NOTES TO THE FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

The accounting and reporting policies of the County of Hidalgo, Texas (the County), 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.

The County evaluated GASB Statement No. 67, *Financial Reporting for Pensions - an Amendment of GASB Statement 25*. GASB Statement No 67 revises existing standards of financial reporting for pensions that are provided to employees of state and local governmental employers through pension plans administered through trusts. It was determined that this GASB statement is not applicable to the County.

The County also evaluated GASB Statement No. 69 *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 69 establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). GASB Statement 70 establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). It was also determined that these GASB statements are not applicable to the County

The following significant accounting policies were applied in the preparation of the accompanying general-purpose financial statements.

A. Reporting Entity

In accordance with GASB Statement No. 61, *The Financial Reporting Entity: An Amendment of GASB Statement No. 14 and No.34*, the basic financial statements of the County include the primary government and its blended component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable, or the relationship to the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A blended component unit, although a legally separate entity, is, in substance, part of the County's operations and so data from these units is combined with data of the County.

The criteria used to determine whether an organization is a component unit of the County and whether it is a discretely or a blended component unit includes: the organization is legally separate, the County holds corporate powers of the organization, the County appoints a voting majority of the organization's board, the County is able to impose its will on the organization, fiscal dependency by the organization on the County, and whether the organization has the potential to impose a financial benefit/burden to the County.

Based on the application of the foregoing criteria, the following is a brief discussion of the entities that are included within the County's reporting entity.

Related Agencies. The following agencies do not meet the criteria for component units as set forth in GASB No. 61 because they are not legally separate entities. They are part of the primary government and are as follows:

<u>Urban County Program (Urban County)</u> – This agency administers economic and urban development grants received primarily from the U.S. Department of Housing and Urban Development.

<u>Head Start Program (Head Start)</u> – This agency administers health and welfare grants received from the Department of Health and Human Services and the U.S. Department of Agriculture.

<u>Community Service Agency (CSA)</u> – This agency administers health and welfare grants received from various federal and state grantors.

Note 1 Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Blended Component Units. For financial reporting purposes, the Hidalgo County Drainage District No. 1 and the Health Care Funding District are included in the operations and activities of the County as blended component units. One of the component units provides services that benefit the primary government even though it does not provide services directly to the primary government. The other component unit's governing body is substantively the same as the governing body of the primary government where management of the primary government has operational responsibility for that component unit.

Hidalgo County Drainage District No. 1 (the Drainage District) – The Drainage District is a separate legal entity created on April 9, 1908, by order of the Commissioners Court of Hidalgo County, Texas, pursuant to an election held within the territory affected. Originally organized under provisions of Article III, Section 52 of the Texas Constitution, the Drainage 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. Complete financial statements for the Drainage District may be obtained from:

Hidalgo County Drainage District No. 1
902 North Doolittle Road
Edinburg, Texas 78542

Health Care Funding District (HCF District) – The HCF District administers the revenue received for the nonfederal share of Medicaid supplemental payment program by requiring mandatory payment from institutional health care providers in the district. The Health Care Funding District does not issue a comprehensive annual financial statement.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its blended component units. Substantially all of the effects of interfund activities have been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the County's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position focuses on the net position of the governmental and business-type activities of the primary government and its blended component units, where net position equals the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.

The statement of activities demonstrates the degree to which the direct expense of a given function or identifiable activity is offset by program revenues of the County's different business-type activities and for each function of the County's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include (a) fees, fines, and charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not includable in program revenues are reported instead as general revenue.

Note 1 Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for the agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 County 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.

Revenues susceptible to accrual include property taxes, fines, forfeitures, licenses, interest income, and charges for services and, as such, have been recognized as revenues for the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the County.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County reports the following major governmental funds:

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

The Local Provider Participation Fund special revenue fund accounts for mandatory payments based on the hospital net patient revenue used to fund intergovernmental transfers to the state for a non federal share of a Medicaid supplemental payment program.

The Drainage District No.1 Capital Projects fund accounts for the capital projects of the Drainage District. In addition, the fund also accounts for the proceeds of $28,000,000 Bond Series 2007, $72,000,000 Bond Series 2008, and $77,130,000 Bond Series 2013. The funds are to be used in the construction of drainage improvements in the Drainage District and right of way acquisitions.

The County does not report any major enterprise funds.

Note 1 Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the County reports the following non-major governmental funds:

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

Debt service funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds account for and report 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.

The County also reports the following fund types:

Internal service funds account for health benefits and workers' compensation insurance provided to County employees, retirees, and dependents on a cost-reimbursement basis. Contributions to the funds consist of charges to the participating entities for covered employees along with contributions from employees and retirees.

Pension trust funds account for the net plan assets and changes in net plan assets of the related agencies' employees' retirement plan.

Private-purpose trust funds account for property escheated to the state held for private individuals, certificates of deposit and nonexempt real property executed in trust to the Bail Bond Board, monies confiscated by the District Attorney, monies awarded to minors and child support payments held by the District Clerk, confiscations and monies belonging to inmates held by the Sheriff, and Section 108 bank loans and funds belonging to various boards and commissions held by the Urban County Program.

Agency funds account for funds held for others in an agency capacity including various clearing accounts and court costs, fees, fines, restitution, bonds, seizures, and taxes that are collected by the District Attorney, District Clerk, Tax Assessor/Collector, County Clerk, Sheriff, Adult Probation, and the Health Clinics.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's health benefits and workers' compensation divisions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenues include 1) charges for services (i.e. court costs, fees, and fines, etc.), 2) operating grants and contributions, and 3) capital grants and contributions. Other revenues that are not related to a specific activity or function are reported as *general revenues*. General revenues include all taxes, grants and contributions not restricted to a specific program or function, and any unrestricted investment earnings.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the jail commissary enterprise fund and the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflow/Inflows of Resources and Net Position

1. Deposits and Investments

The County's cash and cash equivalents consist of cash on hand, demand deposits, and external investment pools. This excludes rollovers of certificates of deposit such as those in the fiduciary funds. Investments are carried at fair value. It is the County's intent to hold all investments to maturity.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of the interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances between funds are classified as "due to/from other funds." Balances outstanding between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available financial resources and, therefore, not available for appropriation.

All accounts and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied as of October 1 on property values assessed as of the same date. Taxes become delinquent on February 1, at which time penalties and interest are assessed.

3. Inventories and Prepaid Items

Postage inventories in the general fund are valued at cost using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

4. Restricted Assets

Cash set aside in the Landfill Services enterprise fund is restricted because its use is limited by applicable bond covenants.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items,) are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts expended that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the County values these capital assets at the fair market value of the item at the date of its donation.

Note 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflow/Inflows of Resources and Net Position (Continued)

5. Capital Assets (Continued)

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

Asset Class	Capitalization Threshold	Useful Life In Months
Buildings/building improvements	$ 50,000	60-360
Facilities & other improvements	50,000	120-540
Infrastructure	100,000	120-600
Personal property (equipment)	5,000	36-180
Leasehold improvements	50,000	60
Computer software	5,000	60-72

6. Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charges on refunding, reported in the government-wide statement of net position, qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The County’s unavailable revenues which arise only under the modified accrual basis of accounting qualify for reporting in this category in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes received in advance (2014 tax levy is not applicable), grants, and interlocal agreements with other governmental entities.

7. Compensated Absences

The County accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. Employees earn vacation and sick leave at varying rates depending on their employment status and years of service with the County.

Hours Earned Per Year

	Full-Time Employees		Part-Time Employees	
Years of Service	Vacation Leave	Sick Leave	Vacation Leave	Sick Leave
Up to 5 years	96	96	hours worked x .04615	48
5 to 10 years	108	96	hours worked x .04615	48
Over 10 years	120	96	hours worked x .04615	48

It is the County’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits as follows:

Maximum Hours Accumulated Per Year

	Full-Time Employees		Part-Time Employees	
Years of Service	Vacation Leave	Sick Leave	Vacation Leave	Sick Leave
Up to 10 years	160	360	160	360
10 to 15 years	240	360	240	360
Over 15 years	320	360	320	360

Employees lose, without pay, unused vacation and sick leave, which exceed these limits. Outstanding sick leave balances are canceled, without recompense, upon termination, resignation, retirement or death.

Note 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflow/Inflows of Resources and Net Position (Continued)

7. Compensated Absences (Continued)

The accrued liability for accumulated compensated absences reported in the government-wide financial statements consists of unpaid accumulated vacation leave of $6,530,290, compensatory time of $794,052, and holiday leave of $1,658,091 for the governmental activities. Business-type activities consisted as follows: vacation leave $12,083, compensatory leave of $85, and holiday leave of $103.

8. Post employment benefits

In addition to providing pension benefits, the County provides health insurance coverage for current and future retirees and their spouses and dependents as described in Note 4.C.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. On refunding bonds issues, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources and recognized as a component of interest expense on a straight-line basis over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

10. Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, governmental funds report equity as fund balance. The County categorized its fund balances in five classifications and in the hierarchy to which the government is bound to honor constraints on specific purposes for which amounts in those funds can be spent. Proprietary fund equity is classified the same as in the government-wide statements.

Nonspendable – These balances represent amounts that cannot be spent because they (a) are not in spendable form, (e.g., inventories and prepaid items); (b) are not expected to be converted into cash within the current period or at all (e.g., long-term receivables); or (c) they are legally or contractually required to be maintained intact (e.g. the non-spendable corpus of an endowment).

Note 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflow/Inflows of Resources and Net Position (Continued)

10. Equity Classifications (Continued)

Restricted – These balances represent amounts that are restricted to specific purposes, with constraints that have either been (a) externally imposed by creditors (e.g. through debt covenant), grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Fund balance in the debt service funds will be restricted for the payment of principal and interest on the debt service obligation. Any funds that are remaining after all debt is extinguished will be transferred to other debt service funds.

Committed – These balances represent amounts that are constrained to the use of specific purposes pursuant to formal action of Commissioners Court, the County's highest level of decision-making authority. These amounts are committed through the adoption of a court order. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts.

Assigned – These balances represent amounts assigned by Commissioners Court for use for specific purposes but which are neither restricted nor committed. This classification applies to the positive unrestricted and uncommitted fund balance of all governmental funds except the General Fund.

Unassigned – These balances represent the residual fund balance of the General Fund and to any deficit fund balances of other governmental funds.

A detailed classification of fund balances is described in Note 3 I.

11. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Rounding Adjustments

Throughout this comprehensive annual financial report, dollar amounts are rounded, thereby creating differences between the details and the totals.

Note 2 Stewardship, Compliance, and Accountability

A. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Budget Officer has the responsibility of preparing the County's budgeted expenditures. By statute, the County Auditor has the responsibility of preparing an estimate of revenues for submission to Commissioners Court.

2. By July 31, all County departments and organizations must submit their budget requests to the Budget Officer for the fiscal year commencing the following January 1.

3. During August, Commissioners Court conducts informal budget workshops with each department head to discuss their budget requests.

4. By September 30, the Budget Officer prepares a proposed budget to cover all proposed expenditures of the County for the following year. Copies of the proposed budget are filed with the County Clerk and County Auditor. The proposed budget is available for inspection by taxpayers.

Note 2 Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (Continued)

5. Within seven calendar days after the filing of the proposed budget and prior to December 31 of the current year, Commissioners Court conducts a public hearing on the County's proposed budget. Any taxpayer of the County of Hidalgo has the right to be present and participate in the hearing. At the conclusion of the hearing, Commissioners Court acts upon the proposed budget as submitted by the Budget Officer. The Commissioners Court has the authority to make such changes in the budget, in its judgment of the facts, the law warrants, and the interest of the taxpayers demand, provided the amounts budgeted for current expenditures from the various funds for the County does not exceed the balances in these funds as of January 1 plus the anticipated revenue for the current year for which the budget is made, as estimated by the County Auditor.

6. Under no circumstances can Commissioners Court authorize expenditures that will exceed appropriations.

Annual budgets are prepared in conformity with GAAP using the modified accrual basis of accounting for all governmental funds except grant-funded special revenue funds and capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end. Appropriations at year-end for grant-funded special revenue funds and capital projects funds are carried forward to subsequent years until the grant has terminated or the project is completed.

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will be honored in the subsequent year. For the general fund only, encumbrances outstanding at December 31, 2014, were not re-appropriated in 2015 as per Commissioners Court order on August 25, 2014. Any encumbrance outstanding in the general fund at December 31, 2014, will be liquidated with the year 2015 budget.

B. Deficit Fund Balance/Net Position

The TXDOT capital projects fund reported a deficit fund balance of $1,695,177 as of December 31, 2014. This fund accounts for transactions related to the Texas Department of Transportation (TXDOT) road, bridge, and outfall projects. Funding for these projects is on a partial or full reimbursement basis from TXDOT, other local governments and various capital and special revenue funds. At year end, reimbursements from other governments had not been received.

The Stop Truancy program in the Special Revenue Designated Purpose Grants fund reported a deficit fund balance of $72,381 as of December 31, 2014. An interlocal agreement between the County and the Mission, Sharyland and La Joya ISD is used to assist with crimes committed by juveniles and reduce school truancy and juvenile delinquency where the County pays half of the costs. At year end, reimbursements from the school districts had not been received.

In addition, the Health Benefits internal service fund reported a deficit net position of $4,882,124 as of December 31, 2014. The rates used by the County did not attain the desired fund level. The County will review the rate structure for year 2015 to determine if an adjustment to the current rate structure will be necessary to properly charge the customers of the fund.

Note 3 Detailed Notes on all Funds

A. Deposits and Investments

Deposits and investments for the Community Service Agency, Head Start Program, Urban County Program, and the Drainage District are held separately from the County's investment program.

Note 3 Detailed Notes on all Funds (Continued)

A. Deposits and Investments (Continued)

Deposits and investments are pooled for investment purposes in each of the County'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. For reporting purposes, funds with a negative cash balance within the pool were offset by available cash from other funds within the pool.

Deposits are held in the County's depository account under the terms of an agreement that was executed on May 10, 2013. The depository agreement requires the 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 year-end, the carrying amount of the County's deposits was $316,478,707 consisting of cash and cash equivalents.

As of December 31, 2014, the County had the following investments in connection with the pension trust funds:

*Investment Type	Fair Value
Mutual Funds	$ 22,939,512
Participant Loans	1,426,386
Total	$ 24,365,898

The mutual funds are participant directed.

**The plan does not rate its investments.*

Interest rate risk. In accordance with its investment policy, the County 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 County'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 County's investment policy does not allow investments in bankers' acceptances to exceed ten percent of the County's total investments. Additionally, the County's investment policy prohibits funds held for debt service to be invested in mutual funds and prohibits the County 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 County's depository agreement requires its designated depository financial institution to secure the County's uninsured deposits by 105% with securities held in the County's name at a third party financial institution.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investment policy reduces the County'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 or the United States or their respective agencies and instrumentalities. The County's investment policy strictly prohibits riskier-type investments such as commercial paper.

Note 3 Detailed Notes on all Funds (Continued)

B. Receivables

County receivables at December 31, 2014, in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	General Fund	Local Provider Participation	Capital Projects Drainage District #1	Nonmajor Governmental Funds	Total
Property taxes receivable	$117,330,457	$ -	$ -	$ 33,487,329	$ 150,817,785
Accounts receivable	526,955	-	-	1,887,695	2,414,650
Loans receivable	265,269	-	-	10,400	275,669
Interest receivable	299,234	-	-	5,406	304,640
Other receivables	-	-	-	-	-
Intergovernmental receivables:					
Due from federal	-	-	-	2,173,087	2,173,087
FEMA	2,400,761	-	-	-	2,400,761
Dept. of Homeland Security	-	-	-	-	-
Due from state	302,242	-	-	8,925,852	9,228,093
Due from local	399,766	-	-	5,604,634	6,004,399
Subtotal	121,524,683	-	-	52,094,403	173,619,085
Due from others	2,627	-	-	1,778	4,407
Less: allowance for uncollectibles	(14,244,667)	-	-	(3,471,853)	(17,716,520)
Total net receivables	$107,282,643	$ -	$ -	$ 48,624,328	$ 155,906,971

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. As of December 31, 2014, the various components of unearned revenue reported in the governmental funds were as follows:

	Unearned Revenues
Property taxes-general fund	$ 102,349,955
Property taxes-special revenue	9,381,575
Property taxes-debt service funds	20,565,574
Court ordered restitutions owed to Hidalgo County	-
Election Services	-
RMA loan	-
Revenues for road projects	-
Culvert revenues for future installations to various subdivisions	1,363,033
Courthouse Master Plan	100,000
Dept. of Homeland Security	-
Grant draw downs prior to meeting all eligibility requirements	4,761,969
Disposal Permit Fees	20,400
Total unearned revenue for governmental funds	$ 138,542,506

Note 3 Detailed Notes on all Funds (Continued)

C. Capital Assets

Capital asset activity for the year ending December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 39,244,830	$ 592,043	$ (462,984)	$ 39,373,889
Easements	19,549,420	620,114	-	20,169,534
Subtotal Land and Easements	58,794,250	1,212,157	(462,984)	59,543,423
Construction in progress	31,195,019	18,128,094	(2,444,936)	46,878,177
Total capital assets not being depreciated	89,989,269	19,340,251	(2,907,920)	106,421,600
Capital assets being depreciated:				
Buildings and renovations	150,463,124	5,281,091	(1,676,473)	154,067,742
Improvements other than buildings	16,098,339	931,140	-	17,029,479
Machinery and equipment	95,692,423	5,839,646	(4,166,039)	97,366,030
Infrastructure	477,548,299	20,780,278	(7,036,832)	491,291,745
Total capital assets being depreciated	739,802,185	32,832,155	(12,879,344)	759,754,996
Less accumulated depreciation for:				
Buildings and renovations	(50,565,151)	(4,032,118)	1,544,903	(53,052,366)
Improvements other than buildings	(4,867,711)	(681,927)	-	(5,549,638)
Machinery and equipment	(55,549,833)	(9,031,476)	3,268,359	(61,312,950)
Infrastructure	(292,236,040)	(21,253,154)	5,935,133	(307,554,061)
Total accumulated depreciation	(403,218,735)	(34,998,675)	10,748,395	(427,469,015)
Total capital assets being depreciated, net	336,583,450	(2,166,520)	(2,130,949)	332,285,981
Governmental activities capital assets, net	$ 426,572,719	$ 17,173,731	$ (5,038,869)	$ 438,707,581
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,001,093	$ -	$ -	$ 1,001,093
Total capital assets not being depreciated	1,001,093	-	-	1,001,093
Capital assets being depreciated:				
Buildings	321,589	-	-	321,589
Machinery and equipment	242,142	52,403	-	294,545
Total capital assets being depreciated	563,731	52,403	-	616,134
Less accumulated depreciation for:				
Buildings	(321,589)	-	-	(321,589)
Machinery and equipment	(239,860)	(330)	-	(240,190)
Total accumulated depreciation	(561,449)	(330)	-	(561,779)
Total capital assets being depreciated, net	2,282	52,073	-	54,355
Business-type activities capital assets, net	$ 1,003,375	$ 52,073	$ -	$ 1,055,448

Note 3 Detailed Notes on all Funds (Continued)

C. Capital Assets (Continued)

Depreciation expense was charged to the various functions as follows:

Governmental activities:	
General government	$ 1,862,064
Public safety	5,938,784
Highways and streets	19,884,570
Sanitation	252,509
Drainage	4,476,962
Health and welfare	1,914,408
Culture and recreation	546,972
Conservation	2,258
Urban and economic development	120,148
Total governmental activities	$ 34,998,675
Business-type activities	
Jail Commissary	$ 330
Landfill Services	-
Total business-type activities	$ 330

Construction and other significant commitments

Construction commitments. The County has active construction projects as of December 31, 2014. The projects include various street constructions and building constructions. At year-end, the County's commitments over $200,000 with contractors are as follows:

Projects	Spent-to-date	Remaining Commitment	Financing Source
TXDOT Projects	$ 17,324,597	$ 1,506,986	C.O.'s, SRF, SIB Loan, GF
Border Colonia Access Projects F1312	12,568,290	244,709	State Grant
Pct. 4-Linn San Manuel Emergency Facility	787,050	659,168	SOA 1342, C.O.'s, SRF
Common Integrated Justice System-Software	2,638,280	920,681	Tax Notes, Series 2007
Pct. 1 Mile 9 N (Mile 5½ W to Mile 6 W)	358,527	391,473	SOA 1341
Pct. 1 Sioux (Tower to Val Verde)	26,453	737,828	SOA 1339, C.O.Series 2009, 2010 A&B, SRF
Pct. 3 Mile 3 N (FM 492 to FM 2221)	626,805	216,587	SOA 1341
Admin Bldg - 100 E Cano Renovations	1,978,163	639,488	C.O.Series 2010 A&B
Pct. 2 Equip & Maint Facility	1,746,327	236,277	C.O.Series 2010 A&B
	$ 38,054,492	$ 5,553,197	

Encumbrances. As discussed in Note 2 A, Budgetary Information, encumbrance accounting is utilized. As of December 31, 2014, the County had the following encumbrances outstanding:

Governmental Funds						
Major Funds		Nonmajor Funds				
General Fund	Head Start Program	Special Revenue Funds	Capital Project Funds	Total Governmental Funds	Internal Service Funds	Total
$ 489,441	$ -	$ 5,065,451	$ 6,650,170	$ 12,205,062	$ 16,681	$ 12,221,743

Note 3 Detailed Notes on all Funds (Continued)

D. Interfund Receivables, Payables and Transfers

Interfund balances at December 31, 2014, consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	$ 134,054
Enterprise funds	29,698
Internal service funds	165
Total general fund	163,917
Due to nonmajor governmental funds from:	
General fund	9,913,568
Nonmajor governmental funds	14,105,836
Drainage District No. 1-Capital	1,606,044
Total nonmajor governmental funds	25,625,448
Total governmental funds	$ 25,789,365
Due to enterprise funds from:	
Internal service funds	$ 15,787
Total enterprise funds	15,787
Due to internal service funds from:	
Enterprise funds	19,549
Total internal service funds	19,549
Total proprietary funds	$ 35,336

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

Interfund transfers for the year ended December 31, 2014, consisted of the following:

	Transfers Out:			
Transfers In:	General Fund	Drainage District No. 1	Nonmajor Governmental Funds	Total
General fund	$ -	$ -	$ -	$ -
Nonmajor governmental funds	7,960,841	-	4,424,229	12,385,070
Total	$ 7,960,841	$ -	$ 4,424,229	$ 12,385,070

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute for budget requires to expend them, (2) move funds restricted to debt service to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Restricted Assets

In August of 1991, the County sold Certificates of Obligation in the principal amount of $4,700,000 of which $2,300,000 was earmarked for the purchase of 212 acres of land for a sanitation landfill and acquisition of equipment, and for paying legal, fiscal engineering, and architectural fees in connection with this project. An enterprise fund was set up to account for all of the County's landfill operations. Accordingly, since the above-mentioned debt was to be paid from future property tax revenues, the $2,300,000 received by the Landfill Services enterprise fund was reported as restricted cash. Cash in the amount of $66,902 ($2,300,000 - $2,233,098) has been restricted since February 27, 1997.

Note 3 Detailed Notes on all Funds (Continued)

F. Leases

Operating Leases

The County has various lease commitments for office space and equipment. The office equipment leases range from three to five years and the office space leases range from two to thirty years. Lease expense totaled $1,072,146 (for leases whose terms exceed one year) for the year ended December 31, 2014. The future minimum lease payments are as follows:

Year Ending December 31,	Amount
2015	$ 616,026
2016	134,410
2017	61,600
2018	-
2019	-
Total	$ 812,035

The County has also entered into lease agreements as the lessor for land and buildings. Lease payments received totaled $61,440 for the year ended December 31, 2014. The cost of the leased assets is $1,726,828. The future minimum lease payments receivable are as follows:

Year Ending December 31,	Amount
2015	$ 58,320
2016	37,200
2017	37,200
2018	37,200
2019	37,200
2020-2024	134,200
Total	$ 341,320

Capital Leases

The County entered into various lease agreements as lessee for financing the acquisition of office equipment and buildings. The present value of all lease payments at the beginning of the lease term is greater than ninety percent of the fair value of the leased property; therefore, the leases qualify as capital leases. The leases have been recorded at the present value of their future minimum lease payments at the inception date. Lease expenses totaled $1,027,233 for the year ended December 31, 2014.
Assets accounted for as capital leases are as follows:

	Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014
Assets:				
Office Equipment	$ 7,228,354	$ 552,152	$ (895,522)	$ 6,884,984
Buildings	449,357	61,222	(132,075)	378,504
Total	7,677,711	613,374	(1,027,597)	7,263,488
Less: accumulated depreciation				
Office Equipment	(633,228)	(351,301)	480,051	(504,478)
Buildings	(179,479)	(128,898)	-	(308,377)
Carrying value	$ 6,865,004	$ 133,175	$ (547,546)	$ 6,450,633

Note 3 Detailed Notes on all Funds (Continued)

F. Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, were as follows:

Year Ending December 31	Amount
2015	$ 1,237,763
2016	1,172,851
2017	977,094
2018	866,722
2019	810,449
2020-2024	2,920,775
Total minimum lease payments	7,985,654
Less: interest	(722,166)
Present value of future minimum lease payments	$ 7,263,488

G. Long-term debt

General Obligation Bonds

The County has issued general obligation bonds to provide for the resources for both the acquisition and construction of capital assets. These bonds have been issued for governmental activities. The beginning balance of the general obligation bonds issued in prior years was $325,970,000. During the year, certificates of obligation totaling $20,085,000 were issued to pay for the construction of mechanic shops, community resource centers, and parks; construction and improvement of road and drainage systems, including acquisition of lands and rights of way, purchase of equipment, renovations of the adult detention center and law enforcement center.

The American Recovery and Reinvestment Act of 2009 (the "Recovery Act") authorizes the County to issue taxable bonds known as "Build America Bonds" to finance capital expenditures that could otherwise be financed with the issuance of tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds (the "Build America Bonds Election"). The County issued $8,195,000 and $17,785,000 of Build America Bonds in 2009 and 2010, respectively. The certificates are not obligations described in section 103(a) of the Internal Revenue Code and the interest is not excludable from gross income for federal income tax purposes. The available subsidy for those certificates will be paid to the County. The subsidy payment may be available for payment of debt service on those certificates, but is not pledged as security to pay debt service on those obligations. No holders of the certificates are entitled to such payment or to receive a tax credit with respect to these certificates.

General obligation bonds are direct obligations of the County and the unlimited tax improvement bonds are direct obligations of the Drainage 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 County and District in an amount sufficient to provide payment of principal and interest. All bonds have a principal due date of August 15th, except for the unlimited tax improvement bond, which is due on September 1st. Interest is payable semi-annually, on February 15th and August 15th, except for the unlimited tax improvement bonds, which are payable on March 1st and September 1st.

The Certificates of Obligation, Series 2009C include $3,120,000 of term bonds maturing on August 15, 2029, which are subject to mandatory sinking fund redemption. The Certificates of Obligation, Series 2010B include $16,190,000 of term bonds maturing on August 15, 2021, 2024, and 2030, which are also subject to mandatory sinking fund redemption. The All other bonds may be prepaid or redeemed prior to their respective scheduled due dates as per provisions in the bond agreements.

Note 3 Detailed Notes on all Funds (Continued)

G. Long-term debt (Continued)

Tax Notes

Additionally, the County issued Tax Note, Series 2014 in the amount of $5,530,000, which is a direct obligation of the County and is 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 County in an amount sufficient to provide payments of principal and interest. Proceeds from the sale of the note will be used to purchase motor vehicles; and the payment of costs of issuance of the note.

General obligation bonds and tax notes currently outstanding are as follows:

Purpose	Type	Interest Rates	Issue Date	Maturity Date	Original Issue	Amount Outstanding
Governmental activities	Refunding bonds	3.50 – 5.00%	2005	2021	$ 51,640,000	$ 4,645,000
Governmental activities	Refunding bonds	4.00 – 4.25%	2007	2024	26,415,000	25,340,000
Governmental activities	Refunding bonds	2.50 – 5.00%	2009	2018	6,995,000	1,265,000
Governmental activities	Refunding bonds	3.00 – 4.00%	2014	2019	4,515,000	4,515,000
Governmental activities	Refunding bonds	0.65 – 3.00%	2014	2021	32,845,000	32,845,000
Governmental activities	Refunding bonds	3.00 – 5.00%	2014	2026	22,795,000	22,795,000
Governmental activities	Certificates of obligation	4.00 – 5.00%	2006	2026	38,770,000	5,045,000
Governmental activities	Certificates of obligation	3.00 – 5.00%	2009	2028	24,280,000	20,130,000
Governmental activities	Certificates of obligation	2.00 – 6.00%	2009	2029	12,225,000	9,785,000
Governmental activities	Certificates of obligation	2.00 – 6.30%	2010	2030	27,850,000	23,825,000
Governmental activities	Certificates of obligation	3.12 – 5.00%	2014	2034	20,085,000	20,085,000
Governmental activities	Unlimited tax improvement	4.00 – 5.00%	2007	2027	28,000,000	13,835,000
Governmental activities	Unlimited tax improvement	4.00 – 5.00%	2008	2028	72,000,000	60,265,000
Governmental activities	Unlimited tax improvement	2.50 – 5.00%	2013	2033	77,130,000	75,790,000
Governmental activities	Unlimited tax refunding improvement	3.75 – 4.00%	2014	2027	7,810,000	7,810,000
	Subtotal general obligation bonds				$ 453,355,000	$ 327,975,000
Governmental activities	Tax note	4.00 – 5.00%	2014	2034	5,530,000	5,530,000
	Total general obligation bonds and tax notes				$ 458,885,000	$ 333,505,000

Debt Service Requirements
Annual debt service requirements to maturity for general obligation bonds, certificates of obligation, and tax note are as follows:

Year Ending December 31,	Governmental Activities Principal	Governmental Activities Interest	Total
2015	$ 21,775,000	$ 13,480,216	$ 35,255,216
2016	21,580,000	13,452,352	35,032,352
2017	22,415,000	12,731,097	35,146,097
2018	23,500,000	11,924,852	35,424,852
2019	24,655,000	11,050,236	35,705,236
2020-2024	108,550,000	40,025,434	148,575,434
2025-2029	80,990,000	15,350,270	96,340,270
2030-2033	30,040,000	2,850,995	32,890,995
Total	$ 333,505,000	$ 120,865,452	$ 454,370,452

Note 3 Detailed Notes on all Funds (Continued)

G. Long-term debt (Continued)

Advance Refundings and Defeasances

On April 15, 2014, the County issued Limited Tax Refunding Bonds, Series 2014A in the amount of $4,515,000 to advance refund a portion of Certificates of Obligation, Series 2002 and Certificates of Obligation, Series 2004. Also, Limited Tax Refunding Bonds, Series 2014B was issued in the amount of $32,845,000 to advance refund a portion of General Obligation Refunding Bonds, Series 2005. Bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $90,738 and $2,252,887 respectively. This refunding resulted in an economic gain of $246,519 on Limited Tax Refunding Bonds, Series 2014A and $1,627,508 on Limited Tax Refunding Bonds, Series 2014B.

In addition, on November 15, 2014, the County issued Limited Tax Refunding Bonds, Series 2014C in the amount of $22,795,000 to advance refund a portion of Certificate of Obligation, Series 2006. Bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $2,097,451. This refunding resulted in an economic gain of $1,471,637.

On December 1, 2014, the Hidalgo County Drainage District No. 1 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. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $634,376. This refunding resulted in an economic gain of $635,904.

The following is the total of refunded bonds:

Description	Refunded Bonds	Years of Maturity
Certificates of Obligation, Series 2002	$ 1,055,000	2015
Certificates of Obligation, Series 2004	3,630,000	2015-2019
Certificates of Obligation, Series 2005	30,850,000	2016-2021
Certificates of Obligation, Series 2006	24,270,000	2017-2026
Unlimited Tax Improvement Bonds, Seres 2007	8,015,000	2024-2027
	$ 67,820,000	

Note Payable-Drainage District No. 1

The Drainage District has issued a fixed rate note from Plains Capital Bank, payable from operating funds of the County. The note is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Original Issue	Amount Outstanding
Governmental activities	3.75%	2014	2016	$ 406,980	$ 261,953
				$ 406,980	$ 261,953

Note 3 Detailed Notes on all Funds (Continued)

G. Long-term debt (Continued)

Note Payable-Hidalgo County

Additionally, the County has one note from the State Infrastructure Bank payable from the levy and collection of a direct and continuing ad valorem tax within the limits prescribed by law on all taxable property within the County. The note is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Original Issue	Amount Outstanding
Governmental activities	4.00%	2008	2018	$ 911,009	$ 407,707
				$ 911,009	$ 407,707

Note Payable-Urban County

The County of Hidalgo, through the Urban County Program, entered into a loan agreement with the U.S. Department of Housing and Urban Development (HUD) under HUD's Section 108 Loan Guarantee Program. The purpose of the loan is to assist certain cities in obtaining the necessary financing to construct vital community projects. Each City will repay its loan with City funds or from the City's Community Development Block Grant (CDBG) allotment from the Urban County Program. Principal and interest payments will be made to the Bank of New York Mellon, HUD's trustee. Note principal and interest will be used to pay Section 108 Government Guaranteed Participation Certificates purchased by underwriters selected by HUD. Interest is payable semiannually, on February 1st and August 1st. Principal payments are due as scheduled on February 1st until maturity.

Urban County	Interest Rate	Issue Date	Maturity Date	Original Issue	Amount Outstanding
Alton	6.56%	2001	2020	$ 2,925,000	$ 1,340,000
Total Urban County note payable				$ 2,925,000	$ 1,340,000

Changes in Long-Term Liabilities

The general fund is ultimately responsible for liquidating long-term liabilities, other than debt (such as compensated absences and pension liabilities).

Note 3 Detailed Notes on all Funds (Continued)

G. Long-term debt (Continued)

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014	Amounts Due Within One Year
Governmental activities:					
Bonds, tax notes and notes payable:					
General obligation bonds	$325,920,000	$ 93,580,000	$ (85,995,000)	$ 333,505,000	$ 21,775,000
Plus premiums on bonds	10,939,122	4,830,259	(1,619,089)	14,150,292	1,680,385
Less discounts on bonds	(63,835)	-	5,803	(58,032)	(5,803)
	336,795,287	98,410,259	(87,608,286)	347,597,260	23,449,582
Notes-Hidalgo County	500,024	-	(92,317)	407,707	96,011
Notes-Urban County Program	1,515,000	-	(175,000)	1,340,000	190,000
Notes-Drainage District No. 1	-	406,980	(145,027)	261,953	261,953
	2,015,024	406,980	(412,344)	2,009,660	547,964
Total bonds and notes payable	338,810,311	98,817,239	(88,020,630)	349,606,920	23,997,546
Other liabilities:					
Compensated absences	8,922,043	8,288,098	(8,227,708)	8,982,433	413,902
Claims and judgments	3,742,000	22,037,327	(22,340,327)	3,439,000	1,860,801
Arbitrage payable	-	-	-	-	-
Capital leases	7,677,711	613,374	(1,027,597)	7,263,488	1,041,189
Net pension obligation	987,151	12,585	-	999,736	-
Other post employment benefits	7,607,475	771,986	(3,151)	8,376,310	-
Total other liabilities	28,936,380	31,723,370	(31,598,783)	29,060,967	3,315,892
Governmental activities long-term liabilities	$367,746,691	$130,540,609	$(119,619,413)	$ 378,667,887	$ 27,313,438
Business-type activities:					
Closure and post-closure costs	$ 1,639,381	$ 24,703	$ (29,698)	$ 1,634,386	$ 37,114
Compensated absences	12,953	27,598	(28,281)	12,270	426
Business-type activities long-term liabilities	$ 1,652,334	$ 52,301	$ (57,979)	$ 1,646,656	$ 37,540

H. Short-Term Debt

The County of Hidalgo, through the Urban County Program, has a $500,000 line of credit with Lone Star National Bank. The purpose of the line of credit is to finance the costs of construction and general administration expenses prior to reimbursement from the Texas Department of Housing and Community Affairs (TDHCA) and/or the Texas Department of Rural Affairs (TDRA). Principal amounts obtained from the line of credit are repaid directly from the corresponding TDHCA or TDRA grants. The County is responsible for any accrued interest. Short-term debt activity for the year ended December 31, 2014, was as follows:

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Urban County Program:				
Colonia Fund Line of Credit				
Lone Star National Bank	$ 194,752	$ 431,825	$ (497,974)	$ 128,603
	$ 194,752	$ 431,825	$ (497,974)	$ 128,603

Note 3 Detailed Notes on all Funds (Continued)

I. Fund Balance

Fund balances by classifications as of December 31, 2014, pursuant to GASB Statement No. 54, are as follows:

	Major Funds			Nonmajor Funds			
	General Fund	Local Provider Participation	Drainage District	Special Revenue Fund	Debt Service Funds	Capital Projects Funds	Total Governmental Funds
Fund balances:							
Nonspendable:							
Inventory	$ 799,503	$ -	$ -	$ -	$ -	$ -	$ 799,503
Prepaid items	2,664,572	-	-	50,358	-	-	2,714,930.00
Noncurrent loans receivables	260,844	-	-	10,400	-	-	271,244.00
	3,724,919	-	-	60,758	-	-	3,785,677
Restricted for:							
Grand jury program	128,044	-	-	-	-	-	128,044
Community and economic development programs	498,056	-	-	-	-	-	498,056
Bond forfeitures commissions	-	-	-	-	-	-	-
Record archives	1,223,211	-	-	-	-	-	1,223,211
Elections	200,027	-	-	-	-	-	200,027
Sheriff's confiscations	-	-	-	-	-	-	-
Bail bond board	163,145	-	-	-	-	-	163,145
Family protection fee	399,543	-	-	-	-	-	399,543
Drug court program	183,311	-	-	-	-	-	183,311
District court records archive	352,412	-	-	-	-	-	352,412
Grants	-	-	-	3,494,020	-	-	3,494,020
Road maintenance and construction	-	-	-	4,091,317	-	-	4,091,317
Road Districts	-	-	-	-	-	-	-
TXDOT cash match	-	-	-	541,625	-	-	541,625
Grant cash match	785,885	-	-	100,920	-	-	886,805
Law enforcement officers special education	-	-	-	14,253	-	-	14,253
Electronic filing	167,340	-	-	-	-	-	167,340
Scofflaw	137,584	-		-	-	-	137,584
District attorney programs	-	-	-	192,522	-	-	192,522
Court ordered confiscations	-	-	-	5,984,303	-	-	5,984,303
Drug abuse prevention rehabilitation	-	-	-	329,557	-	-	329,557
Pretrial intervention	-	-	-	265,874	-	-	265,874
Child abuse prevention	-	-	-	31,844	-	-	31,844
District clerk Title IV-D	-	-	-	216,972	-	-	216,972
Records management & preservation	-	-	-	2,734,579	-	-	2,734,579
Court reporter	-	-	-	152,056	-	-	152,056
Juvenile delinquency prevention	-	-	-	3,950	-	-	3,950
Courthouse security	-	-	-	79,467	-	-	79,467
Probate court contributions	-	-	-	319,585	-	-	319,585
Court building security	-	-	-	126,550	-	-	126,550
T.A.C. special vehicle inventory	-	-	-	110,824	-	-	110,824
Law library	-	-	-	1,017,735	-	-	1,017,735
Supplemental court-ordered guardianship fee	-	-	-	81,286	-	-	81,286
Court Technology	-	-	-	889,592	-	-	889,592
Asset forfeiture	-	-	-	5,934,853	-	-	5,934,853
Adult Probation	-	-	-	-	-	-	-
Health Care Funding District	-	6,709,092	-	-	-	-	6,709,092
Drainage District No. 1	-	-	-	16,769,038	-	-	16,769,038
Capital outlay cash match	-	-	-	49,207	-	-	49,207
	4,238,558	6,709,092	-	43,531,929	-	-	54,479,579
Committed for:							
Renovation of historical site	-	-	-	-	-	-	-
Dept of Homeland preaward costs	-	-	-	-	-	-	-
Debt service reserve	-	-	-	-	7,548,192	-	7,548,192.00
	-	-	-	-	7,548,192	-	7,548,192.00
Assigned for:							
Jail repairs/Landmark	-	-	-	-	-	-	-
Designated for 1115 Waiver	3,436,694	-	-	-	-	-	3,436,694
Designated appropriations subsequent year	9,135,973	-	-	-	-	-	9,135,973
Designated Capital Outlay	20,168	-	-	-	-	-	20,168
Designated TxDot	674,334	-	-	-	-	-	674,334
Designated for New Courthouse	4,041,000	-	-	-	-	-	4,041,000
Capital improvements	-	-	59,723,822	-	-	35,758,469	95,482,291
Drainage improvement projects	-	-	-	-	-	1,020,679	1,020,679
	17,308,169	-	59,723,822	-	-	36,779,148	113,811,139
Unassigned:	19,689,742	-	-	-	-	(1,695,177)	17,994,565
Total fund balances	$ 44,961,388	$ 6,709,092	$ 59,723,822	$ 43,592,687	$ 7,548,192	$ 35,083,971	$ 197,619,152

Note 3 Detailed Notes on all Funds (Continued)

I. Fund Balance (Continued)

The County uses restricted fund balances first when expenditures are incurred for purposes for which both restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, for unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in the unrestricted fund balance classification could be used.

Note 4 Other Information

A. Risk Management

The County is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County purchases commercial insurance for coverage in the following areas: property, general liability, law enforcement liability, professional liability medical malpractice, public official liability, business automobile liability and physical damage, kidnap and extortion, automobile Mexico coverage, international coverage, crime, pollution, and civil/legal action. The commercial insurance covers claims up to a certain limit with deductibles ranging from $500 to $100,000 in both liability and property. Excess loss insurance is carried on general liability, which limits losses on claims to $1,000,000 per occurrence with a policy aggregate of $2,000,000, and a self-insured retention limit of $1,000,000. The County retains the liability for covered losses that exceed these limits. Settled claims have not exceeded coverage in the past three fiscal years.

The County retains the risk of loss relating to workers' compensation. The County has been self-insured for workers' compensation risks since 2003, it reimburses a third-party administrator who evaluates and pays claims in accordance to all applicable laws and regulations. The County's workers' compensation program provides medical and indemnity payments as required by law for job-related injuries. Under this program, the Workers' Compensation Fund provides coverage for up to a maximum of $500,000 for each worker's compensation claim. The County purchases commercial insurance for claims in excess of coverage provided by the Fund. The Fund is available to pay claims, administrative costs of the program and to fund the fund claims reserve. As of December 31, 2014, the County had a total of 557 reported claims. The liability for outstanding losses includes an actuarially determined amount for incurred but not reported claims. During the past three years, there were no claims paid that exceeded the insurance coverage.

The estimated required funding for unpaid claim liability is calculated and complies with GASB No. 10. The loss reserves are liabilities retained for losses and allocated loss adjustment expenses (ALAE) which include incurred but not reported (IBNR) reserves, credit for future investment income, and margins for adverse results. Various actuarial approaches are used to estimate the total undiscounted reserve, first the ultimate losses are estimated then paid losses are subtracted using information through December 31, 2014. In order to determine the present value of the loss reserves, the undiscounted reserves by accident year are multiplied by their respective discount factors. The discount factors are based on the claim payout pattern inherent in the County's loss development factors. The undiscounted estimated reserve is $1,882,000 with an assumed average annual rate of return on invested assets of 2.5%. The claims liability is $1,981,000 at December 31, 2014. Changes in the balances of claims liabilities for workers' compensation for the past two years are as follows:

	2014	2013
Claims liabilities at beginning of year	$ 1,987,000	$ 1,971,000
Claims incurred during the year	844,228	1,061,220
Changes in the estimate for claims of prior years	409,897	293,473
Less: Payments on claims	(1,260,125)	(1,338,693)
Claims liabilities at end of year	$ 1,981,000	$ 1,987,000

Note 4 Other Information (Continued)

A. Risk Management (Continued)

The County established the Health Benefits Fund, an internal service fund, to account for and finance its uninsured risk of loss for health benefits. The primary government and Drainage District No.1 as well as the Hidalgo County Appraisal District participate in the program and pay premiums to the Fund. Additionally, contributions are made to the Fund by employees for family coverage and by retirees and their dependents eligible to participate in the program. The participants are charged a blended premium based on the entire pool of participants. Premium rates are assessed on an annual basis and adjustments are made accordingly on February 1. Premiums are used to pay claims on a pay-as-you-go basis and administrative costs of the program.

The County contracts with Blue Cross Blue Shield to administer the program. The claims liability includes an estimated amount for claims that have been incurred but not reported (IBNRs). The reserve is developed in accordance with accepted actuarial principles. Under the method used incurred claims are estimated by using the historical claim payment pattern to complete the claims. It is calculated by taking the difference between the expected incurred claims and the claims paid to date. The final reserve includes a provision for claim adjustment expenses, which is 8% of the claim reserve estimate. An excess coverage insurance policy covers individual claims in excess of $170,000. During the past three years, there have been claims paid that exceeded the insurance coverage.

The claims liability is $1,458,000 at December 31, 2014. Changes in the balances of claims liabilities for health benefits for the past two years are as follows:

	2014	2013
Claims liabilities at beginning of year	$ 1,755,000	$ 1,624,000
Claims incurred during the year	20,858,315	22,668,854
Changes in the estimate for claims of prior years	(75,113)	62,786
Less: Payments on claims	(21,080,202)	(22,600,640)
Claims liabilities at end of year	$ 1,458,000	$ 1,755,000

B. Contingent Liabilities

1. **Litigation**
   Various lawsuits are pending against the County involving general liability, civil rights actions, and various contractual matters. In the opinion of County management, the potential claims against the County not covered by insurance resulting from such litigation will not materially affect the financial position of the County.

2. **Federally Assisted Programs**
   The County and its related agencies participate in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 and OMB Circular A-133 through December 31, 2014, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the County and its related agencies expect such amounts, if any, to be immaterial to the financial position of the County.

C. Other Post Employment Benefits

Plan Description
The County does not have a formal post-employment benefits plan; however, the County allows retired employees to participate in the County's Health Benefits Program by purchasing health care benefits at the same group rate as provided to current active employees at the time they end their service to the County. Members with the County can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when their age and years of service equals 75 or more. Members with the Drainage District can retire at age 60 and above with 10 or more years of service, with 20 years of service regardless of age, or when 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

Note 4 Other Information (Continued)

C. Other Post Employment Benefits (Continued)

of the members' death the same rule applies. Once the dependent attains the age of 26, Blue Cross Blue Shield 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. 45, *Accounting and Financial Reporting by Employer for Postemployment Benefits other than Pensions,* is applicable to the County due to the implicit rate subsidy. This "plan" is not a standalone plan and, therefore, does not issue its own financial statements. There are 3623 active employees and 33 retired employees.

Funding Policy. The County collects insurance premiums from the participating retirees each month and deposits them in the County's Group Insurance Fund. The County 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. For the fiscal year, the County paid $820,165 and the Drainage District had a credit of $22,511, which consisted of retiree payments. The County has elected not to prefund the actuarially determined future cost but will accrue the liability to reflect proper treatment and will disclose the Health Care Benefits for Retired Employees in accordance with GASB Statement 45. Monthly medical and prescription contributions required by the plan are as follows:

	Base Plan	Buyup Plan
Employee only	$469	$512
Employee & child/children	571	641
Employee & spouse	701	799
Employee & family	801	972

Annual OPEB Cost and Net OPEB Obligation. The County and the Drainage District's OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters established by GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County and Drainage District's annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation.

	Hidalgo County	Drainage District No. 1	Total
1. Annual required contributions	$ 1,710,285	$ 28,197	$ 1,738,482
2. Interest on net OPEB Obligation	266,262	(110)	266,152
3. Adjustment to ARC	(435,173)	180	(434,993)
4. Annual OPEB cost [(1) + (2) + (3)]	1,541,374	28,267	1,569,641
5. Contributions made	(820,165)	22,511	(797,654)
6. Increase (decrease) in OPEB [(4) - (5)]	721,209	50,778	771,987
7. OPEB at beginning of year	7,607,474	(3,151)	7,604,323
Prior period adjustment	-	-	-
7. OPEB at beginning of year as restated	7,607,474	(3,151)	7,604,323
8. OPEB end of year [(6) + (7)]	$ 8,328,683	$ 47,627	$ 8,376,310

Note 4 Other Information (Continued)

C. Other Post Employment Benefits (Continued)

At December 31, 2014, three years of comparative data is presented. The County and Drainage District's annual cost, the percentage of annual OPEB cost contribution, and the net OPEB obligation are as follows:

County of Hidalgo

Year End	Discount Rate	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	3.50%	$ 1,541,374	53.21%	$ 8,328,683
12/31/2013	3.50%	1,563,100	37.40%	7,607,474
12/31/2012	4.00%	1,328,929	50.12%	6,628,962

Drainage District No. 1

Year End	Discount Rate	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	3.50%	$ 28,267	-79.64%	$ 47,627
12/31/2013	3.50%	27,747	184.48%	(3,151)
12/31/2012	4.00%	25,782	449.01%	20,289

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial date, the plan was 0.00% funded for the County and the Drainage District. The actuarial accrued liability was $12,174,052 for the County and $154,330 for the Drainage District and the actuarial value of assets was $0 for the County and for the Drainage District, resulting in an unfunded actuarial accrued liability (UAAL) of $12,174,052 for the County and $154,330 for the Drainage District. The covered payroll (annual payroll of active employees covered by the plan) was $124,918,821 for the County and $3,935,630 for the Drainage District, and the ratio of the UAAL to the covered payroll was 9.8% for the County and 3.9% for the Drainage District.

The schedule of funding progress presents three years of information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The most recent actuarial valuation was performed in 2013 and is valid for two years.

Note 4 Other Information (Continued)

C. Other Post Employment Benefits (Continued)

Schedule of Funding Progress
(Required Supplemental Information-Unaudited)

County of Hidalgo

Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2014	12/31/2013	$ -	$ 12,174,052	$ 12,174,052	0%	$ 124,918,821	9.75%
2013	12/31/2013	-	12,174,052	12,174,052	0%	121,784,045	10.00%
2012	12/31/2011	-	9,966,655	9,966,655	0%	114,570,110	8.70%

Drainage District No. 1

Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2014	12/31/2013	$ -	$ 154,330	$ 154,330	0%	$ 3,935,630	3.92%
2013	12/31/2013	-	154,330	154,330	0%	3,666,660	4.21%
2012	12/31/2011	-	189,384	189,384	0%	3,438,828	5.51%

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

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

Note 4 Other Information (Continued)

C. Other Post Employment Benefits (Continued)

Hidalgo County and Drainage District No. 1

Year	2012	2013	2014
Actuarial valuation date	12/31/2011	12/31/2013	12/31/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Amortization period in years	27	26	26
Actuarial assumptions:			
Inflation rate	3.0%	3.0%	3.0%
Discount rate	4.0%	3.5%	3.5%
Health cost trend	9.0%	6.9%	6.9%
Spouse coverage	10.0%	10.0%	10.0%
Spouse age	Females assumed to be 3 yrs younger	Females assumed to be 2 yrs younger	Females assumed to be 2 yrs younger
Electing coverage	20.0%	20.0%	20.0%

D. Employee Retirement Plan

Texas County and District Retirement System

Plan Description

The County and District provide retirement 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 656 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 P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County and the Drainage District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members with the County can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when their age and years of service equals 75 or more. Members with the County are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefits. Members with the Drainage District can retire at age 60 and above with 10 or more years of service, with 20 years of service regardless of age, or when their age and years of service equals 80 or more. Members with the Drainage District are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefits. Members with the County or the Drainage District who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

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 County and the Drainage District within the actuarial constraints imposed by the TCDRS Act so that resulting benefits can be expected to be adequately financed by the County's and the Drainage 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.

Note 4 Other Information (Continued)

D. Employee Retirement Plan (Continued)

Funding Policy
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 County and the Drainage District is actuarially determined annually. Contributions were made using the actuarially determined rate of 10.89% for the County and 12.61% for the Drainage District for the calendar year 2014. The contribution rate payable by the employee members is 7% as adopted by the governing bodies of the County and the Drainage District. The employee contribution rate and the employer contribution rate may be changed by the governing bodies of the County and the Drainage District within the options available in the TCDRS Act.

Annual Pension Cost
For the year ended December 31, 2014, the County's annual pension cost was $13,212,293 and the actual contributions were $13,199,708. For the Drainage District, the annual pension cost was $492,777 and the actual contributions were $493,874. The required contributions were determined as part of the December 31, 2014 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2014 included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9%. Both (a) & (b) included an inflation component of 3%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2014 was 20 years.

	Hidalgo County	Drainage District No. 1	Total
1. Annual required contributions	$ 13,199,708	$ 493,874	$ 13,693,582
2. Interest on net pension obligation (NPO)	88,844	(15,775)	73,069
3. Adjustment to ARC	(76,259)	14,678	(61,581)
4. Annual pension cost [(1) + (2) + (3)]	13,212,293	492,777	13,705,070
5. Contributions made	13,199,708	493,874	13,693,582
6. Increase (decrease) in NPO [(4) - (5)]	12,585	(1,097)	11,488
7. NPO beginning of year	987,151	(175,283)	811,868
8. NPO end of year [(6) + (7)]	$ 999,736	$ (176,380)	$ 823,356

Note 4 Other Information (Continued)

D. Employee Retirement Plan (Continued)

At December 31, 2014, three years of comparative data is presented. The County and the Drainage Districts' Annual Pension Cost, the Percentage of Annual Pension Cost Contributed and the Net Pension Obligation are as follows:

Three Year Trend Information
For the Retirement Plan for the Employees of the County and the Drainage District

County of Hidalgo

Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	$ 11,374,613	99.89%	$ 974,726
12/31/2013	12,609,683	99.90%	987,151
12/31/2014	13,212,293	99.90%	999,736

Drainge District No. 1

Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	$ 373,718	100.29%	$ (174,192)
12/31/2013	458,627	100.24%	(175,283)
12/31/2014	492,777	100.22%	(176,830)

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was 84.78% funded for the County and 84.83% for the Drainage District. The actuarial accrued liability for benefits was $334,794,972 for the County and $10,083,609 for the Drainage District and the actuarial value of assets was $283,845,012 for the County and $8,553,515 for the Drainage District, resulting in an unfunded actuarial accrued liability (UAAL) of $50,949,960 for the County and $1,530,094 for the Drainage District. The covered payroll (annual payroll of active employees covered by the plan) was $119,972,231 for the County and $3,799,318 for the Drainage District, and the ratio of the UAAL to the covered payroll was 42.47% for the County and 40.27% for the Drainage District.

Actuarial Methods and Assumptions

Hidalgo County and Drainage District No. 1

Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level % of payroll, closed	Level % of payroll, closed	Level % of payroll, closed
Amortization period in years	20	20	20
Asset valuation method	SAF: 10-yr smoothed value	SAF: 10-yr smoothed value	SAF: 5-yr smoothed value
	ESF: Fund value	ESF: Fund value	ESF: Fund value
Actuarial assumptions:			
Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.0%
Cost of living adjustments	0.0%	0.0%	0.0%

Note 4 Other Information (Continued)

D. Employee Retirement Plan (Continued)

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Information
For the Retirement Plan for the Employees of the County and the Drainage District
(Required Supplemental Information-Unaudited)

	County of Hidalgo		
1. Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
2. Actuarial valuation of assets	$ 239,287,247	$ 256,732,343	$ 283,845,012
3. Actuarial accrued liability (AAL)	287,488,284	310,582,147	334,794,972
4. Unfunded actuarial accrued liability (UAAL) [3-2]	48,201,037	53,849,804	50,949,960
5. Funded ratio [2/3]	83.23%	82.66%	84.78%
6. Annual covered payroll (actuarial)	113,679,935	114,194,852	119,972,231
7. UAAL as percentage of covered payroll [(3-2)/6]	42.4%	47.16%	42.47%

	Drainage District No. 1		
1. Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
2. Actuarial valuation of assets	$ 6,938,718	$ 7,476,013	$ 8,553,515
3. Actuarial accrued liability (AAL)	8,141,686	8,964,169	10,083,609
4. Unfunded actuarial accrued liability (UAAL)	1,202,968	1,488,156	1,530,094
5. Funded ratio	85.22%	83.40%	84.83%
6. Annual covered payroll (actuarial)	3,282,439	3,328,623	3,799,318
7. UAAL as percentage of covered payroll	36.65%	44.71%	40.27%

County of Hidalgo Affiliated Agencies Employees' Retirement Plan

Plan Description
The Plan is a tax deferred money purchase pension plan and covers employees of Hidalgo County Urban County Program, Hidalgo County Head Start Program, and Hidalgo County Community Service Agency. The Plan was adopted in 1993 and amended effective January 1, 2001. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The plan is a defined contribution plan. The plan does not issue a comprehensive annual financial report.

The plan provisions are adopted by the Trustees and the governing body of the County. Employees of the various Agencies are eligible to participate in the Plan once they complete six months of service or accumulate 501 hours of service. Members are fully vested after three years of service or upon reaching normal retirement age regardless of years of service.

Each member's account is credited with the member's contribution and allocations of (a) the Agency's contribution and (b) plan earnings, and charged with an allocation for administrative expenses. Allocations are based on member earnings or account balances, as defined. Forfeited balances of terminated members' non-vested accounts are first used to pay Plan administrative expenses for the year with any remaining balance or forfeitures treated as additional employer contributions.

Note 4 Other Information (Continued)

D. Employee Retirement Plan (Continued)

County of Hidalgo Affiliated Agencies Employees' Retirement Plan (Continued)

The benefit to which a member is entitled is the benefit that can be provided from the member's vested account. Distribution of benefits upon termination of employment due to death, disability, or retirement will be made in accordance with the provisions in the Plan agreement. Distributions will be in the form of an annuity or as a lump-sum distribution.

Funding Policy
The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. The contribution rate payable by both the employer and the employee members is 7%. The Hidalgo County Urban County Program is no longer making contributions to the plan. On October 2006, employees of the Hidalgo County Urban County Program joined the Texas County and District Retirement System.

Contributions to the Plan totaled $2,531,993 for the year ended December 31, 2014.

E. 457 Deferred Compensation Plan

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death, or an unforeseen emergency. The Reyna Financial Group, the third party administrator, administers contributions to the plan. In accordance with the provisions of IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan participants and beneficiaries. The County provides neither administrative services nor investment advice to the plan. Therefore, in accordance with GASB Statement No. 32, no fiduciary relationship exists between the County and the deferred compensation plan. At December 31, 2014, the plan assets were valued at $2,187,783.

F. Landfill Closure and Post-closure Care Costs

State and federal laws and regulations require the County to place final covers on its landfill sites located in Precinct Three and Four when it stops accepting waste at these sites. During 2004, the County placed a final cover on the Precinct Four landfill. The County will be required to perform certain maintenance and monitoring functions at both landfill sites for a minimum of thirty years after closure.

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*, addresses the financial statement effect of complying with EPA and state requirements. GASB Statement No. 18 requires that all closure and post-closure care costs be recognized during the operating life of the landfill. Accordingly, a portion of the total estimated closure and post-closure care costs, based on the ratio of landfill capacity, should be recognized as an expense and/or liability each period the landfill accepts waste.

Closure and post-closure care costs related to the County's landfill site in Precinct Three (MSW-1727A) are based on a five-acre cell out of twelve acres that are currently in operation. The County has recognized a liability of $351,752 for closure and post-closure care costs as of December 31, 2014. The County obtained approval from the Texas Commission on Environmental Quality (TCEQ) to expand the landfill capacity of the above five-acre cell in 1998.

Note 4 Other Information (Continued)

F. Landfill Closure and Post-closure Care Costs (Continued)

Post-closure care costs related to the County's landfill site in Precinct Four are based on eighteen acres of landfill (MSW-1593A). In 2004, the County submitted the Final Cover System Evaluation Report (FCSER) to the Texas Commission on Environmental Quality, which satisfied the documentation requirements for closure in 30 TAC§330.253(e)(6). The County has recognized a liability of $1,282,634 for post-closure care costs as of December 31, 2013.

At December 31, 2014, the total liability of $1,634,386 for both landfill sites is based on the County performing all of the work. However, due to changes in technology, inflation, laws and regulations, actual costs may change. The County implemented financial assurance requirements related to landfill closure and post-closure care costs as required by TCEQ and will continue to do so in future years.

G. Prior Period Adjustments

The following County fund balances at December 31, 2013, have been restated.

	Special Revenue Funds	Capital Projects Funds
Balances at December 31, 2013, as previously reported	$39,835,305	$ 21,044,017
To record FY13 refund due to state at end of biennium FY12-13	(180,299)	-
To record Stop Truancy reimbursement not received	(53,028)	-
To record due to state pending final verification-CSA	(20,786)	-
To record write-off of outstanding debt per legal opinion	-	(12,128)
Balances at December 31, 2013, as restated	$39,581,192	$ 21,031,889

H. Property Taxes

Levy and Collections

The Hidalgo County Appraisal District (the Appraisal District) is responsible for the appraisal of all taxable property of all taxing units in the Appraisal District, including the County. The Property Tax Code requires that all taxing units assess taxable property at 100% of its appraised value. The County is responsible for the collection of its taxes. Before the later of September 30 or the 60^{th} day after the date the certified appraisal role is received by the County, the Commissioners Court adopts a tax rate per $100 taxable value for the following year based upon the valuation of property within the County as of January 1. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. Ad valorem taxes are due on receipt of a tax bill and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Taxes become delinquent on February 1 of the following year and are then subject to interest and penalties.

Taxes levied by the County are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the County, having power to tax the property.

Note 4 Other Information (Continued)

H. Property Taxes (Continued)

Tax Rate
The Texas Constitution (Article VIII, Section 9) limits the tax rate that the County may levy to $0.80 per $100 assessed valuation for all purposes of General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, tax notes, or certificates of obligation issued against such funds. The total tax rate for fiscal year 2014 was $0.5900 per $100 assessed valuation, of which $0.5208 was allocated for maintenance and operations, and $0.0692 was allocated to the debt service funds. The Drainage District No. 1 tax rate for fiscal year 2014 was $0.0957 per $100 assessed valuation, of which $0.0449 was allocated for maintenance and operations, and $0.0508 was allocated to the debt service funds.

I. Subsequent events

The County has evaluated all events or transactions that occurred after December 31, 2014 through July 24, 2015, the date these financials statements were available to be issued.