

HOCKLEY COUNTY, TEXAS  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

HOCKLEY COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDING DECEMBER 31, 2017

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# HOCKLEY COUNTY, TEXAS

## COUNTY OFFICIALS

Sharla D. Baldrige .....County Judge  
Curtis Thrash .....Commissioner, Precinct 1  
Larry Carter .....Commissioner, Precinct 2  
J. L. Barnett .....Commissioner, Precinct 3  
Tommy Clevenger .....Commissioner, Precinct 4  
Anna Hord ..... County Attorney  
Jennifer N. Palermo ..... County Clerk  
Denise Bohannon.....County Treasurer  
Debra Bramlett .....County Tax Assessor-Collector  
Ray Scifres ..... County Sheriff  
Pat Phelan..... Judge, 286<sup>th</sup> Judicial District  
Christopher Dennis.....District Attorney  
Shirley Penner ..... County Auditor  
Dennis Price ..... District Clerk  
Sue Coker ..... Justice of the Peace #1  
Linda J. Canon..... Justice of the Peace #2  
Larry Wood ..... Justice of the Peace #4  
Brenda Nock..... Justice of the Peace #5

## FINANCIAL SECTION

# MYATT, BLUME, AND OSBURN LTD., L.L.P.

Sham L. Myatt CPA  
Phelps Blume CPA  
Sarah J. Osburn CPA  
Buford A. Duff CPA

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MEMBERS  
TEXAS SOCIETY AND AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Hockley County Commissioners' Court  
Hockley County, Texas  
802 Houston St.  
Levelland, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hockley County, Texas, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hockley County, Texas, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

Hockley County, Texas has not presented the management's discussion and analysis (MD&A) that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be a part of, the basic financial statements.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hockley County, Texas' basic financial statements. The introductory section, combining nonmajor fund financial statements, and other schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, on our consideration of Hockley County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hockley County, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

  
Myatt, Blume, & Osburn, Ltd., L.L.P.  
Certified Public Accountants  
Levelland, Texas  
September 14, 2018

## BASIC FINANCIAL STATEMENTS

HOCKLEY COUNTY, TEXAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 12,601,641	\$ 19,917	\$ 12,621,558
Taxes Receivable, Net	8,556,494	-	8,556,494
Due from Fiduciary Funds	8,120,186	-	8,120,186
Capital Assets:			
Land	300,729	-	300,729
Infrastructure, Net	1,707,435	-	1,707,435
Buildings, Net	19,448,530	-	19,448,530
Furniture and Equipment, Net	4,522,253	-	4,522,253
Total Assets	<u>55,257,268</u>	<u>19,917</u>	<u>55,277,185</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	2,016,640	-	2,016,640
Total Deferred Outflows of Resources	<u>2,016,640</u>	<u>-</u>	<u>2,016,640</u>
<b>LIABILITIES</b>			
Accounts Payable	217,303	-	217,303
Intergovernmental Payable	1,034	-	1,034
Accrued Interest Payable	50,850	-	50,850
Noncurrent Liabilities:			
Due Within One Year	1,660,000	-	1,660,000
Due in More Than One Year	1,809,458	-	1,809,458
Net Pension Liability	2,907,443	-	2,907,443
Total Liabilities	<u>6,646,088</u>	<u>-</u>	<u>6,646,088</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	240,342	-	240,342
Total Deferred Inflows of Resources	<u>240,342</u>	<u>-</u>	<u>240,342</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	22,509,489	-	22,509,489
Restricted for:			
Debt Service	234,503	-	234,503
Highway and Streets	3,094,416	-	3,094,416
Courthouse Projects	281,596	-	281,596
Records Management/Retention	239,324	-	239,324
Unrestricted Net Position	24,028,150	19,917	24,048,067
Total Net Position	<u>\$ 50,387,478</u>	<u>\$ 19,917</u>	<u>\$ 50,407,395</u>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 6,034,660	\$ 827,656	\$ -	\$ -
Public Safety	3,746,041	169,304	16,745	-
Highways and Streets	3,322,512	1,149,956	-	603,355
Health and Welfare	211,316	150,000	-	-
Culture and Recreation	1,378,955	345,673	2,000	-
Interest on Debt	143,575	-	-	-
Total Governmental Activities	<u>14,837,059</u>	<u>2,642,589</u>	<u>18,745</u>	<u>603,355</u>
BUSINESS-TYPE ACTIVITIES:				
Sheriff Commissary Fund	27,978	21,938	-	-
Inmate Trust Fund	110,106	114,063	-	-
Total Business-Type Activities	<u>138,084</u>	<u>136,001</u>	<u>-</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 14,975,143</u>	<u>\$ 2,778,590</u>	<u>\$ 18,745</u>	<u>\$ 603,355</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes  
Property Taxes, Levied for Debt Service  
Property Taxes, Levied for Road & Bridge  
Penalty and Interest on Taxes  
Investment Earnings  
Miscellaneous Revenue  
Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,207,004)	\$ -	\$ (5,207,004)
(3,559,992)	-	(3,559,992)
(1,569,201)	-	(1,569,201)
(61,316)	-	(61,316)
(1,031,282)	-	(1,031,282)
(143,575)	-	(143,575)
<u>(11,572,370)</u>	<u>-</u>	<u>(11,572,370)</u>
-	(6,040)	(6,040)
-	3,957	3,957
<u>-</u>	<u>(2,083)</u>	<u>(2,083)</u>
<u>(11,572,370)</u>	<u>(2,083)</u>	<u>(11,574,453)</u>
10,153,738	-	10,153,738
11,646	-	11,646
2,166,980	-	2,166,980
173,245	-	173,245
105,262	317	105,579
181,395	-	181,395
<u>12,792,266</u>	<u>317</u>	<u>12,792,583</u>
1,219,896	(1,766)	1,218,130
49,167,582	21,683	49,189,265
<u>\$ 50,387,478</u>	<u>\$ 19,917</u>	<u>\$ 50,407,395</u>

HOCKLEY COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

EXHIBIT C-1

	General Fund	Debt Service Fund - Mallet	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,575,489	\$ 196,212	\$ 3,825,663	\$ 12,597,364
Taxes Receivable	6,242,975	-	2,450,745	8,693,720
Allowance for Uncollectible Taxes (credit)	(673,416)	-	(264,354)	(937,770)
Due from Other Funds	5,761,510	217	2,358,459	8,120,186
<b>Total Assets</b>	<b>\$ 19,906,558</b>	<b>\$ 196,429</b>	<b>\$ 8,370,513</b>	<b>\$ 28,473,500</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 145,694	\$ -	\$ 71,609	\$ 217,303
Intergovernmental Payable	1,034	-	-	1,034
<b>Total Liabilities</b>	<b>146,728</b>	<b>-</b>	<b>71,609</b>	<b>218,337</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	5,569,560	-	2,186,390	7,755,950
<b>Total Deferred Inflows of Resources</b>	<b>5,569,560</b>	<b>-</b>	<b>2,186,390</b>	<b>7,755,950</b>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Debt Service	-	196,429	38,074	234,503
Highway and Streets	-	-	3,094,416	3,094,416
Courthouse Projects	-	-	281,596	281,596
Records Management/Preservation	-	-	239,324	239,324
Committed Fund Balance:				
Construction	-	-	1,757,290	1,757,290
Other Committed Fund Balance	-	-	696,516	696,516
Unassigned Fund Balance	14,190,270	-	5,298	14,195,568
<b>Total Fund Balances</b>	<b>14,190,270</b>	<b>196,429</b>	<b>6,112,514</b>	<b>20,499,213</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 19,906,558</b>	<b>\$ 196,429</b>	<b>\$ 8,370,513</b>	<b>\$ 28,473,500</b>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$	20,499,213
<p>The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase (decrease) net position.</p>		
		4,277
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.</p>		
		21,763,945
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		2,538,597
<p>Included in the noncurrent liabilities is the recognition of the County's net pension liability required by GASB 68 in the amount of (\$ 2,907,443), a deferred resource inflow in the amount of (\$ 240,342), and a deferred resource outflow in the amount of \$ 2,016,640. This resulted in a decrease in net position by (\$ 1,131,145).</p>		
		(1,131,145)
<p>The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(1,843,903)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>		
		8,556,494
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>50,387,478</b>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property Taxes	\$ 8,800,931	\$ 15,352	\$ 3,311,578	\$ 12,127,861
Licenses and Permits	127,721	-	361,602	489,323
Intergovernmental Revenue and Grants	7,582	-	614,518	622,100
Charges for Services	719,415	-	603,914	1,323,329
Fines	-	-	169,304	169,304
Investment Earnings	66,509	2,649	36,104	105,262
Rents and Royalties	181,355	-	40	181,395
Other Revenue	404,105	-	256,528	660,633
Total Revenues	<u>10,307,618</u>	<u>18,001</u>	<u>5,353,588</u>	<u>15,679,207</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	4,754,405	4,306	817,163	5,575,874
Public Safety	3,777,902	-	12,275	3,790,177
Highways and Streets	-	-	2,671,621	2,671,621
Health and Welfare	-	-	211,316	211,316
Culture and Recreation	39,088	-	897,322	936,410
Debt Service:				
Principal on Debt	-	1,595,000	-	1,595,000
Interest on Debt	-	167,500	-	167,500
Capital Outlay:				
Capital Outlay	99,499	-	749,546	849,045
Total Expenditures	<u>8,670,894</u>	<u>1,766,806</u>	<u>5,359,243</u>	<u>15,796,943</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,636,724</u>	<u>(1,748,805)</u>	<u>(5,655)</u>	<u>(117,736)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	4,300,000	1,694,700	855,536	6,850,236
Transfers Out (Use)	(6,494,700)	-	(355,536)	(6,850,236)
Total Other Financing Sources (Uses)	<u>(2,194,700)</u>	<u>1,694,700</u>	<u>500,000</u>	<u>-</u>
Net Change in Fund Balances	(557,976)	(54,105)	494,345	(117,736)
Fund Balance - January 1 (Beginning)	<u>14,748,246</u>	<u>250,534</u>	<u>5,618,169</u>	<u>20,616,949</u>
Fund Balance - December 31 (Ending)	<u>\$ 14,190,270</u>	<u>\$ 196,429</u>	<u>\$ 6,112,514</u>	<u>\$ 20,499,213</u>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(117,736)
<p>The County uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) the change in net position.</p>		
		(871)
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase (decrease) the change in net position.</p>		
		2,538,597
<p>The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred outflows. The contributions made after the measurement date of 12/31/16 cause an increase in the ending net position in the amount of \$611,866. Contributions made before the measurement date but after the previous measurement date were reversed from deferred source outflows and recorded as current year expense. This cause a decrease in the change in net position totaling (\$ 645,326). The County's reported TCDRS net position expense had to be recorded. The net position expense increased the change in net position by \$299,521. The result of these changes in to increase the change in net position by \$266,061.</p>		
		266,061
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.</p>		
		(1,843,903)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.</p>		
		377,748
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,219,896</b>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2017

	Business-Type Activities -	Governmental Activities -
	Total	
	Enterprise Funds	Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 19,917	\$ 4,277
Total Assets	19,917	4,277
<b>NET POSITION</b>		
Unrestricted Net Position	19,917	4,277
Total Net Position	\$ 19,917	\$ 4,277

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-2

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Internal Service Fund
OPERATING REVENUES:		
Charges for Services	\$ 136,001	\$ 350
Total Operating Revenues	136,001	350
OPERATING EXPENSES:		
Personnel Services - Employee Benefits	-	1,282
Purchased Property Services	3,956	-
Other Operating Costs	37,271	-
Supplies	96,857	-
Total Operating Expenses	138,084	1,282
Operating Income (Loss)	(2,083)	(932)
NONOPERATING REVENUES (EXPENSES):		
Investment Earnings	317	61
Total Nonoperating Revenue (Expenses)	317	61
Change in Net Position	(1,766)	(871)
Total Net Position - January 1 (Beginning)	21,683	5,148
Total Net Position December 31 (Ending)	\$ 19,917	\$ 4,277

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total	Internal
	Enterprise	Service Fund
	Funds	
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 136,001	\$ 350
Cash Payments to Employees for Services	-	(1,282)
Cash Payments for Suppliers	(96,857)	-
Cash Payments for Other Operating Expenses	(41,227)	-
Net Cash Provided by (Used for) Operating Activities	<u>(2,083)</u>	<u>(932)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	<u>317</u>	<u>61</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,766)	(871)
Cash and Cash Equivalents at Beginning of the Year	<u>21,683</u>	<u>5,148</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 19,917</u>	<u>\$ 4,277</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	<u>\$ (2,083)</u>	<u>\$ (932)</u>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2017

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 15,842,609
Accounts Receivable (Net)	22,500
Due from Fiduciary Funds	1,495,363
	<hr/>
Total Assets	\$ 17,360,472
	<hr/>
LIABILITIES	
Accounts Payable	\$ 639,246
Claims and Judgments Payable	54,885
Intergovernmental Payable	6,713,503
Due to Other Funds	8,120,186
Due to Fiduciary Funds	1,495,363
Due to Others	337,289
	<hr/>
Total Liabilities	\$ 17,360,472
	<hr/>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hockley County, Texas (the "County") is a political subdivision and was created in 1921 under the provisions of the State of Texas. The County operates under an elected Commissioners' Court form of government. The County's major operations include county road maintenance, principally within the unincorporated areas of the County, law enforcement, court system maintenance and recording services, and health and social services.

The County prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the more significant accounting policies the County utilizes to prepare its basic financial statements.

**1. REPORTING ENTITY**

The members of the County's Commissioners' Court ("Court") are elected by the public, and the Court has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in *GASB 61 – The Financial Reporting Entity: Omnibus* (GASB 61). Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise control. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relations, regardless of whether the government is able to exercise control.

*Blended Component Unit*

**Hockley County Industrial Development Corporation** – the Corporation is a non-profit industrial development corporation of the State of Texas created with the approval of the Commissioners' Court pursuant to the Development Corporation Act of 1979, as amended, for the purpose of promoting and developing industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and promoting and encouraging employment and the public welfare of, for, and on behalf of the County.

The Commissioners' Court appoints all five Directors, and can remove them at will. The Court can also change the structure, organization, programs, or activities of the Corporation, and it may terminate or dissolve the Corporation. The Corporation was incorporated on January 30, 2004, and as of December 31, 2017, no financial transactions had taken place.

**2. STATEMENT PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of Hockley County, Texas' non-fiduciary activities. Eliminations have been made to minimize the duplication of internal activities. These statements distinguish between *Governmental activities*, which include programs supported primarily by taxes, intergovernmental revenues and other non-exchange transactions, and *Business-type activities*, which include operations that rely to a significant extent on fees and charges for support.

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**2. STATEMENT PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS (Cont.)**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

The Statement of Activities presents a comparison between expense and program revenues for each function of the County's governmental and business-type activities. Direct expenses are those that specifically associate with a program or function and therefore are clearly identifiable to a particular function. Program revenues typically include a) fees, fines and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. If revenues are not considered program revenues, they are considered general revenues used to support all of the County's functions. Taxes are always general revenues.

Interfund activities within governmental funds and between governmental and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and the Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions within governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

**Fund Financial Statements**

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Remaining governmental funds, internal service funds and fiduciary funds are reported as nonmajor funds.

*Governmental fund financial statements* use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end. Revenues not considered available are recorded as deferred inflows of resources. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are only recorded when payment is due.

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**2. STATEMENT PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS (Cont.)**

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the "susceptible to accrual" concept. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, monies are expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures incurred. In the other type, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Property taxes are recognized as revenue in the year for which the taxes are levied if they will be collected within 60 days of the end of the fiscal year. Sales tax, fines and forfeitures, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

*Proprietary funds* distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The County reports the following major governmental funds:

**General Fund** – The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

**I & S Multipurpose Events Center Debt Service Fund** – The debt service fund accounts for the resources accumulated and payments made for principal and interest on the long-term debt associated with construction of the Mallet Multipurpose Events Center.

Nonmajor Governmental funds are used to account for the County's expendable financial resources and related liabilities (except those accounted for in the proprietary funds). Currently, the County maintains several special revenue funds as nonmajor funds.

The County reports the following fund types as nonmajor governmental funds:

**Special Revenue Funds** – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in special revenue funds. Some federal and state financial assistance is accounted for in special revenue funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The County has twenty-three funds designated as special revenue funds.

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**2. STATEMENT PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS (Cont.)**

With the implementation of GASB 54, the County now reports fund balances of governmental funds in the following classifications depending on the relative strength of the spending constraints placed on the purpose for which resources can be used:

**Nonspendable Fund Balance** – Represents the amount that cannot be spent because the assets are either not in a spendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – Represents the amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – Represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners' Court. Committed amounts cannot be used for any other purpose unless the Commissioners' Court removes the restrictions by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Commissioners' Court. Commitments are typically done through adoption and amendment of the budget. Committed fund balances differ from restricted balances in that the constraints on the funds' usage is internally generated, rather from external sources, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – Represents amounts which the County intends to use for a specific purpose but does not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Commissioners' Court or by an official or body to which the Commissioners' Court delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of the amounts is for a specific purpose that is narrower than the general purpose of the County itself. The Commissioners have not yet delegated authority to assign fund balance amounts to a specific individual.

**Unassigned Fund Balance** – Represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative fund balance in this classification because of overspending for specific purposes for which amounts have been restricted, committed or assigned.

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

**Proprietary funds** are used to account for activities that are similar to those often found in the private sector. Currently, the County reports two enterprise funds and one internal service fund as its proprietary funds. None of these funds are considered major funds. The enterprise funds are used to account for services and supplies provided to the inmates of the County's jail. The internal service fund accounts for medical care provided to the employees of the County. These funds are intended to be entirely or predominantly self-supported through user charges to customers.

Currently, the County maintains the following types of proprietary funds:

**Enterprise Funds** – The County's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in enterprise funds. The County has two enterprise funds.

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**2. STATEMENT PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS (Cont.)**

**Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the County on a cost reimbursement basis are accounted for in internal service funds. The County currently has one internal service fund. Internal service funds are reported as proprietary funds at the fund level, but are combined with the governmental funds at the government-wide financial statement level, and are reconciling items.

Hockley County has adopted the provisions of Statement 34 of the Governmental Accounting Standards Board - *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments* (GASB 34). This statement established standards for external financial reporting for all state and local government entities, which includes statements of net position, revenues, expenses and changes in net position, and a direct method for the statement of cash flows for proprietary funds. GASB 34 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These components are reported in the proprietary fund financial statements as well in the government-wide financial statements. These classifications are defined as follows:

**Net Investment in Capital Assets** - This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction, or improvement of the capital assets.

**Restricted** – This component consists of net positions which are restricted through external constraints either by creditors, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.

**Unrestricted** - This component consists of the net positions which do not meet the definition of the first two categories.

Additionally, the County maintains and reports the following fiduciary funds:

**Agency Funds** – The County accounts for resources held in a custodial capacity in agency funds. This includes amounts received for County operations but not transferred to the governmental funds. The County has twenty-two agency funds.

**3. OTHER ACCOUNTING POLICIES**

- a. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
- b. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. All appropriations lapse at the end of each fiscal year, and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget. Encumbrances do not constitute expenditures or liabilities.
- c. Capital assets, which include land, buildings, furniture, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than; \$5,000 for equipment and machinery; \$100,000 for buildings (and building improvements) and infrastructure; and an estimated useful life in excess of two years. Land is always capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

HOCKLEY COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**3. OTHER ACCOUNTING POLICIES (Cont.)**

c. (cont.) The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	15-25
Infrastructure	20-25
Vehicles	5
Office Equipment	5-10
Machinery & Equipment	5-30
Water Rights	12-40

- d. Since internal service funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the County as a whole.
- e. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- f. County employees are entitled to certain compensated absences based on their length of employment. Except for extenuating circumstances, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.
- g. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
- h. Any inventory or materials and supplies on hand at year-end are considered insignificant, and, therefore, not reflected in the financial statements. A small inventory of food and supplies is kept for the inmates in the Sheriff's Commissary Fund.
- i. FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date on the auditor's report, the date the financial statements were available to be issued.
- j. The County is exposed to various risks of loss related to torts; errors and omissions; violations of civil rights; theft of, damage to, and destruction of assets; natural disasters; injuries to employees; and other claims of various natures. The County participates in both the Texas Association of Counties Intergovernmental Risk Pool (TAC Pool) and the West Texas Rural Counties Association, which provide protection for risks of loss. TAC Pool was established by the Texas Association of Counties to provide self-insurance for its members and to obtain lower costs for insurance. The County pays annual premiums for liability, property, workers' compensation, and unemployment coverage. Annual contribution rates are determined by each Pool Board. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported.

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**3. OTHER ACCOUNTING POLICIES (Cont.)**

j. (cont.) TAC Pool has established Claims Reserves for each of the types of insurance offered. Thus, although TAC Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions and the member's policies' deductibles. If losses incurred are significantly higher than actuarially estimated, TAC Pool adjusts the contribution rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated. Any losses reported but unsettled or incurred and not reported are believed to be insignificant to the County's basic financial statements.

TAC Pool also makes available to the County loss control services to assist the County in following a plan of loss control that may result in reduced losses. The County agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by TAC Pool.

For the year ended December 31, 2017, the County contributed \$247,195 for its property, liability, workers' compensation, and unemployment coverage.

The County also carries insurance on most other risks of loss including employee health and accident insurance and surety bond coverage.

No significant reductions in insurance coverage occurred in the past fiscal year, and settled claims have not exceeded insurance coverage in any of the past three fiscal years.

- k. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The County has the following items that qualify for reporting in that category:

- Deferred outflow related to pensions, which result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and differences in projected and actual earnings on pension liabilities. This amount is amortized over a five year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting on the government-wide statement of net position.

- Deferred inflow related to pensions, which result from differences in projected and actual earnings on pension liabilities. This amount is amortized over a five year period.

Additionally, the County has one type of this item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported on in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**4. BUDGETARY DATA**

The State of Texas requires annual budgets to be prepared for the general and special revenue funds. The budgets are prepared on the cash basis (budget basis) in order to comply with the Constitution of the State of Texas. The County Commissioners' Court, on a departmental basis, exercises budgetary controls over expenditures. The actual results of operations for the County's General Fund are presented in Exhibit G-1 in accordance with the budget (cash) basis to

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**4. BUDGETARY DATA (cont.)**

provide a meaningful comparison of actual results with the original and final budget. The differences between the cash basis (budget basis) and the modified accrual basis (generally accepted accounting principles [GAAP] basis) are that revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP).

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

1. As required by the State of Texas, the County Judge, with the assistance of the County Auditor, prepares an annual budget prior to the beginning of the fiscal year. Budgeted funds include the general and special revenue funds.
2. The budget is filed in the County Clerk's office and is open to public inspection. The Commissioners' Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
3. The budget is then adopted at the conclusion of the last public hearing by the favorable votes of a majority of the members of the Commissioners' Court. The original budget was adopted by the Commissioners' Court on August 22, 2016, in accordance with the above process. The final fiscal 2017 budget revision was adopted by the Commissioners' Court on December 18, 2017.
4. The Commissioners' Court approves all revisions of the budget, including transfers of budgeted amounts between departments within a specific fund, transfers between funds, and increases to total expenditures of any fund.
5. The fiscal 2017 budget was prepared on the cash basis using estimated beginning and ending cash balances. There is not a significant difference in the budgeted revenues and expenditures between the cash basis and the modified accrual basis.

**NOTE B - CASH DEPOSITS AND INVESTMENTS**

**Compliance with the Public Funds Investment Act** – The County's investment policies are governed by State statutes and County ordinances. The Public Funds Investment Act (PFIA, Chapter 2256) requires the County to adopt, implement, and publicize the investment policy which covers specific provisions in the Act regarding investment practices, management reporting, and policy establishment. The investment policy is available for public inspection at the Hockley County Courthouse. The PFIA establishes authorized investment vehicles for the County. The County is in substantial compliance with the PFIA at the end of the 2017 fiscal year.

**Restricted Cash** - Under the normal course of conducting its activities, Hockley County will become the custodian of funds that can only be paid on behalf of, for, or to certain third-party beneficiaries. These funds are held in either bank accounts or short-term certificates of deposit until use of the funds is required. As of December 31, 2017, Hockley County had restricted cash in the amount of \$106,654 that was payable to third-party beneficiaries held in the Agency funds.

**Custodial Credit Risk for Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County manages its custodial credit risk by depositing its funds with institutions participating in the FDIC insurance programs and is able to collateralize the deposits in accordance with State statutes.

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent.

HOCKLEY COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2017

**NOTE B - CASH DEPOSITS AND INVESTMENTS (cont.)**

In accordance with the FDIC, funds owned by the County are public unit deposits. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit held at a financial institution will be insured up to \$250,000 in aggregate and separate from the coverage for public unit demand deposits held at the same institution. All County deposits at December 31, 2017 were covered by the federal depository insurance, a line of credit or the financial institution's pledged collateral, and were not subject to custodial credit risk.

The County's deposits and collateralization by institution as of December 31, 2017 are as follows:

<b>AIM Bank</b>	
Carrying Amounts:	
Demand Deposits	\$ 15,840,007
Time Accounts	<u>-</u>
Total Public Funds on Deposit	<u>15,840,007</u>
Less FDIC Coverage	<u>(250,000)</u>
Amount to be Collateralized	15,590,007
Collateralization by Institution	<u>(17,230,686)</u>
Under (Over) Collateralized	<u>\$ (1,640,679)</u>

**NOTE C - CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 300,729	\$ -	\$ -	\$ 300,729
Infrastructure	6,413,263	360,696	-	6,773,959
Buildings	39,759,150	-	-	39,759,150
Machinery and Equipment	8,450,407	739,583	(360,649)	8,829,341
Vehicles	2,360,863	85,764	-	2,446,627
Construction in Progress	<u>107,480</u>	<u>-</u>	<u>(107,480)</u>	<u>-</u>
<b>Totals at Historic Cost</b>	<u>57,391,892</u>	<u>1,186,043</u>	<u>(468,129)</u>	<u>58,109,806</u>
<b>Less Accumulated Depreciation:</b>				
Infrastructure – Roads	(4,969,724)	(96,800)	-	(5,066,524)
Buildings	(19,476,804)	(833,816)	-	(20,310,620)
Machinery and Equipment	(3,902,377)	(768,256)	131,131	(4,539,502)
Vehicles	<u>(2,069,182)</u>	<u>(145,031)</u>	<u>-</u>	<u>(2,214,213)</u>
<b>Total Accumulated Depreciation</b>	<u>(30,418,087)</u>	<u>(1,843,903)</u>	<u>131,131</u>	<u>(32,130,859)</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 26,973,805</u>	<u>\$ (657,860)</u>	<u>\$ (336,998)</u>	<u>\$ 25,978,947</u>

Hockley County traded in several pieces of equipment throughout the year with an aggregate initial cost of \$360,649 and having an aggregate book value of \$229,518 at the time of the trade-in. This remaining book value was added back to the basis of the new equipment and will be depreciated over the life of the equipment.

HOCKLEY COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2017

**NOTE C - CAPITAL ASSET ACTIVITY (cont.)**

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 497,419
Public Safety	105,988
Highways and Streets	712,212
Culture and Recreation	<u>528,284</u>
Total	<u>\$ 1,843,903</u>

Hockley County's business-type activities had no capital assets as of December 31, 2017.

**NOTE D - INTERFUND BALANCES AND TRANSFERS**

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Reimbursements from one fund to another for expenditures or expenses already made are recorded as expenditures or expenses in the reimbursing fund. Non-recurring or non-routine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other transfers are treated as operating transfers and are included in the results of operations of the governmental funds.

The County had the following interfund balances as of the end of the year:

Due From	General Fund	Debt Service Fund	Special Revenue Funds	Totals
Agency Funds	\$ 5,761,510	\$ 217	\$ 2,358,459	\$ 8,120,186
Totals	<u>\$ 5,761,510</u>	<u>\$ 217</u>	<u>\$ 2,358,459</u>	<u>\$ 8,120,186</u>

During the year ended December 31, 2017, the County transferred \$500,000 from the General Fund to the Mallet MPEC Operating Fund for general operation purposes, and \$1,694,700 from the General Fund to the I&S Multi Purpose Events Center Fund to cover the bond payment.

**NOTE E - BONDS PAYABLE**

Hockley County, Texas issued a \$14,515,000 General Obligation Bond, Series 2009, for the construction and related equipment of the Mallet Multipurpose Event Center in September, 2009 with an interest rate of 3.04%. The bonds were payable over a ten year period, beginning February 15, 2010 and maturing February 15, 2019. The \$668,016 in bond premiums is being amortized on a straight-line basis over the life of the bonds. As of December 31, 2017, the outstanding unamortized premium is \$79,458. Designated property tax levies and revenues from the MPEC are to be used to fund the debt service.

Bond	Beginning Balance	Additions	Payments	Ending Balance
G.O. Bonds Series 2009	\$ 4,985,000	\$ -	\$ 1,595,000	\$ 3,390,000

HOCKLEY COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2017

**NOTE E - BONDS PAYABLE (cont.)**

The amount of debt service due within one year, the remaining debt service requirements, and amortization recognition are as follows:

Year Ending December 31,	Principal Payment	Bond Premium	Net Bond Liability	Interest	Total Debt Service
2018	1,660,000	70,627	1,730,627	102,400	1,762,400
2019	<u>1,730,000</u>	<u>8,831</u>	<u>1,738,831</u>	<u>34,600</u>	<u>1,764,600</u>
Totals	<u>\$ 3,390,000</u>	<u>\$ 79,458</u>	<u>\$ 3,469,458</u>	<u>\$ 137,000</u>	<u>\$ 3,527,000</u>

**NOTE F - LEASES**

The County did not have any capital leases in effect as of December 31, 2017. The County leases multiple units of office equipment for several departments under multiple operating leases expiring in April, 2018. The County pays approximately \$3,317 in monthly lease payments for the equipment. Total payments for the fiscal year 2017 were approximately \$39,804.

**NOTE G - PROPERTY TAXES**

In accordance with state law, all appraisals of County property for tax purposes are made by the county-wide appraisal authority, Hockley County Appraisal District. Assessed values are based upon 100 percent of appraised market value and are reviewed every three years. Taxpayers have the right to challenge the assessed value.

The County's property taxes are levied each October 1 based upon 100 percent of the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property by state law to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the County's fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund, the special revenue funds, and the debt service funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The County's fiscal year is the calendar year, while the tax years have a September 30 year end. This overlap in fiscal year requires the County to recognize the 2017 tax levy as income for government-wide financial statement purposes under the full accrual basis of accounting, but only recognize what is collected during the fiscal year as revenue for the governmental fund financial statements. The remainder of the 2017 tax levy is reported as a tax receivable and a deferred inflow in the governmental funds.

The tax rates for the 2017 fiscal year (2016 and 2017 tax levies) are \$0.40055 and \$0.56409 per \$100 assessed value for County operations, respectively. The County assessed an additional \$0.05678 and \$0.00, respectively for the construction of a multipurpose events center. The maximum allowable tax rate for the County is \$1.10 for each \$100 assessed value. The County is subject to a tax rate rollback if the total amount of property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceding year, as defined by statute, by 8%.

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2017

**NOTE G - PROPERTY TAXES (cont.)**

The original appraised taxable values upon which the 2016 and 2017 tax levies are based are \$3,020,899,109 and \$2,124,056,018, respectively, resulting in tax levies of \$12,031,480 and \$12,414,454 respectively after supplemental adjustments made by the Hockley County Appraisal District. The County has collected approximately 99.40% of 2016's tax levy and 33.31% of 2017's levy as of December 31, 2017.

**Concentration of Risk** – A significant percentage of the County's property tax revenue comes from the oil and gas industry. Should the industry continue to decline in production, the County's revenue and resulting services may be severely impacted.

**NOTE H - MEDICAL/HEALTH CARE COVERAGE – SELF-INSURANCE FUND**

The County utilized an internal service fund to account for its medical self-insurance program until June 1, 2006. The purpose of this fund was to pay medical insurance claims of the County employees and their covered dependents and minimize the total costs of annual insurance to the County. Employees who had met the requirements necessary to be classified as "fully vested" remained on the medical and health plan for life, while employees not "fully vested" were eligible to remain on the medical and health plan in accordance with laws established by COBRA. Such laws provide different time limits depending on whether the employment separation was due to voluntary or involuntary termination.

A private insurance carrier determined premium payments to be made by the County. Any dependent coverage was funded by charges to employees. Annual claims were paid from accumulated premium payments, and claims exceeding specified limits are paid by the private insurance carrier.

Beginning June 1, 2006, the County discontinued the self-insurance fund and converted to Blue Cross Blue Shield of Texas for health insurance benefits. The Texas Association of Counties Health Benefits Department serves as plan administrator. The County pays premiums for full-time employees. Employees may add spouses and children and pay premiums through payroll deductions. For the calendar year 2017, the County paid approximately \$1,536,184 for health insurance.

The internal service fund is still active to account for any pending claims under the old self-insurance program. Activity for the 2017 fiscal year reported \$350 in operating revenues, \$1,282 in expenditures and \$61 in interest income in the fund. The fund has a cash balance of \$4,277 at December 31, 2017.

**NOTE I - PENSION PLAN**

Hockley County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined pension plan through 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 677 nontraditional defined pension plans from various county and district governmental entities statewide. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon request through TCDRS, PO Box 2034, Austin, TX 78768-2034, or through the [www.tcdrs.org](http://www.tcdrs.org) website.

**Benefits Provided** - The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 or above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of the member's age and years of service equal 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed contributions. Members who withdraw their personal contributions in a lump sum prior to retirement are not entitled to the employer contributions.

HOCKLEY COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2017

**NOTE I - PENSION PLAN (cont.)**

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

**Contributions** – The contribution rates for employees in TCDRS are either 4%, 5%, 6% or 7% of the employee's gross earnings, as adopted by the County's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The employee deposit rate and the employer contribution rate may be changed by the governing body of the County within the options available to the TCDRS Act.

Employees for the Hockley County are required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the County were 12.58% and 12.22% in calendar 2016 and 2017, respectively. The County's contributions to TCDRS for the year ended December 31, 2017 were \$611,866 and were equal to the required contributions.

**Net Pension Liability** – Hockley County's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The December 31, 2016 actuarial valuation is the most recent valuation.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TDCRS's investment consultants and are based on January 2016 information for a 7-10 year time horizon.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Inflation)
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	<u>20.00%</u>	3.85%
Total	100.00%	

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2017

**NOTE I - PENSION PLAN (cont.)**

**Discount Rate** – The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine Total Pension Liability.

**Changes in Net Pension Liability**

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/15	\$ 26,071,566	\$ 22,529,259	\$ 3,542,307
Changes for the year:			
Service cost	719,931		719,931
Interest	2,061,727		2,061,727
Change in benefit terms	(666,522)		(666,522)
Diff between expected/actual experience	(88,176)		(88,176)
Changes of assumptions	-		-
Contributions - employer	-	645,326	(645,326)
Contributions - employee	-	359,084	(359,084)
Net investment income	-	1,666,516	(1,666,519)
Benefit payments, including refunds of employee contributions	(1,314,240)	(1,314,240)	-
Administrative expenses	-	(18,101)	18,101
Other charges	-	8,996	(8,996)
Net changes	712,720	1,347,584	(634,864)
Balance at 12/31/16	\$ 26,784,286	\$ 23,876,843	\$ 2,907,443

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (7.10%) or 1 percent point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	Increase in Discount Rate (9.1%)
County's net pension liability	\$ 5,959,556	\$ 2,907,443	\$ 325,907

HOCKLEY COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2017

**NOTE I - PENSION PLAN (cont.)**

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s Fiduciary Net Position is available in the separately-issued TCDRS financial report. That report may be obtained on the Internet at [www.tcdrs.org](http://www.tcdrs.org).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** –

For the year ended December 31, 2017, Hockley County recognized pension expense of \$345,805.

At December 31, 2017, Hockley County reported deferred outflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ 240,342
Changes in actuarial assumptions	\$ 150,719	\$ -
Differences between projected and actual investment earnings (net of current year amortization)	\$ 1,254,055	\$ -
Contributions subsequent to the measurement date	611,866	
Total	\$ 2,016,640	\$ 240,342

Hockley County reported \$611,866 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,		
2018	\$	392,852
2019	\$	392,855
2020	\$	349,587
2021	\$	29,138
2022	\$	-
Thereafter	\$	-

**NOTE J – OTHER POST EMPLOYMENT BENEFITS**

**Optional Group Term Life Fund** – Hockley County participates in the Optional Group Term Life Fund (OGTLF), which is a cost-sharing, multiple employer defined group term life insurance plan operated by TCDRS. This is a separate trust administered by the TCDRS Board of Trustees, and is included in TCDRS’ publicly-available CAFR.

The County elected to provide group-term life insurance coverage for its employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculations are based on the employee’s actual earnings for the 12 months preceding the month of death).

HOCKLEY COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2017

**NOTE J – OTHER POST EMPLOYMENT BENEFITS (Cont.)**

**OGTLF Funding Policy** - The County contributed monthly to the OGTLF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the OGTLF and the demographics specific to the workforce of the County and is equal to the cost of providing one-year term life insurance. The funding policy for the OGTLF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The TCDRS supplemental death benefits paid by the County for the years ended December 31, 2017, 2016 and 2015 were approximately \$15,022, \$18,980 and \$17,211 respectively, which equaled the contractually required contributions each year.

**NOTE K - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2015, the GASB issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (GASB 75). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) and improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability an inter-period equity and creating additional transparency.

This Statement replaces the requirements of Statements GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This statement is effective for fiscal years beginning after June 15, 2017.

The County will fully analyze the impact of this new Statement prior to the effective date for the Statement listed above.

REQUIRED SUPPLEMENTARY INFORMATION

HOCKLEY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 8,597,358	\$ 8,597,358	\$ 8,800,931	\$ 203,573
Licenses and Permits	-	-	127,721	127,721
Intergovernmental Revenue and Grants	12,500	12,500	7,582	(4,918)
Charges for Services	647,686	647,686	719,415	71,729
Investment Earnings	85,700	85,700	66,509	(19,191)
Rents and Royalties	177,500	177,500	181,355	3,855
Other Revenue	418,930	418,930	404,105	(14,825)
Total Revenues	<u>9,939,674</u>	<u>9,939,674</u>	<u>10,307,618</u>	<u>367,944</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	5,161,220	5,155,720	4,752,405	403,315
Public Safety	4,122,254	4,126,954	3,777,902	349,052
Culture and Recreation	40,580	41,380	39,088	2,292
Capital Outlay:				
Capital Outlay	115,620	115,620	101,499	14,121
Total Expenditures	<u>9,439,674</u>	<u>9,439,674</u>	<u>8,670,894</u>	<u>768,780</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>500,000</u>	<u>500,000</u>	<u>1,636,724</u>	<u>1,136,724</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	4,300,000	4,300,000	4,300,000	-
Transfers Out (Use)	(4,800,000)	(4,800,000)	(6,494,700)	(1,694,700)
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(2,194,700)</u>	<u>(1,694,700)</u>
Net Change	-	-	(557,976)	(557,976)
Fund Balance - January 1 (Beginning)	<u>14,748,246</u>	<u>14,748,246</u>	<u>14,748,246</u>	<u>-</u>
Fund Balance - December 31 (Ending)	<u>\$ 14,748,246</u>	<u>\$ 14,748,246</u>	<u>\$ 14,190,270</u>	<u>\$ (557,976)</u>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - I & S MULTIPURPOSE EVENTS CENTER  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Property Taxes	\$ -	\$ -	\$ 15,352	\$ 15,352
Investment Earnings	-	-	2,649	2,649
Total Revenues	-	-	18,001	18,001
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	4,306	(4,306)
Debt Service:				
Principal on Debt	-	-	1,595,000	(1,595,000)
Interest on Debt	-	-	167,500	(167,500)
Total Expenditures	-	-	1,766,806	(1,766,806)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(1,748,805)	(1,748,805)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	1,694,700	1,694,700
Total Other Financing Sources (Uses)	-	-	1,694,700	1,694,700
Change in Fund Balance	-	-	(54,105)	(54,105)
Fund Balance - January 1 (Beginning)	-	250,534	250,534	-
Fund Balance - December 31 (Ending)	\$ -	\$ 250,534	\$ 196,429	\$ (54,105)

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Plan Year Ended December	Plan Year Ended December 31,	
	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	719,931	689,376	654,382
Interest (on the total pension liability)	2,061,725	1,992,208	1,884,149
Changes of benefit terms	(666,522)	(60,296)	-
Difference between expected and actual experience	(88,177)	(323,072)	(31,684)
Change of assumptions	-	301,437	-
Benefit payments, including refunds of employee contributions	(1,314,240)	(1,308,612)	(1,307,737)
<b>Net Change in Total Pension Liability</b>	<u>712,717</u>	<u>1,291,041</u>	<u>1,199,110</u>
<b>Total Pension Liability - Beginning</b>	<u>26,071,568</u>	<u>24,780,527</u>	<u>23,581,417</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>26,784,285</u></u>	<u><u>26,071,568</u></u>	<u><u>24,780,527</u></u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	645,326	689,962	914,506
Contributions - employee	359,084	354,344	344,180
Net investment income	1,666,519	128,614	1,459,207
Benefit payments, including refunds of employee contributions	(1,314,240)	(1,308,612)	(1,307,737)
Administrative expense	(18,102)	(16,241)	(16,884)
Other	8,996	28,792	48,359
<b>Net Change in Plan Fiduciary Net Position</b>	<u>1,347,583</u>	<u>(123,141)</u>	<u>1,441,631</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>22,529,259</u>	<u>22,652,400</u>	<u>21,210,769</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>23,876,842</u></u>	<u><u>22,529,259</u></u>	<u><u>22,652,400</u></u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u><u>2,907,443</u></u>	<u><u>3,542,309</u></u>	<u><u>2,128,127</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	89.14%	86.41%	91.41%
<b>Covered Employee Payroll</b>	5,129,776	5,062,061	4,916,857
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	56.68%	69.98%	43.28%

HOCKLEY COUNTY, TEXAS  
 SCHEDULE OF CONTRIBUTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Fiscal Year Ended 2017	Fiscal Year Ended 2016	Fiscal Year Ended December 31, 2015
Actuarially determined contribution	\$ 611,866	\$ 645,326	\$ 659,083
Contributions in relation to actuarially determined contribution	<u>(611,866)</u>	<u>(645,326)</u>	<u>(659,083)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,007,077	\$ 5,129,786	\$ 5,062,087
Contributions as a percentage of covered employee payroll	12.22%	12.58%	13.02%

HOCKLEY COUNTY, TEXAS  
 NOTES TO SCHEDULE OF CONTRIBUTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	11.9 years (based on contribution rate calculated in 12/31/16 valuation)
Asset Valuation Method	5-yr smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
<b>Other Information:</b>	There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

HOCKLEY COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2017

	Indigent Health Care	Jury Fund	Road & Bridge #1	Road & Bridge #2
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,298	\$ 11,209	\$ 89,017	\$ 406,187
Taxes Receivable	-	195,084	376,242	376,242
Allowance for Uncollectible Taxes (credit)	-	(21,043)	(40,584)	(40,585)
Due from Other Funds	-	177,237	374,619	374,619
Total Assets	<u>\$ 5,298</u>	<u>\$ 362,487</u>	<u>\$ 799,294</u>	<u>\$ 1,116,463</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 55	\$ 577	\$ 1,830
Total Liabilities	<u>-</u>	<u>55</u>	<u>577</u>	<u>1,830</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	174,040	335,658	335,658
Total Deferred Inflows of Resources	<u>-</u>	<u>174,040</u>	<u>335,658</u>	<u>335,658</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Debt Service	-	-	-	-
Highway and Streets	-	-	463,059	778,975
Courthouse Projects	-	188,392	-	-
Records Management/Preservation	-	-	-	-
Committed Fund Balance:				
Construction	-	-	-	-
Other Committed Fund Balance	-	-	-	-
Unassigned Fund Balance	5,298	-	-	-
Total Fund Balances	<u>5,298</u>	<u>188,392</u>	<u>463,059</u>	<u>778,975</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,298</u>	<u>\$ 362,487</u>	<u>\$ 799,294</u>	<u>\$ 1,116,463</u>

The notes to the financial statements are an integral part of this statement.

EXHIBITH-1 (Cont'd)

Road & Bridge #3	Road & Bridge #4	Road & Bridge #5	Law Library	Library	District Clerk Preservation	County Clerk Preservation	Records Management Office
\$ 881,646	\$ 177,402	\$ 45,237	\$ 18,113	\$ 39,618	\$ 11,203	\$ 69,845	\$ 16,047
376,242	376,242	-	-	147,207	-	-	-
(40,585)	(40,582)	-	-	(15,878)	-	-	-
374,617	374,617	-	170	133,740	142	-	279
<u>\$ 1,591,920</u>	<u>\$ 887,679</u>	<u>\$ 45,237</u>	<u>\$ 18,283</u>	<u>\$ 304,687</u>	<u>\$ 11,345</u>	<u>\$ 69,845</u>	<u>\$ 16,326</u>
\$ -	\$ 5,056	\$ 668	\$ -	\$ 279	\$ -	\$ 49,554	\$ -
-	5,056	668	-	279	-	49,554	-
335,658	335,658	-	-	131,329	-	-	-
335,658	335,658	-	-	131,329	-	-	-
-	-	-	-	-	-	-	-
1,256,262	546,965	44,569	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	18,283	173,079	11,345	20,291	16,326
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,256,262</u>	<u>546,965</u>	<u>44,569</u>	<u>18,283</u>	<u>173,079</u>	<u>11,345</u>	<u>20,291</u>	<u>16,326</u>
<u>\$ 1,591,920</u>	<u>\$ 887,679</u>	<u>\$ 45,237</u>	<u>\$ 18,283</u>	<u>\$ 304,687</u>	<u>\$ 11,345</u>	<u>\$ 69,845</u>	<u>\$ 16,326</u>

HOCKLEY COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2017

	Courthouse Security	Court Technology	Permanent Improvement Fund	Road Bond Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 34,945	\$ 39,638	\$ 1,187,358	\$ 21,656
Taxes Receivable	-	-	603,486	-
Allowance for Uncollectible Taxes (credit)	-	-	(65,097)	-
Due from Other Funds	143	-	548,276	-
Total Assets	<u>\$ 35,088</u>	<u>\$ 39,638</u>	<u>\$ 2,274,023</u>	<u>\$ 21,656</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	538,389	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>538,389</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Debt Service	-	-	-	-
Highway and Streets	-	-	-	-
Courthouse Projects	35,088	39,638	-	-
Records Management/Preservation	-	-	-	-
Committed Fund Balance:				
Construction	-	-	1,735,634	21,656
Other Committed Fund Balance	-	-	-	-
Unassigned Fund Balance	-	-	-	-
Total Fund Balances	<u>35,088</u>	<u>39,638</u>	<u>1,735,634</u>	<u>21,656</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 35,088</u>	<u>\$ 39,638</u>	<u>\$ 2,274,023</u>	<u>\$ 21,656</u>

The notes to the financial statements are an integral part of this statement.

EXHIBITH-1 (Cont'd)

Mallet Operating Fund	Farm to Market & Lateral Road	District Attorney Forfeiture	District Attorney Proceeds	County Attorney Restitution	District Attorney Restitution	CA Pre-Trial Diversion	Total Nonmajor Special Revenue Funds
\$ 526,414	\$ 4,586	\$ 18,478	\$ 30,390	\$ 26,287	\$ 5,093	\$ 121,922	\$ 3,787,589
-	-	-	-	-	-	-	2,450,745
-	-	-	-	-	-	-	(264,354)
-	-	-	-	-	-	-	2,358,459
<u>\$ 526,414</u>	<u>\$ 4,586</u>	<u>\$ 18,478</u>	<u>\$ 30,390</u>	<u>\$ 26,287</u>	<u>\$ 5,093</u>	<u>\$ 121,922</u>	<u>\$ 8,332,439</u>
\$ 13,590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,609
<u>13,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,609</u>
-	-	-	-	-	-	-	2,186,390
-	-	-	-	-	-	-	2,186,390
-	-	-	-	-	-	-	-
-	4,586	-	-	-	-	-	3,094,416
-	-	18,478	-	-	-	-	281,596
-	-	-	-	-	-	-	239,324
-	-	-	-	-	-	-	1,757,290
512,824	-	-	30,390	26,287	5,093	121,922	696,516
-	-	-	-	-	-	-	5,298
<u>512,824</u>	<u>4,586</u>	<u>18,478</u>	<u>30,390</u>	<u>26,287</u>	<u>5,093</u>	<u>121,922</u>	<u>6,074,440</u>
<u>\$ 526,414</u>	<u>\$ 4,586</u>	<u>\$ 18,478</u>	<u>\$ 30,390</u>	<u>\$ 26,287</u>	<u>\$ 5,093</u>	<u>\$ 121,922</u>	<u>\$ 8,332,439</u>

HOCKLEY COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

	Debt Service Fund - Hospital	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 38,074	\$ 3,825,663
Taxes Receivable	-	2,450,745
Allowance for Uncollectible Taxes (credit)	-	(264,354)
Due from Other Funds	-	2,358,459
Total Assets	<u>\$ 38,074</u>	<u>\$ 8,370,513</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ -	\$ 71,609
Total Liabilities	<u>-</u>	<u>71,609</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Property Taxes	-	2,186,390
Total Deferred Inflows of Resources	<u>-</u>	<u>2,186,390</u>
<b>FUND BALANCES</b>		
Restricted Fund Balance:		
Debt Service	38,074	38,074
Highway and Streets	-	3,094,416
Courthouse Projects	-	281,596
Records Management/Preservation	-	239,324
Committed Fund Balance:		
Construction	-	1,757,290
Other Committed Fund Balance	-	696,516
Unassigned Fund Balance	-	5,298
Total Fund Balances	<u>38,074</u>	<u>6,112,514</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 38,074</u>	<u>\$ 8,370,513</u>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Indigent Health Care	Jury Fund	Road & Bridge #1	Road & Bridge #2
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ 266,396	\$ 528,806	\$ 528,806
Licenses and Permits	-	-	90,401	90,401
Intergovernmental Revenue and Grants	-	11,163	210,358	89,277
Charges for Services	150,000	3,649	-	-
Fines	-	-	22,827	22,827
Investment Earnings	445	1,323	3,035	4,370
Rents and Royalties	-	-	-	-
Other Revenue	3,252	4,813	62,040	62,086
Total Revenues	<u>153,697</u>	<u>287,344</u>	<u>917,467</u>	<u>797,767</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	436,051	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	640,487	693,243
Health and Welfare	211,316	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	124,698	106,000
Total Expenditures	<u>211,316</u>	<u>436,051</u>	<u>765,185</u>	<u>799,243</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(57,619)</u>	<u>(148,707)</u>	<u>152,282</u>	<u>(1,476)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	(220,208)	(52,048)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(220,208)</u>	<u>(52,048)</u>
Net Change in Fund Balance	(57,619)	(148,707)	(67,926)	(53,524)
Fund Balance - January 1 (Beginning)	<u>62,917</u>	<u>337,099</u>	<u>530,985</u>	<u>832,499</u>
Fund Balance - December 31 (Ending)	<u>\$ 5,298</u>	<u>\$ 188,392</u>	<u>\$ 463,059</u>	<u>\$ 778,975</u>

The notes to the financial statements are an integral part of this statement.

Road & Bridge #3	Road & Bridge #4	Road & Bridge #5	Law Library	Library	District Clerk Preservation	County Clerk Preservation	Records Management Office
\$ 528,806	\$ 528,806	\$ -	\$ -	\$ 204,991	\$ -	\$ -	\$ -
90,400	90,400	-	-	-	-	-	-
66,589	237,131	-	-	-	-	-	-
-	-	-	-	1,587	6,021	43,225	6,779
22,827	22,827	73,943	3,200	853	-	-	-
6,106	2,521	538	247	1,158	103	1,099	169
-	-	-	-	-	-	-	-
62,235	62,102	-	-	-	-	-	-
<u>776,963</u>	<u>943,787</u>	<u>74,481</u>	<u>3,447</u>	<u>208,589</u>	<u>6,124</u>	<u>44,324</u>	<u>6,948</u>
-	-	-	-	-	260	148,352	5,395
-	-	-	-	-	-	-	-
680,664	577,588	79,639	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	7,938	203,022	-	-	-
153,554	251,980	-	-	-	-	-	-
<u>834,218</u>	<u>829,568</u>	<u>79,639</u>	<u>7,938</u>	<u>203,022</u>	<u>260</u>	<u>148,352</u>	<u>5,395</u>
<u>(57,255)</u>	<u>114,219</u>	<u>(5,158)</u>	<u>(4,491)</u>	<u>5,567</u>	<u>5,864</u>	<u>(104,028)</u>	<u>1,553</u>
355,536	-	-	-	-	-	-	-
-	(83,280)	-	-	-	-	-	-
<u>355,536</u>	<u>(83,280)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
298,281	30,939	(5,158)	(4,491)	5,567	5,864	(104,028)	1,553
957,981	516,026	49,727	22,774	167,512	5,481	124,319	14,773
<u>\$ 1,256,262</u>	<u>\$ 546,965</u>	<u>\$ 44,569</u>	<u>\$ 18,283</u>	<u>\$ 173,079</u>	<u>\$ 11,345</u>	<u>\$ 20,291</u>	<u>\$ 16,326</u>

HOCKLEY COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Courthouse Security	Court Technology	Permanent Improvement Fund	Road Bond Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ 724,967	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	13,691	11,298	-	-
Fines	-	-	-	-
Investment Earnings	342	456	7,981	257
Rents and Royalties	40	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>14,073</u>	<u>11,754</u>	<u>732,948</u>	<u>257</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,458	9,886	214,761	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Health and Welfare	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	6,871	-
Total Expenditures	<u>1,458</u>	<u>9,886</u>	<u>221,632</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,615</u>	<u>1,868</u>	<u>511,316</u>	<u>257</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	12,615	1,868	511,316	257
Fund Balance - January 1 (Beginning)	<u>22,473</u>	<u>37,770</u>	<u>1,224,318</u>	<u>21,399</u>
Fund Balance - December 31 (Ending)	<u>\$ 35,088</u>	<u>\$ 39,638</u>	<u>\$ 1,735,634</u>	<u>\$ 21,656</u>

The notes to the financial statements are an integral part of this statement.

Mallet Operating Fund	Farm to Market & Lateral Road	District Attorney Forfeiture	District Attorney Proceeds	County Attorney Restitution	District Attorney Restitution	CA Pre-Trial Diversion	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,311,578
-	-	-	-	-	-	-	361,602
-	-	-	-	-	-	-	614,518
344,086	-	2,202	-	6,163	150	15,063	603,914
-	-	-	-	-	-	-	169,304
3,450	55	211	282	292	60	1,367	35,867
-	-	-	-	-	-	-	40
-	-	-	-	-	-	-	256,528
<u>347,536</u>	<u>55</u>	<u>2,413</u>	<u>282</u>	<u>6,455</u>	<u>210</u>	<u>16,430</u>	<u>5,353,351</u>
-	-	1,000	-	-	-	-	817,163
-	-	-	6,487	2,147	60	3,581	12,275
-	-	-	-	-	-	-	2,671,621
-	-	-	-	-	-	-	211,316
686,362	-	-	-	-	-	-	897,322
<u>106,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>749,546</u>
<u>792,805</u>	<u>-</u>	<u>1,000</u>	<u>6,487</u>	<u>2,147</u>	<u>60</u>	<u>3,581</u>	<u>5,359,243</u>
<u>(445,269)</u>	<u>55</u>	<u>1,413</u>	<u>(6,205)</u>	<u>4,308</u>	<u>150</u>	<u>12,849</u>	<u>(5,892)</u>
500,000	-	-	-	-	-	-	855,536
-	-	-	-	-	-	-	(355,536)
<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
54,731	55	1,413	(6,205)	4,308	150	12,849	494,108
<u>458,093</u>	<u>4,531</u>	<u>17,065</u>	<u>36,595</u>	<u>21,979</u>	<u>4,943</u>	<u>109,073</u>	<u>5,580,332</u>
<u>\$ 512,824</u>	<u>\$ 4,586</u>	<u>\$ 18,478</u>	<u>\$ 30,390</u>	<u>\$ 26,287</u>	<u>\$ 5,093</u>	<u>\$ 121,922</u>	<u>\$ 6,074,440</u>

HOCKLEY COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Debt Service Fund - Hospital	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
Taxes:		
Property Taxes	\$ -	\$ 3,311,578
Licenses and Permits	-	361,602
Intergovernmental Revenue and Grants	-	614,518
Charges for Services	-	603,914
Fines	-	169,304
Investment Earnings	237	36,104
Rents and Royalties	-	40
Other Revenue	-	256,528
Total Revenues	<u>237</u>	<u>5,353,588</u>
<b>EXPENDITURES:</b>		
Current:		
General Government	-	817,163
Public Safety	-	12,275
Highways and Streets	-	2,671,621
Health and Welfare	-	211,316
Culture and Recreation	-	897,322
Capital Outlay:		
Capital Outlay	-	749,546
Total Expenditures	<u>-</u>	<u>5,359,243</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>237</u>	<u>(5,655)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers In	-	855,536
Transfers Out (Use)	-	(355,536)
Total Other Financing Sources (Uses)	<u>-</u>	<u>500,000</u>
Net Change in Fund Balance	237	494,345
Fund Balance - January 1 (Beginning)	<u>37,837</u>	<u>5,618,169</u>
Fund Balance - December 31 (Ending)	<u>\$ 38,074</u>	<u>\$ 6,112,514</u>

The notes to the financial statements are an integral part of this statement.

NONMAJOR ENTERPRISE FUNDS

HOCKLEY COUNTY, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 DECEMBER 31, 2017

	Sheriff Commissary	Inmate Trust	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 11,745	\$ 8,172	\$ 19,917
Total Assets	<u>11,745</u>	<u>8,172</u>	<u>19,917</u>
<b>NET POSITION</b>			
Unrestricted Net Position	11,745	8,172	19,917
Total Net Position	<u>\$ 11,745</u>	<u>\$ 8,172</u>	<u>\$ 19,917</u>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Sheriff Commissary	Inmate Trust	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 21,938	\$ 114,063	\$ 136,001
Total Operating Revenues	<u>21,938</u>	<u>114,063</u>	<u>136,001</u>
<b>OPERATING EXPENSES:</b>			
Purchased Property Services	3,956	-	3,956
Other Operating Costs	-	37,271	37,271
Supplies	24,022	72,835	96,857
Total Operating Expenses	<u>27,978</u>	<u>110,106</u>	<u>138,084</u>
Operating Income (Loss)	<u>(6,040)</u>	<u>3,957</u>	<u>(2,083)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Earnings	134	183	317
Total Nonoperating Revenue (Expenses)	<u>134</u>	<u>183</u>	<u>317</u>
Change in Net Position	(5,906)	4,140	(1,766)
Total Net Position - January 1 (Beginning)	<u>17,651</u>	<u>4,032</u>	<u>21,683</u>
Total Net Position - December 31 (Ending)	<u>\$ 11,745</u>	<u>\$ 8,172</u>	<u>\$ 19,917</u>

The notes to the financial statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Sheriff Commissary	Inmate Trust	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 21,938	\$ 114,063	\$ 136,001
Cash Payments for Suppliers	(24,022)	(72,835)	(96,857)
Cash Payments for Other Operating Expenses	(3,956)	(37,271)	(41,227)
Net Cash Provided by (Used for) Operating Activities	<u>(6,040)</u>	<u>3,957</u>	<u>(2,083)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	<u>134</u>	<u>183</u>	<u>317</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,906)	4,140	(1,766)
Cash and Cash Equivalents at the Beginning of the Year	<u>17,651</u>	<u>4,032</u>	<u>21,683</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 11,745</u>	<u>\$ 8,172</u>	<u>\$ 19,917</u>

The notes to the financial statements are an integral part of this statement.

## OTHER SCHEDULES

HOCKLEY COUNTY, TEXAS  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
DECEMBER 31, 2017

YEAR LEVIED OCTOBER 1,	YEAR BUDGETED DECEMBER 31,	TAX RATES		ASSESSED/ APPRAISED VALUE FOR TAX PURPOSES			
		LOCAL	DEBT SERVICE				
2008 AND PRIOR	2008 AND PRIOR	\$	VARIOUS	\$	VARIOUS	\$	VARIOUS
2009	2009	\$	0.24840	\$	0.05503	\$	3,427,470,541
2010	2011	\$	0.28870	\$	0.04772	\$	3,758,901,283
2011	2012	\$	0.30680	\$	0.04970	\$	3,623,455,322
2012	2013	\$	0.27541	\$	0.04126	\$	4,306,993,240
2013	2014	\$	0.30640	\$	0.04406	\$	4,007,382,865
2014	2015	\$	0.30442	\$	0.04392	\$	4,019,050,641
2015	2016	\$	0.40055	\$	0.56780	\$	3,020,899,109
2016	2017	\$	0.56409	\$	0.00000	\$	2,124,056,018
2017	2018	\$	0.53388	\$	0.00000	\$	2,293,764,239
TOTALS							

## EXHIBIT J-1

BEGINNING BALANCE 1/01/2017	CURRENT YEAR'S TOTAL LEVY	COLLECTIONS		ADJUST- MENTS	ENDING BALANCE 12/31/2017
		LOCAL	DEBT SERVICE		
\$ 60,386	\$ -	\$ 636	\$ -	\$ (2,444)	\$ 57,306
8,723	-	525	-	(150)	8,048
10,415	-	524	-	(162)	9,729
13,395	-	1,404	232	(133)	11,626
16,887	-	2,035	330	(97)	14,425
25,286	-	5,647	846	(274)	18,519
46,190	-	13,797	1,984	(204)	30,205
139,599	-	57,212	8,254	(2,500)	71,633
7,988,633	-	7,753,372	-	(41,907)	193,354
-	12,412,654	4,135,576	-	1,800	8,278,878
<u>\$ 8,309,514</u>	<u>\$ 12,412,654</u>	<u>\$ 11,970,728</u>	<u>\$ 11,646</u>	<u>\$ (46,071)</u>	<u>\$ 8,693,723</u>

HOCKLEY COUNTY, TEXAS  
 RECONCILIATION OF CURRENT TAX COLLECTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Taxes Assessed
2017 Adjusted Tax Roll	\$ 12,412,654
Less: Current Tax Collections	(4,135,576)
Plus: Current Year Adjustments	1,800
<b><i>Current Taxes Receivable</i></b>	<b>\$ 8,278,878</b>
 Percent of current taxes collected through December 31, 2017	 33.32%

HOCKLEY COUNTY, TEXAS  
RECONCILIATION OF DELINQUENT TAX COLLECTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Delinquent Taxes Receivable - January 1, 2017		\$	320,881
Plus: Taxes Transferred to Delinquent Roll - September 30, 2017			
Current Taxes Receivable - January 1, 2017	\$	7,988,633	
Less: Tax Collections January through September, 2017		(7,697,451)	
Plus: Net Adjustments and Supplements		<u>(28,495)</u>	
2016 Taxes Transferred to Delinquent Roll - September 30, 2017			<u>262,687</u>
Available for Collection		\$	583,568
Less: Adjustments			2,752
Less: Write-Offs per State Statutes			(19,087)
Less: Prior Year Refund Collections			(3,040)
Less: Tax Collections January through September, 2017			(110,114)
Less: Tax Collections October through December, 2017			<u>(39,234)</u>
<i>Delinquent Taxes Receivable - December 31, 2017</i>		\$	<u><u>414,845</u></u>

HOCKLEY COUNTY, TEXAS  
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
DECEMBER 31, 2017

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value December 31, 2017
AIM Bank	FHLMC GOLD G18535 Matures 12/01/2029	The Independent Bankers Bank Dallas, TX	3,217,397
AIM Bank	FHLMC #G30926 Matures 4/01/2036	The Independent Bankers Bank Dallas, TX	3,208,150
AIM Bank	FNMA # AK0706-a Matures 2/01/2027	The Independent Bankers Bank Dallas, TX	682,819
AIM Bank	FNMA # AK0706-b Matures 2/01/2027	The Independent Bankers Bank Dallas, TX	998,498
AIM Bank	FNMA # AL0519 Matures 3/01/2026	The Independent Bankers Bank Dallas, TX	876,154
AIM Bank	FNMA POOL #BC0128 Matures 6/12/01/2030	The Independent Bankers Bank Dallas, TX	1,346,528
AIM Bank	FNMA # MA1089 Matures 6/01/2032	The Independent Bankers Bank Dallas, TX	1,257,978
AIM Bank	FNMA # MA1892 Matures 05/01/2024	The Independent Bankers Bank Dallas, TX	2,877,866
AIM Bank	FNMA POOL AE0729 Matures 1/01/2026	The Independent Bankers Bank Dallas, TX	678,810
AIM Bank	PLEASANTON TX USD BQ GO Matures 08/15/2021	The Independent Bankers Bank Dallas, TX	345,688
AIM Bank	FNA 2012-M9 A2 Matures 4/25/2022	The Independent Bankers Bank Dallas, TX	1,740,798
			<u>\$ 17,230,686</u>

HOCKLEY COUNTY, TEXAS  
SCHEDULE OF INSURANCE COVERAGE  
FOR THE YEAR ENDED DECEMBER 31, 2017

Company	Policy Number	Policy Period		Type of Insurance
		From	To	
Texas Association of Counties	CAS-1100-2016401-2	03/22/17	04/01/18	General Liability
Texas Association of Counties	CAS-1100-2016401-2	04/01/17	04/01/18	Liability, B.I.P.D., Uninsured, Underinsured
West Texas Rural Counties Asso Preferred Risk Pool Fund	MIA1014216HOCK	03/22/17	03/22/18	Property Insurance
Texas Association of Counties	CAS-1100-2016401-2	04/01/17	04/01/18	Public Officials and Employee Liability
Texas Association of Counties	CAS-1100-2016401-2	04/01/17	04/01/18	Crime Coverage
Texas Association of Counties	CAS-1100-2016401-2	04/01/17	04/01/18	Law Enforcement Liability Policy
Texas Assoc. of Counties	CAS-1100-2016401-2	04/01/17	04/01/18	Juvenile Prob/Co Judge
Chubb Inland Marine Insurance	0664-04-25WCE	04/22/17	03/22/18	Comprehensive Property Damage/Per Accident
Texas Association of Counties	WC 1100 2017 01 01	01/01/17	01/01/18	Worker's Compensation
Insure All Inc	18242784	01/12/17	01/12/18	Errors and Omissions
National District Attorneys	CEM 701	04/01/17	04/01/18	Professional Liability
TLIE Texas Lawyers Insurance	80321	12/06/16	12/06/17	Judge's Professional Liability

## EXHIBIT J-5

Type of Coverage	Co-Insurance	Coverage Amount	Premium
Commercial General Personal and Advers. Injury Fire Damage	No Deductible	\$ 1,000,000	\$ 6,592
Auto Fleet		\$ 300,000 Per Endorsement	\$ 8,545
Fire, E. C., M. M., Van.	\$5,000 Deductible	\$ 58,328,568	\$ 117,565
	\$10,000 Wind & Hail	\$ 4,085,000	\$
Public Officials and Employees Liability	\$10,000 Deductible	\$ 2,000,000	\$ 15,497
Cyber, Counterfeit, Forgery, Dishonesty, Computer Fraud	\$1,000 Deductible	100,000	\$ 1,546
Comprehensive Law (Police) Enforcement Liability	\$20,000 Deductible	\$ 2,000,000 Each Wrongful Act	\$ 14,084
Physical Damage, Collision	\$500 Deductible	Damages	\$ 1,309
Computer and Printers Electronic Equipment	\$1,000 Deductible	442,973	\$ 5,050
Employees	No Deductible	\$ Unlimited	\$ 82,057
Notary Public Comprehensive		20,000	\$ 422
Lawyers	\$5,000 Deductible	\$ 100000/300000	\$ 2,491
District Judge Liability Michael "Pat" Phelan	\$1,000 Deductible	1,000,000	\$ 1,500
			<u>\$ 256,658</u>

HOCKLEY COUNTY, TEXAS  
SURETY BOND SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2017

Name	Policy Number	Effective Dates	
		Beginning	Ending
Kenny Greenlee	63019040	01/01/17	01/01/21
Lance Scott	54939425	04/28/17	04/28/18
Rober Dalton	54939536	04/13/17	04/13/18
E. Jennifer Kinney	13748653	01/01/17	12/31/20
Bonnie Sue Coker	LPO1136525	01/01/15	01/01/19
Linda Canon	54939508	01/01/15	01/01/19
Brenda Nock	15865337	01/01/14	01/01/18
Larry Wood	62917967	09/20/16	09/20/17
Paula Moody	15865338	06/29/17	06/19/18
Linda Pompa	63119366	03/16/17	Continuous
Curtis Thrash	POB2104895	01/01/17	01/01/19
Larry R. Carter	LPO1136526	01/01/15	01/01/19
J.L. Whitey Barnett	93QS20269	01/01/17	12/31/20
Tommy Clevenger	15863951	01/01/15	01/01/19
Gale Rumbaugh	15863954	01/01/17	Continuous
Amy Cantwell	15863953	01/01/17	Continuous
Janie Salazar	15863956	01/01/17	Continuous
Anna Garza	54939539	04/11/17	Continuous
Irene Gumula	15863952	01/01/15	01/01/19
Denise Bohannon	14381676	01/01/15	01/01/19
Brandon Walters	54939537	05/06/16	Continuous
Anna Hord	54939424	01/10/16	01/10/18
Stacy Schulle	15865339	06/29/17	06/29/18
Veronica Quintanilla	54939151	06/29/17	06/29/18
Rita Kay Caroland	54939150	06/29/17	06/16/18
Landon Durham	62054058	06/03/14	Continuous
Cody Salazar	54939466	07/02/17	07/02/18
Margaret Jeffcoat	61746089	07/05/17	07/05/21
David Lee Olivo	61871364	11/13/13	Continuous
Melissa Lynn Hodge	71963442	08/28/17	08/28/18
Tammy Barron	71306678	05/06/17	Continuous
Jellica Meza Morales	62013005	04/01/16	Continuous
Melissa Duran	62278026	01/03/17	Continuous
Amanda Turner	62277996	01/03/17	Continuous
Yvonne Lanelle Gipson	70468387	02/20/17	02/20/18

## EXHIBIT J-6

Office	Bond Amount	Bonding Company
Constable - Precinct #1	1,000.00	Western Surety Company
Constable - Precinct #5	1,000.00	Western Surety Company
Constable - Precinct #2	1,000.00	Western Surety Company
Constable - Precinct #4	1,000.00	Western Surety Company
Justice of the Peace - Precinct #1	5,000.00	Old Republic Surety Co.
Justice of the Peace - Precinct #2	5,000.00	Western Surety Company
Justice of the Peace - Precinct #5	5,000.00	Western Surety Company
Justice of the Peace - Precinct #4	5,000.00	Western Surety Company
Justice of the Peace Clerk	5,000.00	Western Surety Company
Justice of the Peace Clerk	2,500.00	Western Surety Company
County Commissioner - Precinct #1	3,000.00	Old Republic Surety Co.
County Commissioner - Precinct #2	3,000.00	Old Republic Surety Co.
County Commissioner - Precinct #3	3,000.00	State Farm Fire & Casualty Co.
County Commissioner - Precinct #4	3,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Hockley County Clerk	40,000.00	Western Surety Company
Hockley County Treasurer	10,000.00	Western Surety Company
Chief Deputy Treasurer	10,000.00	Western Surety Company
County Attorney	2,500.00	Western Surety Company
County Attorney Clerk	5,000.00	Western Surety Company
County Attorney Clerk	5,000.00	Western Surety Company
Dist. Attorney Clerk	5,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Deputy Tax Clerk	5,000.00	Western Surety Company
Deputy Tax Clerk	10,000.00	Western Surety Company
Deputy Tax Clerk	10,000.00	Western Surety Company
Deputy Tax Clerk	10,000.00	Western Surety Company
Deputy Tax Clerk	10,000.00	Western Surety Company
Deputy Tax Assessor-Collector	10,000.00	Western Surety Company

HOCKLEY COUNTY, TEXAS  
 SURETY BOND SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2017

Name	Policy Number	Effective Dates	
		Beginning	Ending
Debra C Bramlett	61379351	07/02/16	07/02/20
Linda Sehon	14383630	11/29/17	Continuous
Norman Moore	54939509	08/11/17	08/11/18
Scott Winn	54939530	08/11/16	Continuous
Tammy Mosteller	54939531	08/11/16	Continuous
Lora Dockery	68501272	06/06/17	Continuous
Lisa G Richardson	61241858	01/03/17	Continuous
Linda Barnette	15865336	04/01/17	04/01/21
Sharla Baldrige	62899997	09/01/16	01/01/19
Dennis Price	14381670	01/01/15	01/01/19
Cheryl Smart	71165526	06/07/17	09/09/18
Steffani Cantwell	62054156	06/03/17	Continuous
Larae Berry	54939460	12/19/16	Continuous
Ray Scifres	63019040	01/01/17	01/01/21

EXHIBIT J-6

Office	Bond Amount	Bonding Company
Tax Collector-Assessor	100,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Juv Prob Officer	10,000.00	Western Surety Company
Chief Asst. Juv Prob Officer	10,000.00	Western Surety Company
Asst Probation Officer	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Hockley County Auditor	5,000.00	Western Surety Company
County Judge	5,000.00	Western Surety Company
Hockley County District Clerk	25,000.00	Western Surety Company
Elections Admin	10,000.00	Western Surety Company
Executive Assistant	5,000.00	Western Surety Company
Mallet Livestock Manager	2,500.00	Western Surety Company
Sheriff	10,000.00	Western Surety Company

# MYATT, BLUME, AND OSBURN LTD., L.L.P.

Sham L. Myatt CPA  
Phelps Blume CPA  
Sarah J. Osburn CPA  
Buford A. Duff CPA

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MEMBERS  
TEXAS SOCIETY AND AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Hockley County Commissioners' Court  
Hockley County, Texas  
802 Houston St.  
Levelland, Texas 79336

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hockley County, Texas (County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Hockley County, Texas' basic financial statements, and have issued our report thereon dated September 14, 2018.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of Hockley County, Texas, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

This report is intended for the information and use of the Commissioners' Court, management, others within the County, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



MYATT, BLUME & OSBURN, LTD., L.L.P.  
Certified Public Accountants  
Levelland, TX 79336

September 14, 2018