,208)	(15,258,216)
Total net position (deficit)	$ 32,887,476	$ 27,326,846	$ 60,214,322

See accompanying notes to the financial statements.

	Component Units		
	Donna Economic Development Corporation	Development Corporation of Donna, Inc.	Tax Increment Reinvestment Zone Number Two
	$ 402,683	$ 325,353	$ 47,814
	136,142	177,189	30,451
	-	-	-
	- -	-	
	408 -	55,888	15,466
	-	-	-
	383,487 -	373,496	-
	-	-	-
	-	-	-
	4,684,733	229,632	-
	-	-	-
	30,263	13,343	-
	-	-	-
	5,637,717	1,174,901	93,731
	-	-	-
	8,142	8,142	-
	8,142	8,142	-
	755	8,122	10,000
	26,752	25,560	-
	32,825	32,825	-
	6,498	-	-
	-	-	-
	-	-	-
	-	1,430	-
	140,000	140,000	-
	8,005,712	3,414,701	2,313,052
	15,399	15,399	
	8,227,942	3,638,037	2,323,053
	4,716,952	-	-
	-	-	-
	-	-	-
	-	-	-
	383,487	373,496	-
	-	-	-
	-	-	-
	(7,682,522)	(2,828,490)	(2,229,322)
	$ (2,582,082)	$ (2,454,994)	$ (2,229,322)

See accompanying notes to the financial statements.

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	$ 2,973,410	$ 867,737	$ -	$ -
Public safety	2,936,275	186,040	122,231	-
Public works	2,202,414	946,335	76,764	-
Culture and recreation	840,311	29,944	14,983	-
Public health and welfare	279,247	56,099	-	-
Economic development	632,000	-	-	-
Tourism development	207,043	-	-	-
Interest on long-term debt	1,189,004	-	255,756	-
Total governmental activities	11,259,704	2,086,156	469,733	-
Business-type activities:				
Water and sewer	5,764,408	5,054,315	-	213,934
International Bridge	3,589,093	1,980,468	-	539,750
Total business-type activities	9,353,501	7,034,783	-	753,684
Total primary government	$ 20,613,205	$ 9,120,940	$ 469,733	$ 753,684
Component Units				
Economic Development	$ 1,765,129	$ -	$ -	$ -
Total component units	$ 1,765,129	$ -	$ -	$ -

General revenues

Taxes

Property taxes - general purposes/tax increment

Sales taxes

Franchise taxes

Hotel occupancy tax

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position (deficit)-beginning

Net position (deficit)-ending

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Position					
			Component Units		
Governmental Activities	Business-type Activities	Total	Donna Economic Development Corporation	Development Corporation of Donna, Inc.	Tax Increment Reinvestment Zone Number Tw
$ (2,105,672)	$ -	$ (2,105,672)			
(2,628,004)	-	(2,628,004)			
(1,179,315)	-	(1,179,315)			
(795,384)	-	(795,384)			
(223,148)	-	(223,148)			
(632,000)	-	(632,000)			
(207,043)	-	(207,043)			
(933,249)	-	(933,249)			
(8,703,814)	-	(8,703,814)			
-	(496,159)	(496,159)			
-	(1,068,875)	(1,068,875)			
-	(1,565,035)	(1,565,035)			
$ (8,703,814)	$ (1,565,035)	$ (10,268,849)			
			$ (625,438)	$ (497,611)	$ (10,000)
			$ (625,438)	$ (497,611)	$ (10,000)
5,338,779	-	5,338,779	-	-	38,594
1,415,593	-	1,415,593	709,547	707,797	-
908,670	-	908,670	-	-	-
139,300	-	139,300	-	-	-
12,338	53,920	66,258	283,468	2,241	-
192,322	-	192,322	-	50	-
2,377,478	(2,097,478)	280,000	(140,000)	(140,000)	-
10,384,480	(2,043,558)	8,340,923	853,015	570,088	38,594
1,680,666	(3,608,592)	(1,927,926)	227,577	72,476	28,594
31,206,809	30,935,438	62,142,247	(2,809,659)	(2,527,471)	(2,257,916)
$ 32,887,476	$ 27,326,846	$ 60,214,322	$ (2,582,082)	$ (2,454,994)	$ (2,229,322)

See accompanying notes to the financial statements.

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FUND FINANCIAL STATEMENTS

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	General	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,128,198	$ 1,891,266	$ 2,346,560	$ 742,566	$ 6,108,590
Receivables, net					
Property taxes	1,009,864	529,244	-	-	1,539,108
Accounts	483,921	-	-	148,504	632,425
Intergovernmental	6,845	-	-	-	6,845
Inventories	4,285	-	-	-	4,285
Due from other funds	1,196,453	570,000	10,351	9,216	1,786,019
Long-term investments	248,035	248,027	496,037	-	992,099
Total assets	$ 4,077,598	$ 3,238,538	$ 2,852,948	$ 900,286	$ 11,069,370
Liabilities, Deferred Inflows of Resources and Fund Balances					
Current Liabilities					
Accounts payable	$ 138,125	$ -	$ 545,092	$ 41,140	$ 724,357
Accrued liabilities	168,050	-	-	405,000	573,050
Due to other funds	12,040	-	253,355	-	265,395
Due to component units	71,762	-	-	-	71,762
Due to other governments	18,722	-	-	-	18,722
Unearned revenues	10,326	-	-	-	10,326
Deposits	122,523	-	-	-	122,523
Total liabilities	541,548	-	798,447	446,140	1,786,135
Deferred Inflows of Resources					
Total Deferred Inflows of Resources - property taxes	941,597	503,773	-	-	1,445,370
Fund Balances					
Nonspendable - inventory	4,285	-	-	-	4,285
Restricted for					
Tourism	-	-	-	399,839	399,839
Law enforcement	-	-	-	17,444	17,444
Fire equipment debt service	-	-	-	176,507	176,507
Park improvements	-	-	-	1,508	1,508
Debt service	-	2,734,765	-	-	2,734,765
Capital projects	-	-	2,054,501	9,895	2,064,396
Unassigned	2,590,168	-	-	(151,047)	2,439,121
Total Fund Balances	2,594,453	2,734,765	2,054,501	454,146	7,837,864
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,077,598	$ 3,238,538	$ 2,852,948	$ 900,286	$ 11,069,370

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2016
Exhibit 2-B

Total fund balances- governmental funds balance sheet	$	7,837,864
Amounts reported for governmental activities in the statement of net position ("SNP") are different because		
Deferred charges on refunding (net) are not reported in the funds.		15,357
Capital assets used in governmental activities are not reported in the funds.		31,554,475
Deferred outflows related to the pension liability are not reported in the funds.		828,451
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		1,445,370
Payables for bond, which are not due in the current period are not reported in the funds.		(5,558,652)
Bond Discount and Premium		(357,379)
Payables for tax notes, which are not due in the current period are not reported in the funds.		(363,600)
Payables for debt interest, which are not due in the current period are not reported in the funds.		(28,155)
Payables for contractual obligations, which are not due in the current period are not reported in the funds.		(675,883)
Payables for pension liability, which are not due in the current period are not reported in the funds.		(1,589,617)
Payables for compensated absences, which are not due in the current period are not reported in the funds.		(220,755)
Net position of governmental activities- statement of net position	$	32,887,476

See accompanying notes to the financial statements.

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 6,472,993	$ 1,185,010	$ -	$ 196,094	$ 7,854,097
Licenses and permits	123,668	-	-	-	123,668
Charges for services	1,646,066	-	-	70,959	1,717,025
Fines and forfeitures	190,470	-	-	6,750	197,220
Intergovernmental	199,890	-	-	263,093	462,983
Interest	4,997	4,699	-	2,642	12,338
Other	107,920	-	7,805	54,993	170,719
Total Revenues	8,746,005	1,189,709	7,805	594,532	10,538,050
Expenditures					
Current					
General government	2,030,020	-	-	63,829	2,093,850
Public safety	3,028,591	-	-	-	3,028,591
Public works	2,033,080	-	-	-	2,033,080
Culture and recreation	808,693	-	-	-	808,693
Health and welfare	279,247	-	-	-	279,247
Tourism development	-	-	-	532,522	532,522
Capital outlay	-	-	1,718,183	600,000	2,318,183
Debt Service					
Principal retirements	158,872	393,744	-	-	552,616
Interest and other charges	26,307	1,134,554	-	-	1,160,861
Total Expenditures	8,364,812	1,528,298	1,718,183	1,196,351	12,807,643
Excess (Deficiency) of Revenues Over Expenditures	381,193	(338,589)	(1,710,378)	(601,819)	(2,269,593)
Other Financing Sources (Uses)					
Transfers in	-	1,689,579	1,607,353	-	3,296,932
Transfers out	(593,698)	-	-	(325,756)	(919,454)
Total Other Financing Sources (Uses)	(593,698)	1,689,579	1,607,353	(325,756)	2,377,478
Net Change in Fund Balances	(212,505)	1,350,989	(103,025)	(927,575)	107,885
Fund Balances at Beginning of Year	2,806,958	1,383,775	2,157,526	1,381,721	7,729,980
Fund Balances at End of Year	$ 2,594,453	$ 2,734,765	$ 2,054,501	$ 454,146	$ 7,837,865

See accompanying notes to the financial statements.

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, 2016

Exhibit 2-D

Net change in fund balances- total governmental funds	$	107,885
Amounts reported for governmental activities in the statement of activities ("SOA") are different because		
Capital outlays are not reported as expenses in the SOA.		2,051,211
Capital asset deletions are not reported in the funds.		(521,000)
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.		(51,756)
Repayment of principal on long-term debt is an expenditure in the funds, but is not an expense in the SOA.		573,638
Amortization of refunding loss in the SOA not in the funds.		(30,714)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.		22,571
Amortization of bond premium discount in SOA, not in the funds.		21,022
Pension and amortization expense is reported in the SOA; contributions are reported in the fund.		(503,705)
Compensated absences are reported as the amount is incurred in the SOA, but as paid in the funds; this is the change in these amounts for the year.		11,514
Change in net position of governmental activities-statement of activities	$	1,680,666

See accompanying notes to the financial statements.

	Business-type Activities		
	Water and Sewer Fund	City International Bridge Fund	Total Proprietary Funds
Assets			
Current Assets			
Cash and cash equivalents	$ 2,390,162	$ 201,799	$ 2,591,961
Restricted assets			
Cash and cash equivalents	7,903,798	1,617,738	9,521,536
Intergovernmental receivables	452,720	-	452,720
Receivables, net			
Accounts	756,132	137	756,269
Due from other funds	170,817	799,448	970,265
Prepaid Items	2,000	-	2,000
Total Current Assets	11,675,629	2,619,122	14,294,751
Noncurrent assets			
Advances to other funds	241,692	-	241,692
Long-term investments	1,249,094	-	1,249,094
Other assets	69,098	-	69,098
Capital assets	60,232,045	26,123,477	86,355,522
Less accumulated depreciation	(20,005,148)	(4,684,039)	(24,689,186)
Net Capital Assets	40,226,897	21,439,439	61,666,336
Total Noncurrent Assets	41,786,780	21,439,439	63,226,219
Total Assets	53,462,410	24,058,561	77,520,970
Deferred Outflows of Resources			
Deferred charges on refunding (net)	52,914	3,878,334	3,931,249
Deferred outflows related to pensions	110,418	74,069	184,487
Total Deferred Outflows of Resources	163,333	3,952,403	4,115,736

See accompanying notes to the financial statements.

	Business-Type Activities		
	Water and Sewer Fund	City International Bridge Fund	Total Proprietary Funds
Liabilities			
Current liabilities			
Accounts payable	$ 52,294	$ 4,421	$ 56,715
Accrued liabilities	13,495	5,899	19,394
Accrued interest payable	80,964	227,974	308,938
Compensated absences payable	2,004	5,166	7,169
Due to other funds	1,406,234	1,078,157	2,484,391
Current portion of bonds	445,832	439,168	885,000
Current portion of tax notes	124,800	-	124,800
Current portion of claims payable	240,000	-	240,000
Deposits	512,999	-	512,999
Total Current Liabilities	2,878,623	1,760,783	4,639,406
Noncurrent liabilities			
Bonds net of unamortized discount	12,621,894	32,591,419	45,213,313
Tax notes payable, net of current portion	521,600	-	521,600
Claims payable, net of current portion	1,012,882	2,316,000	3,328,882
Compensated absences, net of current portion	3,006	7,748	10,754
Pension plan liability	213,715	140,497	354,212
Advances from other funds	-	241,692	241,692
Total Noncurrent Liabilities	14,373,097	35,297,357	49,670,454
Total Liabilities	17,251,720	37,058,140	54,309,860
Net Position (Deficit)			
Net investment in capital assets	32,245,841	2,345,308	34,591,149
Restricted for capital projects	485,580	-	485,580
Restricted for operations and maintenance	868,991	288,144	1,157,135
Restricted for repairs and replacements	-	300,032	300,032
Restricted for debt service	6,702,596	1,029,562	7,732,158
Unrestricted (deficit)	(3,928,986)	(13,010,223)	(16,939,208)
Total Net Position (Deficit)	$ 36,374,022	$ (9,047,177)	$ 27,326,846

	Business-type Activities		
	Water and Sewer Fund	City International Bridge Fund	Total Proprietary Funds
Operating Revenues			
Charges for services	$ 5,054,315	$ 1,953,468	$ 7,007,782
Rent revenue	-	27,000	27,000
Total Operating Revenues	5,054,315	1,980,468	7,034,782
Operating Expenses			
Salaries, wages and employee benefits	1,070,095	502,693	1,572,789
Supplies and materials	651,554	14,669	666,222
Property occupancy	446,340	20,468	466,809
Equipment maintenance	127,340	19,060	146,399
Other services	1,310,218	629,389	1,939,608
Depreciation and amortization	1,579,956	816,976	2,396,933
Total Operating Expenses	5,185,504	2,003,255	7,188,759
Operating Income (Loss)	(131,189)	(22,788)	(153,977)
Non-Operating Revenues (Expenses)			
Interest income	51,975	1,945	53,920
Interest expense	(397,004)	7,017	(389,987)
Bond issuance costs	(111,697)	-	-
Consultant fees and services	-	(1,606,000)	(1,606,000)
Amortization of refunding loss	(70,203)	13,145	(57,058)
Total Non-Operating Revenues (Expenses)	(526,929)	(1,583,893)	(2,110,822)
Income (Loss) Before Contributions and Transfers	(658,118)	(1,606,680)	(2,264,799)
Capital Contributions	213,934	539,750	753,684
Transfers Out	(1,000,000)	(1,097,478)	(2,097,478)
Total Contributions and Transfers	(786,066)	(557,728)	(1,343,794)
Change in Net Position	(1,444,184)	(2,164,408)	(3,608,592)
Net Position Beginning of Year	37,818,206	(6,882,768)	30,935,438
Net Position at End of Year	$ 36,374,022	$ (9,047,177)	$ 27,326,846

See accompanying notes to the financial statements.

Statement of Cash Flows
for the Year Ended September 30, 2016

	Business-type Activities		
	Water and Sewer Fund	City International Bridge Fund	Total Proprietary Funds
Cash Flows From Operating Activities			
Cash received from customers	$ 5,198,901	$ 1,980,499	$ 7,179,400
Cash paid to employees	(966,173)	(462,447)	(1,428,620)
Cash paid to suppliers	(2,637,501)	(696,023)	(3,333,524)
Cash received for deposits	85,951	-	85,951
Net cash provided by operating activities	1,681,178	822,029	2,503,207
Cash Flows From Non-Capital Financing Activities			
Interfund loan or loan payments received (paid)	558,228	625,370	1,183,598
Transfers from (to) other funds	(1,000,000)	(1,097,478)	(2,097,478)
Net cash provided (used) by non-capital financing activities	(441,772)	(472,108)	(913,880)
Cash Flows From Capital and Related Financing Activities			
Proceeds from issuance of long-term debt less issuance costs	5,401,036	29,215,516	34,616,552
Acquisition and construction of capital assets	(1,270,147)	(171,308)	(1,441,455)
Principal paid on long-term debt	(472,619)	(29,659,656)	(30,132,275)
Interest paid on long-term debt	(374,634)	(925,283)	(1,299,917)
Net cash provided (used by) capital and related financing activities	3,283,636	(1,540,731)	1,742,905
Cash Flows from Investing Activities			
Interest from investments	51,975	1,945	53,920
Net cash provided for investing activities	51,975	1,945	53,920
Net increase (decrease) in cash and cash equivalents	4,575,017	(1,188,865)	3,386,152
Cash and Cash Equivalents - beginning	5,718,943	3,008,402	8,727,345
Cash and Cash Equivalents - ending	$ 10,293,960	$ 1,819,537	$ 12,113,497

See accompanying notes to the financial statements.

Combining Statement of Cash Flows
for the Year Ended September 30, 2016

Exhibit 3-C

	Business-type Activities		
	Water and Sewer Fund	City International Bridge Fund	Total Proprietary Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	$ (131,189)	$ 28,080	$ (103,109)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	1,579,956	766,108	2,346,064
Change in assets and liabilities:			
Decrease (increase) in receivables	(49,348)	(31)	(49,379)
Decrease (increase) in due from other funds	298,163	47,938	346,101
Decrease (increase) in long-term investments	(4,569)	-	(4,569)
Decrease (increase) prepaids	(2,000)	-	(2,000)
Increase (decrease) in accounts payable	(100,049)	(15,463)	(115,512)
Increase (decrease) in accrued liabilities	4,264	(4,603)	(339)
Increase (decrease) in deposits	85,950	-	85,950
Total Adjustments	1,812,367	793,949	2,606,316
Net cash provided (used) by operating activities	$ 1,681,178	$ 822,029	$ 2,503,207
Noncash capital and related financing activities			
Capital contributions	$ -	$ 539,750	$ 539,750

See accompanying notes to the financial statements.

City of Donna, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016
Exhibit 4-A

		Fireman's Pension Fund
Assets		
Restricted assets		
Cash and cash equivalents	$	766
Total Assets		766
Liabilities		-
Net Position		
Held in trust for pension benefits		766
Total Net Position	$	766

See accompanying notes to the financial statements.

City of Donna, Texas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
for the Year Ended September 30, 2016
EXHIBIT 4-B

		Fireman's Pension Fund
Additions		
Contributions		
City	$	2,200
Total Additions		2,200
Deductions		
Benefits		2,250
Total Deductions		2,250
Change in Net Position		(50)
Net Position- Beginning of the Year		816
Net Position - End of the Year	$	766

See accompanying notes to the financial statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Donna, Texas (the City), 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.

Reporting Entity

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

The accompanying financial statements include financial statements for related organizations in accordance with generally accepted accounting principles. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete (discretely presented). Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship). The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Governmental discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize their legal separateness from the City.

Discretely Presented Component Units

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

These two corporations 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Tax Increment Reinvestment Zone Number Two (TIRZ #2)

This reinvestment zone was created pursuant to Chapter 311 of the Texas Tax Code by and between the City of Donna, Hidalgo County, TIRZ #2 (the Zone), and Rhodes Enterprises, Inc. (the developer and petitioner for creation of the TIRZ #2) to provide property tax increment funding to the Zone to support qualifying development activities (public improvements) within the Zone to the extent that property tax increment collections are available. The Zone is managed by the Zone Board and has all powers allowed under Chapter 311 of the Texas Tax Code to manage the Zone and carry out the project and finance plan. However, the costs incurred by the developer are not, and shall never become obligations or the debt of any participating entity.

An 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 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.

The priority of payment within the Zones is (1) the payment of debt service on any Bonds issued pursuant to 311.015 of the Texas tax code; (2) to reimburse eligible initial startup administrative costs of each participating taxing entity; and (3) to reimburse the developer for public improvements, including financing costs, as provided in the Project Plan.

The City has financial accountability because the voting majority of the board members are nominated by the City Council, a financial benefit/burden relationship exists, and the City maintains the ability to impose its will.

These three discretely presented component units do not issue separate financial statements.
Each has a year end of September 30.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit

Tax Increment Reinvestment Zone Number One (TIRZ #1)

This reinvestment zone was created pursuant to Chapter 311 of the Texas Tax Code by and between the City of Donna, Hidalgo County, TIRZ #1 (the Zone), and Garden Valley Homes, LLC (the developer and petitioner for creation of the TIRZ #1) to provide property tax increment funding to the Zone to support qualifying development activities (public improvements) within the Zone to the extent that property tax increment collections are available. The Zone is managed by the Zone Board and has all powers allowed under Chapter 311 of the Texas Tax Code to manage the Zone and carry out the project and finance plan. However, the costs incurred by the developer are not, and shall never become obligations or the debt of any participating entity.

An 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 #1 and that the County shall pay 50% of all of their respective M&O property tax increment collections to TIRZ #1, except that 50% of the M&O 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. This entity is presented as a blended component unit, a nonmajor special revenue fund. The City currently has operational responsibilities for this component unit. The entity has a September 30 year end and does not issue separate financial statements.

New Pronouncements

Governmental Accounting Standards Board has issued the following pronouncements which are relevant to the City, became effective this fiscal year and have been implemented:

GASB No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This information provides guidance for determining a fair value measurement and guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this statement requires additional footnote disclosure only.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement was issued to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified with a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement has no impact on the City's financial statements.

GASB No. 79, *Certain External Investment Pools and Pool Participants*. This statement was issued to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all the applicable criteria established in this Statement. The Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The implementation of this statement requires additional footnote disclosure only.

Government-wide and Fund Financial Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resource 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.

The following are reported as major governmental funds:

General Fund – This 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.

Debt Service Fund – This 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.

Capital Projects Fund – This 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).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are reported as other nonmajor governmental fund types:

Special Revenue Funds – These 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 following are reported as major proprietary funds:

Water and Sewer Fund – This fund accounts for the water and sewer services provided to customers. All the capital assets net of related liabilities, along with revenues and expenses of providing these services are accounted for within this fund.

City international Bridge Fund – This fund accounts for the international toll bridge. All the capital assets net of related liabilities, along with revenues and expenses of providing these services are accounted for within this fund.

The following are reported as fiduciary fund types:

Fireman's Pension Fund – This fund accounts 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.

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 non-operating 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 non-operating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Both the government-wide and proprietary fund financial statements apply all applicable GASB pronouncements.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

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.

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. Investment in external pools are reported at amortized cost for financial reporting purposes

The Donna Economic Development Corporation, the Development Corporation of Donna, Inc., and the Tax Increment Zone #1 and #2 funds are authorized to invest in adequately secured investments in accordance with the Public Funds Investment Act.

Investments for the component units are reported at amortized cost if there is an external investment pool, otherwise it is reported as cash and cash equivalents for financial reporting purposes.

Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectible, as applicable.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in the City in conformity with Subtitle E, Texas Property Code. Assessed values are an approximation of market values. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

No discounts are offered. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

Inventories and Prepaid Items

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets, net of accumulated depreciation, are required to be reported in the governmental activities column of the government-wide Statement of Net Position. 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 Position, there is no accumulated depreciation reported because the City did not depreciate these general government capital assets.

The Donna Economic Development Corporation and Development Corporation of Donna, Inc. component unit have depreciable capital assets. Depreciation expense is required in the government-wide Statement of Activities. Capital assets are reported for these component units in the government-wide Statement of Net Position.

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

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

Compensated Absences

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

Vacation that is expected to be liquidated with expendable available financial resources is reported as 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts. 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.

Fund Balance Reporting

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

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

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

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

Restricted - Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed - Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the City Council. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.

Assigned — Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Council. The City does not have any assigned fund balances. Unlike commitments, assignments generally only exist temporarily. An additional action does not have to be taken for the removal of an assignment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned — Fund balance is not constrained for any particular purpose.

Fund Balance Flow Assumptions

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

Deferred Outflows of Resources and Deferred Inflows of Resources/Other Assets and Liabilities

Certain defined transactions that do not qualify for treatment as either assets or liabilities are required to be accounted for and reported as either deferred outflows of resources (a separate subheading following assets, but before liabilities) or deferred inflows of resources (a separate subheading following liabilities, but before equity).

Deferred Outflows of Resources — A consumption of net assets by the government that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expenditure/expenses) until then. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources — An acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

In the government-wide financial statements, insurance costs arising from the issuance of debt are expensed. Deferred amounts from a refunding of debt (debits) are reported as deferred outflows of resources and deferred amounts from refunding debt (credits) are reported as deferred inflows of resources and amortized over the lesser life of the refunded bonds or refunding debt.

Grant amounts received in advance of meeting timing requirements and advances of revenue from imposed non-exchange transactions such as property taxes or transactions recorded as a receivable prior to the period when resources are required to be used or are available, are reported as deferred inflows of resources at the fund level and are recognized as revenues at the government-wide level.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

See below, Pensions regarding pension-related deferred outflows and deferred inflows of resources.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the pension plan measured as of the actuarial measurement date. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows or resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.

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

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, the debt service fund and certain special revenue and enterprise funds. The special revenue funds for which a budget is adopted are the Hotel Occupancy Tax Fund, the Texas Confiscated Forfeitures and the Fire Equipment Service Fee Fund. A budget is adopted for the City International Bridge Fund, an enterprise fund, for internal use and continuing compliance purposes. A budget is maintained for internal use only for the Water and Sewer fund, an enterprise fund.

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.

During the year ended September 30, 2016, expenditures exceeded appropriations as follows in the General Fund.

Department	General Fund Excess of Expenditures Over Appropriation
Finance/Accounting	$ 192
Fire	5,552
Sanitation Services	7,184
Street and Roadway Lighting	8
	$ 12,936

Net Position Deficits

The Water and Sewer Fund and the City International Bridge Fund, both reflect in the proprietary fund an unrestricted net position deficit of $3,928,986 and $13,010,223, respectively.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (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 position deficit of $2,582,082 and $2,454,994, 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 position deficits from the leveraging of economic stimulus that these entities are able to provide with an amount of debt that is able to be serviced from cash flows available from the sales taxes they receive. Both component units assisted in the Donna-Rio Bravo international bridge project, which was a large economic development project for the City of Donna.

The Tax Increment Reinvestment Zone Number 2 component unit reflects a net position deficit of $2,239,322. This component unit provides tax increment financing to support development activities in the TIRZ as discussed at the reporting entity. This is a planned net position deficit, which has resulted from recording the liability to developers for improvements in the TIRZ area. This deficit will remain until the tax increment payments from the City and Hidalgo County are collected and remitted to the TIRZ. No funds shall be disbursed from the Tax Increment funds without the prior written approval of the TIRZ Board.

NOTE 3 – DEPOSITS AND INVESTMENTS

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 Federal Deposit Insurance Corporation insurance. The City's deposits were fully insured and collateralized as required by State statutes at September 30, 2016.

At September 30, 2016, the carrying amount of the City's deposits with financial institutions was $4,714,714 and the bank balance was $5,065,901. Bank balances of the City were covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's Investment Policy and its Depository Agreement.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

At September 30, 2016, the City had the following investments:

		Fair Value	Weighted Average Maturity	Credit Rating
September 30, 2016				
Local Government Investments Cooperative (LOGIC)	$	11,443,279	45 days	AAAm
Invesco Treasury Portfolio Trust		2,057,847	< 90 days	AAAm
Cash and Cash Equivalents on the Statement of Net Position	$	13,501,126		
First Empire Securities, Inc. Negotiable CD's		2,241,193	2-4 years	N/A
Long-term Investments on the Statement of Net Position	$	2,241,193		

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, 2016 and during the year ended September 30, 2016 were covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's Investment Policy and its Depository Agreement.

The LOGIC and Invesco Treasury Portfolio Trust Investments are considered investments on the government-wide statement of net position 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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

As of the September 30, 2016, the City's external investment pool, LOGIC, meet the criteria described in GASB Statement No. 79 and measures all of their investments at amortized costs; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes.

The LOGIC 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 position value is not guaranteed or insured by the Fund, its Board, the Co-Administrators, their agents, or any other governmental or other entity.

Invesco Treasury Portfolio Trust is a no-load money market mutual fund. Invesco is an investment company regulated by the SEC. Invesco has a dollar-weighted average stated maturity of 90 days or less, and includes in its investments objectives the maintenance of a stable net position 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 position 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 Invesco shares.

The LOGIC and Invesco Treasury Portfolio Trust 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.

The First Empire Securities Investments are held in the City's name in negotiable certificates of deposit of various financial institutions and are valued at market. These investments have varying maturities ranging from two to four years.

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, 2016, the Local Government Investment Cooperative (LOGIC) reported the following concentrations of investments in its portfolio:

Commercial paper	90.82%
Repurchase Agreements	7.82%
Government Securities	1.36%

The Invesco Treasury Portfolio Trust has concentrations in U.S. Treasury securities and repurchase agreements.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2016, the City's long-term investments through First Empire Securities included the following:

First Empire Securities	Maturities	Fair Value	Percentage of Portfolio
September 30, 2016			
American Express Federal Savings	10/23/2017	$ 250,036	11%
Barclay's	5/30/2018	249,702	11%
BMO Harris Bank Nat'l Association	11/10/2016	248,035	11%
Cadence Bank NA	11/4/2016	248,027	11%
Capital One Bank USA	7/29/2019	248,050	11%
Goldman Sachs Bank	11/5/2018	252,241	11%
Mizuho Bank USA	11/10/2016	248,002	11%
Santander Bank NA	11/10/2016	248,035	11%
Wells Fargo	10/17/2018	249,065	11%
Total Negotiable CDs		$ 2,241,193	100%

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

Interest Rate Risk

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

- Minimize interest rate risk by structuring investments to meet cash requirements.

- Investing operating funds primarily in certificates of deposit, short-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

- Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

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

The City's long-term investments in First Empire Securities consisting of negotiable certificates of deposit have varying maturities ranging from two to four years.

Component Units

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

Deposits for DEDC-4A and DCD-4B are held separately from those of the City's funds. At September 30, 2016, the reported amount of deposits for DEDC-4A totaled $402,680, and the bank balances totaled $484,077. The reported deposits for DCD-4B totaled $325,350 and the bank balances totaled $325,350.

At September 30, 2016, DEDC-4A and DCD-4B deposits were each covered by federal deposit insurance or were secured by collateral held by the component unit's agent in the component unit's name.

Investments

The DEDC-4A's investments at September 30, 2016, are as follows:

Invesco Treasury Portfolio		Fair Value	Weighted Average Maturity	Credit Rating
Trust	$	383,491	< 90 days	AAAm

The DCB-4B's investments at September 30, 2016, are as follows:

Invesco Treasury Portfolio		Fair Value	Weighted Average Maturity	Credit Rating
Trust	$	373,499	< 90 days	AAAm

Invesco Treasury Portfolio Trust is a no-load money market mutual fund.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Invesco is an investment company regulated by the SEC. Invesco has a dollar-weighted average stated maturity of 90 days or less, and includes in its investment objectives the maintenance of a stable net position 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 position 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 Invesco 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, DCD-4B and the TIRZ#1 and #2 follow the same policies relating to investments.

Reconciliation

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

		Component Units		
	Primary Government	Donna Economic Development Corporation	Development Corporation of Donna	Tax Increment Zone Number Two
Cash on hand	$ 7,013	$ -	$ -	$ -
Carrying amount deposits	4,714,714	402,683	325,353	47,814
Short-term investments	13,501,126	383,487	373,496	-
Less: Statement of Fiduciary Net Assets	(766)	-	-	-
Cash and cash equivalents	$ 18,222,087	$ 786,170	$ 698,849	$ 47,814
Cash and cash equivalents	$ 8,700,551	$ 402,680	$ 325,350	$ 47,814
Cash and cash equivalents - restricted	9,521,536	383,490	373,499	-
Cash/cash equivalents Statement of Net Position	$ 18,222,087	$ 786,170	$ 698,849	$ 47,814

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.

NOTE 4 – 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, 2015, upon which the 2015 levy was based, was $499,942,898.

NOTE 4 – PROPERTY TAXES (Continued)

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, 92% of the current year tax levy (October 1, 2015) 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, 2016, was $.792302 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, 2016, was $.191536 per $100 of assessed valuation. The combined tax rate for the City is $.983838 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 inflows of resources in the year of levy. Such deferred inflows are recognized as revenue in the fiscal year in which they become available.

NOTE 5 – RECEIVABLES

Primary Government

The balance of delinquent property taxes receivable and property tax are as follows:

Governmental Activities as of September 30, 2016:

Primary Governmental Funds	General Fund	Debt Service Fund	Total Governmental Funds
Property taxes receivable	$ 1,298,353	$ 692,483	$ 1,990,836
Less: Allowance for uncollectibles	(288,489)	(163,239)	(451,728)
Net property taxes receivable	$ 1,009,864	$ 529,244	$ 1,539,108

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:

Primary Governmental Funds	General Fund	Debt Service Fund	Other Nonmajor Governmental Fund	Water and Sewer Fund	City International Bridge Fund	Total
Receivables:						
Property taxes	$ 1,298,353	$ 692,483	$ -	$ -	$ -	$ 1,990,836
Accounts	596,121	-	157,934	1,310,314	137	2,064,506
Intergovernmental - grant	-	-	-	452,720	-	452,720
Gross receivables	1,894,474	692,483	157,934	1,763,034	137	4,508,062
Less: Allowance for uncollectible	(400,689)	(163,239)	(9,430)	(554,182)	-	(1,127,540)
Net total receivables	$ 1,493,785	$ 529,244	$ 148,504	$ 1,208,852	$ 137	$ 3,380,522

Revenues of the Water and Sewer Fund reported a change in the provision for estimated uncollectible amounts of $86,631, for the current year.

Component Units

Accounts Receivable

At September 30, 2016, DEDC-4A had $10,000 in general accounts receivable and $126,142 in sales tax receivable. DCD-4B had a sales tax receivable of $126,142.

NOTE 5 – RECEIVABLES (Continued)

Loans Receivable

At September 30, 2016 the Development Corporation of Donna (DCD-4B) had U.S. Department of Agriculture, Rural Business Enterprise Grant program loans receivable in the amount of $51,047. These loans were funded $114,200 by the grant and the City provided matching funds of $57,442.

NOTE 6 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the government-wide financial statements, deferred outflows include deferred amounts on refunding of the bonds.

As of September 30, 2016 the various components of deferred outflows and inflows of resources are as follows:

Primary Government

At the fund level financial statements, the City has the following deferred inflows of resources:

Primary Governmental Funds	General Fund	Debt Service Fund	Total
Property Taxes, unavailable	$ 941,597	$ 503,773	$ 1,445,370
Totals Exhibit 2-A	$ 941,597	$ 503,773	$ 1,445,370

At the government-wide financial statements (Exhibit 1-A), the City reports cumulative deferred amounts on bond refundings as Deferred Outflows of Resources in the amount of $138,211, net of cumulative amortization of $122,854, or $15,357 for governmental activities and $4,256,974, net of cumulative amortization of $325,725, or $3,931,249 of unamortized deferred amounts on bond refundings in business-type activities.

Deferred outflows of resources related to pensions is $828,451 for governmental activities reported at the government-wide financial statements and $184,487 for business-type activities.

Component Units

The deferred outflows at the government-wide financial statements for the DEDC and the DCD discretely presented component units are related to pensions.

NOTE 7 – INTERFUND PAYABLES/RECEIVABLES, ADVANCES AND TRANSFERS

Interfund receivable and payable balances at September 30, 2016 were as follows:

	Payable Fund					
Receivable Fund	General Fund	Nonmajor Governmental Fund	Water and Sewer Fund	City International Bridge Fund	Component Unit - DEDC (4A)	Total
Governmental Funds						
General Fund	$ -	$ 81,538	$ 606,758	$ 508,157	$ -	$ 1,196,453
Debt Service Fund	-	-	-	570,000	-	570,000
Capital Projects Fund	2,853	1,000	-	-	6,498	10,351
Nonmajor Governmental Fund	9,187	-	28	-	-	9,215
Proprietary Funds						
Water and Sewer Fund	-	170,817	-	-	-	170,817
City International Bridge Fund	-	-	799,448	-	-	799,448
	$ 12,040	$ 253,355	$ 1,406,234	$ 1,078,157	$ 6,498	$ 2,756,284

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.

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

Advances receivable and payable balances at September 30, 2016 were as follows:

	Payable Fund	
Receivable Fund	City International Bridge Fund	Total
Proprietary Fund		
Water & Sewer	$ 241,692	$ 241,692
	$ 241,692	$ 241,692

Advances are interfund loans which are not scheduled to be repaid within one year.

NOTE 7 – INTERFUND PAYABLES/RECEIVABLES, ADVANCES AND TRANSFERS (Continued)

Due to/from the primary government and component units at September 30, 2016 were as follows:

	Payable Fund	
Receivable Fund	**General Fund**	**Total**
Component Unit - DEDC (4A)	$ 408	$ 408
Component Unit - DCD (4B)	55,888	55,888
Reinvestment Zone #2	15,466	15,466
	$ 71,762	$ 71,762

Interfund transfers during the year were as follows:

	Transfer In:		
Transfer Out	**Debt Service Fund**	**Capital Projects Fund**	**Total**
General Fund	$ -	$ 593,698	$ 593,698
Water and Sewer Fund	-	1,000,000	1,000,000
City International Bridge Fund	1,083,823	13,655	1,097,478
Component Unit - DECC (4A)	140,000	-	140,000
Component Unit - DCD (4B)	140,000	-	140,000
Nonmajor Governmental	325,756	-	325,756
	$ 1,689,579	$ 1,607,353	$ 2,703,235

Transfers were used primarily to 1) move funds from the General Fund and the Water and Sewer Fund to the Capital Projects to account for various projects 2) transfer funds from the City International Bridge Fund to the Debt Service Fund to pay for interest payments 3) move sales tax proceeds from Component Units to pay for the City International Bridge's Debt, per Resolution No. 2015-19, and 4) to move funds from the Urban County Program Fund to pay debt service payments.

NOTE 8 – CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended September 30, 2016 was as follows:

Governmental Activities:	Balance at October 1, 2015	Increases	Decreases	Balance at September 30, 2016
Capital assets, not subject to depreciation:				
Land	$ 1,027,449	$ -	$ -	$ 1,027,449
Construction in Progress	1,248,762	1,491,409	521,000	$ 2,219,171
Total capital assets, not to be depreciated	2,276,211	1,491,409	521,000	3,246,620
Capital assets, depreciable:				
Buildings	2,819,611	47,450	-	2,867,061
Improvements other than buildings	10,050,451	417,664	-	10,468,115
Infrastructure	6,371,430		-	6,371,430
Furniture and equipment	8,464,516	136,732	-	8,601,248
Total capital assets, depreciable	27,706,009	601,846	-	28,307,855
Governmental Activities Capital Assets	$ 29,982,220	$ 2,093,255	$ 521,000	$ 31,554,475

NOTE 8 – CAPITAL ASSETS (Continued)

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

Business-type Activities:	Balance at October 1, 2015	Increases	Decreases	Balance at September 30, 2016
Capital assets, not subject to depreciation:				
Land	$ 1,237,616	$ 283,140	$ -	$ 1,520,756
Contruction in progress	870,284	320,914	(762,363)	428,835
Total assets, not to be depreciated	2,107,900	604,054	(762,363)	1,949,591
Capital assets, being depreciated:				
Buildings	13,641,055	32,009	-	13,673,064
Improvements other than buildings	576,647	-	-	576,647
Infrastructure	66,272,989	1,817,949	(47,158)	68,043,780
Furniture and equipment	1,837,278	275,162	-	2,112,440
Total assets, being depreciated	82,327,969	2,125,120	(47,158)	84,405,931
Less accumulated depreciation:				
Buildings	5,826,676	324,896	-	6,151,572
Improvements other than buildings	12,523,937	1,195,285	(47,158)	13,672,064
Infrastructure	3,299,362	690,436	-	3,989,798
Furniture and equipment	689,437	186,315	-	875,752
Total accumulated depreciation	22,339,412	2,396,932	(47,158)	24,689,186
Total capital assets, being depreciated, net	59,988,557	(271,812)	-	59,716,745
Business-Type Activities Capital Assets, Net	$ 62,096,457	$ 332,242	$ (762,363)	$ 61,666,336

No interest was capitalized in the Business-Type Activities in 2016.

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

Business-type Activities:	
Water and Sewer	$ 1,579,956
City International Bridge Fund	816,976
Total depreciation expense - Business-type Activities	$ 2,396,932

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.

NOTE 8 – CAPITAL ASSETS (Continued)

Component Units

Donna Economic Development Corporation - DECD 4A and Development Corporation of Donna, Inc-DCD 4B

A summary of changes in capital assets for the Component Units is as follows:

Component Units	Balance at October 1, 2015	Increases	Decreases	Balance at September 30, 2016
Capital assets, not subject to depreciation:				
Land	$ 248,216	$ 4,666,149	$ -	$ 4,914,365
Total capital assets, not being depreciated	248,216	4,666,149	-	4,914,365
Capital assets, being depreciated:				
Furniture and equipment	-	46,776	-	46,776
Total capital assets, being depreciated	-	46,776	-	46,776
Less accumulated depreciation for:				
Furniture and equipment	-	3,170	-	3,170
Total accumulated depreciation	-	3,170	-	3,170
Total capital assets, being depreciated, net	$ -	$ 43,606	$ -	$ 43,606

Depreciation expense for the component units for the year ended September 30, 2016 is as follows:

Component Units Activities:	
Component Unit - DEDC (4A)	$ 1,957
Component Unit - DCD (4B)	1,213
Total depreciation expense - Component Units Activities	$ 3,170

NOTE 9 – LONG TERM DEBT

Primary Government

Bond Obligations in Governmental Funds

The government issues bond obligations to provide funds for the acquisition and construction of major capital facilities and equipment. Bond obligations have been issued for governmental activities. Bond obligations are direct obligations and pledge the full faith and credit of the government. The original amount of outstanding general obligation bonds issued in prior years was $6,517,600.

NOTE 9 – LONG TERM DEBT (Continued)

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

Governmental bond obligations currently outstanding are as follows:

Governmental Activities

Series 2012 Limited Tax Refunding Bonds due in variable annual installments of $525,000 to $680,000 through February 1, 2025; interest at 2.84%, payable semi-annually. Approximately 26.40% is accounted for with governmental activities and 73.60% is accounted for with business-type activities. The original issuance amount of these bonds was $1,260,600 accounted for with governmental activities and $3,514,400 accounted for with business-type activities.	$ 1,260,600
Series 2014 Tax Notes due in variable annual installments of $190,000 to $210,000 through February 1, 2021; interest at 1.77%, payable semi-annually. Approximately 36% is accounted for with governmental activities and 64% is accounted for with business-type activities. The original issuance amount of these tax notes was $432,000 accounted for with governmental activities and $768,000 accounted for with business-type activities.	363,600
Series 2015 Certificates of Obligation due in variable annual installments of $145,000 to $310,000 through February 15, 2035; interest at 2.0% to 4.50%, payable semi-annually. The original issuance amount of these bonds was $4,065,000.	4,065,000
Series 2015 Public Property Finance Contractual Obligations due in variable installments through September 15, 2023; interest at 3.44%, payable semi – annually. The original issuance amount of these obligations was $760,000.	675,883
Total Bonds, Tax Notes, and Contractual Obligations	6,365,083
Less Current Portion of Bonds, Tax Notes and Contractual Obligations Payable	(302,161)
Plus Unamortized Premium/Discount on 2015 Certificates of Obligation (Amortized Over the Life of the Bond, 18 Years)	357,379
Bonds Payable, Tax Notes and Contractual Obligations Net of Current Portion	$ 6,420,301

NOTE 9 – LONG TERM DEBT (Continued)

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2017	$ 302,162	$ 226,349	$ 528,511
2018	466,138	216,956	683,094
2019	463,700	205,323	669,023
2020	485,890	193,023	678,913
2021	493,113	178,647	671,760
2022-2026	1,824,080	673,869	2,497,949
2027-2031	1,175,000	396,563	1,571,563
2032-2035	1,155,000	106,988	1,261,988
	$ 6,365,083	$ 2,197,718	$ 8,562,801

Business – type Activities

Long-term Debt Obligations in the Proprietary Funds

The City also issues bonds 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 issued in prior years was $43,267,400.

Bonds and Tax Notes outstanding at September 30, 2016 are as follows:

Series 2009 Combination Tax and Revenue Certificates of Obligation due in variable annual installments of $50,000 to $385,000 through February 1, 2034; interest at 3.76% to 4.86%, payable semi-annually. This debt is for the wastewater collection system. The original issue amount of these bonds was $5,500,000.	$ 4,455,000
Series 2012 Limited Tax Refunding Bonds due in variable annual installments of $525,000 to $680,000 through February 1, 2025; interest at 2.84%, payable semi-annually. Approximately 26.40% is accounted for with governmental activities and 73.60% is accounted for with business-type activities. The original issuance amount of these bonds was $1,260,600 accounted for with governmental activities and $3,514,400 accounted for with business-type activities.	3,514,400

NOTE 9 – LONG TERM DEBT (Continued)

Series 2014 Tax Notes due in variable annual installments of $190,000 to $210,000 through February 1, 2021; interest at 1.77%, payable semi-annually. Approximately 36% is accounted for with governmental activities and 64% is accounted for with business-type activities. The original issuance amount of these bonds was $432,000 accounted for with governmental activities and $768,000 accounted for with business-type activities.	646,400
Series 2016 Certificates of Obligation due in variable annual installments of $50,000 to $520,000 through February 15, 2036; interest at 2.00% to 4.00%, payable semi-annually. The original issuance amount of these bonds was $6,000,000. This debt is $5,000,000 for improvements to the water and sewer system, and $1,000,000 for improvements to the international toll bridge.	6,000,000
Series 2016 Combination Tax and International Toll Bridge Revenue Refunding Bonds due in variable annual installments of $385,000 to $2,005,000 through February 15, 2042; interest at 2.00% to 5.00%, payable semi-annually. The original issuance amount of these bonds was $27,485,000. This debt is for the international toll bridge and related infrastructure.	27,485,000
Total Bonds and Tax Notes Payable	42,100,800
Less Current Portion Payable from Restricted Assets	(1,009,800)
Plus Unamortized Premium/Discount on 2016 Certificates of Obligation and 2016 Combination Tax and Revenue Refunding Bonds (Amortized Over the Life of the Bonds)	4,643,913
Bonds and Tax Notes Payable, Net of Current Portion	$ 45,734,913

NOTE 9 – LONG TERM DEBT (Continued)

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

Year Ending	Business-type Activities		
September 30,	Principal	Interest	Total
2017	$ 1,009,800	$ 1,979,802	$ 2,989,602
2018	1,153,840	1,803,718	2,957,558
2019	1,204,400	1,766,042	2,970,442
2020	1,275,440	1,721,945	2,997,385
2021	1,341,560	1,673,255	3,014,815
2022-2026	7,355,760	7,530,497	14,886,257
2027-2031	8,490,000	5,879,669	14,369,669
2032-2036	9,605,000	3,731,117	13,336,117
2037-2041	8,660,000	1,626,750	10,286,750
2042	2,005,000	50,124	2,055,124
	$ 42,100,800	$ 27,762,919	$ 69,863,719

The City International Bridge Fund accounts and reports for all the bridge related activities including debt. In the year ending September 30, 2016, the amount of $1,083,823 (see note 7) was transferred to the Debt Service Fund to pay for debt service payments related to the City International Bridge.

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

Utility and Bridge Revenues Pledged

Water and Sewer Fund

The City currently has pledged future water and sewer fund revenues, net of specified operating expenses, to repay approximately $13.6M in combination tax and revenue bonds issued in varying years as described above. Proceeds from the bonds provided financing for projects as detailed above. The bonds are payable through 2034. Annual principal and interest payments on the bonds are expected to require approximately 42 percent of net revenues. Principal and interest paid for the current year and total water and sewer fund net revenues were $610,403 and $1,448,767, respectively.

NOTE 9 – LONG TERM DEBT (Continued)

City International Bridge Fund

The City is currently servicing the debt requirements of the City International Bridge Fund's bonded debt with a levy of taxes, assistance from other funds of the City, and bridge operations. Budgets approved for 2016-2017 continue that debt servicing arrangement.

Current Year Long-Term Debt Refunding

On July 14, 2016, the City issued $27,485,000 in Limited Tax Refunding Bonds with interest rates of 2.00% to 5%. The refunding bonds mature through February 15, 2042 in installments ranging from $385,000 to $2,005,000. The City refunded Combination Tax and International Toll Bridge Revenue Bonds, Series 2007. The refunded bonds were due in varying installments of $100,000 to $2,400,000 with a final payment in 2037. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments on Combination Tax and International Toll Bridge Revenue Bonds, Series 2007. Issuance costs were paid out of the bond proceeds. The refunding was undertaken to restructure the bonds and thereby extend the principal maturity dates through 2045, resulting in greater near-term cash flow to the City. As a result of the refunding, the City sustained an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of $3,678,144.

As a result, the refunded bonds are considered to be defeased and the liability of the Bonds, has been removed from the City's books. At September 30, 2016 the amount of defeased debt outstanding was $29,100,000.

Prior Years Long-Term Debt Refunding

The City refunded Limited Tax Refunding Bonds, Series 2009 and Tax Notes, Series 2009. The refunded bonds were due in varying installments of $565,000 to $615,000 with a final payment in 2017 and $325,000 to $360,000 with a final payment in 2016 respectively.

As a result, the refunded bonds are considered to be defeased and the liability for the Bonds, has been removed from the City's books. At September 30, 2016 the amount of defeased debt outstanding was $2,520,000.

NOTE 9 – LONG TERM DEBT (Continued)

The City refunded Combination Tax and Limited Pledge Certificates of Obligation, Series 1997. The refunded bonds were due in varying installments of $215,000 to $600,000 with a final payment in 2017, respectively.

As a result, the refunded bonds are considered to be defeased and the liability for the Bonds, has been removed from the City's books. At September 30, 2016 the amount of defeased debt outstanding was $2,470,000.

Notes Payable

On May 21, 2004, the City of Donna entered into an interlocal agreement with the Donna Independent School District in order to share the costs of road improvements to Valley View Road that would enhance access to a newly constructed middle school. The interlocal agreement specifies that the City and the school district will share the costs equally and that the School District will fund the financial obligation of the City's share wherein the City will reimburse the School District. Upon final completion of the road improvements, the City will begin to reimburse the School District in seven equal annual installments for its share of the costs. As of September 30, 2016, the City's accumulated share of costs is $233,051, which is recorded as a liability of the City at that date. At this time, it is uncertain when the road improvements will be completed, thus uncertain when the City will begin to repay the School District.

Claims Payable

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

NOTE 9 – LONG TERM DEBT (Continued)

The payment agreement has no stated interest rate and therefore has 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 $20,000 including interest through June 1, 2022 with a payment of $15,609 including interest due July 1, 2022. These claims payable were discounted to a rate of 3.73%.	$ 1,252,882
Total Present Value of Claims Payable to Consultant	1,252,882
Less Current Portion of Claims Payable	(240,000)
Total Present Value of Claims Payable, Net of Current Portion	$ 1,012,882

The future minimum claims obligations and the net present value of these minimum claims payments as of September 30, 2016 are as follows:

Fiscal Year Ending September 30,	Business-Type Activities
2017	$ 240,000
2018	240,000
2019	240,000
2020	240,000
2021	240,000
2022	195,609
Total Payments	1,395,609
Less: Amounts Representing Interest	142,727
Present Value of Payments	$ 1,252,882

NOTE 9 – LONG TERM DEBT (Continued)

In 2015, 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 Transportation Commission in order to obtain financing for the construction of the commercial inspection facilities for southbound bridge 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 in 2015, wherein the City was billed a total of $1,000,000, less $184,000 in fees paid to consultant resulting in an $816,000 balance. Since the City was unable to pay this, the consultant offered a payment agreement that the City accepted and became effective May 19, 2015.

Claims payable by City International Bridge Fund to consultant are due in monthly payments of interest only of $1,790 through June 19, 2022, then monthly installments of $20,000 including interest beginning July 19, 2022 through July 19, 2025, with a payment of $11,034 including interest due August 19, 2025; interest accruing from May 19, 2015 at 3.00%.	$ 716,000
Total Claims Payable to Consultant	716,000
Less Current Portion of Claims Payable	-
Total Claims Payable, Net of Current Portion	$ 716,000

The future minimum claims obligations requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities Principal	Interest	Total
2017	$ -	$ 21,480	$ 21,480
2018	-	21,480	$ 21,480
2019	-	21,480	$ 21,480
2020	-	21,480	$ 21,480
2021	-	21,480	$ 21,480
2022-2025	716,000	51,144	$ 767,144
	$ 716,000	$ 158,544	$ 874,544

NOTE 9 – LONG TERM DEBT (Continued)

In 2016, the City entered into an agreement with a consultant to perform services regarding the creation of a financial plan for the City to refinance or issue new debt for improvements associated with the Donna International Bridge or the City's capital improvement program. The City refunded prior bond Series 2007 Combination Tax and International Toll Bridge Revenue Certificates of Obligation with Series 2016 Combination Tax and International Toll Bridge Revenue Refunding Bonds, wherein the City was billed a total of $1,650,000, less $50,000 in fees paid to consultant resulting in a $1,600,000 balance. Since the City was unable to pay this, the consultant offered a payment agreement that the City accepted and became effective February 17, 2016.

Claims payable by City International Bridge Fund to consultant due after August 19, 2025.	$ 1,600,000
Total Claims Payable to Consultant	1,600,000
Less Current Portion of Claims Payable	-
Total Claims Payable, Net of Current Portion	$ 1,600,000

The future minimum claims obligations requirements to maturity are as follows:

Year Ending	**Business-type Activities**		
September 30,	**Principal**	**Interest**	**Total**
2017	$ -	$ -	$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2025-Thereafter	1,600,000	-	1,600,000
	$ 1,600,000	$ -	$ 1,600,000

NOTE 9 – LONG TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016 is as follows:

	Balance at September 30, 2015	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2016	Amounts Due within One Year
Governmental Activities:					
Bonds Payable	$ 5,650,944	$ -	$ 325,344	$ 5,325,600	$ 145,000
Plus Bond Premium/Discount	378,401	-	21,022	357,379	-
Tax Notes Payable	432,000	-	68,400	363,600	70,200
Contractual Obligations	760,000	-	84,117	675,883	86,961
Capital Leases	74,755	-	74,755	-	-
Notes Payable	233,051	-	-	233,051	-
Compensated Absences	232,268	184,470	195,983	220,755	88,302
Total Governmental Activities Long-term Liabilities	7,761,419	184,470	769,621	7,176,269	390,463
Business-type Activities:					
Bonds Payable	37,794,056	33,485,000	29,824,656	41,454,400	885,000
Plus Bond Premium/Discount	-	4,643,913	-	4,643,913	-
Tax Notes Payable	768,000	-	121,600	646,400	124,800
Capital Leases	4,197	-	4,197	-	-
Claims Payables	2,158,301	1,600,000	189,419	3,568,882	240,000
Compensated Absences	17,558	24,978	24,613	17,923	7,169
Total Business-Type Activities Long-term Liabilities	$ 40,742,112	$ 39,753,891	$ 30,164,485	$ 50,331,519	$ 1,256,969

NOTE 9 – LONG TERM DEBT (Continued)

Component Units

Donna Economic Development Corporation (DEDC-4A)

Bonds outstanding at September 30, 2016 are:

Series 2009 Sales Tax Revenue and Refunding Bonds due in variable installments of $70,000 to $290,000 through August 1, 2034; interest is between 4.16% to 4.75%, payable semi-annually.	$ 3,680,000
Total DEDC -4A Bonds Payable	3,680,000
Less Current Portion	(140,000)
Less Unamortized Face Discount on Bonds	(34,288)
Total DEDC-4A Bonds, Net of Current Portion and Discount	$ 3,505,712

The bonds payable annual debt service requirements to maturity are:

Fiscal Year Ending	Bonds Payable		
September 30,	Principal	Interest	Total
2017	$ 140,000	$ 162,294	$ 302,294
2018	145,000	156,694	301,694
2019	155,000	150,894	305,894
2020	160,000	144,694	304,694
2021	165,000	138,294	303,294
2022-2026	935,000	584,131	1,519,131
2027-2031	1,150,000	362,138	1,512,138
2032-2034	830,000	80,036	910,036
	$ 3,680,000	$ 1,779,175	$ 5,459,175

NOTE 9 – LONG TERM DEBT (Continued)

Notes Payable

On June 27, 2016, the Donna Economic Development Corporation (DEDC - 4A) entered into a loan agreement with Texas National Bank in the amount of $4,500,000 for the purchase and development of an approximate 15-acre tract of land located at the northwest corner of FM 493 and U.S. Hwy 83 in Hidalgo County, Texas. The following summarizes the DEDC - 4A debt relating to this land.

Notes Payable outstanding at September 30, 2016 are:

June 27, 2016 Notes Payable due in monthly payments of interest only through April 1, 2018, then quarterly principal installments of $75,000 plus interest beginning July 1, 2018 through April 1, 2021, with a principal payment of $3,600,000 plus interest due July 1, 2021; interest at 6.00%, payable quarterly.	$ 4,500,000
Total DEDC- 4A Notes Payable	4,500,000
Less Current Portion	-
Total DEDC-4A Bonds, Net of Current Portion and Discount	$ 4,500,000

The notes payable annual debt service requirements to maturity are:

Fiscal Year Ending	Bonds Payable		
September 30,	Principal	Interest	Total
2017	$ -	$ 271,500	$ 271,500
2018	150,000	268,875	$ 418,875
2019	300,000	254,250	$ 554,250
2020	300,000	236,250	$ 536,250
2021	3,750,000	165,375	$ 3,915,375
	$ 4,500,000	$ 1,196,250	$ 5,696,250

NOTE 9 – LONG TERM DEBT (Continued)

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

Bonds outstanding at September 30, 2016 are:

Series 2009 Sales Tax Revenue and Refunding Bonds due in variable installments of $70,000 to $285,000 through August 1, 2034; interest is between 4.07% to 4.75%, payable semi-annually.	$ 3,605,000
Total DCD-4B Bonds Payable	3,605,000
Less Current Portion	(140,000)
Less Unamortized Face Discount on Bonds	(50,299)
Total DCD-4B Bonds, Net of Current Portion and Discount	$ 3,414,701

The bonds payable annual debt service requirements to maturity are:

Fiscal Year Ending	Bonds Payable		
September 30,	Principal	Interest	Total
2017	$ 140,000	$ 155,063	$ 295,063
2018	145,000	150,513	295,513
2019	150,000	145,619	295,619
2020	155,000	140,369	295,369
2021	160,000	134,556	294,556
2022-2026	915,000	571,206	1,486,206
2027-2031	1,125,000	355,094	1,480,094
2032-2034	815,000	78,611	893,611
	$ 3,605,000	$ 1,731,031	$ 5,336,031

NOTE 9 – LONG TERM DEBT (Continued)

The following are summaries of changes in long-term debt obligations for DEDC-4A and DCD-4B for the year ended September 30, 2016:

Donna Economic Development Corporation (DEDC-4A)

	Balance at September 30, 2015	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2016	Amounts Due within One Year
Bonds Payable	$ 3,815,000	$ -	$ 135,000	$ 3,680,000	$ 140,000
Less Discount	(36,193)	-	(1,905)	(34,288)	-
Notes Payable	-	4,500,000	-	4,500,000	-
Totals	$ 3,778,807	$ 4,500,000	$ 133,095	$ 8,145,712	$ 140,000

Prior Years Long-Term Debt Refunding

The Donna Economic Development Corporation refunded Sales Tax Revenue Bonds, Series 2006. The refunded bonds were due in varying installments of $90,000 to $310,000 with a final payment in 2026.

As a result, the refunded bonds are considered to be defeased and the liability for the Bonds, has been removed from the Donna Economic Development Corporation's books. At September 30, 2016 the amount of defeased debt outstanding was $2,520,000.

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

	Balance at September 30, 2015	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2016	Amounts Due within One Year
Bonds Payable	$ 3,740,000	$ -	$ 135,000	$ 3,605,000	$ 140,000
Less Discount	(53,093)	-	(2,794)	(50,299)	-
Totals	$ 3,686,907	$ -	$ 132,206	$ 3,554,701	$ 140,000

Prior Years Long-Term Debt Refunding

The Development Corporation of Donna, Inc. refunded Sales Tax Revenue Bonds, Series 2006. The refunded bonds were due in varying installments of $85,000 to $305,000 with a final payment in 2026.

As a result, the refunded bonds are considered to be defeased and the liability for the Bonds, has been removed from the Development Corporation of Donna, Inc.'s books. At September 30, 2016 the amount of defeased debt outstanding was $2,470,000.

NOTE 9 – LONG TERM DEBT (Continued)

Revenues Pledged in Connection with Component Unit Debt

Donna Economic Development Corporation (4A)

The City has pledged future sales tax revenues to repay $3.68 million in sales tax revenue and refunding bonds issued in December, 2009. Proceeds from the bonds provided a refunding of prior bonds and financing for projects related to the bridge projects, industrial park and related infrastructure. The bonds are payable through 2034. In addition, the City has pledged future sales tax revenues to repay $4.50 million in notes payable issued in June, 2016. Proceeds from the notes provided for the purchase and development of an approximate 15-acre tract of land located at the northwest corner of FM 493 and U.S. Hwy 83 in Hidalgo County, Texas. Annual principal and interest payments on the bonds and notes are expected to require 100 percent of net revenues.

The total principal and interest remaining to be paid on the bonds by the Donna Economic Development Corporation (4A) is $5,459,175. The total principal and interest remaining to be paid on the notes by the Donna Economic Development Corporation (4A) is $5,696,250. Principal and interest paid for the current year and the prior year as defined by the pledge agreements were $376,269 and $306,744, respectively.

Development Corporation of Donna, Inc. (4B)

The City has pledged future sales tax revenues to repay $3.61 million in sales tax revenue and refunding bonds issued in December, 2009. Proceeds from the bonds provided a refunding of prior bonds and financing for projects related to the bridge projects, industrial park and related infrastructure. The bonds are payable through 2034. Annual principal and interest payments on the bonds are expected to require 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds by the Development Corporation of Donna, Inc. (4B) is $5,336,031. Principal and interest paid for the current year and the prior year as defined by the pledge agreements were $294,450 and $298,669, respectively.

Bond Compliance Requirements

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

NOTE 9 – LONG TERM DEBT (Continued)

The City is also required under its present ordinances to provide certain monthly reports, set aside certain funds for future requirements, submit continuing disclosure reporting and annual financial statements. The City was current on these reporting and funding.

NOTE 10 – OTHER ASSETS AND PAYABLES

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.

Restricted assets included in business-type activities as of September 30, 2016 consist of:

	Water and Sewer Activities	City International Bridge Activities	Total
O&M Reserve	$ 634,658	$ 288,143	$ 922,801
Repairs & Replacement Reserve	-	300,032	300,032
Construction	6,187,757	-	6,187,757
Debt Service	1,081,384	1,029,563	2,110,947
Total Water and Sewer	$ 7,903,798	$ 1,617,738	$ 9,521,536

Additionally, $321,610 related to the City International Bridge Activities restricted assets is included in the Debt Service Fund.

Component Units

Other Non-Current Liabilities - Component Unit

The Tax Increment Reinvestment Zone #2 has accrued expenses of $2,313,052 for completed infrastructure by developers. These amounts will be reimbursed to the extent that future tax increment funding becomes available.

NOTE 11 – RETIREMENT BENEFIT PLANS

Texas Municipal Retirement System (TMRS)

Plan Description

The City of Donna participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Employees can retire at age 60 and above with 5 or more years of service, or with 20 years of service regardless of age.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	TMRS
Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	59
Active employees	128
Total participants	113

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Donna were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Donna were 5.04% and 6.91% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were $311,201, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015 for TMRS and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability at December 31, 2015 actuarial valuations was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.00%
Investment Rate of Return*	6.75%

* net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality 16 rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

For TMRS, actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability – TMRS

Changes in the City's net pension liability for the TMRS pension for the fiscal year ended September 30, 2016 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	$ 5,309,678	$ 4,729,184	$ 580,494
Changes for the year:			
Service cost	352,384	-	352,384
Interest	413,029	-	413,029
Change of benefit terms	498,676	-	498,676
Difference between expected and actual experience	260,094	-	260,094
Changes of assumptions	243,482	-	243,482
Contributions - employer	-	197,480	(197,480)
Contributions - employee	-	202,753	(202,753)
Net investment income	-	6,982	(6,982)
Benefit payments, including refunds of employee contributions	(168,272)	(168,272)	-
Administrative expense	-	(4,250)	4,250
Other changes	-	(210)	210
Net changes	$ 1,599,393	$ 234,483	$ 1,364,910
Ending Balance	$ 6,909,071	$ 4,963,667	$ 1,945,404

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability for the TMRS pension, calculated using the discount rate, as well as what the City's net pension liability and proportionate share of the net pension liability allocated would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (5.75 %)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability - TMRS	$ 3,086,860	$ 1,945,403	$ (1,020,838)

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' Fiduciary Net Position is available in a separately-issued financial report. The TMRS financial report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2016, the City recognized pension expense of $734,753 for the TMRS pension plan.

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	TMRS	
Year ended September 30,	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual economic experience	$ 295,782	$ -
Changes in actuarial assumptions	186,057	-
Differences between projected and actual investment earnings	292,961	-
Contributions subsequent to the measurement date 12.31.2015	250,898	-
	$ 1,025,698	$ -

$250,898 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	**TMRS**
2017	$ 238,284
2018	238,284
2019	204,916
2020	93,317
2021	-
Thereafter	-
Total	$ 774,800

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

Firemen's Relief and Retirement Fund (FRRP)

The Firemen's Relief and Retirement Fund (FRRP) is a single-employer pension system established and administered by the Board of Trustees of the City of Donna to provide pension, disability and death benefits for emergency services personnel who serve without significant monetary remuneration. The nine members Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System (TESRS). The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977.

TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries.

For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org.

Benefits Provided:

City of Donna Firemen's Relief and Retirement Fund provides retirement, disability, withdrawal and death benefits. Retirement benefits for plan members are $300 annually paid as a Joint and 66.67% survivor benefit. Plan members with 20 years of service are vested and eligible to retire at age 55. All plan members are eligible for disability benefits after 20 years of service if disabled while in service and duty related. Disability retirement benefits are equal to $300 annually paid as a Joint and 66.67% survivor benefit. Death benefits for a member who dies with 20 years of service while in active service and duty related is paid to the member's surviving spouse and dependent children are equal to $200 and $72 annually, respectively. A plan member who leaves City service with at least 20 years of service may commence retirement benefits starting at age 55.

Employees covered by benefit terms
As of most recent measurement date, pension plan membership is as follows:

	FRRP
Inactive plan members or beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	0
Active employees	26
Total participants	35

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

Contributions:

An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance an unfunded accrued liability. For the 2015 measurement period, the active member contribution rate was 0% of annual pay, and the City average contribution rate was 0% of annual payroll (no payroll exists as members are unpaid volunteers).

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2015 for Firemen's Relief and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of those dates.

Actuarial Assumption:

The total pension liability was determined by an actuarial valuation for the 2015 measurement period using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	N/A
Investment rate of return*	4.25%

*net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Tables for Males and Females with blue collar adjustment.

The actuarial assumptions used in the valuation for the 2015 measurement period was based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan.

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

For the 2015 measurement period, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2015 measurement period are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	0%	5.4-7.4%
International Equity	0%	5.5-7.5%
Fixed Income	0%	1.3-3.3%
Real Estate	0%	4.5-5.5%
Cash	100%	0.0-2.0%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 4.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

If projected cash flows show depletion, the liability will be discounted from point of depletion using a 20-year municipal tax-free bond rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability for the Firemen's Relief pension, calculated using the discount rate of 4.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (3.25%)	Current Discount Rate (4.25%)	1% Increase in Discount Rate (5.25%)
City's Net Pension Liability – Firemen's Relief	$ 33,145	$ 29,223	$ 23,840

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

Changes in the Net Pension Liability – Firemen's Relief

Changes in the City's net pension liability for the Firemen's Relief pension for the fiscal year ended September 30, 2016 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	$ 29,772	$ 1,016	$ 28,756
Changes for the year:			
Service cost	318	-	318
Interest	1,203	-	1,203
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,096	-	1,096
Changes of assumptions	-	-	-
Contributions - employer	-	2,400	(2,400)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(2,400)	(2,400)	-
Administrative expense	-	-	-
Other changes	-	(250)	250
Net changes	217	(250)	467
Ending Balance	$ 29,989	$ 766	$ 29,223

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2016 the city recognized pension expense of $2,742 for the Firemen's Relief pension plan.

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

At September 30, 2016, the city reported deferred outflows of resources related to Firemen's Relief pension:

	FRRP Deferred Outflows of Resources
Differences between expected and actual economic experience	$ 1,096
Changes in actuarial assumptions	735
Differences between projected and actual investment earnings	43
Contributions subsequent to the measurement date	1,650
	$ 3,524

$1,650 of contributions paid to the pension plans subsequent to measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining deferred outflows and (inflows) of resources related to pensions will be amortized and recognized in pension expenses as follows:

Year ending September 30,	FRRP
2017	$ 250
2018	203
2019	7
2020	-
2021	-
Thereafter	-
Total	$ 460

NOTE 11 – RETIREMENT BENEFIT PLANS (Continued)

Retirement Benefit Plans reconciliation

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	DEDC - 4A	DCD - 4B
Deferred Outflows of Resources - TMRS	$ 824,927	$ 184,487	$ 1,009,414	$ 8,142	$ 8,142
Deferred Outflows of Resources - FRRP	3,524	-	3,524	-	-
Total Deferred Outflows related to pensions	828,451	184,487	1,012,938	8,142	8,142
Net Pension Liability - TMRS	1,560,394	354,212	1,914,606	15,399	15,399
Net Pension Liability - FRRP	29,223	-	29,223	-	-
Total Net Pension Liability	1,589,617	354,212	1,943,829	15,399	15,399

NOTE 12 – CONSTRUCTION AND IMPROVEMENT COMMITMENTS

At September 30, 2016, the City had the following contractual commitments outstanding.

Project	Remaining Contract
Governmental Activities:	
2015 Certificates of Obligations Construction Fund:	
Streets and Drainage	$ 63,951
New Elevator At City Library	6,556
Total Governmental Activities	$ 70,507
Business-type Activities:	
Water and Sewer Fund Project Contracts:	
493 Water & Sewer Line Relocation	$ 345,149
Bar Screen for Waste Water Treatment Plant	99,500
North Bound Commercial Facility & Infrastructure	104,160
2014 Certificates of Obligations Construction Fund:	
Fueling Station for City Vehicles	9,414
2015 Certificates of Obligations Construction Fund:	
Engineering Inspection Facility - Bridge	74,293
Total Business-type Activities	$ 632,516
Restricted Assets Related to Construction and Improvements	$ 703,023

NOTE 12 – CONSTRUCTION AND IMPROVEMENT COMMITMENTS (Continued)

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 $2,000,000 and $1,000,000 per occurrence. Property insurance covering the City's buildings and properties in an aggregate amount of approximately $26,036,968; and in public officials and law enforcement legal liability in an aggregate amount of $2,000,000 and $1,000,000 per occurrence. There have been no significant reductions in insurance coverage. There were no claims settlements during the current year, in 2015 there were $175,000 in settlement claims and $192,500 during 2014. Additionally, full time employees are covered by a fully insured health insurance plan.

NOTE 13 – FUND BALANCES

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

Nonspendable: The City's nonspendable fund balances totaled $4,285 represented in inventory.

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

- Restricted for Federal and State Programs, Debt Service, Tax Increment and Capital Projects:
  Federal Laws, Texas Statutes and local ordinances require that certain revenues be specifically designated for the purposes as determined by state and local regulations, debt service, and capital projects. The funds have been included in the restricted category of fund balance. The restricted fund balances totaled $5,394,458 and represented $595,297 in local and state, $2,064,396 in capital projects and $2,734,765 in debt service.

- Unassigned:
  The unassigned fund balances totaled $2,439,121 and represented $2,590,168 in the General Fund and a deficit for tax increment zone purposes of $151,047.

NOTE 14 – CONTINGENCIES

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.

NOTE 14 – CONTINGENCIES (Continued)

The City participates periodically in Federal and State assisted grant programs. The principal grant programs the City currently participates in are with the Community Development Block Grant and the Disaster Recovery Texas CDBG. Under the terms of the Community Development Block Grant, Hidalgo County (the County) includes the surface area and population of the City of Donna in its application to the Department of Housing and Urban Development. Consequently, the County is the grantee of these funds. Also, the County assumes responsibility for the eligibility of activities, environmental assessments, awarding of contracts, approval and payment for completed contracts, project close out, and audits for the projects. The City's grant programs are 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 International Bridge Fund

All financial projections for the City International Bridge Fund 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 bridge opened in December 2010 as a passenger traffic only international bridge, the City has and will have to continue providing a significant level of debt service funding for the debts of the international bridge with a levy of taxes and assistance from other funds of the City.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent to year end, the City is working on issuing a bond in the amount of $10,000,000. A portion will be designated for the Water and Sewer Fund in the amount of $8,000,000. The remaining portion will designated for the General Fund in the amount of $2,000,000. The bonds will be used for water and sewer infrastructure and street improvements, respectively. An anticipated closing date is June 2017.

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Ad valorem	$ 3,963,512	$ 3,963,512	$ 4,148,730	$ 185,218
Sales	1,387,150	1,387,150	1,415,593	28,443
Franchise	823,734	807,060	813,124	6,064
Other	101,463	113,694	95,546	(18,148)
Total Taxes	6,275,859	6,271,416	6,472,993	201,577
Licenses and permits				
Licenses	8,550	8,550	6,860	(1,690)
Permits	125,307	125,307	116,808	(8,500)
Total Licenses and Permits	133,857	133,857	123,668	(10,190)
Charges for services	1,670,717	1,675,160	1,646,066	(29,094)
Fines and forfeitures				
Municipal court	105,500	105,500	159,571	54,071
Other fines	23,175	23,175	30,899	7,724
Total Fines and Forfeitures	128,675	128,675	190,470	61,795
Intergovernmental	117,800	117,800	199,890	82,090
Other revenues				
Interest	1,350	1,350	4,997	3,647
Other	89,155	89,155	107,920	18,765
Total Other Revenues	90,505	90,505	112,918	22,413
Total Revenues	8,417,413	8,417,413	8,746,005	328,592
Expenditures				
General Government				
City Council				
Supplies	1,250	4,927	4,829	98
Other services	25,250	19,473	18,921	552
Total City Council	26,500	24,400	23,750	650

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (Continued)				
General Government (continued)				
City Management				
Personnel services	$ 172,308	$ 104,408	$ 103,971	$ 437
Supplies	7,750	8,950	8,412	538
Equipment maintenance and repairs	2,500	3,800	3,260	540
Other services	72,370	191,170	184,272	6,898
Total City Management	254,928	308,328	299,916	8,412
Finance/Accounting				
Personnel services	390,197	402,797	403,435	(638)
Supplies	9,800	12,800	12,631	169
Equipment maintenance and repairs	20,130	18,130	18,011	119
Other services	33,126	11,526	11,368	158
Total Finance/Accounting	453,253	445,253	445,445	(192)
City Hall				
Personnel services	90,152	95,402	94,606	796
Supplies	6,960	11,960	12,804	(844)
Property occupancy	8,750	10,800	10,281	519
Equipment maintenance and repairs	6,150	6,150	5,928	222
Other services	30,250	23,950	23,035	915
Total City Hall	142,262	148,262	146,654	1,608

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (Continued)				
General Government (continued)				
City Secretary				
Personnel services	$ 102,867	$ 106,867	$ 106,692	$ 175
Supplies	2,600	900	730	170
Equipment maintenance and repairs	200	-	-	-
Other services	36,700	41,900	38,132	3,768
Total City Secretary	142,367	149,667	145,554	4,113
Business Rental Properties				
Other services	5,000	-	-	-
Total Business Rental Properties	5,000	-	-	-
Municipal Court				
Personnel services	81,669	77,169	76,833	336
Supplies	18,700	12,100	12,069	31
Equipment maintenance and repairs	14,900	7,000	6,654	346
Other services	54,300	54,300	52,774	1,526
Total Municipal Court	169,569	150,569	148,331	2,238
Information Technology				
Personnel services	58,986	60,086	60,121	(35)
Supplies	6,160	6,300	6,102	198
Equipment maintenance and repairs	7,000	11,860	11,443	417
Other services	4,460	4,460	4,374	86
Total Information Technology	76,606	82,706	82,040	666
Non-Department				
Other services	385,294	459,487	458,631	856
Total Non-Department	385,294	459,487	458,631	856

(Continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Expenditures (Continued)				
General Government (continued)				
Planning and Community Development				
Personnel services	$ 103,255	$ 107,055	$ 107,160	$ (105)
Supplies	5,200	4,100	2,970	1,130
Equipment maintenance and repairs	690	690	551	139
Other services	28,220	22,720	20,692	2,028
Total Planning and Community Development	137,365	134,565	131,372	3,193
Tax/Assessor Collector				
Personnel services	61,202	62,702	62,358	344
Supplies	8,850	7,650	6,637	1,013
Equipment maintenance and repairs	14,075	12,775	12,759	16
Other services	62,900	65,700	66,574	(874)
Total Tax Assessor Collector	147,027	148,827	148,328	499
Total General Government	1,940,171	2,052,064	2,030,020	22,044
Public Safety				
Police				
Personnel services	2,456,728	2,391,959	2,389,341	2,618
Supplies	160,620	164,389	153,167	11,222
Property occupancy	12,300	12,300	11,329	971
Equipment maintenance and repairs	59,550	59,550	62,453	(2,903)
Other services	51,600	51,600	57,680	(6,080)
Capital outlay	83,000	91,000	86,072	4,928
Total Police	2,823,798	2,770,798	2,760,042	10,756
Fire				
Personnel services	62,822	72,322	75,040	(2,718)
Supplies	31,040	31,040	41,814	(10,774)
Property occupancy	4,700	4,700	5,864	(1,164)
Equipment maintenance and repairs	24,816	24,816	23,372	1,444
Other services	56,000	57,000	59,941	(2,941)
Capital outlay	-	25,988	15,388	10,600
Total Fire	179,378	215,866	221,418	(5,552)
Emergency Medical Services:				
Other services	6,500	500	178	322
Total Emergency Medical Services	6,500	500	178	322

(Continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Expenditures (Continued)				
Public Safety (continued)				
Safety Inspections				
Personnel services	$ 52,456	$ 38,306	$ 38,218	$ 88
Supplies	2,850	3,850	3,752	98
Equipment maintenance and repairs	2,400	2,400	2,088	313
Other services	3,760	3,760	2,897	863
Total Safety Inspections	61,466	48,316	46,954	1,362
Total Public Safety	3,071,142	3,035,480	3,028,591	6,889
Public Works				
Public Works Department				
Personnel services	799,049	714,329	712,718	1,611
Supplies	73,129	83,129	82,390	739
Property occupancy	34,050	9,770	9,176	594
Equipment maintenance and repairs	50,761	84,761	81,169	3,592
Other services	37,100	51,600	51,197	403
Total Public Works Department	994,089	943,589	936,650	6,939
City Vehicle Maintenance				
Personnel services	40,328	41,928	41,878	50
Supplies	2,625	7,825	5,496	2,329
Equipment maintenance and repairs	350	980	977	3
Other services	25	125	117	8
Total City Vehicle Maintenance	43,328	50,858	48,468	2,390
Sanitation Services				
Other services	841,000	828,770	835,954	(7,184)
Total Sanitation Services	841,000	828,770	835,954	(7,184)
Street and Roadway Lighting				
Property occupancy	30,000	34,300	36,962	(2,662)
Other services	203,000	177,700	175,047	2,653
Total Street and Roadway Lighting	233,000	212,000	212,008	(8)
Total Public Works	2,111,417	2,035,217	2,033,080	2,137
Culture and Recreation				
Parks/Donna Recreation Center				
Personnel services	204,316	214,316	213,830	486
Supplies	24,550	26,550	25,793	757
Property occupancy	29,450	30,950	30,560	390
Equipment maintenance and repairs	7,740	3,340	2,798	542
Other services	72,050	44,050	43,410	640
Capital outlay	10,000	12,100	12,033	-
Total Parks	348,106	331,306	328,424	2,882

(Continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Expenditures (Continued)				
Culture and Recreation (continued)				
Library				
Personnel services	$ 269,835	$ 270,735	$ 271,666	$ (931)
Supplies	17,450	16,750	16,037	713
Property occupancy	8,000	6,200	6,106	94
Equipment maintenance and repairs	16,170	2,970	2,680	290
Other services	60,200	60,500	60,010	490
Capital outlay	-	15,000	10,176	4,824
Total Library	371,655	372,155	366,675	5,480
Swimming Pool				
Personnel services	37,265	37,865	37,748	117
Supplies	4,650	19,150	18,858	292
Property occupancy	9,500	2,669	2,601	68
Equipment maintenance and repairs	1,500	1,500	1,111	389
Other services	9,255	9,255	9,023	232
Total Swimming Pool	62,170	70,439	69,343	1,096
Community Support Services				
Supplies	600	200	73	127
Property occupancy	13,950	5,750	5,541	209
Other services	47,750	39,750	38,638	1,112
Total Community Support Services	62,300	45,700	44,252	1,448
Total Culture and Recreation	844,231	819,600	808,693	10,907
Public Health				
Health Inspection/Code Enforcement:				
Personnel services	79,530	82,030	81,905	125
Supplies	5,268	3,268	3,014	254
Equipment maintenance and repairs	4,960	6,960	4,243	2,718
Other services	13,600	5,300	5,205	95
Total Inspection/Code Enforcement	103,358	97,558	94,366	3,192
Animal Control				
Personnel services	33,453	39,453	39,696	(243)
Supplies	6,975	2,275	2,117	158
Equipment maintenance and repairs	5,300	4,000	3,246	754
Other services	33,850	58,350	54,880	3,470
Total Animal Control	79,578	104,078	99,939	4,139

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (Continued)				
Cemetery				
Personnel services	$ 61,056	$ 61,056	$ 60,142	$ 914
Supplies	3,900	3,900	4,740	(840)
Property occupancy	3,000	-	-	-
Equipment maintenance and repairs	2,000	2,700	1,832	868
Other services	13,850	18,050	18,228	(178)
Total Cemetery	83,806	85,706	84,942	764
Total Public Health	266,742	287,342	279,247	8,095
Debt Service				
Principal retirements	182,755	182,755	158,872	23,883
Interest and fiscal charges	955	2,955	26,307	(23,352)
Total Debt Service	183,710	185,710	185,180	530
Total Expenditures	8,417,413	8,415,413	8,364,812	50,602
Excess (Deficiency) of Revenues Over (under) Expenditures	-	2,000	381,193	379,193
Other Financing Sources (Uses)				
Transfers Out	-	(593,698)	(593,698)	-
Total Other Financing Sources (Uses)	-	(593,698)	(593,698)	-
Net Change in Fund Balance	-	(591,698)	(212,505)	379,193
Fund Balance at Beginning of Year	2,806,958	2,806,958	2,806,958	-
Fund Balance at End of Year	$ 2,806,958	$ 2,215,260	$ 2,594,453	$ 379,193

-

1. Budgetary Expenditures in Excess of Appropriations

During the year ended September 30, 2016, expenditures exceeded appropriations as follows in the General Fund.

Department	General Fund Excess of Expenditures Over Appropriations	
Finance/Accounting	$	192
Fire		5,552
Sanitation Services		7,184
Street and Roadway Lighting		8
	$	12,936

2. Budgetary Basis of Accounting

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

City of Donna, Texas
Schedule of Changes in Pension Liability and Related Ratios
Texas Municipal Retirement System
Exhibit 5-B

September 30,	2015	2016
Total pension liability		
Service Cost	$ 208,287	$ 352,384
Interest (on the Total Pension Liability)	334,029	413,029
Changes of benefit terms	635,673	498,676
Difference between expected and actual experience	183,965	260,094
Change of assumptions	-	243,482
Benefit payments, including refunds of employee contributions	(168,599)	(168,272)
Net Change in Total Pension Liability	1,193,355	1,599,393
Total Pension Liability - Beginning	4,116,323	5,309,678
Total Pension Liability - Ending (a)	$ 5,309,678	$ 6,909,071
Plan Fiduciary Net Position		
Contributions - Employer	76,494	197,480
Contributions - Employee	177,894	202,753
Net Investment Income	251,448	6,982
Benefit payments, including refunds of employee contributions	(168,599)	(168,272)
Administrative Expense	(2,625)	(4,250)
Other	(216)	(210)
Net Change in Plan Fiduciary Net Position	334,396	234,483
Plan Fiduciary Net Position - Beginning	4,394,788	4,729,184
Plan Fiduciary Net Position - Ending (b)	$ 4,729,184	$ 4,963,667
Net Pension Liability - Ending (a)-(b)	$ 580,494	$ 1,945,404
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.07%	71.84%
Covered Employee Payroll	$ 3,557,888	$ 4,055,057
Net Pension Liability as a Percentage of Covered Employee Payroll	16.32%	47.97%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

City of Donna, Texas
Schedule of Employer Contributions
Texas Municipal Retirement System
Exhibit 5-C

September 30,	**2015**	**2016**
Actuarially Determined Contribution	$ 160,460	$ 160,460
Contributions in relation to the actuarially determined contribution	160,460	160,460
Contribution deficiency (excess)	-	-
Covered employee payroll	$ 3,899,718	$ 3,899,718
Contributions as a percentage of covered employee payroll	4.11%	4.11%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	1) Adopted buy-back provision. 2) Increased employee contribution rate from 5% to 6%. 3) Increased municipal matching ratio from 1.5 - 1 to 2 - 1. 4) Increased statutory max to 12.50% due to plan changes. 5) Rescinded 70% repeating COLA 6) Rescinded supplemental death benefits for actives and retirees.

Schedule of Changes in Pension Liability and Related Ratios

Firemen's Relief and Retirement Fund

Exhibit 5-D

September 30,	2015	2016
Total pension liability		
Service Cost	$ -	$ 318
Interest (on the Total Pension Liability)	1,224	1,203
Changes of benefit terms	-	-
Difference between expected and actual experience	921	1,096
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(2,300)	(2,400)
Net Change in Total Pension Liability	(155)	217
Total Pension Liability - Beginning	29,927	29,772
Total Pension Liability - Ending (a)	$ 29,772	$ 29,989
Plan Fiduciary Net Position		
Contributions - Employer	$ 2,500	$ 2,400
Contributions - Employee	-	-
Net Investment Income	-	-
Benefit payments, including refunds of employee contributions	(2,300)	(2,400)
Administrative Expense	-	-
Other	-	(250)
Net Change in Plan Fiduciary Net Position	200	(250)
Plan Fiduciary Net Position - Beginning	816	1,016
Plan Fiduciary Net Position - Ending (b)	$ 1,016	$ 766
Net Pension Liability - Ending (a)-(b)	$ 28,756	$ 29,223
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	3.41%	2.55%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

City of Donna, Texas
Schedule of Employer Contributions
Firemen's Relief and Retirement Fund
Exhibit 5-E

September 30,	2015	2016
Actuarially Determined Contribution	$ 2,075	$ 2,363
Contributions in relation to the actuarially determined contribution	(2,500)	(2,400)
Contribution deficiency (excess)	$ (425)	$ (37)
Covered employee payroll	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Notes to Schedule of Contributions

Valuation Date:	January 1, 2014 January 1, 2015
Notes	Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age
Amortization Method	Level dollar
Remaining Amortization Period	20 years
Asset Valuation Method	Market value adjusted for unrecognized gains and losses from prior years
Inflation	3.0%
Salary Increases	N/A percent, including inflation
Investment Rate of Return	4.25 percent, net of pension plan investment expense, including inflation
Retirement Age	Age 55 with 20 years' experince
Mortality	2000 RP Mortality Tables for males and females with Blue Collar adjustment

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OTHER SUPPLEMENTARY INFORMATION AND COMBINING SCHEDULES

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for resources legally restricted to expend 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 firefighting equipment.

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

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 this grantee funding 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.

Tax Increment Reinvestment Zone One (TIRZ #1) is a reinvestment zone created by the City of Donna pursuant to Chapter 311 of the Texas Tax Code to provide property tax increment funding to support qualifying development activities within the TIRZ #1 zone area.

City of Donna, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016
Exhibit 6-A

	Special Revenue Funds	Total Nonmajor Governmental Funds
Assets		
Cash and cash equivalents	$ 742,566	$ 742,566
Receivables, net		
Accounts	148,504	148,504
Due from other funds	9,216	9,216
Total Assets	$ 900,286	$ 900,286
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 41,140	$ 41,140
Accrued liabilities	405,000	405,000
Total Liabilities	446,140	446,140
Fund Balances		
Restricted for		
Tourism	399,839	399,839
Law enforcement	17,444	17,444
Fire equipment debt service	176,507	176,507
Equipment purchases	9,895	9,895
Park improvements	1,508	1,508
Tax increment zone one purposes	(151,047)	(151,047)
Total Fund Balances	454,146	454,146
Total Liabilities and Fund Balances	$ 900,286	$ 900,286

City of Donna, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
for the Year Ended September 30, 2016

Exhibit 6-B

	Special Revenue Funds	Total Nonmajor Governmental Funds
Revenues		
Taxes	$ 196,094	$ 196,094
Charges for services	70,959	70,959
Fines and forfeitures	6,750	6,750
Intergovernmental	263,093	263,093
Interest	2,642	2,642
Other	54,993	54,993
Total Revenues	594,532	594,532
Expenditures		
Current		
General government	63,829	63,829
Tourism development	532,522	532,522
Capital outlay	600,000	600,000
Total Expenditures	1,196,351	1,196,351
Excess (Deficiency) of Revenues Over (Under) Expenditures	(601,819)	(601,819)
Other Financing Sources (Uses)		
Transfers out	(325,756)	(325,756)
Total Other Financing Sources (Uses)	(325,756)	(325,756)
Net Change in Fund Balances	(927,575)	(927,575)
Fund Balances at Beginning of Year	1,381,721	1,381,721
Fund Balances at End of Year	$ 454,146	$ 454,146

	Hotel Occupancy Tax	Texas Confiscated Forfeitures	Fire Equipment Service Fee	Tax Note Equipment Fund
Assets				
Cash and cash equivalents	$ 401,903	$ 17,444	$ 170,174	$ 9,895
Receivables, net				
Accounts	3,799	-	6,260	-
Due from other funds	278	-	74	-
Total Assets	$ 405,979	$ 17,444	$ 176,507	$ 9,895
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 6,140	$ -	$ -	$ -
Accrued Liabilities	-	-	-	-
Total Liabilities	6,140	-	-	-
Fund Balances				
Restricted for				
Tourism	399,839	-	-	-
Law enforcement	-	17,444	-	-
Fire equipment debt service	-	-	176,507	-
Equipment purchases	-	-	-	9,895
Park improvements	-	-	-	-
Tax increment zone one purposes	-	-	-	-
Total Fund Balances	399,839	17,444	176,507	9,895
Total Liabilities and Fund Balances	$ 405,979	$ 17,444	$ 176,507	$ 9,895

	Urban County CDBG Program	Park Improvement Fee Fund	Tax Increment Reinvestment Zone One	Total Nonmajor Special Revenue Funds
	$ -	$ 608	$ 142,543	$ 742,566
	-	-	138,446	148,504
	-	900	7,964	9,216
	$ -	$ 1,508	$ 288,953	$ 900,286
	$ -	$ -	$ 35,000	$ 41,140
	-	-	405,000	405,000
	-	-	440,000	446,140
	-	-	-	399,839
	-	-	-	17,444
	-	-	-	176,507
	-	-	-	9,895
	-	1,508	-	1,508
	-	-	(151,047)	(151,047)
	-	1,508	(151,047)	454,146
	$ -	$ 1,508	$ 288,953	$ 900,286

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
for the Year Ended September 30, 2016

	Hotel Occupancy Tax	Texas Confiscated Forfeitures	Fire Equipment Service Fee	Tax Note Equipment Fund
Revenues				
Taxes	$ 139,300	$ -	$ -	$ -
Charges for services	-	-	70,809	-
Fines and forfeitures	-	6,750	-	-
Intergovernmental	-	7,337	-	-
Interest	1,685	-	659	46
Other	54,993	-	-	-
Total Revenues	195,978	14,087	71,468	46
Expenditures				
Current				
General government	-	-	31,751	-
Tourism development	532,522	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	532,522	-	31,751	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(336,543)	14,087	39,717	46
Other Financing Sources (Uses)				
Transfers in (out)	-	-	(70,000)	-
Total Other Financing Sources (Uses)	-	-	(70,000)	-
Net Change in Fund Balances	(336,543)	14,087	(30,283)	46
Fund Balances at Beginning of Year	736,382	3,357	206,790	9,849
Fund Balances at End of Year	$ 399,839	$ 17,444	$ 176,507	$ 9,895

	Urban County CDBG Program	Park Improvement Fee Fund	Tax Increment Reinvestment Zone One	Total Nonmajor Special Revenue Funds
	$ -	$ -	$ 56,794	$ 196,094
	-	150	-	70,959
	-	-	-	6,750
	255,756	-	-	263,093
	-	3	249	2,642
	-	-	-	54,993
	255,756	153	57,044	594,532
	-	-	32,079	63,829
	-	-	-	532,522
	-	-	600,000	600,000
	-	-	632,079	1,196,351
	255,756	153	(575,035)	(601,819)
	(255,756)	-	-	(325,756)
	(255,756)	-	-	(325,756)
	-	153	(575,035)	(927,575)
	-	1,355	423,988	1,381,720
	$ -	$ 1,508	$ (151,047)	$ 454,146

Budgetary Comparison Schedule
for the Year Ended Septemer 30, 2016

Exhibit 7-A

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Taxes			
Ad valorem taxes	$ 1,165,831	$ 1,185,010	$ 19,179
Interest	812	4,699	3,887
Total Revenues	1,166,643	1,189,709	23,066
Expenditures			
Debt Service			
Principal retirements	953,400	393,744	559,656
Interest and fiscal charges	2,044,714	1,134,554	910,160
Total Expenditures	2,998,114	1,528,298	1,469,816
Excess (Deficiency) of Revenues Over Expenditures	(1,831,471)	(338,589)	1,492,882
Other Financing Sources (Uses)			
Transfers in	1,624,674	1,689,579	(64,905)
Total Other Financing Sources (Uses)	1,624,674	1,689,579	(64,905)
Net Change in Fund Balance	(206,797)	1,350,989	1,427,977
Fund Balance at Beginning of Year	1,383,775	1,383,775	-
Fund Balance at End of Year	$ 1,176,978	$ 2,734,765	$ 1,427,977

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 120,433	$ 135,433	$ 139,300	$ 3,867
Other	40,500	63,500	54,993	(8,507)
Interest	600	600	1,685	1,085
Total Revenues	161,533	199,533	195,978	(3,555)
Expenditures				
Current				
Tourism Development	460,207	583,529	532,522	51,007
Total Tourism Development	460,207	583,529	532,522	51,007
Total Expenditures	460,207	583,529	532,522	51,007
Excess (Deficiency) of Revenues Over Expenditures	(298,674)	(383,996)	(336,543)	47,453
Fund Balance at Beginning of Year	736,392	736,382	736,382	-
Fund Balance at End of Year	$ 437,718	$ 352,386	$ 399,839	$ 47,453

Fire Equipment Service Fee Fund
Budgetary Comparison Schedule
for the Year Ended September 30, 2016
Exhibit 8-B

		Original and Final Budget		Actual Amounts		Variance with Final Budget Positive (Negative)
Revenues						
Charges for services	$	71,784	$	70,809	$	(975)
Interest		-		659		659
Total Revenues		71,784		71,468		(316)
Expenditures						
General Government		-		31,751		-
Total Expenditures		-		31,751		-
Excess (Deficiency) of Revenues Over Expenditures		71,784		39,717		(316)
Other Financing Sources (Uses)						
Transfers in (out)		(70,000)		(70,000)		-
Total Other Financing Sources (Uses)		(70,000)		(70,000)		-
Net Change in Fund Balance		1,784		(30,283)		(32,067)
Fund Balance at Beginning of Year		206,790		206,790		-
Fund Balance at End of Year	$	208,574	$	176,507	$	(32,067)

City of Donna, Texas
Texas Confiscated Forfeitures
Budgetary Comparison Schedule
for the Year Ended September 30, 2016

Exhibit 8-C

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Revenues			
Fines and forfeitures	$ -	$ 6,750	$ 6,750
Intergovernmental	5,000	7,337	2,337
Total Revenues	5,000	14,087	9,087
Expenditures			
General government	5,000	-	(5,000)
Total Expenditures	5,000	-	(5,000)
Excess (Deficiency) of Revenues Over Expenditures	-	14,087	14,087
Fund Balance at Beginning of Year	3,357	3,357	-
Fund Balance at End of Year	$ 3,357	$ 17,444	$ 14,087

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BUDGETARY COMPARISON - CITY INTERNATIONAL BRIDGE FUND

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City International Bridge Fund
Budgetary Comparison Schedule
for the Year Ended September 30, 2016

Exhibit 9-A

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	$ 1,756,269	$ 1,796,059	$ 1,953,468	$ 157,409
Rent revenue	27,000	27,000	27,000	-
Interest income	1,150	360	1,945	1,585
Other Revenue	-	-	539,750	539,750
Total Revenues	1,784,419	1,823,419	2,522,163	698,744
Expenses				
Current				
Bridge Property	33,500	33,500	48,473	(14,973)
Operations of Toll Bridge	565,447	590,447	618,435	(27,988)
Rental Operations of TABC Bldg.	4,000	8,000	341,175	(333,175)
Professional fees	161,020	171,020	178,196	(7,176)
Consultant fee	-	-	1,606,000	(1,606,000)
Interest and fiscal charges	4,251	4,251	(20,163)	24,414
Depreciation and amortization	-	-	816,977	(816,977)
Total Expenses	768,218	807,218	3,589,093	(2,781,875)
Change in Net Assets Before Transfers	1,016,201	1,016,201	(1,066,930)	(2,083,131)
Transfers out	(1,015,807)	(1,029,462)	(1,097,478)	(68,016)
Change in Net Assets	394	(13,261)	(2,164,408)	(2,151,147)
Net Assets at Beginning of Year	(6,882,768)	(6,882,768)	(6,882,768)	-
Net Assets at End of Year	$ (6,882,374)	$ (6,896,029)	$ (9,047,177)	$ (2,151,147)

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Governmental

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 10-A and 10-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 10-C and 10-D presents the governmental fund financial statements.

The 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 to provide property tax increment funding to support qualifying development activities within the TIRZ #2 zone area. Exhibit 10-E and 10-F presents the governmental fund financial statements.

Also presented on Exhibit 10-A, 10-C and 10-E are the respective reconciliations of the governmental fund balance sheets to the statement of net position, and presented on Exhibit 10-B, 10-D, and 10-F are the respective reconciliations of the statements of revenues, expenditures, and changes in fund balances of these governmental funds to the statement of activities.

Balance Sheet
Donna Economic Development Corporation (4A)
Component Unit
Exhibit 10-A

Assets		
Cash and cash equivalents	$	402,683
Restricted cash and cash equivalents		383,487
Receivables, net		
Accounts		136,142
Total Assets	$	922,313
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$	755
Accrued liabilities		32,825
Due to primary government		6,090
Total Liabilities		39,670
Fund Balance		
Restricted for debt service		383,487
Unassigned		499,155
Total Fund Balance		882,642
Total Liabilities and Fund Balance	$	922,313

Reconciliation of Fund Balance Sheet to the Statement of Net Position

Total fund balance- component unit balance sheet	$	882,642
Amounts reported for component units in the statement of net position ("SNP") are different because		
Discounts on bonds are not reported in the fund.		34,288
Capital assets used in component unit activities are not reported in the fund.		4,714,996
Pension liability is not reported in the fund		(15,399)
Deferred outflows related to pension liability are not reported in the fund		8,142
Payables for accrued interest are not reported in the fund.		(26,752)
Bond debt principal remaining which is not due in the current period are not reported in the fund.		(8,180,000)
Net assets of component unit- statement of net position (deficit)	$	(2,582,082)

Revenues		
Sales taxes	$	709,547
Interest		283,468
Total Revenues		993,015
Expenditures		
Current:		
Economic development		376,123
Capital Outlay		4,468,736
Debt service		
Principal retirements		135,000
Interest and fiscal charges		241,269
Total Expenditures		5,221,128
Excess (Deficiency) of Revenues Over (Under) Expenditures		(4,228,113)
Other Financing Sources (Uses)		
Transfers out		(140,000)
Bank loan		4,500,000
Total Other Financing Sources (Uses)		4,360,000
Net Change in Fund Balance		131,887
Fund Balance at Beginning of Year		750,755
Fund Balance at End of Year	$	882,642

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net change in fund balance- component unit	$	131,887
Amounts reported for component units in the statement of activities ("SOA") are different because		
Capital outlays are not reported as expenses in the SOA.		4,468,736
Debt issuance amounts are resources in the fund, not in the SOA.		(4,500,000)
Depreciation of capital assets used in governmental activities is not reported in the funds.		(1,956)
Amortization of discounts on bonds is not reported in the fund.		(1,905)
Amortization of deferred outflows related to pensions is not reported in the fund.		(1,787)
Pension expense in the funds is deferred outflows or reduce pension liability in the SOA.		(3,177)
Net change in accrued interest is reported as an expense in the SOA.		779
Repayment of principal on bonds is not reported as financing use in the SOA.		135,000
Change in net assets of component unit-statement of activities	$	227,577

City of Donna, Texas
Balance Sheet
Development Corporation of Donna, Inc (4B)
Component Unit
September 30, 2016
Exhibit 10-C

Assets		
Cash and cash equivalents	$	325,353
Restricted cash and cash equivalents		373,496
Receivables, net		
Accounts		126,142
Loans		51,047
Due from primary government		55,888
Total Assets	$	931,925
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$	8,122
Unearned revenue		1,430
Accrued liabilities		32,825
Total Liabilities		42,377
Fund Balance		
Nonspendable - long-term receivables		51,047
Restricted for debt service		373,496
Unassigned		465,006
Total Fund Balance		889,548
Total Liabilities and Fund Balance	$	931,925

Reconciliation of Fund Balance Sheet to the Statement of Net Position

Total fund balance- component unit balance sheet	$	889,548
Amounts reported for component units in the statement of net position ("SNP") are differrent because		
Discounts on bonds are not reported in the fund.		50,299
Capital assets used in component unit activities are not reported in the fund.		242,976
Payables for accrued interest are not reported in the fund.		(25,560)
Pension liability is not reported in the fund		(15,399)
Deferred outflows related to pension liability are not reported in the fund		8,142
Bond debt principal remaining which is not due in the current period are not reported in the fund.		(3,605,000)
Net assets of component unit- statement of net position (deficit)	$	(2,454,994)

Statement of Revenues, Expenditures and Changes in Fund Balance
Development Corporation of Donna, Inc. (4B)
for the Year Ended Septemer 30, 2016

Exhibit 10-D

Revenues		
Sales taxes	$	707,797
Interest		2,241
Other revenues		50
Total Revenues		710,088
Expenditures		
Current		
Economic development		329,914
Capital outlay		244,188
Debt service		
Principal retirements		135,000
Interest and fiscal charges		159,450
Total Expenditures		868,552
Excess (Deficiency) of Revenues Over (under) Expenditures		(158,464)
Other Financing Sources (Uses)		
Transfers out		(140,000)
Total Other Financing Sources (Uses)		(140,000)
Net Change in Fund Balance		(298,464)
Fund Balance at Beginning of Year		1,188,012
Fund Balance at End of Year	$	889,548

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net change in fund balance- component unit	$	(298,464)
Amounts reported for component units in the statement of activities ("SOA") are different because		
Capital outlays are not reported as expenses in the SOA.		244,188
Amortization of discounts on bonds is not reported in the fund.		(2,794)
Amortization of deferred outflows related to pensions is not reported in the fund.		(1,787)
Depreciation of capital assets used in governmental activities is not reported in the funds.		(1,213)
Pension expense in the funds is deferred outflows or reduce pension liability in the SOA.		(3,177)
Net change in accrued interest is reported as an expense in the SOA.		723
Repayment of principal on bonds is not reported as financing use in the SOA.		135,000
Change in net assets of component unit-statement of activities	$	72,476

City of Donna, Texas
Balance Sheet
Tax Increment Reinvestment Zone Number Two
Component Unit
September 30, 2016
Exhibit 10-E

Assets		
Cash and cash equivalents	$	47,814
Receivables, net		
Accounts		30,451
Due from primary government		15,466
Total Assets	$	93,731
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$	10,000
Total Liabilities		10,000
Fund Balance		
Restricted for tax increment zone purposes		83,731
Total Fund Balance		83,731
Total Liabilities and Fund Balance	$	93,731

Reconciliation of Fund Balance Sheet to the Statement of Net Position

Total fund balance- component unit balance sheet	$	83,731
Amounts reported for component units in the statement of net position ("SNP") are differrent because		
Long-term payables not due in the current period are not reported in the fund.		(2,313,052)
Net assets of component unit- statement of net position (deficit)	$	(2,229,322)

City of Donna, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Tax Increment Reinvestment Zone Number Two
for the Year Ended September 30, 2016
Exhibit 10-F

Revenues	
Tax increment revenues	$ 38,594
Total Revenues	38,594
Expenditures	
Current	
Economic development	10,000
Total Expenditures	10,000
Net Change in Fund Balance	28,594
Fund Balance at Beginning of Year	55,136
Fund Balance at End of Year	$ 83,731

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net change in fund balance- component unit	$ 28,594
Change in net assets of component unit-statement of activities	$ 28,594

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OTHER SCHEDULES - UNAUDITED

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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, 2016. This financial information is also sent to the Electronic Municipal Market Access (EMMA) website, the official repository for information on municipal bonds.

Net Position by Component
Last Ten Fiscal Years

TABLE 1

	2007	2008	2009	2010
Governmental activities				
Net investments in capital assets	$ 17,737,205	$ 18,123,327	$ 19,030,800	$ 20,126,091
Restricted	1,406,278	1,800,502	2,062,762	2,143,596
Unrestricted	1,187,144	1,148,756	1,285,394	1,019,772
Total governmental activities net position	$ 20,330,627	$ 21,072,585	$ 22,378,956	$ 23,289,459
Business-type activities				
Net investments in capital assets	$ 16,828,094	$ 20,631,084	$ 23,273,380	$ 34,732,029
Restricted	3,323,881	3,197,793	3,793,066	3,583,175
Unrestricted	(60,419)	348,028	(1,041,856)	(8,572,995)
Total business-type activities net position	$ 20,091,556	$ 24,176,905	$ 26,024,590	$ 29,742,209
Primary government				
Net investments in capital assets	$ 34,565,299	$ 38,754,411	$ 42,304,180	$ 54,858,120
Restricted	4,730,159	4,998,295	5,855,828	5,726,771
Unrestricted	1,126,725	1,496,784	243,538	(7,553,223)
Total primary government activities net position	$ 40,422,183	$ 45,249,490	$ 48,403,546	$ 53,031,668

TABLE 1

2011	2012	2013	2014	2015	2016
$ 20,740,814	$ 22,322,916	$ 22,508,397	$ 24,260,086	$ 24,886,384	$ 25,485,725
2,172,676	2,861,266	2,786,431	3,439,698	5,481,325	5,720,759
1,556,572	1,425,585	2,485,784	2,921,896	839,100	1,680,992
$ 24,470,062	$ 26,609,767	$ 27,780,612	$ 30,621,680	$ 31,206,809	$ 32,887,476
$ 36,199,880	$ 37,284,859	$ 37,091,287	$ 36,537,530	$ 36,392,353	$ 34,591,149
2,938,719	2,149,273	2,370,963	2,710,237	3,143,902	9,674,905
(9,146,475)	(7,942,293)	(7,667,796)	(6,915,609)	(8,600,817)	(16,939,208)
$ 29,992,124	$ 31,491,839	$ 31,794,454	$ 32,332,158	$ 30,935,438	$ 27,326,846
$ 56,940,694	$ 59,607,775	$ 59,599,684	$ 60,797,616	$ 61,278,737	$ 60,076,874
5,111,395	5,010,539	5,157,394	6,149,935	8,625,227	15,395,664
(7,589,903)	(6,516,708)	(5,182,012)	(3,993,712)	(7,761,717)	(15,258,216)
$ 54,462,186	$ 58,101,606	$ 59,575,066	$ 62,953,839	$ 62,142,247	$ 60,214,322

City of Donna, Texas
Other Schedules - Unaudited
Changes in Net Position
Last Ten Years

TABLE 2

	2007	2008	2009	2010
EXPENSES				
Governmental activities				
General government	$ 911,943	$ 989,315	$ 981,874	$ 1,090,389
Public Safety	1,751,093	1,887,064	1,892,031	2,114,746
Public Works	1,051,501	1,155,302	1,216,881	1,313,233
Culture and recreation	449,060	548,678	513,119	513,191
Health and welfare	134,225	174,118	165,438	141,256
Economic development	3,737,303	494,580	14,100	-
Tourism development	26,015	25,375	13,961	17,500
Interest on long term debt	453,620	135,685	124,192	151,112
Total governmental activities expenses	8,514,760	5,410,117	4,921,596	5,341,427
Business-type activities				
Water and sewer	4,264,804	4,336,321	5,724,668	4,378,281
International Bridge		602,044	480,594	2,362,173
Donna International Bridge Corporation	5	7,500	20	-
Cemetery services	6,136	70,542	77,625	68,792
Total business-type activities	4,270,945	5,016,407	6,282,907	6,809,246
Total Primary government expenses	$ 12,785,705	$ 10,426,524	$ 11,204,502	$ 12,150,674
PROGRAM REVENUES				
Governmental activities				
Charges for services				
General government	$ 270,380	$ 406,248	$ 289,189	$ 232,167
Public Safety	180,693	220,660	232,509	189,542
Public Works	670,703	791,240	785,496	898,315
Culture and recreation	47,794	46,774	61,989	62,797
Health and welfare	34,492	28,576	46,057	29,343
Economic development	-	-	-	-
Tourism development	-	-	-	-
Interest on Long Term Debt	-	-	-	-
Operating grants and contributions	167,439	293,720	212,348	351,889
Capital grants and contributions	3,947,116	644,630	737,549	766,265
Total governmental activities program revenues	5,318,617	2,431,848	2,365,137	2,530,318
Business-type activities				
Charges for services				
Water and sewer	4,011,286	4,702,864	5,029,666	4,527,957
International Bridge	-	-	-	-
Donna International Bridge Corporation	-	-	-	-
Cemetery services	24,525	25,500	29,650	25,049
Operating grants and contributions	297,220	-	-	-
Capital grants and contributions	1,044,193	2,478,734	2,041,473	5,225,947
Total business-type activities program revenues	5,377,224	7,207,098	7,100,789	9,778,953
Total primary government program revenues	$ 10,695,841	$ 9,638,946	$ 9,465,926	$ 12,309,271

TABLE 2

	2011	2012	2013	2014	2015	2016
	$ 977,799	$ 1,083,063	$ 1,150,560	$ 1,395,999	$ 2,423,156	$ 2,973,410
	1,895,532	1,847,489	1,956,753	2,251,531	2,675,445	2,936,275
	1,312,661	1,391,738	1,459,303	1,769,246	2,276,526	2,202,414
	515,698	519,826	591,910	585,057	723,354	840,311
	162,383	217,651	155,716	238,260	231,283	279,247
	86,969	144,809	-	9,715	9,000	632,000
	18,487	17,598	75,771	236,107	231,556	207,043
	142,597	73,071	124,785	113,604	117,228	1,189,004
	5,112,126	5,295,245	5,514,799	6,599,519	8,687,548	11,259,704
	4,731,955	5,005,481	5,148,958	5,160,233	5,806,462	5,764,408
	3,029,406	3,551,342	3,568,683	3,851,680	4,488,981	3,589,093
	-	-	-	-	-	-
	70,696	-	-	-	-	-
	7,832,057	8,556,824	8,717,642	9,011,913	10,295,443	9,353,501
	$ 12,944,183	$ 13,852,068	$ 14,232,440	$ 15,611,432	$ 18,982,991	$ 20,613,205
	$ 184,365	$ 197,791	$ 225,776	$ 315,141	$ 1,065,606	$ 867,737
	269,610	268,301	229,304	241,697	346,296	308,271
	913,022	945,531	980,066	1,004,919	1,020,698	1,023,099
	55,517	60,926	29,700	28,292	60,321	44,927
	52,053	29,673	37,179	59,858	52,586	56,099
	-	-	-	13,669	-	-
	-	-	-	-	-	-
	-	-	-	-	254,763	255,756
	396,884	312,700	88,950	664,438	-	-
	188,049	976,729	-	1,267,992	-	-
	2,059,499	2,791,650	1,590,975	3,596,005	2,800,270	2,555,889
	4,879,568	5,451,758	5,573,405	5,236,681	5,045,190	5,054,315
	656,386	1,148,628	1,370,490	1,670,603	1,734,996	1,980,468
	-	-	-	-	-	-
	19,250	-	-	-	-	-
	-	-	-	153,115	-	753,684
	1,021,106	1,941,851	127,000	1,518,832	432,157	-
	6,576,310	8,542,237	7,070,895	8,579,231	7,212,344	7,788,467
	$ 8,635,809	$ 11,333,887	$ 8,661,870	$ 12,175,236	$ 10,012,614	$ 10,344,356

Changes in Net Position
Last Ten Years

TABLE 2

	2007	2008	2009	2010
NET (EXPENSES)/PROGRAM REVENUES				
Governmental activities	$ (3,196,143)	$ (2,978,269)	$ (2,556,460)	$ (2,811,109)
Business-type activities	1,051,049	2,190,691	817,882	2,969,707
Total primary government net expenses	$ (2,145,094)	$ (787,578)	$ (1,738,578)	$ 158,598
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
GOVERNMENTAL ACTIVITIES				
Taxes				
Property taxes general purposes	$ 3,120,946	$ 3,220,106	$ 3,427,368	$ 3,632,590
Sales taxes	803,161	783,195	772,619	749,462
Franchises taxes	597,472	645,001	664,341	655,780
Hotel occupancy tax	78,236	79,653	77,183	86,710
Investment earnings	109,504	83,147	23,559	9,632
Miscellaneous	39,771	21,042	19,977	18,715
Special item	2,000,309	-	-	-
Transfers	227,998	(1,227,733)	(1,122,217)	(1,431,276)
Total governmental activities	6,977,397	3,604,411	3,862,830	3,721,611
Business type activities				
Investment earnings	315,895	722,186	389,707	85,211
Miscellaneous	2,263	3,169	11,296	8,685
Special items	(1,524,150)	-	(192,074)	-
Transfers	(227,998)	1,227,733	1,122,217	1,431,276
Total business -type activities	(1,433,990)	1,953,088	1,331,146	1,525,172
Total primary government	$ 5,543,407	$ 5,557,499	$ 5,193,976	$ 5,246,783
CHANGES IN NET POSITION				
Governmental activities	$ 3,781,254	$ 626,142	$ 1,306,370	$ 910,502
Business- type activities	(382,941)	4,143,779	2,149,028	4,494,879
Total primary government	$ 3,398,313	$ 4,769,921	$ 3,455,399	$ 5,405,382

TABLE 2

2011	2012	2013	2014	2015	2016
$ (3,052,627)	$ (2,503,595)	$ (3,923,824)	$ (3,003,514)	$ (5,887,278)	$ (8,703,815)
(1,255,747)	(14,587)	(1,646,747)	(432,682)	(3,083,099)	(1,565,034)
$ (4,308,375)	$ (2,518,182)	$ (5,570,571)	$ (3,436,198)	$ (8,970,379)	$ (10,268,849)
$ 4,030,202	$ 4,390,543	$ 5,038,673	$ 5,442,523	$ 5,574,392	$ 5,338,779
819,491	865,983	999,188	1,052,265	1,252,446	1,415,593
674,619	731,064	751,686	762,260	775,496	908,670
99,331	108,290	115,573	127,324	119,071	139,300
7,776	8,245	6,027	3,893	3,994	12,338
42,008	43,218	125,706	579,510	87,101	192,322
-	-	-	-	-	-
(1,440,198)	(1,504,045)	(1,942,184)	(2,094,974)	(1,610,089)	2,377,478
4,233,229	4,643,298	5,094,670	5,872,801	6,202,410	10,384,480
36,039	10,256	7,178	12,570	21,157	53,920
29,427	-	-	1,292	26,589	-
-	-	-	-	-	-
1,440,198	1,504,045	1,942,184	2,094,974	1,610,089	(2,097,478)
1,505,664	1,514,301	1,949,362	2,108,836	1,657,835	(2,043,558)
$ 5,738,893	$ 6,157,598	$ 7,044,032	$ 7,981,637	$ 7,860,245	$ 8,340,922
$ 1,180,602	$ 2,139,703	$ 1,170,846	$ 2,869,287	$ 315,132	$ 1,680,665
249,917	1,499,714	302,615	1,676,154	(1,425,266)	(3,608,594)
$ 1,430,518	$ 3,639,417	$ 1,473,461	$ 4,545,439	$ (1,110,133)	$ (1,927,929)

City of Donna, Texas
Other Schedules - Unaudited
Changes in Fund Balance - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE 3

	2007	2008	2009	2010
Revenues				
Taxes	$ 4,479,848	$ 4,642,278	$ 4,876,110	$ 4,984,238
Licenses and permits	70,282	84,745	96,836	83,718
Charges for services	976,311	1,294,570	1,175,721	1,211,047
Fines and forfeitures	157,469	114,183	142,683	110,400
Intergovernmental	4,304,269	947,340	663,669	910,088
Investment earnings	109,504	83,148	23,559	9,632
Other	51,882	34,953	20,517	27,196
Total revenues	10,149,565	7,201,217	6,999,095	7,336,319
Expenditures				
General government	905,680	989,315	977,165	1,069,874
Public safety	1,830,250	1,872,309	1,959,490	2,271,697
Public works	1,073,277	1,155,302	1,215,055	1,790,994
Culture and recreation	479,708	548,678	697,561	512,410
Health and welfare	134,225	174,118	164,861	143,771
Economic development	3,737,303	494,580	14,100	-
Tourism development	26,015	25,375	13,961	17,500
Capital outlay	374,551	22,901	24,852	-
Debt service:				
Principal	639,858	368,462	370,806	402,632
Interest	318,273	135,011	117,267	184,689
Issuance charges	-	-	-	-
Total expenditures	9,519,140	5,786,051	5,555,117	6,393,566
Excess of revenues over (under) expenditures	630,425	1,415,166	1,443,978	942,754
Other Financing Sources (Uses)				
Transfers in	1,110,047	231,348	424,560	232,946
Transfers out	(882,057)	(1,459,081)	(1,546,777)	(1,664,223)
Bond proceeds	-	-	-	1,537,279
Lease/Loan proceeds	7,335		26,293	137,317
Other	-	-	-	-
Total other financing sources (uses)	235,325	(1,227,733)	(1,095,924)	243,319
Net change in fund balances	$ 865,750	$ 187,433	$ 348,054	$ 1,186,073
Debt service as a percentage of noncapital expenditures	17.80%	9.60%	8.87%	9.21%

Source: Annual Financial Reports

TABLE 3

2011	2012	2013	2014	2015	2016
$ 5,487,950	$ 6,021,470	$ 6,809,260	$ 7,332,268	$ 7,885,911	$ 7,854,097
101,415	123,623	134,634	165,471	134,150	123,668
1,256,644	1,271,315	1,269,626	1,308,877	1,427,198	1,717,025
109,994	97,283	98,188	175,558	137,876	197,220
564,082	478,287	320,909	377,508	1,055,328	462,983
7,776	8,245	6,027	3,893	3,994	12,338
53,971	55,502	137,014	335,480	137,820	170,719
7,581,832	8,055,726	8,775,658	9,699,056	10,782,277	10,538,050
1,010,748	1,083,183	1,209,763	1,414,959	2,542,486	2,093,850
1,905,641	1,873,037	2,119,400	2,357,686	2,800,668	3,028,591
1,472,449	1,412,629	1,523,106	1,685,840	2,151,430	2,033,080
516,101	535,166	646,579	631,467	785,679	808,693
160,389	217,651	164,762	238,260	250,941	279,247
86,969	144,809	-	-	-	-
18,487	17,598	75,771	306,797	231,556	532,522
-	605,493	838,933	117,424	2,624,627	2,318,183
451,819	629,765	394,091	454,184	473,227	552,616
147,534	136,765	97,824	86,879	272,411	1,160,861
-	-	-	-	-	
5,770,136	6,656,095	7,070,228	7,293,496	12,133,025	12,807,643
1,811,696	1,399,631	1,705,430	2,405,560	(1,350,748)	(2,269,593)
171,235	285,288	269,558	291,193	256,393	3,296,932
(1,611,433)	(1,808,499)	(2,084,532)	(2,386,167)	(1,866,482)	(919,454)
-	1,260,600	-	-	4,875,401	-
42,812	-	351,753	-	760,000	-
-	(1,228,516)	-	544,628	-	-
(1,397,386)	(1,491,127)	(1,463,222)	(1,550,346)	4,025,312	2,377,478
$ 414,310	$ (91,496)	$ 242,208	$ 855,214	$ 2,674,564	$ 107,885
10.58%	13.02%	7.99%	7.88%	8.04%	17.21%

Fund Balances - Governemental Funds
Last Ten Years
(Modified Basis of Accounting)

TABLE 4

	2007	2008	2009	2010
General Fund				
Reserved	$ 2,583	$ 8,228	$ -	$ 2,106
Unreserved	518,373	708,872	871,372	601,463
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$ 520,956	$ 717,100	$ 871,372	$ 603,569
All Other Governmental Funds				
Reserved, reported in : special revenue funds	$ 1,362,560	$ 1,349,959	$ 1,471,350	$ 2,848,694
Unreserved, reported in: special revenue funds	38,662	42,552	106,384	182,917
Restricted, reported in special revenue funds and debt service fund	-	-	-	-
Restricted, reported in capital project and special revenue funds	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	$ 1,401,222	$ 1,392,511	$ 1,577,734	$ 3,031,611

Note: The City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" fiscal year 2011.

TABLE 4

2011	2012	2013	2014	2015	2016
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	592,346	336,460	170,620	170,460	4,285
-	-	-	-	-	-
-	-	-	-	-	-
934,350	874,428	1,893,052	2,349,252	2,636,498	2,590,168
$ 934,350	$ 1,466,774	$ 2,229,512	$ 2,519,871	$ 2,806,958	$ 2,594,453
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
1,587,145	1,674,015	1,793,223	2,441,399	2,765,496	3,330,063
1,527,995	817,205	177,467	94,146	2,157,526	2,064,395
-	-	-	-	-	(151,047)
$ 3,115,140	$ 2,491,220	$ 1,970,690	$ 2,535,545	$ 4,923,022	$ 5,243,412

Government - Wide Expenses by Function
Last Ten Fiscal Years

TABLE 5

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Public Health and Welfare	Economic Development
2007	$ 911,943	$ 1,751,093	$ 1,051,501	$ 449,060	$ 134,225	$ 3,737,303
2008	989,315	1,887,064	1,155,302	548,678	174,118	494,580
2009	981,874	1,892,031	1,216,881	513,119	165,438	14,100
2010	1,090,389	2,114,746	1,313,233	513,191	141,256	-
2011	977,799	1,895,532	1,312,662	515,698	162,383	(27,000)
2012	1,083,063	1,847,489	1,391,738	519,826	217,651	144,809
2013	1,150,560	1,956,753	1,459,303	591,910	155,716	-
2014	1,395,999	2,251,531	1,769,246	585,057	238,260	9,715
2015	2,423,156	2,675,445	2,276,526	723,354	231,283	9,000
2016	2,973,410	2,936,275	2,202,414	840,311	279,247	632,000

TABLE 5

Tourism Development	Interest on Long-Term Debt	Water and Sewer	City International Bridge Fund	Donna International Bridge Corporation	Cemetery	Totals
$ 26,015	$ 453,620	$ 4,264,804	$ -	$ 5	$ 61,366	$ 12,840,935
25,375	135,685	4,336,321	602,044	7,500	70,542	10,426,524
13,961	124,192	5,724,668	480,594	20	77,625	11,204,503
17,500	151,112	4,378,282	2,362,173	-	68,792	12,150,674
18,487	144,374	4,731,955	3,029,406	-	70,696	12,831,992
17,598	73,071	5,005,481	3,551,342	-	-	13,852,068
75,771	124,785	5,148,958	3,568,683	-	-	14,232,439
236,107	113,604	5,160,233	3,851,680	-	-	15,611,433
231,556	117,228	5,806,462	4,488,981	-	-	18,982,991
207,043	1,189,004	5,764,408	3,589,093	-	-	20,613,205

Government - Wide Revenues
Last Ten Fiscal Years

TABLE 6

	Program Revenues			General Revenues				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Interest	Miscellaneous	Special Item	Totals
2007	$ 5,239,873	$ 464,659	$ 4,991,309	$ 4,599,815	$ 425,399	$ 42,034	$ 476,159	$ 16,239,248
2008	6,221,862	293,720	3,123,364	4,727,955	805,333	24,211	-	15,196,445
2009	6,474,556	212,348	2,779,022	4,941,511	413,266	31,273	(192,074)	14,659,902
2010	5,965,172	351,889	5,992,213	5,124,542	94,843	27,400	-	17,556,059
2011	7,029,771	396,884	1,209,155	5,623,643	43,814	71,435	-	14,374,702
2012	8,102,608	312,700	2,918,580	6,095,880	18,501	43,218	-	17,491,487
2013	8,445,921	88,950	127,000	6,905,120	13,205	125,706	-	15,705,902
2014	8,570,860	817,553	2,786,824	7,384,372	16,463	580,802	-	20,156,874
2015	9,155,567	424,890	432,157	7,721,405	25,151	113,690	-	17,872,860
2016	9,120,940	469,733	753,684	7,802,342	66,258	192,322	-	18,405,279

General Fund Revenues by Source
Last Ten Fiscal Years

TABLE 7

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental Revenues	Charges for Services	Fines and Forfeitures	Interest and Other	Totals (Excluding Other Sources)
2007	$ 3,235,365	$ 70,282	$ 3,847,188	$ 912,318	$ 152,733	$ 84,792	$ 8,302,678
2008	3,327,974	84,745	607,904	1,229,875	113,433	55,630	5,419,561
2009	3,472,034	96,836	182,660	1,111,621	138,660	22,018	5,023,829
2010	3,551,743	83,718	677,142	1,141,676	110,081	18,898	5,583,258
2011	3,852,989	101,415	326,847	1,189,906	105,244	48,943	5,625,344
2012	4,036,307	123,623	241,369	1,204,455	97,283	46,085	5,749,122
2013	4,533,880	134,634	77,183	1,199,578	92,765	126,798	6,164,838
2014	4,953,773	165,471	130,074	1,238,179	175,558	36,132	6,699,187
2015	5,648,581	134,150	800,564	1,355,187	137,876	93,491	8,169,849
2016	6,472,993	123,668	199,890	1,646,066	190,470	112,917	8,746,005

General Fund Expenditures by Function
Last Ten Fiscal Years

TABLE 8

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Public Health	Economic Development	Debt Service	Totals
2007	$ 904,889	$ 1,700,035	$ 1,073,277	$ 470,332	$ 123,875	$ 3,737,303	$ 46,143	$ 8,055,854
2008	988,942	1,868,023	1,155,302	518,850	119,950	494,580	26,479	5,172,126
2009	974,982	1,957,380	1,215,055	498,168	139,375	14,100	29,712	4,828,772
2010	1,069,874	2,271,697	1,790,994	512,410	143,771	-	72,440	5,861,186
2011	1,010,748	1,905,641	1,472,449	516,101	160,389	86,969	66,414	5,218,711
2012	1,078,438	1,873,037	1,412,629	535,166	217,651	75,000	67,845	5,259,766
2013	1,209,763	2,119,400	1,523,106	646,579	164,762	-	64,410	5,728,020
2014	1,405,244	2,357,686	1,685,840	631,467	238,260	-	135,776	6,454,273
2015	2,533,486	2,800,668	2,151,430	785,679	250,941	-	122,187	8,644,393
2016	2,030,020	3,028,591	2,033,080	808,693	279,247	-	185,179	8,364,812

Water and Sewer Fund Revenue by Source
Last Ten Fiscal Years

TABLE 9

Fiscal Year	Water Sales	Sewer Sales	Penalties	Provision for Bad Debt	Other Service Charges	Interest/ Capital/ Other	Transfers In	Totals
2007	$ 2,228,945	$ 1,558,480	$ 124,155	$ (38,146)	$ 137,852	$ 1,098,989	$ 23,972	$ 5,134,247
2008	2,707,828	1,821,315	154,387	(38,049)	57,383	2,603,175	400	7,306,439
2009	2,873,005	2,000,240	150,399	(45,551)	51,573	2,094,327	-	7,123,993
2010	2,472,028	1,936,599	146,411	(32,173)	63,346	35,365	8,688,732	13,310,308
2011	2,642,087	2,090,514	150,781	(56,190)	52,375	17,432	4,832,002	9,729,001
2012	3,121,738	2,100,585	168,625	(47,666)	91,761	1,847,951	39,421	7,322,415
2013	3,100,797	2,196,913	184,925	(15,010)	105,780	82,089	-	5,655,494
2014	2,875,418	2,136,133	185,096	(35,088)	76,503	1,364,711	-	6,602,772
2015	2,763,986	1,951,688	172,605	(27,001)	183,911	47,746	-	5,092,936
2016	2,795,157	1,965,695	162,657	(86,632)	217,438	265,909	-	5,320,224

Water and Sewer Fund Expenses by Function and Transfers Out
Last Ten Fiscal Years

TABLE 10

Fiscal Year	Water Distribution	Sewer Collection	Sewer Treatment	Water/Sewer Operations	Water/Supply and Treatment	Engineering Services
2007	$ 137,062	$ 198,981	$ 388,581	$ 201,482	$ 349,794	$ 15,041
2008	46,326	77,606	412,581	236,204	373,019	8,400
2009	36,893	72,797	473,255	184,816	498,168	17,550
2010	7,718	69,573	320,118	249,784	382,669	8,911
2011	11,925	112,108	267,055	266,037	393,276	12,576
2012	102,610	126,379	282,718	301,007	418,909	15,000
2013	88,196	84,797	277,481	211,897	409,672	15,000
2014	42,407	131,247	293,199	210,521	416,498	15,000
2015	36,593	160,441	316,077	777,330	523,488	-
2016	420,779	476,074	567,204	781,037	866,057	-

TABLE 10

Administrative	Water/Sewer Operations Contractor	Debt Interest and Fees	Fees for Capital Contributions	Depreciation and Amortization	Transfers Out	Totals
$ 411,757	$ 1,363,047	$ 446,925	$ -	$ 752,134	$ 315,000	$ 4,579,804
485,419	1,601,873	329,096	235,434	831,706	-	4,637,664
418,866	1,730,022	359,898	1,145,331	787,071	194,856	5,919,523
400,126	1,762,784	301,336	124,700	875,262	-	4,502,981
255,558	1,842,431	368,003	27,257	1,202,986	-	4,759,212
365,150	1,592,264	395,275	-	1,406,172	-	5,005,484
491,042	1,670,060	404,687	-	1,496,126	403,500	5,552,458
463,055	1,721,967	391,699	-	1,474,641	-	5,160,233
213,484	1,831,144	384,453	-	1,563,451	-	5,806,462
494,397	-	397,004	-	1,579,956	1,000,000	6,582,508

Property Taxes and Assessed Values
Last Ten Fiscal Years

TABLE 11

Fiscal Year	Tax Levy Year	General Fund	Debt Service Fund	Total	Assessed Values
2007	2006	0.589760	0.400239	0.989999	$ 278,379,965
2008	2007	0.589805	0.400194	0.989999	307,899,033
2009	2008	0.589805	0.400194	0.989999	336,306,436
2010	2009	0.638126	0.400194	1.038320	338,951,607
2011	2010	0.674052	0.451927	1.125979	336,002,503
2012	2011	0.706169	0.546207	1.252376	338,446,278
2012	2011	0.706169	0.546207	1.252376	341,431,546
2013	2012	0.706169	0.546207	1.252376	379,330,947
2014	2013	0.734764	0.517612	1.252376	419,514,607
2015	2014	0.762395	0.380026	1.142421	440,108,919
2016	2015	0.791292	0.191536	0.982828	499,942,898

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

TABLE 12

	City Of Donna			Overlapping Rates					
Fiscal Year	General Fund	Debt Service Fund	Total	Hidalgo County Tax Rate	Donna ISD Tax Rate	Hidalgo County Drainage Dist. No 1 Tax Rate	Donna Irrigation Dist. No 1 Tax Rate	South Texas CCD Tax Rate	Total Direct & OVLP Rates
2007	0.589760	0.400239	0.989999	0.5900	1.53000	0.04130	0.21000	0.15480	3.516099
2008	0.589805	0.400194	0.989999	0.5900	1.20000	0.04920	0.21000	0.15400	3.193199
2009	0.589805	0.400194	0.989999	0.5900	1.20000	0.07000	0.21000	0.14980	3.209799
2010	0.638126	0.400194	1.038320	0.5900	1.17790	0.07250	0.21000	0.14910	3.237820
2011	0.674052	0.451927	1.125979	0.5900	1.25820	0.07250	0.21000	0.14970	3.406379
2012	0.706169	0.546207	1.252376	0.5900	1.25820	0.07330	0.21000	0.15070	3.534576
2013	0.706169	0.546207	1.252376	0.5900	1.25820	0.07500	0.21000	0.15070	3.536276
2014	0.734764	0.517612	1.252376	0.5900	1.25820	0.09570	0.21000	0.15000	3.556276
2015	0.762395	0.380026	1.142421	0.5900	1.25820	0.09570	0.21000	0.18500	3.481321
2016	0.791292	0.191536	0.982828	0.5900	1.25820	0.09510	0.21000	0.18500	3.321128

City of Donna, Texas
Other Schedules - Unaudited
Schedule of Insurance In-Force
September 30, 2016

TABLE 13

Type of coverage	Insurer	Policy Number	Policy Period From	To
Real and Personal Property	Texas Municipal League Intergovernmental Risk Pool (TML-IRP)	9424	10/01/15	09/30/16
General Liability	TML-IRP	9424	10/01/15	09/30/16
Errors and Omissions	TML-IRP	9424	10/01/15	09/30/16
Automobile Liability	TML-IRP	9424	10/01/15	09/30/16
Automobile Physical Damage	TML-IRP	9424	10/01/15	09/30/16
Mobile Equipment	TML-IRP	9424	10/01/15	09/30/16
Boiler & Machinery	TML-IRP	9424	10/01/15	09/30/16
Workers' Compensation	TML-IRP	9424	10/01/15	09/30/16
Law Enforcement Liability	TML-IRP	9424	10/01/15	09/30/16
Public Employee Dishonesty	TML-IRP	9424	10/01/15	09/30/16
Forgery or Alteration	TML-IRP	9424	10/01/15	09/30/16
Computer Fraud	TML-IRP	9424	10/01/15	09/30/16
Tax Assessor /Collector Surety Bond	Hartford Casualty Ins Co	61BSBBX5218	10/01/15	09/30/16

TABLE 13

Details and Coverage	Per Occur Liability Limits	Annual Premium
Fire, windstorm, valuable papers, accounts receivable, data processing equipment	$ 26,036,968	$ 57,355
General, products, personal	1,000,000	5,131
Public officials and employee liability, claims made	1,000,000	9,360
All owned and leased vehicles	1,000,000	33,656
Schedule of vehicles	1,000,000	19,323
Schedule of Mobile equipment	965,244	3,709
Replacement cost	100,000	1,000
Includes volunteer firemen	N/A	122,985
Law enforcement liability	1,000,000	22,163
Public officials and employee dishonesty, claims made	100,000	1,407
Loss resulting from forgery or alteration of covered documents	100,000	161
Loss of money, securities and property	100,000	124
Employee Dishonesty	250,000	1,000
		$ 277,374

Note 1: Liability Insurance Annual Aggregate $1,000,000.00

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Valuation, Exemption and Debt Obligations

TABLE 14

2016 Market Valuation Established by Hidalgo County Appraisal District (1)	$	688,846,571	
Less Exemptions/Reductions at 100% Market Value:			
Over 65 and Disabled		3,756,543	
Disabled Veterans Exemptions		3,379,473	
Productivity Loss		34,029,968	
Abatement Value Loss		544,823	
Exempt Property		142,080,306	
CHODO (Partial)		1,567,302	
Charitable		83,138	
Value Loss to 10% Cap		3,462,120	
		188,903,673	
2016 Net Taxable Assessed Valuation	$	499,942,898	
General Obligation Debt Payable from Ad Valorem Taxes			
(as of September 30, 2016)			
Combination Tax and Revenue Certificates of Obligation, Series 2009		4,455,000	
Limited Tax Refunding Bonds, Series 2012		4,775,000	
2014 Tax Notes		1,010,000	
2015 Certificate of Obligations		4,065,000	
2016 Certificates of Obligation		6,000,000	
Combination Tax and Int'l Toll Bridge Certificates of Obligation, Series 2016		27,485,000	
Funded Debt Payable from Ad Valorem Taxes	$	47,790,000	
Less: Self-supporting Debt			
Combination Tax and Int'l Toll Bridge Certificates of Obligation, Series 2016 (5)		27,485,000	
Combination Tax and Revenue Certificates of Obligation, Series 2009 (4)		4,455,000	
Limited Tax Refunding Bonds, Series 2012 (4)		3,514,400	
2016 Certificates of Oligation		6,000,000	
2014 Tax Notes		646,400	
		42,100,800	
Net Funded Debt Payable from Ad Valorem Taxes	$	5,689,200	
Interest and Sinking Fund Balance (as of September 30, 2016)	$	2,734,765	(3)
Ratio Funded Debt to Net Taxable Assessed Valuation		9.56%	

2016 Estimated Population - 27,528
Per Capita Taxable Assessed Valuation - $18,161
Per Capita Funded Debt - $1,736

(1) Preliminary values, subject to change. Texas Comptroller of Public Accounts, Property Tax Division.
(2) This is 79% of the project costs that are HUD CDBG eligible. The City supports the other 21% of debt service with ad valorem taxes.
(3) City of Donna, Texas
(4) This amount is self-supporting debt of the Water and Sewer Fund.
(5) The toll bridge is open to passenger vehicle traffic only. The projection of the percentage allocations of total POV traffic in the Traffic Engineering Study report, when applied to the current POV traffic crossings, seems to project that the 2007 Bonds for the toll bridge will eventually become half self supporting. The City will continue to seek a financial commitment from the U.S. Government to construct and operate facilities to accommodate commercial traffic at the international bridge, since the eventual self support of the 2007 Bonds is dependent on this. At this time the City's general government Debt Service Fund is supporting the 2007 Bonds.

Taxable Assessed Valuation by Category
For Fiscal Year Ended September 30,

TABLE 15

Category	2016 Amount	2016 % of Total	2015 (1) Amount	2015 % of Total	2014 (1) Amount	2014 % of Total	2013 (1) Amount	2013 % of Total
Real, Residential, Single-Family	263,974,593	38.32%	$ 232,715,920	37.66%	$ 226,023,847	38.29%	$ 201,742,850	37.18%
Real, Residential, Multi-Family	16,745,089	2.43%	15,553,440	2.52%	13,158,922	2.23%	23,090,738	4.26%
Real, Vacant Lots/Tracts	34,078,081	4.95%	28,894,099	4.68%	27,078,216	4.59%	23,364,004	4.31%
Real, Acreage (Land Only)	35,302,387	5.12%	29,269,963	4.74%	29,558,232	5.01%	28,478,703	5.25%
Real, Farm and Ranch Improvements	3,810,198	0.55%	1,725,635	0.28%	2,823,281	0.48%	1,784,229	0.33%
Real, Commercial	114,814,401	16.67%	97,476,460	15.77%	89,881,308	15.22%	82,050,572	15.12%
Real, Industrial	6,406,260	0.93%	5,320,988	0.86%	6,957,060	1.18%	6,633,333	1.22%
Vehicles	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	9,602,363	1.39%	9,068,913	1.47%	7,357,074	1.25%	6,194,219	1.14%
Tangible Personal, Commercial	33,660,310	4.89%	32,060,521	5.19%	30,615,834	5.19%	22,411,992	4.13%
Tangible Personal, Industrial	3,756,615	0.55%	4,021,892	0.65%	3,741,642	0.63%	2,914,628	0.54%
Tangible Personal, Mobile Homes	17,228,199	2.50%	17,260,965	2.79%	13,319,570	2.26%	12,393,515	2.28%
Tangible Personal, Other	-	0.00%	261,069	0.04%	-	0.00%	216,027	0.04%
Residential Inventory	959,510	0.14%	1,418,732	0.23%	1,323,011	0.22%	1,802,726	0.33%
Special Inventory	4,777,819	0.69%	3,957,785	0.64%	3,028,712	0.51%	1,910,198	0.35%
Total Exempt Property	143,730,746	20.87%	139,013,094	22.49%	135,496,610	22.95%	127,570,687	23.51%
Total Appraised Value Before Exemptioı	688,846,571	100%	618,019,474	100%	590,363,319	100%	542,558,421	100%
Less: Total Exemptions/Reductions	(188,903,673)		(177,910,555)		(170,848,721)		(163,227,474)	
Taxable Assessed Valuation	$ 499,942,898		$ 440,108,919		$ 419,514,598		$ 379,330,947	

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

Sources: City of Donna Property Tax Department

10 year data to be provided in this schedule. However, until a full 10 year trend is compiled, this schedule provides the information for those years for which information is available.

TABLE 15

2012		2011		2010		2009		2008	
(1) Amount	% of Total	(1) Amount	% of Total	(1) Amount	% of Total	(1) Amount	% of Total	(1) Amount	% of Total
$ 186,098,019	37.68%	180,062,623	49.82%	$ 183,631,647	51.37%	$ 185,262,397	51.95%	$ 174,981,388	54.27%
12,003,448	2.43%	11,302,919	3.13%	11,180,787	3.13%	12,044,952	3.38%	11,573,572	3.59%
18,252,276	3.70%	19,963,067	5.52%	22,371,971	6.26%	22,894,057	6.42%	17,291,693	5.36%
22,912,459	4.64%	20,477,633	5.67%	13,299,889	3.72%	11,874,932	3.33%	6,741,597	2.09%
1,434,091	0.29%	1,926,532	0.53%	1,810,497	0.51%	1,715,479	0.48%	1,560,995	0.48%
74,435,684	15.07%	69,816,793	19.32%	70,074,113	19.60%	67,586,895	18.95%	53,349,191	16.55%
4,886,074	0.99%	5,998,498	1.66%	6,238,758	1.75%	6,072,271	1.70%	5,624,882	1.74%
-	0.00%	7,579,819	2.10%	-	0.00%	-	0.00%	-	0.00%
6,631,484	1.34%	23,668,277	6.55%	8,252,576	2.31%	8,626,804	2.42%	8,990,799	2.79%
22,022,328	4.46%	3,939,854	1.09%	20,881,471	5.84%	20,771,398	5.82%	21,661,139	6.72%
3,091,604	0.63%	11,689,076	3.23%	4,119,225	1.15%	2,557,213	0.72%	3,682,980	1.14%
12,112,850	2.45%	3,229,948	0.89%	11,246,313	3.15%	12,415,278	3.48%	10,553,209	3.27%
-	0.00%	-	0.00%	1,643,375	0.46%	1,703,186	0.48%	3,120,849	0.97%
2,147,083	0.43%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
1,710,153	0.35%	1,806,793	0.50%	2,699,693	0.76%	3,125,324	0.88%	3,314,514	1.03%
126,164,888	25.54%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
493,902,441	100%	361,461,832	100%	357,450,315	100%	356,650,186	100%	322,446,808	100%
(152,470,895)		(25,459,329)		(18,498,708)		(20,343,720)		(14,547,775)	
$ 341,431,546		$ 336,002,503		$ 338,951,607		$ 336,306,466		$ 307,899,033	

Valuation and Funded Debt History

TABLE 16

Fiscal Year	Tax Year	Estimated Population	Taxable Assessed Valuation (1)	Per Capita Taxable Assessed Valuation	Gross Funded Tax Debt	Ratio Funded Debt to Taxable Assessed Valuation	Gross Per Capita Funded Tax Debt
2007	2006	16,449	$ 278,379,965	$ 16,924	$ 14,374,999	5.16%	$ 874
2008	2007	16,925	307,899,033	18,192	12,655,000	4.11%	748
2009	2008	17,415	336,306,436	19,311	40,170,000	11.94%	2,307
2010	2009	17,902	338,951,607	18,934	46,605,000	13.75%	2,603
2011	2010	17,902	336,002,503	18,769	45,410,000	13.51%	2,537
2012	2011	15,798	341,431,546	21,612	44,125,000	12.92%	2,793
2013	2012	25,100	379,330,947	15,113	42,600,000	11.23%	1,697
2014	2013	26,600	419,514,607	15,771	41,590,000	9.91%	1,564
2015	2014	27,528	440,108,919	15,988	44,645,000	10.14%	1,622
2016	2015	27,528	499,942,898	18,161	47,790,000	9.56%	1,736

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

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

Sources: City of Donna Property Tax Division

Tax Rate, Levy & Collections History

TABLE 17

Fiscal Year Ending	Tax Year	General Fund	Debt Service	Total Tax Rate	Tax Levy (1)	% Current Collections	% Total Collections
2007	2006	0.589760	0.400239	0.989999	$ 2,755,959	87.31%	108.95%
2008	2007	0.589805	0.400194	0.989999	3,048,197	87.17%	104.90%
2009	2008	0.589805	0.400194	0.989999	3,307,162	89.30%	107.46%
2010	2009	0.638126	0.400194	1.038320	3,472,824	87.00%	103.00%
2011	2010	0.674052	0.451927	1.125979	3,778,152	88.00%	104.00%
2012	2011	0.706169	0.546207	1.252376	3,720,197	88.00%	102.00%
2013	2012	0.706169	0.546207	1.252376	4,750,650	90.00%	109.00%
2014	2013	0.762395	0.380026	1.252376	5,253,900	89.00%	106.00%
2015	2014	0.762395	0.380026	1.142421	5,027,897	95.00%	116.00%
2016	2015	0.791292	0.191536	0.982828	4,913,579	92.00%	112.00%

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

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

Principal Taxpayers
September 30,

TABLE 18

	2016			2007		
Taxpayer	**Taxable Assessed Valuation**	**Ranked**	**% of Taxable Assessed Valuation**	**Taxable Assessed Valuation**	**Ranked**	**% of Taxable Assessed Valuation**
Wal-Mart Real Estate	$ 14,268,191	1	3.24%			
MCH Victoria Palms, LLC	10,012,500	2	2.28%	$ 6,986,293	1	2.62%
W. Silver Recycling Inc.	5,203,249	3	1.18%			
AEP Texas Central Co.	4,492,090	4	1.02%	4,558,320	2	1.71%
Packaging Corporation of America	3,359,021	5	0.76%	1,865,701	7	0.70%
BH Hester Donna, LLC	2,701,123	6	0.61%			
Secucare Moveit McAllen, LLC	2,576,124	7	0.59%			
H E Butt Grocery Company	2,528,525	8	0.57%	2,501,346	5	0.94%
Insight Investments LLC	2,477,055	9	0.56%			
Paramount Citrus Packing Co. LLC	2,308,887	10	0.52%			
Kinney Bonded Warehouse				1,706,747	9	0.64%
Southwestern Bell Telephone				2,551,600	4	0.96%
Hesterstreet L. P.				2,212,374	6	0.83%
Interstate Fruit & Vegetable Co Inc.				1,645,149	10	0.62%
Ron Hoover Companies / RV Sales				1,803,916	8	0.68%
Vicoria Palms II LP				3,385,711	3	1.27%
Totals	**$ 49,926,765**		**11.34%**	**$ 29,217,157**		**10.94%**

Source: Hidalgo County Appraisal District

Tax Supported Debt Service Requirements

TABLE 19

Fiscal Year Ending 9/30	Existing Outstanding Gross Funded Debt			% of Principal Retired
	Principal	Interest	Requirements	
2018	$ 1,530,000	$ 2,001,182	$ 3,531,182	
2019	1,575,000	1,954,995	3,529,995	
2020	1,665,000	1,901,828	3,566,828	
2021	1,735,000	1,842,105	3,577,105	
2022	1,705,000	1,778,223	3,483,223	33.00%
2023	1,775,000	1,711,324	3,486,324	
2024	1,860,000	1,641,624	3,501,624	
2025	1,935,000	1,568,631	3,503,631	
2026	1,695,000	1,495,465	3,190,465	
2027	1,770,000	1,421,728	3,191,728	50.00%
2028	1,845,000	1,343,494	3,188,494	
2029	1,925,000	1,261,021	3,186,021	
2030	2,015,000	1,173,567	3,188,567	
2031	2,110,000	1,076,423	3,186,423	
2032	2,220,000	969,958	3,189,958	
2033	2,325,000	862,955	3,187,955	66.00%
2034	2,150,000	762,493	2,912,493	
2035	2,145,000	666,650	2,811,650	
2036	1,920,000	576,050	2,496,050	
2037	1,565,000	494,125	2,059,125	
2038	1,645,000	413,875	2,058,875	83.00%
2039	1,725,000	329,625	2,054,625	
2040	1,815,000	241,125	2,056,125	
2041	1,910,000	148,000	2,058,000	
2042	2,005,000	50,125	2,055,125	100%
	$ 47,790,000	$ 29,870,228	$ 77,660,228	

Source: Municipal Advisory Council and City of Donna

Computation of Direct and Overlapping Debt
September 30, 2016

TABLE 20

Taxing Jurisdiction	Net Bonded Debt Date	Net Bonded Debt Amount	Percentage of Debt Applicable to Area	Donna Geographical Area Share of Debt
Overlapping:				
Donna Independent School District	8/31/2016	$ 98,092,845	33.77%	$ 33,125,954
Hidalgo County	12/31/2016	198,210,000	1.26%	2,497,446
Hidalgo County Drainage District No. 1	12/31/2016	137,910,000	1.31%	1,806,621
Donna Irrigation District Hidalgo Co. No. 1		-	0.00%	-
South Texas College	12/31/2016	161,905,000	1.25%	2,023,813
Total Overlapping Debt				39,453,833
Direct Debt				
City of Donna	9/30/2016	$ 47,790,000	100.00%	$ 47,790,000
Total Direct and Overlapping Debt				$ 87,243,833
Average Debt Per Capita	9/30/2016	$ 27,185		$ 3,209

Source: The Municipal Advisory Council of Texas

City of Donna, Texas
Other Schedules - Unaudited
General Fund Revenues, Expenditures History
September 30,

TABLE 21

Revenues	2016	2015	2014	2013	2012	2011
Taxes	$ 6,472,993	$ 5,648,581	$ 4,953,773	$ 4,533,880	$ 4,036,307	$ 101,415
Licenses and Permits	123,668	134,150	165,471	134,634	123,623	326,847
Charges for Service	1,646,066	1,355,187	1,238,179	1,199,578	1,204,455	105,244
Fines and Forfeitures	190,470	137,875	175,558	92,765	97,283	48,943
Intergovernmental	199,890	800,564	130,074	77,183	241,369	1,189,906
Interest	4,997	1,390	1,250	1,129	583	5,625,344
Other Revenues	107,920	92,101	34,882	125,669	45,502	-
Total Revenues	$ 8,746,005	$ 8,169,849	$ 6,699,187	$ 6,164,838	$ 5,749,122	$ 7,397,699
Expenditures						
Current:						
General Government	$ 2,030,020	$ 2,533,486	$ 1,405,244	$ 1,209,763	$ 1,078,438	$ 1,905,641
Public Safety	3,028,591	2,800,668	2,357,686	2,119,400	1,873,037	1,472,449
Public Works	2,033,080	2,151,430	1,685,840	1,523,106	1,412,629	516,101
Economic Development	-	-	-	-	75,000	66,414
Culture and Recreation	808,693	785,679	631,467	646,579	535,166	160,389
Health and Welfare	279,247	250,941	238,260	164,762	217,651	86,969
Debt Service:						
Principal Retirements	158,872	118,600	127,227	60,290	62,061	60,339
Interest, Fiscal & Issuance Charges	26,307	3,587	8,549	4,120	5,784	6,075
Total Expenditures	$ 8,364,811	$ 8,644,392	$ 6,454,273	$ 5,728,020	$ 5,259,766	$ 4,274,377
Excess/Deficiency of Revenues Over Expenditures	381,193	(474,544)	244,914	436,818	489,356	3,123,322
Other Financing Sources/Uses						
Operating Transfers In	-	1,630	45,445	-	43,066	-
Operating Transfers Out	(593,698)	-	-	(25,831)	-	-
Tax Note Proceeds	-	-	-	-	-	-
Loan and Lease Proceeds	-	760,000	-	351,753	-	-
Total Other Financing Sources/Uses	$ (593,698)	$ 761,630	$ 45,445	$ 325,922	$ 43,066	$ -
Excess/Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Uses	(212,505)	287,086	290,359	762,740	532,422	3,123,322
Beginning Fund Balance	2,806,958	2,519,871	2,229,512	1,466,773	934,350	871,372
Prior Period Adjustment			-	-	-	-
Ending Fund Balance	$ 2,594,453	$ 2,806,958	$ 2,519,871	$ 2,229,513	$ 1,466,772	$ 3,994,694

Source: City of Donna, TX Annual Financial Reports

10 year data to be provided in this schedule. However, until a full 10 year trend is compiled, this schedule provides the information for those years for which information is available.
Refer to Audit Table 3, Table 4 or Exhibit 2-C

Municipal Sales Tax History
September 30,

TABLE 22

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Total Collections Per Capita
2007	$ 1,577,673	34.26%	0.7812	$ 96
2008	1,561,820	51.24%	0.5073	90
2009	1,547,514	46.79%	0.4602	86
2010	1,467,723	42.26%	0.4330	82
2011	1,592,805	48.30%	0.4740	89
2012	1,731,965	46.56%	0.5073	97
2013	1,980,685	41.69%	0.5222	75
2014	2,089,644	39.77%	0.4981	77
2015	2,572,857	51.17%	0.5846	93
2016	3,009,181	61.24%	0.6019	109

Source: Office of the Texas Comptroller and City of Donna Annual Financial Report

Interest and Sinking Fund Budget Projections

TABLE 23

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/17	$	2,354,056
Interest and Sinking Fund Balance at 9/30/16		2,734,765
2016 Interest and Sinking Fund Tax Levy @ 100% Collection		754,052
Amount paid from other resources		1,455,000
Estimated Balance as of 9/30/17	$	2,589,761

Source: City of Donna, TX

TABLE 24

The City's cash and temporary investments at September 30, 2016 are shown below:

Name		Carrying Amount		Market Value
Non-Interest Bearing Cash Accounts	$	4,711,842	$	4,711,842
Money Market Fund available from Trustee		756,975		756,975
Local Government Investment Cooperative (LOGIC) (1)		11,443,279		11,443,279
Investments held: Certificates of Deposit		2,231,000		2,241,193
Less: Statement of Fiduciary Net Assets		(143,309)		(143,309)
Total	$	18,999,787	$	19,009,980

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

Source: City of Donna, Texas

Principal Employers
September 30,

TABLE 25

	2016(1)		2006(1)	
Employer	Employees	Rank	Employees	Rank
Donna I.S.D.	2,603	1	2,202	1
A&E Health Services, Inc.	513	2		
Wal-Mart	318	3		
Idea Public Schools	114	4		
HEB Food Store	112	5	56	3
City of Donna	109	6	50	4
Bland Distribution	97	7		
Paramount Citrus	82	8		
Victoria Palms Resort	76	9	70	2
McDonalds	63	10	20	8
Whataburger			24	7
Wells Fargo			11	9
Burger King			10	10
Rio Grande Container			30	5
Rio Grande Canning Company			23	6
Total	4,087		2,496	

(1) DEDC