

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, 2018

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, 2018



Prepared By:
Accounting Department
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Chief Financial Officer
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Edinburg, Texas 78542



HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A Component Unit of Hidalgo County, Texas)
FOR THE YEAR ENDED DECEMBER 31, 2018

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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

District General Manager
Hidalgo County Floodplain Administrator

BOARD OF DIRECTORS

DAVID L. FUENTES
Board Member

EDUARDO "EDDIE" CANTU
Board Member

RICHARD F. CORTEZ
Chairman of the Board

JOE M. FLORES
Board Member

ELLIE TORRES
Board Member

July 1, 2019

The Honorable Richard Cortez, 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 Ellie Torres, Board Member

Dear Board of Directors:

The Hidalgo County Drainage District No.1 (District) Comprehensive Annual Financial Report for the year ended December 31, 2018, 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 the District. We believe the data, as presented, is accurate in all material aspects; that it 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 2018 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, 2018, 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, 2018, 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 advalorem 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 emphasizes and accomplishes 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 2018 totaled \$1,220,266 an increase of \$441,831 from the prior year total of \$778,435. Interest income has increased due to better interest rates and interest on \$4.5 million grant.

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 865,939 people, Hidalgo County is the 7th most out of 254 Texas counties. Population since the 2010 Census has grown by 11.77% according to the U.S. Census Bureau. 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. Also seeing a growth is the healthcare field, with the commitment of the University of Texas Rio Grande Valley's Medical School and Texas A&M campus in North McAllen. 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 143,433, according to the U.S. Census Bureau website. Edinburg has an estimated population of 98,605 and is considered the educational and technological capital of the Texas-Mexico border region. The unemployment rate as of December 2018 was 6.6% a decrease of 1.2% over 2017.

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 2018 estimate, according to U.S. Census Bureau, averaged \$37,097.

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 US Army Corps of Engineers. 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 get environmental clearance in 2019; portions of construction commenced 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.

Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hidalgo County Drainage District No. 1 for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2017. This was the first year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

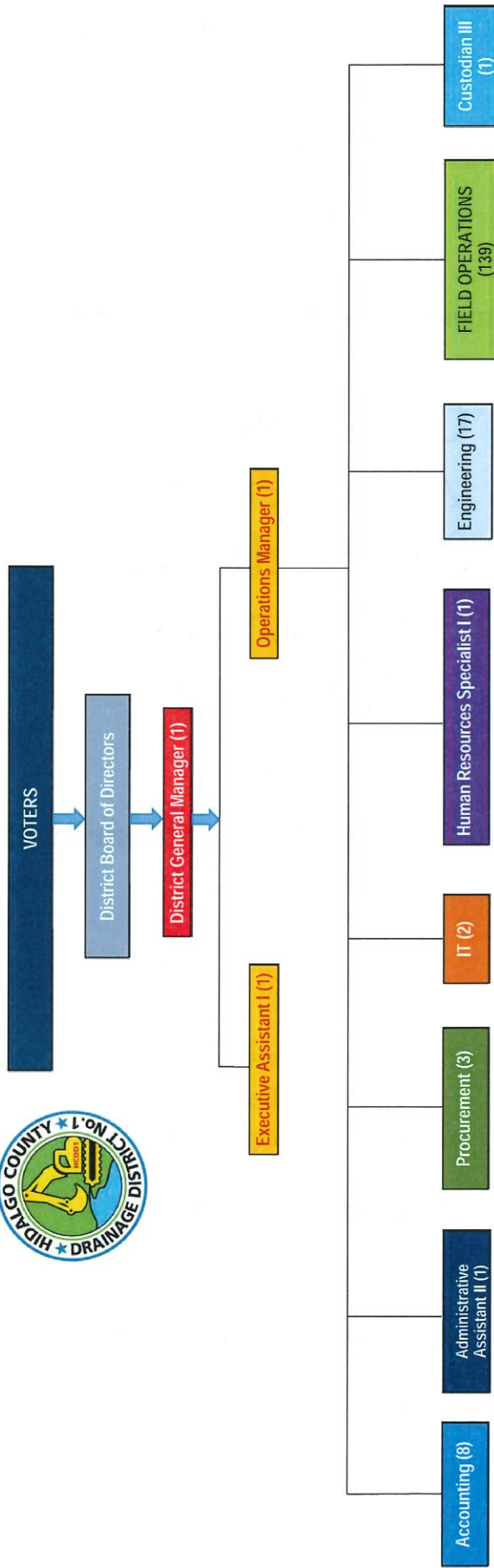
Hidalgo County Drainage District #1
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO



HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

Governing Body

December 31, 2018

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

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

**Principal Officials
December 31, 2018**

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. Sestin, 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

Burton
McCumber
& Longoria, LLP
CPAs & Advisors

McAllen • Brownsville

INDEPENDENT AUDITOR'S 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, 2018, 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 auditors' 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, 2018, 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, OPEB liability and pension information, on pages 18–24 and 65–68 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 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 fund financial statements 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 combining and individual fund financial statements and budgetary comparison schedules are 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 July 1, 2019, 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 McCall & Langer, LLP

McAllen, Texas
July 1, 2019



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, 2018**

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, 2018. Please read it in conjunction with the letter of transmittal on page 3 and the District's financial statements, which begin on page 26.

FINANCIAL HIGHLIGHTS

General Fund

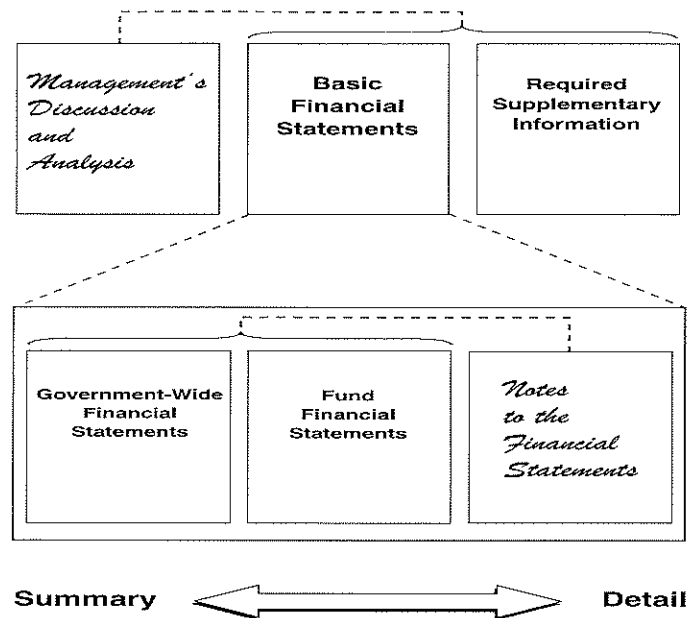
- At fiscal year-end, the unassigned fund balance in the general fund totaled \$16,577,711 which represents a \$3,631,448 decrease from fiscal year 2017.
- General fund revenues increased by \$1,483,306 to \$17,995,876, an increase of 9.0 percent over fiscal year 2017. The 2018 tax levy increased to \$31,810,341 an increase 7.6 percent.
- General fund expenditures increased by \$6,411,026 to \$19,881,044, an increase of 47.6 percent over fiscal year 2017.

Government-Wide

- The District's governmental activities reported expenses of \$22,211,761, net of program revenues totaling \$4,734,259. General revenues and transfers totaled \$34,471,525 resulting in an increase in net position of \$16,994,023. A prior period adjustment was necessary to convert GASB 45 to the new standards of GASB 75 resulting in a decrease in net position of 940,922.
- At fiscal year-end, the District's governmental activities reported combined total net position of \$100,228,872. 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, 2013 Bonds Debt Service Fund, 2016 Refunding Bonds Debt Service Fund, and 2018 Refunding 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,:

Assets:	2018	2017
Current and other assets	\$ 94,295,489	\$ 105,263,124
Capital assets, net	161,138,356	147,739,260
Total assets	255,433,845	253,002,384
 Deferred Outflows of Resources:		
Deferred charges on refunding	4,326,364	5,087,991
Deferred resources for pension	928,900	1,680,456
Deferred resources for OPEB	6,846	-
Total deferred outflows of resources	5,262,110	6,768,447
 Liabilities:		
Long-term liabilities	131,608,924	131,906,118
Other liabilities	28,054,198	43,500,898
Total liabilities	159,663,122	175,407,016
 Deferred Inflows of Resources:		
Deferred resources for pension	690,703	188,044
Deferred resources for OPEB	113,258	-
Total deferred inflows of resources	803,961	188,044
 Net position:		
Net investment in capital assets	113,921,907	113,245,221
Restricted	9,400,427	9,205,175
Unrestricted	(23,093,462)	(38,274,625)
Total net position	\$ 100,228,872	\$ 84,175,771

*Amounts in the 2017 financial statements have been reclassified to conform to the presentation in the 2018 financial statements.

At the close of the current fiscal year, \$113,921,907 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 \$9,400,427 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 \$(23,093,462) 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,

	2018	2017
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 4,673,566	\$ 571,191
Charges for services	60,693	61,000
Total program revenues	<u>4,734,259</u>	<u>632,191</u>
General revenues:		
Property taxes	32,353,117	30,504,959
Interest income	1,220,266	778,435
Tax penalties and interest	814,826	761,869
Gain/(Loss) on sale of capital assets	5,866	(11,195)
Miscellaneous	77,450	(177,585)
Total general revenues	<u>34,471,525</u>	<u>31,856,483</u>
Total revenues	<u>39,205,784</u>	<u>31,917,483</u>
Expenses:		
General government	(2,693,067)	(6,571,100)
Drainage flood control	(15,398,590)	(7,630,748)
Interest on long-term debt	(4,120,104)	(5,940,055)
Total expenses	<u>(22,211,761)</u>	<u>(20,141,903)</u>
Increase (decrease) in net position	16,994,023	11,775,580
Net Position - beginning as restated	83,234,849	72,400,191
Net Position - ending	<u>\$ 100,228,872</u>	<u>\$ 84,175,771</u>

The District's general revenues totaled \$34,471,525. Property taxes contributed \$32,353,117, or 93.8% of total general revenues. The remaining 6.2% of general revenues was derived from interest, tax penalties and other sources. The total expenses for services totaled \$22,211,761. Expenditures necessary for the maintenance and operations of drainage facilities accounted for 69.4% of expenses. General governmental activities and interest on long-term debt expenses accounted for 12.1% and 18.5% percent 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, 2013 Bonds Debt Service Fund, 2016 Refunding Bonds Debt

Service Fund, and 2018 Refunding 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 \$17,928,722 which represents a \$3,696,864 decrease from fiscal year 2017. The decrease in fund balance was attributed mainly to the acquisition of capital assets including heavy machinery and also to the rain event during the month of June that caused wide spread damage throughout Hidalgo County, Texas. The National Weather Service Brownsville/Rio Grande Valley refers to the event as "The Great June Flood of 2018 in the RGV" after areas impacted all four counties in the Rio Grande Valley.

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 2018. 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 \$3,012,768 between original and final budget. Most of the variance came from the drainage flood control budget for Raymondville Drain.

Resources available totaled \$386,960 over the final budget amount of \$17,608,916. 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 2018, the District had \$161,138,356 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 in the notes to the financial statements.

	Capital assets at year-end (Net of depreciation)	
	2018	2017
Land and easements	\$ 28,210,823	\$ 25,233,135
Infrastructure	61,282,745	58,473,593
Construction in progress	61,633,341	56,147,036
Buildings and renovations	354,716	384,946
Machinery and equipment	9,656,731	7,500,550
Total	<u>\$ 161,138,356</u>	<u>\$ 147,739,260</u>

Outstanding Debt

At year-end, the District's outstanding long-term liabilities for the 2013 Bond Debt Series, 2014 Refunding Bond Series, 2016 Refunding Bond Series, and the 2018 Bond Refunding Series, compensated absences, and note payable totaled \$56,640,000, \$7,665,000, \$49,405,000, 6,095,000, \$402,003, and \$584,201 respectively.

Outstanding Debt at Year-End		
	2018	2017
Bond Series 2008	\$ -	\$ 3,645,000
Bond Series 2013	56,640,000	65,695,000
Bond Series 2014	7,665,000	7,665,000
Bond Series 2016	49,405,000	50,335,000
Bond Series 2017	-	1,960,000
Bond Series 2018	6,095,000	-
Note Payable	584,201	793,714
Compensated Absences	402,003	255,323
	<u>\$ 120,791,204</u>	<u>\$ 130,349,037</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2019 Levy experienced over 1.7 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 2019. Budgeted expenditures for 2019 total \$18,761,302 that's \$2 under budgeted revenues of \$18,761,304 available for appropriation in the General Fund budget. The District passed a tax rate of .0951 per \$100 valuation for the 2019 budget year. The 2019 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 2019 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, 2018

EXHIBIT A-1

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 66,895,327
Investments, including accrued interest	3,000,000
Receivables (net of allowance for uncollectibles)	
Property taxes	21,684,947
Other accounts	23,912
Due from other governments	2,690,203
Prepaid items	1,100
Capital assets, not being depreciated	
Land and easements	28,210,823
Construction in progress	61,633,341
Capital assets (net of accumulated depreciation)	
Infrastructure	61,282,745
Buildings and renovations	354,716
Machinery and equipment	9,656,731
Total assets	<u>255,433,845</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	4,326,364
Deferred resources for pension	928,900
Deferred resources for OPEB	6,846
Total deferred outflows of resources	<u>5,262,110</u>
LIABILITIES	
Accounts payable	2,915,011
Salaries and benefits payable	383,999
Retainage payable	605,449
Due to other governments	347,865
Unearned revenue	21,908,086
Accrued interest	1,777,160
Other liabilities	116,628
Long-term liabilities:	
Due within one year	
Note payable	220,178
Bond Series 2013	1,742,599
Bond Series 2014	88,108
Bond Series 2016	6,085,013
Bond Series 2018	4,015,000
Compensated absences	33,973
Due in more than one year	
Note payable	364,023
Bond Series 2013	56,873,617
Bond Series 2014	8,211,028
Bond Series 2016	49,618,805
Bond Series 2018	2,080,000
Net pension	670,336
Compensated absences	368,030
Other post employment benefits	1,238,214
Total liabilities	<u>159,663,122</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred resources for pension	690,703
Deferred resources for OPEB	113,258
Total deferred inflows of resources	<u>803,961</u>
NET POSITION	
Net investment in capital assets	113,921,907
Restricted for:	
Debt service	9,400,427
Grants	-
Unrestricted	(23,093,462)
Total net position	<u>\$ 100,228,872</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, 2018

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	(2,693,067)	\$ -	\$ -	\$ -	\$ (2,693,067)
Drainage flood control	(15,398,590)	60,693	4,673,566	-	(10,664,331)
Interest on long-term debt	(4,120,104)	-	-	-	(4,120,104)
Total Governmental Activities	<u>\$ (22,211,761)</u>	<u>\$ 60,693</u>	<u>\$ 4,673,566</u>	<u>\$ -</u>	<u>\$ (17,477,502)</u>
General Revenues:					
Property taxes					32,353,117
Interest income					1,220,266
Tax penalties and interest					814,826
Miscellaneous					77,450
Gain on sale of capital assets					5,866
Total General Revenues					<u>34,471,525</u>
Change in Net Position					16,994,023
Net Position - Beginning					84,175,771
Prior Period Adjustment					(940,922)
Net Position - Ending					<u>\$ 100,228,872</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, 2018

	General Fund	Capital Projects Fund	2013 Bond Series Capital Project Fund	2013 Bond Series Debt Service Fund
ASSETS				
Cash and cash equivalents	\$ 28,004,320	\$ 6,130,404	\$ 25,651,814	\$ 1,144,577
Investments	3,000,000	-	-	-
Receivables (net of allowance for uncollectibles)				
Property taxes	11,992,003	-	-	2,160,437
Other accounts	23,912	-	-	-
Due from other governments	2,661,232	-	-	-
Due from other funds	2,178	-	175,909	1,803,192
Prepaid services	1,100	-	-	-
Total Assets	\$ 45,684,745	\$ 6,130,404	\$ 25,827,723	\$ 5,108,206
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,147,204	\$ 283,710	\$ 1,146,634	\$ -
Salaries and benefits payable	383,999	-	-	-
Held in escrow	116,628	-	-	-
Retainage payable	161,986	201,700	241,763	-
Due to other governments	-	-	-	-
Due to other funds	6,318,353	2,178	-	375,000
Unearned revenue	12,179,507	-	-	2,160,437
Total Liabilities	20,307,677	487,588	1,388,397	2,535,437
Deferred inflows of resources:				
Unavailable revenue- property taxes	7,448,346	-	-	1,426,837
Total deferred inflows of resources	7,448,346	-	-	1,426,837
Fund Balances:				
Non-spendable:				
Prepaid items	1,100	-	-	-
Restricted:				
Capital projects	-	5,642,816	24,439,326	-
Debt service	-	-	-	1,145,932
Assigned	1,349,911	-	-	-
Unassigned	16,577,711	-	-	-
Total Fund Balances	17,928,722	5,642,816	24,439,326	1,145,932
Total Liabilities, Deferred Inflows and fund balances	\$ 45,684,745	\$ 6,130,404	\$ 25,827,723	\$ 5,108,206

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

2016 Refunding Bonds Debt Service Fund	2018 Refunding Bonds Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 807,332	\$ 1,320	\$ 5,155,560	\$ 66,895,327
-	-	-	3,000,000
4,619,632	2,472,570	440,305	21,684,947
-	-	-	23,912
-	-	28,971	2,690,203
2,904,620	2,071,832	121,439	7,079,170
-	-	-	1,100
<u>\$ 8,331,584</u>	<u>\$ 4,545,722</u>	<u>5,746,275</u>	<u>\$ 101,374,659</u>
\$ -	\$ -	\$ 337,463	\$ 2,915,011
-	-	-	383,999
-	-	-	116,628
-	-	-	605,449
-	-	347,865	347,865
-	375,000	8,639	7,079,170
4,619,632	2,472,570	475,940	21,908,086
<u>4,619,632</u>	<u>2,847,570</u>	<u>1,169,907</u>	<u>33,356,208</u>
2,903,284	1,696,832	120,434	13,595,733
<u>2,903,284</u>	<u>1,696,832</u>	<u>120,434</u>	<u>13,595,733</u>
-	-	-	1,100
-	-	3,158,813	33,240,955
808,668	1,320	1,297,121	3,253,041
-	-	-	1,349,911
-	-	-	16,577,711
<u>808,668</u>	<u>1,320</u>	<u>4,455,934</u>	<u>54,422,718</u>
<u>\$ 8,331,584</u>	<u>\$ 4,545,722</u>	<u>\$ 5,746,275</u>	<u>\$ 101,374,659</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, 2018

EXHIBIT A-4

Total fund balance - balance sheet governmental funds \$ 54,422,718

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	28,210,823	
Infrastructure	61,282,745	
Buildings and renovations	354,716	
Machinery and equipment	9,656,731	
Construction in progress	<u>61,633,341</u>	161,138,356
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	4,326,364	
Pensions	928,900	
OPEB	<u>6,846</u>	5,262,110
3. A portion of the 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.		13,595,733
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 2013 - face value	(56,640,000)	
Bond Series 2013 - unamortized premium	(1,976,216)	
Bond Series 2014 - face value	(7,665,000)	
Bond Series 2014 - unamortized premium	(634,136)	
Bond Series 2016 - face value	(49,405,000)	
Bond Series 2016 - unamortized premium	(6,298,818)	
Bond Series 2018 - face value	(6,095,000)	
Notes payable	(584,201)	
Accrued interest	(1,777,160)	
Other post employment benefits	(1,238,214)	
Pension	(670,336)	
Compensated absences	<u>(402,003)</u>	(133,386,084)
5. Deferred inflows related to the pension are not reported in the funds.	(690,703)	
Deferred inflows related to the OPEB are not reported in the funds.	<u>(113,258)</u>	<u>(803,961)</u>
Total net position of governmental activities		<u><u>\$ 100,228,872</u></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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Capital Projects Fund	2013 Bond Series Capital Project Fund	2013 Bond Series Debt Service Fund
REVENUES				
Property taxes	\$ 17,061,776	\$ -	\$ -	\$ 5,586,954
Charges for services	60,693	-	-	-
Interest	622,391	91,227	315,706	33,176
Intergovernmental	173,566	4,500,000	-	-
Miscellaneous	77,450	-	-	-
Total revenues	<u>17,995,876</u>	<u>4,591,227</u>	<u>315,706</u>	<u>5,620,130</u>
EXPENDITURES				
Current:				
General government	2,593,065	-	-	-
Drainage flood control	11,044,060	-	-	-
Debt service:				
Principal	-	-	-	2,960,000
Interest	-	-	-	2,436,284
Fiscal Agent Fees	-	-	-	450
Bond issuance costs	-	-	-	-
Advance refunding escrow	-	-	-	-
Capital Outlay:				
General government	29,792	2,548,985	-	-
Drainage flood control	6,214,127	1,122,381	6,320,044	-
Total expenditures	<u>19,881,044</u>	<u>3,671,366</u>	<u>6,320,044</u>	<u>5,396,734</u>
Excess (deficiency) of revenues over (under) expenditures	(1,885,168)	919,861	(6,004,338)	223,396
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,600,000	-	-
Transfers out	(1,850,000)	-	-	(375,000)
Sale of capital assets	38,304	-	-	-
Issuance of debt	-	-	-	-
Refunding escrow deposit	-	-	-	-
Total other financing sources (uses)	<u>(1,811,696)</u>	<u>1,600,000</u>	<u>-</u>	<u>(375,000)</u>
Net change in fund balances	(3,696,864)	2,519,861	(6,004,338)	(151,604)
Fund balances at beginning of year	21,625,586	3,122,955	30,443,664	1,297,536
Fund balances at the end of year	<u>\$ 17,928,722</u>	<u>\$ 5,642,816</u>	<u>\$ 24,439,326</u>	<u>\$ 1,145,932</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

2016 Refunding Bonds Debt Service Fund	2018 Refunding Bonds Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 5,521,482	\$ -	\$ 4,151,998	\$ 32,322,210
-	-	-	60,693
25,111	-	132,655	1,220,266
-	-	-	4,673,566
-	-	-	77,450
<u>5,546,593</u>	<u>-</u>	<u>4,284,653</u>	<u>38,354,185</u>
-	-	-	2,593,065
-	-	-	11,044,060
2,890,000	-	3,854,513	9,704,513
2,541,361	-	483,650	5,461,295
-	-	1,300	1,750
-	100,000	-	100,000
-	373,680	-	373,680
-	-	-	2,578,777
-	-	1,449,664	15,106,216
<u>5,431,361</u>	<u>473,680</u>	<u>5,789,127</u>	<u>46,963,356</u>
115,232	(473,680)	(1,504,474)	(8,609,171)
-	375,000	250,000	2,225,000
-	-	-	(2,225,000)
-	-	-	38,304
-	6,095,000	-	6,095,000
-	(5,995,000)	-	(5,995,000)
<u>-</u>	<u>475,000</u>	<u>250,000</u>	<u>138,304</u>
115,232	1,320	(1,254,474)	(8,470,867)
693,436	-	5,710,408	62,893,585
<u>\$ 808,668</u>	<u>\$ 1,320</u>	<u>\$ 4,455,934</u>	<u>\$ 54,422,718</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, 2018

Net change in fund balances - total governmental funds		\$ (8,470,867)
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	17,717,690	
Depreciation	<u>(4,286,154)</u>	13,431,536
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.		5,866
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.		(38,304)
4. Certain property tax revenues reported in the funds are unavailable in the statement of activities. This is the change in these amounts this year.		
Related to prior years	(12,750,000)	
Earned but unavailable	<u>13,595,733</u>	845,733
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	2,266,685	
Amortization of deferred charge on refunding	(1,035,307)	
Change in accrued interest on bonds	111,561	
Change in compensated absences	(146,680)	
Change in deferred outflow of resources - pension	(751,556)	
Change in deferred inflow of resources - pension	(502,659)	
Net pension obligation	1,380,130	
Change in deferred outflow of resources - OPEB	(113,258)	
Change in deferred inflow of resources - OPEB	6,846	
Other post employment benefits	<u>26,104</u>	1,241,866
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.		
2018 bond series	(6,095,000)	
Deferred charges on refunding	273,680	
Bond payments	15,590,000	
Payment on installment note	<u>209,513</u>	<u>9,978,193</u>
Change in net position of governmental activities - statement of activities		<u>\$ 16,994,023</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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 17,022,916	\$ 17,022,916	\$ 17,061,776	\$ 38,860
Grant revenue				-
Charges for services	83,000	83,000	60,693	(22,307)
Interest	200,000	200,000	622,391	422,391
Intergovernmental	-	-	173,566	173,566
Miscellaneous	303,000	303,000	77,450	(225,550)
Total revenues	<u>17,608,916</u>	<u>17,608,916</u>	<u>17,995,876</u>	<u>386,960</u>
EXPENDITURES				
Current:				
General government	3,043,003	3,122,224	2,593,065	529,159
Drainage flood control	12,413,977	13,783,518	11,044,060	2,739,458
Capital Outlay:				
General government	93,000	47,700	29,792	17,908
Drainage flood control	3,554,593	5,163,899	6,214,127	(1,050,228)
Total expenditures	<u>19,104,573</u>	<u>22,117,341</u>	<u>19,881,044</u>	<u>2,236,297</u>
Excess (deficiency) of revenues over (under) expenditures	(1,495,657)	(4,508,425)	(1,885,168)	2,623,257
OTHER FINANCING SOURCES (USES)				
Transfers in	462,061	462,061	-	(462,061)
Transfers out	(1,400,000)	(2,100,000)	(1,850,000)	250,000
Sale of capital assets	-	-	38,304	38,304
Note proceeds	-	-	-	-
Total other financing sources (uses)	<u>(937,939)</u>	<u>(1,637,939)</u>	<u>(1,811,696)</u>	<u>(173,757)</u>
Net change in fund balance	(2,433,596)	(6,146,364)	(3,696,864)	2,449,500
Fund balance at beginning of year	21,625,586	21,625,586	21,625,586	-
Fund balance at the end of year	<u>\$ 19,191,990</u>	<u>\$ 15,479,222</u>	<u>\$ 17,928,722</u>	<u>\$ 2,449,500</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, 2018

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 2018, the District implemented the following new GASB standards:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement replaces the requirements of Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information ("RSI") about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The New RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution's requirements. Please see Note H for additional details.

GASB Statement No.82, Pension Issues – An amendment of GASB Statements No. 67, 68, and No 73. This statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. Please see Note I for additional details.

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. The effects of this statement are reflected throughout the financial statements.

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 defease in substance. This statement becomes effective for reporting periods beginning after June 15, 2017 and was implemented in 2017.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note A. General Statement and Summary of Significant Accounting Policies - Continued

GASB new standards for future periods.

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. 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.

In the 2018 CAFR, the District will be presented as a discretely presented component unit of County of Hidalgo, Texas. The District is a legal separate entity that is governed by the five members of the County's Commissioners Court of Hidalgo County, Texas. The County does not have operational responsibility for activities and its not obligated in any manner for the District's debt.

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, 2018

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.

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 Refunding 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.

2018 Refunding 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 resources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note A. General Statement and Summary of Significant Accounting Policies - Continued

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.

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 acquired by the District and external investment pools. 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.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note A. General Statement and Summary of Significant Accounting Policies - Continued

7. Receivables and Payables

All trade and property taxes receivable 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.

The following lists the thresholds and useful lives by class:

Asset Class	Capitalization Threshold	Useful Lives in Months
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 three 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 the 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 that results from the differences between expected and actual experience, changes in assumptions, and contributions made subsequent to the measurement date. The third are outflows of resources related to Other Post-Employment Benefits for the differences between the expected and actual experience and differences in actual benefits and proportionate share of benefits. For the year ended December 31, 2018, the District had deferred outflows of resources for refunding bond, pension, and OPEB in the amount of \$4,326,364 and \$928,900 and \$6,846, respectively.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note A. General Statement and Summary of Significant Accounting Policies- Continued

9. Deferred Outflows/Inflows of Resources - Continued

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. A deferred inflow of resources related to pensions for the difference between the expected and actual experience on the plan and net difference between projected and actual earned is reported on the statement of net position. A deferred inflow related to OPEB is for the changes of assumptions and other inputs is also reported on the Statement of Net Position

At December 31, 2018, the District had deferred inflow of resources related to pension and OPEB in the amount of \$690,703 and \$113,258, respectively. A deferred inflow related to OPEB is for the changes of assumptions and other inputs is also reported on the Statement of Net Position.

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:

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, 2018, 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.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2018

Note A. General Statement and Summary of Significant Accounting Policies- Continued

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, 2018. At year-end, the District's remaining commitments totaled \$7,772,965; therefore, this amount is encumbered. Encumbrances for the general fund, capital projects fund and 2013 series capital projects fund totaled \$936,743, \$50,451, and \$5,050,267, respectively. Encumbrances for non-major funds totaled \$1,735,504.

12. Budgets

The District's budget is adopted after public hearings have been held. All 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 codes. 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 Districts' administration building, June 2018 rain event, and purchase of equipment.

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:

Number of Years of Service	Vacation Leave Hours Earned Per Year
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

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2018

Note A. General Statement and Summary of Significant Accounting Policies- Continued

13. Compensated Absences - Continued

which exceed set limits. Regular part-time employees accumulate vacation leave of 48 hours regardless of years of service. As of December 31, 2018, the District's total liability for vested vacation leave totaled \$402,003. Vested vacation benefits are expected to be liquidated with expendable and available financial resources and are reported as an expense and a long-term liability in the government-wide statement of net position. The District estimates \$33,973 of the total compensated absences balance will be due within one year.

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	\$	331,273
Compensatory time		69,071
Holiday leave		1,659
Total	\$	<u>402,003</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, 2018, the District's deposits were entirely covered by FDIC insurance pursuant to the Depository Agreement. At December 31, 2018, the carrying amount of the District's deposits totaled \$3,868,137 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, 2018, 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 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, 2018

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 custodian.

The District had investments in Texas Class, carried at fair value are classified as cash and cash equivalents totaled \$58,492,530 at December 31, 2018.

The District had time deposits with a weighted maturity average of six months totaling \$3,000,000 at December 31, 2018.

The District's investments are categorized into the following three levels of credit risk:

- Level 1 – Quoted prices in active markets for identical assets
- Level 2 – Observable inputs other than quoted market prices
- Level 3 – Unobservable inputs

The following schedule classifies the investments of the District as of December 31, 2018, into the above noted levels:

Investment Type	Fair Value Measurement		
	Level 1	Level 2	Level 3
Cetificates of Deposits (Multi Bank Securities)	\$ 3,000,000	\$ -	\$ -
Total Investments	\$ 3,000,000	\$ -	\$ -

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.

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.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note B. Deposits and Investments - Continued

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, 2018:

	General Fund	Bonds Debt Service Fund	Total
Taxes receivable - current	\$ 10,690,275	\$ 8,824,814	\$ 19,515,089
Taxes receivable - delinquent	2,334,091	1,705,520	4,039,611
Allowance for uncollectibles	(1,032,363)	(837,390)	(1,869,753)
Taxes receivable, net of allowance for uncollectibles	<u>\$ 11,992,003</u>	<u>\$ 9,692,944</u>	<u>\$ 21,684,947</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 \$328,537 in fees during 2018.

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, 2018, 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 2018 operations.

The 2017 tax levy, for the 2018 year, totaled \$31,643,783 based on a total taxable value of \$ 33,274,220 and a tax rate of 0.09510.

Note D. Interfund Receivables and Transfers

Balances of due to/from other funds consisted of the following at December 31, 2018:

Due to General Fund from Major Capital Projects Fund	\$ 2,178
Due to 2013 Bond Series Capital Project Fund from General Fund	167,270
Due to 2013 Bond Series Capital Project Fund from Non-major Capital Projects Fund	8,639
Due to 2013 Bond Series Debt Service Fund from General Fund	1,428,192
Due to 2013 Bond Series Debt Service Fund from 2018 Refunding Bonds Debt Service Fund	375,000
Due to 2016 Refunding Bonds Debt Service Fund from General Fund	2,904,620
Due to 2018 Refunding Bonds Debt Service Fund from General Fund	1,696,832
Due to 2018 Refunding Bonds Debt Service Fund from 2013 Bond Series Debt Service Fund	375,000
Due to Non-major Debt Service Funds from General Fund	121,439
Total due to/from other funds	<u>\$7,079,170</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note D. Interfund Receivables and Transfers - Continued

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.

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, 2018:

Transfers In:	Transfers Out:		
	General Fund	2013 Bond Series Debt Service Fund	Total
Non-major Debt Service Fund	\$ 250,000	\$ -	\$ 250,000
2018 Refunding Debt Service Fund	-	375,000	375,000
Capital Projects Fund	1,600,000	-	1,600,000
Total Inter-fund transfers	\$ 1,850,000	\$ 375,000	\$ 2,225,000

Note E. Due From Other Governments

Due from other governments consisted of the following at December 31, 2018:

Fund	Due From	Purpose	Amount
General Fund	County of Hidalgo	Distribution of taxes, net of interlocal agreement	\$ 2,039,450
General Fund	County of Hidalgo Precinct #1	Inter-local agreement project	37,890
General Fund	County of Hidalgo Precinct #2	Inter-local agreement project	560,238
General Fund	Willacy County Drainage District No. 1	Inter-local agreement project	23,653
DHS Levee Grant	Department of Homeland Security	Inter-local agreement project	28,972
	Total Due From other governments		\$ 2,690,203

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note F. Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capitals assets not being depreciated:				
Land and easements	\$ 25,233,135	\$ 2,977,688	\$ -	\$ 28,210,823
Construction in progress	56,147,036	10,873,291	(5,386,986)	61,633,341
Total capital assets not being depreciated	<u>81,380,171</u>	<u>13,850,979</u>	<u>(5,386,986)</u>	<u>89,844,164</u>
Capitals assets being depreciated:				
Infrastructure	104,650,219	-	5,386,986	110,037,205
Building and renovations	837,964	-	-	837,964
Machinery and equipment	18,472,629	3,866,712	(322,562)	22,016,779
Total capital assets being depreciated	<u>123,960,812</u>	<u>3,866,712</u>	<u>5,064,424</u>	<u>132,891,948</u>
Less accumulated depreciation for:				
Infrastructure	(46,176,626)	(2,577,834)	-	(48,754,460)
Building and renovations	(453,018)	(30,230)	-	(483,248)
Machinery and equipment	(10,972,079)	(1,678,090)	290,121	(12,360,048)
Total accumulated depreciation	<u>(57,601,723)</u>	<u>(4,286,154)</u>	<u>290,121</u>	<u>(61,597,756)</u>
Total capital assets being depreciated, net	<u>66,359,089</u>	<u>(419,442)</u>	<u>5,354,545</u>	<u>71,294,192</u>
Governmental activities capital assets, net	<u>\$ 147,739,260</u>	<u>\$ 13,431,537</u>	<u>\$ (32,441)</u>	<u>\$ 161,138,356</u>

*Depreciation expense totaling \$4,286,154 was charged to the drainage flood control function under governmental activities for the year ended December 31, 2018.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

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, 2014, and 2016 were \$3,645,000, \$65,695,000, \$7,665,000, and \$50,335,000, 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.

Advance Refundings and Defeasances

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, 2018 totaled \$439,183.

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 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, 2018 totaled \$3,659,114.

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 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 was amortized over the term of the bonds. At December 31, 2018, the deferred charges on refunding had been fully amortized.

On August 23, 2018, the District issued Unlimited Tax Refunding Bonds, Taxable Series 2018 in the amount of \$6,095,000 to advance refund \$6,368,680. 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 \$273,680 which will be amortized over the term of the bonds. Deferred charges on refunding at December 31, 2018 totaled \$228,067.

Prior year defeasance of debt

In prior years, the District defeased unlimited tax improvement bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note G. Long-Term Liabilities - Continued

At December 31, 2018, the following defeased bonds remain outstanding:

Description	Refunded Bonds	Maturity
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	\$ 6,368,680	2025-2028

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.

Interest Rate	Issued	Maturity	Original	Outstanding
4.98%	2016	2020	\$ 1,243,079	\$ 584,201

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

Year(s) Ending December 31	Governmental Activities		Total
	Principal	Interest	
2019	\$ 9,925,000	\$ 5,087,826	\$ 15,012,826
2020	10,345,000	4,667,812	15,012,812
2021	8,625,000	4,242,262	12,867,262
2022	9,055,000	3,811,012	12,866,012
2023-2027	46,475,000	12,287,325	58,762,325
2028-2032	29,930,000	3,603,175	33,533,175
2033	5,450,000	177,125	5,627,125
Total	\$ 119,805,000	\$ 33,876,537	\$ 153,681,537

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	Balance January 1, 2018	Additional Obligations and Net Increases	Payments and Net Decreases	Balance December 31, 2018	Amounts Due Within One Year
Bond Series 2008	\$ 3,645,000	\$ -	\$ (3,645,000)	\$ -	\$ -
Bond Series 2013	65,695,000	-	(9,055,000)	56,640,000	1,140,000
Bond Series 2014	7,665,000	-	-	7,665,000	-
Bond Series 2016	50,335,000	-	(930,000)	49,405,000	4,770,000
Bond Series 2017	1,960,000	-	(1,960,000)	-	-
Bond Series 2018	-	6,095,000	-	6,095,000	4,015,000
Bond Premiums	11,175,856	-	(2,266,685)	8,909,171	2,005,720
Note Payable	793,714	-	(209,513)	584,201	220,178
Compensated Absences	255,323	557,144	(410,464)	402,003	33,973
Total	\$ 141,524,893	\$ 6,652,145	\$ (18,476,662)	\$ 129,700,375	\$ 12,184,871

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2018

Note H. Other Post-Employment Benefits (OPEB)

1. Plan Description and Benefits Provided

The District provides healthcare for its employees, retirees, and eligible dependents. Two plans are maintained: The Basic Preferred Provider Organization (PPO) and the Buy Up PPO Plan. Healthcare benefits include medical and prescription drug coverage. The plan is a single-employer, self-funded benefit plan administered by a third-party administrator and the District purchases stop loss insurance for claims that exceed a determined threshold. The District allows retired employees to participate in the Hidalgo County 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. Retirees are eligible to continue their medical insurance coverage.

The District does not have a formal post-employment benefits plan; however, 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, Aetna will terminate 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.

Membership in the plan as of the measurement date of December 31, 2018 was as follows:

Inactive employees currently receiving benefits payments	1
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>135</u>
Total	<u>136</u>

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, 2018 to reflect proper treatment and will disclose the Health Care Benefits for Retired Employees in accordance with GASB No. 75.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2018

Note H. Other Post-Employment Benefits (OPEB) - Continued

2. Funding Policy – Continued

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

3. Actuarial Assumptions

The District's total OPEB liability of \$1,238,214 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2017.

Actuarial assumptions – The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.00%
Salary increases, including inflation:	2.00%
Discount Rate:	3.71%
Prior Year Discount Rate:	3.31%
Healthcare Cost Trend Rates:	

Projection Year 1	Medical Claims	7.00%
Projection Year 2	Medical Claims	7.00%
Projection Year 3	Medical Claims	6.50%
Projection Year 4	Medical Claims	6.00%
Projection Year 5	Medical Claims	5.50%
Projection Year 6+	Medical Claims	7.00%

Mortality: Mortality rates for active employees were based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

Mortality rates for retirees were based on the RPH-2014 Healthy Annuitant Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

The discount rate was based on the 12/31/2018 Fidelity General Obligation AA 20-Year Yield.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note H. Other Post-Employment Benefits (OPEB) - Continued

4. Changes in Total OPEB Liability

Balance as of December 31, 2017 (as restated)	<u>\$ 1,264,318</u>
Changes for the year:	
Service cost	68,022
Interest on total OPEB liability	43,888
Effect on plan changes	6,974
Effect of economic/demographic gains or losses	(132,135)
Changes in assumptions	1,013
Benefit payments	(13,866)
Net changes	<u>(26,104)</u>
Balance as of December 31, 2018	<u><u>\$ 1,238,214</u></u>

5. Sensitivity Analysis

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the District, calculated using the discount rate of 3.71%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.71%) or one percentage point higher (4.71%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>2.71%</u>	<u>3.71%</u>	<u>4.71%</u>
Total OPEB liability	<u>\$ 1,605,969</u>	<u>\$ 1,238,214</u>	<u>\$ 972,664</u>

Sensitivity of the total OPEB liability to changes in the current healthcare cost trend rate – The following presents the total OPEB liability of the District, calculated using the current healthcare cost trend rates, as well as District's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	<u>\$ 940,926</u>	<u>\$ 1,238,214</u>	<u>\$ 972,664</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note H. Other Post-Employment Benefits (OPEB) - Continued

6. OPEB Expense/(Income) and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the District recognized OPEB expense of \$94,174. At December 31, 2018, deferred outflows and inflows of resources related to OPEB were reported from the following sources:

	Deferred Inflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,978	\$ -
Changes of assumptions or other inputs	-	113,258
Differences in actual benefits and proportionate share	868	-
Total Deferred Outflows and Inflows	<u>\$ 6,846</u>	<u>\$ 113,258</u>

Amounts reported and deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized in OPEB expense as follows:

Year ended December 31 ,	
2019	\$ (17,735)
2020	(17,735)
2021	(17,735)
2022	(17,735)
2023	(17,735)
Thereafter	<u>(17,737)</u>
	<u>\$ (106,412)</u>

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.

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 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2018

Note 1. 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, 2018 are as follows:

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	24
Active Employees	144
	<u>223</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 12.57% for calendar year 2018. The contribution rate payable by the employee member is 7.00% 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, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2017 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 2017.

Depositing members:

90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note I. Employee Retirement Benefits - Continued

3. Net Pension Liability – Continued

Service retirees, beneficiaries and non-depositing members:

130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Disabled retirees:

130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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 2018 information for a 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 2017. The following table summarizes the real rate of return for the Drainage District.

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

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometrical Rate of Return ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) In	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFR) Fund of Funds Composite Index	18.00%	4.10%

⁽¹⁾ Target asset allocation adopted at the April 2018 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note I. Employee Retirement Benefits - Continued

3. Net Pension Liability - Continued

The discount rate used to measure the total pension liability was 8.10% at December 31, 2017. 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.

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.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note I. Employee Retirement Benefits - Continued

3. Net Pension Liability - Continued

Changes in Net Pension Liability were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2016	\$ 15,487,767	\$ 13,437,301	\$ 2,050,466
Changes for the year			
Service Cost	820,277	-	820,277
Interest on total pension liability (1)	1,286,524	-	1,286,524
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(488,413)	-	(488,413)
Effect of assumptions changes or inputs	62,184	-	62,184
Refund of contributions	(125,715)	(125,715)	-
Benefit payments	(741,233)	(741,233)	-
Administrative expenses	-	(10,395)	10,395
Member contributions	-	394,685	(394,685)
Net investment income	-	1,965,172	(1,965,172)
Employer contributions	-	708,176	(708,176)
Other (3)	-	3,064	(3,064)
Balances as of December 31, 2017	<u>\$ 16,301,391</u>	<u>\$ 15,631,055</u>	<u>\$ 670,336</u> **

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees

(2) No plan changes valued

(3) Relates to allocation of system-wide items.

**The District's TCDRS actuarial report with a measurement date of December 31, 2017, to be used for audit periods ending January 1, 2018 to December 31, 2018, shows a net pension liability of \$670,336.

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 is 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	\$ 18,272,471	\$ 16,301,391	\$ 14,616,403
Fiduciary net position	15,631,055	15,631,055	15,631,055
Net pension liability/ (asset)	<u>\$ 2,641,416</u>	<u>\$ 670,336</u>	<u>\$ (1,014,652)</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note I. Employee Retirement Benefits - Continued

3. Net Pension Liability - Continued

	January 1, 2017 to December 31, 2017
Pension expense/ (income)	
Service cost	\$ 820,277
Interest on total pension liability ⁽¹⁾	1,286,524
Administrative expenses	10,395
Member contributions	(394,685)
Expected investment return net of investment expenses	(1,097,499)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(108,044)
Recognition of assumption changes or inputs	25,747
Recognition of investment gains or losses	114,672
Other ⁽²⁾	(3,064)
Pension expense/ (income)	<u>\$ 654,322</u>

(1) Reflects the change in liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Related to allocation of system-wide system.

As of December 31, 2017, the deferred inflows and outflows of resources were as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 557,218	\$ 44,776
Changes of assumptions	-	103,890
Net difference between projected and actual earnings	133,485	-
Contributions made subsequent to measurement date	-	780,234
	<u>\$ 690,703</u>	<u>\$ 928,900</u>

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>	
2018	\$ 32,374
2019	(2,752)
2020	(226,650)
2021	(223,230)
2022	(60,890)
Thereafter	(60,889)
	<u>\$ (542,037)</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Note I. Employee Retirement Benefits - Continued

3. Net Pension Liability - Continued

The \$780,234 reported as deferred outflows of resources related to pension resulted from contributions made subsequent to the measurement date and will be recognized as a deduction of the net position liability in the year ended December 31, 2019.

Note J. Deferred Inflows/Outflows of Resources and Unearned Revenues

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:

	Deferred inflows of resources	Unearned revenue	Total
Property taxes (General Fund)	\$ 7,448,346	\$ 12,179,507	\$ 19,627,853
Property taxes (Debt Service Funds)	6,147,387	9,692,943	15,840,330
Property taxes (Special Revenue Fund)	-	35,636	35,636
	<u>\$ 13,595,733</u>	<u>\$ 21,908,086</u>	<u>\$ 35,503,819</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 \$528,884 in 2018.

Annual aggregate limits and deductibles are as follows at December 31, 2018:

	Deductible	Annual Aggregate Limits
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

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 (A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS)
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2018

Note K. Risk Management - Continued

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 Aetna. Payments to the fund totaled \$1,196,677 in 2018.

Note L. 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 M. Reclassification

Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation in the 2018 financial statements.

Note N. Prior Period Adjustment

The implementation of GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pension," resulted in the restatement of beginning net position for removal of the OPEB liability previously recorded under GASB Statement No. 45 and the recording of total OPEB liability

	Governmental Activities
Net Position as of December 31, 2017, as previously reported	\$ 84,175,771
Implementation of GASB 75	(940,922)
Net Position as of December 31, 2017, as restated	<u>\$ 83,234,849</u>

Note O. Subsequent Events

The District has evaluated all events or transactions that occurred after December 31, 2018 through July 1, 2019, the date these financial statements were available to be issued.

On June 18, 2019 the District's Board of Directors approved an order authorizing issuance, sale and delivery of Unlimited Tax Improvement Bonds, Series 2019 in the amount of \$73,845,000.

In January of 2019, the District was notified by a grantor of an overpayment made to the District totaling \$435,739. This amount was a reimbursement received in 2009 for costs associated with repairs for damages from Hurricane Dolly. The District believes these amounts were rightfully reimbursed to the District in 2009 and is contesting the alleged overpayment. Because the resolution of this matter cannot be determined at this time a liability for this amount has not been included in the financial statements.

**REQUIRED SUPPLEMENTAL
INFORMATION**



HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 DECEMBER 31, 2018

EXHIBIT B-1

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 68,022
Interest	43,888
Differences btwn expected and actual experience	6,974
Changes in assumptions or other inputs	(132,135)
Diff in actual benefits and prop. share of benefits	1,013
Benefit payments	<u>(13,866)</u>
Net Change in Total OPEB Liability	<u>(26,104)</u>
Total OPEB Liability - beginning	<u>1,264,318</u>
Total OPEB Liability - end	<u>\$1,238,214</u>
Covered Employee Payroll	5,353,191
Total OPEB Liability as a percentage of covered employee payroll	23.10%

Notes to Schedule:

Changes of Benefit Terms:

None

Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.31%
2018	3.71%

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MEASUREMENT YEARS ENDED DECEMBER 31

EXHIBIT B-2

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 820,277	\$ 756,250	\$ 611,534	\$ 629,877
Interest on total pension liability	1,286,524	1,153,337	1,071,637	980,158
Effect of plan changes	-	-	236,044	-
Effect of assumption changes or input Effect on economic/demographic (gains) or losses	62,184	-	101,178	-
	(488,413)	67,163	(237,892)	(58,898)
Benefit payments/refunds of contributions	(866,948)	(700,255)	(659,497)	(499,815)
Net change in total pension liability	813,624	1,276,495	1,123,004	1,051,322
Total pension liability, beginning	15,487,767	14,211,272	13,088,268	12,036,947
Total pension liability, ending (a)	16,301,391	15,487,767	14,211,272	13,088,269
Fiduciary Net Position				
Employer contributions	708,176	657,951	523,193	493,873
Member contributions	394,685	351,578	301,925	274,156
Investment income net of investment expenses	1,965,172	904,024	(164,681)	751,128
Benefit payments/refunds of contributions	(866,948)	(700,255)	(659,497)	(499,815)
Administrative expenses	(10,395)	(9,827)	(8,801)	(9,031)
Other	3,064	47,881	(28,176)	(17,296)
Net change in fiduciary net position	2,193,754	1,251,352	(36,037)	1,027,607
Fiduciary net position, beginning	13,437,301	12,185,949	12,221,987	11,194,380
Fiduciary net position, ending (b)	15,631,055	13,437,301	12,185,950	12,221,987
Net pension liability/ (asset), ending = (a)-(b)	\$ 670,336	\$ 2,050,466	\$ 2,025,322	\$ 866,282
Fiduciary net position as a % of total pension liability	95.89%	86.76%	85.75%	93.38%
Pensionable covered payroll	\$ 5,638,364	\$ 5,022,541	\$ 4,313,210	\$ 3,916,520
Net pension liability as a % of covered payroll	11.89%	40.83%	46.96%	22.12%

Note: This schedule should present 10 years. Since GASB 68 implementation forward. 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	Actuarially	Actual Employer	Contribution	Pensionable	Actual
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%
2018	780,237	780,237	-	6,207,174	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	12.3 years (based on contribution rate calculated in 12/31/2017 valuation)
Assets Valuation Method	5-year smoothed market
Inflation	2.75%
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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule*	2015: No changes in plan provisions were reflected in the Schedule 2016: Employer contributions reflect that a 100% CPI COLA was adopted. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017

*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, 2018

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, Sullivan City, 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, 2018

EXHIBIT TSI-2

Personnel Expenditures (including benefits) *	\$ 8,997,828
Professional Fees:	
Auditing	114,000
Legal	113,994
Engineering	437,695
Contracted Services:	
Appraisal district	316,237
Hidalgo County Tax Assessor Collector	328,537
Hidalgo County Elections Department	90,000
Utilities	31,533
Repairs and Maintenance	1,380,829
Administrative Expenditures:	
Office supplies	38,537
Insurance	191,976
Capital Outlay:	
Acquisition of fixed assets	6,293,470
Aid to other governments	8,590
Other Expenditures	<u>1,537,818</u>
TOTAL EXPENDITURES	<u><u>\$ 19,881,044</u></u>

*Number of full-time persons employed by the District:164

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, 2018

EXHIBIT TSI-4
 Continued

	Maintenance Taxes	Debt Service Taxes
	<u> </u>	<u> </u>
Property taxes receivable, beginning of year	\$ 1,486,173	\$ 2,440,650
2017 original tax levy (less abatements)	16,594,576	14,842,559
Adjustments for 2017 original tax levy modifications	87,580	78,333
Adjustments for rollbacks and refunds	<u>(32,807)</u>	<u>(22,380)</u>
Total to be accounted for	<u>18,135,522</u>	<u>17,339,162</u>
Tax collections:		
Current	16,074,003	14,376,947
Prior years	<u>557,655</u>	<u>498,779</u>
Total collections	<u>16,631,658</u>	<u>14,875,726</u>
Property taxes receivable, end of year	<u>\$ 1,503,864</u>	<u>\$ 2,463,436</u>
Property taxes receivable by years		
2017	\$ 605,723	\$ 547,772
2016	348,491	319,684
2015	228,784	223,552
2014 and prior	<u>320,866</u>	<u>1,378,428</u>
Property taxes receivable, end of year	<u>\$ 1,503,864</u>	<u>\$ 2,469,436</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
 SCHEDULE OF TAXES LEVIED AND RECEIVABLE
 YEAR ENDED DECEMBER 31, 2018

EXHIBIT TSI-4
 Continued

	Tax Levy			
	2017	2016	2015	2014
Property Valuations:				
Land and improvements	\$ 34,431,841,421	\$ 32,820,284,532	\$ 31,048,714,118	\$ 29,494,456,171
Minerals	2,824,156,723	2,864,754,468	2,772,728,201	2,602,412,309
Personal property	4,247,169,939	4,268,801,753	4,110,446,598	3,126,311,610
Total property valuations	<u>\$ 41,503,168,083</u>	<u>\$ 39,953,840,753</u>	<u>\$ 37,931,888,917</u>	<u>\$ 35,223,180,090</u>
Tax Rates Per \$100 Valuation:				
Debt service tax rates	0.0449	0.0455	0.0470	0.0491
Maintenance tax rates	<u>0.0502</u>	<u>0.0496</u>	<u>0.0481</u>	<u>0.0466</u>
Total tax rates per \$100 valuation	<u>0.0951</u>	<u>0.0951</u>	<u>0.0951</u>	<u>0.0957</u>
Original tax levy	<u>\$ 31,810,341</u>	<u>\$ 30,232,354</u>	<u>\$ 28,458,055</u>	<u>\$ 26,632,748</u>
Percent of taxes collected to tax levied at December 31, 2017:	<u>97%</u>	<u>96%</u>	<u>98%</u>	<u>98%</u>

Tax rate for any other special district which (a) encompasses less than a county, (b) provides water, wastewater collection 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, 2018

EXHIBIT TSI-4
 Concluded

The following represents the 2018 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>	.6079
c. School district(s):	<u>Average of 15 school districts within Drainage District</u>	1.3218
d. Special district(s) not included above:		
	<u>South Texas College</u>	.1780
	<u>South Texas I.S.D.</u>	.0492
e. Total District:		.0951
	Total Overlapping Tax Rate	<u>\$ 2.8320</u>

**HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
DECEMBER 31, 2018**

EXHIBIT TSI-5

Schedule of Long-Term Requirements

This schedule is omitted because information is provided in the statistical section on Exhibits E20-E23.

**HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF CHANGES IN LONG-TERM BONDED DEBT
DECEMBER 31, 2018**

EXHIBIT TSI-6

Schedule of Changes in Long-Term Bonded Debt

This schedule is omitted because information is provided in the statistical section on Exhibit E16.

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

	A M O U N T S				
	2018	2017	2016	2015	2014
GENERAL FUND					
REVENUES					
Property taxes	\$ 17,061,776	\$ 15,967,104	\$ 14,505,100	\$ 13,470,638	\$ 12,452,851
Operating grants and contributions	-	-	-	5,599,008	-
Charges for services	60,693	61,000	57,607	61,590	48,000
Interest	622,391	339,244	212,766	87,290	41,915
Intergovernmental	173,566	13,494	204,710	-	-
Miscellaneous	77,450	131,728	321,257	768,736	-
Total revenues	17,995,876	16,512,570	15,301,440	19,987,262	12,542,766
EXPENDITURES					
Professional fees	665,689	636,900	2,135,655	762,215	306,782
Contracted services	734,774	303,293	327,267	314,690	459,823
Payroll	8,997,828	8,127,830	7,117,860	6,074,927	5,513,415
Utilities	31,533	28,497	31,846	48,568	41,071
Materials and supplies	230,513	594,719	555,609	472,665	396,496
Repairs and maintenance	1,380,829	1,202,051	1,416,022	1,031,982	802,859
Aid to other governments	8,590	71,250	1,200	-	-
Other expenditures	1,537,818	1,273,032	1,237,457	885,702	1,111,906
Capital outlay	6,293,470	1,232,446	4,370,550	5,169,356	2,025,336
Total expenditures	19,881,044	13,470,018	17,193,466	14,760,105	10,657,688
Excess (deficiency) revenues over (under) expenditures	(1,885,168)	3,042,552	(1,892,026)	5,227,157	1,885,078
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	38,304	211,442	203,933	-	47,996
Capital lease proceeds	-	-	-	-	-
Installment note	-	-	1,243,079	-	406,980
Interfund transfers in	-	-	-	-	-
Interfund transfers out	(1,850,000)	(2,650,000)	(383,630)	(145,959)	(145,959)
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ (3,696,864)</u>	<u>\$ 603,994</u>	<u>\$ (828,644)</u>	<u>\$ 5,081,198</u>	<u>\$ 2,194,095</u>
DEBT SERVICE FUND					
REVENUES:					
Property taxes	\$ 15,260,434	\$ 14,647,242	\$ 14,603,943	\$ 14,193,312	\$ 14,072,131
Penalty, interest and other	-	-	-	-	-
Interest	98,386	23,102	6,018	5,315	-
Total revenues	15,358,820	14,670,344	14,609,961	14,198,627	14,072,131
EXPENDITURES:					
Debt services, interest and principal	15,267,557	15,061,158	14,857,000	13,999,852	14,153,361
Total expenditures	15,267,557	15,061,158	14,857,000	13,999,852	14,153,361
Excess (deficiency) revenues over (under) expenditures	91,263	(390,814)	(247,039)	198,775	(81,230)
OTHER FINANCING SOURCES					
Interfund transfers in	625,000	250,000	383,630	145,959	294,700
Interfund transfers out	(375,000)	-	-	-	-
Bond proceeds	6,095,000	1,960,000	-	-	-
Bond premium	-	56,605	-	-	-
Payment to refunded bond escrow agent	(6,368,680)	(1,955,083)	666,845	-	-
Excess of revenues over expenditures and other financing sources	<u>\$ 67,583</u>	<u>\$ (79,292)</u>	<u>\$ 803,436</u>	<u>\$ 344,734</u>	<u>\$ 213,470</u>
TOTAL ACTIVE RETAIL, WATER AND/OR WASTEWATER CONNECTIONS					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PERCENT OF FUND TOTAL REVENUES					
2018	2017	2016	2015	2014	
94.81	96.70	94.80	67.40	99.28	
-	-	-	28.01	-	
0.34	0.37	0.38	0.31	0.38	
3.46	2.05	1.39	0.44	0.33	
0.96	0.08	1.34	-	-	
0.43	0.80	2.10	3.85	-	
<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	
3.70	3.86	13.96	3.81	2.45	
4.08	1.84	2.14	1.57	3.67	
50.00	49.22	46.52	30.39	43.96	
0.18	0.17	0.21	0.24	0.33	
1.28	3.60	3.63	2.36	3.16	
7.67	7.28	9.25	5.16	6.40	
0.05	0.43	0.01	-	-	
8.55	7.71	8.09	4.43	8.86	
34.97	7.46	28.56	25.86	16.15	
<u>110.48</u>	<u>81.57</u>	<u>112.37</u>	<u>73.85</u>	<u>84.97</u>	
(10.48)	18.43	(12.37)	26.15	15.03	
0.21	1.28	1.33	-	0.38	
-	-	-	-	-	
-	-	8.12	-	3.24	
-	-	-	-	-	
<u>(10.28)</u>	<u>(16.05)</u>	<u>(2.51)</u>	<u>(0.73)</u>	<u>(1.16)</u>	
<u>(20.55)</u>	<u>3.66</u>	<u>(5.42)</u>	<u>25.42</u>	<u>17.49</u>	
99.36	99.84	99.96	99.96	100.00	
-	-	-	-	-	
0.64	0.16	0.04	0.04	-	
<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	
99.40	102.66	101.69	98.60	100.58	
<u>99.40</u>	<u>102.66</u>	<u>101.69</u>	<u>98.60</u>	<u>100.58</u>	
0.59	(2.66)	(1.69)	1.40	(0.58)	
(2.44)	1.70	2.63	1.03	2.09	
4.07	-	-	-	-	
39.68	13.36	-	-	-	
-	0.39	-	-	-	
<u>(41.47)</u>	<u>(13.33)</u>	<u>4.56</u>	<u>-</u>	<u>-</u>	
<u>0.44</u>	<u>(0.54)</u>	<u>5.50</u>	<u>2.43</u>	<u>1.52</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, 2018

EXHIBIT 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>Expense</u>	<u>Title at</u>	<u>Resident of</u>
		<u>12/31/18</u>	<u>Reimbursements</u>	<u>Year End</u>	<u>District</u>
			<u>FYE 12/31/18</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. Suite 101 Weslaco, TX 78599	(Elected) 01/01/17	\$ -	\$ 1,800	Director	Yes
Eduardo "Eddie" Cantu 300 W. Hall Acres Suite G 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, 2018

EXHIBIT TSI-8
 Concluded

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

District Business Telephone Number: (956) 292-7080

Name and Address		Expense		Title at Year End
		Fees 12/31/18	Reimbursements FYE 12/31/18	
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	\$ 328,537	\$ -	County Tax Assessor/ Collector
Atlas Hall & Rodriguez, LLP PO Box 3725 McAllen, TX 78502	March 1966	\$ 25,650	\$ -	Attorneys
Jones Galligan Key & Lozano, LLP 2300 W Pike Blvd Suite#300 Weslaco, TX 78596	09/4/2018	\$ 37,293	\$ -	Attorneys
The J Ramirez Law Firm 700 N Veterans Blvd B San Juan, TX 78539	-	\$ 4,883	\$ -	Bond Counsel
Blanchard Law Firm 8000 IH-10 West Suite 1500 San Antonio, TX 78230	-	\$ 19,543	\$ -	Attorney
Burton McCumber & Longoria, LLP 205 Pecan Boulevard McAllen, TX 78501	10/31/17	\$ 114,000	\$ -	Independent Auditors
Hidalgo County Appraisal District 4405 Professional Drive Edinburg, TX 78539	-	\$ 316,237	\$ -	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, 2018

EXHIBIT C-1

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS				
Cash and cash equivalents	\$ 369,590	\$ 1,296,115	\$ 3,489,855	\$ 5,155,560
Receivables (net of allowance for uncollectibles)				
Property taxes	-	440,305	-	440,305
Due from other governments	28,971	-	-	28,971
Due from other funds	-	121,439	-	121,439
Total assets	<u>\$ 398,561</u>	<u>\$ 1,857,859</u>	<u>\$ 3,489,855</u>	<u>\$ 5,746,275</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,060	\$ -	\$ 322,403	\$ 337,463
Due to other governments	347,865	-	-	347,865
Due to other funds	-	-	8,639	8,639
Unearned revenue	35,636	440,304	-	475,940
Total liabilities	<u>398,561</u>	<u>440,304</u>	<u>331,042</u>	<u>1,169,907</u>
Deferred inflows of resources:				
Unavailable revenue- property taxes	-	120,434	-	120,434
Total deferred inflows of resources	<u>-</u>	<u>120,434</u>	<u>-</u>	<u>120,434</u>
Fund Balances:				
Restricted:				
Special revenue	-	-	-	-
Capital projects	-	-	3,158,813	3,158,813
Debt service	-	1,297,121	-	1,297,121
Total fund balances	<u>-</u>	<u>1,297,121</u>	<u>3,158,813</u>	<u>4,455,934</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 398,561</u>	<u>\$ 1,857,859</u>	<u>\$ 3,489,855</u>	<u>\$ 5,746,275</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, 2018

EXHIBIT C-2

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES				
Property taxes	\$ -	\$ 4,151,998	\$ -	\$ 4,151,998
Interest	-	40,099	92,556	132,655
Total revenues	<u>-</u>	<u>4,192,097</u>	<u>92,556</u>	<u>4,284,653</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	-	3,854,513	-	3,854,513
Interest	-	483,650	-	483,650
Fiscal agent fees	-	1,300	-	1,300
Capital Outlay:				
Drainage flood control	-	-	1,449,664	1,449,664
Total expenditures	<u>-</u>	<u>4,339,463</u>	<u>1,449,664</u>	<u>5,789,127</u>
Excess (deficiency) of revenues over (under) expenditures	-	(147,366)	(1,357,108)	(1,504,474)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	250,000	-	250,000
Total other financing sources (uses)	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Net change in fund balances	-	102,634	(1,357,108)	(1,254,474)
Fund balances at beginning of year	-	1,194,487	4,515,921	5,710,408
Fund balances at the end of year	<u>\$ -</u>	<u>\$ 1,297,121</u>	<u>\$ 3,158,813</u>	<u>\$ 4,455,934</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, 2018

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, 2018

EXHIBIT D-1

	DHS Levee Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS		
Cash and cash equivalents	\$ 369,590	\$ 369,590
Due from other governments	28,971	28,971
Total assets	<u>\$ 398,561</u>	<u>\$ 398,561</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 15,060	\$ 15,060
Due to other governments	347,865	347,865
Unearned revenue	35,636	35,636
Total liabilities	<u>398,561</u>	<u>398,561</u>
Deferred inflows of resources:		
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Fund balances:		
Restricted:		
Special revenue	-	-
Total fund balances	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 398,561</u>	<u>\$ 398,561</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, 2018

EXHIBIT D-2

	DHS Levee Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES		
Interest	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
EXPENDITURES		
Total expenditures	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-
OTHER FINANCING SOURCES (USES):		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	-	-
Fund balances at beginning of year	-	-
Fund balances at the end of year	<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, 2018

MAJOR:

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.

2018 Refunding Bonds Debt Service Fund

This fund accounts for the payment of principal and interest on refunding bonds issued in 2018 in the amount of \$6,095,000. The bonds were issued for the purpose of refunding a portion of the Unlimited Tax Improvement Bond Series 2013.

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, 2018, the District had one note outstanding.

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.

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, 2018

EXHIBIT D-3

	Debt Service Fund	2008 Bond Series	2014 Refunding Bonds	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,098,304	\$ 197,811	\$ 1,296,115
Receivables (net of allowance for uncollectibles)				
Property taxes	-	247,322	192,983	440,305
Due from other funds	-	931	120,508	121,439
Total assets	\$ -	\$ 1,346,557	\$ 511,302	\$ 1,857,859
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Unearned revenue	\$ -	\$ 247,322	\$ 192,982	\$ 440,304
Total liabilities	-	247,322	192,982	440,304
Deferred inflows of resources:				
Unavailable revenues- property taxes	-	-	120,434	120,434
Total deferred inflows of resources	-	-	120,434	120,434
Fund balances:				
Restricted:				
Debt service	-	1,099,235	197,886	1,297,121
Total fund balances	-	1,099,235	197,886	1,297,121
Total liabilities, deferred inflows and fund balances	\$ -	\$ 1,346,557	\$ 511,302	\$ 1,857,859

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, 2018

EXHIBIT D-4

	Debt Service Fund	2008 Bond Series	2014 Refunding Bonds	Total Nonmajor Debt Service Funds (See Exhibit C-2)
REVENUES				
Property taxes	\$ -	\$ 3,848,001	\$ 303,997	\$ 4,151,998
Interest	-	37,137	2,962	40,099
Total revenues	<u>-</u>	<u>3,885,138</u>	<u>306,959</u>	<u>4,192,097</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	209,513	3,645,000	-	3,854,513
Interest	40,487	145,800	297,363	483,650
Fiscal agent fees	-	400	900	1,300
Total expenditures	<u>250,000</u>	<u>3,791,200</u>	<u>298,263</u>	<u>4,339,463</u>
Excess (deficiency) of revenues over (under) expenditures	(250,000)	93,938	8,696	(147,366)
OTHER FINANCING SOURCES (USES):				
Transfers in	250,000	-	-	250,000
Total other financing sources (uses)	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Net change in fund balances	-	93,938	8,696	102,634
Fund balances at beginning of year	-	1,005,297	189,190	1,194,487
Fund balances at the end of year	<u>\$ -</u>	<u>\$ 1,099,235</u>	<u>\$ 197,886</u>	<u>\$ 1,297,121</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
Debt Service:				
Principal	209,513	209,513	209,513	-
Interest	40,487	40,487	40,487	-
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(250,000)	(250,000)	(250,000)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	250,000	-
Total other financing sources (uses)	<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	-	-	-	-
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
NONMAJOR DEBT SERVICE FUND
2008 BOND SERIES
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,710,370	\$ 3,710,370	\$ 3,848,001	\$ 137,631
Interest	3,281	3,281	37,137	33,856
Total revenues	<u>3,713,651</u>	<u>3,713,651</u>	<u>3,885,138</u>	<u>171,487</u>
EXPENDITURES				
Current:				
Debt Service:				
Principal	3,645,000	3,645,000	3,645,000	-
Interest	145,800	145,800	145,800	-
Fiscal agent fees	-	-	400	(400)
Total expenditures	<u>3,790,800</u>	<u>3,790,800</u>	<u>3,791,200</u>	<u>(400)</u>
Excess (deficiency) of revenues over (under) expenditures	(77,149)	(77,149)	93,938	171,087
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(77,149)	(77,149)	93,938	171,087
Fund balance at beginning of year	1,005,297	1,005,297	1,005,297	-
Fund balance at the end of year	<u>\$ 928,148</u>	<u>\$ 928,148</u>	<u>\$ 1,099,235</u>	<u>\$ 171,087</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
2014 REFUNDING BONDS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT D-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 291,067	\$ 291,067	\$ 303,997	\$ 12,930
Interest	257	257	2,962	2,705
Total revenues	<u>291,324</u>	<u>291,324</u>	<u>306,959</u>	<u>15,635</u>
EXPENDITURES				
Current:				
Debt Service:				
Interest	297,363	297,363	297,363	-
Fiscal agent fees	-	-	900	(900)
Total expenditures	<u>297,363</u>	<u>297,363</u>	<u>298,263</u>	<u>(900)</u>
Excess (deficiency) of revenues over (under) expenditures	(6,039)	(6,039)	8,696	14,735
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(6,039)	(6,039)	8,696	14,735
Fund balance at beginning of year	189,190	189,190	189,190	-
Fund balance at the end of year	<u>\$ 183,151</u>	<u>\$ 183,151</u>	<u>\$ 197,886</u>	<u>\$ 14,735</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND
2013 BOND SERIES DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT D-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 5,384,740	\$ 5,384,740	\$ 5,586,954	\$ 202,214
Interest	4,762	4,762	33,176	28,414
Total revenues	<u>5,389,502</u>	<u>5,389,502</u>	<u>5,620,130</u>	<u>230,628</u>
EXPENDITURES				
Current:				
Debt Service:				
Principal	2,960,000	2,960,000	2,960,000	-
Interest	2,540,719	2,540,719	2,436,284	104,435
Fiscal agent fees	450	450	450	-
Total expenditures	<u>5,501,169</u>	<u>5,501,169</u>	<u>5,396,734</u>	<u>104,435</u>
Excess (deficiency) of revenues over (under) expenditures	(111,667)	(111,667)	223,396	335,063
OTHER FINANCING SOURCES (USES)				
Transfers out	(375,000)	(375,000)	(375,000)	-
Total other financing sources (uses)	<u>(375,000)</u>	<u>(375,000)</u>	<u>(375,000)</u>	<u>-</u>
Net change in fund balance	(486,667)	(486,667)	(151,604)	335,063
Fund balance at beginning of year	1,297,536	1,297,536	1,297,536	-
Fund balance at the end of year	<u>\$ 810,869</u>	<u>\$ 810,869</u>	<u>1,145,932</u>	<u>\$ 335,063</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND
2016 REFUNDING BONDS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT D-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,314,930	\$ 3,314,930	\$ 5,521,482	\$ 2,206,552
Interest	2,932	2,932	25,111	22,179
Total revenues	<u>3,317,862</u>	<u>3,317,862</u>	<u>5,546,593</u>	<u>2,228,731</u>
EXPENDITURES				
Current:				
Debt Service:				
Principal	930,000	930,000	2,890,000	(1,960,000)
Interest	2,457,350	2,457,350	2,541,361	(84,011)
Total expenditures	<u>3,387,350</u>	<u>3,387,350</u>	<u>5,431,361</u>	<u>(2,044,011)</u>
Excess (deficiency) of revenues over (under) expenditures	(69,488)	(69,488)	115,232	184,720
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(69,488)	(69,488)	115,232	184,720
Fund balance at beginning of year	693,436	693,436	693,436	-
Fund balance at the end of year	<u>\$ 623,948</u>	<u>\$ 623,948</u>	<u>\$ 808,668</u>	<u>\$ 184,720</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND
2018 REFUNDING BONDS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT D-10

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
Debt Service:				
Bond issuance costs	-	-	100,000	(100,000)
Advanced refunding escrow	-	-	373,680	(373,680)
Total expenditures	<u>-</u>	<u>-</u>	<u>473,680</u>	<u>(473,680)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(473,680)	(473,680)
OTHER FINANCING SOURCES (USES)				
Transfers in	375,000	375,000	375,000	-
Issuance of debt	-	-	6,095,000	6,095,000
Refunding escrow deposit	-	-	(5,995,000)	(5,995,000)
Total other financing sources (uses)	<u>375,000</u>	<u>375,000</u>	<u>475,000</u>	<u>100,000</u>
Net change in fund balance	375,000	375,000	1,320	(373,680)
Fund balance at beginning of year	-	-	-	-
Fund balance at the end of year	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 1,320</u>	<u>\$ (373,680)</u>

CAPITAL PROJECTS FUNDS

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

Capital Projects Funds

December 31, 2018

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.

2013 Bonds Series Capital Project Fund

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:

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, 2018

EXHIBIT D-11

	2008 Bond Series	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS		
Cash and cash equivalents	\$ 3,489,855	\$ 3,489,855
Total assets	<u>\$ 3,489,855</u>	<u>\$ 3,489,855</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 322,403	\$ 322,403
Due to other funds	8,639	8,639
Total liabilities	<u>331,042</u>	<u>331,042</u>
Deferred inflows of resources:		
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Fund balances:		
Restricted:		
Capital projects	3,158,813	3,158,813
Total fund balances	<u>3,158,813</u>	<u>3,158,813</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,489,855</u>	<u>\$ 3,489,855</u>

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, 2018

EXHIBIT D-12

	2008 Bond Series	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
REVENUES		
Interest	\$ 92,556	\$ 92,556
Total revenues	<u>92,556</u>	<u>92,556</u>
EXPENDITURES		
Capital Outlay:		
Drainage flood control	1,449,664	1,449,664
Total expenditures	<u>1,449,664</u>	<u>1,449,664</u>
Excess (deficiency) of revenues over (under) expenditures	(1,357,108)	(1,357,108)
OTHER FINANCING SOURCES (USES):		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	(1,357,108)	(1,357,108)
Fund balances at beginning of year	4,515,921	4,515,921
Fund balances at the end of year	<u>\$ 3,158,813</u>	<u>\$ 3,158,813</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECT FUND
2008 BOND SERIES
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT D-13

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 92,556	\$ 92,556
Total revenues	<u>-</u>	<u>-</u>	<u>92,556</u>	<u>92,556</u>
EXPENDITURES				
Capital Outlay:				
Drainage flood control	-	4,199,893	1,449,664	2,750,229
Total expenditures	<u>-</u>	<u>4,199,893</u>	<u>1,449,664</u>	<u>2,750,229</u>
Excess (deficiency) of revenues over (under) expenditures	-	(4,199,893)	(1,357,108)	2,842,785
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(4,199,893)	(1,357,108)	2,842,785
Fund balance at beginning of year	4,515,921	4,515,921	4,515,921	-
Fund balance at the end of year	<u>\$ 4,515,921</u>	<u>\$ 316,028</u>	<u>\$ 3,158,813</u>	<u>\$ 2,842,785</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
MAJOR CAPITAL PROJECT FUND
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

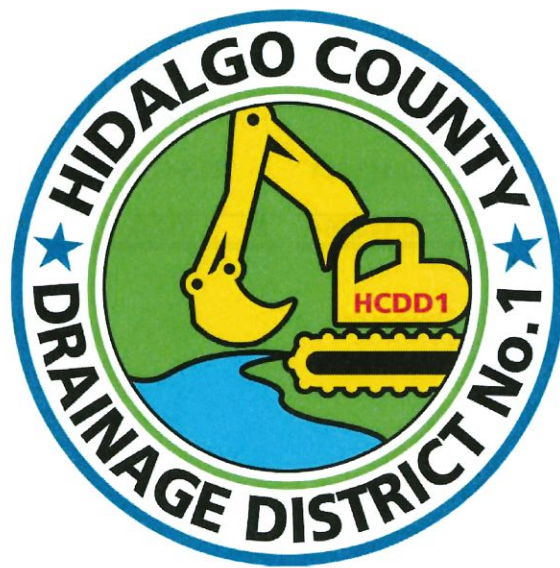
EXHIBIT D-14

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 91,227	\$ 91,227
Intergovernmental	-	-	4,500,000	4,500,000
Total revenues	<u>-</u>	<u>-</u>	<u>4,591,227</u>	<u>4,591,227</u>
EXPENDITURES				
Capital Outlay:				
General government	400,000	2,917,202	2,548,985	368,217
Drainage flood control	-	805,338	1,122,381	(317,043)
Total expenditures	<u>400,000</u>	<u>3,722,540</u>	<u>3,671,366</u>	<u>51,174</u>
Excess (deficiency) of revenues over (under) expenditures	(400,000)	(3,722,540)	919,861	4,642,401
OTHER FINANCING SOURCES (USES)				
Transfers in	400,000	1,200,000	1,600,000	400,000
Total other financing sources (uses)	<u>400,000</u>	<u>1,200,000</u>	<u>1,600,000</u>	<u>400,000</u>
Net change in fund balance	-	(2,522,540)	2,519,861	5,042,401
Fund balance at beginning of year	3,122,955	3,122,955	3,122,955	-
Fund balance at the end of year	<u>\$ 3,122,955</u>	<u>\$ 600,415</u>	<u>\$ 5,642,816</u>	<u>\$ 5,042,401</u>

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
MAJOR CAPITAL PROJECT FUND
2013 BOND SERIES CAPITAL PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT D-15

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 315,706	\$ 315,706
Total revenues	<u>-</u>	<u>-</u>	<u>315,706</u>	<u>315,706</u>
EXPENDITURES				
Capital Outlay:				
Drainage flood control	-	30,130,996	6,320,044	23,810,952
Total expenditures	<u>-</u>	<u>30,130,996</u>	<u>6,320,044</u>	<u>23,810,952</u>
Excess (deficiency) of revenues over (under) expenditures	-	(30,130,996)	(6,004,338)	24,126,658
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(30,130,996)	(6,004,338)	24,126,658
Fund balance at beginning of year	30,443,664	30,443,664	30,443,664	-
Fund balance at the end of year	<u>\$ 30,443,664</u>	<u>\$ 312,668</u>	<u>24,439,326</u>	<u>\$ 24,126,658</u>



STATISTICAL SECTION
(UNAUDITED)

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

Statistical Section

December 31, 2018

This section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. This information has not been audited by the independent auditor.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the District's financial performance changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issued additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and the activities it performs.

OTHER INFORMATION

These schedules contain information that although is not require, but is presented to help the reader obtain additional insights into District's activities and finances



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

	Fiscal Year			
	2018	2017	2016	2015
Governmental activities:				
Net investment in capital assets	\$ 113,921,907	\$ 114,714,651	\$ 110,770,579	\$ 97,975,178
Restricted for:				
Special revenue				
Legislative (1)	-	-	-	-
Grants (1)	-	-	2,054	426
Debt service	9,400,427	7,735,745	4,627,610	10,090,911
Capital projects	-	-	-	-
Unrestricted	(23,093,462)	(38,274,625)	(43,000,052)	(46,575,802)
Subtotal governmental activities net position	<u>\$ 100,228,872</u>	<u>\$ 84,175,771</u>	<u>\$ 72,400,191</u>	<u>\$ 61,490,713</u>
% change from prior year	19.1%	16.3%	17.7%	35.9%
Business-type activities:				
Net investment in capital	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Enterprise - bond covenant	-	-	-	-
Unrestricted	-	-	-	-
Subtotal business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
% change from prior year				
Primary government:				
Net investment in capital assets	\$ 113,921,907	\$ 114,714,651	\$ 110,770,579	\$ 97,975,178
Restricted for:				
Special revenue				
Legislative (1)	-	-	-	-
Grants (1)	-	-	2,054	426
Debt service	9,400,427	7,735,745	4,627,610	10,090,911
Capital projects	-	-	-	-
Unrestricted	(23,093,462)	(38,274,625)	(43,000,052)	(46,575,802)
Total primary government net position (2)	<u>\$ 100,228,872</u>	<u>\$ 84,175,771</u>	<u>\$ 72,400,191</u>	<u>\$ 61,490,713</u>
% change from prior year	19.1%	16.3%	17.7%	35.9%

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

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

EXHIBIT E-1

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 91,597,072	\$ 85,320,293	\$ 77,988,528	\$ 74,059,808	\$ 72,054,337	\$ 66,161,398
-	-	-	-	-	-
-	-	2,365,838	2,365,838	2,365,838	2,433,258
5,204,351	5,765,558	4,910,882	4,525,122	4,111,222	3,084,305
-	-	-	1,119,332	761,184	2,328,918
(51,538,613)	(54,538,387)	(54,519,000)	(56,303,976)	(59,619,843)	(60,907,980)
<u>\$ 45,262,810</u>	<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>
23.8%	18.9%	19.3%	31.0%	50.2%	-62.8%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\$ 91,597,072	\$ 85,320,293	\$ 77,988,528	\$ 74,059,808	\$ 72,054,337	\$ 66,161,398
-	-	-	-	-	-
-	-	2,365,838	2,365,838	2,365,838	2,433,258
5,204,351	5,765,558	4,910,882	4,525,122	4,111,222	3,084,305
-	-	-	1,119,332	761,184	2,328,918
(51,538,613)	(54,538,387)	(54,519,000)	(56,303,976)	(59,619,843)	(60,907,980)
<u>\$ 45,262,810</u>	<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>
23.8%	18.9%	19.3%	31.0%	50.2%	-62.8%

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

	Fiscal Year			
	2018	2017	2016	2015
Expenses				
<i>Governmental activities:</i>				
General government	\$ 2,693,067	\$ 6,571,100	\$ 5,940,806	\$ 2,867,683
Drainage flood control	15,398,590	8,201,939	10,816,262	9,228,802
Interest on long-term debt	4,120,104	5,940,055	5,068,698	6,609,352
Total governmental activities expenses	<u>22,211,761</u>	<u>20,713,094</u>	<u>21,825,766</u>	<u>18,705,837</u>
<i>Business-type activities:</i>				
Total business-type activities expenses	-	-	-	-
Total primary government expenses	<u>22,211,761</u>	<u>20,713,094</u>	<u>21,825,766</u>	<u>18,705,837</u>
Program revenues				
<i>Governmental activities:</i>				
Charges for services				
General government				
Sanitation				
Drainage flood control	60,693	61,000	57,607	61,590
Operating grants and contributions	4,673,566	571,191	-	5,599,008
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>4,734,259</u>	<u>632,191</u>	<u>57,607</u>	<u>5,660,598</u>
<i>Business-type activities:</i>				
Charges for services				
Drainage Review Fees	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	-	-	-	-
Total primary government program revenues	<u>4,734,259</u>	<u>632,191</u>	<u>57,607</u>	<u>5,660,598</u>
Net (expenses) revenues				
<i>Governmental activities</i>	(17,477,502)	(20,080,903)	(21,768,159)	(13,045,239)
<i>Business-type activities</i>	-	-	-	-
Total primary government net expenses	<u>\$ (17,477,502)</u>	<u>\$ (20,080,903)</u>	<u>\$ (21,768,159)</u>	<u>\$ (13,045,239)</u>

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

		Fiscal Year									
		2014	2013	2012	2011	2010	2009				
\$	2,453,673	\$	1,647,613	\$	1,364,679	\$	1,497,873	\$	1,637,935	\$	1,573,271
	8,824,915		13,901,545		10,169,321		10,882,410		15,257,530		109,278,599
	8,228,021		4,056,632		4,196,582		4,316,719		1,154,531		1,190,756
	19,506,609		19,605,790		15,730,582		16,697,002		18,049,996		112,042,626
	-		-		-		-		-		-
	19,506,609		19,605,790		15,730,582		16,697,002		18,049,996		112,042,626
	48,000		37,250		48,750		39,750		33,668		38,250
	-		-		-		1,258,494		3,782,780		66,351,679
	-		-		-		-		-		-
	48,000		37,250		48,750		1,298,244		3,816,448		66,389,929
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	48,000		37,250		48,750		1,298,244		3,816,448		66,389,929
	(19,458,609)		(19,568,540)		(15,681,832)		(15,398,758)		(14,233,548)		(45,652,697)
	-		-		-		-		-		-
\$	(19,458,609)	\$	(19,568,540)	\$	(15,681,832)	\$	(15,398,758)	\$	(14,233,548)	\$	(45,652,697)

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

	Fiscal Year			
	2018	2017	2016	2015
General Revenues and Other Changes in Net Position				
<i>Governmental activities:</i>				
Taxes:				
Property taxes	\$ 32,353,117	\$ 30,504,959	\$ 28,757,262	\$ 27,956,826
Unrestricted grants and contributions	-	-	-	-
Interest earnings	1,220,266	778,435	491,532	277,365
Penalty and Interest	814,826	761,869	767,511	795,286
Miscellaneous	77,450	131,728	-	-
Other	-	(309,313)	1,564,336	768,736
Gain on sale of capital assets	5,866	(11,195)	(7,421)	-
Transfers	-	-	-	-
Total governmental activities	34,471,525	31,856,483	31,573,220	29,798,213
<i>Business-type activities:</i>				
Interest earnings				
Gain on sale of capital assets				
Total business-type activities	-	-	-	-
Total primary government	34,471,525	31,856,483	31,573,220	29,798,213
Change in net position				
<i>Governmental activities</i>	16,994,023	11,775,580	9,805,061	16,752,974
<i>Business-type activities</i>	-	-	-	-
Total primary government (1)	\$ 16,994,023	\$ 11,775,580	\$ 9,805,061	\$ 16,752,974

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

EXHIBIT E-2
Concluded

		Fiscal Year									
		2014	2013	2012	2011	2010	2009				
\$	25,725,175	\$	22,478,956	\$	19,472,113	\$	19,016,632	\$	19,102,838	\$	17,608,488
	-		-		-		-		-		-
	199,126		111,228		72,847		46,863		63,581		335,428
	769,180		677,199		662,844		677,987		664,671		585,307
	-		741,694		400,646		1,750,662		924,685		4,962,806
	-		-		-		-		-		-
	30,046		100,294		10,258		-		50,612		41,105
	1,024,261		2,650,879		-		-		-		-
	27,747,788		26,760,250		20,618,708		21,492,144		20,806,387		23,533,134
	-		-		-		-		-		-
	27,747,788		26,760,250		20,618,708		21,492,144		20,806,387		23,533,134
	8,289,179		7,191,710		4,936,876		6,093,386		6,572,839		(22,119,563)
	-		-		-		-		-		-
\$	8,289,179	\$	7,191,710	\$	4,936,876	\$	6,093,386	\$	6,572,839	\$	(22,119,563)

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

	Fiscal Year			
	2018	2017	2016	2015
General fund:				
Reserved for:				
Prepays	\$ -	\$ -	\$ -	\$ -
TWDB grant	-	-	-	-
DHS Grant	-	-	-	-
Management consulting fees	-	-	-	-
Unreserved	-	-	-	-
Total general fund	-	-	-	-
% 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	-	-	-	-
Total governmental funds	\$ -	\$ -	\$ -	\$ -
% 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

EXHIBIT E-3
Continued

		Fiscal Year							
		2014	2013	2012	2011	2010	2009		
\$	-	\$	-	\$	-	\$	18,272	\$	-
	-		-		-		-		67,420
	-		-		-		2,365,838		2,365,838
	-		-		-		-		-
	-		-		-		8,678,975		6,367,681
	-		-		-		11,063,085		8,800,939
	-		-		-		25.7%		0.6%
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		9,410,746		10,523,106
	-		-		-		1,393,942		1,023,126
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		10,804,688		11,546,232
\$	-	\$	-	\$	-	\$	21,867,773	\$	20,347,171
	-		-		-		7.5%		-57.5%

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

	Fiscal Year			
	2018	2017	2016	2015
General fund:				
Nonspendable:				
Prepays	\$ 1,100	\$ 958	\$ 10,224	\$ 192
Restricted for:				
Designated for Raymondville drain	1,349,911	1,415,469	1,694,524	-
Unassigned:	16,577,711	20,209,159	19,316,844	21,850,044
Total general fund	\$ 17,928,722	\$ 21,625,586	\$ 21,021,592	\$ 21,850,236
% change from prior year	-17.1%	2.9%	-3.8%	30.3%
Other governmental funds:				
Nonspendable:				
Drainage improvement projects	33,240,955	38,082,540	43,531,469	50,697,425
Debt service reserve	3,253,041	3,185,459	3,264,751	2,461,315
Committed for:				
TWDB	-	-	2,054	-
Unassigned:	-	-	-	-
Capital projects funds	-	-	-	-
Total other governmental funds	36,493,996	41,267,999	46,798,274	53,158,740
Total governmental funds	\$ 54,422,718	\$ 62,893,585	\$ 67,819,866	\$ 75,008,976
% change from prior year	-13.5%	-7.3%	-9.6%	-4.6%

(1) Due to implementation of GASB 54 in 2011, fund balance classification changed. See historical fund balance classifications on Exhibit E-3 pages 118-119.

		Fiscal Year					
		2014	2013	2012	2011	2010	2009
		- \$	20,255 \$	10,266 \$	14,146 \$	- \$	-
		-	-	2,365,838	2,365,838	-	-
		16,769,038	14,554,688	13,105,945	11,657,563	-	-
\$		16,769,038	14,574,943	15,482,049	14,037,547	-	-
		15.1%	-5.9%	10.3%	26.9%	-	-
		59,723,822	73,581,010	7,475,991	9,063,983	-	-
		2,116,581	1,903,111	1,805,618	1,553,289	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		61,840,403	75,484,121	9,281,609	10,617,272	-	-
\$		78,609,441	90,059,064	24,763,658	24,654,819	-	-
		-12.7%	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			
	2018	2017	2016	2015
Revenues				
Taxes	\$ 32,322,210	\$ 30,614,346	\$ 29,109,043	\$ 27,663,950
Operating grants and contributions	4,500,000	-	-	5,599,008
Intergovernmental	173,566	571,191	204,710	-
Charges for services	60,693	61,000	57,607	61,590
Interest	1,220,266	778,436	491,530	276,687
Miscellaneous	77,450	131,728	321,257	768,736
Total revenues	38,354,185	32,156,701	30,184,147	34,369,971
% change from prior year	19.3%	6.5%	-12.2%	28.4%
Expenditures				
Current:				
General government	2,593,065	2,772,624	2,493,024	2,105,618
Drainage flood control	11,044,060	11,057,559	14,800,681	12,671,056
Debt service:				
Principal	9,704,513	8,809,365	7,770,774	7,391,180
Interest and fiscal charges	5,463,045	5,940,355	5,068,697	6,608,672
Bond issuance costs	100,000	61,521	666,846	-
Advance refunding escrow	373,680	249,917	1,350,683	-
Capital outlay	17,684,993	8,464,605	7,336,409	9,193,910
Intergovernmental	-	-	-	-
Total expenditures	46,963,356	37,355,946	39,487,114	37,970,436
% change from prior year	25.7%	-5.4%	4.0%	-2.2%
Excess (deficiency) of revenues over (under) expenditures	(8,609,171)	(5,199,245)	(9,302,967)	(3,600,465)
Other financing sources (uses)				
Transfers in	2,225,000	6,509,939	683,630	145,959
Transfers out	(2,225,000)	(6,509,939)	(683,630)	(145,959)
Premium (discount) on bonds issued	-	56,605	10,402,222	-
Payment to refunded bond escrow agent	-	(1,955,083)	-	-
Bonds issued	-	-	-	-
Refunding bonds issued	6,095,000	1,960,000	52,625,000	-
Refunding escrow deposit	(5,995,000)	-	(62,360,377)	-
Capital leases	-	-	-	-
Long-term notes issued	-	-	1,243,079	-
Sale of capital assets	38,304	211,442	203,933	-
Total other financing sources (uses)	138,304	272,964	2,113,857	-
Net change in fund balances	\$ (8,470,867)	\$ (4,926,281)	\$ (7,189,110)	\$ (3,600,465)
Capital outlay	17,684,993	9,672,553	9,075,516	13,871,409
Debt service as a percentage of non-capital expenditures:	51.8%	52.1%	46.2%	48.7%

Fiscal Year						
	2014	2013	2012	2011	2010	2009
\$	26,524,982	\$ 20,399,974	\$ 19,727,003	\$ 19,320,940	\$ 19,308,663	\$ 17,616,967
	-	-	-	1,258,494	3,782,780	66,351,679
	-	-	-	-	-	-
	48,000	37,250	48,750	39,750	33,668	38,250
	200,699	111,228	72,847	46,864	63,581	335,428
	-	741,693	400,646	1,750,658	924,687	4,962,806
	26,773,681	21,290,145	20,249,246	22,416,706	24,113,379	89,305,130
	25.8%	5.1%	-9.7%	-7.0%	-73.0%	-13.7%
	1,859,694	1,649,805	1,450,910	1,570,164	1,525,959	1,555,529
	8,830,535	12,432,685	9,484,985	7,080,239	10,290,597	8,837,102
	5,775,027	3,900,000	3,435,000	4,180,476	3,782,698	1,307,758
	8,229,593	4,056,631	4,196,581	4,355,470	4,469,983	5,816,155
	148,741	545,831	-	-	-	-
	-	-	-	-	-	-
	13,983,431	18,424,251	1,610,181	2,444,529	4,373,159	100,796,653
	-	-	-	-	-	-
	38,827,021	41,009,203	20,177,657	19,630,878	24,442,396	118,313,197
	-5.3%	103.2%	2.8%	-19.7%	-79.3%	-22.4%
	(12,053,340)	(19,719,058)	71,589	2,785,828	(329,017)	(29,008,067)
	1,062,373	-	110,178	1,967,546	1,563,384	23,692,859
	(1,062,373)	-	(110,178)	(1,967,546)	(1,563,384)	(23,692,859)
	988,117	7,415,831	-	-	-	-
	-	-	-	-	-	-
	7,810,000	77,130,000	-	-	-	-
	-	-	-	-	-	-
	(8,649,377)	-	-	-	-	-
	-	-	-	-	-	1,451,826
	406,980	-	-	-	1,622,706	-
	47,997	468,633	37,250	1,218	226,913	41,105
	603,717	85,014,464	37,250	1,218	1,849,619	1,492,931
\$	(11,449,623)	\$ 65,295,406	\$ 108,839	\$ 2,787,046	\$ 1,520,602	\$ (27,515,136)
	14,351,412	12,404,973	3,032,014	529,301	3,012,529	4,114,678
	57.0%	37.6%	41.1%	49.7%	41.1%	40.7%

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

Fiscal Year	Tax Roll Year	Real Personal and Property (1)	Less: Tax Exempt Property
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
2018	2017	41,503,168,083	2,979,961,257

(1) Includes minerals.

(2) Recalculated for Tax Roll Years 2008-2017.

Source: Hidalgo County Tax Office Levy Rolls

EXHIBIT E-5

Total Assessed Value (2)	Total Direct Tax Rate	Market Value	Assessed Value as a % of Market Value
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%
38,523,206,826	0.0951	41,503,168,083	92.82%

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>
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
2018	2017	41,503,168,083	38,523,206,826	33,274,220,252

Source: Hidalgo County Tax Office Levy Rolls

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

EXHIBIT E-7

PROPERTY TAX RATES (1)
LAST TEN FISCAL YEARS

	Fiscal Year:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Tax Roll Year:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Hidalgo County Drainage District No. 1											
Operating:											
General Fund		0.0502	0.0496	0.0481	0.0466	0.0449	0.0454	0.0441	0.0447	0.0449	0.0420
Total Operating		<u>0.0502</u>	<u>0.0496</u>	<u>0.0481</u>	<u>0.0466</u>	<u>0.0449</u>	<u>0.0454</u>	<u>0.0441</u>	<u>0.0447</u>	<u>0.0449</u>	<u>0.0420</u>
Debt Service:											
Unlimited Tax Improvement Bonds, Series 2007		-	-	0.0074	0.0491	0.0081	0.0081	0.0080	0.0085	0.0079	0.0084
Unlimited Tax Improvement Bonds, Series 2008		0.0113	0.0119	0.0200	-	0.0220	0.0215	0.0212	0.0193	0.0197	0.0196
Unlimited Tax Improvement Bonds, Series 2013		0.0165	0.0176	0.0186	-	0.0208	-	-	-	-	-
Unlimited Tax Refunding Bonds, Series 2014		0.0009	0.0009	0.0010	-	-	-	-	-	-	-
Unlimited Tax Refunding Bonds, Series 2016		0.0101	0.0151	-	-	-	-	-	-	-	-
Unlimited Tax Refunding Bonds, Series 2017		0.0061	-	-	-	-	-	-	-	-	-
Notes Payable		-	-	-	-	-	-	-	-	-	-
Total Debt Service		<u>0.0449</u>	<u>0.0455</u>	<u>0.0470</u>	<u>0.0491</u>	<u>0.0509</u>	<u>0.0296</u>	<u>0.0292</u>	<u>0.0278</u>	<u>0.0276</u>	<u>0.0280</u>
Total Hidalgo County Drainage District No. 1		<u>0.0951</u>	<u>0.0951</u>	<u>0.0951</u>	<u>0.0957</u>	<u>0.0958</u>	<u>0.0750</u>	<u>0.0733</u>	<u>0.0725</u>	<u>0.0725</u>	<u>0.0700</u>
Hidalgo County Drainage District No. 1											
Operating		0.0502	0.0496	0.0481	0.0466	0.0449	0.0454	0.0441	0.0447	0.0449	0.0420
Debt Service		0.0449	0.0455	0.0470	0.0491	0.0509	0.0296	0.0292	0.0278	0.0276	0.0280
Total Hidalgo County Drainage District No. 1		<u>0.0951</u>	<u>0.0951</u>	<u>0.0951</u>	<u>0.0957</u>	<u>0.0958</u>	<u>0.0750</u>	<u>0.0733</u>	<u>0.0725</u>	<u>0.0725</u>	<u>0.0700</u>

(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:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Tax Roll Year:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Hidalgo County		0.5800	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	0.0951	0.0957	0.0957	0.0750	0.0733	0.0725	0.0725	0.0700
EMS District No. 1		0.0176	0.0200	0.0185	0.0165	0.0154	0.0143	0.0134	0.0134	0.0132	0.0132
EMS District No. 2		0.0380	0.0380	0.0361	0.0361	0.0361	0.0361	0.0336	0.0311	0.0284	0.0290
EMS District No. 3		0.0285	0.0300	0.0300	0.0300	0.0300	0.0300	0.0100	0.0088	0.0080	0.0075
EMS District No. 4		0.0254	0.0272	0.0027	0.0272	0.0267	0.0262	0.0245	0.0245	0.0240	0.0218
Red Sands GWC District		0.1690	0.1690	0.1690	0.1690	0.1690	0.1690	0.1690	0.1800	-	-
City of Alamo		0.5565	0.5810	0.5881	0.5990	-	-	-	-	-	-
City of Alton		0.4440	0.4490	0.4540	0.4591	0.4624	0.4799	0.4825	0.4850	0.4950	0.4974
City of Donna		-	-	-	-	-	-	-	-	-	-
City of Edcouch		0.9154	0.9286	0.9286	0.9286	0.9705	0.9999	0.8842	0.8542	0.8542	0.9012
City of Edinburg		0.6350	0.6350	0.6350	0.6350	0.6350	0.6350	0.6350	-	-	-
City of Elsa		0.9018	0.9177	0.8566	0.9867	0.9916	0.9900	0.9900	0.9042	0.9042	0.9042
City of Granjeno		0.4469	0.4419	0.4251	0.4230	0.4253	0.4253	0.4253	0.3757	0.3072	0.3111
City of Hidalgo		0.3514	0.3514	0.3514	0.3514	0.3514	0.3514	0.3514	-	-	-
City of La Joya		0.5251	0.5394	0.5435	0.5700	0.5678	0.5678	0.5452	0.5323	0.5176	0.5678
City of La Villa		0.7836	0.7836	0.7836	0.7836	0.7836	0.7836	0.6224	0.6234	0.6234	0.8396
City of McAllen		-	-	-	-	-	-	-	-	-	-
City of Mercedes		0.7450	0.7450	0.7551	0.7600	0.7750	0.7850	0.7850	0.7900	0.7900	0.8050
City of Mission		0.4862	0.4962	0.4988	0.5188	0.5288	0.5288	0.5388	0.5566	0.5566	0.5666
City of Palmview		0.5001	0.4751	0.4751	0.4790	0.4665	0.4665	0.4600	0.4534	0.4438	-
City of Peñitas		0.5562	0.5060	0.5060	0.4595	0.4345	0.4100	0.3625	0.3296	0.3085	0.3389
City of Pharr		0.6490	0.6540	0.6540	0.6800	0.6800	0.6800	0.6800	0.6800	0.6800	0.6819
City of Progreso		0.7840	0.7961	0.8061	0.7930	0.8126	0.5389	0.4999	0.4553	0.4553	0.4147
City of San Juan		0.6993	0.6993	0.6993	0.6993	0.7386	0.7386	0.7386	0.7386	0.7386	0.6993
City of Sullivan		0.5000	0.4606	0.4668	0.4478	0.4160	0.3838	0.3535	0.3220	0.3232	0.3260
City of Weslaco		0.6667	0.6667	0.6767	0.6767	0.6867	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	1.2582	1.1779	-
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	1.2398	1.2198	1.1898
Hidalgo ISD		1.4700	1.4900	1.5300	1.5300	1.5564	1.5564	1.5864	-	-	-
La Joya ISD		1.3110	1.3110	1.3110	1.3110	1.3110	1.3110	1.3110	1.3110	1.3110	1.3216
La Villa ISD		1.3038	1.3038	1.3038	1.3038	1.3038	1.3038	1.3038	1.2248	1.2248	1.2248
McAllen ISD		1.1550	1.1550	1.1550	1.1650	1.1650	1.1650	1.1650	1.1650	1.1650	1.1450
Mercedes ISD		1.3800	1.3800	1.3800	1.3800	1.2900	1.2900	1.2900	1.2900	1.2900	1.2900
Mission CISD		1.3502	1.3582	1.3720	1.3300	1.3000	1.3000	1.3000	1.3000	1.2800	1.2400
Monte Alto ISD		1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.2200	1.2400
Pharr-San Juan-Alamo ISD		1.3892	1.3992	1.3992	1.3592	1.3592	1.3592	1.3592	1.3592	1.3013	1.2710
Progreso ISD		1.3900	1.3900	1.3700	1.3700	1.3275	1.3700	1.4300	1.4300	1.3100	1.3400
Sharyland ISD		1.3755	1.3755	1.3355	1.3350	1.2855	1.2855	1.2000	1.2000	1.2000	1.1850
South Texas College		0.1850	0.1850	0.1850	0.1850	0.1500	0.1507	0.1507	0.1497	0.1491	0.1498
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	1.2770	1.3170	1.3170	1.3170	1.3170
Weslaco ISD		1.1597	1.1397	1.1397	1.1397	1.1397	1.1397	1.1397	1.1397	1.1397	1.1397
Delta Lake Irrigation		-	-	-	-	-	-	-	-	-	-
Donna Irrigation District No. 1		-	-	-	-	-	-	-	-	-	-
Engleman Water District #6		-	-	-	-	-	-	-	-	-	-

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

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

EXHIBIT E-9

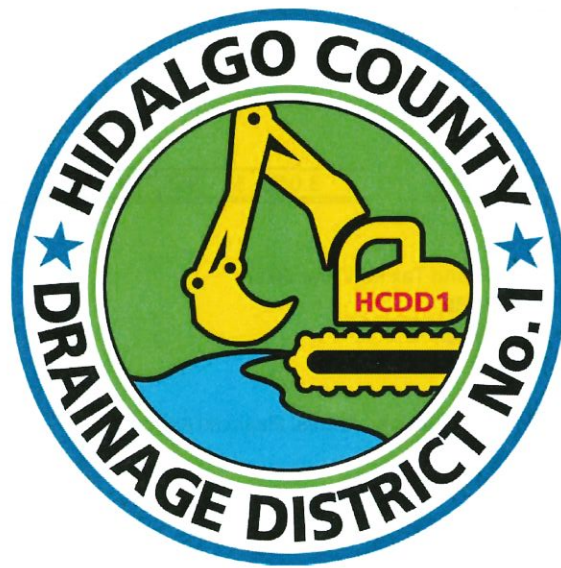
Taxpayer	Fiscal Year: 2018 Tax Roll Year: 2017				2009 2008			
	Taxable Value (1)	Rank	Tax as a % of Total Levy (2)	Tax (3)	Taxable Value	Rank	Tax as a % of Total Levy (2)*	Tax (3)*
AEP Texas Central Co (CP&L)	\$ 285,442,800	1	0.86%	271,456	141,270,190	1	0.58%	98,889
Simon Property Group-McAllen No 2	154,055,359	2	0.47%	146,507				
H E Butt Grocery Company	114,446,193	3	0.35%	108,838	117,156,504	2	0.48%	82,010
Electric Transmission of Texas	100,412,180	4	0.30%	95,492				
CPG Mercedes LP 7	79,979,184	5	0.24%	76,060	54,143,727	10	0.22%	37,900
McAllen Levcal LLC	58,275,372	6	0.18%	55,420				
Frontera Generation LTD Partnership	57,631,060	7	0.17%	54,807	82,417,210	7	0.34%	57,692
Rio Grande Regional Hospital	54,763,885	8	0.17%	52,080	67,737,830	8	0.28%	47,416
Wal-Mart Stores Texas LLC	50,188,559	9	0.15%	47,729	107,262,492	3	0.44%	75,084
Day Surgery at Renaissance LLC	49,810,378	10	0.15%	47,370				
Southwestern Bell Telephone					85,348,160	6	0.35%	59,744
Trenton Street Corporation					58,908,315	9	0.24%	41,236
Calpine Central LP (Magic Valley PW)					97,713,920	4	0.40%	68,400
Universal Health Services					86,464,634	5	0.35%	60,525
Total	\$ 1,005,004,970		3.04%	\$ 955,759	\$ 898,422,982		3.68%	\$ 628,896

(1) Appraisal District certified values for Fiscal Year 2018 and Tax Roll Year 2017.

(2) Total tax levy is: \$ 31,437,136 \$ 17,101,807

(3) Tax rate is: \$ 0.0951 \$ 0.0700

Source: Hidalgo County Appraisal District and 2009 Hidalgo County Annual Financial Report



HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
PROPERTY TAX LEVY AND
RESERVE FOR UNCOLLECTIBLE TAXES
FISCAL YEAR 2018

EXHIBIT E-10

	Tax Levy (1)	Reserved For Uncollectible Taxes	Current Tax Levy Net of Uncollectible Amount
Hidalgo County			
Operating:			
General Fund	\$ 16,649,349	(106,548)	16,542,801
Total Operating	<u>16,649,349</u>	<u>(106,548)</u>	<u>16,542,801</u>
Debt Service:			
Total Debt Service	<u>14,898,513</u>	<u>(73,282)</u>	<u>14,825,231</u>
Total Hidalgo County Drainage District No. 1	<u><u>31,547,862</u></u>	<u><u>(179,830)</u></u>	<u><u>31,368,032</u></u>
Drainage District No. 1			
Operating	16,649,349	(106,548)	16,542,801
Debt Service	<u>14,898,513</u>	<u>(73,282)</u>	<u>14,825,231</u>
Total Drainage District No. 1	<u><u>31,547,862</u></u>	<u><u>(179,830)</u></u>	<u><u>31,368,032</u></u>
Total All Funds	<u><u>\$ 31,547,862</u></u>	<u><u>(179,830)</u></u>	<u><u>\$ 31,368,032</u></u>

(1) 2017 Tax Roll
 Source: Hidalgo County Auditor's Office

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

	Fiscal Year:	2018	2017	2016	2015
	Tax Roll Year:	2017	2016	2015	2014
Hidalgo County Drainage District No. 1					
Operating:					
General Fund	\$	16,928,721	\$ 15,767,873	\$ 14,393,611	\$ 12,968,506
Total Operating		<u>16,928,721</u>	<u>15,767,873</u>	<u>14,393,611</u>	<u>12,968,506</u>
Debt Service:					
Debt Service		14,881,620	14,464,481	14,064,444	13,664,242
Total Debt Service		<u>14,881,620</u>	<u>14,464,481</u>	<u>14,064,444</u>	<u>13,664,242</u>
Total Hidalgo County Drainage District No. 1	\$	<u>31,810,341</u>	\$ <u>30,232,354</u>	\$ <u>28,458,055</u>	\$ <u>26,632,748</u>
Total Hidalgo County Drainage District No. 1		<u>31,810,341</u>	<u>30,232,354</u>	<u>28,458,055</u>	<u>26,632,748</u>
Total All Funds	\$	<u>31,810,341</u>	\$ <u>30,232,354</u>	\$ <u>28,458,055</u>	\$ <u>26,632,748</u>

Source: Hidalgo County Tax Office

EXHIBIT E-11

2014	2013	2012	2011	2010	2009
2013	2012	2011	2010	2009	2008
\$ 12,191,627	\$ 12,017,962	\$ 11,487,658	\$ 11,611,614	\$ 11,677,135	\$ 10,261,084
12,191,627	12,017,962	11,487,658	11,611,614	11,677,135	10,261,084
13,793,644	7,835,500	7,606,341	7,221,541	7,177,927	6,840,723
13,793,644	7,835,500	7,606,341	7,221,541	7,177,927	6,840,723
\$ 25,985,271	\$ 19,853,462	\$ 19,093,999	\$ 18,833,155	\$ 18,855,062	\$ 17,101,807
25,985,271	19,853,462	19,093,999	18,833,155	18,855,062	17,101,807
\$ 25,985,271	\$ 19,853,462	\$ 19,093,999	\$ 18,833,155	\$ 18,855,062	\$ 17,101,807

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

Fiscal Year:	2017	2016	2015	2014	2013	2012
Tax Roll Year:	2016	2015	2014	2013	2012	2011

Drainage District No. 1

Operating	348,491	228,784	160,860	121,491	106,036	91,130
Debt Service	319,684	223,552	169,490	137,456	69,134	60,340
Total Drainage District No. 1	668,175	452,336	330,350	258,947	175,170	151,470

Total All Funds	\$ 668,175	\$ 452,336	\$ 330,350	\$ 258,947	\$ 175,170	\$ 151,470
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Source: Hidalgo County Delinquent Tax Roll as of December 31, 2018

EXHIBIT E-12

2011 2010	2010 2009	2009 2008	2008 2007	Not Barred By Limitation	Reserve for Loss on Collections	Net Property Taxes Receivable
88,888	81,161	63,140	53,812	1,343,794	(7,309)	1,336,484
55,281	49,889	42,094	12,377	1,139,297	(6,197)	1,133,100
144,169	131,050	105,234	66,189	2,483,091	(13,506)	2,469,584
\$ 144,169	\$ 131,050	\$ 105,234	\$ 66,189	\$ 2,483,091	\$ (13,506)	\$ 2,469,584

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
2009	2008	24,370,352,067	0.0700	1,384	17,101,807	532,358	17,634,165
2010	2009	25,968,153,946	0.0725	2,075	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
2018	2017	33,274,220,252	0.0951	-	31,437,136	206,648	31,643,784

(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.

EXHIBIT E-13

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
16,463,211	93.36%	1,053,181	17,516,392	99.33%	105,215	0.60%
17,767,107	94.15%	955,987	18,723,094	99.22%	130,995	0.69%
17,764,778	94.71%	829,456	18,594,234	99.13%	144,009	0.78%
18,167,645	95.63%	655,789	18,823,434	99.09%	151,272	0.80%
18,896,758	95.72%	639,647	19,536,405	98.96%	171,055	0.87%
24,895,631	95.95%	715,914	25,611,545	98.71%	251,263	0.97%
25,907,301	96.21%	591,078	26,498,379	98.41%	325,505	1.21%
27,407,235	96.13%	449,461	27,856,696	97.71%	442,385	1.55%
28,908,857	96.12%	490,751	29,399,608	97.75%	658,219	2.19%
30,450,951	96.23%	1,056,432	31,507,383	99.57%	1,144,623	3.62%

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
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	51,016	53.88%
2016	2015	51,016	76,025	127,041	101,790	25,251	80.12%
2017	2016	25,251	163,826	189,077	88,304	100,773	46.70%
2018	2017	100,773	46,758	147,531	104,310	43,221	70.70%

(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			Total Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Special District Bonds	Term Loans			
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	140,475,996	-	793,714	141,269,710	(2)	164
2018	128,714,171	-	584,201	129,298,372	0.94%	149

Note: Details regarding the County'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-24

(2) Data is not available.

865,939 Estimated Population
15,883 PER CAPITA INCOME

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)
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	-	140,475,997	(3,185,459)	137,290,538	0.34%	160
2018	128,714,171	-	128,714,171	(3,253,041)	125,461,130	0.33%	145

(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-24 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
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%
2018	9,495,000	2,655,646	12,150,646	46,963,356	25.87%

(1) Excludes bond issuance and other costs

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

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
DIRECT AND OVERLAPPING BONDED DEBT
DECEMBER 31, 2018

EXHIBIT E-18

Jurisdiction	Gross Debt Less Cash Improvements	Percentage Applicable to Hidalgo County Drainage District No. 1	Amount Applicable to Hidalgo County as of	Amount Applicable to Hidalgo County Drainage District No. 1
Direct Debt:				
Hidalgo County Drainage District No. 1	\$ 119,805,000	100%	12/31/2018	\$ 119,805,000
Total Direct Debt	\$ 119,805,000			\$ 119,805,000
Overlapping Debt:				
Independent School Districts:				
Donna	\$ 70,365,701	100%	12/31/2018	\$ 70,365,701
Edcouch - Elsa	41,240,893	100%	12/31/2018	41,240,893
Edinburg	123,025,000	88%	12/31/2018	108,360,420
Hidalgo	32,036,000	100%	12/31/2018	32,036,000
La Joya	223,190,945	75%	12/31/2018	166,745,955
La Villa	8,975,000	100%	12/31/2018	8,975,000
McAllen	83,326,000	100%	12/31/2018	83,326,000
Mercedes	58,469,880	100%	12/31/2018	58,469,880
Mission	122,264,147	100%	12/31/2018	122,264,147
Monte Alto	13,910,000	89%	12/31/2018	12,413,284
Pharr - San Juan - Alamo	328,935,000	100%	12/31/2018	328,935,000
Progreso	23,485,000	100%	12/31/2018	23,485,000
Sharyland	105,819,999	100%	12/31/2018	105,819,999
Valley View	43,449,764	100%	12/31/2018	43,449,764
Weslaco	69,429,000	100%	12/31/2018	69,429,000
Cities:				
Alamo	1,568,717	100%	12/31/2018	1,568,717
Alton	-	100%	12/31/2018	-
Donna	4,537,395	100%	12/31/2018	4,537,395
Edcouch	-	100%	12/31/2018	-
Edinburg	44,301,829	100%	12/31/2018	44,301,829
Elsa	-	100%	12/31/2018	-
Hidalgo	3,455,000	100%	12/31/2018	3,455,000
La Joya	-	100%	12/31/2018	-
La Villa	3,838,000	100%	12/31/2018	3,838,000
McAllen	80,189,093	100%	12/31/2018	80,189,093
Mercedes	12,872,473	100%	12/31/2018	12,872,473
Mission	35,176,658	100%	12/31/2018	35,176,658
Palmview	-	100%	12/31/2018	-
Penitas	5,342,000	6%	12/31/2018	319,986
Pharr	25,187,888	100%	12/31/2018	25,187,888
Progreso	1,632,000	100%	12/31/2018	1,632,000
San Juan	12,207,061	100%	12/31/2018	12,207,061
Weslaco	20,511,891	100%	12/31/2018	20,511,891
Counties:				
Hidalgo County	350,367,676	100%	12/31/2017	350,367,676
Road Districts:				
Road District No. 5	-	100%	12/31/2018	-
County Line School Districts:				
Lyford	5,360,000	1%	9/30/2018	60,032
South Texas College District	143,065,000	68%	9/30/2018	97,055,296
Total Overlapping Debt				1,968,597,038
Total Direct and Overlapping Debt				\$ 2,088,402,038

Source: The information contained in this statement was provided by the Municipal Advisory Council of Texas (10/12/2018) 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 and 2018 Hidalgo County Drainage District No. 1 Comprehensive Annual Financial Report.



COUNTY OF HIDALGO, TEXAS
LEGAL DEBT MARGIN INFORMATION

	Fiscal Year			
	2018	2017	2016	2015
Assessed Value (1) (3)	\$ 34,874,550,627	\$ 32,379,158,320	\$ 34,063,956,028	\$ 33,193,667,610
Debit limit, 25 % of Assessed Value (2)	8,718,637,657	8,094,789,580	8,515,989,007	8,298,416,903
Debt Applicable to Limitation:				
Bonded debt:				
County Wide				
Special Road Districts	-	-	-	-
Drainage District No. 1	119,805,000	131,260,000	137,910,000	150,445,000
Total bonded debt	119,805,000	131,260,000	137,910,000	150,445,000
Less: amounts available for repayment				
of general obligation bonds				
Drainage District No. 1	(3,253,032)	(3,185,459)	(3,264,751)	(2,461,315)
Total amount available for repayment	(3,253,032)	(3,185,459)	(3,264,751)	(2,461,315)
Total debt applicable to limitation	116,551,968	128,074,541	134,645,249	147,983,685
Legal Debt Margin	\$ 8,602,085,689	\$ 7,966,715,039	\$ 8,381,343,758	\$ 8,150,433,218
Total net debt applicable to the limit				
as a percentage of debt limit	1.34%	1.58%	1.58%	1.78%

(1) FY 2018-2009 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 2009-2014 and 2016.

EXHIBIT E-19

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 32,466,210,900	\$ 31,660,182,025	\$ 30,864,538,761	\$ 30,280,944,724	\$ 30,109,058,371	\$ 32,581,257,211
8,116,552,725	7,915,045,506	7,716,134,690	7,570,236,181	7,527,264,593	8,145,314,303
-	-	-	-	-	-
157,700,000	163,535,000	90,305,000	93,740,000	96,675,000	99,145,000
157,700,000	163,535,000	90,305,000	93,740,000	96,675,000	99,145,000
(2,116,581)	(1,903,111)	(1,805,618)	(1,553,289)	(1,393,943)	(1,023,127)
(2,116,581)	(1,903,111)	(1,805,618)	(1,553,289)	(1,393,943)	(1,023,127)
155,583,419	161,631,889	88,499,382	92,186,711	95,281,057	98,121,873
\$ 7,960,969,306	\$ 7,753,413,617	\$ 7,627,635,308	\$ 7,478,049,470	\$ 7,431,983,536	\$ 8,047,192,430
1.92%	2.04%	1.15%	1.22%	1.27%	1.20%

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

EXHIBIT E-20

<u>Date of Payment</u>	<u>Interest Rate (Per Bond) March & September 1st</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Annual Requirements</u>
3/1/2019			1,091,700	1,091,700
9/1/2019	5.000%	1,140,000	1,091,700	2,231,700
3/1/2020			1,063,200	1,063,200
9/1/2020	5.000%	3,255,000	1,063,200	4,318,200
3/1/2021			981,825	981,825
9/1/2021	5.000%	3,410,000	981,825	4,391,825
3/1/2022			896,575	896,575
9/1/2022	5.000%	3,610,000	896,575	4,506,575
3/1/2023			806,325	806,325
9/1/2023	5.000%	3,810,000	806,325	4,616,325
3/1/2024			711,075	711,075
9/1/2024	5.000%	4,020,000	711,075	4,731,075
3/1/2025			610,575	610,575
9/1/2025	5.000%	2,460,000	610,575	3,070,575
3/1/2026			549,075	549,075
9/1/2026	2.500%	2,600,000	549,075	3,149,075
3/1/2027			516,575	516,575
9/1/2027	3.000%	2,645,000	516,575	3,161,575
3/1/2028			476,900	476,900
9/1/2028	3.130%	4,100,000	476,900	4,576,900
3/1/2029			412,837	412,837
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	337,837	5,287,837
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	174,362	5,454,362
3/1/2033			88,563	88,563
9/1/2033	3.250%	5,450,000	88,562	5,538,562
TOTALS		<u>\$ 56,640,000</u>	<u>\$ 17,949,650</u>	<u>\$ 74,589,650</u>

DATE: 2-Apr-13
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-21

<u>Date of Payment</u>	<u>Interest Rate (Per Bond) March & September 1st</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Annual Requirements</u>
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>\$ 2,253,272</u>	<u>\$ 9,918,272</u>

DATE: 30-Dec-14
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-22

<u>Date of Payment</u>	<u>Interest Rate (Per Bond) March & September 1st</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Annual Requirements</u>
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>\$ 49,405,000</u>	<u>\$ 13,424,300</u>	<u>\$ 62,829,300</u>

DATE: 17-Feb-16
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 2018
SCHEDULE OF DEBT SERVICE REQUIREMENTS UNTIL MATURITY

EXHIBIT E-23

<u>Date of Payment</u>	<u>Interest Rate (Per Bond) March & September 1st</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Annual Requirements</u>
3/1/2019			95,488	95,488
9/1/2019	3.000%	4,015,000	91,425	4,201,913
3/1/2020			31,200	31,200
9/1/2020	3.000%	2,080,000	31,200	2,142,400
TOTALS		<u>\$ 6,095,000</u>	<u>\$ 249,313</u>	<u>\$ 6,471,001</u>

DATE: 22-Aug-18
ISSUED: \$6,095,000
PAYABLE: Lone Star National Bank
CALL OPTION: Call Date 9/1/2023

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
COUNTY OF HIDALGO, TEXAS
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

EXHIBIT E-24

Fiscal Year	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	School Enrollment (2)	Unemployment Rate (3)
2009	741,152	15,199,996,000	20,509	191,293	10.6%
2010	774,769	16,338,261,000	21,088	204,529	11.8%
2011	794,181	17,248,431,000	21,719	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	22,047,447,000	25,617	240,049	7.4%
2018	865,939	(4)	(4)	272,122	6.6%

(1) Source: U.S. Census Bureau, FRED Economic Research

(2) Source: Texas Education Agency (TEA)/towncharts.com

(3) Source: Bureau of Labor Statistics

(4) Data not available for 2018.

COUNTY OF HIDALGO, TEXAS
HIDALGO COUNTY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

EXHIBIT E-25

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
(4) H-E-B	5,880	1	1.76%	3600	5	1.34%
University of Texas-Rio Grande Valley	5,822	2	1.74%	3900	1	1.45%
Edinburg Consolidated ISD	4,878	3	1.46%	3652	3	1.36%
(5) Wal-Mart	4,760	4	1.42%	3027	8	1.12%
Doctor's Hospital at Renaissance	4,700	5	1.41%			
La Joya ISD	4,306	6	1.29%	3148	7	1.17%
Pharr-San Juan-Alamo ISD	4,297	7	1.28%	3648	4	1.35%
(1) County of Hidalgo	3,950	8	1.18%	3871	2	1.44%
McAllen Independent School District	3,385	9	1.01%	3545	6	1.32%
Edinburg Regional Medical Center	3,000	10	0.90%			
South Texas Health System				2200	10	0.82%
Weslaco ISD				2276	9	0.85%
	<u>44,978</u>		<u>13.45%</u>	<u>32,867</u>		<u>12.22%</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 2018 was 334,478
- (3) Total employment in 2009 was 269,338
- (4) Based on 20 stores with an average of 294 employees
- (5) Based on 17 stores with an average of 280 employees

Area Information

Name:	County of Hidalgo	Number of Cities:	22
Date of Incorporation:	1852	Number of Water Supply Corporations:	4
Form of Government:	County Judge	and Number of Banks:	21
	Four Commissioners	* Total Deposits as of June 30, 2018(millions):	\$9,501
County Seat:	Edinburg, Texas		
Number of employees:	4,031		
Area in acres:	9,525,000		
Miles of County maintained roads:	Precinct 1	675	
	Precinct 2	123	
	Precinct 3	579	
	Precinct 4	500	

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
LifeCare 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:	Alamo Museum	Alamo
	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

Median household income:	\$37,097	Principal industries:	Construction
People below poverty level:	255,452		Educational Services
% of people below poverty level:	29.50%		Financial Activities
Labor force:	335,276		Health Services
People employed:	308,973		Government
People unemployed:	26,303		Information
Unemployment rate:	6.60%		Leisure and Hospitality
			Manufacturing
			Natural Resources and Mining
			Professional and Business services
			Trade, Transportation and Utilities

Gross Sales

Industry	2018	2017	2016	2015
Agriculture	\$ 125,290,435	\$ 90,949,311	\$ 116,897,052	\$ 68,371,272
Construction	769,002,956	557,496,434	3,962,552,952	675,523,705
Finance, Real Estate, Insurance	374,180,908	124,618,000	215,554,680	267,972,968
Manufacturing	1,390,107,461	965,519,783	1,596,796,504	1,689,925,786
Mining	78,854,484	56,097,299	73,229,906	101,440,518
Other	25,939	12,902	31,257	36,212
Retail	10,328,984,177	6,707,582,147	9,427,288,231	9,764,863,847
Other Services	3,170,064,174	754,546,459	836,570,177	747,203,161
Transportation, Communications, and Utilities	326,614,353	235,237,770	291,565,399	305,662,012
Wholesale-Trade	2,696,332,287	1,546,262,553	2,226,358,928	2,135,120,971
	<u>\$ 19,259,457,174</u>	<u>\$ 11,038,322,658</u>	<u>\$ 18,746,845,086</u>	<u>\$ 15,756,120,452</u>

Agriculture

Products Raised (2015)	Acres		Production	
	Crops	Harvested		
Grain Sorghum		59,250	2,694,000	Bushels
Sugar Cane		18,400	691,000	Tons
Corn		32,100	2,860,000	Bushels
Upland Cotton		50,600	104,400	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
Hidalgo County related agencies.

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

Function	Fiscal Year			
	2018	2017	2016	2015
Drainage	164	142	139	130
Total	164	142	139	130

Source: Hidalgo County Drainage District No. 1 payroll database

EXHIBIT E-27

Fiscal Year					
2014	2013	2012	2011	2010	2009
109	113	107	102	94	89
109	113	107	102	94	89

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

Function	Fiscal Year			
	2018	2017	2016	2015
Drainage				
Subdivision drainage reviews	214	205	230	246
Utility and crossing review fees	13	-	-	-
Total	227	205	230	246

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

EXHIBIT E-28

Fiscal Year					
2014	2013	2012	2011	2010	2009
192	149	195	159	135	153
-	-	-	-	-	-
192	149	195	159	135	153

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

Function	Fiscal Year			
	2018	2017	2016	2015
General government/administrative office	1	1	1	1
Drainage				
Drainage flood control structures	188	175	171	171

Source: Hidalgo County Drainage District NO.1 FAS module capital assets inventory.

EXHIBIT E-29

Fiscal Year						
2014	2013	2012	2011	2010	2009	
1	1	1	1	1	1	1
153	152	147	147	147	131	



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

INDEPENDENT AUDITOR'S 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), a component unit of County of Hidalgo, Texas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 1, 2019.

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.

Brenton Melich & Longenecker, LLP

McAllen, Texas
July 1, 2019

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

Management and Accounting Personnel

December 31, 2018

Raul E. Sesein, P.E., CFM

Lora D. Briones

Jaime J. Salazar

Alvaro Chuc

Mark Garcia

Claudette Guerrero

Jennifer Lee Garza

Rosa E. Arce

Patricia Rodriguez

Maria Perez

Moises Salazar

Enriqueta Zambrano

Gustavo Garza

Hector Guzman

General Manager

Chief Financial Officer

Operations Manager

Accounting Supervisor

Asset Coordinator III

Accountant IV

Accountant III

AP Specialist III

HR Specialist IV

HR Specialist III

Procurement Manager

Procurement Specialist II

Administrative Assistant II

Administrative Assistant II