

CITY OF DONNA, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2011

CITY OF DONNA, TEXAS
ANNUAL FINANCIAL REPORT

September 30, 2011

Council – Manager Form of Government

MAYOR

David S. Simmons

COUNCIL MEMBERS

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Simon Saucedo, II
Sonia Gallegos
Irene Munoz

CITY MANAGER

Oscar E. Ramirez

FINANCE DIRECTOR

David R. Vasquez

CITY SECRETARY

Martha Alvarado

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CITY OF DONNA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

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FINANCIAL SECTION

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Donna, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matters discussed in 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, 2011, and the changes in financial position thereof for the year then ended.

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

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine the valuation of capital assets in the water and sewer fund and the business-type activities and the related accumulated depreciation and depreciation expense associated therewith, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the water and sewer fund of the City of Donna, Texas as of September 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, the city international bridge fund, the debt service fund, the discretely presented component units, and the aggregate remaining fund information of the City of Donna, Texas as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Donna's basic financial statements. The introductory section, the

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


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
May 16, 2012

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Management's Discussion and Analysis

As management of the City of Donna, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City of Donna for the fiscal year ended September 30, 2011.

Financial Highlights In Brief

In regards to the City's government-wide level financial statements, the 2011 and 2010 amounts are included in this discussion and analysis for comparative purposes.

- The assets of the City exceeded liabilities at the close of the 2011 and 2010 fiscal years by \$54,462,186 (net assets) and by \$53,031,668 (net assets), respectively. At the end of the 2011 and 2010 fiscal years the statement of net assets reflects a deficit amount for unrestricted net assets of \$7,589,903 and a deficit amount of \$7,591,210, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,049,489 an increase of \$414,309 over the prior year.
- At the end of the current fiscal year, the unreserved undesignated fund balance for the general fund was \$934,350 or a positive 17.90 percent of total current year general fund expenditures.
- The City of Donna's total debt decreased by a net amount of \$1,502,714 or 3.09 percent during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City of Donna itself (known as the primary government), but also component units for which the City of Donna is financially accountable. Financial information for the two discretely presented component units is reported separately from the financial information presented for the primary government itself. The Donna International Bridge Corporation is reported as a blended component unit with the proprietary funds, since its Board of Directors is the Donna City Council and is included with business-type activities.

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Donna, assets exceeded liabilities by \$54,462,187 at the close of fiscal year 2011 and by \$53,031,668 at the close of fiscal year 2010.

City of Donna Net Assets September 30,

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$5,950,239	\$5,476,522	\$ 9,306,312	\$ 12,853,935	\$ 15,256,552	\$ 18,330,456
Capital assets	22,636,462	22,367,455	65,269,933	63,899,175	87,906,394	86,266,630
Total assets	28,586,701	27,843,977	75,576,245	76,753,110	103,162,946	104,597,086
Long-term liabilities	3,656,487	4,031,222	43,413,748	44,541,726	47,070,235	48,572,946
Other liabilities	460,152	523,295	1,170,372	2,469,174	1,630,524	2,992,471
Total liabilities	4,116,639	4,554,519	44,584,120	47,010,900	48,700,759	51,565,417
Net assets						
Invested in capital assets, net of related debt	20,740,814	20,126,091	36,199,880	35,503,803	56,940,694	55,629,894
Restricted	2,172,676	2,143,596	2,938,719	2,849,388	5,111,395	4,992,984
Unrestricted (deficit)	1,556,572	1,019,772	(9,146,475)	(8,610,981)	(7,589,903)	(7,591,209)
Total net assets	\$24,470,062	\$23,289,458	\$ 29,992,125	\$ 29,742,209	\$ 54,462,187	\$ 53,031,668

By far the largest portion of the City's net assets (105% in 2011 and 105% in 2010) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment, net of accumulated depreciation under the business-type activities); less any related debt used to acquire those assets that are still outstanding. The City of Donna uses these capital assets to provide services to citizens and to customers of its business-type activities; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Donna's net assets (9.38% in 2011 and 9.41% in 2010) represents resources that are subject to external restrictions on how they may be used.

The City's unrestricted net assets under governmental activities reflect positive balances of \$1,556,572 for 2011 and \$1,019,772 for 2010.

The City's unrestricted net assets under business-type activities reflect a deficit balance of \$9,146,475 at 2011 and a deficit of \$8,610,981 at 2010.

The Water and Sewer Fund has an unrestricted net asset of \$735,931 at 2011, which reflects an increase in the balance of \$485,602 from 2010. Capital contribution fees expensed to unrestricted net assets totaled \$27,257 in 2011 and \$124,700 in 2010. The City International Bridge Fund has an unrestricted net asset deficit of \$9,919,312 at 2011, which reflects an increase in the deficit of \$9,130,418 from 2010. The City International Bridge Fund went into operation December 14, 2010 and had 9.5 months operating revenues in 2011.

The following table presents a summary of the government-wide statement of changes in net assets for both governmental activities and business-type activities for 2011 and 2010.

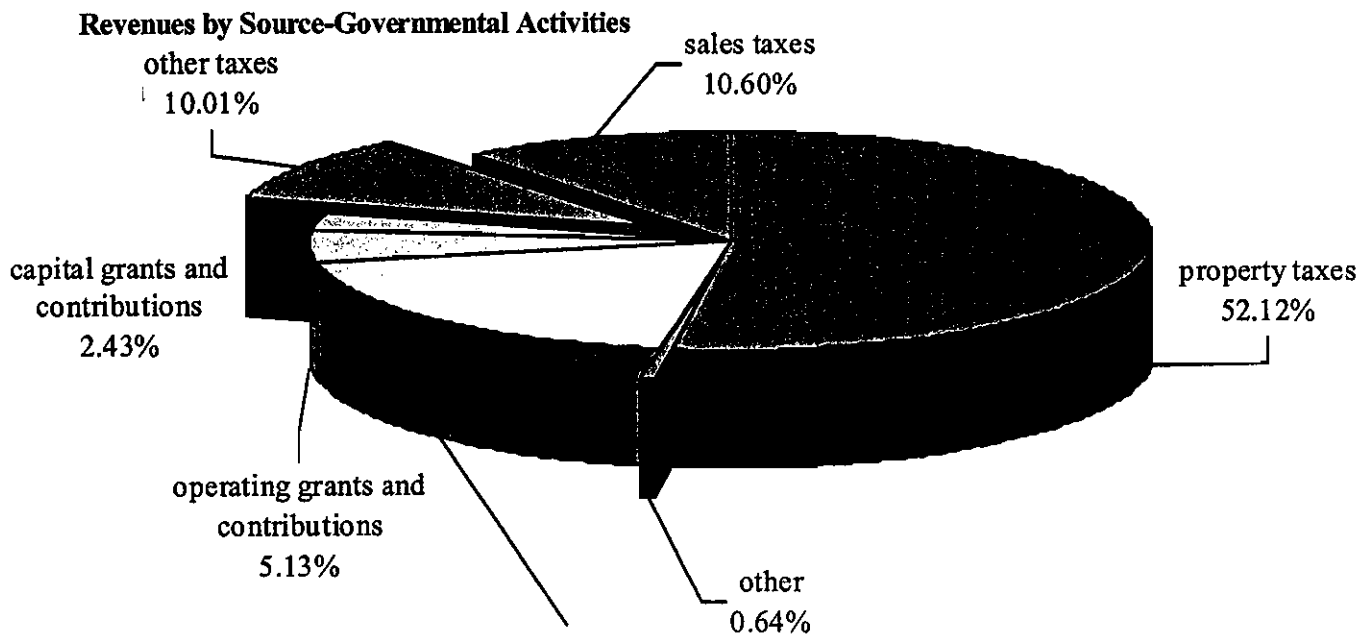
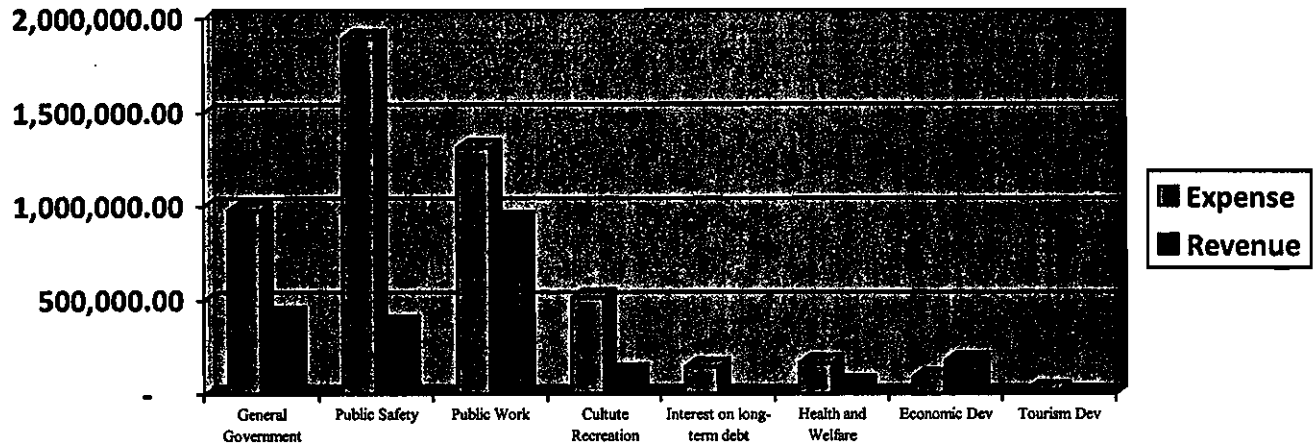
**City of Donna
Changes in Net Assets
September 30,**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,474,566	\$ 1,412,164	\$ 5,555,204	\$ 4,553,006	\$ 7,029,770	\$ 5,965,170
Operating grants and contributions	396,884	351,889	-	-	396,884	351,889
Capital grants and contributions	188,049	766,265	1,021,106	5,225,947	1,209,155	5,992,212
General Revenues:						
Property taxes	4,030,202	3,632,590	-	-	4,030,202	3,632,590
Other taxes	1,593,441	1,491,951	-	-	1,593,441	1,491,951
Other	49,785	28,346	65,464	93,897	115,249	122,243
Total revenues	7,732,927	7,683,205	6,641,774	9,872,850	14,374,701	17,556,055
Expenses:						
General government	977,799	1,090,389	-	-	977,799	1,090,389
Public safety	1,895,532	2,114,746	-	-	1,895,532	2,114,746
Public works	1,312,661	1,313,233	-	-	1,312,661	1,313,233
Culture and recreation	515,698	513,191	-	-	515,698	513,191
Public Health and welfare	162,383	141,256	-	-	162,383	141,256
Economic Development	86,969	-	-	-	86,969	-
Tourism development	18,487	17,500	-	-	18,487	17,500
Interest on long-term debt	142,594	151,112	-	-	142,594	151,112
Utility system operations	-	-	4,731,955	4,378,281	4,731,955	4,378,281
International Bridge Fund	-	-	3,029,406	2,362,173	3,029,406	2,362,173
Int'l Bridge Corp. miscellaneous	-	-	-	-	-	-
Cemetery operations	-	-	70,697	68,792	70,697	68,792
Total expenses	5,112,126	5,341,427	7,832,057	6,809,246	12,944,181	12,150,673
Changes in net assets before transfers	2,620,801	2,341,778	(1,190,283)	3,063,604	1,430,518	5,405,382
Transfers	(1,440,198)	(1,431,276)	1,440,198	1,431,276	-	-
Changes in net assets	1,180,603	910,502	249,916	4,494,880	1,430,518	5,405,382
Net assets – beginning of year	23,289,459	22,378,956	29,742,209	26,024,590	53,031,668	48,403,546
Prior-period adjustment	-	-	-	(777,260)	-	(777,260)
Net assets – end of year	\$ 24,470,062	\$ 23,289,458	\$ 29,992,125	\$ 29,742,209	\$ 54,462,187	\$ 53,031,668

Total revenues generated from both governmental and business-type activities for 2011 amounted to \$14,374,701 with expenses of \$12,944,181 resulted in a net asset increase of \$1,430,518 for 2011. This is in contrast to \$17,556,055 in revenues with expenses of \$12,150,673 that resulted in a net asset increase of \$5,405,382 for 2010.

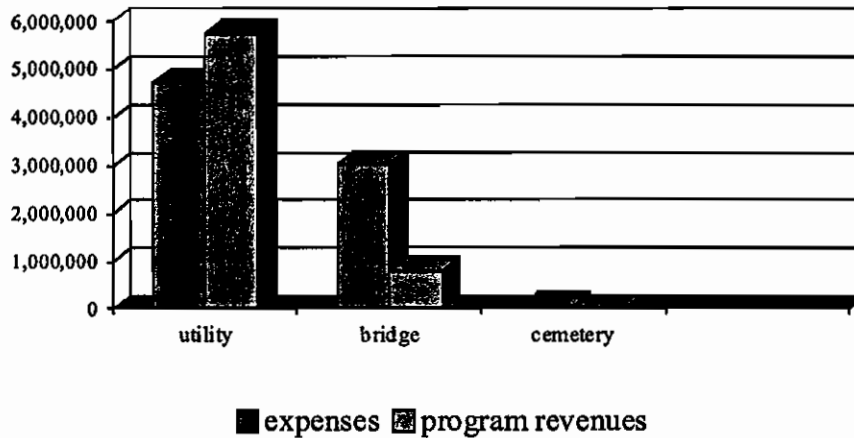
Governmental activities. Governmental activities increased the City of Donna's net assets by \$1,292,794 thereby accounting for an increase of 5.55 percent in governmental net assets for 2011.

Expenses and Program Revenues-Governmental Activities

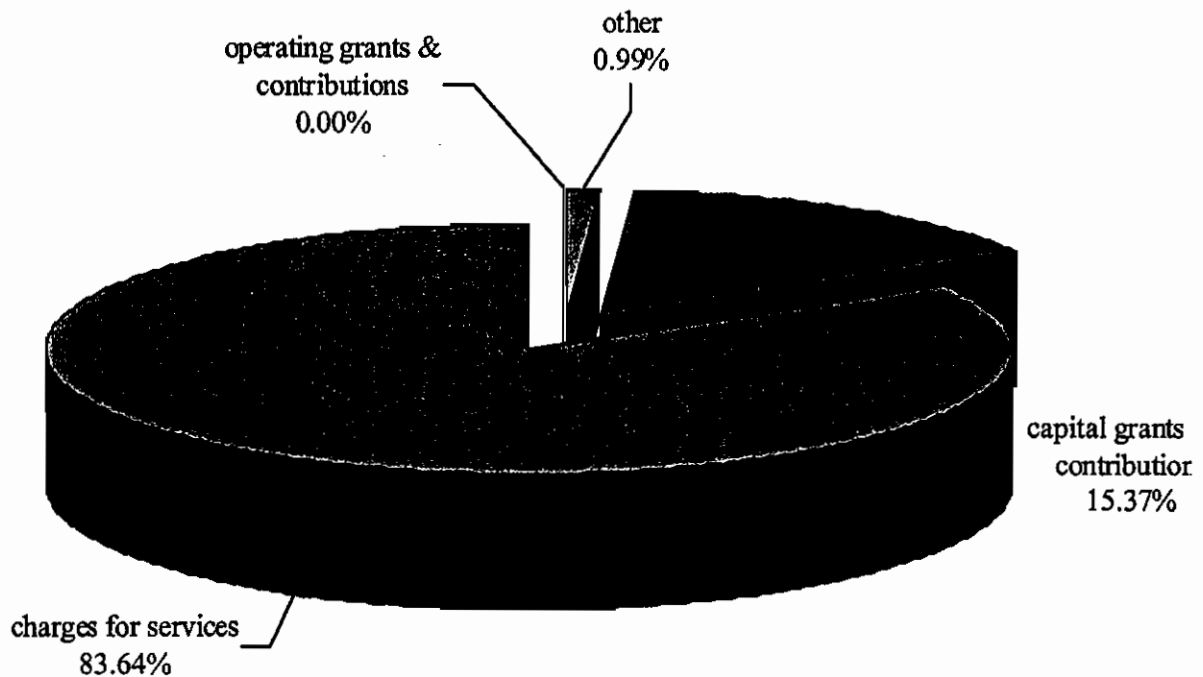


Business-type activities. Business-type activities decreased the City of Donna's net assets by \$2,036,672 thereby accounting for a decrease of 6.37 percent in total net assets in 2011. Capital contributions in comparison to the decreased amount of net assets are approximately 185% and the net interfund transfers from governmental activities in comparison to the decreased amount of net assets are approximately a net 301%.

Expenses and Program Revenues-Business Type Activities



Revenues by Source-Business-Type Activities



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,049,489 an increase of \$414,309. A positive amount of \$934,350 constitutes combined unreserved undesignated fund balance for all governmental funds. Good financial management indicates that the City should maintain an unreserved undesignated fund balance on a continuing basis in order to have working capital to operate the City and as a reserve hedge against emergencies. The remainder of the fund balance of \$1,587,147 is reserved and \$1,527,995 is committed for capital projects.

The General Fund is the chief operating fund of the City of Donna. At the end of the 2011 fiscal year unreserved undesignated fund balance of the General Fund was \$934,350 and at the end of the 2010 fiscal year unreserved undesignated fund balance of the General Fund was \$601,463. 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 2011 unreserved undesignated fund balance represents a positive 17.90 percent of total General Fund expenditures.

During the 2011 fiscal year, the net change in fund balance of the City's General Fund increased by \$414,309. The key components and factors in this increase are as follows:

- The City formally budgeted to increase the fund balance by \$250,000 for fiscal year 2011
- The City increased the general fund tax rate

The Debt Service Fund has a total fund balance of \$907,963, 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 2011 of \$39,333 and a net decrease of \$143,803 in 2010. The Debt Service fund was budgeted to be budget balanced. The difference between the balanced budget and the actual amount was primarily the result of an increase in the debt service tax rate. The City is trying to maintain a fund balance in the Debt Service Fund to assist with the debt service requirements, if necessary, in the City International Bridge Fund.

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

The combined unrestricted net asset balance deficit of \$9,146,475 at 2011 is comprised of the respective proprietary funds as follows. Water and Sewer Fund \$735,931, City International Bridge Fund deficit of \$9,919,312, and Cemetery Fund \$36,906. Please refer to the discussion of these amounts under the government-wide financial analysis above. The City International Bridge went into operation on December 14, 2010 therefore; there are 9.5 months of operating revenues at this time.

General Fund Budgetary Highlights

The original General Fund budget was increased by \$46,499 during the year. While budget variances were incurred, the areas that went over budget were the administrative offices capital purchases and the public works additional vehicle maintenance and fuel costs.

Capital Assets

The City of Donna's investment in capital assets for its governmental and business type activities as of September 30, 2011 and 2010 amounts to \$87,906,395 and \$88,467,970, 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 decrease in the City of Donna's investment in capital assets for the current year was .63 percent (a 1.20 percent increase for governmental activities and a 1.26 percent decrease for business-type activities, net of accumulated depreciation). The current year depreciation expense for business-type activities was \$855,595 for the Water and Sewer Fund, International Bridge Fund and the Cemetery Fund.

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

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,027,449	\$ 1,027,449	\$ 1,234,103	\$ 1,234,103	\$ 2,261,552	\$ 2,261,552
Buildings	2,637,123	2,637,123	2,932,330	50,621	5,569,453	2,687,744
Improvements other than buildings	8,617,718	8,337,485	544,536	26,262	9,162,254	8,363,747
Infrastructure	4,768,619	3,942,111	60,284,292	20,945,375	65,052,911	24,887,486
Furniture and equipment	5,583,417	5,498,229	274,672	32,443	5,858,089	5,530,672
Other developments in progress	2,136	925,058	-	43,811,711	2,136	44,736,769
Total	\$ 22,636,462	\$ 22,367,455	\$ 65,269,933	\$ 66,100,515	\$ 87,906,395	\$ 88,467,970

Debt Administration

The City of Donna's total long-term debt for its governmental and business-type activities as of September 30, 2011 and 2010 amounts to \$47,070,234 and \$48,572,948, respectively.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds - net	\$ 1,419,612	\$ 1,653,983	\$ 40,595,147	\$ 41,345,664	\$ 42,014,759	\$ 42,999,647
General obligation tax notes	1,440,096	73,444	614,904	2,336,556	2,055,000	2,410,000
Claims payable	-	-	2,163,939	2,320,472	2,163,939	2,320,472
Capital leases	272,908	332,560	4,122	-	277,030	332,560
Notes and loans payable	233,051	233,051	-	-	233,051	233,051
Settlement payable	-	22,303	-	-	-	22,303
Compensated absences	290,820	232,468	35,635	22,447	326,455	254,915
Total	\$ 3,656,487	\$ 2,547,809	\$ 43,413,747	\$ 46,025,139	\$ 47,070,234	\$ 48,572,948

The City's total debt decreased by a net \$1,502,714 or 3.09 percent, during the current fiscal year. The City paid down existing debts in the amount of \$1,728,192. Additional information on the City of Donna's long-term debt can be found in note 3, Section G of this report.

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

Economic Factors and Next Year's Budgets and Rates

- The assessed taxable valuations used in preparing the 2012 budget were up \$6,700,978, or 2 percent from the prior year.
- The City raised the tax rate to \$1.252376 per \$100 valuation from \$1.125979.
- In the 2012 Budget, the General Fund expenditures are budgeted to increase 4.10% and revenue also increasing by 3.79%.
- In 2012, the toll bridge will operate for a full year and should generate some additional revenues for the City. The toll bridge crossing activities should also assist in increasing some other economic activity within the City.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,243,448	\$ 1,981,543	\$ 6,224,992
Receivables, net	1,776,657	801,100	2,577,757
Internal balances	(107,396)	107,396	-
Due from component unit	3,335	-	3,335
Inventories	-	4,285	4,285
Restricted assets			
Cash and cash equivalents	-	5,008,365	5,008,365
Capital assets:			
Land	1,027,449	1,234,103	2,261,552
Construction in progress	2,136	-	2,136
Other capital assets, net of accumulated depreciation	21,606,877	64,035,830	85,642,707
Other assets	-	72,098	72,098
Deferred charges	34,195	1,331,525	1,365,720
	<u>\$ 28,586,701</u>	<u>\$ 74,576,245</u>	<u>\$ 103,162,946</u>
Total assets			
LIABILITIES			
Accounts payable	\$ 227,025	\$ 408,855	\$ 635,881
Accrued interest payable	31,164	318,161	349,324
Accrued liabilities	63,772	18,113	81,884
Due to primary government	-	-	-
Due to fiduciary	5,921	-	5,921
Due to other governments	9,232	28,359	37,590
Deposits	99,833	396,485	496,318
Unearned revenue	23,205	400	23,605
Unearned revenue	-	-	-
Non-current liabilities:			
Due within one year	760,098	1,312,747	2,072,845
Due in more than one year	2,896,389	42,101,001	44,997,390
Total liabilities	<u>4,116,639</u>	<u>44,584,120</u>	<u>48,700,759</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	20,740,814	36,199,880	56,940,694
Restricted for:			
Capital projects	389,170	384,923	774,093
Operations and maintenance	-	628,056	628,056
Debt service	1,588,084	1,925,740	3,513,824
Other purposes	195,422	-	195,422
Unrestricted (deficit)	1,556,572	(9,146,475)	(7,589,903)
Total net assets (deficit)	<u>\$ 24,470,062</u>	<u>\$ 29,992,124</u>	<u>\$ 54,462,186</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 1-A

<u>Component Units</u>			
<u>Donna Economic</u>		<u>Development Corporation</u>	
<u>Development Corporation</u>		<u>of Donna, Inc.</u>	
\$	220,540	\$	418,886
	68,764		68,764
	-		-
	-		-
	-		-
	407,608		394,169
	248,216		-
	-		-
	-		-
	-		-
	265,868		250,573
	<u>1,210,996</u>		<u>1,132,392</u>
\$	1,210,996	\$	1,132,392
	-		-
	29,842		28,668
	-		-
	1,510		1,824
	-		-
	-		-
	-		-
	-		-
	-		-
	120,000		110,000
	4,156,188		4,060,730
	<u>4,307,541</u>		<u>4,201,222</u>
	248,216		-
	-		-
	-		-
	407,608		394,169
	-		-
	(3,752,369)		(3,462,999)
\$	<u>(3,096,546)</u>	\$	<u>(3,068,830)</u>

CITY OF DONNA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental activities:			
General government	\$ 977,799	\$ 184,365	\$ 237,235
Public safety	1,895,532	269,610	102,069
Public works	1,312,661	913,022	300
Culture and recreation	515,698	55,517	57,280
Public health and welfare	162,383	52,053	-
Economic development	86,969	-	-
Tourism development	18,487	-	-
Interest on long-term debt	142,597	-	-
Total governmental activities	<u>5,112,126</u>	<u>1,474,566</u>	<u>396,884</u>
Business-type activities:			
Water and sewer	4,731,955	4,879,568	-
International Bridge	3,029,406	656,386	-
Cemetery services	70,696	19,250	-
Total business-type activities	<u>7,832,057</u>	<u>5,555,204</u>	<u>-</u>
Total primary government	<u>\$ 12,944,183</u>	<u>\$ 7,029,771</u>	<u>\$ 396,884</u>
COMPONENT UNITS:			
Economic Development	\$ 749,798	\$ -	\$ 1,650
Total component units	<u>\$ 749,798</u>	<u>\$ -</u>	<u>\$ 1,650</u>
General revenues:			
Taxes:			
Property taxes			
Sales taxes			
Franchise taxes			
Hotel occupancy tax			
Investment earnings			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets (deficit)-beginning			
Net assets (deficit)-ending			

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units	
			Donna Economic Development Corporation	Development Corporation of Donna, Inc.
\$ (556,199)	\$ -	\$ (556,199)		
(1,523,854)	-	(1,523,854)		
(383,938)	-	(383,938)		
(402,901)	-	(402,901)		
(110,331)	-	(110,331)		
85,679	-	85,679		
(18,487)	-	(18,487)		
(142,597)	-	(142,597)		
<u>(3,052,627)</u>	<u>-</u>	<u>(3,052,627)</u>		
-	1,021,378	1,021,378		
-	(2,225,680)	(2,225,680)		
-	(51,446)	(51,446)		
-	(1,255,748)	(1,255,748)		
<u>\$ (3,052,627)</u>	<u>\$ (1,255,748)</u>	<u>\$ (4,308,375)</u>		
			\$ (465,097)	\$ (283,051)
			<u>\$ (465,097)</u>	<u>\$ (283,051)</u>
4,030,202	-	4,030,202	-	-
819,491	-	819,491	409,746	409,746
674,619	-	674,619	-	-
99,331	-	99,331	-	-
7,776	36,039	43,814	90	81
42,008	29,427	71,435	-	-
(1,440,198)	1,440,198	-	-	-
<u>4,233,229</u>	<u>1,505,664</u>	<u>5,738,893</u>	<u>409,836</u>	<u>409,827</u>
1,180,603	249,916	1,430,518	(55,261)	126,777
23,289,459	29,742,209	53,031,668	(3,041,284)	(3,195,607)
<u>\$ 24,470,062</u>	<u>\$ 29,992,125</u>	<u>\$ 54,462,187</u>	<u>\$ (3,096,546)</u>	<u>\$ (3,068,830)</u>

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FUND FINANCIAL STATEMENTS

CITY OF DONNA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 860,472	\$ 1,154,551	\$ 2,228,426	\$ 4,243,448
Receivables, net:				
Property taxes	893,766	593,741	-	1,487,507
Accounts	265,954	-	4,631	270,586
Intergovernmental	18,564	-	-	18,564
Due from other funds	393,334	-	280	393,614
Due from component units	3,335	-	-	3,335
Total Assets	<u>\$ 2,435,425</u>	<u>\$ 1,748,292</u>	<u>\$ 2,233,337</u>	<u>\$ 6,417,055</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 227,025	\$ -	\$ -	\$ 227,025
Accrued liabilities	63,772	-	-	63,772
Due to other funds	199,021	275,830	26,160	501,010
Due to other governments	9,232	-	-	9,232
Due to component units	5,921	-	-	5,921
Deferred revenues	873,066	564,500	-	1,437,566
Unearned revenues	23,205	-	-	23,205
Deposits	99,833	-	-	99,833
Total Liabilities	<u>1,501,075</u>	<u>840,330</u>	<u>26,160</u>	<u>2,367,564</u>
<u>Fund Balances</u>				
Restricted for:				
Tourism	-	-	270,169	270,169
Law enforcement	-	-	17,215	17,215
Fire equipment debt service	-	-	135,619	135,619
Equipment purchases	-	-	211,212	211,212
Park improvements	-	-	44,969	44,969
Debt service	-	907,963	-	907,963
Committed to:				
Capital projects	-	-	1,527,995	1,527,995
Unassigned	934,350	-	-	934,350
Total Fund Balances	<u>934,350</u>	<u>907,963</u>	<u>2,207,177</u>	<u>4,049,489</u>
Total Liabilities and Fund Balances	<u>\$ 2,435,426</u>	<u>\$ 1,748,292</u>	<u>\$ 2,233,337</u>	<u>\$ 6,417,054</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

Total fund balances- governmental funds balance sheet	\$ 4,049,489
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,636,462
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,437,566
Payables for bond principal, which are not due in the current period are not reported in the funds.	(1,419,613)
Payables for tax note principal, which are not due in the current period are not reported in the funds.	(1,440,096)
Payables for debt interest, which are not due in the current period are not reported in the funds.	(31,164)
Payables for note principal, which are not due in the current period are not reported in the funds.	(233,051)
Payables for capital lease obligations, which are not due in the current period are not reported in the funds.	(272,909)
Payables for compensated absences and claims, which are not due in the current period are not reported in the funds.	(290,820)
Bond issuance costs, which are expensed in the funds.	34,195
	<hr/>
Net assets of governmental activities- statement of net assets	<u>\$ 24,470,062</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,852,989	\$ 1,535,630	\$ 99,331	\$ 5,487,950
Licenses and permits	101,415	-	-	101,415
Charges for services	1,189,906	-	66,738	1,256,644
Fines and forfeitures	105,244	-	4,750	109,994
Intergovernmental	326,847	-	237,235	564,082
Interest	972	2,861	3,943	7,776
Other	47,971	-	6,000	53,971
Total Revenues	5,625,344	1,538,490	417,997	7,581,832
Expenditures:				
Current:				
General government	1,010,748	-	-	1,010,748
Public safety	1,905,641	-	-	1,905,641
Public works	1,472,449	-	-	1,472,449
Culture and recreation	516,101	-	-	516,101
Health and welfare	160,389	-	-	160,389
Economic development	86,969	-	-	86,969
Tourism development	-	-	18,487	18,487
Debt Service:				
Principal retirements	59,466	351,645	40,709	451,819
Interest and other charges	6,949	129,215	11,370	147,534
Total Expenditures	5,218,710	480,860	70,566	5,770,136
Excess (Deficiency) of Revenues Over Expenditures	406,634	1,057,631	347,431	1,811,696
Other Financing Sources (Uses):				
Transfers in	-	237,235	(66,000)	171,235
Transfers out	(118,665)	(1,255,533)	(237,235)	(1,611,433)
Lease proceeds	42,812	-	-	42,812
Total Other Financing Sources (Uses)	(75,853)	(1,018,298)	(303,235)	(1,397,386)
Net Change in Fund Balances	330,781	39,333	44,196	414,310
Fund Balances at Beginning of Year	603,569	868,630	2,162,981	3,635,180
Fund Balances at End of Year	\$ 934,350	\$ 907,963	\$ 2,207,178	\$ 4,049,490

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances- total governmental funds	\$ 414,310
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	253,605
Certain property tax revenues are deferred in the funds. This is the change in these amounts for this year.	135,693
Lease proceeds are not reported as revenues in the SOA	(42,812)
Repayment of principal on long-term debt is an expenditure in the funds, but is not an expense in the SOA.	451,819
Capital contributions are not recognized in the funds, but are recognized in the SOA.	15,401
Amortization of issuance costs in the SOA, previously expensed in the funds.	(16,029)
(Increase) decrease in accrued interest payable from beginning of the period to end of period.	4,664
Compensated absences and long term settlements are reported as the amount is incurred in the SOA, but as paid in the funds	(36,049)
Change in net assets of governmental activities- statement of activities	<u>\$ 1,180,603</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-type Activities			
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
<u>Assets</u>				
Current Assets				
Cash and cash equivalents	\$ 1,564,191	\$ 417,353	\$ -	\$ 1,981,543
Restricted assets				
Cash and cash equivalents	3,077,698	1,930,667	-	5,008,365
Receivables, net:				
Accounts	784,054	-	17,046	801,100
Due from other funds	616,321	293,377	26,339	936,037
Inventories	-	-	4,285	4,285
Total Current Assets	6,042,263	2,641,397	47,669	8,731,330
Noncurrent assets				
Deferred charges, net	473,838	857,687	-	1,331,525
Other assets	72,098	-	-	72,098
Capital assets	53,745,882	25,236,896	48,102	79,030,880
Less accumulated depreciation	(13,103,084)	(635,085)	(22,777)	(13,760,946)
Net Capital Assets	40,642,797	24,601,811	25,325	65,269,934
Total Noncurrent Assets	41,188,733	25,459,498	25,325	66,673,557
Total Assets	\$ 47,230,997	\$ 28,100,895	\$ 72,995	\$ 75,404,886

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-Type Activities			
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 390,708	\$ 15,098	\$ 3,049	\$ 408,855
Accrued liabilities	5,921	11,037	1,155	18,113
Accrued interest payable	74,352	243,809	-	318,161
Compensated absences payable	8,167	3,623	2,464	14,254
Due to other funds	69,731	758,910	-	828,641
Due to other governments	28,359	-	-	28,359
Current portion of bonds	685,000	235,464	-	920,464
Current portion of tax notes	80,250	134,243	-	214,493
Current portion of capital leases payable	-	1,172	-	1,172
Current portion of claims payable	54,034	108,330	-	162,364
Unearned revenue	-	-	400	400
Deposits	396,485	-	-	396,485
Total Current Liabilities	1,793,006	1,511,687	7,068	3,311,761
Noncurrent liabilities				
Bonds, net of unamortized discount	8,574,758	31,099,925	-	39,674,683
Capital leases payable, net of current portion	-	2,950	-	2,950
Claims payable, net of current portion	1,739,091	262,484	-	2,001,575
Tax notes, net of current portion	262,539	137,871	-	400,411
Compensated absences, net of current portion	12,251	5,435	3,696	21,381
Total Noncurrent Liabilities	10,588,640	31,508,665	3,696	42,101,001
Total Liabilities	12,381,646	33,020,352	10,763	45,412,762
<u>Net Assets</u>				
Invested in capital assets, net of related debt	31,174,700	4,999,855	25,325	36,199,880
Restricted for capital projects	384,923	-	-	384,923
Restricted for operations and maintenance	628,056	-	-	628,056
Restricted for debt service	1,925,740	-	-	1,925,740
Unrestricted (deficit)	735,931	(9,919,312)	36,906	(9,146,475)
Total Net Assets	\$ 34,849,351	\$ (4,919,457)	\$ 62,232	\$ 29,992,125

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CITY OF DONNA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS- PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities			Total Proprietary Funds
	Water and Sewer Fund	City International Bridge Fund	Nonmajor Proprietary Funds	
Operating Revenues:				
Charges for services	\$ 4,879,568	\$ 656,386	\$ 19,250	\$ 5,555,204
Rent building	-	21,484	-	21,484
Total Operating Revenues	4,879,568	677,870	19,250	5,576,688
Operating Expenses:				
Salaries, wages and employee benefits	193,283	362,952	44,445	600,680
Supplies and materials	328,685	31,844	2,043	362,573
Property occupancy	69,624	31,538	415	101,576
Equipment maintenance	18,779	17,079	446	36,304
Other services	708,163	185,737	20,275	914,176
Depreciation and amortization	1,152,023	635,085	3,071	1,790,179
Operating contractor fees	1,842,431	-	-	1,842,431
Total Operating Expenses	4,312,989	1,264,235	70,696	5,647,920
Operating Income (Loss)	566,579	(586,365)	(51,446)	(71,233)
Non-Operating Revenues (Expenses):				
Interest income	9,489	26,494	56	36,039
Interest expense	(368,003)	(1,630,334)	-	(1,998,337)
Amortization of issuance costs	(50,963)	(67,562)	-	(118,525)
Other	7,943	(67,275)	-	(59,332)
Total Non-Operating Revenues (Expenses)	(401,535)	(1,738,676)	56	(2,140,156)
Income (Loss) Before Contributions and Transfers	165,044	(2,325,042)	(51,390)	(2,211,388)
Capital Contributions	901,023	147,340	-	1,048,363
Fees for Capital Contributions	(27,257)	-	-	(27,257)
Transfers In	-	1,388,808	51,390	1,440,198
Transfers Out	-	-	-	-
Change in Net Assets	1,038,810	(788,894)	-	249,916
Net Assets Beginning of Year	33,810,541	(4,130,563)	62,232	29,742,209
Net Assets at End of Year	\$ 34,849,351	\$ (4,919,457)	\$ 62,232	\$ 29,992,125

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities -	
	Water and Sewer Fund	City International Bridge Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 4,784,760	\$ 677,870
Cash payments to employees for services	(214,636)	(354,851)
Cash paid for start-up expenses	-	(67,275)
Cash payments to other suppliers for goods and services	(3,002,791)	(266,198)
Net Cash Provided (Used) by Operating Activities	1,567,333	(10,454)
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan payments received (paid)	(94,502)	865,353
Transfers from (to) other funds	-	989,008
Net Cash Provided (Used) By Noncapital Financing Activities	(94,502)	1,854,361
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(3,273,377)	(543,892)
Principal paid on long-term debt	(739,933)	(388,454)
Interest paid on long-term debt	(498,767)	(1,976,519)
Capital contributions	1,344,546	147,340
Net Cash Provided (Used) By Capital and Related Financing Activities	(3,167,531)	(2,761,525)
Cash Flows from Investing Activities:		
Investments redeemed	-	1,815,000
Interest from investments	9,489	129,029
Net Cash Provided (Used) for Investing Activities	9,489	1,944,029
Net Increase (Decrease) in Cash and Cash Equivalents	(1,685,211)	1,026,411
Cash and Cash Equivalents at Beginning of Year	6,327,100	1,321,609
Cash and Cash Equivalents at End of Year	\$ 4,641,889	\$ 2,348,020

The accompanying notes are an integral part of this statement

Nonmajor Proprietary Funds	Total Proprietary Funds
\$ 19,550	\$ 5,482,180
(43,644)	(613,131)
-	(67,275)
(22,951)	(3,291,940)
(47,045)	1,509,834
25,098	795,949
-	989,008
25,098	1,784,957
-	(3,817,269)
-	(1,128,387)
-	(2,475,286)
-	1,491,886
-	(5,929,056)
-	1,815,000
56	138,574
56	1,953,574
(21,891)	(680,691)
21,891	7,670,600
\$ -	\$ 6,989,909

(Continued)

CITY OF DONNA, TEXAS
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities-	
	Water and Sewer Fund	City International Bridge Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ 566,579	\$ (586,365)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	1,152,023	635,085
Other non-operating income (expense)	7,943	(67,275)
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(105,053)	-
Decrease (increase) in prepaid expenses	27,257	-
Decrease (increase) in due from other funds	(89,131)	-
Increase (decrease) in accounts payable	(43,050)	2,887
Increase (decrease) in compensated absences	255	-
Increase (decrease) in due to other funds	(5,371)	-
Increase (decrease) in accrued liabilities	(21,608)	5,214
Increase (decrease) in deposits	10,245	-
Total Adjustments	933,510	575,911
Net Cash Provided (Used) by Operating Activities	\$ 1,500,089	\$ (10,454)
Noncash Capital and related Financing Activities:		
Amortization of fees for capital contribution	\$ (27,257)	\$ -
Amortization of issuance costs	(63,524)	(75,459)
Capital assets from developers	99,628	-
Capitalization of interest costs	(126,111)	(343,298)
Capitalization of amortized issuance costs	(50,963)	(7,898)

The accompanying notes are an integral part of this statement

<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
\$ (51,446)	\$ (71,231)
3,071	1,790,179
-	(59,332)
300	(104,753)
-	27,257
-	(89,131)
792	(39,371)
153	408
-	(5,371)
85	(16,308)
-	10,245
<u>4,401</u>	<u>1,513,823</u>
<u>\$ (47,045)</u>	<u>\$ 1,442,592</u>

\$ -	\$ (27,257.00)
-	(138,983)
-	99,628
-	(469,409)
-	(58,861)

CITY OF DONNA, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	Fireman's Pension Fund	Tax Increment Reinvestment Zone
<u>Assets</u>		
Cash and cash equivalents	\$ 258	\$ -
Restricted assets:		
Cash and cash equivalent	-	145,760
Receivables	-	52,223
Due from other funds	-	5,921
Total Assets	<u>\$ 258</u>	<u>\$ 203,905</u>
 <u>Liabilities</u>	 <u>\$ -</u>	 <u>\$ -</u>
 <u>Net Assets</u>		
Held in trust for pension benefits	258	-
Held in trust for reinvestment zone	-	208,400
Total Net Assets	<u>\$ 258</u>	<u>\$ 208,400</u>

The accompanying notes are an integral part of this statement.

CITY OF DONNA, TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Fireman's Pension Fund	Tax Increment Reinvestment Zone
Additions		
Contributions by City	\$ 3,100	\$ -
Property taxes		62,674
Total Additions	3,100	62,674
Deductions		
Benefits	3,100	-
Total Deductions	3,100	-
Change in Net Assets	-	62,674
Net Assets- Beginning of the Year	258	145,726
Net Assets- End of the Year	\$ 258	\$ 208,400

The accompanying notes are an integral part of this statement.

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CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The accompanying financial statements of the reporting entity include those of the City of Donna (the primary government) and its component units, entities for which the government is considered to be financially accountable. Two of the units are each discretely presented component units reported in a separate column in the government-wide financial statements to emphasize that they are separate from the government. Tax Increment Reinvestment Zone Number One and Two are presented as a fiduciary fund of the primary government to emphasize that they are administered in a fiduciary (trustee) capacity.

Discretely Presented Component Units

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (continued)

Fiduciary Component Units

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (continued)

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The government reports the following major governmental funds:

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

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

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

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

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

The government reports the following major proprietary funds:

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The *City international bridge fund* is accounting for the construction of the international toll bridge and related bridge service assets and the related financing to construct these assets. This fund also accounts for the related revenues and expenses of bridge crossing services.

The government reports the following fiduciary fund types:

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

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

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

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

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

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

Investments for the component units are reported at fair value.

2. Receivables and payables

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

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

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Receivables and payables (continued)

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

3. Inventories and prepaid items

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

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

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

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

5. Capital Assets

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (continued)

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

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

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

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

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

Neither the Donna Economic Development Corporation or Development Corporation of Donna, Inc. component units have any depreciable capital assets. Therefore, depreciation expense is not required in the government-wide Statement of Activities. Capital assets are reported for these component units in the government-wide Statement of Net Assets.

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Compensated Absences

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

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

7. Long-Term Obligations

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

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

E. Fund Balance Reporting

The City has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for all cities for their fiscal year ending in 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types 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 principal of endowment funds.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on hierarchy of spending constraints.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance Reporting (continued)

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

A. Budgetary Information (continued)

7. Annual budgeted expenditures are adopted at the departmental level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level.
8. Appropriations for annually budgeted funds lapse at year end.

B. Net Asset Deficits

The City International Bridge Fund, a proprietary fund, has an unrestricted net asset deficit of \$9,919,312. See Note M 3.

The component unit Donna Economic Development Corporation and the component unit Development Corporation of Donna, Inc. both reflect in the government-wide Financial Statements an unrestricted net asset deficit of \$3,752,368 and \$3,462,999, respectively. These economic development component units provide economic development stimulus, which intends that the funding is provided in the form of grants. These are planned unrestricted net asset deficits from the leveraging of economic stimulus that these entities are able to provide with an amount of debt that is able to be serviced from cash flows available from the sales taxes they receive. Both component units are assisting the Donna-Rio Bravo international bridge project, which is a large economic development project for the City of Donna.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

1. Primary Government

Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits, excluding the amount covered by FDIC insurance. The City's deposits were fully insured and collateralized as required by State statutes at September 30, 2011.

At September 30, 2011, the carrying amount of the City's deposits with financial institutions was \$630,394 and the bank balance was \$672,863. Bank balances of the City were covered by the FDIC insurance Transaction Account Guarantee Program (TAGP) or by pledged collateral held in the City's name by a bank other than the pledging bank.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

1. Primary Government

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, 2011 and during the year ended September 30, 2011 were entirely covered by the FDIC insurance Transaction Account Guarantee Program (TAGP) or by pledged collateral held in the City's name by a bank other than the pledging bank.

Investments

At September 30, 2011, the City had the following investments:

	Fair Value	Weighted Average Maturity	Credit Rating
Local Government Investments			
Cooperative (LOGIC)	\$ 8,758,427	40 days	AAAm
AIM Trust Treasury Portfolio	1,985,417	< 90 days	AAAm

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

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

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

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

1. Primary Government (continued)

Investments (continued)

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

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

Concentration of Credit Risk

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

As of September 30, 2011, the Local Government Investment Cooperative (LOGIC) reported the following concentrations of investments in its portfolio:

Commercial paper	63.89%
Repurchase Agreements	0.27%
Government Securities	8.96%

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

Credit Risk

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

1. Primary Government (continued)

Credit Risk (continued)

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

Interest Rate Risk

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

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

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

2. Component Units

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

Deposits for DEDC-4A and DCD-4B are held separately from those of the City's funds. At September 30, 2011, the reported amount of deposits for DEDC-4A totaled \$220,540, and the bank balances totaled \$220,540. The reported deposits for DCD-4B totaled \$418,885 and the bank balances totaled \$418,885.

At September 30, 2011, DEDC-4A and DCD-4B deposits were each covered by the Federal Depository Insurance Corporation's (FDIC) Transaction Account Guarantee Program (TAGP).

Investments

The DEDC-4A's investments at September 30, 2011, are as follows:

	Fair Value	Weighted Average Maturity	Credit Rating
AIM Trust Trasury Portfolio	\$ 407,608	< 90 days	AAAm

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

2. Component Units (continued)

Investments (continued)

The DCB-4B's investments at September 30, 2011, are as follows:

	Fair Value	Weighted Average Maturity	Credit Rating
AIM Trust Treasury Portfolio	\$ 394,170	< 90 days	AAAm

AIM Trust Treasury Portfolio, Private Class (AIM) is a no-load money market mutual fund.

Invesco is an investment company regulated by the SEC. AIM has a dollar-weighted average stated maturity of 90 days or less, and includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share. GASB Statement 31 allows investment company money market mutual funds to use amortized cost rather than fair value to report net assets to compute share price. The fair value of DEDC-4A's and DCB-4B's position in the money market mutual fund is the same as the value of AIM shares.

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

3. Reconciliation

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

		Component Units	
	Primary Government	Donna Economic Development Corporation	Development Corporation of Donna
Cash on hand	\$ 5,137	\$ -	\$ -
Carrying amount deposits, including CD's	630,394	220,540	418,886
Short-term investments	10,743,844	407,608	394,169
Less: Statement of Fiduciary Net Assets	(146,018)	-	-
Cash and investments	<u>\$ 11,233,357</u>	<u>\$ 628,148</u>	<u>\$ 813,055</u>
Cash and cash equivalents	\$ 6,224,992	\$ 220,540	\$ 418,886
Cash and cash equivalents - restricted	5,008,365	407,608	394,169
Cash and cash equivalents Statement of Net Assets	<u>\$ 11,233,357</u>	<u>\$ 628,148</u>	<u>\$ 813,055</u>

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Property Taxes

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real and business personal property in the City in conformity with Subtitle E, Texas Property Code. Assessed values are an approximation of market values. A receivable for property taxes is recognized and recorded at the levy date. The adjusted assessed value for the roll as of January 1, 2010, upon which the 2010 levy was based, was \$336,164,593.

Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. No discounts are offered. During the fiscal year, 88% of the current year tax levy (October 1, 2010) 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, 2011, was \$.674052 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, 2011, was \$.451927 per \$100 of assessed valuation. The combined tax rate for the City is \$1.125979 per \$100 of assessed valuation. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy up to \$2.50 per \$100 of assessed valuation for general governmental purposes, including the payment of principal and interest on general obligation long-term debt.

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Receivables

1. Primary Government

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

Governmental Activities as of September 30, 2011:

	General Fund	Debt Service Fund	Total
Property taxes receivable	\$ 1,146,311	\$ 735,708	\$ 1,882,019
Less allowance for uncollectibles	(252,545)	(141,967)	(394,512)
Net property taxes receivable	<u>\$ 893,766</u>	<u>\$ 593,741</u>	<u>\$ 1,487,507</u>
Deferred property taxes	\$ 873,066	\$ 564,500	\$ 1,437,566
Net deferred property taxes	<u>\$ 873,066</u>	<u>\$ 564,500</u>	<u>\$ 1,437,566</u>

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

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Water and Sewer Fund	City International Bridge Fund	Nonmajor Enterprise Funds	Total
Receivables:							
Property taxes	\$ 1,146,311	\$ 735,708	\$ -	\$ -	\$ -	\$ -	\$ 1,882,019
Accounts	476,749	-	11,243	1,125,981	-	17,046	1,631,019
Accrued interest	-	-	-	-	-	-	-
Intergovernmental	18,564	-	-	-	-	-	18,564
Gross receivables	1,641,624	735,708	11,243	1,125,981	-	17,046	3,531,602
Less: Allowance for uncollectible	(463,340)	(141,967)	(6,612)	(341,927)	-	-	(953,846)
Net total receivables	<u>\$ 1,178,284</u>	<u>\$ 593,741</u>	<u>\$ 4,631</u>	<u>\$ 784,054</u>	<u>\$ -</u>	<u>\$ 17,046</u>	<u>\$ 2,577,756</u>

Revenues of the Water and Sewer Fund are reported net of a provision for estimated uncollectible amounts in the amount of \$56,190.

2. Component Units

At September 30, 2011 the DEDC-4A and the DCD-4B each had a sales tax receivable of \$68,764.

D. Deferred Revenues and Unearned Revenues

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Deferred Revenues and Unearned Revenues (continued)

	Unavailable Deferred Revenues	Unearned Revenues
Delinquent property taxes (General Fund)	\$ 873,066	\$ -
Delinquent property taxes (Debt Service Fund)	564,500	-
Micellaneous advances (General Fund)	-	23,205
Micellaneous advances (Cemetery Fund)	-	-
	<u>\$ 1,437,566</u>	<u>\$ 23,205</u>

E. Interfund Payable/ Receivables and Transfers

Inter-fund receivable and payable balances at September 30, 2011 were as follows:

Governmental Funds – Receivable Fund

Receivable Entity	Payable Entity	Amount
General Fund	City International Bridge Fund	\$ 315,188
General Fund	Water & Sewer Fund	68,841
General Fund	Debt Service Fund	9,305
Nonmajor Governmental Fund	General Fund	280
		<u>\$ 393,614</u>

Proprietary Funds – Receivable Fund

Receivable Entity	Payable Entity	Amount
Water & Sewer Fund	General Fund	\$ 172,599
Water & Sewer Fund	City International Bridge Fund	443,722
City International Bridge Fund	Debt Service Fund	266,525
City International Bridge Fund	Nonmajor Governmental Fund	25,961
Nonmajor Proprietary Fund	General Fund	26,339
City International Bridge Fund	Water & Sewer Fund	891
		<u>\$ 936,037</u>

The balances generally result from a routine lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. All amounts are scheduled to be repaid within one year. A \$443,722 payable from the City International Bridge Fund to the Water and Sewer Fund is for capital projects funded through a capital contribution provided by the Development Corporation of Donna, Inc. (4B).

Due to/from the primary government and component units at September 30, 2011 were as follows:

Receivable Entity	Payable Entity	Amount
Primary Government - General Fund	Component Unit - DCD (4A)	\$ 1,510
Primary Government - General Fund	Component Unit - DCD (4B)	1,825
		<u>\$ 3,335</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Payable/ Receivables and Transfers (continued)

Interfund transfers during the year were as follows:

Transfer Out:	Transfer In:			
	Debt Service	City International Bridge Fund	Nonmajor Proprietary	Total
General Fund	\$ -	\$ 67,275	\$ 51,390	\$ 118,665
Debt Service Fund	-	1,255,533	-	1,255,533
Nonmajor Governmental	237,235	66,000	-	303,235
Total	<u>\$ 237,235</u>	<u>\$ 1,388,808</u>	<u>\$ 51,390</u>	<u>\$ 1,677,433</u>

Transfers were used primarily to 1) move General Fund resources to the Nonmajor Proprietary funds to sustain ongoing operations in the Cemetery Fund, 2) to move tax revenues levied for debt service of bonds and tax notes from the Debt Service Fund to the City International Bridge Fund that is accounting for annual bond and tax note debt payments, 3) to move from the Urban County Program Fund to pay preauthorized debt service payments and other expenses related to administration of the grant, and 4) transfer in of constructed assets to the City International Bridge Fund from the Capitals Projects Fund.

F. Capital assets

1. Primary Government

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance at October 1, 2010	Increases	Decreases	Balance at September 30, 2011
<u>Governmental Activities:</u>				
Capital assets, not subject to depreciation:				
Land	\$ 1,027,449	\$ -	\$ -	\$ 1,027,449
Construction in progress	925,058	-	(922,922)	2,136
Total capital assets, not to be depreciated	<u>1,952,507</u>	<u>-</u>	<u>(922,922)</u>	<u>1,029,585</u>
Capital assets, depreciable:				
Buildings	2,637,123	-	-	2,637,123
Improvements other than buildings	8,337,485	280,233	-	8,617,718
Infrastructure	3,942,111	826,508	-	4,768,619
Furniture and equipment	5,498,229	85,188	-	5,583,417
Total capital assets, depreciable	<u>20,414,948</u>	<u>1,191,929</u>	<u>-</u>	<u>21,606,877</u>
Governmental Activities Capital Assets	<u>\$ 22,367,455</u>	<u>\$ 1,191,929</u>	<u>\$ (922,922)</u>	<u>\$ 22,636,462</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital assets (continued)

1. Primary Government (continued)

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

	Balance at October 1, 2010	Increases	Decreases	Balance at September 30, 2011
<u>Business-type Activities:</u>				
Capital assets, not subject to depreciation:				
Land	\$ 1,234,103	\$ -	\$ -	\$ 1,234,103
Construction in progress	43,811,711	2,160,856	(45,972,567)	-
Total assets, not to be depreciated	45,045,814	2,160,856	(45,972,567)	1,234,103
Capital assets, being depreciated:				
Buildings	75,275	2,931,027	-	3,006,302
Improvements other than buildings	40,927	540,234	-	581,161
Infrastructure	32,596,276	41,016,604	-	73,612,880
Furniture and equipment	312,990	283,443	-	596,433
Total assets, being depreciated	33,025,468	44,771,308	-	77,796,776
Less accumulated depreciation:				
Buildings	24,654	49,318	-	73,972
Improvements other than buildings	14,665	21,960	-	36,625
Infrastructure	11,650,901	1,677,687	-	13,328,588
Furniture and equipment	280,547	41,214	-	321,761
Total accumulated depreciation	11,970,767	1,790,179	-	13,760,946
Total capital assets, being depreciated, net	21,054,701	42,981,129	-	64,035,830
Business-Type Activities Capital Assets, Net	\$ 66,100,515	\$ 45,141,985	\$ (45,972,567)	\$ 65,269,933

\$301,281 of interest was capitalized in the City International Bridge Fund in 2011. \$138,672 of interest was capitalized in the Water and Sewer Fund in 2011.

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

<u>Business-type Activities:</u>	
Water and Sewer	\$1,152,023
City International Bridge Fund	\$ 635,085
Cemetery	3,071
Total depreciation expense - business-type activities	<u>\$1,790,179</u>

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital assets (continued)

2. Component Units

Donna Economic Development Corporation - DECD 4A

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

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

G. Long Term Debt

1. Primary Government

Bond Obligations and Tax Notes in Governmental Funds

The government issues bond obligations and tax notes to provide funds for the acquisition and construction of major capital facilities and equipment. Bond obligations and tax notes have been issued for governmental activities. Bond obligations and tax notes are direct obligations and pledge the full faith and credit of the government. The original amount of outstanding general obligation bonds and tax notes issued in prior years was \$4,778,259.

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

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

Governmental activities:

Series 2001 Combination Tax and Limited Pledge Revenue
Certificates of Obligation due in variable annual installments
of \$50,000 to \$320,000 through February 1, 2016; interest
at 4.0% to 4.8%, payable semi-annually. \$ 1,395,000

Series 2006 Limited Tax Refunding Bond due in variable annual
installments of \$20,000 to \$165,000 through February 1, 2016;
interest is at 3.82% to 4.27%, payable semi-annually.
Approximately 96.76% of debt is accounted for
with business-type activities. 24,612

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Governmental activities: (continued)

Series 2006 Tax Note due in variable annual installments of \$20,000 to \$190,000 through February 1, 2013; interest is at 3.82% to 4.12%, payable semi-annually. Approximately 87.24% of debt is accounted for with business-type activities. 47,843

Series 2009 Tax Notes due in variable annual installments of \$65,000 to \$360,000 through February 1, 2016; interest at 3.81%, payable semi-annually. This debt is for public improvement projects 1,392,253

Total General Obligation Bonds and Tax Notes 2,859,708

Less Current Portion of Bonds and Tax Notes Payable 525,040

General Obligation Bonds and Tax Notes Payable,
Net of Current Portion \$2,334,668

Debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2012	\$ 525,040	\$ 106,874
2013	558,271	84,027
2014	557,479	60,420
2015	595,234	35,508
2016	623,684	9,034
Total	<u>\$ 2,859,708</u>	<u>\$ 295,863</u>

Business – type activities:

Bond Obligations in the Proprietary Funds

The City also issues bonds and tax notes where the City plans to service the debt from income derived from the acquired or constructed assets for business-type activities. The original amount of outstanding bonds and tax notes issued in prior years was \$43,706,741.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business – type activities (continued):

Bonds and tax notes outstanding at September 30, 2011 are as follows:

Series 2001-A Combination Tax and Limited Pledge Revenue Certificates of Obligation due in variable annual installments of \$30,000 to \$75,000 through February 1, 2016; interest at 3.4% to 4.8%, payable semi-annually. This debt was for water improvements.	\$ 335,000
Series 2006 Limited Tax Refunding Bond due in variable annual installments of \$20,000 to \$165,000 through February 1, 2016; interest at 3.82% to 4.27%, payable semi-annually. Approximately 3.24% is accounted for with governmental activities and 96.76% is for the International Bridge project.	735,389
Series 2006 Tax Note due in variable annual installments of \$20,000 to \$190,000 through February 1, 2013; interest at 3.82% to 4.12%, payable semi-annually. Approximately 12.76% of debt is accounted for with governmental activities. Approximately 14.68% of debt is for Water and Sewer and 72.56% for the International Bridge project.	327,157
Series 2007 Combination Tax and International Toll Bridge Revenue Certificates of Obligation due in variable annual installments of \$100,000 to \$2,400,000 from February 15, 2012 through February 15, 2037; interest rate at 6.25%, payable semi-annually. Interest only is due from February 15, 2008 through August 15, 2011, payable semi-annually. This debt is for the international bridge and related infrastructure.	30,600,000
Series 2009 Combination Tax and Revenue Certificates of Obligation due in variable annual installments of \$50,000 to \$385,000 through February 1, 2034; interest at 3.76% to 4.86%, payable semi-annually. This debt is for the wastewater collection system.	5,450,000
Series 2009 LTD Tax Refunding Bonds due in variable annual installments of \$100,000 to \$615,000 through February 1, 2017; interest at 3.96%, payable semi-annually.	3,475,000
Series 2009 Tax Notes due in variable annual installments of \$65,000 to \$360,000 through February 1, 2016; interest at 3.81%, payable semi-annually. This debt is for public improvement projects.	<u>287,747</u>
Total Bonds and Tax Notes Payable	41,210,293
Less Current Portion Payable from Restricted Assets	1,134,960
Less Unamortized Face Discount on 2001A Bond (Amortized Over the Life of the Bond, 15 Years)	<u>242</u>
Bonds and Tax Notes Payable, Net of Current Portion and Discount	<u>\$ 40,075,091</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business – type activities (continued):

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

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2012	\$ 1,134,960	\$ 2,339,796
2013	1,341,729	2,285,202
2014	1,417,521	2,222,175
2015	1,459,766	2,154,803
2016	1,426,317	2,087,511
2017-2021	5,445,000	9,496,729
2022-2026	6,485,000	7,810,639
2027-2031	8,905,000	5,497,618
2032-2036	11,195,000	2,398,083
Thereafter	2,400,000	56,455
Total	<u>\$ 41,210,293</u>	<u>\$36,349,011</u>

The City International Bridge Fund accounts and reports for all the bridge related activities including debt. \$1,255,533 of the bridge debt service payments were funded by the general government's Debt Service Fund via transfers to the City International Bridge Fund. The remaining requirements were made using the funds available from the 2007 Bonds proceeds capitalized interest account and a loan from the general fund. At September 30, 2011, there is a remaining balance in the capitalized interest account of \$458,949 to meet future debt requirements of the 2007 Bonds.

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

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 \$9.6M in combination tax and revenue bonds and tax notes issued in varying years as described above. Proceeds from the bonds and notes provided financing for projects as detailed above. The bonds and tax notes are payable through 2034. Annual principal and interest payments on the bonds and tax notes are expected to require approximately 65 percent of net revenues. Principal and interest paid for the current year and total water and sewer fund net revenues were \$1,133,253 and \$1,736,034, respectively.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business – type activities (continued):

City International Bridge Fund

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

Long-Term Debt Refunding

The City refunded Combination Tax and Limited Pledge Certificates of Obligation, Series 1995 and Combination Tax and Limited Pledge Certificates of Obligation, Series 1997. The refunded bonds were due in varying installments of \$20,000 to \$75,000 with a final payment in 2015 and \$215,000 to \$600,000 with a final payment in 2017, respectively.

As a result, the refunded bonds are considered to be defeased and the liability for the Bonds, has been removed from the City's books. At September 30, 2011 the amount of defeased debt outstanding was \$3,380,000.

Capital Lease Obligations

Governmental Activities:

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

4.98% Lease payable due in annual installments of \$51,906, including interest, collateralized by a fire truck. This lease is payable from the Fire Equipment Service Fee Fund.	\$184,143
Lease payable due in monthly installments of \$141, including interest, collateralized by a color copier.	2,754
Lease payable due in annual installments of \$5,945, including interest, collateralized by ten handheld computers.	5,364
Lease payable due in annual installments of \$4,717, including interest, collateralized by a Cannon copier.	8,751
Lease payable due in annual installments of \$42,668, including interest, collateralized by three 2010 Ford Crown Victorias.	40,335
Lease payable due in annual installments of \$10,580, including interest, collateralized by 2011 Ford F250.	27,816
Lease payable due in annual installments of \$102, including interest, collateralized by a Ricoh multifunctional copier.	3,745
Total Capital Lease Obligations	272,908
Less: Current Portion of Capital Lease Obligations	118,727
Capital Lease Obligations, Net of Current Portion	<u>\$ 154,181</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Capital Lease Obligations (continued)

Governmental Activities: (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 are as follows:

Fiscal Year Ending September 30,	Governmental Activities
2012	\$ 118,727
2013	69,691
2014	63,705
2015	52,313
Thereafter	-
Total Payments	\$ 304,436
Less: Amounts Representing Interest	31,528
Present Value of Payments	<u>\$ 272,908</u>

Business-type Activities:

Lease payable due in annual installments of \$118, including interest, collateralized by a Ricoh multifunctional copier. \$ 4,122

Total Capital Lease Obligations 4,122

Less: Current Portion of Capital Lease Obligations 1,172

Capital Lease Obligations, Net of Current Portion \$ 2,950

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 are as follows:

Fiscal Year Ending September 30,	Business-type Activities
2012	\$ 1,419
2013	1,419
2014	1,419
2015	356
Total Payments	\$ 4,613
Less: Amounts Representing Interest	491
Present Value of Payments	<u>\$ 4,122</u>

The City's commitment under operating leases and related 2011 rent expense is not material to its combined financial position. None of the City's leasing arrangements involve contingent or sublease rentals.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Business-type activities: (continued)

Notes Payable

On May 21, 2004, the City of Donna entered into an interlocal agreement with the Donna Independent School District in order to share the costs of road improvements to Valley View Road that would enhance access to a newly constructed middle school. The interlocal agreement specifies that the City and the school district will share the costs equally and that the School District will fund the financial obligation of the City's share wherein the City will reimburse the School District. Upon final completion of the road improvements, the City will begin to reimburse the School District in seven equal annual installments for its share of the costs. As of September 30, 2011, the City's accumulated share of costs is \$233,052, which is recorded as a liability of the City at that date. At this time, it is uncertain when the road improvements will be completed, thus uncertain when the City will begin to repay the School District.

Claims Payable

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

Beginning in 2002 the City's successive bridge corporations and in 2009 the City itself entered into a series of successive agreements with a consultant to perform the coordination, planning, development and management of the Donna international bridge project. The agreements from 2002 to 2006 provided for monthly payments and expense reimbursements, along with a percentage fee payable for all grants and loans received for the international bridge project. In 2006 through 2009 the agreements reflected specific tasks and the related amount to be paid for each task with no additional percentage fee until the 2009 agreement was entered into wherein a 6% fee was added for any grants received for the project. During the 2004 agreement, wherein a 5% fee was active, the consultant billed for a total of \$430,000 for funding awarded and during the 2009 agreement, wherein a 6% fee was active, the consultant billed for \$213,600 for funding awarded for a total of \$643,600. Since the City was unable to pay this, the consultant offered a payment agreement that the City accepted and became effective Sept. 30, 2009. And in connection with the International Bridge Fund not being able to make these payments, the DEDC-4A and the DCD-4B component units will be funding the debt service for this debt on an equal basis. The fees on the funding awards were for access roads to the international bridge site.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Claims Payable (continued)

Business-type activities: (continued)

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

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

\$ 1,793,125

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

370,814

Total Present Value of Claims Payable to Consultant 2,163,939

Less Current Portion of Claims Payable 162,364

Total Present Value of Claims Payable, Net of Current Portion \$ 2,001,575

The future minimum claims obligations and the net present value of these minimum claims payments as of September 30, 2011 are as follows:

Fiscal Year Ending September 30,	Business-Type Activities
2012	240,000
2013	120,000
2014	273,600
2015	<u>1,756,246</u>
Total Payments	\$ 2,389,846
Less: Amounts Representing Interest	<u>225,907</u>
Present Value of Payments	<u>\$ 2,163,939</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

1. Primary Government (continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2011 is as follows:

	Balance at September 30, 2010	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2011	Amounts Due within One Year
<u>Governmental Activities:</u>					
Bonds payable	\$ 1,653,983	\$ -	\$ 234,371	\$ 1,419,612	\$ 244,536
Tax notes payable	73,444	-	25,601	1,440,096	280,507
Capital leases	332,560	42,812	102,464	272,908	118,727
Notes and loans payable	233,051	-	-	233,051	-
Settlement payable	22,303	-	22,303	-	-
Compensated absences	232,468	152,850	94,498	290,820	116,328
Total Governmental Activities					
Long-term Liabilities	<u>\$ 2,547,809</u>	<u>\$ 195,662</u>	<u>\$ 479,237</u>	<u>\$ 3,656,487</u>	<u>\$ 760,098</u>
<u>Business-type Activities:</u>					
Bonds payable	\$ 41,346,017	\$ -	\$ 750,628	40,595,389	\$ 920,464
Less issuance face discount	(353)	-	(111)	(242)	-
Tax notes payable	2,336,556	-	329,399	614,904	214,493
Capital Leases	-	4,949	827	4,122	1,172
Claims Payables	2,320,472	-	156,533	2,163,939	162,364
Compensated absences	22,447	24,867	11,679	35,635	14,254
Total Business-Type Activities					
Long-term Liabilities	<u>\$ 46,025,139</u>	<u>\$ 29,816</u>	<u>\$ 1,248,955</u>	<u>\$ 43,413,747</u>	<u>\$ 1,312,747</u>

2. Component Units

Donna Economic Development Corporation (DEDC-4A):

Bonds outstanding at September 30, 2011 are:

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

	<u>\$ 4,320,000</u>
Total DEDC -4A Bonds Payable	4,320,000
Less Current Portion	120,000
Less Unamortized Face Discount on Bonds (Amortized Over the Life of the Bond, 25 Years)	<u>43,812</u>
Total DEDC-4A Bonds, Net of Current Portion and Discount	<u>\$ 4,156,188</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

Donna Economic Development Corporation (DEDC-4A):

The bonds payable annual debt service requirements to maturity are:

Fiscal Year Ending September 30,	Bonds Payable	
	Principal	Interest
2012	\$ 120,000	\$ 181,044
2013	120,000	178,644
2014	130,000	175,644
2015	135,000	171,744
2016	135,000	167,019
2017-2021	765,000	752,870
2022-2026	935,000	584,131
Thereafter	1,980,000	442,176
Total	<u>\$ 4,320,000</u>	<u>\$ 2,653,272</u>

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

Bonds outstanding at September 30, 2011 are:

Series 2009 Sales Tax Revenue and Refunding Bonds due in variable installments of \$70,000 to \$285,000 through August 1, 2034; interest is between 4.07% to 4.75%, payable semi-annually.	<u>\$ 4,235,000</u>
Total DCD-4B Bonds Payable	4,235,000
Less Current Portion	110,000
Less Unamortized Face Discount on Bonds (Amortized Over the Life of the Bond, 25 Years)	<u>64,270</u>
Total DCD-4B Bonds, Net of Current Portion and Discount	<u>\$ 4,060,730</u>

The bonds payable annual debt service requirements to maturity are:

Fiscal Year Ending September 30,	Bonds Payable	
	Principal	Interest
2012	\$ 110,000	\$ 173,919
2013	120,000	171,169
2014	130,000	167,569
2015	135,000	163,669
2016	135,000	159,450
2017-2021	750,000	726,120
2022-2026	915,000	571,205
Thereafter	1,940,000	433,709
Total	<u>\$ 4,235,000</u>	<u>\$ 2,566,810</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

The following are summaries of changes in long-term debt obligations for DEDC-4A and DCD-4B for the year ended September 30, 2011:

Donna Economic Development Corporation (DEDC-4A)

	Balance at September 30, 2010	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2011	Amounts Due within One Year
Bonds Payable	<u>\$ 4,390,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 4,320,000</u>	<u>\$ 120,000</u>

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, 2011 the amount of defeased debt outstanding was \$3,395,000.

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

	Balance at September 30, 2010	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2011	Amounts Due within One Year
Bonds payable	<u>\$ 4,305,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 4,235,000</u>	<u>\$ 110,000</u>

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, 2011 the amount of defeased debt outstanding was \$3,305,000.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Debt (continued)

2. Component Units (continued)

Revenues Pledged in Connection with Component Unit Debt

Donna Economic Development Corporation (4A)

The City has pledged future sales tax revenues to repay \$4.390 million in sales tax revenue and refunding bonds issued in December, 2009. Proceeds from the bonds provided a refunding of prior bonds and financing for projects related to the bridge projects, industrial park and related infrastructure. The bonds are payable through 2034. Annual principal and interest payments on the bonds are expected to require less than 6 percent of net revenues. The total principal and interest remaining to be paid on the bonds to be paid by the Donna Economic Development Corporation (4A) is \$6,973,272. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$252,213 and \$4,527,957, respectively.

Development Corporation of Donna, Inc. (4B)

The City has pledged future sales tax revenues to repay \$4.305 million in sales tax revenue and refunding bonds issued in December, 2009. Proceeds from the bonds provided a refunding of prior bonds and financing for projects related to the bridge projects, industrial park and related infrastructure. The bonds are payable through 2034. Annual principal and interest payments on the bonds are expected to require less than 5 percent of net revenues. The total principal and interest remaining to be paid on the bonds to be paid by the Development Corporation of Donna, Inc. (4B) \$6,801,810. Principal and interest paid for the current year and total customer net revenues as defined by the pledge agreements were \$245,088 and \$4,527,957, respectively.

Bond Compliance Requirements

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

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Restricted Assets and Payables

1. Primary Government

Business-type activities:

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

Restricted assets included in business-type activities as of September 30, 2011 consist of:

	<u>Cash and Cash Equivalents</u>
Water and Sewer:	
O&M Reserve	\$ 628,056
Construction	669,324
Debt Service	1,715,692
Escrow Deposits	64,626
Total Water and Sewer	<u>\$ 3,077,698</u>
City International Bridge:	
Construction	\$ 72,077
Debt Service	1,858,590
Total International Bridge	<u>\$ 1,930,667</u>
Restricted Assets on the Statement of Net Assets	<u>\$ 5,008,365</u>

Liabilities payable from restricted assets included in business-type activities as of September 30, 2011 consist of:

	<u>Accrued Interest Payable</u>	<u>Total</u>
Water and Sewer Fund	\$ 74,352	\$ 74,352
City International Bridge Fund	243,809	\$ 243,809
Total restricted liabilities	<u>\$ 318,161</u>	<u>\$ 318,161</u>

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans

1. Texas Municipal Retirement System

Plan Description

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

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

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

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	5%	5%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/10, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

1. Texas Municipal Retirement System (continued)

Contributions (continued)

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

1. Annual Required Contribution (ARC)	\$ 105,262
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	105,262
5. Contributions Made	(105,262)
6. Increase (decrease) in net pension obligation	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	\$ -

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 105,262	100%	-
2010	95,036	100%	-
2009	65,919	100%	-

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2009 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 years; closed period	28.9 years; closed period	25.5 years; closed period
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.50%	7.50%	7.50%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

1. Texas Municipal Retirement System (continued)

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Funded Ratio	Overfunded AAL (UAAL)	Covered Payroll	Percentage of Covered Payroll
12/31/2010	\$ 3,072,668	\$ 2,977,179	103.2%	\$ (95,489)	\$ 2,385,938	-4.0%

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

2. Firemen's Relief and Retirement Fund

Plan Description

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

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

	2011
Current Firefighters	8
Current Firefighters' beneficiaries	3
Active Firefighters	28

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

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

Contributions and Covered Payroll

For the plan in effect December 31, 2011, the City's contribution was \$3,100. The City's contribution is not based upon payroll, since all participants are volunteers.

Funding Status and Progress

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

Trend Information

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

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

Plan Description

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

Benefits

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

Contributions

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Retirement Benefit Plans (continued)

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

Annual Pension Cost – The City's OPEB cost for the year ended September 30, 2011 was as follows:

Actuarial valuation date	12/31/10
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
Amortization period	25 years – Open period
Asset valuation method	Fund Value
Assumptions:	
Investment return	4.25 %
Projected salary increases	none
Includes inflation at	3 %
Cost-of-living adjustments	none

The City's contributions to the TMRS SDBF for the years ended September 30, 2011, 2010 and 2009 were \$977, \$937, and \$804, respectively, which equaled the required contributions each year.

J. Other Non-Operating Expenses

Other non-operating expenses in the City International Bridge Fund include start-up expenses of \$67,275.

K. Construction and Improvement Commitments

At September 30, 2011, the City did not have any significant contractual commitments outstanding.

L. Risk Management

1. Primary Government

The City maintains insurance for all business and government functions for which it may be liable for claims. The more significant of these include general liability insurance in an aggregate amount of \$1,000,000 and \$500,000 per occurrence. Property insurance covering the City's buildings and properties in an aggregate amount of approximately \$25,280,600; and in public officials and law enforcement legal liability in an aggregate amount of \$1,000,000 and \$500,000 per occurrence. There have been no significant reductions in insurance coverage. There were no claim settlements paid out of the General Fund during the current year, \$0 during 2010, and \$54,165 during 2009. Additionally, full time employees are covered by a fully insured health insurance plan.

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)

M. Contingencies

1. Litigation

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

2. Federally Assisted Grant Programs

The City participates periodically in Federal and State assisted grant programs. The principal grant programs the City currently participates in are with the Community Development Block Grant, the Colonia Wastewater Treatment Assistance Program, and Texas Water Development Board EDAP Grant. Under the terms of the Community Development Block Grant, Hidalgo County (the County) includes the surface area and population of the City of Donna in its application to the Department of Housing and Urban Development. Consequently, the County is the grantee of these funds. Also the County assumes responsibility for the eligibility of activities, environmental assessments, awarding of contracts, approval and payment for completed contracts, project close out, and audits for the projects. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

3. Alliance International Bridge

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

N. Subsequent Events

Water Rates:

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

CITY OF DONNA, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – FUND BALANCES

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

Spendable: The City has classified the spendable fund balances as *Restricted Committed 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:

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 \$1,587,145 and represented \$661,967 in local, \$17,215 in state, and \$907,963 in debt service.

- Committed for Operations:

The City has set aside certain spendable fund balance for capital projects. At year end, the committed fund balance is \$1,527,995. At the present time, the City intends to use some of these funds for industrial park lighting and street sweeper.

- Unassigned:

The unassigned fund balance for the General Fund is \$934,350.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Taxes:			
Ad valorem	\$ 2,213,978	\$ 2,358,879	\$ 144,901
Sales	785,000	819,491	34,491
Franchise	635,000	674,619	39,619
Total Taxes	3,633,978	3,852,989	219,011
Licenses and permits:			
Licenses	9,400	9,015	(385)
Permits	78,241	92,400	14,159
Total Licenses and Permits	87,641	101,415	13,774
Charges for services	1,128,209	1,189,906	61,697
Fines and forfeitures:			
Municipal court	150,000	70,734	(79,266)
Other fines	17,340	34,511	17,171
Total Fines and Forfeitures	167,340	105,244	(62,096)
Intergovernmental	153,185	326,847	173,662
Other revenues:			
Interest	2,000	972	(1,028)
Other	13,800	47,971	34,171
Total Other Revenues	15,800	48,943	33,143
Total Revenues	5,186,153	5,625,344	439,191
Expenditures:			
General Government:			
City Council:			
Supplies	-	526	(526)
Other services	30,019	38,765	(8,746)
Total City Council	30,019	39,291	(9,272)

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued) :			
General Government (continued):			
City Management:			
Personnel services	\$ 69,540	\$ 80,658	\$ (11,118)
Supplies	1,700	3,491	(1,791)
Equipment maintenance and repairs	375	349	26
Other services	64,351	83,642	(19,291)
Total City Management	135,966	168,141	(32,175)
Finance/Accounting:			
Personnel services	184,709	115,291	69,418
Supplies	7,625	4,868	2,757
Equipment maintenance and repairs	13,152	4,042	9,110
Other services	45,406	49,391	(3,985)
Total Finance/Accounting	250,892	173,592	77,300
City Hall:			
Personnel services	30,045	30,385	(340)
Supplies	11,073	11,673	(600)
Property occupancy	2,600	3,821	(1,221)
Equipment maintenance and repairs	16,020	8,667	7,353
Other services	45,219	31,466	13,753
Capital outlay	-	31,233	(31,233)
Total City Hall	104,957	117,245	(12,288)
City Secretary:			
Personnel services	42,756	41,479	1,277
Supplies	1,025	2,133	(1,108)
Equipment maintenance and repairs	-	285	(285)
Other services	2,400	3,088	(688)
Total City Secretary	46,181	46,986	(805)
Business Rental Properties:			
Property occupancy	325	5	320
Other services	7,335	7,642	(307)
Total Business Rental Properties	7,660	7,647	13
Municipal Court:			
Personnel services	68,579	66,811	1,768
Supplies	4,050	1,061	2,989
Equipment maintenance and repairs	9,975	13,522	(3,547)
Other services	30,325	25,537	4,788
Capital outlay	3,400	-	3,400
Total Municipal Court	116,329	106,932	9,397

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued):			
General Government (continued):			
Planning and Community Development:			
Personnel services	\$ 78,794	\$ 83,110	\$ (4,316)
Supplies	2,755	5,583	(2,828)
Equipment maintenance and repairs	1,150	151	999
Other services	46,304	43,516	2,788
Capital outlay	-	4,750	(4,750)
Total Planning and Community Development	129,003	137,111	(8,108)
Tax/Assessor Collector:			
Personnel services	51,214	49,866	1,348
Supplies	4,975	2,944	2,031
Equipment maintenance and repairs	6,225	7,890	(1,665)
Other services	110,811	136,333	(25,522)
Total Tax Assessor Collector	173,225	197,033	(23,808)
Elections:			
Supplies	750	622	128
Equipment maintenance and repairs	850	-	850
Other services	2,900	16,148	(13,248)
Total Elections	4,500	16,770	(12,270)
Total General Government	998,732	1,010,748	(12,016)
Public Safety:			
Police:			
Personnel services	1,445,224	1,408,272	36,952
Supplies	119,858	86,684	33,174
Property occupancy	8,000	23,585	(15,585)
Equipment maintenance and repairs	73,016	57,077	15,939
Other services	84,205	96,051	(11,846)
Capital outlay	-	6,040	(6,040)
Total Police	1,730,303	1,677,707	52,596
Fire:			
Personnel services	43,082	36,105	6,977
Supplies	13,645	21,732	(8,087)
Property occupancy	5,350	16,889	(11,539)
Equipment maintenance and repairs	13,379	10,526	2,853
Other services	53,146	52,528	618
Total Fire	167,468	176,528	(9,060)
Emergency Medical Services:			
Other services	6,185	6,220	(35)
Total Emergency Medical Services	6,185	6,220	(35)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued):			
Public Safety (continued):			
Safety Inspections:			
Personnel services	\$ 48,068	\$ 37,130	\$ 10,938
Supplies	4,200	3,157	1,043
Equipment maintenance and repairs	3,775	2,640	1,135
Other services	8,055	2,259	5,796
Total Safety Inspections	64,098	45,186	18,912
Total Public Safety	1,968,054	1,905,641	62,413
Public Works:			
Public Works Department:			
Personnel services	334,166	315,585	18,581
Supplies	28,800	49,290	(20,490)
Property occupancy	12,138	35,222	(23,084)
Equipment maintenance and repairs	11,143	35,907	(24,764)
Other services	21,194	29,038	(7,844)
Total Public Works Department	407,441	465,042	(57,601)
City Vehicle Maintenance			
Personnel services	27,461	26,441	1,020
Supplies	1,350	4,494	(3,144)
Equipment maintenance and repairs	100	300	(200)
Other services	318	1,101	(783)
Total City Vehicle Maintenance	29,229	32,336	(3,107)
Sanitation Services:			
Other services	594,000	598,556	(4,556)
Total Sanitation Services	594,000	598,556	(4,556)
Street and Roadway Lighting			
Property occupancy	50	-	50
Other services	212,122	207,098	5,024
Total Street and Roadway Lighting	212,172	207,098	5,074
Public Infrastructure Improvements:			
Capital outlay - Industrial Park	-	169,418	(169,418)
Total Public Works	1,242,842	1,472,449	(229,607)

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued):			
Culture and Recreation:			
Parks:			
Personnel services	\$ 97,775	\$ 78,236	\$ 19,539
Supplies	6,925	14,953	(8,028)
Property occupancy	3,350	18,782	(15,432)
Equipment maintenance and repairs	3,700	4,241	(541)
Other services	34,011	36,734	(2,723)
Total Parks	145,761	152,946	(7,185)
Library:			
Personnel services	182,691	173,599	9,092
Supplies	9,450	10,707	(1,257)
Property occupancy	2,500	5,142	(2,642)
Equipment maintenance and repairs	1,000	229	771
Other services	54,693	41,986	12,707
Total Library	250,334	231,663	18,671
Swimming Pool:			
Personnel services	33,467	23,129	10,338
Supplies	3,300	4,436	(1,136)
Property occupancy	900	3,484	(2,584)
Equipment maintenance and repairs	500	3,411	(2,911)
Other services	12,842	13,383	(541)
Total Swimming Pool	51,009	47,843	3,166
Community Support Services:			
Supplies	150	318	(168)
Property occupancy	7,000	26,432	(19,432)
Other services	57,895	56,898	997
Total Community Support Services	65,045	83,648	(18,603)
Total Culture and Recreation	512,149	516,101	(3,952)
Public Health:			
Health Inspection/Code Enforcement:			
Personnel services	76,898	69,184	7,714
Supplies	15,625	10,787	4,838
Equipment maintenance and repairs	5,800	4,412	1,388
Other services	42,687	76,006	(33,319)
Total Public Health	141,010	160,389	(19,379)
Economic Development:			
Other Services	-	86,969	(86,969)

(Continued)

CITY OF DONNA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Expenditures (Continued):			
Debt Service:			
Principal retirements	\$ 59,205	\$ 59,466	\$ (261)
Interest and fiscal charges	6,526	6,949	(423)
Total Debt Service	<u>65,731</u>	<u>66,414</u>	<u>(683)</u>
Total Expenditures	<u>4,928,519</u>	<u>5,218,710</u>	<u>(290,191)</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>257,634</u>	<u>406,634</u>	<u>149,000</u>
Other Financing Sources (Uses):			
Operating transfers out	(46,500)	(118,665)	(72,165)
Lease Proceeds	<u>38,866</u>	<u>42,812</u>	<u>3,946</u>
Total Other Financing Sources (Uses)	<u>(7,634)</u>	<u>(75,853)</u>	<u>(68,219)</u>
Net Change in Fund Balance	250,000	330,781	80,781
Fund Balance at Beginning of Year	<u>603,569</u>	<u>603,569</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 853,569</u>	<u>\$ 934,350</u>	<u>\$ 80,781</u>

CITY OF DONNA, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2011

A. TEXAS MUNICIPAL RETIREMENT SYSTEM - EMPLOYEES

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued (AAL) Liability (b)	Percent Funded (a/b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Annual Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
2008	\$ 2,402,514	\$ 2,487,967	96.6%	\$ 85,453	\$ 2,156,982	4.0%
2009	2,647,155	2,756,569	96.0%	109,414	2,205,566	5.0%
2010	3,072,668	2,977,179	103.2%	(95,489)	2,385,938	-4.0%

B. THE DONNA FIREMEN'S RELIEF AND RETIREMENT FUND

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

CITY OF DONNA, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary Expenditures in Excess of Appropriations

During the year ended September 30, 2011, expenditures exceeded appropriations as follows in the General Fund.

<u>Department</u>	<u>General Fund Excess of Expenditures Over Appropriations</u>
City Council	\$ 9,272
City Management	32,175
City Hall	12,288
City Secretary	805
Planning and Community Development	8,108
Tax Collector Assessor	23,808
Elections	12,270
Fire	9,060
Emergency Medical Services	35
Public Works	57,601
City Vehicle Maintenance	3,107
Sanitation Services	4,556
Public Infrastructure Improvements	169,418
Parks	7,185
Community Support Services	18,603
Public Health	19,379
Economic Development	86,969
	<u>\$ 474,639</u>

2. Budgetary Basis of Accounting

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

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

Reinvestment Zone One was moved to a fiduciary fund.

CAPITAL PROJECT FUNDS

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

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

CITY OF DONNA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 674,405	\$ 1,554,021	\$ 2,228,426
Receivables, net:			
Accounts	4,631	-	4,631
Due from other funds	280	-	280
Total Assets	<u>\$ 679,316</u>	<u>\$ 1,554,021</u>	<u>\$ 2,233,337</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ 134	\$ 26,026	\$ 26,160
Total Liabilities	<u>134</u>	<u>26,026</u>	<u>26,160</u>
Fund Balances:			
Restricted for:			
Tourism	270,169	-	270,169
Law enforcement	17,215	-	17,215
Fire equipment debt service	135,619	-	135,619
Equipment purchases	211,212	-	211,212
Park improvements	44,969	-	44,969
Committed to:			
Capital projects	-	1,527,995	1,527,995
Total Fund Balances	<u>679,182</u>	<u>1,527,995</u>	<u>2,207,178</u>
Total Liabilities and Fund Balances	<u>\$ 679,316</u>	<u>\$ 1,554,021</u>	<u>\$ 2,233,337</u>

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 99,331	\$ -	\$ 99,331
Charges for services	66,738	-	66,738
Fines and forfeitures	4,750	-	4,750
Intergovernmental	237,235	-	237,235
Interest	1,127	2,817	3,943
Other	6,000	-	6,000
Total Revenues	<u>415,181</u>	<u>2,817</u>	<u>417,997</u>
Expenditures:			
Current:			
Tourism development	18,487	-	18,487
Debt Service			
Principal retirements	40,709	-	40,709
Interest and fiscal charges	11,306	64	11,370
Total Expenditures	<u>70,502</u>	<u>64</u>	<u>70,566</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>344,679</u>	<u>2,752</u>	<u>347,431</u>
Other Financing Sources (Uses):			
Transfers out	<u>(237,235)</u>	<u>(66,000)</u>	<u>(303,235)</u>
Total Other Financing Sources (Uses)	<u>(237,235)</u>	<u>(66,000)</u>	<u>(303,235)</u>
Net Change in Fund Balances	107,444	(63,248)	44,196
Fund Balances at Beginning of Year	<u>571,738</u>	<u>1,591,243</u>	<u>2,162,981</u>
Fund Balances at End of Year	<u>\$ 679,182</u>	<u>\$ 1,527,995</u>	<u>\$ 2,207,178</u>

CITY OF DONNA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2011

	Hotel Occupancy Tax	Texas Confiscated Forfeitures	Fire Equipment Service Fee
<u>Assets</u>			
Cash and cash equivalents	\$ 270,239	\$ 17,279	\$ 130,707
Receivables, net:			
Accounts	-	-	4,631
Due from other funds	-	-	280
	<u>-</u>	<u>-</u>	<u>280</u>
Total Assets	<u>\$ 270,239</u>	<u>\$ 17,279</u>	<u>\$ 135,619</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ 70	\$ 64	\$ -
	<u>70</u>	<u>64</u>	<u>-</u>
Total Liabilities	<u>70</u>	<u>64</u>	<u>-</u>
Fund Balances:			
Restricted for:			
Tourism	270,169	-	-
Law enforcement	-	17,215	-
Fire equipment debt service	-	-	135,619
Equipment purchases	-	-	-
Park improvements	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>270,169</u>	<u>17,215</u>	<u>135,619</u>
Total Liabilities and Fund Balances	<u>\$ 270,239</u>	<u>\$ 17,279</u>	<u>\$ 135,619</u>

EXHIBIT 6-C

<u>Tax Note Equipment Fund</u>	<u>Urban County CDBG Program</u>	<u>Park Improvement Fee Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 211,212	\$ -	\$ 44,969	\$ 674,405
-	-	-	4,631
-	-	-	280
<u>\$ 211,212</u>	<u>\$ -</u>	<u>\$ 44,969</u>	<u>\$ 679,316</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>134</u>
-	-	-	270,169
-	-	-	17,215
-	-	-	135,619
211,212	-	-	211,212
-	-	44,969	44,969
<u>211,212</u>	<u>-</u>	<u>44,969</u>	<u>679,182</u>
<u>\$ 211,212</u>	<u>\$ -</u>	<u>\$ 44,969</u>	<u>\$ 679,316</u>

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Hotel Occupancy Tax	Texas Confiscated Forfeitures	Fire Equipment Service Fee
Revenues			
Taxes	\$ 99,331	\$ -	\$ -
Fines and forfeitures	-	4,750	-
Charges for services	-	-	64,488
Other	6,000	-	-
Intergovernmental	-	-	-
Interest	408	23	194
	<u>105,739</u>	<u>4,773</u>	<u>64,682</u>
Total Revenues			
Expenditures:			
Current:			
Tourism development	18,487	-	-
Debt service			
Principal retirements	-	-	40,709
Interest and other charges	-	64	11,242
	<u>18,487</u>	<u>64</u>	<u>51,950</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>87,251</u>	<u>4,709</u>	<u>12,732</u>
Other Financing Sources (Uses):			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	87,251	4,709	12,732
Fund Balances at Beginning of Year	<u>182,917</u>	<u>12,505</u>	<u>122,887</u>
Fund Balances at End of Year	<u>\$ 270,169</u>	<u>\$ 17,215</u>	<u>\$ 135,619</u>

EXHIBIT 6-D

<u>Tax Note Equipment Fund</u>	<u>Urban County CDBG Program</u>	<u>Park Improvement Fee Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ 99,331
-	-	-	4,750
-	-	2,250	66,738
-	-	-	6,000
-	237,235	-	237,235
<u>421</u>	<u>-</u>	<u>81</u>	<u>1,127</u>
<u>421</u>	<u>237,235</u>	<u>2,331</u>	<u>415,181</u>
-	-	-	18,487
-	-	-	40,709
<u>-</u>	<u>-</u>	<u>-</u>	<u>11,306</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>70,502</u>
<u>421</u>	<u>237,235</u>	<u>2,331</u>	<u>344,679</u>
<u>-</u>	<u>(237,235)</u>	<u>-</u>	<u>(237,235)</u>
<u>-</u>	<u>(237,235)</u>	<u>-</u>	<u>(237,235)</u>
421	-	2,331	107,444
<u>210,790</u>	<u>-</u>	<u>42,638</u>	<u>571,738</u>
<u>\$ 211,212</u>	<u>\$ -</u>	<u>\$ 44,969</u>	<u>\$ 679,182</u>

CITY OF DONNA, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues:			
Taxes:			
Ad valorem taxes	\$ 1,483,977	\$ 1,535,630	\$ 51,653
Interest	-	2,861	2,861
Total Revenues	<u>1,483,977</u>	<u>1,538,490</u>	<u>54,513</u>
Expenditures:			
Debt Service:			
Principal retirements	259,973	351,645	(91,672)
Interest and fiscal charges	<u>79,868</u>	<u>129,215</u>	<u>(49,347)</u>
Total Expenditures	<u>339,841</u>	<u>480,860</u>	<u>(141,019)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,144,136</u>	<u>1,057,631</u>	<u>(86,505)</u>
Other Financing Sources (Uses)			
Transfers in	237,235	237,235	-
Transfers out	<u>(1,400,847)</u>	<u>(1,255,533)</u>	<u>145,314</u>
Total Other Financing Sources (Uses)	<u>(1,163,612)</u>	<u>(1,018,298)</u>	<u>145,314</u>
Net Change in Fund Balance	(19,476)	39,333	58,809
Fund Balance at Beginning of Year	<u>868,630</u>	<u>868,630</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 849,154</u>	<u>\$ 907,963</u>	<u>\$ 58,809</u>

CITY OF DONNA, TEXAS
HOTEL OCCUPANCY TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Taxes	\$ 75,000	\$ 99,331	\$ 24,331
Other	-	6,000	6,000
Interest Earned	-	408	408
Total Revenues	<u>75,000</u>	<u>105,739</u>	<u>30,739</u>
Expenditures:			
Current:			
Tourism development			
Visitor information center	32,000	18,487	13,513
Tourism advertising	15,000	-	15,000
Administration of tax funds	2,500	-	2,500
Total Tourism Development	<u>49,500</u>	<u>18,487</u>	<u>31,013</u>
Total Expenditures	<u>49,500</u>	<u>18,487</u>	<u>31,013</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25,500</u>	<u>87,251</u>	<u>61,751</u>
Fund Balance at Beginning of Year	<u>182,917</u>	<u>182,917</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 208,417</u>	<u>\$ 270,169</u>	<u>\$ 61,751</u>

CITY OF DONNA, TEXAS
FIRE EQUIPMENT SERVICE FEE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Charges for services	\$ 57,500	\$ 64,488	\$ 6,988
Interest Income	-	194	194
Total Revenues	<u>57,500</u>	<u>64,682</u>	<u>7,182</u>
Expenditures:			
Debt service:			
Principal retirements	40,709	40,709	-
Interest	<u>11,198</u>	<u>11,242</u>	<u>-</u>
Total Expenditures	<u>51,907</u>	<u>51,950</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	5,593	12,732	7,182
Fund Balance at Beginning of Year	<u>122,887</u>	<u>122,887</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 128,480</u>	<u>\$ 135,619</u>	<u>\$ 7,182</u>

MAJOR PROPRIETARY FUNDS

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

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

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

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BUDGETARY COMPARISON- WATER AND SEWER FUND

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CITY OF DONNA, TEXAS
WATER AND SEWER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Operating Revenues			
Sales:			
Water sales	\$ 2,670,791	\$ 2,642,087	\$ (28,704)
Sewer sales	2,179,518	2,090,514	(89,004)
Penalties - delinquent	130,000	150,781	20,781
Provision for bad debt	(60,000)	(56,190)	3,810
Total Sales	4,920,309	4,827,192	(93,117)
Service Charges:			
Water access and tap fees	32,800	18,025	(14,775)
Sewer access fees	10,500	11,650	1,150
Customer service cut ons	22,000	22,700	700
Total Service Charges	65,300	52,375	(12,925)
Total Operating Revenues	4,985,609	4,879,568	(106,041)
Non-Operating Revenues:			
Interest income	8,972	9,489	517
Other	1,000	7,943	6,943
Total Non-Operating Revenues	9,972	17,432	7,460
Total Revenues	4,995,581	4,896,999	(98,582)
Expenses:			
City Management:			
Personal services	55,828	47,955	7,873
Supplies	1,875	1,689	186
Equipment maintenance	3,450	244	3,206
Other services	72,104	40,898	31,206
	133,257	90,786	42,471
City Secretary:			
Personal services	14,255	13,867	388
Supplies	400	274	126
Equipment maintenance	200	-	200
Other services	100	171	(71)
	14,955	14,311	644

(Continued)

CITY OF DONNA, TEXAS
WATER AND SEWER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Finance/Accounting:			
Personal services	\$ 147,933	\$ 96,440	\$ 51,493
Supplies	13,945	3,162	10,783
Equipment maintenance	22,150	2,620	19,530
Other services	110,412	37,867	72,545
	<u>294,440</u>	<u>140,089</u>	<u>154,351</u>
City Hall:			
Personal services	5,560	10,372	(4,812)
	<u>5,560</u>	<u>10,372</u>	<u>(4,812)</u>
Engineer:			
Other services	25,000	12,576	12,425
	<u>25,000</u>	<u>12,576</u>	<u>12,425</u>
Water Distribution:			
Supplies	12,500	-	12,500
Property occupancy	90,750	7,296	83,454
Equipment maintenance	1,500	-	1,500
Other services	10,418	4,629	5,789
	<u>115,168</u>	<u>11,925</u>	<u>103,243</u>
Sewer Collection:			
Equipment Maintenance	-	-	-
Property occupancy	97,500	60,016	37,484
Other services	53,950	52,092	1,858
	<u>151,450</u>	<u>112,108</u>	<u>39,342</u>
Sewer Treatment and Disposal:			
Supplies	91,855	82,849	9,006
Other services	303,781	181,896	121,885
	<u>395,636</u>	<u>267,055</u>	<u>128,581</u>
Water/Sewer Business Operations:			
Other services	166,400	182,132	(15,732)
	<u>166,400</u>	<u>182,297</u>	<u>(15,897)</u>

CITY OF DONNA, TEXAS
WATER AND SEWER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Water/Sewer Liaison for City:			
Personal services	\$ 20,619	\$ 24,649	\$ (4,030)
Supplies	2,375	687	1,688
Equipment maintenance	900	28	872
Other services	2,503	1,286	1,217
	<u>26,397</u>	<u>26,650</u>	<u>(253)</u>
Water Supply and Treatment:			
Supplies	235,282	211,812	23,470
Property occupancy	62,500	-	62,500
Other services	222,558	181,463	41,095
	<u>520,340</u>	<u>393,276</u>	<u>127,064</u>
Water/Sewer Operations Support:			
Supplies	28,500	28,048	452
Property occupancy	4,600	-	4,600
Equipment maintenance	20,230	15,888	4,342
Other services	15,996	13,154	2,842
	<u>69,326</u>	<u>57,090</u>	<u>12,236</u>
Water/Sewer Operations Contractor:			
Other services	1,632,345	1,842,431	(210,086)
	<u>1,632,345</u>	<u>1,842,431</u>	<u>(210,086)</u>
Non-Departmental Expenses:			
Debt interest	527,280	368,003	159,277
Amortization of issuance costs	-	50,963	(50,963)
Depreciation	918,000	1,152,023	(234,023)
	<u>1,445,280</u>	<u>1,570,990</u>	<u>(125,710)</u>
Total Expenses	<u>4,995,554</u>	<u>4,731,955</u>	<u>263,599</u>
Income (Loss) Before Capital Contributions	<u>27</u>	<u>165,044</u>	<u>(362,180)</u>
Capital Contributions	<u>-</u>	<u>901,023</u>	<u>901,023</u>
Fees For Capital Contributions	<u>-</u>	<u>(27,257)</u>	<u>(27,257)</u>
Transfers In	<u>-</u>	<u>4,832,002</u>	<u>4,832,002</u>
Change in Net Assets	<u>27</u>	<u>5,870,812</u>	<u>511,586</u>
Net Assets Beginning of Year	<u>28,978,538</u>	<u>28,978,538</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 28,978,565</u>	<u>\$ 34,849,351</u>	<u>\$ 5,870,785</u>

CITY OF DONNA, TEXAS
CITY INTERNATIONAL BRIDGE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget	Actual	Variance with Budget Positive (Negative)
Revenues:			
Charges for services	\$ 750,000	\$ 656,386	\$ (93,614)
Rent	22,500	21,484	(1,016)
Interest Earned	24,632	26,494	1,862
Total Revenues	<u>797,132</u>	<u>704,364</u>	<u>(92,768)</u>
Expense:			
Current:			
City Administration	20,903	47,768	(26,865)
Finance/Accounting Department	47,467	202,718	(155,251)
Security for Bridge	212,680	87,279	125,401
Bridge Property	35,100	35,403	(303)
Operations of Toll Bridge	302,260	316,700	(14,440)
Rental Operations of TABC Bldg.	11,863	6,557	5,306
Interest and fiscal charges	1,709,053	1,630,334	78,719
Amortization of issuance costs	-	67,562	(67,562)
Depreciation	675,000	635,085	39,915
Total Expenses	<u>3,014,326</u>	<u>3,029,406</u>	<u>(15,080)</u>
Assets Before Capital Contributions and Transfers In	(2,217,194)	(2,325,042)	(107,848)
Capital Contributions and Transfers In	<u>1,535,847</u>	<u>1,536,148</u>	<u>301</u>
Change in Net Assets	(681,347)	(788,894)	(92,768)
Net Assets at Beginning of Year	<u>(4,130,563)</u>	<u>(4,130,563)</u>	<u>-</u>
Net Assets at End of Year	<u>\$ (4,811,910)</u>	<u>\$ (4,919,457)</u>	<u>\$ (107,547)</u>

NONMAJOR PROPRIETARY FUNDS

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

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

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUND
 SEPTEMBER 30, 2011

	Nonmajor Proprietary Fund Cemetery Fund
<u>Assets</u>	
Current Assets:	
Receivables, net:	
Accounts	\$ 17,046
Due from primary government	26,339
Inventories	4,285
	<hr/>
Total Current Assets	47,669
	<hr/>
Capital Assets	48,102
Less accumulated depreciation	(22,777)
Net Capital Assets	25,325
Total Noncurrent Assets	25,325
	<hr/>
Total Assets	\$ 72,995
	<hr/>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 3,049
Accrued liabilities	1,155
Compensated absences payable	2,464
Unearned revenue	400
	<hr/>
Total Current Liabilities	7,068
	<hr/>
Noncurrent liabilities:	
Compensated absences, net of current portion	3,696
	<hr/>
Total Noncurrent Liabilities	3,696
	<hr/>
Total Liabilities	10,763
	<hr/>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	25,325
Unrestricted	36,906
	<hr/>
Total Net Assets	\$ 62,232
	<hr/>

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Nonmajor Proprietary Fund
	<u>Cemetery Fund</u>
Operating Revenues:	
Charges for services	\$ 19,250
	<u>19,250</u>
Total Operating Revenues	<u>19,250</u>
Operating Expenses:	
Salaries, wages and employee benefits	44,445
Supplies and materials	2,043
Property occupancy	415
Equipment maintenance	446
Other services	20,275
Depreciation	<u>3,071</u>
Total Operating Expenses	<u>70,696</u>
Operating Loss	<u>(51,446)</u>
Non-Operating Revenues (Expenses):	
Interest income	56
Interest expense	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>56</u>
Loss Before Transfers	<u>(51,390)</u>
Transfers In	<u>51,390</u>
Change in Net Assets	-
Net Assets Beginning of Year	<u>62,232</u>
Net Assets at End of Year	<u>\$ 62,232</u>

CITY OF DONNA, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Cemetery Fund	Total Nonmajor Proprietary Funds
Cash Flows From Operating Activities:		
Cash received from customers	\$ 19,550	\$ 19,550
Cash payments to employees for services	(43,644)	(43,644)
Cash payments to other suppliers for goods and services	(22,951)	(22,951)
Net Cash Provided (Used) by Operating Activities	<u>(47,045)</u>	<u>(47,045)</u>
Cash Flows From Noncapital Financing Activities:		
Interfund loan or loan repayments received	-	-
Transfers from (to) other funds	25,098	24,942
Net Cash Provided (Used) By Noncapital Financing Activities	<u>25,098</u>	<u>24,942</u>
Cash Flows From Capital and Related Financing Activities:		
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
Net Cash Provided (Used) By Capital Noncapital Financing Activities	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest from investments	56	61
Net Cash Provided (Used) for Investing Activities	<u>56</u>	<u>61</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(21,891)	(22,042)
Cash and Cash Equivalents at Beginning of Year	21,891	22,042
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>

	Cemetery Fund	Total Nonmajor Proprietary Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ (51,446)	\$ (51,446)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	3,071	3,071
Change in Assets and Liabilities:		
Decrease (increase) in receivables	300	300
Decrease (increase) in inventories	-	-
Increase (decrease) in accounts payable	792	792
Increase (decrease) in compensated absences	153	153
Increase (decrease) in accrued liabilities	85	85
Total Adjustments	<u>4,401</u>	<u>4,401</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (47,045)</u>	<u>\$ (47,045)</u>

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COMPONENT UNITS

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

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

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

CITY OF DONNA, TEXAS
BALANCE SHEET
DONNA ECONOMIC DEVELOPMENT CORPORATION (4A)
COMPONENT UNIT
SEPTEMBER 30, 2011

Assets

Cash and cash equivalents	\$ 220,541
Restricted cash and cash equivalents	407,607
Receivables, net:	
Accounts	68,764
Total Assets	<u>\$ 696,912</u>

Liabilities and Fund BalanceLiabilities:

Due to primary government	\$ 1,510
Total Liabilities	<u>1,510</u>

Fund Balance:

Restricted for debt service	407,607
Unassigned	287,795
Total Fund Balance	<u>695,402</u>

Total Liabilities and Fund Balance \$ 696,912

RECONCILIATION OF FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total fund balance- component unit balance sheet	\$ 695,402
Amounts reported for component units in the statement of net assets ("SNA") are different because:	
Deferred charges for debt issuance cost are not reported in the fund.	265,868
Discounts on bonds are not reported in the fund.	43,812
Capital assets used in component unit activities are not reported in the fund.	248,216
Payables for accrued interest are not reported in the fund.	(29,842)
Payables for bond principal, which are not due in the current period are not reported in the fund.	<u>(4,320,000)</u>
Net assets of component unit- statement of net assets (deficit)	<u>\$ (3,096,546)</u>

CITY OF DONNA, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 DONNA ECONOMIC DEVELOPMENT CORPORATION (4A)
 COMPONENT UNIT
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Revenues:		
Sales taxes	\$	409,746
Interest		90
		<hr/>
	Total Revenues	409,836
Expenditures:		
Current:		
Economic development		269,370
Debt service:		
Principal retirements		70,000
Interest and fiscal charges		182,444
		<hr/>
	Total Expenditures	521,814
Net Change in Fund Balance		(111,978)
Fund Balance at Beginning of Year		807,380
		<hr/>
Fund Balance at End of Year	\$	695,402
		<hr/>

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

Net change in fund balance- component unit	\$	(111,978)
Amounts reported for component units in the statement of activities ("SOA") are different because:		
Amortization of issuance costs and discounts on bonds are not reported in the fund		(13,464)
Net change in accrued interest is reported as an expense in the SOA.		181
Repayment of principal on bonds is not reported as financing use in the SOA.		70,000
		<hr/>
Change in net assets of component unit-statement of activities	\$	(55,261)
		<hr/>

CITY OF DONNA, TEXAS
BALANCE SHEET
DEVELOPMENT CORPORATION OF DONNA, INC (4B)
COMPONENT UNIT
SEPTEMBER 30, 2011

Assets

Cash and cash equivalents	\$ 418,886
Restricted cash and cash equivalents	394,169
Receivables, net:	
Accounts	<u>68,764</u>
Total Assets	<u>\$ 881,819</u>

Liabilities and Fund BalanceLiabilities:

Due to primary government	\$ 1,824
Total Liabilities	<u>1,824</u>

Fund Balance:

Restricted for debt service	394,169
Unassigned	<u>485,826</u>
Total Fund Balance	<u>879,995</u>

Total Liabilities and Fund Balance \$ 881,819

RECONCILIATION OF FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total fund balance- component unit balance sheet	\$ 879,995
Amounts reported for component units in the statement of net assets ("SNA") are different because:	
Deferred charges for debt issuance costs are not reported in the fund.	250,573
Discounts on bonds are not reported in the fund.	64,270
Payables for accrued interest are not reported in the fund.	(28,668)
Payables for bond principal, which are not due in the current period are not reported in the fund.	<u>(4,235,000)</u>
Net assets of component unit- statement of net assets (deficit)	<u>\$ (3,068,830)</u>

CITY OF DONNA, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 DEVELOPMENT CORPORATION OF DONNA, INC. (4B)
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Revenues:		
Sales taxes	\$	409,746
Interest		81
	Total Revenues	<u>409,827</u>
Expenditures:		
Current:		
Economic development		96,230
Debt service:		
Principal retirements		70,000
Interest and fiscal charges		<u>175,319</u>
	Total Expenditures	<u>341,549</u>
Net Change in Fund Balance		68,278
Fund Balance at Beginning of Year		<u>810,067</u>
Fund Balance at End of Year	\$	<u>878,345</u>

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

Net change in fund balance- component unit	\$	68,278
Amounts reported for component units in the statement of activities ("SOA") are different because:		
Amortization of issuance costs and discounts on bonds are not reported in the fund		(13,689)
Net change in accrued interest is reported as an expense in the SOA.		537
Repayment of principal on bonds is not reported as financing use in the SOA.		<u>70,000</u>
Change in net assets of component unit-statement of activities	\$	<u>125,127</u>

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INFORMATIONAL TABLES

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

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Public Health and Welfare</u>	<u>Economic Development</u>
2006	\$ 966,082	\$ 1,771,330	\$ 1,130,324	\$ 575,807	\$ 151,322	\$ 237,366
2007	911,943	1,751,093	1,051,501	449,060	134,225	3,737,303
2008	989,315	1,887,064	1,155,302	548,678	174,118	494,580
2009	981,874	1,892,031	1,216,881	513,119	165,438	14,100
2010	1,090,389	2,114,746	1,313,233	513,191	141,256	-
2011	977,799	1,895,532	1,312,662	515,698	162,383	(27,000)

TABLE 1

Tourism Development	Interest on Long-Term Debt	Water and Sewer	City International Bridge Fund	Donna International Bridge Corporation	Cemetery	Totals
\$ 83,140	\$ 432,579	\$ 4,448,382	\$ -	\$ 7,500	\$ 67,650	\$ 9,871,482
26,015	453,620	4,264,804	-	5	61,366	12,840,935
25,375	135,685	4,336,321	602,044	7,500	70,542	10,426,524
13,961	124,192	5,724,668	480,594	20	77,625	11,204,503
17,500	151,112	4,378,282	2,362,173	-	68,792	12,150,674
18,487	144,374	4,731,955	3,029,406		70,696	12,831,992

TABLE 2

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

Fiscal Year	Program Revenues			General Revenues				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Interest	Miscellaneous	Special Item	Totals
2006	\$ 5,099,904	\$ 246,733	\$ 1,936,509	\$ 4,269,347	\$ 333,988	\$ 38,371	\$ -	\$ 11,924,852
2007	5,239,873	464,659	4,991,309	4,599,815	425,399	42,034	476,159	16,239,248
2008	6,221,862	293,720	3,123,364	4,727,955	805,333	24,211	-	15,196,445
2009	6,474,556	212,348	2,779,022	4,941,511	413,266	31,273	(192,074)	14,659,902
2010	5,965,172	351,889	5,992,213	5,124,542	94,843	27,400	-	17,556,059
2011	7,029,771	396,884	1,209,155	5,623,643	43,814	71,435	-	14,374,702

TABLE 3

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

Fiscal Year	Taxes	Licenses and Permits	Inter- governmental Revenues	Charges for Services	Fines and Forfeitures	Interest and Other	Totals (Excluding Other Sources)
2002	\$ 2,411,755	\$ 88,703	\$ 257,447	\$ 573,985	\$ 146,086	\$ 121,026	\$ 3,599,002
2003	2,586,134	114,508	773,171	706,917	193,268	22,401	4,396,399
2004	2,674,661	109,105	1,629,849	755,954	224,452	29,994	5,424,015
2005	2,870,387	159,316	550,108	787,653	163,615	35,220	4,566,299
2006	3,092,271	85,393	1,477,772	787,170	146,838	41,046	5,630,490
2007	3,235,365	70,282	3,847,188	912,318	152,733	84,792	8,302,678
2008	3,327,974	84,745	607,904	1,229,875	113,433	55,630	5,419,561
2009	3,472,034	96,836	182,660	1,111,621	138,660	22,018	5,023,829
2010	3,551,743	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

TABLE 4

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

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Public Health	Economic Development	Debt Service	Totals
2002	\$ 888,738	\$ 1,396,676	\$ 764,577	\$ 348,198	\$ 106,158	\$ 165,653	\$ 69,209	\$ 3,739,209
2003	1,032,985	1,725,466	903,859	457,100	122,750	1,355,168	13,600	5,610,928
2004	800,196	1,602,327	963,744	499,405	92,208	1,661,146	66,825	5,685,851
2005	907,657	1,822,712	1,061,768	626,747	115,669	1,175,468	39,076	5,749,097
2006	978,652	1,761,777	1,174,028	583,789	151,322	2,086,923	174,473	6,910,964
2007	904,889	1,700,035	1,073,277	470,332	123,875	3,737,303	46,143	8,055,854
2008	988,942	1,868,023	1,155,302	518,850	119,950	494,580	26,479	5,172,126
2009	974,982	1,957,380	1,215,055	498,168	139,375	14,100	29,712	4,828,772
2010	1,069,874	2,271,697	1,790,994	512,410	143,771	-	72,440	5,861,186
2011	1,010,748	1,905,641	1,472,449	516,101	160,389	86,969	66,414	5,218,711

TABLE 5

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

Fiscal Year	Water Sales	Sewer Sales	Penalties	Provision for Bad Debt	Other Service Charges	Interest/ Capital/ Other	Transfers In	Totals
2002	\$ 2,039,166	\$ 1,206,842	\$ 76,337	\$ (50,053)	\$ 61,722	\$ 462,853	\$ 369,139	\$ 4,166,006
2003	1,852,176	1,196,593	96,772	(153,273)	54,335	439,920	346,268	3,832,791
2004	1,854,716	1,226,569	102,204	(5,883)	93,953	294,251	314,424	3,880,234
2005	1,965,934	1,330,890	110,905	(26,915)	181,839	399,777	300,577	4,263,007
2006	2,199,866	1,617,092	118,752	(63,625)	90,555	655,404	188,138	4,806,182
2007	2,228,945	1,558,480	124,155	(38,146)	137,852	1,098,989	23,972	5,134,247
2008	2,707,828	1,821,315	154,387	(38,049)	57,383	2,603,175	400	7,306,439
2009	2,873,005	2,000,240	150,399	(45,551)	51,573	2,094,327	-	7,123,993
2010	2,472,028	1,936,599	146,411	(32,173)	63,346	35,365	8,688,732	13,310,308
2011	2,642,087	2,090,514	150,781	(56,190)	52,375	17,432	4,832,002	9,729,001

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

**LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>Water Distribution</u>	<u>Sewer Collection</u>	<u>Sewer Treatment</u>	<u>Water/Sewer Operations</u>	<u>Water/Supply and Treatment</u>	<u>Engineering Services</u>
2002	\$ 71,234	\$ 75,309	\$ 219,509	\$ 212,040	\$ 283,844	\$ 143,656
2003	77,753	84,701	219,379	202,086	302,007	70,607
2004	118,419	109,091	269,321	205,791	248,880	39,078
2005	99,166	162,026	267,241	234,822	257,651	338,013
2006	97,859	222,331	327,300	259,982	355,705	252,048
2007	137,062	198,981	388,581	201,482	349,794	15,041
2008	46,326	77,606	412,581	236,204	373,019	8,400
2009	36,893	72,797	473,255	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

TABLE 6

<u>Administrative</u>	<u>Water/Sewer Operations Contractor</u>	<u>Debt Interest and Fees</u>	<u>Fees for Capital Contributions</u>	<u>Depreciation and Amortization</u>	<u>Transfers Out</u>	<u>Totals</u>
\$ 249,498	\$ 1,099,967	\$ 418,717	\$ -	\$ 746,948	\$ -	\$ 3,520,722
271,744	1,181,302	458,775	16,875	735,569	-	3,620,798
272,628	1,264,598	440,901	61,400	623,967	-	3,654,074
342,192	1,329,509	421,742	62,000	814,310	-	4,328,672
364,098	1,329,509	402,245	42,400	794,905	-	4,448,382
411,757	1,363,047	446,925	-	752,134	315,000	4,579,804
485,419	1,601,873	329,096	235,434	831,706	-	4,637,664
418,866	1,730,022	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	418,966	901,023	1,152,023		5,632,978

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

Fiscal Year	Tax Levy Year	General Fund	Debt Service Fund	Total	Assessed Values
2002	2001	\$ 0.627790	\$ 0.409480	\$ 1.037270	\$ 199,963,135
2003	2002	0.662075	0.377753	1.039828	210,159,411
2004	2003	0.626004	0.413824	1.039828	221,077,628
2005	2004	0.623944	0.367704	0.991648	246,505,000
2006	2005	0.622352	0.366786	0.989138	267,030,270
2007	2006	0.589760	0.400239	0.989999	278,379,965
2008	2007	0.589805	0.400194	0.989999	307,899,033
2009	2008	0.589805	0.400194	0.989999	334,057,173
2010	2009	0.638126	0.400194	1.038320	334,465,649
2011	2010	0.674052	0.451927	1.125979	335,543,749

CITY OF DONNA, TEXAS
SCHEDULE OF INSURANCE IN FORCE
September 30, 2011
(Unaudited)

<u>Type of coverage</u>	<u>Insurer</u>	<u>Policy Number</u>	<u>Policy Period</u>	
			<u>From</u>	<u>To</u>
Real and Personal Property	Texas Municipal League Intergovernmental Risk Pool (TML-IRP)	9424	10/01/10	09/30/11
General Liability	TML-IRP	9424	10/01/10	09/30/11
Errors and Omissions	TML-IRP	9424	10/01/10	09/30/11
Automobile Liability	TML-IRP	9424	10/01/10	09/30/11
Automobile Physical Damage	TML-IRP	9424	10/01/10	09/30/11
Mobile Equipment	TML-IRP	9424	10/01/10	09/30/11
Boiler & Machinery	TML-IRP	9424	10/01/10	09/30/11
Workers' Compensation	TML-IRP	9424	10/01/10	09/30/11
Law Enforcement Liability	TML-IRP	9424	10/01/10	09/30/11
Public Employee Dishonesty	TML-IRP	9424	10/01/10	09/30/11
Forgery or Alteration	TML-IRP	9424	10/01/10	09/30/11
Computer Fraud	TML-IRP	9424	10/01/10	09/30/11
Tax Assess/Collect Surety Bond	Hartford Casualty Ins Co	61BSBBX5218	10/23/10	09/30/11

TABLE 8

<u>Details and Coverage</u>	<u>Per Occur Liability Limits</u>		<u>Annual Premium</u>
Fire, windstorm, valuable papers, accounts receivable, data processing equipment	25,280,600	\$	53,767
General, products, personal	500,000	1 \$	5,953
Public officials and employee liability, claims made	1,000,000	1 \$	8,308
All owned and leased vehicles	1,000,000	\$	22,119
Schedule of vehicles	1,308,195	\$	11,642
Schedule of Mobile equipment	408,562	\$	1,570
	100,000	\$	-
Includes volunteer firemen	N/A	\$	63,990
Law enforcement liability	1,000,000	1 \$	16,627
Public officials and employee dishonesty, claims made	100,000	\$	1,198
Loss resulting from forgery or alteration of covered docs	100,000	\$	155
Loss of money, securities and property	100,000	\$	119
Employee Dishonesty	250,000	\$	1,000

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

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Continuing Financial Disclosure Tables

The Continuing Financial Disclosure Tables portion of the Statistical section presents various financial data originally distributed in debt official statements. The City is required to update financial tables originally distributed in debt official statements. The financial tables that follow are updated through September 30, 2011. This financial information is also sent to the Nationally Recognized Municipal Securities Information Repository (NRMSIR).

City of Donna, Texas
Table 1 - Valuation, Exemption and Debt Obligation

2011 Market Valuation Established by Hidalgo County Appraisal District ⁽¹⁾		\$ 493,902,441
Less Exemptions/Reductions at 100% Market Value:		
Over 65 and Disabled	\$ 3,115,960	
Disabled Veterans Exemptions	2,263,474	
Productivity Loss	19,901,748	
Abatement Value Loss	142,330	
Exempt Property	126,104,578	
CHODO (Partial)	62,192	
Charitable	60,310	
Value Loss to 10% Cap	820,303	\$ 152,470,895
2011 Net Taxable Assessed Valuation		\$ 341,431,546
General Obligation Debt Payable from Ad Valorem Taxes (as of September 30, 2010)		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001	1,395,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001-A	335,000	
Limited Tax Refunding Bonds, Series 2006	760,000	
Tax Notes, Series 2006	375,000	
Combination Tax and Int'l Toll Bridge Certificates of Obligation, Series 2007	30,600,000	
Combination Tax and Revenue Certificates of Obligation, Series 2009	5,450,000	
Limited Tax Refunding Bonds, Series 2009	3,475,000	
Tax Notes, Series 2009	1,680,000	
Funded Debt Payable from Ad Valorem Taxes		\$ 44,070,000
Less: Self-supporting Debt		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001 ⁽²⁾	\$ 1,102,050	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001-A ⁽⁴⁾	335,000	
Tax Notes, Series 2006 ⁽⁴⁾	55,043	
Combination Tax and Int'l Toll Bridge Certificates of Obligation, Series 2007 ⁽⁵⁾	30,600,000	
Combination Tax and Revenue Certificates of Obligation, Series 2009 ⁽⁴⁾	5,450,000	
Limited Tax Refunding Bonds, Series 2009	3,475,000	
Tax Notes, Series 2009	1,680,000	\$ 42,697,093
Net Funded Debt Payable from Ad Valorem Taxes		\$ 1,372,908
Interest and Sinking Fund Balance (as of September 30, 2010)		\$ 907,963 ⁽³⁾
Ratio Funded Debt to Net Taxable Assessed Valuation		12.91%

2011 Estimated Population - 17,902
Per Capita Taxable Assessed Valuation - \$19,072
Per Capita Funded Debt - \$2,462

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

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

⁽³⁾ City of Donna, Texas

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

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

CITY OF DONNA, TEXAS

Table 2 - Taxable Assessed Valuation by Category

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

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

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

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

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

Tax Year	Estimated Population	Taxable Assessed Valuation (1)	Per Capita Taxable Assessed Valuation	Gross Funded Tax Debt	Ratio Funded Debt to Taxable Assessed Valuation	Gross Per Capita Funded Tax Debt
2002	15,212	210,159,411	13,815	14,665,000	6.98%	964
2003	15,440	221,077,628	14,318	14,395,000	6.51%	932
2004	15,672	246,505,000	15,729	14,205,000	5.76%	906
2005	15,907	267,030,270	16,787	13,484,523	5.05%	848
2006	16,449	278,379,965	16,924	14,374,999	5.16%	874
2007	16,925	307,899,033	18,192	12,655,000	4.11%	748
2008	17,415	336,306,436	19,311	40,170,000	11.94%	2,307
2009	17,902	338,951,607	18,934	46,605,000	13.75%	2,603
2010	17,902	336,002,503	18,769	45,410,000	13.51%	2,537
2011	15,798	341,431,546	21,612	44,125,000	12.92%	2,793

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

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

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

<u>Fiscal Year Ending</u>	<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Tax Rate</u>	<u>Tax Levy (1)</u>	<u>% Current Collections</u>	<u>% Total Collections</u>
2003	2002	0.6621	0.3778	1.0399	2,185,296	87.63%	104.85%
2004	2003	0.6260	0.4138	1.0398	2,298,670	87.32%	108.72%
2005	2004	0.6239	0.3677	0.9916	2,444,462	87.86%	105.72%
2006	2005	0.6224	0.3668	0.9892	2,641,298	87.90%	107.63%
2007	2006	0.5898	0.4002	0.9900	2,755,959	87.31%	108.95%
2008	2007	0.5898	0.4002	0.9900	3,048,197	87.17%	104.90%
2009	2008	0.5898	0.4002	0.9900	3,307,162	89.30%	107.46%
2010	2009	0.6381	0.4002	1.0383	3,472,824	87.00%	103.00%
2011	2010	0.6741	0.4519	1.1259	3,778,152	88.00%	104.00%
2012	2011	0.7062	0.5462	1.2524	3,720,197	In Process of Collection	

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

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

CITY OF DONNA, TEXAS
Table 5 - 2011 Top Ten Taxpayers

Taxpayer	Nature of Business	2011 Taxable Assessed Valuation	% of Taxable Assessed Valuation
Victoria Palms I LP	Hotel/Winter Resort	\$ 7,601,143	2.23%
SH Hester Donna LLC	Land & Packaging Company	3,152,788	0.92%
Arbor Cove LTD	Residential Housing Complex	2,998,379	0.88%
AEP Texas Central Co	Electric Utility	2,549,740	0.75%
D & J Investments LTD	Financial Investments	2,490,801	0.73%
Bland Farms LLC	Agriculture	2,332,641	0.68%
H.E. Butt Grocery Company	Grocery Store	2,181,620	0.64%
Victoria Palms II LP	Winter Resort Park	2,114,627	0.62%
Packaging Corporation of America	Packaging Company	1,975,160	0.58%
Interstate Fruit & Vegetable Co Inc	Agriculture	1,877,069	0.55%
Totals		\$ 29,273,968	8.57%

Source: City of Donna, Texas Tax Department

CITY OF DONNA, TEXAS
Table 6 - Tax Supported Debt Service Requirements

Fiscal Year Ending 9/30	Existing Outstanding Gross Funded Debt			% of Principal Retired
	Principal	Interest	Requirements	
2012	\$ 1,660,000	\$ 2,457,833	\$ 4,117,833	
2013	1,900,000	2,382,220	4,282,220	
2014	1,975,000	2,296,363	4,271,363	
2015	2,055,000	2,204,701	4,259,701	
2016	2,050,000	2,110,989	4,160,989	21.87%
2017	1,465,000	2,026,810	3,491,810	
2018	880,000	1,963,815	2,843,815	
2019	990,000	1,908,872	2,898,872	
2020	1,000,000	1,850,222	2,850,222	
2021	1,110,000	1,787,902	2,897,902	34.23%
2022	1,115,000	1,722,068	2,837,068	
2023	1,225,000	1,652,715	2,877,715	
2024	1,335,000	1,576,543	2,911,543	
2025	1,350,000	1,496,551	2,846,551	
2026	1,460,000	1,412,728	2,872,728	48.94%
2027	1,575,000	1,322,004	2,897,004	
2028	1,685,000	1,224,370	2,909,370	
2029	1,800,000	1,119,747	2,919,747	
2030	1,915,000	1,008,081	2,923,081	
2031	1,930,000	892,486	2,822,486	69.15%
2032	2,145,000	769,834	2,914,834	
2033	2,265,000	636,956	2,901,956	
2034	2,385,000	496,856	2,881,856	
2035	2,100,000	359,375	2,459,375	
2036	2,300,000	221,875	2,521,875	
2037	2,400,000	75,000	2,475,000	100.00%
	<u>\$ 44,070,000</u>	<u>\$ 36,976,910</u>	<u>\$ 81,046,910</u>	

Source: Municipal Advisory Council and City of Donna

CITY OF DONNA, TEXAS
Table 7 - Other Obligations

Capital Lease Obligations

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

4.98% lease payable in annual installments of \$51, 906, including interest, collateralized by a fire truck. This lease is payable from the Fire Equipment Service Fee Fund. (1)	\$ 184,143
Lease payable due in annual installments of \$4,717, including interest, collateralized by a Canan Copier.	8,751
Lease payable due in annual installments of \$5,945, including interest, collateralized by ten handheld computers.	5,364
Lease payable due in annual installments of \$10,579, including Interest, collateralized by a Ford Fire Pick-up.	27,816
Lease payable due in annual installments of \$1,219 including interest, collateralized by a Ricoh Copier.	3,746
Lease payable due in monthly installments of \$1,691, including interest, collateralized by a color copy machine at city hall.	2,754
Lease payable due in annual installments of \$42,668, including Interest, collateralized by three 2010 Ford Crown Victorias.	<u>40,335</u>
Total Capital Lease Debt	<u>\$ 272,908</u>
Less: Current Portion of Capital Lease Obligations	<u>117,175</u>
Capital Lease Obligations, Net of Current Portion	<u>\$ 155,733</u>

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

Year Ending September 30,	General Government Long-Term Debt
2012	\$ 118,727
2013	69,691
2014	63,705
2015	52,313
	<u>\$ 304,436</u>
Less: Amounts Representing Interest	31,528
Balance at September 30, 2011	<u>\$ 272,908</u>

Source: City of Donna, Texas

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

CITY OF DONNA, TEXAS
Table 8 - Estimated Overlapping Debt

Taxing Jurisdiction	2011 Taxable Assessed Valuation	2011 Tax Rate	Net Debt Outstanding as of 9/30/2011	Estimated % Applicable	Overlapping Funded Debt as of 9/30/2011	Authorized But Unissued Debt as of 9/30/2011
City of Donna	\$ 341,166,627 ⁽¹⁾	1.252376	\$ 44,125,000	100.00%	\$ 44,125,000	\$ -
Donna Independent School District	967,480,534 ⁽¹⁾	1.2582	114,540,000	44.85%	51,371,190	52,000,000
Donna Irrigation District Hidalgo Co. No. 1	247,048,074 ⁽¹⁾	0.0000	-	84.57%	-	-
Hidalgo County	25,627,222,333 ⁽¹⁾	0.5900	197,250,000	1.45%	2,860,125	-
Hidalgo County Drainage District No. 1	25,935,647,449 ⁽¹⁾	0.0725	96,675,000	1.54%	1,245,000	-
South Texas CCD	27,880,066,047 ⁽¹⁾	0.1497	69,770,002	1.29%	900,033	-
Total Direct and Overlapping G.O. Tax Debt					<u>\$ 100,501,348</u>	

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

Per Capita Overlapping Funded Debt

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

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

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

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

	Fiscal Year Ended September 30,				
<u>Revenues</u>	2011	2010	2009	2008	2007
Taxes	3,852,989	3,551,743	\$ 3,472,034	\$ 3,327,974	\$ 3,235,365
Licenses and Permits	101,415	83,718	96,836	84,745	70,282
Charges for Service	1,189,906	1,141,676	1,111,621	1,229,875	912,318
Fines and Forfeits	105,244	110,081	138,660	113,433	152,733
Intergovernmental	326,847	677,142	182,660	607,904	3,847,188
Interest	48,943	1,633	5,194	20,677	32,910
Other Revenues		17,265	16,824	34,953	51,882
Total Revenues	\$ 5,625,344	\$ 5,583,258	\$ 5,023,829	\$ 5,419,561	\$ 8,302,678
 <u>Expenditures</u>					
Current:					
General Government	1,010,748	1,069,874	\$ 974,982	\$ 988,942	\$ 904,889
Public Safety	1,905,641	2,271,697	1,957,380	1,868,023	1,700,035
Public Works	1,472,449	1,790,994	1,215,055	1,155,302	1,073,277
Economic Development	86,969.00	-	14,100	494,580	3,737,303
Culture and Recreation	516,101	512,410	498,168	518,850	470,332
Health and Welfare	160,389	143,771	139,375	119,950	123,875
Debt Service:					
Principal Retirements	60,339	65,814	25,729	19,909	17,548
Interest, Fiscal & Issuance Charges	6,075	6,626	3,983	6,570	28,595
Total Expenditures	\$ 5,218,711	\$ 5,861,186	\$ 4,828,772	\$ 5,172,126	\$ 8,055,854
 Excess/Deficiency of Revenues Over Expenditures	 406,633	 (277,928)	 \$ 195,057	 \$ 247,435	 \$ 246,824
 <u>Other Financing Sources/Uses</u>					
Operating Transfers In	-	-	\$ 1,720	\$ 3,212	\$ 574,690
Operating Transfers Out		-127,191	(68,798)	(54,503)	(63,038)
Tax Note Proceeds			-	-	-
Loan and Lease Proceeds		137,317	26,293	-	-
Total Other Financing Sources/Uses	\$ -	\$ 10,126	\$ (40,785)	\$ (51,291)	\$ 511,652
 Excess/Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Uses	 \$ 406,633	 \$ (267,802)	 \$ 154,272	 \$ 196,144	 \$ 758,476
 Beginning Fund Balance	 871,372	 871,372	 717,100	 520,956	 (237,520)
 Prior Period Adjustment	 -	 -	 -	 -	 -
Ending Fund Balance	\$ 1,278,005	\$ 603,570	\$ 871,372	\$ 717,100	\$ 520,956

Source: City of Donna, Texas Annual Financial Reports

CITY OF DONNA, TEXAS

Table 10 - Municipal Sales Tax History

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Total Collections Per Capita
2002	\$ 801,917	34.89%	0.3627	51.94
2003	776,309	31.76%	0.3149	49.53
2004	864,141	32.72%	0.3236	54.32
2005	933,910	33.89%	0.3355	56.78
2006	1,056,113	34.65%	0.3430	62.40
2007	1,577,673	134.26%	0.7812	93.22
2008	1,561,820	47.23%	0.4644	89.68
2009	1,547,514	44.56%	0.4566	86.44
2010	1,467,723	44.51%	0.4368	81.99
2011	\$ 1,592,805	42.82%	0.4665	88.97

Source: Office of the Texas Comptroller and City of Donna

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CITY OF DONNA, TEXAS
Table 11 - Current Investments

The City's cash and temporary investments at September 30, 2011 are shown below:

Name	Carrying Amount	Market Value
Non-Interest Bearing Cash Accounts	\$ 290,820	\$ 290,820
Money Market Fund available from Trustee	1,387,564	1,387,564
Local Government Investment Cooperative (LOGIC) ⁽¹⁾	8,758,426	8,758,426
Bank Certificates of Deposit held by Trustee		-
Total	\$ 10,436,810	\$ 10,436,810

⁽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