

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

A Component Unit of County of Hidalgo, Texas



Raymondville Drain



Chapparral Drain



East Lateral Drain



Maintenance



RMA Outfalls

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2017



Hidalgo County Drainage District No. 1

A Component Unit of County of Hidalgo, Texas

Comprehensive Annual Financial Report
For the Fiscal Year Ended
December 31, 2017



Prepared By:
Accounting Department
Lora D. Briones
Chief Financial Officer
902 N. Doolittle
Edinburg, Texas 78542



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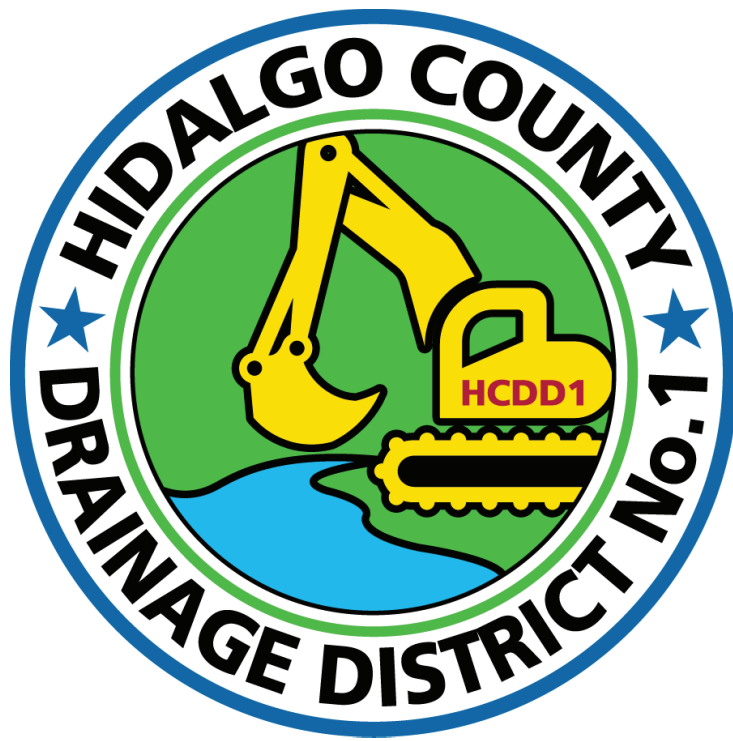
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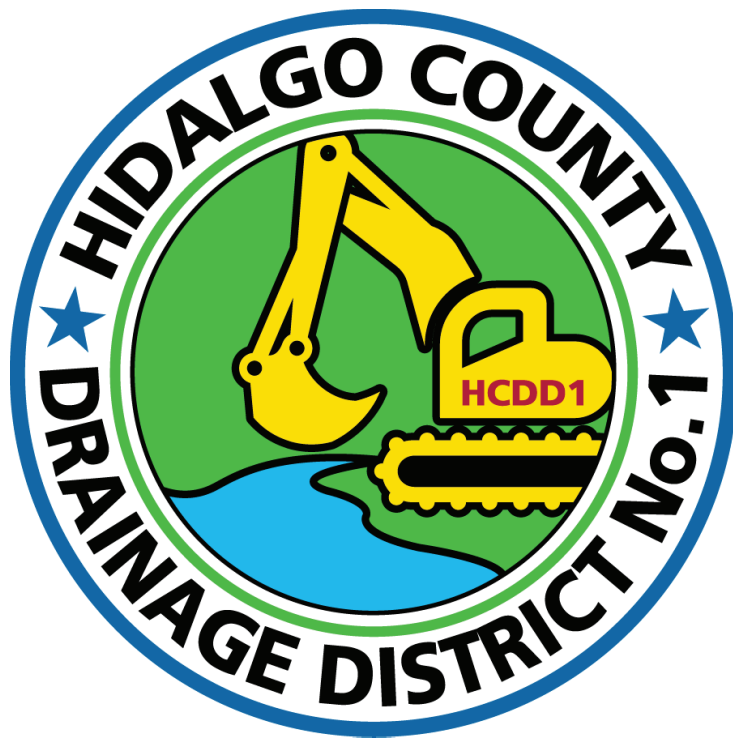
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This report is also available online at <http://www.hcdd1.org>



INTRODUCTORY SECTION





HIDALGO COUNTY DRAINAGE DISTRICT No. 1

RAUL E. SESIN, PE, CFM

General Manager, Floodplain Administrator

BOARD OF DIRECTORS

DAVID L. FUENTES
Board Member

EDUARDO "EDDIE" CANTU
Board Member

RAMON GARCIA
Chairman of the Board

JOE M. FLORES
Board Member

JOSEPH PALACIOS
Board Member

August 24, 2018

The Honorable Ramon Garcia, Chairman of the Board
The Honorable David L. Fuentes, Board Member
The Honorable Eduardo "Eddie" Cantu, Board Member
The Honorable Joe M. Flores, Board Member
The Honorable Joseph Palacios, Board Member

Dear Board of Directors:

The Hidalgo County Drainage District No.1 (District) Comprehensive Annual Financial Report for the year ended December 31, 2017, is submitted herewith.

Hidalgo County Drainage District No. 1 was created on April 9, 1908 by Order of the Commissioners' Court of Hidalgo County, Texas, pursuant to an election held within the territory affected on March 24, 1908. Originally organized under provisions of Article III, Section 52 of the Constitution of Texas, the District was later converted to a Conservation and Reclamation District under the provisions of Article XVI, Section 59 of the Texas Constitution. Since its creation, the Board of Directors has been made up of the County Judge and four County Commissioners.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management of the District. We believe the data, as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to obtain the maximum understanding of the District's financial affairs have been included.

In 2002, the District initiated the implementation of Governmental Accounting Standards Board Statement Number 34 (GASB 34), *Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments*. GASB Statement 34, labeled by GASB as "the most significant change in the history of government financial reporting," amends the financial reporting model to include supplementary information about an entity and fiscal health including the status of public infrastructure. This report for 2017 was prepared in accordance with this statement and is presented in the following three sections:

- The Introductory Section, which includes this Transmittal Letter
- The Financial Section, which includes the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), the basic statements, and combining statements and schedules.
- Supplementary information, as required by Texas Commission on Environmental Quality (TCEQ), and statistical information that is generally presented on a multi-year basis.

Burton, McCumber & Longoria, LLP, an independent certified public accounting firm, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the year ended December 31, 2017, are free of material misstatement. The independent audit involved 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, and evaluating the overall financial statement presentation. Based on the independent audit performed by our external auditors, they concluded that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for year ended December 31, 2017, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The Independent Auditors' Report is presented as the first component of the Financial Section of this report.

Generally accepted accounting principles require that management provide a narrative overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction therewith. The District's MD&A can be found immediately following the report of the independent auditors.

The five members of the Board of Directors for the District are the same members as the Hidalgo County Commissioners Court. One member is the county judge who is elected to a four-year term. The other four members are county commissioners, each elected from a road and bridge precinct to a four-year term.

Among its duties and responsibilities, the five-member board has exclusive authority over a wide range of areas in the operation of the District. These duties and responsibilities include the approval of the District's operating budget and budgetary amendments, setting ad valorem property tax rates, auditing, and directing settlement of all claims against the District. The board also determines when propositions to issue bonds will be submitted to the voters.

Internal Controls

Management of the District is responsible for the establishment and maintenance of internal accounting controls that have been designed to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

Budget and Fiscal Policy

As a sound financial management practice, members of the Board consistently emphasize and accomplish to maintain fifty percent of the unassigned fund balance levels of the District's main operating fund – General fund, to meet obligations of payroll and operating costs, thus assisting in maintaining financial stability for retaining or enhancing the District's bond ratings. The District also strives to maintain significant amounts to fund the repairs of structures in the event of excessive rainfalls, hurricanes or disasters that may occur during the year.

Cash Management

The District invests its funds in investments authorized by Texas laws in accordance with investment policies approved by the Board of Directors. Under Texas Law, the District is required

to invest its funds to primarily emphasize safety of principal and liquidity. The actual interest income in 2017 totaled \$778,435 an increase of \$286,903 from the prior year total of \$491,532. Interest income has increased due to much better interest rates.

Capital Assets

These financial statements include the capital assets of the District. Accounting for capital assets is discussed in the MD&A that is part of the basic financial statements. More detailed information about the capital assets can be found in the notes to the financial statements.

Risk Management and Insurance

The District provides for a risk manager, who is primarily responsible for identifying and assessing the District's exposure to all types of risk and recommending the safest and most cost effective methods to eliminate or reduce the identified risks. The District, through its risk management policies, assumes substantially all risks associated with general tort claims that parties may file against the District and liability claims against the District due to conditions of property or equipment. Additional information on the District's risk management activity can be found in the notes to the financial statements.

Economic Conditions and Outlook

Hidalgo County, in which the District operates, is an attractive place in which to live and do business. With an estimated population of 860,661 people, Hidalgo County is the 7th most out of 254 Texas counties. Population from 2015-2017 grew by 2.4% according to the Texas State Library and Archives Commission. Also, the traditional agricultural and international based economy has increasingly diversified with education, health services, and government sector employment. Ecotourism has seen a recent growth in Hidalgo County attracting new travelers to this area for birding due to the prime location of the county along the transcontinental migratory flight paths. The region is also seeing growth in the healthcare field, mainly due to the addition of the University of Texas – Rio Grande Valley medical school. This will help in further diversifying in adding highly skilled employment to the trade centered economy in Hidalgo County.

According to the McAllen Economic Development Corp, the City of McAllen MSA (metropolitan statistical area) remains among the fastest growing regions in the nation due to low cost labor and proximity to Mexico. McAllen, which is the largest city in the County, has a current population of 142,696, according to the U.S. Census Bureau website. Edinburg has an estimated population of 90,280 and is considered the educational and technological capital of the Texas-Mexico border region. The unemployment rate as of December 2017 was 7.8%.

Hidalgo County provides factors which are considered to be an excellent quality of life, high-tech medical facilities, comprehensive financial services community, a demonstrated logistics advantage necessary to reach existing and new markets, and bicultural/bilingual population. The median household income for this area in 2017, according to U.S. Census Bureau, averaged \$36,094.

Current Developments and Programs

The District is continuing the process of finalizing the implementation of the drainage improvements outlined in the 2007 Bond Referendum. In addition, in 2012 a bond referendum for \$184 million was approved with a 76% favorable support by the District's taxpayers. This

referendum had over 25 project specific initiatives to be undertaken by the District. The District began the implementation in mid-2013 of said program with the sale of the first 84 million, the 2013 Bond series. Among those projects are:

Raymondville Main Drain Project

The Raymondville Drain Project currently exists as an authorized federal project with the US Army Corps of Engineers-Galveston District (USACE) as the Project for Flood Control, Lower Rio Grande Basin, Texas under Title IV, Section 401 of WRDA 1986, as amended by the Water Resources Development Act (WRDA) 2007. Major flooding problems exist in the areas drained by the Raymondville Drain because of significant urban growth that has occurred in recent years. The project will implement flood control improvements along an approximate 60-mile long channel alignment, including 12 miles of new ditch, major detention ponds, in-line detention, retention, hydraulic control structures, bridges, culverts and utility crossings. The District is the lead sponsor for the project working in partnership with the USACE. The District has a current agreement with the USACE, invoking provisions of general WRDS Section 211, whereby the District has taken over the USACE's portion of the project, anticipating reimbursement at the time of construction for the federal cost share of the project. Concurrently, the District is also pursuing congressional designation for the project to be a demonstration project under Section 211 (f), to ensure that reimbursement of the federal cost share could occur intermittently, as the planning documents-studies progress prior to construction. The project was recently ranked as the No. 1 project for the Lower Rio Grande Valley Regional Drainage Plan. It is anticipated that the project will obtain environmental clearance in 2019; portions of construction are also anticipated to occur in 2018.

Lateral Projects

Based on a regional drainage study completed in 1997 and Hidalgo County Drainage Committee's recommendation, improvements to existing lateral drain ditches are being implemented. This plan is presently being strategically implemented through construction development agreements with numerous agencies, communities and developers in addition to District capital funds when available. Proposed improvements involve ditch widening, bridges, culverts, utility crossings, control structures and rural drainage improvements. Bond proceeds will provide funding for the 25 Bond projects listed and rural drainage improvements.

Mission Inlet Detention and FEMA Levee Certification

Previous construction improvements to the Mission Inlet were based on a 1999 study, which consisted of several roadway culvert improvements and excavation of the bypass inlet channel. Due to the City of McAllen no longer proposing a parallel runway at this time, a recertification process was approved under the 2012 Bond Referendum for the Mission Inlet System. The District has retained a firm to develop such plans, specification and construction documents as required by FEMA to make such improvements and release excess right-of-way properties.

Precinct Rural Drainage Development

From the 2013 bond series, 15 out of 84 million was designated to assist in rural drainage. Funds were divided into the four precincts, and each Commissioner was allowed to determine what areas within their precinct required the most assistance.

A clearer discussion of projects that have been completed and are in progress can be found in the District's website www.hcdd1.org.

Acknowledgements

The preparation of this report would not have been possible without the professional services provided by our independent auditors, Burton McCumber & Longoria, LLP. I would like to express our appreciation to the District's accounting staff and the various departments of Hidalgo County who assisted and contributed to the preparation of this report. I wish to express my thanks to the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in managing the District's financial affairs.

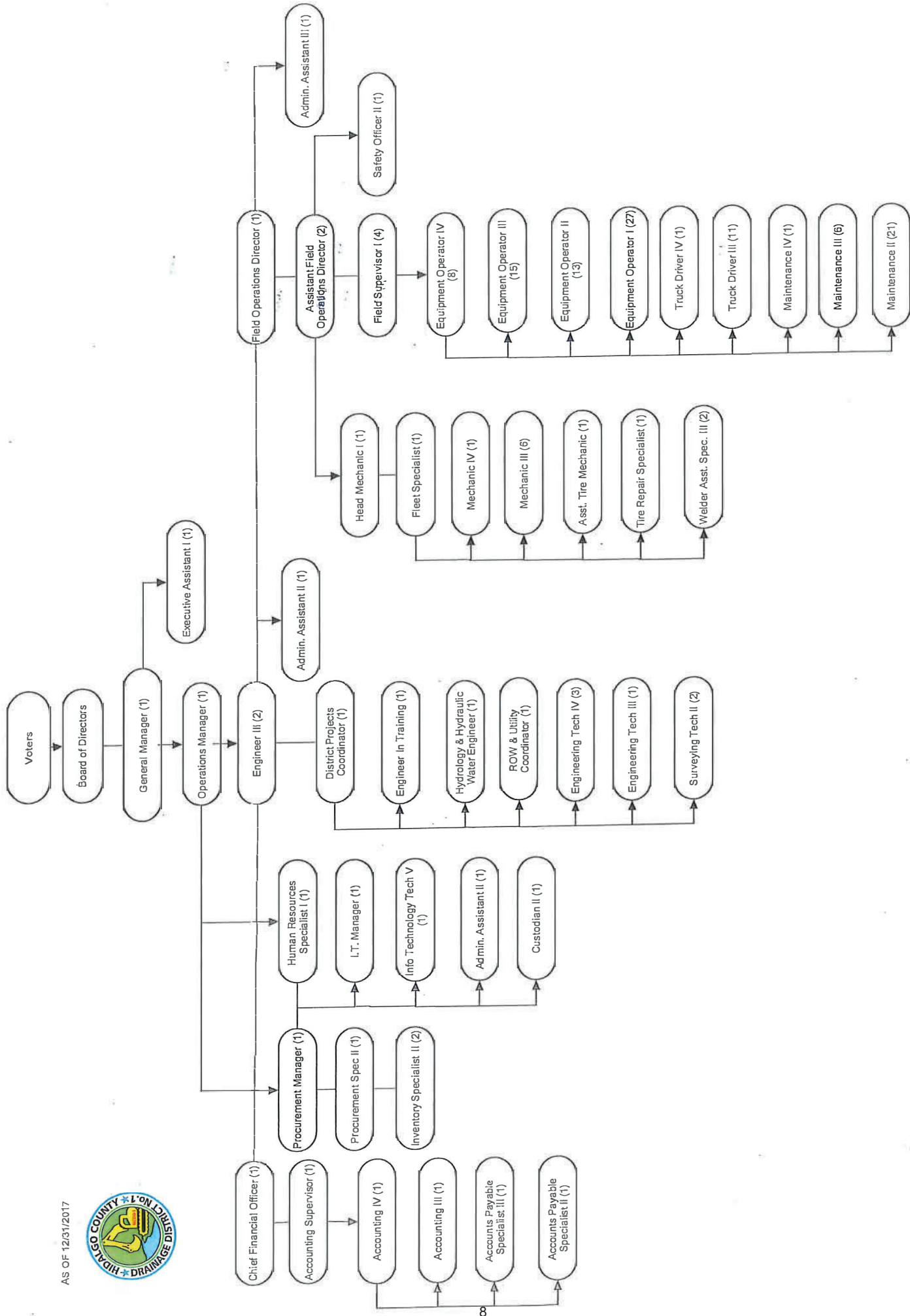
Sincerely,
Hidalgo County Drainage District No. 1



Raul E. Sesin, PE, CFM
General Manager



Lora Briones,
District's Chief Financial Officer



HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

**Governing Body
December 31, 2017**

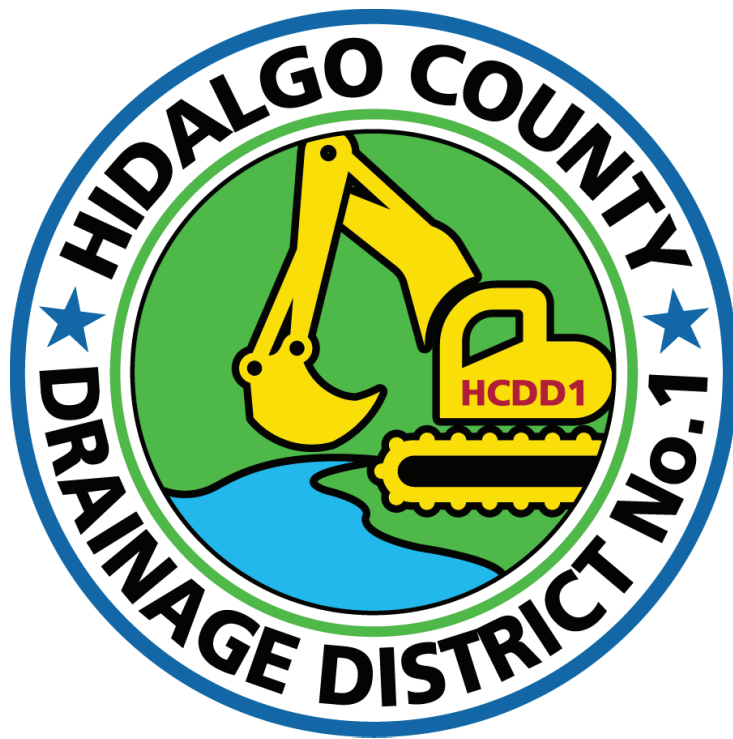
County Judge Ramon Garcia..... Chairman
Commissioner David L. Fuentes..... Board Member
Commissioner Eduardo Cantu..... Board Member
Commissioner Jose M. Flores..... Board Member
Commissioner Joseph Palacios..... Board Member

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

**Principal Officials
December 31, 2017**

Ramon Garcia.....	County Judge	Chairman
David L. Fuentes.....	Commissioner	Board member
Eduardo "Eddie" Cantu	Commissioner	Board member
Joe M. Flores	Commissioner	Board member
Joseph Palacios	Commissioner	Board member
Raul E. Sesin, P.E. CFM	General Manager	General Manager
Maria Arcilia Duran	County Auditor	County Auditor
Pablo "Paul" Villarreal Jr.	Tax Assessor	Tax Assesor/Collector
Norma G. Garcia	County Treasurer	Investment Officer

INDEPENDENT AUDITORS' REPORT



The Right Choice.

BML

McAllen • Brownsville

Burton
McCumber
& Longoria, LLP
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hidalgo County Drainage District No. 1
Edinburg, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hidalgo County Drainage District No. 1 (the District), a component unit of County of Hidalgo, Texas, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and net pension liability information on pages 18–24 and 67-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules, Texas supplementary information (TSI) as required by Texas Commission on Environmental Quality (TCEQ) and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

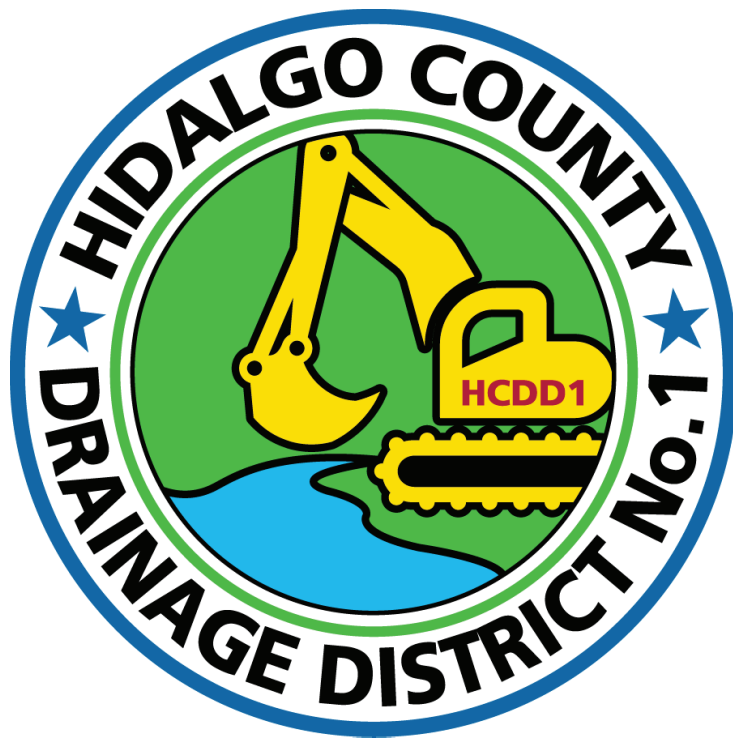
The introductory, Texas supplementary information and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2018, on our consideration of the District'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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Burt McArthur & Lanyon, LLP

McAllen, Texas
August 24, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**Hidalgo County Drainage District No. 1
(A Component Unit of Hidalgo County, Texas)
Management's Discussion and Analysis
December 31, 2017**

Management's Discussion and Analysis (MD&A) of Hidalgo County Drainage District No. 1, Edinburg, Texas (the District) is intended to provide an overview of the District's financial position and results of operations for the fiscal year ended December 31, 2017. Please read it in conjunction with the letter of transmittal on page 3 and the District's financial statements, which begin on page 26.

The MD&A is one of the elements of the reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34; Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments issued in June 1999. As part of the MD&A, certain comparative information between the current year and the prior year is required to be presented for financial analysis.

FINANCIAL HIGHLIGHTS

General Fund

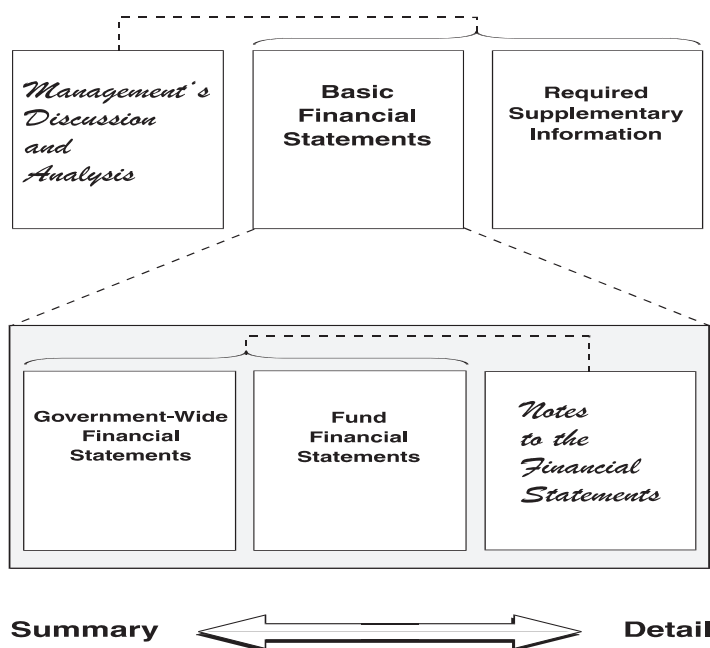
- At fiscal year-end, the unassigned fund balance in the general fund totaled \$20,209,159 which represents an \$892,315 increase from fiscal year 2016.
- General fund revenues increased by \$1,211,130 to \$16,512,570, an increase of 7.9% percent over fiscal year 2016. The 2016 tax levy, for 2017 budget, increased to \$29,568,706 an increase of 4.0%.
- General fund expenditures decreased by \$3,723,448 to \$13,470,018, a decrease of 21.7% percent over fiscal year 2016.

Government-Wide

- The District's governmental activities reported expenses of \$20,724,289, net of program revenues totaling \$632,191. General revenues and transfers totaled \$31,867,678 resulting in an increase in net position of \$11,775,580.
- At fiscal year-end, the District's governmental activities reported combined total net position of \$84,175,771. A significant portion of net position is invested in capital assets or is restricted for specific purposes.

USING THIS ANNUAL REPORT

The following illustration is provided to facilitate the understanding of the GASB 34 reporting format and its components:



OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements are comprised of 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.

- The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide information about the activities of the District as a whole and present a long-term view of the District's finances.
- Fund financial statements provide information as to how services are financed in the short-term, as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds or "major" funds rather than fund types.
- The accompanying notes provide essential information about certain accounts disclosed on the face of the financial statements. Consequently, the notes form an integral part of the basic financial statements.

The following summarizes the major features of the District's financial statements:

	Government-Wide	Governmental Funds
Scope	Entire District government	The activities of the District
Required financial statements	◆ Statement of Net Position	◆ Balance Sheet
	◆ Statement of Activities	◆ Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities that is helpful in determining whether the District's position has improved or deteriorated as a result of the current year activities. Both statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The Statement of Net Position includes all assets, liabilities, both short and long-term and deferred inflows of resources. The Statement of Activities reports all of the current year revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's net position and changes in them. Net position (the difference between assets, liabilities and deferred inflows of resources) are one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the District's drainage facilities, should also be considered in assessing the overall health of the District.

The Statement of Net Position and the Statement of Activities operate as governmental activities. The District's services consist primarily of drainage flood control and administration. Property taxes, bond proceeds, interest earnings, and miscellaneous revenue finance most of these activities.

Fund Financial Statements

The fund financial statements provide a detailed short-term view of the District's operations, focusing on its most significant or "major" funds. Certain funds are required by state law and by bond covenants. Other funds are established to ensure and demonstrate compliance with finance related legal requirements and prudent fiscal management. The District has only governmental fund types.

- *Governmental funds* – all of the District's basic services are reported in governmental funds. The measurement focus and basis of accounting continues to be the modified accrual basis, which measures inflows and outflows of current financial resources and the balances left at year-end that are available for spending. The District's major governmental funds are the General Fund, Capital Projects Fund, 2013 Bond Series Capital Projects Fund, 2008 Bonds Debt Service Fund, 2013 Bonds Debt Service Fund and 2016 Bonds Debt Service Fund. The reconciliations of the fund financial statements to the government-wide statements explain the differences between the governmental fund statements and the government-wide statements.

Statement of Net Position (Government-Wide)

The following comparative analysis table summarizes the District's net position as of December 31,:

	2017	2016
Assets:		
Current and other assets	\$ 105,263,124	\$ 104,321,291
Capital assets, net	147,739,260	142,050,568
Total assets	253,002,384	246,371,859
Deferred Outflows of Resources:		
Deferred charges on refunding	5,087,991	5,764,085
Deferred resources for pension	1,680,456	1,782,500
Total deferred outflows of resources	6,768,447	7,546,585
Liabilities:		
Long-term liabilities	131,906,118	143,664,346
Other liabilities	43,500,898	37,616,398
Total liabilities	175,407,016	181,280,744
Deferred Inflows of Resources:		
Deferred resources for pension	188,044	237,509
Total deferred inflows of resources	188,044	237,509
Net position:		
Net investment in capital assets	113,245,221	110,770,579
Restricted	9,205,175	4,629,664
Unrestricted	(38,274,625)	(43,000,052)
Total net position	\$ 84,175,771	\$ 72,400,191

*Amounts in the 2016 financial statements have been reclassified to conform to the presentation in the 2017 financial statements.

At the close of the current fiscal year, \$113,245,221 represents the portion the District has invested in capital assets (i.e., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation less any outstanding debt used to construct or acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these are not available for future spending. At the end of the fiscal year, the District reported a positive balance of \$9,205,175 for the District's restricted net position that may be used to meet the ongoing obligations to citizens and creditors. The District's unrestricted net position increased to \$(38,274,625) in connection with the District's governmental activities related to the debt associated with Rural Drainage Development Projects, Control Structures, and Weir Rehabilitation. The ownership and maintenance of the levees was transferred to IBWC.

Statement of Activities (Government-Wide)

The following table summarizes the change in the District's net position from its activities for the fiscal years ended December 31,:

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 571,191	\$ -
Charges for services	61,000	57,607
Total program revenues	<u>632,191</u>	<u>57,607</u>
General revenues:		
Property taxes	30,504,959	28,757,262
Interest income	778,435	491,532
Tax penalties and interest	761,869	767,511
Miscellaneous	131,728	321,257
Other	(309,313)	1,243,079
Total general revenues	<u>31,867,678</u>	<u>31,580,641</u>
Total revenues	32,499,869	31,638,248
Expenses:		
General governmental	(6,582,295)	(5,948,227)
Drainage flood control	(8,201,939)	(10,816,262)
Interest on long-term debt	<u>(5,940,055)</u>	<u>(5,068,698)</u>
Total expenses	<u>(20,724,289)</u>	<u>(21,833,187)</u>
Increase in net position	11,775,580	9,805,061
Net Position - beginning restated	72,400,191	62,595,130
Net Position - ending	<u>\$ 84,175,771</u>	<u>\$ 72,400,191</u>

The District's general revenues totaled \$31,867,678. Property taxes contributed \$30,504,959, or 95.7% of total general revenues. The remaining 4.3% of general revenues was derived from interest, tax penalties and other sources. The total expenses for services totaled \$20,724,289. Expenditures necessary for the maintenance and operations of drainage facilities accounted for 39.6% of expenses. General governmental activities and interest on long-term debt expenses accounted for 31.8% and 28.6% of the total expenses, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Financial information is presented separately in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds for the District's major funds: General Fund, Capital Projects Fund, 2013 Bond Series Capital Projects Fund, 2008 Bonds Debt Service Fund, 2013 Bonds Debt Service Fund, and 2016 Bonds Debt Service Fund. Financial information for the non-major governmental funds is presented in single columns by fund type.

General Fund

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the fund balance of the General Fund totaled \$21,625,586 which represents an \$603,994 increase from fiscal year 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the District's budget. These budget amendments fall into three categories. The first category includes the appropriation of the prior year's remaining balance for new projects the Board took action on during 2017. The second category includes line item transfers within the department to cover underfunded line items. Finally, the Board approved budget amendments to certain line items (including: engineering, rentals, insurance, and other heavy equipment) to record expenditures that were necessary for maintenance and operations of the drainage systems.

The District experienced a negative variance for general government and drainage flood control budgets that netted a negative variance of \$2,135,460 between original and final budget. Most of the variance came from the drainage flood control budget for Raymondville Drain.

Resources available totaled \$2,106,216 over the final budget amount of \$14,406,254. Property tax collections, miscellaneous revenues, which include royalties and reimbursement from governments, and interest accounted for all of the increase in estimated revenues. Charges for services were less than the estimated amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had \$147,739,260 invested in capital assets, including land and easements, infrastructure, construction in progress, buildings and renovations, and machinery and equipment. Land, easements and construction in progress are not depreciated. Additional information on the District's capital assets can be found on Note F in the notes to the financial statements.

	Capital assets at year-end (Net of depreciation)	
	2017	2016
Land and easements	\$ 25,233,135	\$ 24,380,040
Infrastructure	58,473,593	58,051,284
Construction in progress	56,147,036	50,978,712
Buildings and renovations	384,946	415,176
Machinery and equipment	7,500,550	8,225,356
Total	<u>\$ 147,739,260</u>	<u>\$ 142,050,568</u>

Outstanding Debt

The District's total debt decreased by \$8,805,536 (6.3%) during the year ended December 31, 2017. The reason for the decrease was that the only new debt issuance during the year was for an amount less than the regularly scheduled principal reductions on the existing outstanding debt. Additional information on the District's outstanding debt can be found on Note G in the notes to the financial statements.

Outstanding Debt at Year-End		
	2017	2016
Bond Series 2008	\$ 3,645,000	\$ 7,140,000
Bond Series 2013	65,695,000	70,480,000
Bond Series 2014	7,665,000	7,665,000
Bond Series 2016	50,335,000	52,625,000
Bond Series 2017	1,960,000	-
Notes Payable	793,714	993,079
Compensated Absences	255,323	251,494
	<u>\$ 130,349,037</u>	<u>\$ 139,154,573</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2018 Levy experienced over 2.35 billion dollars increase in the appraised valuation from prior years, due in part to the growth of the economy. The District will continue maintenance and expansion of its facilities as well as new projects as Hidalgo County's population and infrastructure needs continue to grow.

The Board of Directors considered these factors when setting the budget requirements for fiscal year 2018. Budgeted expenditures for 2018 total \$20,506,761 exceeding the budgeted revenues of \$17,022,916 available for appropriation in the General Fund budget. The District will utilize some of the reserves that have accumulated over the years to continue funding the new administration building in an additional amount of \$400,000 and purchase of new equipment. The District passed a tax rate of .0951 per \$100 valuation for the 2018 budget year. The 2018 budget year includes additional employees. Other operational expenditures were evaluated and adjusted, including items that have been affected by economic trends and other item used for emergencies. Capital improvements are in the future plans of the District for the 2018 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Additional financial information can be requested at:

Hidalgo County Drainage District No. 1
902 North Doolittle
Edinburg, Texas 78542
956-292-7080

BASIC FINANCIAL STATEMENTS

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
STATEMENT OF NET POSITION
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
DECEMBER 31, 2017

EXHIBIT A-1

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,412,588
Investments, including accrued interest	74,959,014
Receivables, net	
Property taxes	21,263,555
Other accounts	25,922
Due from other governments	7,601,087
Prepaid items	958
Capital assets, not being depreciated	
Land and easements	25,233,135
Construction in progress	56,147,036
Capital assets, net of accumulated depreciation	
Infrastructure	58,473,593
Buildings and renovations	384,946
Machinery and equipment	7,500,550
Total assets	<u>253,002,384</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	5,087,991
Deferred resources for pension	1,680,456
Total deferred outflows of resources	<u>6,768,447</u>
LIABILITIES	
Accounts payable	2,515,120
Salaries and benefits payable	492,508
Retainage payable	596,597
Unearned revenue	25,981,031
Accrued interest	1,888,721
Other liabilities	34,286
Long-term liabilities:	
Due within one year	
Note payable	209,513
Bond Series 2008	3,678,393
Bond Series 2013	3,672,851
Bond Series 2014	88,108
Bond Series 2016	2,324,596
Bond Series 2017	1,997,597
Compensated absences	21,577
Due in more than one year	
Note payable	584,201
Bond Series 2013	64,711,216
Bond Series 2014	8,299,136
Bond Series 2016	55,703,959
Net pension	2,050,464
Compensated absences	233,746
Other post employment benefits	323,396
Total liabilities	<u>175,407,016</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred resources for pension	188,044
Total deferred inflows of resources	<u>188,044</u>
NET POSITION	
Net investment in capital assets	113,245,221
Restricted for:	
Debt service	9,205,175
Grants	-
Unrestricted	<u>(38,274,625)</u>
Total net position	<u>\$ 84,175,771</u>

The accompanying notes are an integral part of this statement.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
STATEMENT OF ACTIVITIES
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT A-2

Functions\ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ (6,582,295)	\$ -	\$ -	\$ -	\$ (6,582,295)
Drainage flood control	(8,201,939)	61,000	571,191	-	(7,569,748)
Interest on long-term debt	<u>(5,940,055)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,940,055)</u>
Total Governmental Activities	<u>\$ (20,724,289)</u>	<u>\$ 61,000</u>	<u>\$ 571,191</u>	<u>\$ -</u>	<u>\$ (20,092,098)</u>
General Revenues:					
Property taxes					30,504,959
Interest income					778,435
Tax penalties and interest					761,869
Miscellaneous					131,728
Other					<u>(309,313)</u>
Total General Revenues					<u>31,867,678</u>
Change in Net Position					11,775,580
Net Position - Beginning					<u>72,400,191</u>
Net Position - Ending					<u>\$ 84,175,771</u>

The accompanying notes are an integral part of this statement.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>2013 Bond Series Capital Projects Fund</u>	<u>2008 Bonds Debt Service Fund</u>
ASSETS				
Cash and cash equivalents	\$ 1,026,067	\$ 35,162	\$ 196,277	\$ 32,780
Investments, including accrued interest	32,544,635	272,510	34,067,482	534,113
Receivables, net				
Property taxes	11,134,483	-	-	2,438,998
Other accounts	25,922	-	-	-
Due from other governments	3,168,739	4,754,267	-	-
Due from other funds	2,171,702	2,709,107	105,715	1,957,744
Prepaid items	958	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 50,072,506</u>	<u>\$ 7,771,046</u>	<u>\$ 34,369,474</u>	<u>\$ 4,963,635</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 672,297	124,634	\$ 1,377,570	\$ -
Salaries and benefits payable	592,096	-	-	-
Held in escrow	34,287	-	-	-
Retainage payable	96,923	15,005	484,669	-
Due to other governments	3,025	-	-	-
Due to other funds	8,996,021	8,452	2,063,571	-
Unearned revenue	11,321,987	4,500,000	-	2,483,508
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>21,716,636</u>	<u>4,648,091</u>	<u>3,925,810</u>	<u>2,483,508</u>
Deferred inflows of resources:				
Unavailable revenue- property taxes	6,730,284	-	-	1,474,830
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>6,730,284</u>	<u>-</u>	<u>-</u>	<u>1,474,830</u>
Fund Balances:				
Non-spendable:				
Prepaid items	958	-	-	-
Restricted:				
Debt service	-	-	-	1,005,297
Capital projects	-	3,122,955	30,443,664	-
Assigned	1,415,469	-	-	-
Unassigned	20,209,159	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>21,625,586</u>	<u>3,122,955</u>	<u>30,443,664</u>	<u>1,005,297</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 50,072,506</u>	<u>\$ 7,771,046</u>	<u>\$ 34,369,474</u>	<u>\$ 4,963,635</u>

The accompanying notes are an integral part of this statement.

2013 Bonds Debt Service Fund	2016 Bonds Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 10,310	\$ 41,429	\$ 70,563	\$ 1,412,588
349,624	1,792,101	5,398,549	74,959,014
3,668,666	3,812,581	208,840	21,263,568
-	-	-	25,922
-	-	-	7,923,006
3,142,453	1,036,247	251,317	11,374,285
-	-	-	958
<u>\$ 7,171,053</u>	<u>\$ 6,682,358</u>	<u>\$ 5,929,269</u>	<u>\$ 116,959,341</u>
\$ -	\$ -	\$ 241,040	\$ 2,415,541
-	-	-	592,096
-	-	-	34,287
-	-	-	596,597
-	-	318,894	321,919
-	-	306,241	11,374,285
3,682,340	3,755,607	237,589	25,981,031
<u>3,682,340</u>	<u>3,755,607</u>	<u>1,103,764</u>	<u>41,315,756</u>
<u>2,191,177</u>	<u>2,233,315</u>	<u>120,394</u>	<u>12,750,000</u>
<u>2,191,177</u>	<u>2,233,315</u>	<u>120,394</u>	<u>12,750,000</u>
-	-	-	958
1,297,536	693,436	189,190	3,185,459
-	-	4,515,921	38,082,540
-	-	-	1,415,469
-	-	-	20,209,159
<u>1,297,536</u>	<u>693,436</u>	<u>4,705,111</u>	<u>62,893,585</u>
<u>\$ 7,171,053</u>	<u>\$ 6,682,358</u>	<u>\$ 5,929,269</u>	<u>\$ 116,959,341</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

EXHIBIT A-4

Total fund balance - balance sheet governmental funds \$ 62,893,585

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Those assets consist of:

Land and easements	25,233,135	
Infrastructure	58,473,593	
Buildings and renovations	384,946	
Machinery and equipment	7,500,550	
Construction in progress	<u>56,147,036</u>	147,739,260

2. Deferred outflows of resources represent a consumption of net position that applies to future periods, therefore, they are not recognized as an outflow until then. For refunding debt the amount is amortized over the shorter of the life of refunded or refunding debt.

Refunding	5,087,991	
Pensions	<u>1,680,456</u>	6,768,447

3. A portion District's taxes collected during the year are not available to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.

12,750,000

4. Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term), are reported in the statement of net position.

Bond Series 2008 - face value	(3,645,000)	
Bond Series 2008 unamortized premium	(33,393)	
Bond Series 2013 - face value	(65,695,000)	
Bond Series 2013 unamortized premium	(2,689,067)	
Bond Series 2014 - face value	(7,665,000)	
Bond Series 2014 - unamortized premium	(722,244)	
Bond Series 2016 - face value	(50,335,000)	
Bond Series 2016 - unamortized premium	(7,693,415)	
Bond Series 2017 - face value	(1,960,000)	
Bond Series 2017 - unamortized premium	(37,737)	
Notes payable	(793,714)	
Accrued interest	(1,888,724)	
Other post employment benefits	(323,396)	
Pension	(2,050,464)	
Compensated absences	<u>(255,323)</u>	145,787,477

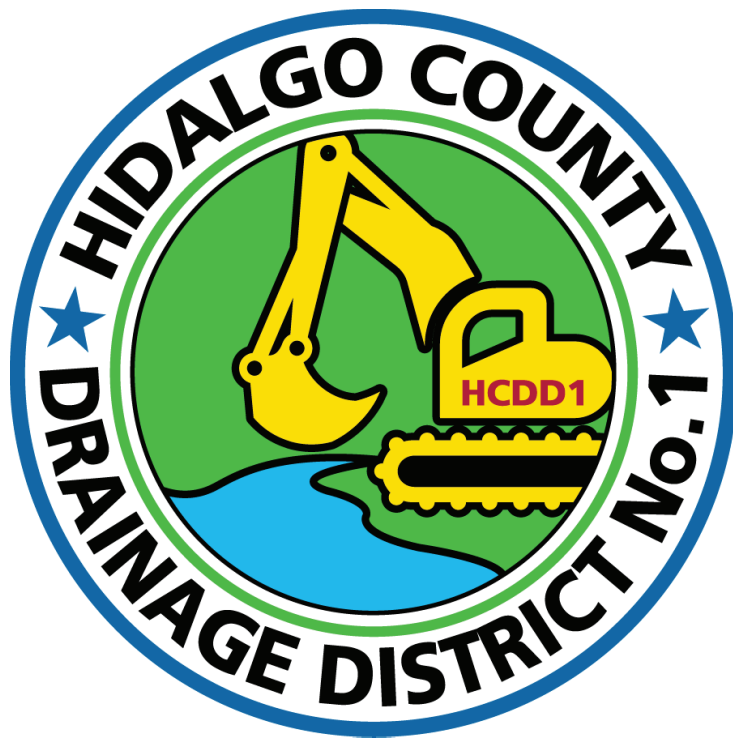
5. Deferred inflows related to the pension are not reported in the funds.

(188,044)

Total net position of governmental activities

\$ 84,175,771

The accompanying notes are an integral part of this statement.



HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects Fund	2013 Bond Series Capital Projects Fund	2008 Bonds Debt Service Fund
REVENUES				
Property taxes	\$ 15,967,104	\$ -	\$ -	\$ 3,819,140
Charges for services	61,000	-	-	-
Interest	339,244	19,373	369,169	7,773
Intergovernmental	13,494	557,697	-	-
Miscellaneous	131,728	-	-	-
Total revenues	<u>16,512,570</u>	<u>577,070</u>	<u>369,169</u>	<u>3,826,913</u>
EXPENDITURES				
Current:				
General government	2,414,513	282,800	75,311	-
Drainage flood control	11,055,505	-	-	-
Debt service:				
Principal	-	-	-	3,495,000
Interest	-	-	-	285,600
Bond issuance costs	-	-	-	-
Advance refunding escrow	-	-	-	-
Capital Outlay:				
Drainage flood control	-	677,518	7,310,437	-
Total expenditures	<u>13,470,018</u>	<u>960,318</u>	<u>7,385,748</u>	<u>3,780,600</u>
Excess (deficiency) of revenues over (under) expenditures	3,042,552	(383,248)	(7,016,579)	46,313
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,400,000	-	-
Transfers out	(2,650,000)	-	-	-
Sale of capital assets	211,442	-	-	-
Bond proceeds	-	-	-	-
Bond premium	-	-	-	-
Refunding escrow deposit	-	-	-	-
Total other financing sources (uses)	<u>(2,438,558)</u>	<u>2,400,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	603,994	2,016,752	(7,016,579)	46,313
Fund balances at beginning of year	<u>21,021,592</u>	<u>1,106,203</u>	<u>37,460,243</u>	<u>958,984</u>
Fund balances at the end of year	<u>\$ 21,625,586</u>	<u>\$ 3,122,955</u>	<u>\$ 30,443,664</u>	<u>\$ 1,005,297</u>

The accompanying notes are an integral part of this statement.

2013 Bonds Debt Service Fund	2016 Refunding Bonds Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 5,812,093	2,793,112	\$ 2,222,897	\$ 30,614,346
-	-	-	61,000
7,419	5,946	29,512	778,436
-	-	-	571,191
-	-	-	131,728
<u>5,819,512</u>	<u>2,799,058</u>	<u>2,252,409</u>	<u>32,156,701</u>
-	-	-	2,772,624
-	-	2,054	11,057,559
2,825,000	2,290,000	199,365	8,809,365
2,780,719	2,526,050	347,986	5,940,355
-	61,521	-	61,521
-	249,917	-	249,917
-	-	476,650	8,464,605
<u>5,605,719</u>	<u>5,127,488</u>	<u>1,026,055</u>	<u>37,355,946</u>
213,793	(2,328,430)	1,226,354	(5,199,245)
-	2,960,344	1,149,595	6,509,939
-	-	(3,859,939)	(6,509,939)
-	-	-	211,442
-	1,960,000	-	1,960,000
-	56,605	-	56,605
-	(1,955,083)	-	(1,955,083)
-	<u>3,021,866</u>	<u>(2,710,344)</u>	<u>272,964</u>
213,793	693,436	(1,483,990)	(4,926,281)
<u>1,083,743</u>	-	<u>6,189,101</u>	<u>67,819,866</u>
<u>\$ 1,297,536</u>	<u>\$ 693,436</u>	<u>\$ 4,705,111</u>	<u>\$ 62,893,585</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

A COMPONENT UNIT OF COUNTY OF HIDALGO, 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 DECEMBER 31, 2017

Net change in fund balances - total governmental funds		\$ (4,926,281)
Amounts reported for governmental activities in the statement of activities is different because:		
1. Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	9,895,190	
Depreciation	<u>(3,983,861)</u>	5,911,329
2. Sales and other dispositions of capital assets are reported in the governmental funds as other financing sources. The gain or loss on the sale of capital assets should be reported in the statement of activities. A gain is reported as general revenue and a loss should be included as part of the general government function.		
		(11,195)
3. Governmental funds typically report proceeds they receive in connection with the disposal of capital assets as other financing sources. This amount must be removed and replaced by an adjustment to the appropriate capital asset and the accumulated depreciation account. Any gain or loss should be reported as discussed above.		
		(211,442)
4. Certain property tax revenues reported in the funds are in the statement of activities. This is the change in these amounts this year.		
Related to prior years	(12,097,516)	
Earned but unavailable	<u>12,750,000</u>	652,484
5. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis; expenses and liabilities are reported regardless of when financial resources are available.		
Amortization of debt premiums	2,408,195	
Amortization of deferred charge on refunding	(921,094)	
Change in accrued interest on bonds	74,442	
Change in compensated absences	(3,829)	
Change in deferred outflow of resources - pension	(102,044)	
Change in deferred inflow of resources - pension	49,465	
Other post employment benefits	(117,067)	
Net pension obligation	<u>(25,143)</u>	1,362,925
6. Debt proceeds are reported as financing sources in governmental funds and thus contribute to changes in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of position.		
2017 bond series	(1,960,000)	
Premium	(56,605)	
Deferred charges on refunding	245,000	
Bond payments	10,570,000	
Payment on installment note	<u>199,365</u>	<u>8,997,760</u>
Change in net position of governmental activities - statement of activities		<u>\$ 11,775,580</u>

The accompanying notes are an integral part of this statement.

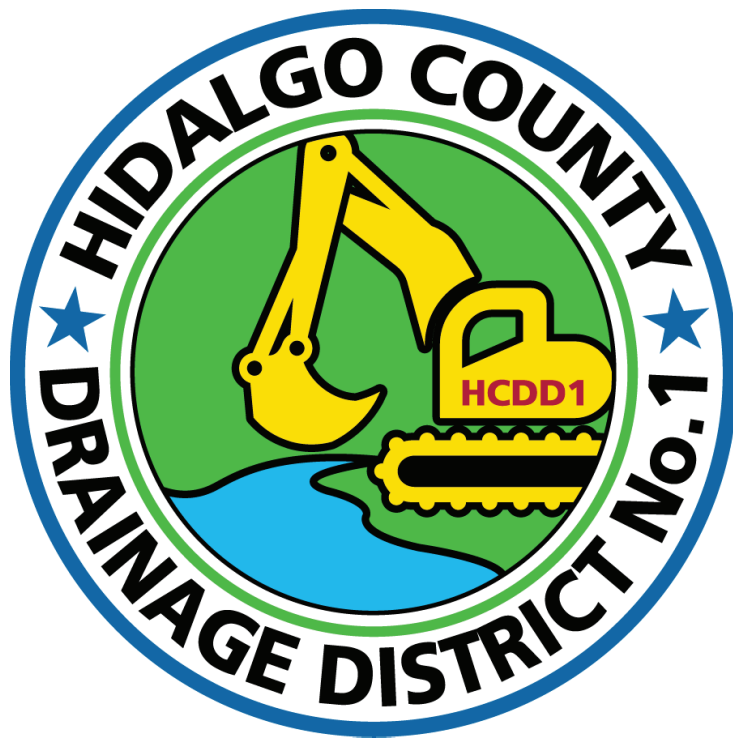
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

EXHIBIT A-7

A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BLANCE - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 14,286,354	\$ 14,286,354	\$ 15,967,104	\$ 1,680,750
Charges for services	65,000	65,000	61,000	(4,000)
Interest	18,000	18,000	339,244	321,244
Intergovernmental	-	-	13,494	13,494
Miscellaneous	37,000	37,000	131,728	94,728
Total revenues	<u>14,406,354</u>	<u>14,406,354</u>	<u>16,512,570</u>	<u>2,106,216</u>
EXPENDITURES				
Current:				
General government	2,505,693	2,505,693	2,414,513	91,180
Drainage flood control	12,344,496	14,479,956	11,055,505	3,424,451
Total expenditures	<u>14,850,189</u>	<u>16,985,649</u>	<u>13,470,018</u>	<u>3,515,631</u>
Excess of revenues over expenditures	(443,835)	(2,579,295)	3,042,552	5,621,847
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,160,000)	(2,400,000)	(2,650,000)	(250,000)
Sale of capital assets	-	-	211,442	211,442
Total financing sources (uses)	<u>(1,160,000)</u>	<u>(2,400,000)</u>	<u>(2,438,558)</u>	<u>(38,558)</u>
Net change in fund balance	(1,603,835)	(4,979,295)	603,994	5,583,289
Fund balance at beginning of year	<u>21,021,592</u>	<u>21,021,590</u>	<u>21,021,590</u>	<u>-</u>
Fund balance at the end of year	<u>\$ 19,417,757</u>	<u>\$ 16,042,295</u>	<u>\$ 21,625,584</u>	<u>\$ 5,583,289</u>

The accompanying notes are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

(A Component Unit of County of Hidalgo, Texas)

Notes to the Financial Statements

December 31, 2017

NOTE A – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

Hidalgo County Drainage District No. 1 (the District) was created on April 9, 1908, by order of the Commissioners' Court of Hidalgo County, Texas (the County), pursuant to an election held within the territory affected. Originally organized under provisions of Article III, Section 52 of the Texas Constitution, the District was later converted into a Conservation and Reclamation district under the provisions of Article XVI, Section 59 of the Texas Constitution, and has continued to exercise all of the powers and functions of such a district. The District operates under Chapter 56 of the Texas Water Code.

Summary of Significant Accounting Policies

The accounting and reporting policies of the District, as reflected in the accompanying financial statements, conform to generally accepted accounting principles (GAAP) in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During 2017, GASB issued the following statements:

Statement No. 84, Fiduciary Activities. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is effective for reporting periods beginning after December 15, 2018.

Statement No. 85, Omnibus 2017. This statement was issued to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement becomes effective for reporting periods beginning after June 15, 2017.

Statement No. 86, Certain Debt Extinguishment Issues. The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeasance in substance. This statement becomes effective for reporting periods beginning after June 15, 2017.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

**NOTE A – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued**

Statement No. 87, Leases. This statement was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflow of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use underlying assets. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for reporting periods beginning after December 15, 2019.

The impact of these statements on the District's financial statement has not been determined as of yet. The District will evaluate these new pronouncements and will implement them as applicable by their effective dates. The following significant accounting policies were applied in the preparation of the accompanying general purpose financial statements.

The following significant accounting policies were applied in the preparation of the accompanying basic financial statements.

1. Reporting Entity

GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB No. 61, provides guidance for determining which governmental organizations should be included within the reporting entity. GASB Statement No. 61 sets forth financial accountability as the basic criterion for inclusion of a governmental unit in a governmental reporting entity. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose its will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District is a legal separate entity; however, because of the primary government's ability to impose its will on the District, the District is included as a blended component unit within the County's Comprehensive Annual Financial Report and is an integral part thereof.

On June 22, 1976, the District and the Willacy County Drainage District No. 1 entered into an agreement for the use of an outfall drainage ditch to be constructed, owned, and operated by the District in Willacy County. An advisory committee composed of two members for each district determined the type of maintenance needed and to be performed. The District has no oversight responsibility over Willacy County Drainage District No. 1; therefore, the financial activity for Willacy County Drainage District No. 1 is not included in this report.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE A – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

2. Basis of Presentation

Government-Wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. The purpose of these statements is to present the financial position and the operating results of the District as a whole. The District's activities are categorized as "governmental activities" because it is financed primarily through property taxes, intergovernmental revenues, and other transactions. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Net Position focuses on the net position of the District, where the net position equals the assets and deferred outflows less the liabilities and deferred inflows of resources.

The Statement of Activities presents a comparison between direct expenses and program revenues of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges for services and (b) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Governmental Fund Financial Statements provide information about the District's governmental funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, and revenues and expenditures, as appropriate.

The District reports the following major governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund – This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for major capital outlays, including the acquisition or construction of capital facilities and other capital assets.

2013 Bond Series Capital Projects Fund – The bonds were issued to pay (1) construction costs for drainage improvements, (2) acquisition of right of way, and (3) costs of issuance of the bonds.

2008 Bonds Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, bonds long-term debt principal, interest and related costs.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE A – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

2. Basis of Presentation - Continued

2013 Bonds Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, bonds long-term debt principal, interest and related costs.

2016 Bonds Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, bonds long-term debt principal, interest and related costs.

Additionally, the District reports the following fund types:

Special revenue funds account for specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

3. Basis of Accounting

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Unearned revenue arises when potential revenues do not meet both the measurable and available test for recognition in the current period and when resources are received by the District before the District is legally entitled to them. In succeeding periods when both revenue recognition criteria are met or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE A – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

4. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair market value. It is the District's intent to hold all investments to maturity.

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Receivables and Payables

All trade and property taxes receivables are shown net of an allowance for uncollectible accounts. Property taxes are levied October 1st and become delinquent on February 1st, at which time penalties and interest are assessed.

Activities between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as "due to/from other funds."

8. Capital Assets

Capital assets, which include property, equipment, and infrastructure, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. When no historical records are available, capital assets are valued at estimated acquisition value on the date received.

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

Capital assets of the District are depreciated using the straight-line method over their estimated useful lives. Standard capitalization thresholds have been established for each major class of assets.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2017

NOTE A – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The following lists the thresholds and useful lives by class:

<u>Asset Class</u>	<u>Capitalization Threshold</u>	<u>Useful Lives in Months</u>
Land/land improvement	Capitalize all	N/A
Easements	Capitalize all	N/A
Infrastructure	\$ 100,000	420
Buildings and renovations	\$ 50,000	480
Machinery and equipment	\$ 1,000	15-180

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses / expenditures) until then. The District has two items that qualify for reporting in this category. A deferred charge on refunding bonds results from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also has a deferred outflow of resources related to pension expense results from the differences between projected and actual earnings on plan investments and contributions made subsequent to the measurement date. For the year ended December 31, 2017, the District had deferred outflows of resources for refunding bonds and pension in the amount of \$5,087,991 and \$1,680,456, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, a deferred inflow of resources related to pensions for the difference between expected and actual experience on the plan is reported on the statement of net position. At December 31, 2017, the District had deferred inflows of resources related to pension in the amount of \$188,044.

10. Fund Balance

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE A – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

10. Fund Balance - Continued

Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the prepaid items have been properly classified as non-spendable in the Governmental Funds Balance Sheet.

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state, or federal laws, or externally imposed conditions by grantors or creditors. The District reports restricted fund balances for amounts restricted for debt service and capital projects.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. At December 31, 2017, the District did not have committed funds.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official body to which the Board of Directors delegates the authority. These funds represent amounts the District intends to use for the Raymondville Drain.

Unassigned fund balance – amounts that are available for any purpose.

For purpose of fund balance classifications, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance, and lastly, the unassigned fund balance.

11. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in governmental funds.

Although appropriations lapse at year-end for annually budgeted funds, the District honors encumbrances outstanding at year-end. Outstanding encumbrances do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year. The District has active construction projects as of December 31, 2017. At year-end, the District's remaining commitments totaled \$9,904,606; therefore, this amount is encumbered. Encumbrances for the general fund, capital projects fund and 2013 bond series capital projects fund totaled \$3,084,665, \$146,811 and \$6,339,130, respectively. Encumbrances for nonmajor funds totaled \$334,000.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2017

NOTE A – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

12. Budgets

The District’s budget is adopted after public hearings have been held. Any revisions must be approved by the Board of Directors of the District.

Formal budgetary integration is utilized as a management control device during the year for the General and Debt Service Funds. Budgets for the General and Debt Service Funds are adopted on a basis consistent with GAAP. Appropriations for annually budgeted funds lapse at year-end. Appropriations at year-end for grant-funded special revenue funds and capital project funds are carried forward to subsequent years until the grant has terminated or the project is completed.

The appropriated budget is prepared by fund, function, department, and object. Transfers of appropriations between departments require the approval of the Board of Directors. The legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed appropriations) is at the department level.

The general fund’s expenditures exceed appropriations due to additional costs associated with the construction of the District’s administration building.

13. Compensated Absences

Regular full-time employees accumulate vacation leave at varying rates depending on their years of service with the District. They are as follows:

<u>Number of Years of Service</u>	<u>Vacation Leave Hours Earned Per Year</u>
0 to 5 years	96
5 to 10 years	108
Over 10 years	120

Vacation leave may be accumulated up to a maximum of 160 hours (20 days) for employees with less than 10 years of continuous service. Employees with more than 10 years but less than 15 years of continuous service may accumulate 240 hours (30 days). Employees with more than 15 years may maintain an accrued leave of 320 hours (40 days). Employees lose, without pay, unused vacation leave which exceed set limits. Regular part-time employees accumulate vacation leave of 48 hours regardless of years of service. As of December 31, 2017, the District’s total liability for vested vacation leave totaled \$255,323. Vested vacation benefits are expected to be liquidated with expendable and available financial resources and are reported as an expense and a liability in the government-wide statement of net position. The District estimates \$21,577 of the total compensated absences balance will be due within one year.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2017

NOTE A – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

13. Compensated Absences - Continued

Each regular full-time employee earns sick leave at the rate of 12 working days per year and may accumulate a maximum sick leave balance of 45 working days. Permanent part-time employees earn 6 days per year and may accumulate a maximum of 45 working days. Outstanding sick leave balances are cancelled, without recompense, upon termination, resignation, retirement or death. In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

The accrued liability for accumulated compensated absences reported in the government-wide financial statements consists of unpaid accumulated vacation leave, compensatory time, and holiday leave balances. Budgets for vested benefits for vacation or sick leave are not legally adopted in the District's operating budget. The accrued amount for the current year is as follows:

Vacation leave	\$	243,019
Compensatory time		11,589
Holiday leave		715
Total	\$	<u>255,323</u>

14. Rounding Adjustments

Throughout this report, dollar amounts are rounded, thereby creating differences between the detail and the totals.

NOTE B – DEPOSITS AND INVESTMENTS

The District's Depository Agreement requires its designated financial institution to secure by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance, deposits and accrued interest thereon by 105%. At December 31, 2017, the District's deposits were entirely covered by FDIC insurance pursuant to the Depository Agreement. At December 31, 2017, the carrying amount of the District's deposits totaled \$1,646,000 and was entirely covered by federal deposit insurance or secured by collateral held by the pledging financial institutions agent in the District's name.

Investments of the District are pooled for investment purposes in each of the District's fund types. Earnings on pooled investments are allocated to the funds having equity in the pool on the basis of their relative contribution to the pool.

At December 31, 2017, the District had investments in Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) local government pool. Texas CLASS investment pools' investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk. Texas CLASS is organized under the authority of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public funds Investment Act, Chapter 2256, of the Texas Government Code.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE B – DEPOSITS AND INVESTMENTS – Continued

Texas CLASS was created in 1996 and is governed by a board of trustees to provide for joint investments of participant’s public funds. Texas CLASS’s policy seeks to invest pooled assets in order to preserve principal, maintain the liquidity of the funds, and to maximize yield. Public Trust Advisors, LLC is the program administrator and Wells Fargo Bank Texas, N.A. is the custodian.

Texas CLASS, carried at fair value, totaled \$37,089,708 and time deposits with an original maturity of two years totaled \$37,869,306 at December 31, 2017.

The District’s investments are categorized into the following three categories of credit risk:

- Category A – Insured or registered, or securities held by the District or its agent in the District’s name.
- Category B – Uninsured and unregistered, with the securities held by the counterparty’s trust department or agent in the District’s name.
- Category C – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

The following schedule classifies the investments of the District as of December 31, 2017, into the above noted categories:

	Risk Category			Carrying Value	Market Value
	A	B	C		
Texas CLASS	\$ 37,089,708	\$ -	\$ -	\$37,089,708	\$37,089,708
Time Deposits	37,869,306	-	-	37,869,306	37,869,306
Total Investments	<u>\$ 74,959,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$74,959,014</u>	<u>\$74,959,014</u>

Interest rate risk. In accordance with its investment policy, the District manages its exposure to decreases in fair value by utilizing controlled disbursement, cash flow analysis, and portfolio analysis or similar cash management techniques and limiting the weighted average maturity of its investment portfolio to one year or less.

Credit risk. The Public Funds Investment Act (Government Code Chapter 2256) limits authorized investments to obligations of, or guaranteed by, governmental entities, certificates of deposit and share certificates, repurchase agreements, securities lending program, banker’s acceptances, commercial paper, mutual funds, guaranteed investment contracts, and investment pools. The District’s investment policy further limits investments to obligations of, or guaranteed by, governmental entities, certificates of deposit, repurchase agreements, banker’s acceptances, AAA rated mutual funds, and investment pools.

Concentration of credit risk. To limit the concentration of credit risk, the District’s investment policy does not allow investment in banker’s acceptances to exceed 10 percent of the District’s total investments. Additionally, the District’s investment policy prohibits funds held for debt service to be invested in mutual funds and prohibits the District from investing in the aggregate more than eighty percent of its monthly average fund balance, excluding funds held for debt service, in AAA rated money market mutual funds.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE B – DEPOSITS AND INVESTMENTS – Continued

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s depository agreement requires its designated depository financial institution to secure the District’s uninsured deposits by 105% with securities held in the District’s name at a third party financial institution.

Custodial credit risk – investments. For an investment, this is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment policy reduces the District’s exposure to custodial credit risk by limiting investments to securities that are backed by the full faith and credit of the State of Texas, the United States, or their respective agencies and instrumentalities. The District’s investment policy strictly prohibits riskier-type investments such as commercial paper.

NOTE C – TAXES RECEIVABLE

A summary of the taxes receivable by fund is as follows at December 31, 2017:

	General Fund	Bonds Debt Service Fund	Total
Taxes receivable - current	\$ 10,024,051	\$ 8,965,736	\$ 18,989,787
Taxes receivable - delinquent	2,312,724	1,686,422	3,999,146
Allowance for uncollectibles	(1,202,292)	(523,073)	(1,725,365)
Taxes receivable, net of allowance for uncollectibles	<u>\$ 11,134,483</u>	<u>\$ 10,129,085</u>	<u>\$ 21,263,568</u>

Property taxes attach as an enforceable lien on property as of January 1. The taxes are levied on or about October 1, based on the assessed value listed as of the date the enforceable lien attaches. Appraised values are established by the Hidalgo County Appraisal District, assessed at 100% of appraised value, and certified by the Appraisal Review Board. The County Tax Assessor-Collector (CTAC) bills and collects taxes for the District. CTAC billed the District \$317,162 in fees during 2017.

Taxes are due from October 1 of the year in which levied until January 31 of the following year without interest or penalty. No discounts are offered. On February 1, these taxes become delinquent, at which time penalty and interest charges are applicable. Collections on the levy for October 1, 2017, as well as the balances due on all taxes receivable related thereto, are reflected as deferred inflows of resources because they are not available to finance 2017 operations.

The 2016 tax levy, for the 2017 year, totaled \$30,232,354 based on a total taxable value of \$31,757,653,435 and a tax rate of 0.09510.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2017

NOTE D – INTERFUND RECEIVABLES AND TRANSFERS

Balances of due to/from other funds consisted of the following at December 31, 2017:

Due to General Fund from Special Revenue Fund	\$ 10,671
Due to General Fund from Major Capital Projects Fund	2,063,571
Due to General Fund from Non-Major Capital Projects Fund	97,460
Due to Special Revenue Fund from Non-Major Capital Projects Fund	100,847
Due to 2013 Bonds Debt Service Fund from Special Revenue Fund	56,932
Due to Major Capital Projects Fund from General Fund	2,709,107
Due to 2008 Bonds Debt Service Fund from General Fund	1,957,743
Due to 2013 Bonds Debt Service Fund from General Fund	3,142,453
Due to 2016 Bonds Debt Service Fund from General Fund	1,036,247
Due to Non-Major Debt Service Fund from General Fund	150,471
Due to Major Capital Projects Fund from Major Capital Projects Fund	8,452
Due to Non-Major Capital Projects Fund from Major Capital Projects Fund	40,331
Total due to/from other funds	<u>\$ 11,374,285</u>

These balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

The General Fund owes the Debt Service Funds \$6,286,914 and is identified as the following: 2008 Bond Debt Service Series \$1,957,743, 2013 Bond Debt Service Series \$3,142,453, 2016 Bond Debt Service Fund \$1,036,247, and the Non-Major Debt Service Fund \$150,471 for 2018 taxes collected during the last three months of 2017. Additionally, the General Fund owes Major Capital Projects Fund \$2,709,107 for New Administration Building, Cesar Chavez Drain Parcels and RMA Outfalls projects. The Special Revenue Fund owes General Fund \$10,671 and 2013 Bond Debt Service Fund \$56,932 for reclassification of expenditures. Major Capital Projects Fund owes General Fund \$2,063,571 for primarily from certificate of deposit that was initially invested from Major Capital Fund but later reclassified as General Fund expenditures. Additionally, the Major Capital Projects fund (Capital Projects Fund) owes Major Capital Projects Fund (Capital Projects 2013 Bond Series) \$8,452. Major Capital Projects Fund owes Non-Major Capital Projects Fund \$40,331 for the balance that resulted in overdraft of cash balance in the payable funds. The Non-Major Capital Projects Fund owes the Special Revenue Fund \$100,847 for the District's portion according to the Memorandum of Agreement with Customs and Border Patrol and the City of Hidalgo and General Fund \$97,460 for East Lateral Bond Project labor force expenditures.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE D – INTERFUND RECEIVABLES AND TRANSFERS – Continued

Transfers are used to (1) move revenues from the fund that statute or budget requires (2) move funds restricted to debt service for debt service payments, and (3) use unrestricted revenues collected in the general fund to finance various projects accounted for in other funds in accordance with budgetary authorizations. Inter-fund transfers consisted of the following for the year ended December 31, 2017:

Transfers In:	Transfers Out:			Total
	General Fund	Capital Projects Fund	Debt Service Fund	
Debt Service Fund	\$ 250,000	\$ -	\$ 2,960,344	\$ 3,210,344
Capital Projects Fund	2,400,000	899,595	-	3,299,595
Total inter-fund transfers	<u>\$ 2,650,000</u>	<u>\$ 899,595</u>	<u>\$ 2,960,344</u>	<u>\$ 6,509,939</u>

NOTE E – DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following at December 31, 2017:

Fund	Due From	Purpose	Amount
General Fund	County of Hidalgo	Distribution of taxes, net of interlocal agreement	\$ 2,582,473
General Fund	Hidalgo County Precinct #2	Inter-local agreement project	560,238
General Fund	Willacy County Drainage District No. 1	Inter-local agreement project	26,028
Capital Projects	Hidalgo County Regional Mobility Authority	Inter-local agreement project	254,267
Capital Projects	Texas Water Development Board	Grant	4,500,000
	Total due from other governments		<u>\$ 7,923,006</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE F – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2017:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 24,380,040	\$ 947,712	\$(94,617)	\$ 25,233,135
Construction in progress	50,978,712	8,092,392	(2,924,068)	56,147,036
Total capital assets not being depreciated	<u>75,358,752</u>	<u>9,040,104</u>	<u>(3,018,685)</u>	<u>81,380,171</u>
Capital assets being depreciated:				
Infrastructure	101,726,151	-	2,924,068	104,650,219
Building and renovations	837,964	-	-	837,964
Machinery and equipment	18,860,999	855,085	(1,243,455)	18,472,629
Total capital assets being depreciated	<u>121,425,114</u>	<u>855,085</u>	<u>1,680,613</u>	<u>123,960,812</u>
Less accumulated depreciation for:				
Infrastructure	(43,674,867)	(2,501,759)	-	(46,176,626)
Building and renovations	(422,788)	(30,230)	-	(453,018)
Machinery and equipment	(10,635,643)	(1,451,872)	1,115,436	(10,972,079)
Total accumulated depreciation	<u>(54,733,298)</u>	<u>(3,983,861)</u>	<u>1,115,436</u>	<u>(57,601,723)</u>
Total capital assets being depreciated, net	<u>66,691,816</u>	<u>(3,128,776)</u>	<u>2,796,049</u>	<u>66,359,089</u>
Governmental activities capital assets, net	<u>\$ 142,050,568</u>	<u>\$ 5,911,328</u>	<u>\$(222,636)</u>	<u>\$ 147,739,260</u>

Depreciation expense totaling \$3,983,861 was charged to the drainage flood control function under governmental activities for the year ended December 31, 2017.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE G – LONG-TERM LIABILITIES

The District issues unlimited tax improvement bonds to provide for the resources for construction of capital assets. The beginning balances of the unlimited tax improvement bonds issued in 2008, 2013, and 2014 were \$7,140,000, \$70,480,000 and \$7,665,000, respectively. The unlimited improvement bonds are direct obligations of the District, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the District in an amount sufficient to provide payment of principal and interest.

The Unlimited Tax Improvement Bond Series 2008 and 2013, respectively, have a call option for bonds maturing on or after September 1, 2019 and September 1, 2024 prior to stated maturity, in multiples of \$5,000, in whole or in part, on September 1, 2018 and September 1, 2023, or any date thereafter, at par plus accrued interest.

The following refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position.

On December 1, 2014, the District issued Unlimited Tax Refunding Bonds Series 2014 in the amount of \$7,810,000 to advance refund a portion of Unlimited Tax Improvement Bonds, Series 2007. Bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt resulting in an economic gain of \$634,376, which will be amortized over the term of the bonds. Deferred charges on refunding at December 31, 2017 totaled \$487,982.

On February 17, 2016, the District issued Unlimited Tax Refunding Bonds Series 2016 in the amount of \$52,625,000 to advance refund \$11,210,000 of the Unlimited Tax Improvement Bonds Series 2007 and \$46,555,000 of the Unlimited Tax Improvement Bonds Series 2008. Bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt resulting in an economic gain of \$5,946,059, which will be amortized over the term of the bonds. Deferred charges on refunding at December 31, 2017 totaled \$4,443,209.

On August 16, 2017, the District issued Unlimited Tax Refunding Bonds Series 2017 in the amount of \$1,960,000 to advance refund \$2,205,000 of the Unlimited Tax Improvement Bonds, Series 2013. Bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt resulting in an economic gain of \$245,000, which will be amortized over the term of the bonds. Deferred charges on refunding at December 31, 2017 totaled \$156,800.

The following is the total of refunded bonds:

<u>Description</u>	<u>Refunded Bonds</u>	<u>Maturity</u>
Unlimited Tax Improvement Bonds, Series 2007	\$ 11,210,000	2017-2023
Unlimited Tax Improvement Bonds, Series 2008	\$ 46,555,000	2019-2028
Unlimited Tax Improvement Bonds, Series 2013	\$ 2,205,000	2018

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE G – LONG-TERM LIABILITIES – Continued

On August 9, 2016, the District entered into an installment note with Hidalgo County for a capital asset purchase in the amount of \$1,243,079, payable from operating funds of the District. The note is payable in five annual installments of \$250,000.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issued</u>	<u>Maturity</u>	<u>Original</u>	<u>Outstanding</u>
Installment note - capital assets	4.98%	2016	2020	\$ 1,243,079	\$ 793,714

Annual debt service requirements by maturity for unlimited improvement tax bonds are as follows:

<u>Year(s) Ending December 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 9,495,000	\$ 5,524,368	\$ 15,019,368
2019	5,910,000	5,110,680	11,020,680
2020	8,265,000	4,815,180	13,080,180
2021	8,625,000	4,452,030	13,077,030
2022	9,055,000	4,020,780	13,075,780
2023-2027	52,015,000	13,112,290	65,127,290
2028-2032	30,485,000	3,620,522	34,105,522
2033	5,450,000	177,126	5,627,126
Total	<u>\$ 129,300,000</u>	<u>\$ 40,832,976</u>	<u>\$ 170,132,976</u>

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	<u>Balance January 1, 2017</u>	<u>Additional Obligations and Net Increases</u>	<u>Payments and Net Decreases</u>	<u>Balance December 31, 2017</u>	<u>Amounts Due Within One Year</u>
Bond Series 2008	\$ 7,140,000	\$ -	\$(3,495,000)	\$ 3,645,000	\$ 3,645,000
Bond Series 2013	70,480,000	-	(4,785,000)	65,695,000	2,960,000
Bond Series 2014	7,665,000	-	-	7,665,000	-
Bond Series 2016	52,625,000	-	(2,290,000)	50,335,000	930,000
Bond Series 2017	-	1,960,000	-	1,960,000	1,960,000
Bond premiums	13,527,585	56,466	(2,408,195)	11,175,856	2,266,545
Note payable	993,079	-	(199,365)	793,714	209,513
Compensated absences	251,494	3,829	-	255,323	21,577
Totals	<u>\$152,682,158</u>	<u>\$ 2,020,295</u>	<u>\$(13,177,560)</u>	<u>\$141,524,893</u>	<u>\$ 11,992,635</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE H – OTHER POST – EMPLOYMENT BENEFITS (OPEB)

1. Plan Description

The District does not have a formal post-employment benefits plan; however, the District allows retired employees to participate in the County’s Health Benefits Program by purchasing health care benefits at the same group rate as provided to current active employees at the time they end their service to the District. Members may retire upon attaining one of the following: (1) age 60 and above with 8 or more years of service, (2) 20 years of service regardless of age, or (3) when the sum of their age and years of service equals 80 or more. Spouses and dependents are eligible to continue insurance under COBRA for 36 months after the retiree dies. If a dependent is not yet 26 years of age at the time of the members’ death, the same rule applies. Once the dependent attains the age of 26, Blue Cross Blue Shield will terminated coverage automatically.

A cost sharing premium is a blended rate that takes into account the cost of medical benefits for active employees as well as retirees. Medical costs are generally higher for retirees than for active employees of the same age. A retiree who is paying 100% of the cost sharing premium is most likely not paying 100% of the true cost of the medical benefits. This situation is known as an “implicit rate subsidy”. GASB Statement No. 75, *Accounting and Financial Reporting by Employer for Postemployment Benefits other than Pensions*, is applicable to the District due to the implicit rate subsidy. This “plan” is not a standalone plan and therefore, does not issue its own financial statements. As of December 31, 2017, there were 148 active employees, and 55 retired employees.

2. Funding Policy

The District collects insurance premiums from the participating retirees each month and deposits them in the County’s Group Insurance Fund. The District then pays the health insurance premiums for the retirees at the blended rate to the County’s self-funded Health Benefits Program. The required contribution to the program includes the employer’s pay-as-you-go amount and the amount paid by retirees. The District has elected not to prefund the actuarially determined future cost but will accrue the liability as of December 31, 2017 to reflect proper treatment and will disclose the Health Care Benefits for Retired Employees in accordance with GASB No. 75. Monthly medical contributions required by the retiree for medical and prescriptions are as follows:

	Basic PPO Plan	
	Under 65	65 & Over
Retiree only	\$ 525	\$ 265
Retiree + spouse	909	650
Retiree + child(ren)	633	376
Retiree + family	1,018	758
Surviving spouse	525	265
Surviving spouse + child(ren)	633	376
Surviving spouse + family	525	265

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE H – OTHER POST – EMPLOYMENT BENEFITS (OPEB) – Continued

2. Funding Policy – Continued

Several changes in retiree benefits were made by the District, effective December 1, 2014.

Significant changes are as follows:

- Retirees are eligible for benefits for their lifetime as long as they enroll in Medicare Parts A and B at age 65. Previously, coverage terminated at age 65 for employees that retired on or after February 1, 2011.
- The retiree contribution rate structure was changed so that rates decrease at age 65, as opposed to remaining level.
- The buy-up plan is no longer available for retirees. Retirees can continue under the basic plan only.
- Surviving covered dependents are now allowed to continue benefits upon the death of retiree.
- Retired, rehired retirees are now eligible to continue coverage upon a subsequent retirement.

3. Annual OPEB Cost and Net OPEB Obligation

The District OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded accrued actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation.

Annual required contribution	\$ 131,547
Interest on prior year net OPEB obligation	7,222
Adjustment to ARC	<u>(10,839)</u>
Annual OPEB cost	127,930
Contribution made	<u>(10,863)</u>
Increase in net OPEB obligation	<u>117,067</u>
Net OPEB obligation - beginning of year	<u>206,329</u>
Net OPEB obligation - end of year	<u><u>\$ 323,396</u></u>

At December 31, 2017, three years of comparative data is available. The District's annual OPEB cost, the percentage of annual OPEB cost contribution, and the net OPEB obligation are as follows:

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation (Asset)
12/31/2017	3.5%	\$ 127,930	8.5%	\$ 323,396
12/31/2016	3.5%	\$ 86,106	11.9%	\$ 206,329
12/31/2015	3.5%	\$ 87,559	5.4%	\$ 130,496

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE H – OTHER POST – EMPLOYMENT BENEFITS (OPEB) – Continued

4. Schedule of Funding Progress

As of December 31, 2017, the plan was 0.0% funded for the District. The actuarial accrued liability was \$759,204 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$759,204 for the District. The covered payroll (annual payroll of active employees covered by the plan) was \$5,248,226, and the ratio of the UAAL to the covered payroll was 14.5%.

The schedule of funding progress presents three years of information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The most recent actuarial valuation was performed in 2017 and is valid for two years. The schedule is presented in the required supplemental information section.

5. Actuarial Method and Assumptions

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revisions as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of expected future costs. Deviation in any of several factors, such as future interest rates, medical inflation, and changes in marital status could result in actual costs being greater than or less than estimated.

Projection of benefits for financial reporting purposes are based on the plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits cost between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspectives of the calculations.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE H – OTHER POST – EMPLOYMENT BENEFITS (OPEB) – Continued

5. Actuarial Method and Assumptions – Continued

Year	2015	2016	2017
Actuarial valuation date	12/31/2015	12/31/2015	12/31/2017
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level dollar, closed	Level dollar, open	Level dollar, open
Amortization period in years	30	30	30
Actuarial assumptions:			
Inflation rate	3.0%	3.0%	3.0%
Discount rate	3.5%	3.5%	3.5%
Health cost trend	8.0%	7.5%	7.0%
Employee turnover	-	Based on TCDRS pension plan turnover tables, adjusted by factor of 1.20	Based on TCDRS pension plan turnover tables, adjusted by factor of 1.20
Mortality rate	-	RP-2000 Employee table for active employees; RP-2000 Healthy Annuitant table for retired employees	RP-2000 Employee table for active employees; RP-2000 Healthy Annuitant table for retired employees
Spouse coverage	15.0%	15.0%	15.0%
Spouse age	Females assumed be 3 years younger	Females assumed be 3 years younger	Females assumed be 3 years younger
Electing coverage	20.0%	20.0%	20.0%

NOTE I – EMPLOYEE RETIREMENT BENEFITS

1. Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the District within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 10 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of services equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2017

NOTE I – EMPLOYEE RETIREMENT BENEFITS – Continued

1. Plan Description – Continued

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the District’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

The employees covered by the plan at December 31, 2017 are as follows:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	22
Active employees	133
	<u>209</u>

2. Funding Policy

The District has elected the annually determined contribution rate (ADCR) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. Contributions were made using the actuarially determined rate of 13.1% for calendar year 2016. The contribution rate payable by the employee member is 7% as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

3. Net Pension Liability

Governmental Accounting Standards Board issued Statement No. 68 for public pension plans and participating employers which address specifics of reporting public pension plan obligations for employers. Net pension liability (NPL) for the District was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE I – EMPLOYEE RETIREMENT BENEFITS – Continued

3. Net Pension Liability – Continued

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement; which can be found in the required supplemental data as a note to the respective employer contribution schedules.

Mortality assumptions are as follows:

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68.

Depositing members:

The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service retirees, beneficiaries and non-depositing members:

The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees:

RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The following table summarizes the real rate of return for the Drainage District.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE I – EMPLOYEE RETIREMENT BENEFITS – Continued

3. Net Pension Liability – Continued

The target asset allocation and geometric real rates of return are shown below:

Asset Class	Benchmark	Target Allocation*	Geometric Real Rate of Return (Expected Minus Inflation)**
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
	Cambridge Associates Global Private Equity & Venture Capital Index		
Private Equity		16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	60.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index	3.00%	6.70%
	67% FTSE NAREIT Equity REITs Index + 33% FRSE		
REIT Equities	EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnership (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	7.20%
	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index		
Hedge Funds		20.00%	3.85%

*Target asset allocation adopted at the April 2017 TCDRS Board meeting.

**Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater's 2017 capital market assumptions.

The discount rate used to measure the total pension liability was 8.1% at December 31, 2016. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE I – EMPLOYEE RETIREMENT BENEFITS – Continued

3. Net Pension Liability – Continued

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan’s fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied. In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer’s funding policy and the legal requirements under the TCDRS Act.

Changes in Net Pension Liability were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance as of December 31, 2015	\$ 14,211,272	\$ 12,185,949	\$ 2,025,323
Changes for the year:			
Service cost	756,250	-	756,250
Interest on total pension liability	1,153,337	-	1,153,337
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	67,163	-	67,163
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(19,989)	(19,989)	-
Benefit payments	(680,266)	(680,266)	-
Administrative expenses	-	(9,827)	9,827
Member contributions	-	351,578	(351,578)
Net investment income	-	904,024	(904,024)
Employer contributions	-	657,951	(657,951)
Other	-	47,881	(47,881)
Balances as of December 31, 2016	\$ 15,487,767	\$ 13,437,301	\$ 2,050,466 **

**The District’s TCDRS actuarial report with a measurement valuation date of December 31, 2016, to be used for audit periods ending January 1, 2017 to December 31, 2017, shows a net pension liability of \$2,050,466.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE I – EMPLOYEE RETIREMENT BENEFITS – Continued

3. Net Pension Liability – Continued

The following represents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what District's net pension liability would be if it were calculated using a discount rate that 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 17,337,609	\$ 15,487,767	\$ 13,924,473
Fiduciary net position	13,437,301	13,437,301	13,437,301
Net pension liability/ (asset)	<u>\$ 3,900,308</u>	<u>\$ 2,050,466</u>	<u>\$ 487,172</u>

	January 1, 2016 to December 31, 2016
Pension expense/ (income)	
Service cost	\$ 756,250
Interest on total pension liability	1,153,337
Effect of plan changes	-
Administrative expenses	9,827
Member contributions	(351,578)
Expected investment return net of investment expenses	(1,000,855)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(38,271)
Recognition of assumption changes or inputs	16,863
Recognition of investment gains or losses	288,206
Other	(47,881)
Pension expense/ (income)	<u>\$ 785,898</u>

NOTE J – DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND UNEARNED REVENUE

Deferred inflows/outflows of resources related to implementation of GASB 68 related to pension plans are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,970	\$ 188,044
Changes in assumptions	67,452	-
Net difference between projected and actual earnings	848,859	-
Contributions made subsequent to measurement date	708,176	-
	<u>\$ 1,680,457</u>	<u>\$ 188,044</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE J – DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND UNEARNED REVENUE – Continued

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year ended December 31,:</u>	
2017	\$ 266,798
2018	266,798
2019	231,673
2020	7,775
2021	11,194
Thereafter	-

The \$708,176 reported as deferred outflows of resources related to pensions resulted from contributions made subsequent to the measurement date and will be recognized as a deduction of the net pension liability in the year ended December 31, 2018.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned and unavailable revenue reported in the governmental funds were as follows:

	<u>Deferred inflows of resources</u>	<u>Unearned revenue</u>	<u>Total</u>
Property taxes (General Fund)	\$ 6,730,284	\$ 11,321,987	\$ 18,052,271
Property taxes (Debt Service Funds)	6,019,716	10,129,070	16,148,786
Grant revenue (Capital Projects Fund)	-	4,500,000	4,500,000
Grant revenue (Special Revenue Fund)	-	29,974	29,974
Total	<u>\$ 12,750,000</u>	<u>\$ 25,981,031</u>	<u>\$ 38,731,031</u>

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of property; errors and omissions; injuries to employees; and natural disasters. The District covers such risks by participating in a public entity risk pool. The District has not experienced significant reduction of insurance coverage in the last 4 years.

The District participates in the Texas Municipal League Intergovernmental Risk Pool (the Pool) for coverage in the following areas: general liability, errors and omissions, auto physical damage, auto liability, real and personal property, and workers compensation. Limits on insurance coverage are as provided in Texas State Statutes Civil Practices and Remedies Code Chapter 101.023. The District paid premiums totaling \$419,128 in 2017.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2017

NOTE K – RISK MANAGEMENT – Continued

Annual aggregate limits and deductibles are as follows at December 31, 2017:

	<u>Deductible</u>	<u>Annual Aggregate Limits</u>
General liability	\$ 5,000	\$ 10,000,000
Errors and omissions liability	\$ 25,000	\$ 4,000,000
Auto physical damage	\$ 10,000	N/A
Auto liability	\$ 1,000	N/A
Real and personal property	\$ 10,000	N/A
Workers compensation	N/A	Fully Funded

In February 2005, the District changed its employee health benefits from purchased commercial insurance to a self-funded insurance fund. The District participates in the Hidalgo County Health Insurance Fund (Fund) and makes payments to the Fund based on the number of participants. The Fund provides coverage for up to a maximum of \$150,000 per individual per year. Claims in excess of \$150,000 and up to \$1,000,000 per individual per occurrence are covered by commercial insurance purchased by the Fund. The Fund's health insurance provider is Blue Cross-Blue Shield. Payments to the fund totaled \$903,651 in 2017.

NOTE L – RELATED PARTY

The District contracts with OG Construction to perform construction work. The contract was approved and awarded under the District's ordinary procurement process. The owner of OG Construction is related to a member of the governing body. No construction costs were paid to OG Construction in 2017.

NOTE M – LITIGATION

The District is currently involved in potential claims and litigation involving civil and contractual matters. In the opinion of District management, the potential claims against the District not covered by insurance resulting from litigation will not materially affect the financial position of the District.

NOTE N – RECLASSIFICATION

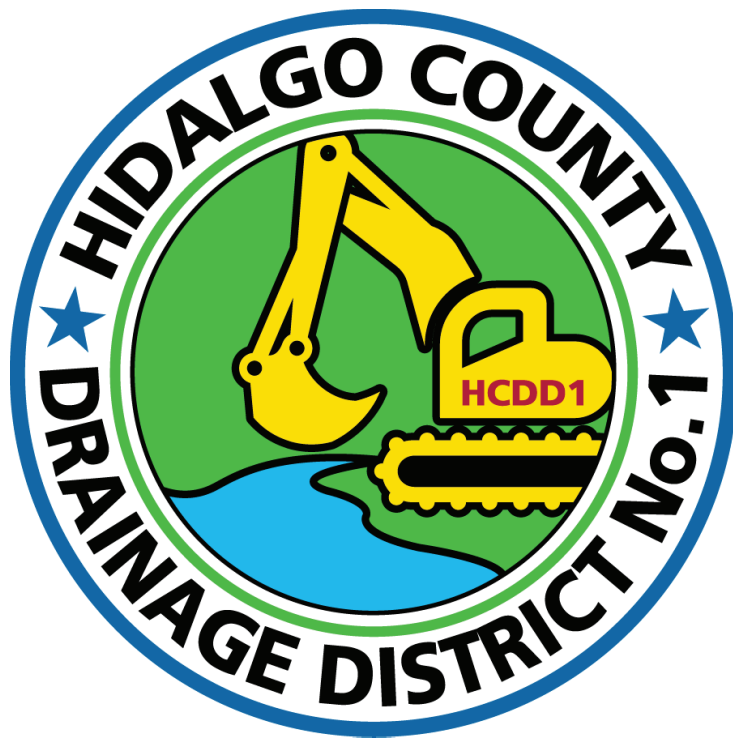
Certain amounts in the 2016 financial statements have been reclassified to conform to the presentation in the 2017 financial statements.

NOTE O – SUBSEQUENT EVENTS

The District has evaluated all events or transactions that occurred after December 31, 2017 through August 24, 2018, the date these financial statements were available to be issued.

Unlimited Tax Refunding Bonds, Series 2018 in the amount of \$6,095,000 was issued on August 23, 2018.

REQUIRED SUPPLEMENTAL INFORMATION



Other Post Employment Benefits

Hidalgo County Drainage District No. 1
 Unfunded

Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2017	12/31/2017	\$ -	\$ 759,204	\$ 759,204	0%	\$5,248,226	14.5%
2015	12/31/2015	-	567,269	567,269	0%	3,850,488	14.7%
2013	12/31/2013	-	154,330	154,330	0%	3,666,660	4.2%

Notes: The most recent actuarial valuation was performed in 2017 and is valid for two years. Discount rate used in years 2013, 2015, and 2017 was 3.5%.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

EXHIBIT B-2

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE MEASUREMENT YEARS ENDED DECEMBER 31**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 756,250	\$ 611,534	\$ 629,877
Interest on total pension liability	1,153,337	1,071,637	980,158
Effect of plan changes	-	236,044	-
Effect of assumption changes or input	-	101,178	-
Effect on economic/demographic (gains) or losses	67,163	(237,892)	(58,898)
Benefit payments/refunds of contributions	<u>(700,255)</u>	<u>(659,497)</u>	<u>(499,815)</u>
Net change in total pension liability	<u>1,276,495</u>	<u>1,123,004</u>	<u>1,051,322</u>
Total pension liability, beginning	<u>14,211,272</u>	<u>13,088,268</u>	<u>12,036,947</u>
Total pension liability, ending (a)	<u>15,487,767</u>	<u>14,211,272</u>	<u>13,088,269</u>
Fiduciary Net Position			
Employer contributions	657,951	523,193	493,873
Member contributions	351,578	301,925	274,156
Investment income net of investment expenses	904,024	(164,681)	751,128
Benefit payments/refunds of contributions	(700,255)	(659,497)	(499,815)
Administrative expenses	(9,827)	(8,801)	(9,031)
Other	47,881	(28,176)	17,296
Net change in fiduciary net position	<u>1,251,352</u>	<u>(36,037)</u>	<u>1,027,607</u>
Fiduciary net position, beginning	<u>12,185,949</u>	<u>12,221,987</u>	<u>11,194,380</u>
Fiduciary net position, ending (b)	<u>13,437,301</u>	<u>12,185,950</u>	<u>12,221,987</u>
Net pension liability/ (asset), ending = (a)-(b)	<u>\$ 2,050,466</u>	<u>\$ 2,025,322</u>	<u>\$ 866,282</u>
Fiduciary net position as a % of total pension liability	86.76%	85.75%	93.38%
Pensionable covered payroll	\$ 5,022,541	\$ 4,313,210	\$ 3,916,520
Net pension liability as a % of covered payroll	40.83%	46.96%	22.12%

Note: Ten years of data should be presented in this schedule, but data was unavailable prior to 2014. Net pension liability and related ratios will be presented prospectively as data becomes available in accordance with GASB 68.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS

EXHIBIT B-3

Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2008	\$ 260,382	\$ 260,382	\$ -	\$ 2,622,170	9.9%
2009	295,936	295,936	-	3,001,377	9.9%
2010	358,213	358,213	-	3,316,783	10.8%
2011	358,109	358,109	-	3,282,439	10.9%
2012	374,800	374,800	-	3,328,623	11.3%
2013	459,716	459,716	-	3,799,318	12.1%
2014	493,873	493,873	-	3,916,520	12.6%
2015	523,193	523,193	-	4,313,210	12.1%
2016	657,951	657,951	-	5,022,541	13.1%
2017	708,176	708,176	-	5,638,364	12.6%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2) Payroll is calculated based on contributions as reported to TCDRS.

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	14.3 years (based on contribution rate calculated in 12/31/2016 valuation)
Assets Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	2015: No changes in plan provisions. 2016: Employer contributions reflect that a 100% CPI COLA was adopted.

*Only changes effective 2015 and later are shown in the Notes to Schedule.

The above table includes information for the District according to the agent multiple-employer defined benefits pension plan administered by TCDRS.

TEXAS SUPPLEMENTARY INFORMATION

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF SERVICES AND RATES
YEAR ENDED DECEMBER 31, 2017

EXHIBIT TSI-1

1. Services provided by the District:

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input checked="" type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional systems and/or wastewater service (other than interconnect)		
<input type="checkbox"/> Other (specify):		

2. Retail rates based on 5/8" meter: Retail rates not applicable

3. Retail service providers: N/A

4. Total water consumption (in thousands) during the fiscal year: N/A

5. Standby fees: Does the District assess standby fees? Yes No

6. Anticipated sources of funds to be used for debt service payments in the District following fiscal year: None

7. Location of District:

County(ies) in which the District is located: Hidalgo County

Is the District located entirely with in one county? Yes No

Is the District located in a city? Entirely Partly Not at all

City(ies) in which the District is located: Alamo, Alton, Edcouch, Edinburg, Elsa, Granejo, Hidalgo, La Joya, La Villa, McAllen, Mercedes, Mission, Palmview, Penitas, Progreso, Pharr, San Juan, Weslaco

Is the general membership of the Board appointed by an office outside the District?
 Yes No If yes, by whom? _____

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF GENERAL FUND EXPENDITURES
YEAR ENDED DECEMBER 31, 2017

EXHIBIT TSI-2

Personnel Expenditures (including benefits) *	\$ 8,127,830
Professional Fees:	
Auditing	95,505
Legal	103,700
Engineering	437,695
Contracted Services:	
Appraisal district	303,293
Other contracted services	-
Utilities	28,497
Repairs and Maintenance	1,202,051
Administrative Expenditures:	
Office supplies	80,614
Insurance	126,962
Other administrative expenditures	514,105
Capital Outlay:	
Acquisition of fixed assets	1,232,446
Aid to Other Governments	71,250
Other Expenditures	<u>1,146,070</u>
TOTAL EXPENDITURES	<u><u>\$ 13,470,018</u></u>

*Number of full-time person employed by the District: 142.

Schedule of Temporary Investments

This schedule is omitted because no temporary investments were held at year-end. See note B in the notes to the financial statements.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF TAXES LEVIED AND RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

EXHIBIT TSI-4
Continued

	Maintenance Taxes	Debt Service Taxes
	<u> </u>	<u> </u>
Property taxes receivable, beginning of year	\$ 1,897,237	\$ 1,740,408
2016 original tax levy (less abatements)	15,767,873	14,464,481
Adjustments for 2016 original tax levy modifications	(30,976)	(28,416)
Adjustments for rollbacks and refunds	<u>(16,329)</u>	<u>(14,980)</u>
Total to be accounted for	<u>17,617,805</u>	<u>16,161,493</u>
Tax collections:		
Current	15,640,880	13,270,658
Prior years	<u>490,751</u>	<u>450,186</u>
Total collections	<u>16,131,631</u>	<u>13,720,844</u>
Property taxes receivable, end of year	<u>\$ 1,486,174</u> *	<u>\$ 2,440,649</u> *
Property taxes receivable by years		
2016	\$(284,633)	\$ 1,468,187
2015	341,031	333,232
2014	216,792	228,423
2013 and prior	<u>1,212,984</u>	<u>410,807</u>
Property taxes receivable, end of year	<u>\$ 1,486,174</u> *	<u>\$ 2,440,649</u> *

*This balance excludes \$12,750,000 applicable to the 2017 tax levy. Collections on the 2017 tax levy will be recognized as fiscal year 2018 tax revenues.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF TAXES LEVIED AND RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

EXHIBIT TSI-4
Continued

	Tax Levy			
	2016	2015	2014	2013
Property Valuations:				
Land and improvements	\$32,820,284,532	\$31,048,714,118	\$29,494,456,171	\$28,671,228,849
Minerals	2,864,754,468	2,772,728,201	2,602,412,309	2,586,241,450
Personal property	4,268,801,753	4,110,446,598	3,126,311,610	3,054,067,881
 Total property valuations	<u>\$39,953,840,753</u>	<u>\$37,931,888,917</u>	<u>\$35,223,180,090</u>	<u>\$34,311,538,180</u>
 Tax Rates Per \$100 Valuation:				
Debt service tax rates	\$ 0.0455	\$ 0.0470	\$ 0.0491	\$ 0.0508
Maintenance tax rates	0.0496	0.0481	0.0466	0.0449
 Total tax rates per \$100 valuation	<u>\$ 0.0951</u>	<u>\$ 0.0951</u>	<u>\$ 0.0957</u>	<u>\$ 0.0957</u>
 Original tax levy	<u>\$ 30,232,354</u>	<u>\$ 28,458,055</u>	<u>\$ 26,632,748</u>	<u>\$ 25,985,271</u>
 Percent of taxes collected to tax levied at December 31, 2016:	<u>96%</u>	<u>98%</u>	<u>98%</u>	<u>99%</u>

Tax rate for any other special district which (a) encompasses less than a county, (b) provides 'water, wastewater collectio and drainage or roads to property in the District and, (c) taxes property in the District.

Name of Special District (s)	Service Provided	Tax Rate
NONE		\$ -
Total Rate(s) of Special District (s)		<u>\$ -</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF TAXES LEVIED AND RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

Exhibit TSI-4
Concluded

The following represents the 2017 tax levy rates for all overlapping jurisdictions. The table includes any taxing entities which overlap 10% or more of the District.

	Taxing Jurisdiction	<u>Tax Rate</u>
a. County:	<u>Hidalgo County</u>	\$.5800
b. Cities:	<u>Average of 18 cities within Drainage District</u>	.6192
c. School district(s):	<u>Average of 15 school districts within Drainage District</u>	1.3112
d. Special district(s) not included above:		
	<u>South Texas College</u>	.1850
	<u>South Texas I.S.D.</u>	.0492
e. Total District:		<u>.0951</u>
	Total Overlapping Tax Rate	<u>\$ 2.8397</u>

Schedule of Long Term Requirements

This schedule is omitted because information is provided in the statistical section on EXHIBITS E20-24.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF CHANGES IN LONG TERM BONDED DEBT
DECEMBER 31, 2017

EXHIBIT TSI-6

Schedule of Changes in Long Term Bonded Debt

This schedule is omitted because information is provided in the Statistical Section Exhibit E-16.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND
FIVE YEARS ENDED DECEMBER 31,

	A M O U N T S				
	2017	2016	2015	2014	2013
GENERAL FUND					
REVENUES					
Property taxes	\$ 15,967,104	\$ 14,505,100	\$ 13,470,638	\$ 12,452,851	\$ 12,348,783
Operating grants and contributions	-	-	5,599,008	-	-
Charges for services	61,000	57,607	61,590	48,000	37,250
Interest	339,244	212,766	87,290	41,915	25,442
Intergovernmental	13,494	204,710	-	-	-
Miscellaneous	131,728	321,257	768,736	-	741,693
Total revenues	16,512,570	15,301,440	19,987,262	12,542,766	13,153,168
EXPENDITURES					
Professional fees	636,900	2,135,655	762,215	306,782	169,523
Contracted services	303,293	327,267	314,690	459,823	521,616
Payroll	8,127,830	7,117,860	6,074,927	5,513,415	5,179,593
Utilities	28,497	31,846	48,568	41,071	36,910
Materials and supplies	594,719	555,609	472,665	396,496	348,766
Repairs and maintenance	1,202,051	1,416,022	1,031,982	802,859	3,710,523
Aid to other governments	71,250	1,200	-	-	147,008
Other expenditures	1,273,032	1,237,457	885,702	1,111,906	831,923
Capital outlay	1,232,446	4,370,550	5,169,356	2,025,336	3,136,628
Total expenditures	13,470,018	17,193,466	14,760,105	10,657,688	14,082,490
Excess (deficiency) revenues over (under) expenditures	3,042,552	(1,892,026)	5,227,157	1,885,078	(929,322)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	211,442	203,933	-	47,996	22,216
Capital lease proceeds	-	-	-	-	-
Installment note	-	1,243,079	-	406,980	-
Interfund transfers in	-	-	-	-	-
Interfund transfers out	(2,650,000)	(383,630)	(145,959)	(145,959)	-
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ 603,994	\$(828,644)	\$ 5,081,198	\$ 2,194,095	\$(907,106)
DEBT SERVICE FUND					
REVENUES:					
Property taxes	\$ 14,647,242	\$ 14,603,943	\$ 14,193,312	\$ 14,072,131	\$ 13,665,956
Penalty, interest and other	-	-	-	-	267,269
Interest	23,102	6,018	5,315	-	2,933
Total revenues	14,670,344	14,609,961	14,198,627	14,072,131	13,936,158
EXPENDITURES:					
Debt services, interest and principal	15,061,158	14,857,000	13,999,852	14,153,361	7,956,631
Total expenditures	15,061,158	14,857,000	13,999,852	14,153,361	7,956,631
Excess (deficiency) revenues over (under) expenditures	(390,814)	(247,039)	198,775	(81,230)	5,979,527
OTHER FINANCING SOURCES					
Interfund transfers	250,000	383,630	145,959	294,700	-
Bond proceeds	1,960,000	-	-	-	-
Bond premium	56,605	-	-	-	-
Refunding escrow deposit escrow agent	(1,955,083)	666,845	-	-	-
Excess of revenues over expenditures and other financing sources	\$(79,292)	\$ 803,436	\$ 344,734	\$ 213,470	\$ 5,979,527
TOTAL ACTIVE RETAIL, WATER AND/OR WASTEWATER CONNECTIONS					
	\$ -	\$ -	\$ -	\$ -	\$ -

PERCENT OF FUND TOTAL REVENUES				
2017	2016	2015	2014	2013
96.70	94.80	67.40	99.28	93.88
-	-	28.01	-	-
0.37	0.38	0.31	0.38	0.28
2.05	1.39	0.44	0.33	0.19
.08	1.34	-	-	-
.80	2.10	3.85	-	5.64
<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
3.86	13.96	3.81	2.45	1.29
1.84	2.14	1.57	3.67	3.97
49.22	46.52	30.39	43.96	39.38
0.17	0.21	0.24	0.33	0.28
3.60	3.63	2.36	3.16	2.65
7.28	9.25	5.16	6.40	28.21
.43	.01	-	-	1.12
7.71	8.09	4.43	8.86	6.32
7.46	28.56	25.86	16.15	23.85
<u>81.57</u>	<u>112.37</u>	<u>73.85</u>	<u>84.97</u>	<u>107.07</u>
18.43	(12.37)	26.15	15.03	(7.07)
1.28	1.33	-	0.38	0.17
-	-	-	-	-
-	8.12	-	3.24	-
-	-	-	-	-
(16.05)	(2.51)	(0.73)	(1.16)	-
<u>3.66</u>	<u>(5.42)</u>	<u>25.42</u>	<u>17.49</u>	<u>(6.90)</u>
99.84	99.96	99.96	100.00	98.06
-	-	-	-	1.92
0.16	0.04	.04	-	0.02
<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
<u>102.66</u>	<u>101.69</u>	<u>98.60</u>	<u>100.58</u>	<u>57.09</u>
<u>102.66</u>	<u>101.69</u>	<u>98.60</u>	<u>100.58</u>	<u>57.09</u>
(2.66)	(1.69)	1.40	(0.58)	42.91
1.70	2.63	1.03	2.09	-
13.36	-	-	-	-
0.39	-	-	-	-
(13.33)	4.56	-	-	-
<u>(0.54)</u>	<u>5.50</u>	<u>2.43</u>	<u>1.52</u>	<u>42.91</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
YEAR ENDED DECEMBER 31, 2017

TSI-8
Continued

Complete District Mailing Address: 902 N. Doolittle Road, Edinburg, Texas 78542

District Business Telephone Number: (956) 292-7080

<u>Name and Address</u>		<u>Fees</u> <u>12/31/17</u>	<u>Expense</u> <u>Reimbursements</u> <u>FYE 12/31/17</u>	<u>Title at</u> <u>Year End</u>	<u>Resident of</u> <u>District</u>
Board Members:					
Ramon Garcia 302 W. University Dr. Edinburg, TX 78539	(Elected) 11/09/10	\$ -	\$ 1,800	Chairman	Yes
David L. Fuentes 1902 Joe Stephens Ave. Weslaco, TX 78599	(Elected) 01/01/17	\$ -	\$ 1,800	Director	Yes
Eduardo "Eddie" Cantu 300 W. Hall Acres Pharr, TX 78577	(Elected) 01/01/15	\$ -	\$ 1,800	Director	Yes
Joe M. Flores 724 North Breyfogle Mission, TX 78574	(Elected) 01/01/01	\$ -	\$ 1,800	Director	Yes
Joseph Palacios 1051 N. Doolittle Road Edinburg, TX 78542	(Elected) 01/01/11	\$ -	\$ 1,800	Director	Yes

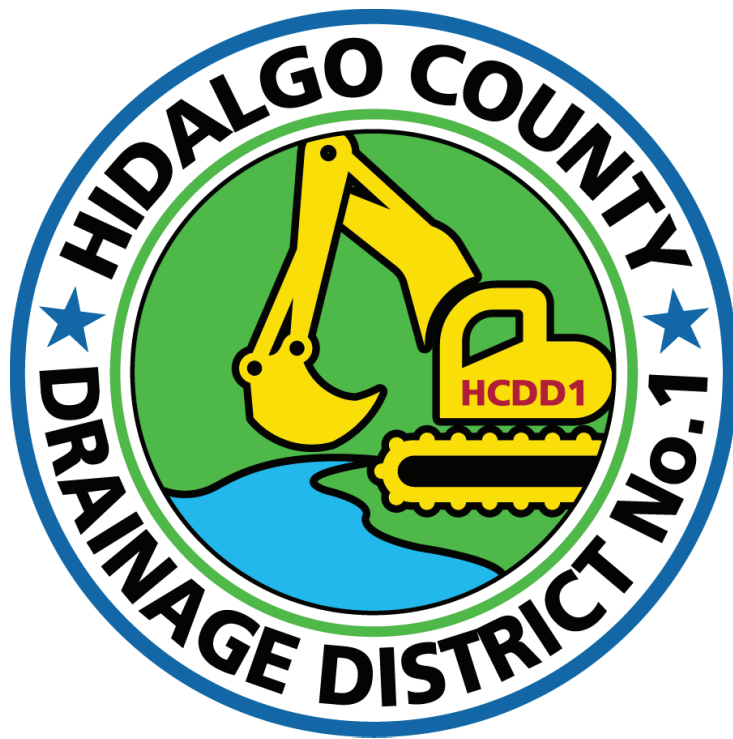
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS - CONTINUED
YEAR ENDED DECEMBER 31, 2017

TSI-8
Concluded

Complete District Mailing Address: 902 N. Doolittle Road, Edinburg, Texas 78542

District Business Telephone Number: (956) 292-7080

Name and Address		Fees 12/31/17	Expense Reimbursements FYE 12/31/17	Title at Year End
Key Personnel:				
Consultants:				
Maria Arcilia Duran Hidalgo County Auditor's Office 2808 S. Business Highway 281 Edinburg, TX 78539	(Appointed) 12/04/17	\$ -	\$ -	County Auditor
Pablo "Paul" Villarreal Jr. PO Box 178 Edinburg, TX 78539	(Elected) 01/01/13	\$ 317,162	\$ -	County Tax Assessor/ Collector
Atlas Hall & Rodriguez, L.L.P. PO Box 3725 McAllen, TX 78502	March 1966	\$ 52,906	\$ -	Attorneys
Locke Lord, LLP 2200 Ross Avenue Suite 2800 Dallas, TX 75201	May 2015	\$ 30,895	\$ -	Attorneys
The J Ramirez Law Firm 700 N Veterans Blvd B San Juan, TX 78539	-	\$ 20,848	\$ -	Bond Counsel
Burton McCumber & Longoria, L.L.P. 205 Pecan Boulevard McAllen, TX 78501	10/31/17	\$ 95,505	\$ -	Independent Auditors
Hidalgo County Appraisal District 4405 Professional Drive Edinburg, TX 78539	-	\$ 303,293	\$ -	Appraisal Services
Investment Officer:				
Norma G. Garcia 2810 S. Business Highway 281 Edinburg, TX 78539	(Elected) 01/01/95	\$ -	\$ -	County Treasurer



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

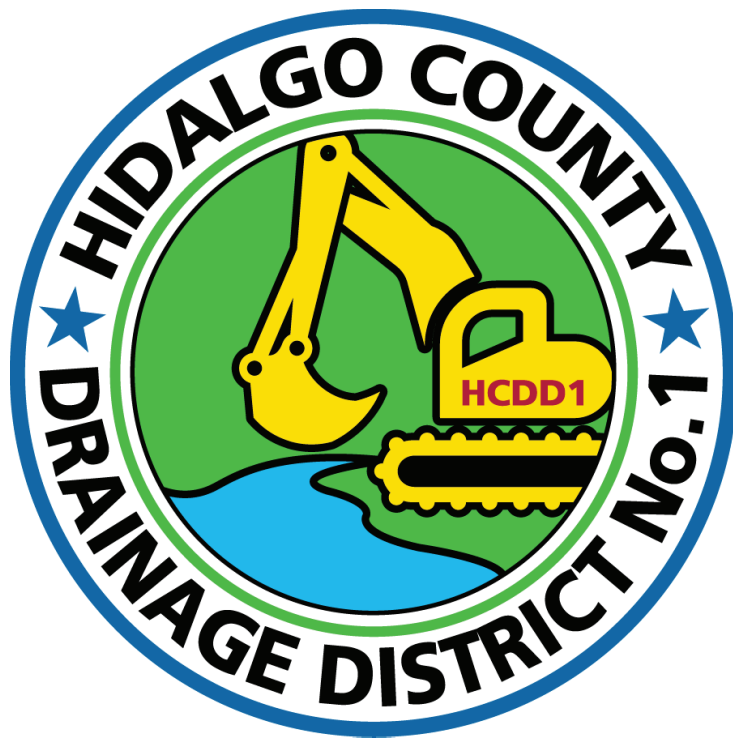
EXHIBIT C-1

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-3)</u>
ASSETS				
Cash and cash equivalents	\$ 63,366	\$ 7,197	\$ -	\$ 70,563
Investments, including accrued interest	267,318	150,692	4,980,539	5,398,549
Receivables, net				
Property taxes	-	208,840	-	208,840
Due from other funds	100,847	150,470	-	251,317
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 431,531</u></u>	<u><u>\$ 517,199</u></u>	<u><u>\$ 4,980,539</u></u>	<u><u>\$ 5,929,269</u></u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,060	\$ -	\$ 225,980	\$ 241,040
Due to other governments	318,894	-	-	318,894
Due to other funds	67,603	-	238,638	306,241
Unearned revenue	29,974	207,615	-	237,589
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>431,531</u>	<u>207,615</u>	<u>464,618</u>	<u>1,103,764</u>
Deferred inflows of resources:				
Unavailable revenue- property taxes	-	120,394	-	120,394
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>-</u>	<u>120,394</u>	<u>-</u>	<u>120,394</u>
Fund Balances:				
Restricted:				
Debt service	-	189,190	-	189,190
Capital projects	-	-	4,515,921	4,515,921
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>-</u>	<u>189,190</u>	<u>4,515,921</u>	<u>4,705,111</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u><u>\$ 431,531</u></u>	<u><u>\$ 517,199</u></u>	<u><u>\$ 4,980,539</u></u>	<u><u>\$ 5,929,269</u></u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT C-2

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES				
Property taxes	\$ -	\$ 2,222,897	\$ -	\$ 2,222,897
Interest	-	1,964	27,548	29,512
Total revenues	<u>-</u>	<u>2,224,861</u>	<u>27,548</u>	<u>2,252,409</u>
EXPENDITURES				
Current:				
Drainage flood control	2,054	-	-	2,054
Debt service:				
Principal	-	199,365	-	199,365
Interest	-	347,986	-	347,986
Capital Outlay:				
General government	-	-	-	-
Drainage flood control	-	-	476,650	476,650
Total expenditures	<u>2,054</u>	<u>547,351</u>	<u>476,650</u>	<u>1,026,055</u>
(Deficiency) excess of revenues (under) over expenditures	(2,054)	1,677,510	(449,102)	1,226,354
OTHER FINANCING SOURCES:				
Transfers in	-	250,000	899,595	1,149,595
Transfers out	-	(2,960,344)	(899,595)	(3,859,939)
Total other financing sources	<u>-</u>	<u>(2,710,344)</u>	<u>-</u>	<u>(2,710,344)</u>
Net change in fund balances	(2,054)	(1,032,834)	(449,102)	(1,483,990)
Fund balances at beginning of year	<u>2,054</u>	<u>1,222,024</u>	<u>4,965,023</u>	<u>6,189,101</u>
Fund balances at the end of year	<u>\$ -</u>	<u>\$ 189,190</u>	<u>\$ 4,515,921</u>	<u>\$ 4,705,111</u>



SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
Special Revenue Funds
December 31, 2017

DHS Levee Grant

This fund was created in May of 2008 to account for a Federal Financial Assistance Award (cooperative agreement DHS-CBP-08-0112-001-005) issued by the U.S. Department of Homeland Security and the U.S. Customs and Border Protection, titled Hidalgo County Border Infrastructure Program.

The District participated in the construction of the Border Wall and Levee Rehabilitation projects. Construction of the projects has been completed yet the closeout of the grant award has not occurred.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

EXHIBIT D-1

	DHS Levee Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 63,366	\$ 63,366
Investments, including accrued interest	267,318	267,318
Due from other funds	100,847	100,847
	<u> </u>	<u> </u>
Total Assets	<u>\$ 431,531</u>	<u>\$ 431,531</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 15,060	\$ 15,060
Due to other governments	318,894	318,894
Due to other funds	67,603	67,603
Unearned revenue	29,974	29,974
	<u> </u>	<u> </u>
Total Liabilities	<u>431,531</u>	<u>431,531</u>
Fund Balances:		
Restricted:		
Capital Projects	-	-
	<u> </u>	<u> </u>
Total fund balances	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows , and Fund Balances	<u>\$ 431,531</u>	<u>\$ 431,531</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

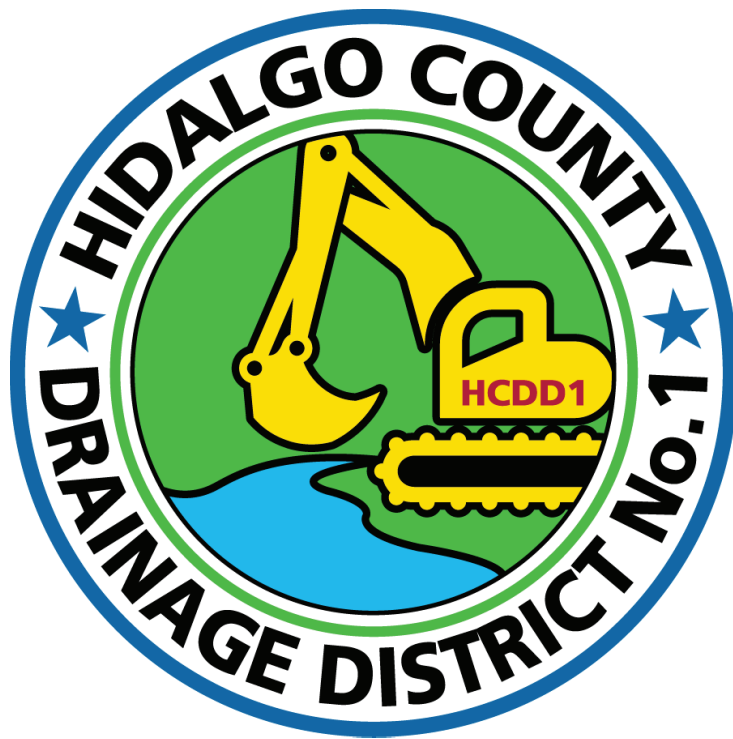
EXHIBIT D-2

	DHS Levee Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
	<u> </u>	<u> </u>
REVENUES		
Total revenues	\$ -	\$ -
	<u> </u>	<u> </u>
EXPENDITURES		
Current:		
Drainage flood control	2,054	2,054
Total expenditures	<u>2,054</u>	<u>2,054</u>
Net change in fund balances	(2,054)	(2,054)
Fund balances at beginning of year	<u>2,054</u>	<u>(2,054)</u>
Fund balances at the end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
Drainage flood control	-	-	2,054	(2,054)
Total expenditures	<u>-</u>	<u>-</u>	<u>2,054</u>	<u>(2,054)</u>
Net change in fund balance	-	-	(2,054)	(2,054)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>2,054</u>	<u>2,054</u>
Fund balance at the end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The essential purpose of a debt service fund is to account for accumulations of resources.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
Debt Service Funds
December 31, 2017

MAJOR:

2008 Bonds Debt Service Fund

This fund accounts for the payment of principal and interest on Unlimited Tax Improvement Bond Series 2008 issued in 2008 in the amount of \$72,000,000 for the construction of drainage improvements, the acquisition of Right of Way, and to pay costs related to the issuance of bonds.

2013 Bonds Debt Service Fund

This fund accounts for the payment of principal and interest on Unlimited Tax Improvement Bond Series 2013 issued in 2013 in the amount of \$77,130,000 for the construction of drainage improvements, the acquisition of Right of Way, and to pay costs related to the issuance of bonds.

2016 Refunding Bonds Debt Service Fund

This fund accounts for the payment of principal and interest on refunding bonds issued in 2016 in the amount of \$52,625,000. The bonds were issued for the purpose of refunding a portion of the Unlimited Tax Improvement Bond Series 2007 and Series 2008. Also, in 2017 \$1,960,000 was refunded to maintain the tax rate.

NONMAJOR:

Debt Service Fund

This Fund accounts for the accumulation of resources for payment of principal and interest on the District's long-term notes. As of December 31, 2017, the District had one note outstanding.

2007 Bonds Debt Service Fund

This fund accounts for the payment of principal and interest on Unlimited Tax Improvement Bond Series 2007 issued in 2007 in the amount of \$28,000,000 for the construction of drainage improvements, the acquisition of Right of Way, and to pay costs related to the issuance of bonds.

2014 Refunding Bonds Debt Service Fund

This fund accounts for the payment of principal and interest on refunding bonds issued in 2014 in the amount of \$ 7,810,000. The bonds were issued for the purpose of refunding a portion of the Unlimited Tax Improvement Bond Series 2007 and Series 2008.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2017

EXHIBIT D-4

	Debt Service Fund	2007 Bonds Debt Service Fund	2014 Refunding Bonds Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 7,197	\$ 7,197
Investments, including accrued interest	-	-	150,692	150,692
Receivables, net Property taxes	-	-	208,840	208,840
Due from other funds	-	-	150,470	150,470
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517,199</u>	<u>\$ 517,199</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Unearned revenue	\$ -	\$ -	\$ 207,615	\$ 207,615
Total Liabilities	-	-	207,615	207,615
Deferred inflows of resources:				
Unavailable revenue- property taxes	-	-	120,394	120,394
Total Deferred Inflows of Resources	-	-	120,394	120,394
Fund Balances:				
Restricted:				
Debt service	-	-	189,190	189,190
Total Fund Balances	-	-	189,190	189,190
Total Liabilities, Deferred Inflows , and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517,199</u>	<u>\$ 517,199</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-5

	Debt Service Fund	2007 Bonds Debt Service Fund	2014 Refunding Bonds Debt Service Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
REVENUES				
Property taxes	\$ -	\$ 1,922,503	\$ 300,394	\$ 2,222,897
Interest	-	675	1,289	1,964
Total revenues	<u>-</u>	<u>1,923,178</u>	<u>301,683</u>	<u>2,224,861</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	199,365	-	-	199,365
Interest	50,635	-	297,351	347,986
Total expenditures	<u>250,000</u>	<u>-</u>	<u>297,351</u>	<u>547,351</u>
(Deficiency) excess of revenues (under) over expenditures	(250,000)	1,923,178	4,332	1,677,510
OTHER FINANCING SOURCES (USES):				
Transfers in	250,000	-	-	250,000
Transfers out	-	(2,960,344)	-	(2,960,344)
Total other financing sources	<u>250,000</u>	<u>(2,960,344)</u>	<u>-</u>	<u>(2,710,344)</u>
Net change in fund balances	-	(1,037,166)	4,332	(1,032,834)
Fund balances at beginning of year	<u>-</u>	<u>1,037,166</u>	<u>184,858</u>	<u>1,222,024</u>
Fund balances at the end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,190</u>	<u>\$ 189,190</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Debt service:				-
Principal	199,365	199,365	199,365	-
Interest	50,635	50,635	50,635	-
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Excess of revenues over expenditures	(250,000)	(250,000)	(250,000)	-
OTHER FINANCING (USES) SOURCES				
Transfers in	-	-	-	-
Transfers out	(250,000)	(250,000)	(250,000)	-
Total other financing (uses) sources	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at the end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 NONMAJOR DEBT SERVICE FUNDS
 2007 BONDS SERIES
 FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ 1,922,503	\$ 1,922,503
Interest	-	-	675	675
Total revenues	<u>-</u>	<u>-</u>	<u>1,923,178</u>	<u>1,923,178</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	-	-	1,923,178	1,923,178
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(2,960,344)	(2,960,344)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,960,344)</u>	<u>(2,960,344)</u>
Net change in fund balance	-	-	(1,037,166)	(1,037,166)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>1,037,166</u>	<u>1,037,166</u>
Fund balance at the end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND
2008 BONDS SERIES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,603,610	\$ 3,603,610	\$ 3,819,140	\$ 215,530
Interest	3,500	3,500	7,773	4,273
Total revenues	<u>3,607,110</u>	<u>3,607,110</u>	<u>3,826,913</u>	<u>219,803</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	3,495,000	3,495,000	3,495,000	-
Interest	285,600	285,600	285,600	-
Total expenditures	<u>3,780,600</u>	<u>3,780,600</u>	<u>3,780,600</u>	<u>-</u>
Excess of revenues over expenditures	(173,490)	(173,490)	46,313	219,803
Net change in fund balance	(173,490)	(173,490)	46,313	219,803
Fund balance at beginning of year	<u>958,984</u>	<u>958,984</u>	<u>958,984</u>	<u>-</u>
Fund balance at the end of year	<u>\$ 785,494</u>	<u>\$ 785,494</u>	<u>\$ 1,005,297</u>	<u>\$ 219,803</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND
2013 BONDS SERIES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 5,343,000	\$ 5,343,000	\$ 5,812,093	\$ 469,093
Interest	-	-	7,419	7,419
Total revenues	<u>5,343,000</u>	<u>5,343,000</u>	<u>5,819,512</u>	<u>476,512</u>
EXPENDITURES				
Current:				
Debt Service:				
Principal	-	2,825,000	2,825,000	-
Interest	-	2,780,419	2,780,719	(300)
Total expenditures	<u>-</u>	<u>5,605,419</u>	<u>5,605,719</u>	<u>(300)</u>
Excess of revenues over expenditures	5,343,000	(262,419)	213,793	476,212
Net change in fund balance	5,343,000	(262,419)	213,793	476,212
Fund balance at beginning of year	<u>1,083,743</u>	<u>1,083,743</u>	<u>1,083,743</u>	<u>-</u>
Fund balance at the end of year	<u>\$ 6,426,743</u>	<u>\$ 821,324</u>	<u>\$ 1,297,536</u>	<u>\$ 476,212</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
2014 REFUNDING BONDS
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-10

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 283,441	\$ 283,441	\$ 300,394	\$ 16,953
Interest	200	200	1,289	1,089
Total revenues	<u>283,641</u>	<u>283,641</u>	<u>301,683</u>	<u>18,042</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	-	-	-	-
Interest	297,363	297,363	297,363	-
Total expenditures	<u>297,363</u>	<u>297,363</u>	<u>297,363</u>	<u>-</u>
Excess of revenues over expenditures	(13,722)	(13,722)	4,320	18,042
Net change in fund balance	(13,722)	(13,722)	4,320	18,042
Fund balance at beginning of year	<u>184,858</u>	<u>184,858</u>	<u>184,858</u>	<u>-</u>
Fund balance at the end of year	<u>\$ 171,136</u>	<u>\$ 171,136</u>	<u>\$ 189,178</u>	<u>\$ 18,042</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND ABLANCE - BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND
2016 BONDS SERIES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-11

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 4,590,586	\$ 4,590,586	\$ 2,793,112	\$ (1,797,474)
Interest	-	-	5,946	5,946
Total revenues	<u>4,590,586</u>	<u>4,590,586</u>	<u>2,799,058</u>	<u>(1,791,528)</u>
EXPENDITURES				
Current:				
Debt Service:				
Principal	-	2,290,000	2,290,000	-
Interest	-	2,526,050	2,526,050	-
Bond issuance costs	-	-	61,521	(61,521)
Advanced refunding escrow	-	-	249,917	(249,917)
Total expenditures	<u>-</u>	<u>4,816,050</u>	<u>5,127,488</u>	<u>(311,438)</u>
Excess of revenues over expenditures	4,590,586	(225,464)	(2,328,430)	(2,102,966)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,960,344	2,960,344
Bond proceeds	-	-	1,960,000	1,960,000
Bond premium	-	-	56,605	56,605
Refunding escrow deposit	-	-	(1,955,083)	(1,955,083)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,021,866</u>	<u>3,021,866</u>
Net change in fund balance	4,590,586	(225,464)	693,436	918,900
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at the end of year	<u>\$ 4,590,586</u>	<u>\$ (225,464)</u>	<u>\$ 693,436</u>	<u>\$ 918,900</u>

CAPITAL PROJECTS FUNDS

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
Capital Projects Funds
December 31, 2017

MAJOR:

Capital Projects Fund

This Fund accounts for the accumulation of resources for capital outlay. The capital projects are the District's new administration facility, Cesar Chavez Drainage improvements right of way acquisition, and Raymondville Drain.

Capital Projects 2013 Bonds Series

This fund account for the proceeds of the \$77,130,000 unlimited tax improvement bonds series 2013 to be used for drainage improvement projects, right of way acquisition, and bond issuance costs.

NONMAJOR:

Capital Projects 2007 Bonds Series

This fund account for the proceeds of the \$28,000,000 unlimited tax improvement bonds series 2007 to be used for drainage improvement projects, right of way acquisition, and bond issuance costs.

Capital Projects 2008 Bonds Series

This fund accounts for the proceeds of the \$72,000,000 unlimited tax improvement bond series 2008 to be used for drainage improvement projects, right of way acquisition, and bonds issuance costs.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2017

EXHIBIT D-12

	Capital Projects 2007 Bonds Series Fund	Capital Projects 2008 Bonds Series Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments, including accrued interest	-	4,980,539	4,980,539
Total Assets	\$ -	\$ 4,980,539	\$ 4,980,539
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 225,980	\$ 225,980
Due to other funds	-	238,638	238,638
Total Liabilities	-	464,618	464,618
Fund Balances:			
Restricted:			
Capital projects	-	4,515,921	4,515,921
Total Fund Balances	-	4,515,921	4,515,921
Total liabilities, deferred inflows and fund balances	\$ -	\$ 4,980,539	\$ 4,980,539

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-13

	Capital Projects 2007 Bonds Series Fund	Capital Projects 2008 Bonds Series Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
REVENUES			
Interest	\$ 5,118	\$ 22,430	\$ 27,548
Total revenues	<u>5,118</u>	<u>22,430</u>	<u>27,548</u>
EXPENDITURES			
Capital Outlay:	-	-	-
Drainage flood control	-	476,650	476,650
Total expenditures	<u>-</u>	<u>476,650</u>	<u>476,650</u>
(Deficiency) excess of revenues (under) over expenditures	5,118	(454,220)	(449,102)
OTHER FINANCING SOURCES:			
Transfers in	-	899,595	899,595
Transfers out	(899,595)	-	(899,595)
Total other financing sources	<u>(899,595)</u>	<u>899,595</u>	<u>-</u>
Net change in fund balances	(894,477)	445,375	(449,102)
Fund balances at beginning of year, as previously reported	<u>894,477</u>	<u>4,070,546</u>	<u>4,965,023</u>
Fund balances at the end of year	<u><u>\$ -</u></u>	<u><u>\$ 4,515,921</u></u>	<u><u>\$ 4,515,921</u></u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MAJOR CAPITAL PROJECTS FUND
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-14

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 19,373	\$ 19,373
Intergovernmental	-	-	557,697	557,697
Total revenues	-	-	577,070	577,070
EXPENDITURES				
Current:				
General government	-	1,600,000	282,800	1,317,200
Capital Outlay:				
Drainage flood control	-	5,935,680	677,518	5,258,162
Total expenditures	-	7,535,680	960,318	6,575,362
Excess of revenues over expenditures	-	(7,535,680)	(383,248)	7,152,432
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,400,000	2,400,000	-
Transfers out	-	-	-	-
Sale of capital assets	-	-	-	-
Note proceeds	-	-	-	-
Total other financing sources (uses)	-	2,400,000	2,400,000	-
Net change in fund balance	-	(5,135,680)	2,016,752	7,152,432
Fund balance at beginning of year	1,106,203	1,106,203	1,106,203	-
Fund balance at the end of year	\$ 1,106,203	\$ (4,029,477)	\$ 3,122,955	\$ 7,152,432

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECT FUNDS
2007 BONDS SERIES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-15

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 5,118	\$ 5,118
Total revenues	<u>-</u>	<u>-</u>	<u>5,118</u>	<u>5,118</u>
EXPENDITURES				
Advance refunding escrow	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	-	-	5,118	5,118
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(899,595)	(899,595)	-
Total other financing sources (uses)	<u>-</u>	<u>(899,595)</u>	<u>(899,595)</u>	<u>-</u>
Net change in fund balance	-	(899,595)	(894,477)	5,118
Fund balance at beginning of year	<u>894,477</u>	<u>894,477</u>	<u>894,477</u>	<u>-</u>
Fund balance at the end of year	<u>\$ 894,477</u>	<u>\$ (5,118)</u>	<u>\$ -</u>	<u>\$ 5,118</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS 2008 BONDS SERIES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-16

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 22,430	\$ 22,430
Total revenues	<u>-</u>	<u>-</u>	<u>22,430</u>	<u>22,430</u>
EXPENDITURES				
Current:				
Drainage flood control	-	3,292,497	476,650	2,815,847
Total expenditures	<u>-</u>	<u>3,292,497</u>	<u>476,650</u>	<u>2,815,847</u>
Excess of revenues over expenditures	-	(3,292,497)	(454,220)	2,838,277
OTHER FINANCING SOURCES (USES)				
Transfers in	-	899,595	899,595	-
Total other financing sources (uses)	<u>-</u>	<u>899,595</u>	<u>899,595</u>	<u>-</u>
Net change in fund balance	-	(2,392,902)	445,375	2,838,277
Fund balance at beginning of year	<u>4,070,546</u>	<u>4,070,546</u>	<u>4,070,546</u>	<u>-</u>
Fund balance at the end of year	<u>\$ 4,070,546</u>	<u>\$ 1,677,644</u>	<u>\$ 4,515,921</u>	<u>\$ 2,838,277</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MAJOR CAPITAL PROJECTS FUND
2013 BONDS SERIES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-17

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 369,169	\$ 369,169
Total revenues	<u>-</u>	<u>-</u>	<u>369,169</u>	<u>369,169</u>
EXPENDITURES				
Current:				
General government	-	-	75,311	(75,311)
Drainage flood control	-	36,806,597	7,310,437	29,496,160
Total expenditures	<u>-</u>	<u>36,806,597</u>	<u>7,385,748</u>	<u>29,420,849</u>
Excess of revenues over expenditures	-	(36,806,597)	(7,016,579)	29,790,018
Net change in fund balance	-	(36,806,597)	(7,016,579)	29,790,018
Fund balance at beginning of year	<u>37,460,243</u>	<u>37,460,243</u>	<u>37,460,243</u>	<u>-</u>
Fund balance at the end of year	<u>\$ 37,460,243</u>	<u>\$ 653,646</u>	<u>\$ 30,443,664</u>	<u>\$ 29,790,018</u>

**STATISTICAL SECTION
(UNAUDITED)**

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
Governmental activities:				
Net investment in capital assets	\$ 113,245,221	\$ 110,770,579	\$ 97,975,178	\$ 91,597,072
Restricted for:				
Special revenue	-	-	-	-
Grants	-	2,054	426	-
Debt service	9,205,175	4,627,610	10,090,911	5,204,351
Capital projects	-	-	-	-
Unrestricted	(38,274,625)	(43,000,052)	(46,575,802)	(51,538,613)
Subtotal governmental activities net position	\$ 84,175,771	\$ 72,400,191	\$ 61,490,713	\$ 45,262,810
% change from prior year	16.3%	17.7%	35.9%	23.8%
Primary government:				
Net investment in capital assets	\$ 113,245,221	\$ 110,770,579	\$ 97,975,178	\$ 91,597,072
Restricted for:				
Special revenue	-	-	-	-
Grants	-	2,054	426	-
Debt service	9,205,175	4,627,610	10,090,911	5,204,351
Capital projects	-	-	-	-
Unrestricted	(38,274,625)	(43,000,052)	(46,575,802)	(51,538,613)
Total primary government net position (2)	\$ 84,175,771	\$ 72,400,191	\$ 61,490,713	\$ 45,262,810
% change from prior year	16.3%	17.7%	35.9%	23.8%

(1) Beginning in 2009, Restricted for Special Revenue was further categorized.

(2) See Exhibit E-2 for changes in net position from year

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 85,320,293	\$ 77,988,528	\$ 74,059,808	\$ 72,054,337	\$ 66,161,398	\$ 72,228,900
-	-	-	-	-	-
-	2,365,838	2,365,838	2,365,838	2,433,258	1,438,404
5,765,558	4,910,882	4,525,122	4,111,222	3,084,305	3,336,266
-	-	1,119,332	761,184	2,328,918	16,522
(54,538,387)	(54,519,000)	(56,303,976)	(59,619,843)	(60,907,980)	(41,800,630)
<u>\$ 36,547,464</u>	<u>\$ 30,746,248</u>	<u>\$ 25,766,124</u>	<u>\$ 19,672,738</u>	<u>\$ 13,099,899</u>	<u>\$ 35,219,462</u>
18.9%	19.3%	31.0%	50.2%	-62.8%	-58.2%
\$ 85,320,293	\$ 77,988,528	\$ 74,059,808	\$ 72,054,337	\$ 66,161,398	\$ 72,228,900
-	-	-	-	-	-
-	2,365,838	2,365,838	2,365,838	2,433,258	1,438,404
5,765,558	4,910,882	4,525,122	4,111,222	3,084,305	3,336,266
-	-	1,119,332	761,184	2,328,918	16,522
(54,538,387)	(54,519,000)	(56,303,976)	(59,619,843)	(60,907,980)	(41,800,630)
<u>\$ 36,547,464</u>	<u>\$ 30,746,248</u>	<u>\$ 25,766,124</u>	<u>\$ 19,672,738</u>	<u>\$ 13,099,899</u>	<u>\$ 35,219,462</u>
18.9%	19.3%	31.0%	50.2%	-62.8%	-58.2%

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year		
	2017	2016	2015
Expenses			
<i>Governmental activities:</i>			
General government	\$ 6,582,295	\$ 5,940,806	\$ 2,867,683
Drainage flood control	8,201,939	10,816,262	9,228,802
Interest on long-term debt	5,940,055	5,068,698	6,609,352
Total governmental activities expenses	<u>20,724,289</u>	<u>21,825,766</u>	<u>18,705,837</u>
Total primary government expenses	<u>20,724,289</u>	<u>21,825,766</u>	<u>18,705,837</u>
Program revenues			
<i>Governmental activities:</i>			
Charges for services			
Drainage flood control	61,000	57,607	61,590
Operating grants and contributions	571,191	-	5,599,008
Total governmental activities program revenues	<u>632,191</u>	<u>57,607</u>	<u>5,660,598</u>
Total primary government program revenues	<u>632,191</u>	<u>57,607</u>	<u>5,660,598</u>
Net (expenses) revenues			
<i>Governmental activities</i>	(20,092,098)	(21,768,159)	(13,045,239)
Total primary government net expenses	<u>\$ (20,092,098)</u>	<u>\$ (21,768,159)</u>	<u>\$ (13,045,239)</u>
General Revenues and Other Changes in Net Position			
<i>Governmental activities:</i>			
Taxes:			
Property taxes	\$ 30,504,959	\$ 28,757,262	\$ 27,956,826
Unrestricted grants and contributions	-	-	-
Interest earnings	778,435	491,532	277,365
Penalty and Interest	761,869	767,511	795,286
Miscellaneous	131,728	-	-
Other	(309,313)	2,668,753	243,665
Gain on sale of capital assets	-	(7,421)	-
Transfers	-	-	-
Total governmental activities	<u>31,867,678</u>	<u>32,677,637</u>	<u>29,273,142</u>
Total primary government	<u>31,867,678</u>	<u>32,677,637</u>	<u>29,273,142</u>
Change in net position			
<i>Governmental activities</i>	11,775,580	10,909,478	16,227,903
Total primary government (1)	<u>\$ 11,775,580</u>	<u>\$ 10,909,478</u>	<u>\$ 16,227,903</u>

(1) See Exhibit E-1 for ending net position balances for reported years.

		Fiscal Year											
		2014	2013	2012	2011	2010	2009	2008					
\$	2,027,506	\$	1,647,613	\$	1,364,679	\$	1,497,873	\$	1,637,935	\$	1,573,271	\$	1,451,113
	8,824,915		15,292,038		10,169,321		10,882,410		15,257,530		109,278,599		151,451,187
	8,228,021		4,056,632		4,196,582		4,316,719		1,154,531		1,190,756		1,842,532
	19,080,442		20,996,283		15,730,582		16,697,002		18,049,996		112,042,626		154,744,832
	19,080,442		20,996,283		15,730,582		16,697,002		18,049,996		112,042,626		154,744,832
	48,000		37,250		48,750		39,750		33,668		38,250		52,000
	-		-		-		1,258,494		3,782,780		66,351,679		89,270,705
	48,000		37,250		48,750		1,298,244		3,816,448		66,389,929		89,322,705
	48,000		37,250		48,750		1,298,244		3,816,448		66,389,929		89,322,705
	(19,032,442)		(20,959,033)		(15,681,832)		(15,398,758)		(14,233,548)		(45,652,697)		(65,422,127)
\$	(19,032,442)	\$	(20,959,033)	\$	(15,681,832)	\$	(15,398,758)	\$	(14,233,548)	\$	(45,652,697)	\$	(65,422,127)
\$	25,725,175	\$	22,478,956	\$	19,472,113	\$	19,016,632	\$	19,102,838	\$	17,608,488	\$	13,568,424
	-		-		-		-		-		-		-
	199,126		111,228		72,847		46,863		63,581		335,428		1,886,273
	769,180		677,199		662,844		677,987		664,671		585,307		482,001
	-		741,694		443,894		1,750,662		924,685		4,962,806		491,793
	-		-		-		-		-		-		-
	30,046		100,294		10,258		-		50,612		41,105		26,000
	1,024,261		2,650,879		-		-		-		-		-
	27,747,788		26,760,250		20,661,956		21,492,144		20,806,387		23,533,134		16,454,491
	27,747,788		26,760,250		20,661,956		21,492,144		20,806,387		23,533,134		16,454,491
	8,715,346		5,801,217		4,980,124		6,093,386		6,572,839		(22,119,563)		(48,967,636)
\$	8,715,346	\$	5,801,217	\$	4,980,124	\$	6,093,386	\$	6,572,839	\$	(22,119,563)	\$	(48,967,636)

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
General fund:				
Reserved for:				
Prepays	\$ -	\$ -	\$ -	\$ -
TWDB grant	-	-	-	-
DHS Grant	-	-	-	-
Management Consulting Fees	-	-	-	-
Unreserved	-	-	-	-
Total general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
% change from prior year	-	-	-	-
Other governmental funds:				
Reserved for:				
Capital projects:	-	-	-	-
Debt	-	-	-	-
Unreserved, reported in:				
Capital projects funds:	-	-	-	-
Debt service funds:	-	-	-	-
Undesignated	-	-	-	-
Total other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
% change from prior year				

(1) Due to implementation of GASB 54 in 2011, fund balance classification changed. See new fund balance classifications on Exhibit E-3

Fiscal Year						
2013	2012	2011	2010	2009	2008	
\$ -	\$ -	\$ -	\$ 18,272	\$ -	\$ -	-
-	-	-	-	67,420	147,300	-
-	-	-	2,365,838	2,365,838	-	-
-	-	-	-	-	1,291,104	-
-	-	-	8,678,975	6,367,681	7,416,870	-
-	-	-	11,063,085	8,800,939	8,855,274	-
-	-	-	25.7%	-0.6%	-15.0%	-
-	-	-	-	-	38,091,070	-
-	-	-	-	-	915,962	-
-	-	-	9,410,746	10,523,106	-	-
-	-	-	1,393,942	1,023,126	-	-
-	-	-	-	-	-	-
-	-	-	10,804,688	11,546,232	39,007,032	-
\$ -	\$ -	\$ -	\$ 21,867,773	\$ 20,347,171	\$ 47,862,306	-
			7.5%	-57.5%	101.7%	

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
General fund:				
Nonspendable:				
Prepays	\$ 958	\$ 10,224	\$ 192	\$ -
Restricted for:				
Designated for Raymondville Drain	1,415,469	1,694,524	-	-
Unassigned:	20,209,159	19,316,844	21,850,044	16,769,038
Total general fund	<u>21,625,586</u>	<u>21,021,592</u>	<u>21,850,236</u>	<u>16,769,038</u>
% change from prior year	3%	-3.8%	30.3%	15.1%
Other governmental funds:				
Nonspendable:				
Drainage improvement projects	38,082,540	43,531,469	50,697,425	59,723,822
Debt service reserve	3,185,459	3,264,751	2,461,315	2,116,581
Committed for:				
TWDB	-	2,054	-	-
Capital projects funds	-	-	-	-
Total other governmental funds	<u>41,267,999</u>	<u>46,798,274</u>	<u>53,158,740</u>	<u>61,840,403</u>
Total governmental funds	<u>\$ 62,893,585</u>	<u>\$ 67,819,866</u>	<u>\$ 75,008,976</u>	<u>\$ 78,609,441</u>
% change from prior year	-7.3%	-9.6%	-4.6%	-12.7%

(1) Due to implementation of GASB 54 in 2011, fund balance classification changed. See historical fund balance classifications on Exhibit E-3

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 20,255	\$ 10,266	\$ 14,146	\$ -	\$ -	\$ -
-	2,365,838	2,365,838	-	-	-
14,554,688	13,105,945	11,657,563	-	-	-
14,574,943	15,482,049	14,037,547	-	-	-
-5.9%	10.3%	26.9%			
73,581,010	7,475,991	9,063,983	-	-	-
1,903,111	1,805,618	1,553,289	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
75,484,121	9,281,609	10,617,272	-	-	-
\$ 90,059,064	\$ 24,763,658	\$ 24,654,819	\$ -	\$ -	\$ -
263.7%	0.4%	12.7%			

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
Revenues				
Taxes	\$ 30,614,346	\$ 29,109,043	\$ 27,663,950	\$ 26,524,982
Operating grants and contributions	-	-	5,599,008	-
Intergovernmental	571,191	204,710	-	-
Charges for services	61,000	57,607	61,590	48,000
Interest	778,436	491,530	276,687	200,699
Miscellaneous	131,728	321,257	768,736	-
Total revenues	\$ 32,156,701	\$ 30,184,147	\$ 34,369,971	\$ 26,773,681
% change from prior year	6.5%	-12.2%	28.4%	25.8%
Expenditures				
Current:				
General government	2,772,624	2,493,024	2,105,618	1,859,694
Drainage flood control	11,057,559	14,800,681	12,671,056	8,830,535
Debt service:				
Principal	8,809,365	7,770,774	7,391,180	5,775,027
Interest and fiscal charges	5,940,355	5,068,697	6,608,672	8,229,593
Bond issuance costs	61,521	666,846	-	148,741
Advance refunding escrow	249,917	1,350,683	-	-
Capital outlay	8,464,605	7,336,409	9,193,910	13,983,431
Intergovernmental	-	-	-	-
Total expenditures	37,355,946	39,487,114	37,970,436	38,827,021
% change from prior year	-5.4%	4.0%	-2.2%	-5.3%
Excess (deficiency) of revenues over (under) expenditures	(5,199,245)	(9,302,967)	(3,600,465)	(12,053,340)
Other financing sources (uses)				
Transfers in	6,509,939	683,630	145,959	1,062,373
Transfers out	(6,509,939)	(683,630)	(145,959)	(1,062,373)
Premium (discount) on bonds issued	56,605	10,402,222	-	988,117
Payment to refunded bond escrow agent	(1,955,083)	-	-	-
Bonds issued	-	-	-	7,810,000
Refunding bonds issued	1,960,000	52,625,000	-	-
Refunding escrow deposit	-	(62,360,377)	-	(8,649,377)
Capital leases	-	-	-	-
Long-term notes issued	-	1,243,079	-	406,980
Sale of capital assets	211,442	203,933	-	47,997
Total other financing sources (uses)	272,964	2,113,857	-	603,717
Net change in fund balances	\$ (4,926,281)	\$ (7,189,110)	\$ (3,600,465)	\$ (11,449,623)
Capital outlay	9,672,553	9,075,516	13,871,409	14,351,412
Debt service as a percentage of non-capital expenditures	52.1%	46.2%	48.7%	57.0%

Fiscal Year						
2013	2012	2011	2010	2009	2008	
\$ 20,399,974	\$ 19,727,003	\$ 19,320,940	\$ 19,308,663	\$ 17,616,967	\$ 11,758,928	
-	-	1,258,494	3,782,780	66,351,679	89,270,705	
-	-	-	-	-	-	
37,250	48,750	39,750	33,668	38,250	52,000	
111,228	72,847	46,864	63,581	335,428	1,886,273	
741,693	400,646	1,750,658	924,687	4,962,806	491,793	
<u>\$ 21,290,145</u>	<u>\$ 20,249,246</u>	<u>\$ 22,416,706</u>	<u>\$ 24,113,379</u>	<u>\$ 89,305,130</u>	<u>\$ 103,459,699</u>	
5.1%	-9.7%	-7.0%	-73.0%	-13.7%	957.7%	
1,649,805	1,450,910	1,570,164	1,525,959	1,555,529	1,490,833	
12,432,685	9,484,985	7,080,239	10,290,597	8,837,102	7,114,842	
3,900,000	3,435,000	4,180,476	3,782,698	1,307,758	350,438	
4,056,631	4,196,581	4,355,470	4,469,983	5,816,155	1,861,277	
545,831	-	-	-	-	1,366,092	
-	-	-	-	-	-	
18,424,251	1,610,181	2,444,529	4,373,159	100,796,653	140,331,082	
<u>41,009,203</u>	<u>20,177,657</u>	<u>19,630,878</u>	<u>24,442,396</u>	<u>118,313,197</u>	<u>152,514,564</u>	
103.2%	2.8%	-19.7%	-79.3%	-22.4%	603.1%	
(19,719,058)	71,589	2,785,828	(329,017)	(29,008,067)	(49,054,865)	
-	110,178	1,967,546	1,563,384	23,692,859	31,117,011	
-	(110,178)	(1,967,546)	(1,563,384)	(23,692,859)	(31,117,011)	
7,415,831	-	-	-	-	1,162,593	
-	-	-	-	-	-	
77,130,000	-	-	-	-	72,000,000	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	1,451,826	-	
-	-	-	1,622,706	-	-	
468,633	37,250	1,218	226,913	41,105	26,000	
<u>85,014,464</u>	<u>37,250</u>	<u>1,218</u>	<u>1,849,619</u>	<u>1,492,931</u>	<u>73,188,593</u>	
<u>\$ 65,295,406</u>	<u>\$ 108,839</u>	<u>\$ 2,787,046</u>	<u>\$ 1,520,602</u>	<u>\$ (27,515,136)</u>	<u>\$ 24,133,728</u>	
12,404,973	3,032,014	529,301	3,012,529	4,114,678	3,710,535	
37.6%	41.1%	49.7%	41.1%	40.7%	29.4%	

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
ASSESSED VALUE AND MARKET VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll Year	Real and Personal Property (1)	Less: Tax Exempt Property
2008	2007	28,177,754,247	2,081,430,016
2009	2008	30,326,639,223	2,273,217,074
2010	2009	32,702,552,326	2,723,188,226
2011	2010	32,797,796,809	2,688,738,438
2012	2011	32,967,100,268	2,686,155,544
2013	2012	33,506,930,313	2,642,391,552
2014	2013	34,311,538,180	2,651,356,155
2015	2014	35,223,180,090	2,729,887,676
2016	2015	37,931,888,917	3,083,019,045
2017	2016	39,953,840,743	3,043,615,154

(1) Includes minerals.
(2) Recalculated for Tax Roll Years 2007-2013.

Source: Hidalgo County Tax Office Levy Rolls

Total Assessed Value (2)	Total Direct Tax Rate	Market Value	Assessed Value as a % of Market Value
26,096,324,231	0.0492	28,177,754,247	92.61%
28,053,422,149	0.0700	30,326,639,223	92.50%
29,979,364,100	0.0725	32,702,552,326	91.67%
30,109,058,371	0.0725	32,797,796,809	91.80%
30,280,944,724	0.0733	32,967,100,268	91.85%
30,864,538,761	0.0750	33,506,930,313	92.11%
31,660,182,025	0.0957	34,311,538,180	92.27%
32,493,292,414	0.0957	35,223,180,090	92.25%
34,848,869,872	0.0951	37,931,888,917	91.87%
36,910,225,589	0.0951	39,953,840,743	92.38%

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
MARKET, ASSESSED, AND TAXABLE VALUATIONS
LAST TEN FISCAL YEARS

EXHIBIT E-6

<u>Fiscal</u> <u>Year</u>	<u>Tax Roll</u> <u>Year</u>	<u>Market</u> <u>Valuation</u>	<u>Assessed</u> <u>Valuation</u>	<u>Taxable</u> <u>Valuation</u>
2008	2007	28,177,754,247	26,096,324,231	22,725,693,685
2009	2008	30,326,639,223	28,053,422,149	24,370,352,067
2010	2009	32,702,552,326	29,979,364,100	25,968,153,946
2011	2010	32,797,796,809	30,109,058,371	25,935,647,449
2012	2011	32,967,100,268	30,280,944,724	26,006,779,427
2013	2012	33,506,930,313	30,864,538,761	26,444,329,673
2014	2013	34,311,538,180	31,660,182,025	27,122,349,160
2015	2014	35,223,180,090	32,493,292,414	27,797,044,065
2016	2015	37,931,888,917	34,848,869,872	29,894,876,293
2017	2016	39,953,840,743	36,910,225,589	31,757,653,439

Source: Hidalgo County Tax Office Levy Rolls

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
PROPERTY TAX RATES (1)
LAST TEN FISCAL YEARS

EXHIBIT E-7

	Fiscal Year:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Tax Roll Year:	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Hidalgo County Drainage District No. 1											
Operating:											
General Fund		0.0496	0.0481	0.0466	0.0449	0.0454	0.0441	0.0447	0.0449	0.0420	0.0400
Total Operating		0.0496	0.0481	0.0466	0.0449	0.0454	0.0441	0.0447	0.0449	0.0420	0.0400
Debt Service:											
Unlimited Tax Improvement Bonds, Series 2007		-	0.0074	0.0491	0.0081	0.0081	0.0080	0.0085	0.0079	0.0084	0.0092
Unlimited Tax Improvement Bonds, Series 2008		0.0119	0.0200	-	0.0219	0.0215	0.0212	0.0193	0.0197	0.0196	-
Unlimited Tax Improvement Bonds, Series 2013		0.0176	0.0186	-	0.0208	-	-	-	-	-	-
Unlimited Tax Refunding Bonds, Series 2014		0.0009	0.0010	-	-	-	-	-	-	-	-
Unlimited Tax Refunding Bonds, Series 2016		0.0151	-	-	-	-	-	-	-	-	-
Unlimited Tax Refunding Bonds, Series 2017		-	-	-	-	-	-	-	-	-	-
Notes Payable											
Total Debt Service		0.0455	0.0470	0.0491	0.0508	0.0296	0.0292	0.0278	0.0276	0.0280	0.0092
Total Hidalgo County Drainage District No. 1		0.0951	0.0951	0.0957	0.0957	0.0750	0.0733	0.0725	0.0725	0.0700	0.0492
Hidalgo County Drainage District No. 1											
Operating		0.0496	0.0481	0.0466	0.0449	0.0454	0.0441	0.0447	0.0449	0.0420	0.0400
Debt Service		0.0455	0.0470	0.0491	0.0508	0.0296	0.0292	0.0278	0.0276	0.0280	0.0092
Total Hidalgo County Drainage District No. 1		0.0951	0.0951	0.0957	0.0957	0.0750	0.0733	0.0725	0.0725	0.0700	0.0492

(1) These property tax rates are expressed in dollars per \$100 assessed valuation.

Source: Hidalgo County Drainage District No. 1 Tax Rolls

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1**EXHIBIT E-8**

PROPERTY TAX RATES (1)

DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

	Fiscal Year:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Tax Roll Year:	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Hidalgo County		0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900
Drainage District No. 1		0.0951	0.0951	0.0957	0.0957	0.0750	0.0733	0.0725	0.0725	0.0700	0.0492
EMS District No. 1		0.0200	0.0185	0.0165	0.0154	0.0143	0.0134	0.0134	0.0132	0.0132	0.0147
EMS District No. 2		0.0380	0.0361	0.0361	0.0361	0.0361	0.0336	0.0311	0.0284	0.0290	0.0280
EMS District No. 3		0.0300	0.0300	0.0300	0.0300	0.0300	0.0100	0.0088	0.0080	0.0075	0.0086
EMS District No. 4		0.0272	0.0027	0.0272	0.0267	0.0262	0.0245	0.0245	0.0240	0.0218	0.0228
Red Sands GWC District		0.1690	0.1690	0.1690	0.1690	0.1690	0.1690	0.1800	-	-	-
City of Alamo		0.5810	0.5881	0.5990	-	-	-	-	-	-	0.5929
City of Alton		0.4490	0.4540	0.4591	0.4624	0.4799	0.4825	0.4850	0.4950	0.4974	0.4999
City of Donna		-	-	-	-	-	-	-	-	-	0.9900
City of Edcouch		0.9286	0.9286	0.9286	0.9705	0.9999	0.8842	0.8542	0.8542	0.9012	0.8990
City of Edinburg		0.6350	0.6350	0.6350	0.6350	0.6350	0.6350	-	-	-	0.6350
City of Elsa		0.9177	0.8566	0.9867	0.9916	0.9900	0.9900	0.9042	0.9042	0.9042	0.7419
City of Granjeno		0.4419	0.4251	0.4230	0.4253	0.4253	0.4253	0.3757	0.3072	0.3111	0.2810
City of Hidalgo		0.3514	0.3514	0.3514	0.3514	0.3514	0.3514	-	-	-	0.3514
City of La Joya		0.5394	0.5435	0.5700	0.5678	0.5678	0.5452	0.5323	0.5176	0.5678	0.5601
City of La Villa		0.7836	0.7836	0.7836	0.7836	0.7836	0.6224	0.6234	0.6234	0.8396	0.7724
City of McAllen		-	-	-	-	-	-	-	-	-	0.4213
City of Mercedes		0.7450	0.7551	0.7600	0.7750	0.7850	0.7850	0.7900	0.7900	0.8050	0.8500
City of Mission		0.4962	0.4988	0.5188	0.5288	0.5288	0.5388	0.5566	0.5566	0.5666	0.5566
City of Palmview		0.4751	0.4751	0.4790	0.4665	0.4665	0.4600	0.4534	0.4438	-	0.3521
City of Peñitas		0.5060	0.5060	0.4595	0.4345	0.4100	0.3625	0.3296	0.3085	0.3389	0.2750
City of Pharr		0.6540	0.6540	0.6800	0.6800	0.6800	0.6800	0.6800	0.6800	0.6819	0.6831
City of Progreso		0.7961	0.8061	0.7930	0.8126	0.5389	0.4999	0.4553	0.4553	0.4147	0.4222
City of San Juan		0.6993	0.6993	0.6993	0.7386	0.7386	0.7386	0.7386	0.7386	0.6993	0.6993
City of Sullivan		0.4606	0.4668	0.4478	0.4160	0.3838	0.3535	0.3220	0.3232	0.3260	0.3260
City of Weslaco		0.6667	0.6767	0.6767	0.6867	0.6967	0.6967	0.6967	0.6967	0.6967	0.6967
Donna ISD		1.2582	1.2582	1.2582	1.2582	1.2582	1.2582	1.2582	1.1779	-	1.2000
Edcouch-Elsa ISD		1.2580	1.2580	1.2580	1.2580	1.2580	1.2580	1.2580	1.2580	1.2580	1.2580
Edinburg CISD		1.2398	1.2398	1.2398	1.2398	1.2398	1.2398	1.2398	1.2198	1.1898	1.1152
Hidalgo ISD		1.4900	1.5300	1.5300	1.5564	1.5564	1.5864	-	-	-	1.3200
La Joya ISD		1.3110	1.3110	1.3110	1.3110	1.3110	1.3110	1.3110	1.3110	1.3216	1.2520
La Villa ISD		1.3038	1.3038	1.3038	1.3038	1.3038	1.3038	1.2248	1.2248	1.2248	1.2248
McAllen ISD		1.1550	1.1550	1.1650	1.1650	1.1650	1.1650	1.1650	1.1650	1.1450	1.1450
Mercedes ISD		1.3800	1.3800	1.3800	1.2900	1.2900	1.2900	1.2900	1.2900	1.2900	1.2900
Mission CISD		1.3582	1.3720	1.3300	1.3000	1.3000	1.3000	1.3000	1.2800	1.2400	1.1800
Monte Alto ISD		1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.2200	1.2400	1.1860
Pharr-San Juan-Alamo ISD		1.3992	1.3992	1.3592	1.3592	1.3592	1.3592	1.3592	1.3013	1.2710	1.2113
Progreso ISD		1.3900	1.3700	1.3700	1.3275	1.3700	1.4300	1.4300	1.3100	1.3400	1.2390
Sharyland ISD		1.3755	1.3355	1.3350	1.2855	1.2855	1.2000	1.2000	1.2000	1.1850	1.1850
South Texas College		0.1850	0.1850	0.1850	0.1500	0.1507	0.1507	0.1497	0.1491	0.1498	0.1540
South Texas ISD		0.0492	0.0492	0.0492	0.0492	0.0492	0.0492	0.0492	0.0492	0.0492	0.0492
Valley View ISD		1.2770	1.2770	1.2770	1.2770	1.2770	1.3170	1.3170	1.3170	1.3170	1.2552
Weslaco ISD		1.1397	1.1397	1.1397	1.1397	1.1397	1.1397	1.1397	1.1397	1.1397	1.1047
Delta Lake Irrigation		-	-	-	-	-	-	-	-	-	-
Donna Irrigation District No. 1		-	-	-	-	-	-	-	-	-	0.2100
Engleman Water District #6		-	-	-	-	-	-	-	-	-	0.2700

(1) These property tax rates are expressed in dollars per \$100 assessed valuation.

Source: Hidalgo County Tax Office

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

EXHIBIT E-9

PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Fiscal Year: 2017
Tax Roll Year: 2016

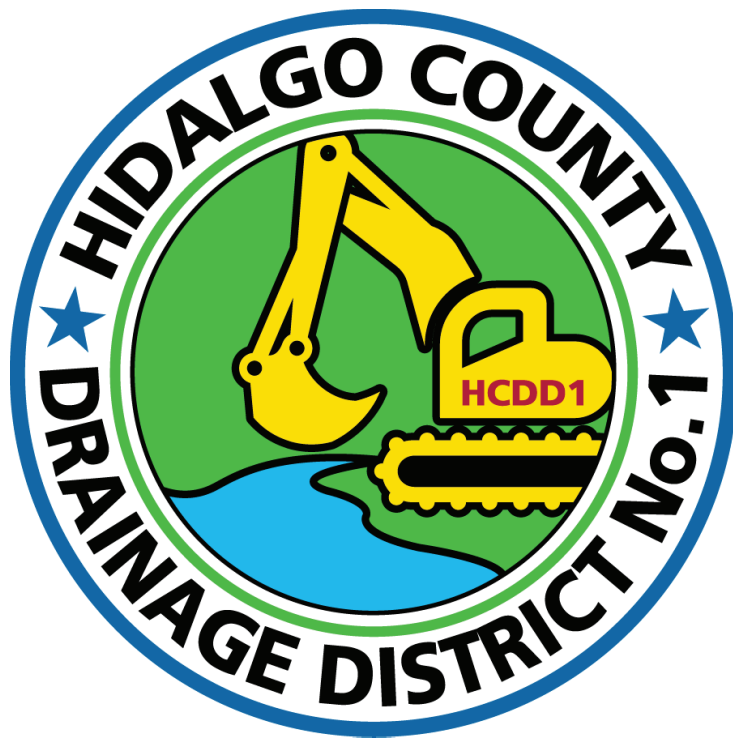
Fiscal Year: 2008
Tax Roll Year: 2007

Taxpayer	2017				2008			
	Taxable Value (1)	Rank	Tax as a % of Total Levy (2)	Tax (3)	Taxable Value	Rank	Tax as a % of Total Levy (2)*	Tax (3)*
AEP Texas Central Co (CP&L)	\$ 240,461,700	1	0.76%	\$ 228,679	\$ 133,035,560	1	0.59%	\$ 65,453
Oxy USA Inc	121,013,266	2	0.38%	115,084	51,557,233	10	0.23%	25,366
Simon Property Group-McAllen No 2	106,142,740	3	0.33%	100,942	95,953,669	4	0.42%	47,209
H E Butt Grocery Company	71,900,000	4	0.23%	68,377	-	-	-	-
CPG Mercedes LP 7	61,378,270	5	0.19%	58,371	99,208,230	3	0.44%	48,810
Wal-Mart Stores Texas LLC	54,728,656	6	0.17%	52,047	61,468,351	9	0.27%	30,242
Sharyland Utilities LP	54,720,720	7	0.17%	52,039	-	-	-	-
Calpine Const Fin (Magic Vy Gn)	51,539,708	8	0.16%	49,014	-	-	-	-
Frontera Generation LTD Partnership	49,580,969	9	0.16%	47,152	-	-	-	-
Rio Grande Regional Hospital	48,028,353	10	0.15%	45,675	88,442,154	7	0.39%	43,514
Southwestern Bell Telephone	-	-	-	-	113,654,620	2	0.50%	55,918
El Paso E&P Co	-	-	-	-	95,398,550	5	0.42%	46,936
Shell Western E & P, Inc	-	-	-	-	95,159,294	6	0.42%	46,818
Calpine Central LP (Magic Valley PW)	-	-	-	-	72,528,462	8	0.32%	35,684
Universal Health Services	-	-	-	-	-	-	-	-
Total	\$ 859,494,382		2.7%	\$ 817,380	\$ 906,406,123		4.00%	\$ 445,950

(1) Appraisal District certified values for Fiscal Year 2017 and Tax Roll Year 2016.

(2) Total tax levy is: \$ 30,232,354 \$ 11,181,428
(3) Tax rate is: 0.0951 0.0492

Source: Hidalgo County Appraisal District and 2008 Hidalgo County Annual Financial Report



HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
PROPERTY TAX LEVY AND
RESERVE FOR UNCOLLECTIBLE TAXES
FISCAL YEAR 2017

EXHIBIT E-10

	Tax Levy (1)	Reserved For Uncollectible Taxes	Current Tax Levy Net of Uncollectible Amount
Hidalgo County			
Operating:			
General Fund	\$ 15,767,873	\$ (115,520)	\$ 15,652,353
Total Operating	<u>15,767,873</u>	<u>(115,520)</u>	<u>15,652,353</u>
Debt Service:			
Total Debt Service	<u>14,464,481</u>	<u>(105,971)</u>	<u>14,358,510</u>
Total Hidalgo County Drainage District No. 1	<u>30,232,354</u>	<u>(221,491)</u>	<u>30,010,863</u>
 Drainage District No. 1			
Operating	15,767,873	(115,520)	15,652,353
Debt Service	14,464,481	(105,971)	14,358,510
Total Drainage District No. 1	<u>30,232,354</u>	<u>(221,491)</u>	<u>30,010,863</u>
 Total All Funds	<u>\$ 30,232,354</u>	<u>\$ (221,491)</u>	<u>\$ 30,010,863</u>

(1) 2016 Tax Roll
Source: Hidalgo County Auditor's Office

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 PROPERTY TAX LEVIES
 LAST TEN FISCAL YEARS

	Fiscal Year:	2017	2016	2015	2014
	Tax Roll Year:	2016	2015	2014	2013
Hidalgo County Drainage District No. 1					
Operating:					
General Fund		\$ 15,767,873	\$ 14,393,611	\$ 12,968,506	\$ 12,191,627
Total Operating		<u>15,767,873</u>	<u>14,393,611</u>	<u>12,968,506</u>	<u>12,191,627</u>
Debt Service:					
Debt Service		14,464,481	14,064,444	13,664,242	13,793,644
Total Debt Service		<u>14,464,481</u>	<u>14,064,444</u>	<u>13,664,242</u>	<u>13,793,644</u>
Total Hidalgo County Drainage District No. 1		<u>\$ 30,232,354</u>	<u>\$ 28,458,055</u>	<u>\$ 26,632,748</u>	<u>\$ 25,985,271</u>
Total Hidalgo County Drainage District No. 1		<u>30,232,354</u>	<u>28,458,055</u>	<u>26,632,748</u>	<u>25,985,271</u>
Total All Funds		<u>\$ 30,232,354</u>	<u>\$ 28,458,055</u>	<u>\$ 26,632,748</u>	<u>\$ 25,985,271</u>

Source: Hidalgo County Auditor's Office

2013	2012	2011	2010	2009	2008
2012	2011	2010	2009	2008	2007
\$ 12,017,962	\$ 11,487,658	\$ 11,611,614	\$ 11,677,135	\$ 10,261,084	\$ 9,090,592
12,017,962	11,487,658	11,611,614	11,677,135	10,261,084	9,090,592
7,835,500	7,606,341	7,221,541	7,177,927	6,840,723	2,090,836
7,835,500	7,606,341	7,221,541	7,177,927	6,840,723	2,090,836
\$ 19,853,462	\$ 19,093,999	\$ 18,833,155	\$ 18,855,062	\$ 17,101,807	\$ 11,181,428
19,853,462	19,093,999	18,833,155	18,855,062	17,101,807	11,181,428
\$ 19,853,462	\$ 19,093,999	\$ 18,833,155	\$ 18,855,062	\$ 17,101,807	\$ 11,181,428

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 DELINQUENT TAXES RECEIVABLE
 NET OF UNCOLLECTIBLES (INCLUDING ROLLBACK TAXES)
 LAST TEN FISCAL YEARS

Fiscal Year:	2016	2015	2014	2013	2012
Tax Roll Year:	2015	2014	2013	2012	2011

Drainage District No. 1

Operating	\$ 341,031	\$ 216,792	\$ 167,056	\$ 135,727	\$ 106,601
Debt Service	333,232	228,423	189,008	88,491	70,584
Total Drainage District No. 1	674,263	445,215	356,064	224,218	177,185

Total All Funds	\$ 674,263	\$ 445,215	\$ 356,064	\$ 224,218	\$ 177,185
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Source: Hidalgo County Delinquent Tax Roll as of December 31, 2017

	2011	2010	2009	2008	2007	Not Barred	Reserve	Net
	2010	2009	2008	2007	2006	By Limitation	for Loss on	Property
							Collections	Taxes
								Receivable
\$	100,826	\$ 91,332	\$ 70,676	\$ 59,083	\$ 48,413	\$ 1,337,537	\$ (719,107)	\$ 618,430
	62,706	56,141	47,117	13,589		1,089,291	(509,494)	579,797
	163,532	147,473	117,793	72,672	48,413	2,426,828	(1,228,601)	1,198,227
\$	163,532	\$ 147,473	\$ 117,793	\$ 72,672	\$ 48,413	\$ 2,426,828	\$ (1,228,601)	\$ 1,198,227

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll Year	Taxable Value	Tax Rate	Late Productivity Penalties	Original Tax Levy	Tax Roll Modifications	Adjusted Tax Levy
2008	2007	22,725,693,685	0.0492	341	11,181,428	260,031	11,441,459
2009	2008	24,370,352,067	0.0700	1384	17,101,807	532,358	17,634,165
2010	2009	25,968,153,946	0.0725	2075	18,855,063	15,448	18,870,511
2011	2010	25,935,647,449	0.0725	25	18,833,155	(75,549)	18,757,606
2012	2011	26,006,779,427	0.0733	-	19,093,999	(96,761)	18,997,238
2013	2012	26,444,329,673	0.0750	-	19,853,462	(111,654)	19,741,808
2014	2013	27,122,349,160	0.0957	2	25,985,271	(39,867)	25,945,404
2015	2014	27,797,044,065	0.0957	-	26,632,748	293,886	26,926,634
2016	2015	29,894,876,293	0.0951	-	28,458,055	51,438	28,509,493
2017	2016	31,757,653,435	0.0951	-	30,232,354	(157,258)	30,075,096

(1) Taxes collected for the year are allocated between current and delinquent. Taxes recognized as revenues during the current year include taxes collected in advance during the period October through December of the previous year and those taxes collected from January through December for the current year.

(2) Excludes rollback taxes

Source: Hidalgo County Tax Office Collection Reports.

Current Tax Collections	Percent of Adjusted Tax Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Adjusted Tax Levy	Outstanding Delinquent Taxes (2)	Ratio of Delinquent Taxes to Adjusted Tax Levy
10,759,624	94.04%	609,178	11,368,802	99.37%	72,657	0.64%
16,463,211	93.36%	1,053,181	17,516,392	99.33%	117,773	0.67%
17,767,107	94.15%	955,987	18,723,094	99.22%	147,417	0.78%
17,764,778	94.71%	829,456	18,594,234	99.13%	163,372	0.87%
18,167,645	95.63%	655,789	18,823,434	99.09%	173,804	0.91%
18,896,758	95.72%	639,647	19,536,405	98.96%	205,403	1.04%
24,895,631	95.95%	715,914	25,611,545	98.71%	333,859	1.29%
25,907,301	96.21%	591,078	26,498,379	98.41%	428,255	1.59%
27,407,235	96.13%	449,461	27,856,696	97.71%	652,797	2.29%
28,908,857	96.12%	490,751	29,399,608	97.76%	675,488	2.25%

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
ROLLBACK TAXES AND COLLECTIONS
LAST TEN FISCAL YEARS

EXHIBIT E-14

Fiscal Year (1)	Tax Roll Year	Beginning Rollback Taxes Receivable	Tax Roll Modifications (2)	Adjusted Rollback Taxes Receivable	Rollback Taxes Collected	Ending Rollback Taxes Receivable	Percent of Total Rollback Taxes Collected
2008	2007	21,200	29,343	50,543	34,059	16,484	67.39%
2009	2008	16,484	19,139	35,623	21,159	14,464	59.40%
2010	2009	14,464	7,773	22,237	14,322	7,915	64.41%
2011	2010	7,915	14,407	22,322	14,616	7,706	65.48%
2012	2011	7,706	42,115	49,821	12,094	37,727	24.27%
2013	2012	37,727	43,474	81,201	43,082	38,119	53.06%
2014	2013	38,119	65,602	103,721	54,215	49,506	52.27%
2015	2014	49,506	61,103	110,609	59,594	51,015	53.88%
2016	2015	51,015	76,025	127,040	101,790	25,250	80.12%
2017	2016	25,250	163,826	189,076	88,304	100,772	46.70%

(1) As of January 1 of each year.

(2) All rollback taxes added to the tax roll are entered as tax modifications.

Source: Hidalgo County Tax Office Collection Reports.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

EXHIBIT E-15

Fiscal Year	Governmental Activity			Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bond	Term Loans	Total Government		
2008	101,194,384	-	101,194,384	0.71%	139
2009	100,131,972	-	100,131,972	0.66%	135
2010	97,506,006	-	97,506,006	0.60%	126
2011	94,400,408	-	94,400,408	0.55%	119
2012	90,821,809	-	90,821,809	0.50%	113
2013	170,521,255	-	170,521,255	0.91%	209
2014	164,486,388	261,953	164,748,341	0.83%	198
2015	156,040,650	125,774	156,166,424	0.75%	185
2016	151,437,587	993,079	152,430,666	0.72%	179
2017	140,475,856	793,714	141,269,710	(2)	164

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

(1) Population and personal income data can be found in Exhibit E-25

(2) Data is not available.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

EXHIBIT E-16

General Bonded Debt Outstanding							
Fiscal Year	General Obligation Bonds	Special District Bonds	Gross Bonded Debt	Less: Amounts Restricted to Repaying Debt (1)	Net Bonded Debt	Percentage of Actual Value of Taxable Property (2)	Net Bonded Debt per Capita (3)
2008	101,194,384	-	101,194,384	(915,962)	100,278,422	0.36%	138
2009	100,131,972	-	101,131,972	(1,023,127)	99,108,845	0.33%	134
2010	97,506,006	-	97,506,006	(1,393,943)	96,112,063	0.29%	124
2011	94,400,408	-	94,400,408	(1,553,289)	92,847,119	0.28%	117
2012	90,821,809	-	90,821,809	(1,805,618)	89,016,191	0.27%	110
2013	170,521,255	-	170,521,255	(1,903,111)	168,618,144	0.50%	207
2014	164,486,388	-	164,486,388	(2,116,581)	162,369,807	0.47%	195
2015	156,040,650	-	156,040,650	(2,461,315)	153,579,335	0.44%	182
2016	151,437,587	-	151,437,587	(3,264,751)	148,172,836	0.39%	174
2017	140,475,856	-	140,475,856	(3,185,459)	137,290,538	0.34%	160

(1) Amount available for repayment of general obligation bonds as of December 31st.

(2) See Exhibit E-5 for property value data.

(3) See Exhibit E-25 for population data.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

EXHIBIT E-17

Fiscal Year	Principal	Interest (1)	Total Debt Service	Total General Governmental Expenditures (2)	Ratio Debt Service to General Governmental Expenditures
2008	-	2,211,714	2,211,714	152,514,563	1.45%
2009	805,000	5,816,155	6,621,155	118,313,197	5.60%
2010	2,470,000	4,419,520	6,889,520	24,442,396	28.19%
2011	2,935,000	4,316,720	7,251,720	19,630,878	36.94%
2012	3,435,000	4,196,582	7,631,582	20,177,657	37.82%
2013	3,900,000	4,056,632	7,956,632	41,009,203	19.40%
2014	5,630,000	8,227,088	13,857,088	38,827,021	35.69%
2015	7,255,000	6,949,810	14,204,810	37,970,436	37.41%
2016	7,395,000	6,761,762	14,156,762	39,487,114	35.85%
2017	8,610,000	5,889,430	14,499,430	37,355,946	38.81%

(1) Excludes bond issuance and other costs

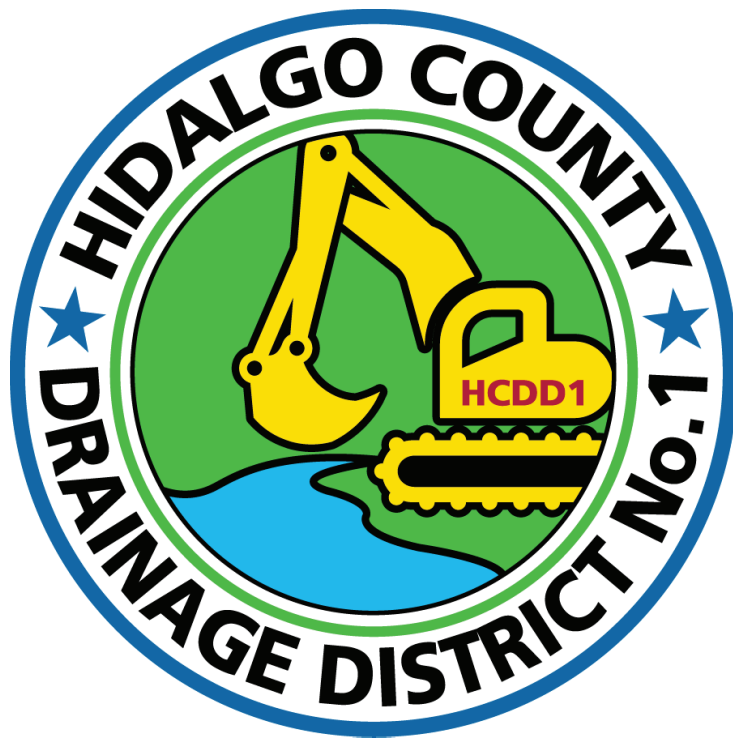
(2) Includes general, special revenue, debt service, and capital projects funds.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
HIDALGO COUNTY & DRAINAGE DISTRICT NO. 1
DIRECT AND OVERLAPPING BONDED DEBT
DECEMBER 31, 2017

EXHIBIT E-18

Jurisdiction	Gross Debt Less Cash Improvements	Percentage Applicable to Hidalgo County	Amount Applicable to Hidalgo County as of	Amount Applicable to Hidalgo County
Direct Debt:				
Hidalgo County	\$ 234,442,357	100%	12/31/2017	\$ 234,442,357
Hidalgo County Drainage District No. 1	<u>141,269,710</u>	100%	12/31/2017	<u>141,269,710</u>
Total Direct Debt	<u>375,712,067</u>			<u>375,712,067</u>
Overlapping Debt:				
Independent School Districts:				
Donna	77,265,000	100%	12/31/2017	77,265,000
Edcouch - Elsa	44,101,687	100%	12/31/2017	44,101,687
Edinburg	133,345,000	100%	12/31/2017	133,345,000
Hidalgo	34,427,000	100%	12/31/2017	34,427,000
La Joya	233,898,332	100%	12/31/2017	233,898,332
La Villa	4,505,000	100%	12/31/2017	4,505,000
McAllen	90,131,000	100%	12/31/2017	90,131,000
Mercedes	62,104,090	100%	12/31/2017	62,104,090
Mission	127,193,000	100%	12/31/2017	127,193,000
Monte Alto	14,385,000	100%	12/31/2017	14,385,000
Pharr - San Juan - Alamo	339,555,000	100%	12/31/2017	339,555,000
Progreso	24,700,000	100%	12/31/2017	24,700,000
Sharyland	108,184,999	100%	12/31/2017	108,184,999
South Texas	-	65%	12/31/2017	-
Valley View	45,209,764	100%	12/31/2017	45,209,764
Weslaco	73,810,000	100%	12/31/2017	73,810,000
Cities:				
Alamo	10,345,000	100%	12/31/2017	10,345,000
Alton	10,430,000	100%	12/31/2017	10,430,000
Donna	55,805,000	100%	12/31/2017	55,805,000
Edcouch	1,560,000	100%	12/31/2017	1,560,000
Edinburg	42,795,000	100%	12/31/2017	42,795,000
Elsa	-	100%	12/31/2017	-
Hidalgo	3,840,000	100%	12/31/2017	3,840,000
La Joya	-	100%	12/31/2017	-
La Villa	1,620,000	100%	12/31/2017	1,620,000
McAllen	91,005,000	100%	12/31/2017	91,005,000
Mercedes	20,475,000	100%	12/31/2017	20,475,000
Mission	39,640,000	100%	12/31/2017	39,640,000
Palmview	2,138,800	100%	12/31/2017	2,138,800
Penitas	5,342,000	100%	12/31/2017	5,342,000
Pharr	62,285,000	100%	12/31/2017	62,285,000
Progreso	1,713,000	100%	12/31/2017	1,713,000
San Juan	24,745,000	100%	12/31/2017	24,745,000
Weslaco	69,820,000	100%	12/31/2017	69,820,000
Road Districts:				
Road District No. 5	-	100%	12/31/2017	-
County Line School Districts:				
Lyford	5,960,000	2%	12/31/2017	131,120
South Texas College District	<u>152,495,000</u>	100%	12/31/2017	<u>152,495,000</u>
Total Overlapping Debt	<u>2,014,828,672</u>			<u>2,008,999,792</u>
Total Direct and Overlapping Debt	<u>\$ 2,390,540,739</u>			<u>\$ 2,384,711,859</u>

Source: The information contained in this statement was provided by the Municipal Advisory Council of Texas (12/31/2017) and is subject to the same disclaimer as given by the Council. The Municipal Advisory Council of Texas utilizes an internal program that calculates the overlapping debt percentages using the Net Taxable Assessed Values.



HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

LEGAL DEBT MARGIN INFORMATION

	Fiscal Year			
	2017	2016	2015	2014
Assessed Value (1) (3)	\$ 32,379,158,320	\$ 34,063,956,028	\$ 33,193,667,610	\$ 32,466,210,900
Debit limit, 25 % of Assessed Value (2)	8,094,789,580	8,515,989,007	8,298,416,903	8,116,552,725
Debt Applicable to Limitation:				
Bonded debt:				
County Wide				
Special Road Districts	-			
Drainage District No. 1	131,260,000	137,910,000	150,445,000	157,700,000
Total bonded debt	131,260,000	137,910,000	150,445,000	157,700,000
Less: amounts available for repayment				
of general obligation bonds				
Drainage District No. 1	(3,185,459)	(3,264,751)	(2,461,315)	(2,116,581)
Total amount available for repayment	(3,185,459)	(3,264,751)	(2,461,315)	(2,116,581)
of general obligation bonds				
Total debt applicable to limitation	128,074,541	134,645,249	147,983,685	155,583,419
Legal Debt Margin	\$ 7,966,715,039	\$ 8,381,343,758	\$ 8,150,433,218	\$ 7,960,969,306
Total net debt applicable to the limit				
as a percentage of debt limit	1.58%	1.58%	1.78%	1.92%

(1) FY 2017-2008 Real Estate Assessed Valuation (Hidalgo County Tax Office Levy Rolls)

(2) Texas Constitution, Article III, Section 52-Under legislative provision, the County may issued bonds in any amount not to exceed one fourth of the assessed valuation of the real property.

(3) Recalculated for Tax Roll Years 2008-2014 and 2016.

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 31,660,182,025	\$ 30,864,538,761	\$ 30,280,944,724	\$ 30,109,058,371	\$ 32,581,257,211	\$ 30,166,109,459
7,915,045,506	7,716,134,690	7,570,236,181	7,527,264,593	8,145,314,303	7,541,527,365
163,535,000	90,305,000	93,740,000	96,675,000	99,145,000	99,950,000
163,535,000	90,305,000	93,740,000	96,675,000	99,145,000	99,950,000
(1,903,111)	(1,805,618)	(1,553,289)	(1,393,943)	(1,023,127)	(915,962)
(1,903,111)	(1,805,618)	(1,553,289)	(1,393,943)	(1,023,127)	(915,962)
161,631,889	88,499,382	92,186,711	95,281,057	98,121,873	99,034,038
\$ 7,753,413,617	\$ 7,627,635,308	\$ 7,478,049,470	\$ 7,431,983,536	\$ 8,047,192,430	\$ 7,442,493,327
2.04%	1.15%	1.22%	1.27%	1.20%	1.31%

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 UNLIMITED TAX IMPROVEMENT BONDS SERIES 2008
 SCHEDULE OF DEBT SERVICE REQUIREMENTS UNTIL MATURITY

EXHIBIT E-20

Date of Payment	Interest Rate (Per Bond) March & September 1st	Principal Requirements	Interest Requirements	Total Annual Requirements
3/1/2018		\$ -	\$ 72,900	\$ 72,900
9/1/2018	4.00%	3,645,000	72,900	3,717,900
	TOTALS	<u>\$ 3,645,000</u>	<u>\$ 145,800</u>	<u>\$ 3,790,800</u>

DATE: May 6, 2008
 ISSUED: \$72,000,000
 PAYABLE: U.S. Bank
 CALL OPTION: Bonds maturing on and after 09/1/2019 are callable in whole or in part on any date beginning 09/1/2018 @ par plus accrued interest to the date of redemption.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
UNLIMITED TAX IMPROVEMENT BONDS SERIES 2013
SCHEDULE OF DEBT SERVICE REQUIREMENTS UNTIL MATURITY

EXHIBIT E-21

Date of Payment	Interest Rate (Per Bond) March & September 1st	Principal Requirements	Interest Requirements	Total Annual Requirements
3/1/2018			\$ 1,270,584	\$ 1,270,584
9/1/2018	5.000%	\$ 2,960,000	1,270,584	4,230,584
3/1/2019			1,196,584	1,196,584
9/1/2019	5.000%	3,100,000	1,196,584	4,296,584
3/1/2020			1,168,084	1,168,084
9/1/2020	5.000%	3,255,000	1,168,084	4,423,084
3/1/2021			1,086,709	1,086,709
9/1/2021	5.000%	3,410,000	1,086,709	4,496,709
3/1/2022			1,001,459	1,001,459
9/1/2022	5.000%	3,610,000	1,001,459	4,611,459
3/1/2023			911,209	911,209
9/1/2023	5.000%	3,810,000	911,209	4,721,209
3/1/2024			815,959	815,959
9/1/2024	5.000%	4,020,000	815,959	4,835,959
3/1/2025			715,459	715,459
9/1/2025	5.000%	4,235,000	715,459	4,950,459
3/1/2026			609,584	609,584
9/1/2026	2.500%	4,455,000	609,584	5,064,584
3/1/2027			553,897	553,897
9/1/2027	3.000%	4,555,000	553,897	5,108,897
3/1/2028			485,572	485,572
9/1/2028	3.130%	4,655,000	485,572	5,140,572
3/1/2029			412,838	412,838
9/1/2029	3.130%	4,800,000	412,838	5,212,838
3/1/2030			337,838	337,838
9/1/2030	3.250%	4,950,000	337,838	5,287,838
3/1/2031			257,400	257,400
9/1/2031	3.250%	5,110,000	257,400	5,367,400
3/1/2032			174,363	174,363
9/1/2032	3.250%	5,280,000	174,363	5,454,363
3/1/2033			88,563	88,563
9/1/2033	3.250%	5,450,000	88,563	5,538,563
TOTALS		<u>\$ 67,655,000</u>	<u>\$ 22,172,204</u>	<u>\$ 89,827,204</u>

DATE: April 2, 2013
ISSUED: \$77,130,000
PAYABLE: U.S. Bank
CALL OPTION: Bonds maturing on and after 09/1/2024 are callable in whole or in part on any date beginning 09/1/2023 @ par plus accrued interest to the date of redemption.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
UNLIMITED TAX REFUNDING BONDS SERIES 2014
SCHEDULE OF DEBT SERVICE REQUIREMENTS UNTIL MATURITY

EXHIBIT E-22

Date of Payment	Interest Rate (Per Bond) March & September 1st	Principal Requirements	Interest Requirements	Total Annual Requirements
3/1/2018			\$ 148,681	\$ 148,681
9/1/2018	2.000%		148,681	148,681
3/1/2019			148,681	148,681
9/1/2019	2.000%		148,681	148,681
3/1/2020			148,681	148,681
9/1/2020	2.000%		148,681	148,681
3/1/2021			148,681	148,681
9/1/2021	2.000%		148,681	148,681
3/1/2022			148,681	148,681
9/1/2022	2.000%		148,681	148,681
3/1/2023			148,681	148,681
9/1/2023	2.000%		148,681	148,681
3/1/2024			148,681	148,681
9/1/2024	3.750%	\$ 1,815,000	148,681	1,963,681
3/1/2025			114,650	114,650
9/1/2025	3.750%	1,880,000	114,650	1,994,650
3/1/2026			79,400	79,400
9/1/2026	4.000%	1,945,000	79,400	2,024,400
3/1/2027			40,500	40,500
9/1/2027	4.000%	2,025,000	40,500	2,065,500
TOTALS		<u>\$ 7,665,000</u>	<u>\$ 2,550,634</u>	<u>\$ 10,215,634</u>

DATE: December 30, 2014
ISSUED: \$7,810,000
PAYABLE: U.S. Bank
CALL OPTION: Bonds maturing on and after 09/1/2025 are callable in whole or in part on any date beginning 09/1/2024 @ par plus accrued interest to the date of redemption

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
UNLIMITED TAX REFUNDING BONDS SERIES 2016
SCHEDULE OF DEBT SERVICE REQUIREMENTS UNTIL MATURITY

EXHIBIT E-23

Date of Payment	Interest Rate (Per Bond) March & September 1st	Principal Requirements	Interest Requirements	Total Annual Requirements
3/1/2018			\$ 1,228,675	\$ 1,228,675
9/1/2018	4.000%	\$ 930,000	1,228,675	2,158,675
3/1/2019			1,210,075	1,210,075
9/1/2019	5.000%	4,770,000	1,210,075	5,980,075
3/1/2020			1,090,825	1,090,825
9/1/2020	4.000%	5,010,000	1,090,825	6,100,825
3/1/2021			990,625	990,625
9/1/2021	5.000%	5,215,000	990,625	6,205,625
3/1/2022			860,250	860,250
9/1/2022	5.000%	5,445,000	860,250	6,305,250
3/1/2023			724,125	724,125
9/1/2023	5.000%	5,700,000	724,125	6,424,125
3/1/2024			581,625	581,625
9/1/2024	5.000%	4,085,000	581,625	4,666,625
3/1/2025			479,500	479,500
9/1/2025	5.000%	4,280,000	479,500	4,759,500
3/1/2026			372,500	372,500
9/1/2026	5.000%	4,485,000	372,500	4,857,500
3/1/2027			260,375	260,375
9/1/2027	5.000%	4,725,000	260,375	4,985,375
3/1/2028			142,250	142,250
9/1/2028	5.000%	5,690,000	142,250	5,832,250
TOTALS		<u>\$ 50,335,000</u>	<u>\$ 15,881,650</u>	<u>\$ 66,216,650</u>

DATE: February 17, 2016
ISSUED: \$52,625,000
PAYABLE: U.S. Bank
CALL OPTION: Bonds maturing on and after 09/1/2026 are callable in whole or in part on any date beginning 09/1/2025 @ par plus accrued interest to the date of redemption

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 UNLIMITED TAX REFUNDING BONDS SERIES 2017
 SCHEDULE OF DEBT SERVICE REQUIREMENTS UNTIL MATURITY

EXHIBIT E-24

Date of Payment	Interest Rate (Per Bond) March & September 1st	Principal Requirements	Interest Requirements	Total Annual Requirements
3/1/2018			\$ 42,998	\$ 42,998
9/1/2018	4.050%	\$ 1,960,000	39,690	1,999,690
	TOTALS	<u>\$ 1,960,000</u>	<u>\$ 82,688</u>	<u>\$ 2,042,688</u>

DATE: August 16, 2017
 ISSUED: \$1,960,000
 PAYABLE: Lone Star National Bank
 CALL OPTION: No call option.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1**EXHIBIT E-25**

COUNTY OF HIDALGO, TEXAS
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	School Enrollment (2)	Unemployment Rate (3)
2008	726,604	14,223,948,000	19,721	173,052	7.3%
2009	741,152	15,199,996,000	20,509	191,293	10.6%
2010	774,769	16,338,261,000	20,946	204,529	11.8%
2011	794,181	17,248,431,000	21,620	210,705	12.0%
2012	806,552	18,066,662,000	22,400	213,569	11.0%
2013	815,996	18,827,748,000	23,073	218,466	10.8%
2014	831,073	19,740,566,000	23,753	222,720	8.7%
2015	842,304	20,702,876,000	24,579	230,077	7.9%
2016	849,843	21,080,611,000	24,805	234,994	8.2%
2017	860,661	(4)	(4)	240,049	7.4%

(1) Source: U.S. Census Bureau

(2) Source: Texas Education Agency (TEA)

(3) Source: United States Department of Labor

(4) Data not available for 2017.

County of Hidalgo, Texas 2017 Comprehensive Annual Financial Report
 Hidalgo County Drainage District No. 1

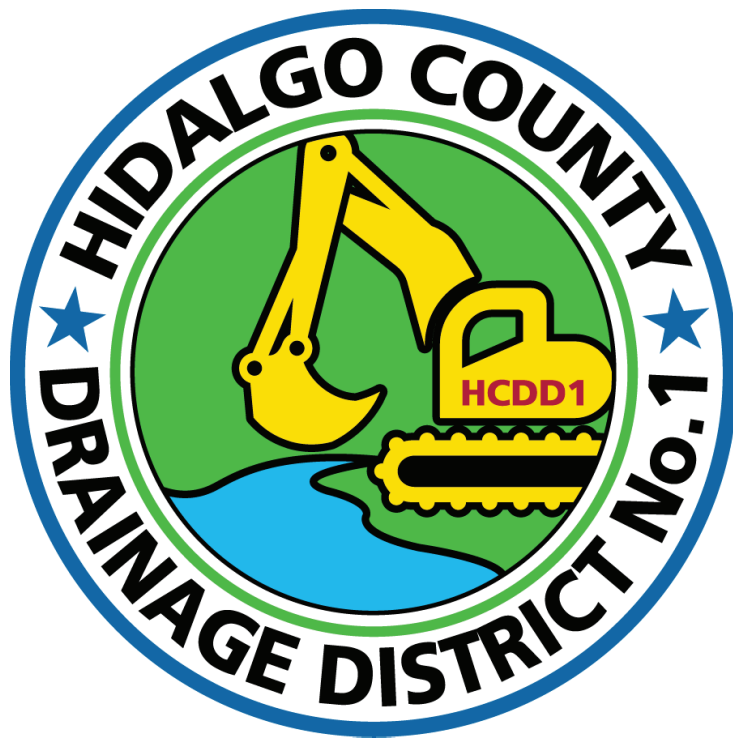
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
HIDALGO COUNTY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

EXHIBIT E-26

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
(5) H-E-B	5,880	1	1.86%	3,842	2	1.47%
University of Texas-Rio Grande Valley	5,822	2	1.84%	3,930	1	1.50%
(4) Wal-Mart	5,517	3	1.75%	3,661	5	1.40%
Edinburg Consolidated ISD	4,878	4	1.55%	3,800	3	1.45%
Doctor's Hospital at Renaissance	4,700	5	1.49%			
La Joya ISD	4,368	6	1.38%	3,148	7	1.20%
Pharr-San Juan-Alamo ISD	4,297	7	1.36%			
(1) County of Hidalgo	4,122	8	1.31%	3,769	4	1.44%
McAllen Independent School District	3,382	9	1.07%	3,545	6	1.35%
(6) Edinburg Regional Medical Center	3,000	10	0.95%			
South Texas Health System				2,070	9	0.79%
Mission Consolidated ISD				2,162	8	0.83%
City of McAllen				1,735	10	0.66%
38,120 11.06% 30,398 11.90%	<u>45,966</u>		<u>14.56%</u>	<u>31,662</u>		<u>12.09%</u>
			(2)			(3)

Source: Texas Workforce Commission, McAllen ISD, Edinburg CISD, PSJA ISD, U.S. Department of Housing & Urban - Development, McAllen Economic Development Corporation, McAllen Chamber of Commerce, County of Hidalgo Texas CAFR

- (1) Includes Hidalgo County and County related agencies employees.
- (2) Total employment in 2017 was 8,653.
- (3) Total employment in 2008 was 261,657.
- (5) Based on 20 stores with an average of 294 employees
- (6) Data not found for 2017 used 2014



Area Information

Name:	County of Hidalgo	Number of Cities:	22
Date of Incorporation:	1852	Number of Water Supply Corporations:	4
Form of Government:	Political Subdivision in Texas	and Number of Banks:	21
District's main office:	Edinburg, Texas	* Total Deposits as of June 30, 2014(millions):	\$9,287
Number of employees:	142		

Miles of District owned drainage systems	256.3
Drainage systments maintained through Interlocal agreements	328.16

Education

Four year universities:	University of Texas Rio Grande Valley	Edinburg
Two-four year colleges:	South Texas College	McAllen
Number of school districts:	17	

Hospitals

Cornerstone Regional Hospital	Edinburg
Doctor's Hospital at Renaissance	Edinburg
Edinburg Regional Medical Center	Edinburg
Knapp Medical Center	Weslaco
Life Care Hospital	Edinburg
Lifecare Hospitals of South Texas	McAllen
Magic Valley Hospital	Pharr
McAllen Heart Hospital	McAllen
McAllen Medical Center	McAllen
Mission Regional Medical Center	Mission
Rehabilitation Center at Renaissance	Edinburg
Rio Grande Regional Hospital	McAllen
Rio Grande Rehabilitation Hospital	McAllen
Solara Hospital	McAllen
Weslaco Rehabilitation Hospital	Weslaco
Women's Hospital at Renaissance	Edinburg

Recreation

Museums:	Donna Hooks Fletcher Historical Museum	Donna
	Hidalgo Pumphouse Heritage & Discovery Park	Hidalgo
	International Museum of Art and Science	McAllen
	Lower Rio Grande Valley Nature Center	Weslaco
	Museum of South Texas History	Edinburg
	Mission Historical Museum	Mission
	Old Clock Museum	Pharr
	Smitty's Juke Box Museum	Pharr
	Weslaco Museum	Weslaco
Number of Libraries:	13	
Number of County Parks:	17	
State Parks:	Bensten RGV State Park	Mission
	Estero Llano Grande State Park	Weslaco
	US Wildlife: Santa Ana National Wildlife Refuge	Alamo
Number of Golf Courses:	17	

Infrastructure

Airports (public):	McAllen Miller International Airport	McAllen
	Mid Valley Airport	Weslaco
	South Texas International Airport at Edinburg	Edinburg
International Bridges:	Anzalduas - Reynosa International Bridge	
	McAllen-Hidalgo - Reynosa International Bridge	
	Pharr - Reynosa International Bridge	
	Progreso - Nuevo Progreso International Bridge	
	Donna-Rio Bravo International Bridge	
	Los Ebanos Ferry (hand-drawn, three car and 12 pedestrians capacity)	
Foreign Trade Zones:	FTZ No. 12 - McAllen	
	FTZ No. 156 - Weslaco	

Economic

(1) Median household income:	\$35,441	Principal industries:	Construction
(1) People below poverty level:	264,301		Educational Services
(1) % of people below poverty level:	31.10%		Financial Activities
Labor force:	335,276		Health Services
People employed:	308,973		Government
People unemployed:	26,303		Information
Unemployment rate:	7.80%		Leisure and Hospitality
			Manufacturing
			Natural Resources and Mining
			Professional and Business services
			Trade, Transportation and Utilities

Gross Sales

Industry	2017	2016	2015	2014
Agriculture	90,949,311	116,897,052	68,371,272	55,131,492
Construction	557,496,434	3,962,552,952	675,523,705	614,823,153
Finance, Real Estate, Insurance	124,618,000	215,554,680	267,972,968	293,431,954
Manufacturing	965,519,783	1,596,796,504	1,689,925,786	1,508,609,652
Mining	56,097,299	73,229,906	101,440,518	140,981,973
Other	12,902	31,257	36,212	32,215
Retail	6,707,582,147	9,427,288,231	9,764,863,847	9,832,370,488
Other Services (2)	754,546,459	836,570,177	747,203,161	675,271,542
Transportation, Communications, and Utilities	235,237,770	291,565,399	305,662,012	318,050,890
Wholesale-Trade	1,546,262,553	2,226,358,928	2,135,120,971	2,185,751,809
	<u>11,038,322,658</u>	<u>18,746,845,086</u>	<u>15,756,120,452</u>	<u>15,624,455,168</u>

Agriculture

Products Raised (2015)	Crops	Acres	
		Harvested	Production
(2) Grain Sorghum		81,600	4,402,000 Bushels
(1) Sugar Cane		19,928	808,648 Tons
(2) Corn		31,200	3,023,000 Bushels
(2) Upland Cotton		45,400	119,100 Bales

Sources:

Websites: Valley Chamber of Commerce, Federal Deposit Insurance Corporation, US Census Bureau, Educationbug Organization
Texas Comptroller of Public Accounts, Texas Education Agency, Texas Workforce Commission, United States Department of Agriculture,
County of Hidalgo, Texas 2017 Hidalgo County Comprehensive Annual Financial Report .

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2017	2016	2015	2014
Drainage	142	139	130	109
Total	142	139	130	109

Source: Hidalgo County Drainage District No. 1 payroll database

Fiscal Year					
2013	2012	2011	2010	2009	2008
113	107	102	94	89	87
113	107	102	94	89	87

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2017	2016	2015	2014
Drainage				
Subdivision drainage reviews	205	230	246	192

Source: Hidalgo County Drainage District No. 1 Revenue Detail Report

Fiscal Year					
2013	2012	2011	2010	2009	2008
149	195	159	135	153	208

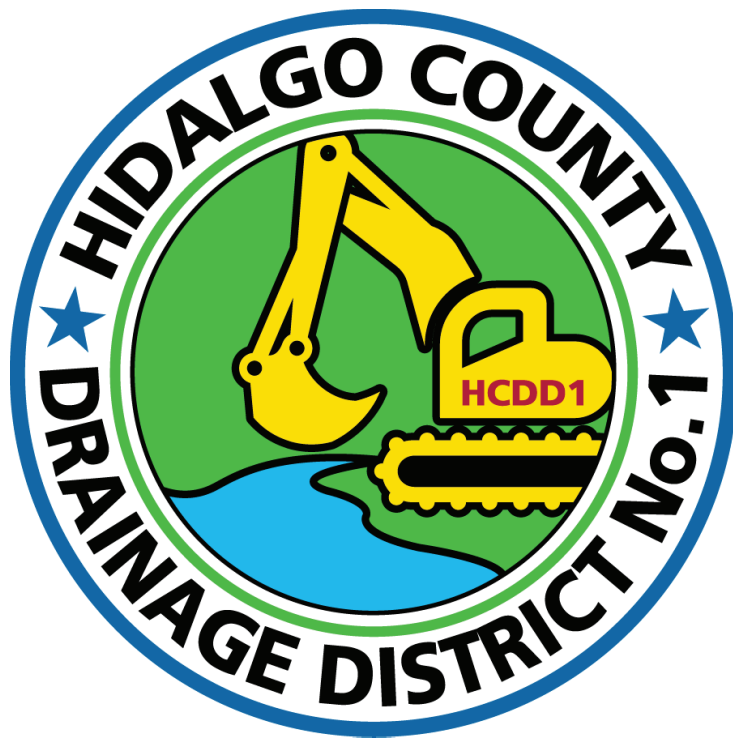
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2017	2016	2015	2014
General government				
Drainage				
Administration Office	1	1	1	1

Source: Hidalgo County capital assets inventory and county related agencies.

(1) Data is not available.

Fiscal Year					
2013	2012	2011	2010	2009	2008
1	1	1	1	1	1



**REPORTS REQUIRED UNDER *GOVERNMENT
AUDITING STANDARDS***

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Hidalgo County Drainage District No. 1
Edinburg, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hidalgo County Drainage District No. 1 (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 24, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Banta McLaughlin & Koyan, LLP

McAllen, Texas
August 24, 2018

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

Management and Accounting Personnel

December 31, 2017

Raul E. Sestin, P.E., CFM

Lora D. Briones

Jaime J. Salazar

Alvaro Chuc

Claudette Guerrero

Mark Garcia

Rosa E. Arce

Maria A. Perez

Moises Salazar

Enriqueta Zambrano

General Manager

Chief Financial Officer

Operations Manager

Accounting Supervisor

Accountant IV

Accountant III

AP Specialist III

AP Specialist III

Procurement Manager

Procurement Specialist II