

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Management's Discussion and Analysis

As management of the County of Hidalgo (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-9 of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$351,608,524 (*net position*). Of this amount, \$103,164,743 represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased \$12,922,124 primarily due to governmental activities.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$197,619,152, an increase of \$6,083,892 in comparison with the prior year. Approximately 9% of this total amount (\$17,994,565) is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$36,997,911, or approximately 20% of total general fund expenditures and transfers out.
- The County's total outstanding general obligation debt increased by \$7,585,000 due to the issuance of certificates of obligation in the amount of \$20,085,000, tax notes in the amount of \$5,530,000, and refunding bonds in the amount of \$67,965,000 which refunded \$67,820,000 of debt. The new debt was offset by regularly scheduled principal reductions of \$18,175,000.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, drainage flood control, health and welfare, culture and recreation, conservation, and urban and economic development. The business-type activities of the County include the landfill and the jail commissary.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the Hidalgo County Drainage District No. 1 (the District), and the Health Care Funding District, both legally separate entities. Although legally separate, both component units meet the criteria in GASB Statement No. 61 for blending and therefore, have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 31-33 of this report.

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

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

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

The County maintains multiple individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the Health Care Funding District local provider participation special revenue fund, and the Drainage District No. 1 capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its governmental funds, with the exception of grant-funded special revenue funds and capital projects funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 35-45 of this report.

Proprietary Funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its landfill and jail commissary. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its risk financing activities related to health benefits and workers' compensation. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Both enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Similarly, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the enterprise and internal service funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 46-49 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the

resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains three different types of fiduciary funds. *Pension trust funds* are used to report resources held in trust for retirees and beneficiaries covered by the *Affiliated Agencies Employees' Retirement Plan*. *Private-purpose trust funds* are used to report resources held in trust for others by the County Treasurer, District Attorney, District Clerk, County Clerk, Sheriff, and the Urban County Program. *Agency funds* are used to report resources held by the County in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statements can be found on pages 50-51 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 54-86 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules, which can be found on pages 88-312 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities by \$351,608,524, at the close of the most recent fiscal year.

Net Position

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 471,388,592	\$ 445,941,686	\$ 3,792,278	\$ 3,576,417	\$ 475,180,870	\$ 449,518,103
Capital assets	438,707,581	426,572,719	1,055,448	1,003,375	439,763,029	427,576,094
Total assets	910,096,173	872,514,405	4,847,726	4,579,792	914,943,899	877,094,197
Deferred Outflows:						
Deferred charges on refunding	4,851,860	377,581	-	-	4,851,860	377,581
Total deferred outflows	4,851,860	377,581	-	-	4,851,860	377,581
Liabilities:						
Long-term liabilities	378,667,887	367,746,690	1,646,657	1,652,884	380,314,544	369,399,574
Other liabilities	187,818,955	169,347,679	53,736	38,125	187,872,691	169,385,804
Total liabilities	566,486,842	537,094,369	1,700,393	1,691,009	568,187,235	538,785,378
Net Position:						
Net investment in capital assets	177,495,406	148,499,402	1,055,448	1,003,375	178,550,854	149,502,777
Restricted	69,826,025	72,663,061	66,902	66,902	69,892,927	72,729,963
Unrestricted	101,139,761	114,635,154	2,024,982	1,818,506	103,164,743	116,453,660
Total net position	\$ 348,461,192	\$ 335,797,617	\$ 3,147,332	\$ 2,888,783	\$ 351,608,524	\$ 338,686,400

By far, the largest portion of the County's net position (50.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (19.9%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance (29.3%) is unrestricted and may be used to meet the County's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The County's overall net position increased \$12,922,124 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$12,663,575 from the prior fiscal year for an ending balance of \$348,461,192. Overall, increases in revenues outpaced expenses increases by \$14,439,037 during the current fiscal year.

Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 69,852,581	\$ 65,814,570	\$ 1,390,767	\$ 1,335,583	\$ 71,243,348	\$ 67,150,153
Operating grants and contributions	149,802,839	113,472,504	-	-	149,802,839	113,472,504
Capital grants and contributions	2,157,041	2,425,071	-	-	2,157,041	2,425,071
General revenues:						
Property taxes	192,457,753	188,630,519	-	-	192,457,753	188,630,519
Grants and contributions not restricted to specific programs	5,975,466	11,497,279	-	-	5,975,466	11,497,279
Interest earnings	677,590	589,637	-	189	677,590	589,826
Other	4,000,100	2,434,450	-	11	4,000,100	2,434,461
Total revenues	424,923,370	384,864,030	1,390,767	1,335,783	426,314,137	386,199,813
Expenses:						
General government	112,787,403	112,827,372	-	-	112,787,403	112,827,372
Public safety	103,807,554	99,428,539	-	-	103,807,554	99,428,539
Highways and streets	29,595,835	35,538,330	-	-	29,595,835	35,538,330
Sanitation	5,652,481	5,768,425	-	-	5,652,481	5,768,425
Drainage flood control	7,279,792	18,402,498	-	-	7,279,792	18,402,498
Health and welfare	122,414,102	85,762,647	-	-	122,414,102	85,762,647
Culture-recreation	4,177,463	4,212,908	-	-	4,177,463	4,212,908
Conservation of natural resources	864,399	950,619	-	-	864,399	950,619
Urban and economic development	15,689,191	13,464,903	-	-	15,689,191	13,464,903
Interest on long-term debt	9,725,334	10,017,010	-	-	9,725,334	10,017,010
Sanitary landfill	-	-	24,153	24,777	24,153	24,777
Jail Commissary	-	-	1,108,065	995,192	1,108,065	995,192
Total expenses	411,993,554	386,373,251	1,132,218	1,019,969	413,125,772	387,393,220
Increase (decrease) in net position	12,929,816	(1,509,221)	258,549	315,814	13,188,365	(1,193,407)
Net position - beginning restated	335,531,376	337,306,838	2,888,783	2,572,969	338,420,159	339,879,807
Net position - ending	\$ 348,461,192	\$ 335,797,617	\$ 3,147,332	\$ 2,888,783	\$ 351,608,524	\$ 338,686,400

The following is a discussion of significant increases in revenues and expenses of governmental activities:

Overall revenues within governmental activities increased by \$40,059,340 (10.4%) from the prior fiscal year. The increase is mainly attributable to the following:

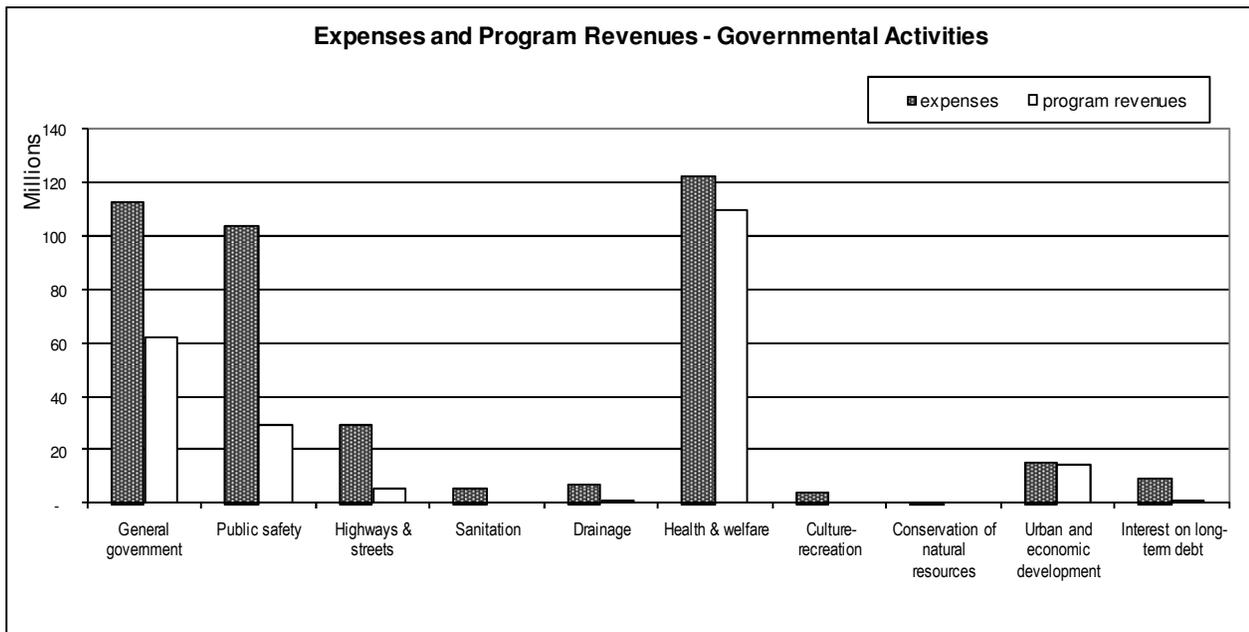
- Grants and contributions increased by \$30,540,492. The increase is primarily due to the Medicaid 1115 Waiver. In 2013, the County created a Health Care Funding District that assesses mandatory payments to the hospitals in the District for the intergovernmental transfer (IGT) to the State for funding the Medicaid 1115 Waiver. The hospitals paid the District \$52,736,756 during the current fiscal year compared to \$10,515,300 during the prior fiscal year. However, in the prior year, the County received a

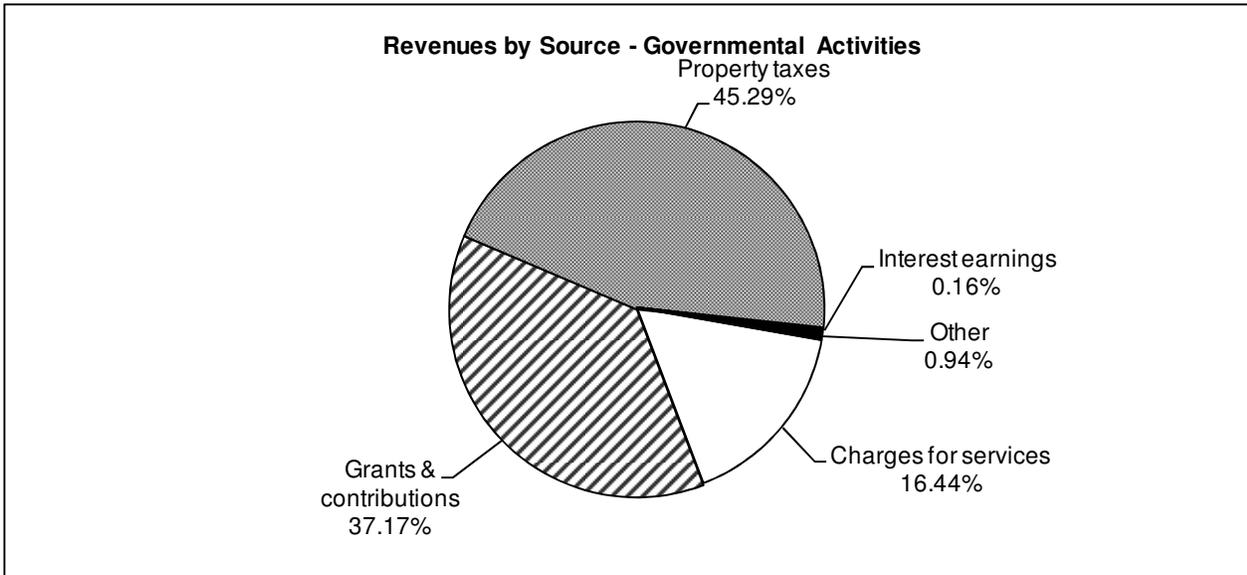
one-time Delivery System Reform Incentive Payment (DSRIP) of \$7,022,937 from the State related to the Medicaid 1115 Waiver which it did not receive in the current year.

- Charges for services increased by \$4,038,011 primarily due to new and/or increases in fees and increases in the premiums for the self-insured health benefits fund.
- Property tax revenues increased by \$3,827,234 due in part to a higher than expected collection rate.

Overall expenses within governmental activities increased by \$25,620,303 (6.6%) from the prior fiscal year. The increase is mainly attributable to the following:

- Expenses for health and welfare increased by \$36,651,455 primarily due to an increase of \$35,906,521 in the IGT to the State by the Health Care Funding District for funding the Medicaid 1115 Waiver.
- Expenses for public safety increased by \$4,379,015 primarily due to increased funding from the Homeland Security Grant Program for Operation Stonegarden (\$3,286,053).
- Expenses for drainage flood control decreased by \$11,122,706. In the prior fiscal year, the Drainage District No. 1 issued general obligation debt which it immediately used to pay one-time expenses including issuance costs and the acquisition of drainage ditches. In addition, in the prior fiscal year, the District expensed certain levy wall project costs which had been recorded as due from Homeland Security after questions were raised by Homeland Security.
- Expenses for highways and streets decreased by \$5,942,495 due to adjustments to accumulated depreciation for infrastructure.





Business-type Activities. For the County's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$3,147,332. The total increase in net position for business-type activities (landfill and jail commissary funds) was \$258,549 or 9% from the prior fiscal year. Overall revenue increased by \$54,984 due to an increase in jail commissary charges. Expenses increased by \$112,248. Jail commissary expenses increased by \$112,872 while landfill expenses decreased by \$624.

Financial Analysis of the Governmental Funds

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

Governmental Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use particular purposes by the County's Commissioners Court.

At December 31, 2014, the County's governmental funds reported combined fund balances of \$197,619,152, an increase of \$6,083,892 in comparison with the prior fiscal year. Approximately 9% of this amount (\$17,994,565) constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$3,785,677), 2) restricted for particular purposes (\$54,479,579), 3) committed for particular purposes (\$7,548,192), or 4) assigned for particular purposes (\$113,811,139).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$19,689,742, while total fund balance decreased by \$5,070,356 to \$44,961,388. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents approximately 11% of total general fund expenditures and transfers out, while total fund balance represents approximately 25% of that same amount.

The Health Care Funding District local provider participation special revenue fund became a major fund in the current fiscal year. In 2013, the County created a Health Care Funding District that assesses mandatory payments to the hospitals in the District for the intergovernmental transfer (IGT) to the State for funding the Medicaid 1115 Waiver. The local provider participation fund had an increase of \$6,514,424 in fund balance during the current fiscal year which brought the overall fund balance to \$6,709,092. Funds in the local provider participation fund are not paid out until requested by the State.

The Drainage District No. 1 capital projects fund became a major fund in the prior fiscal year. The fund balance decreased by \$13,857,190 during the current fiscal year which brought the overall fund balance to \$59,723,822. The decrease was due to expenditures incurred for the maintenance and operation of the drainage facilities.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the jail commissary at the end of the current fiscal year increased by \$230,629 to a balance of \$2,837,160. However, the unrestricted net position of the landfill decreased by \$24,153 to a deficit balance of \$812,178. The total net position for both funds was \$2,891,515 and \$255,817, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. During the current fiscal year, there was an increase of \$12,985,225 in appropriations (including other financing uses) between the original and final amended budget. Following are the key components of the budget increase.

- \$9,815,471 of the increase resulted from using assigned fund balance. These funds were appropriated for repairs to the adult detention facility (\$4,921,354), the Medicaid 1115 Waiver DSRIP program (\$4,164,602), and for the County's portion of various Texas Department of Transportation projects (\$729,515).
- \$1,608,185 of the increase was possible because of unanticipated revenues specifically described in the following section. The majority of these funds were appropriated for repairs to the adult detention facility (\$900,000) and the acquisition of equipment (\$487,581).
- \$1,561,569 of the increase resulted from using restricted fund balance. These funds were appropriated for the County Clerk's records archive (\$472,510), grand jury (\$110,000), Child Advocacy Center (\$50,000), and to fund grant matching requirements (\$929,059).

During the current fiscal year, there was an increase of \$1,608,185 in estimated revenues (including other financing sources) between the original and final amended budget. Following are the key components of the increase in estimated revenues.

- \$487,581 of other financing sources was recognized due to capital lease agreements for the acquisition of equipment.
- \$465,356 of new charges for services (fees) that became effective for the current year or too late in the previous year to include in the current year's revenue estimate. More than half of this amount (\$265,000) was due to e-filing transaction fees that became effective in January 2014.
- \$416,973 was awarded from the Texas Indigent Defense Commission as a special one-time payment.
- \$111,000 of grants was received from the Texas Department of Family and Protective Services for child welfare and legal services.
- \$60,282 of insurance proceeds was received related to vehicle accident claims.
- \$59,040 of rental revenue was received for the lease of office space to the Community Supervision and Corrections Department (\$36,000) and the Women Together Foundation (\$2,400). In addition, revenue was received from Starr Feedyard LTD (\$20,640) for the lease of land in Precinct 3 for farming.
- \$7,360 of outstanding jury script checks was transferred to the county treasury pursuant to Texas Government Code Sec. 61.001(f).
- \$593 of proceeds was received from the sale of abandoned vehicles.

Final Budget Compared to Actual Results. A review of actual expenditures compared to appropriations in the final budget yields no significant variances with three exceptions. Actual expenditures for the repair of the adult detention facility were \$4,134,741 less than the final amended budget because the Commissioners Court decided to use proceeds from the issuance of certificates of obligations for the renovation/repair of the adult detention facility rather than the general fund. In addition, actual expenditures for the Medicaid 1115 Waiver DSRIP program were \$3,436,694 less than the final amended budget because the Health and Human Services Department has not implemented planned programs related to preventative care. Lastly, actual transfers out for

grant matching requirements were \$1,284,418 less than the final amended budget due to the difference in fiscal years. Grants operate on a fiscal year (usually beginning September 1st or October 1st) different from the County's fiscal year (beginning January 1st).

A review of actual revenues compared to estimated revenues in the final budget yields significant variances in three categories of revenues. Actual charges for services exceeded budgetary estimates by \$3,244,461. In addition, actual intergovernmental revenue exceeded budgetary estimates by \$1,595,783. Finally, actual tax collections exceeded the budgetary estimate by \$1,548,630. The variances between actual collections and the final budget are mainly due to a conservative approach by the County Auditor in projecting revenues and tax collection rates.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$439,763,029 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and bridges. Total capital assets for the current fiscal year increased by approximately 2.85%.

Major capital events during the current fiscal year included the following: (1) completed construction on the Constables Precinct No. 1 building; (2) completed renovations to the Sheriff's law enforcement facility; (3) completed renovation to old Restitution Center on M Road; and (4) completed Precinct No. 2 Equipment and Maintenance facility.

Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land and easement	\$ 59,543,423	\$ 58,794,250	\$ 1,001,093	\$ 1,001,093	\$ 60,544,516	\$ 59,795,343
Infrastructure	183,737,684	185,312,259	-	-	183,737,684	185,312,259
Buildings and renovations	101,015,376	99,897,973	-	-	101,015,376	99,897,973
Improvements other than buildings	11,479,841	11,230,628	-	-	11,479,841	11,230,628
Machinery and equipment	36,053,080	40,142,590	54,355	2,282	36,107,435	40,144,872
Construction in progress	46,878,177	31,195,019	-	-	46,878,177	31,195,019
Total	\$ 438,707,581	\$ 426,572,719	\$ 1,055,448	\$ 1,003,375	\$ 439,763,029	\$ 427,576,094

Additional information on the County's capital assets can be found in the notes to the financial statements (See Note 3.C.).

Long-term Debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$333,505,000. This debt is backed by the full faith and credit of the government. Additionally, the County had notes payable totaling \$2,009,660. This table excludes unamortized premiums and discounts.

General Obligation Bonds and Notes Outstanding

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Refunding bonds	\$ 91,405,000	\$ 66,975,000	\$ -	\$ -	\$ 91,405,000	\$ 66,975,000
General obligation bonds	157,700,000	163,535,000	-	-	157,700,000	163,535,000
Certificates of obligation	78,870,000	95,410,000	-	-	78,870,000	95,410,000
Tax notes	5,530,000	-	-	-	5,530,000	-
Notes-Hidalgo County	407,707	500,025	-	-	407,707	500,025
Notes-Urban County Program	1,340,000	1,515,000	-	-	1,340,000	1,515,000
Notes-Drainage District No. 1	261,953	-	-	-	261,953	-
Total	\$ 335,514,660	\$ 327,935,025	\$ -	\$ -	\$ 335,514,660	\$ 327,935,025

During the current fiscal year, the bonded debt increased by \$93,580,000 due to the issuance of \$20,085,000 in certificates of obligation, \$60,155,000 in refunding bonds which refunded \$59,805,000 of debt, and \$5,530,000 in tax notes by the County and the issuance of \$7,810,000 of refunding bonds which refunded \$8,015,000 of debt by the Drainage District No. 1. The issuances were offset by regularly scheduled principal reductions \$18,175,000.

During the current fiscal year, notes payables decreased by \$5,364 due the issuance of a \$406,980 note by the Drainage District No. 1, which was offset by regularly scheduled principal reductions of \$412,345.

The County maintains a “AA-” rating from Standard & Poor’s and Fitch Ratings and a “Aa2” rating from Moody’s investors Service for general obligation debt. The Drainage District maintains a “AA-” rating from Standard & Poor’s and a “Aa2” rating from Moody’s investors Service for general obligation debt.

State statutes limit the amount of general obligation debt that the County may issue to 25% of its total assessed valuation. The current debt limitation for the County is \$8.13 billion, which is significantly in excess of the County’s outstanding general obligation debt.

Additional information about the County’s long-term debt can be found in the notes to the financial statements (See Note 3.G.).

Economic Factors and Next Year’s Budgets and Rates

The following economic factors were considered in developing the County’s 2015 fiscal year budget.

- According to the Texas Workforce Commission, the unemployment rate (unadjusted) for August 2014 for the County of Hidalgo was 9.1%, which was higher than the state (5.3%) and national (6.3%) unemployment rates for the same period.
- Assessed property values had averaged 13% growth for the five-year period prior to fiscal year 2010. However, due to the economic downturn, the County experienced a modest 5% increase in assessed property values for fiscal year 2010 followed by 0% increase and 1% decrease for fiscal years 2011 and 2012. For fiscal year 2013 and 2014, the County experienced positive growth of 1% and 2%, respectively. The County was projected to experience positive growth of up to 5% for fiscal year 2015.
- The ad valorem property tax rate has remained at \$0.5900 per \$100 assessed valuation since fiscal year 2004. The Commissioners Court decided not to increase the tax rate for fiscal year 2015.
- Staffing levels were expected to be maintained for the 2015 budget. In addition, no provision for a Cost of Living Adjustment (COLA) was approved.

During the current fiscal year, the County’s unassigned fund balance of the general fund was \$28,825,715. The County has appropriated \$9,135,973 of this amount for spending in the 2015 fiscal year budget resulting in net unassigned fund balance of \$19,689,782. This action was taken in order to avoid the need to raise taxes or charges during the 2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hidalgo County Auditor’s Office, 2808 South Business Highway 281, Edinburg, Texas 78539. This report is available online at <http://www.co.hidalgo.tx.us/index.aspx?NID=448>.