

HOCKLEY COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010

HOCKLEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDING DECEMBER 31, 2010

TABLE OF CONTENTS

	<u>Page</u>
COUNTY OFFICIALS	5
FINANCIAL SECTION	
Independent Auditor’s Report	7-8
<u>Basic Financial Statements</u>	
Statement of Net Assets	Exhibit A-1 10
Statement of Activities.....	Exhibit B-1 11-12
Balance Sheet – Governmental Funds	Exhibit C-1 13-14
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Assets	Exhibit C-2 15
Statement of Revenues, Expenditures and	
Changes in Fund Balance – Governmental Funds	Exhibit C-3 16-17
Reconciliation of the Governmental Funds	
Statement of Revenues, Expenditures, and	
Changes in Fund Balances to the Statement of Activities	Exhibit C-4 18
Statement of Net Assets – Proprietary Funds	Exhibit D-1 19
Statement of Revenues, Expenses, and Changes in	
Fund Net Assets – Proprietary Funds.....	Exhibit D-2 20
Statement of Cash Flows – Proprietary Funds.....	Exhibit D-3 21
Statement of Fiduciary Net Assets.....	Exhibit E-1 22
Notes to the Financial Statements.....	23-37

HOCKLEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDING DECEMBER 31, 2010

TABLE OF CONTENTS (Cont.)

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund.....Exhibit G-1	39
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Debt Service Fund.....Exhibit G-2	40
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Capital Projects Fund.....Exhibit G-3	41
 OTHER SUPPLEMENTARY INFORMATION	
<u>Nonmajor Governmental Funds</u>	
Combining Balance Sheet – Nonmajor Governmental Funds	44-48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	49-53
<u>Nonmajor Enterprise Funds</u>	
Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	55
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	56
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	57
<u>Agency Funds</u>	
Combining Balance Sheet – Agency Funds.....	59-63
<u>Other Schedules</u>	
Schedule of Delinquent Taxes Receivable.....	65-66
Reconciliation of Current Tax Collections	67
Reconciliation of Delinquent Tax Collections.....	68

HOCKLEY COUNTY, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDING DECEMBER 31, 2010

TABLE OF CONTENTS (Cont.)

	<u>Page</u>
<u>Other Schedules (Cont.)</u>	
Schedule of Insurance Coverage.....	69-70
Surety Bond Schedule.....	71-74
OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76-77
Schedule of Findings and Responses.....	78-79
Status of Prior Year Findings and Responses	80-83

HOCKLEY COUNTY, TEXAS

COUNTY OFFICIALS

Larry Sprowls..... County Judge

Curtis Thrash.....Commissioner, Precinct 1

Larry Carter.....Commissioner, Precinct 2

J. L. Barnett.....Commissioner, Precinct 3

Tommy Clevenger.....Commissioner, Precinct 4

Christopher Dennis. County Attorney

Irene Gumula..... County Clerk

Denise Bohannon County Treasurer

Christy ClevengerCounty Tax Assessor-Collector

Kevin Davis County Sheriff

Jay M. Phelan..... Judge, 286th Judicial District

Gary Goff.....District Attorney

Linda Barnette..... County Auditor

Dennis Price District Clerk

Sue Coker..... Justice of the Peace #1

Charlotte Trull.....Justice of the Peace #2

Rita Conkin.....Justice of the Peace #4

Jerry BoudreauxJustice of the Peace #5

FINANCIAL SECTION

MYATT, BLUME AND FIDALEO, LTD., L.L.P.

SHAM L. MYATT CPA
PHELPS BLUME CPA
ANTHONY S. FIDALEO CPA
BUFORD A. DUFF CPA

CERTIFIED PUBLIC ACCOUNTANTS
908 COLLEGE AVENUE
LEVELLAND, TEXAS 79336
806 - 894-7324
FAX: 806 - 894-8693
EMAIL slmyatt@windstream.net

MEMBERS
TEXAS SOCIETY AND AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Hockley County Commissioners Court
HOCKLEY COUNTY, TEXAS
Courthouse, Box 10
Levelland, Texas 79336

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 (the County) as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2012, on our consideration of the County's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require budgetary comparison information 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 inquires 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 is necessary to supplement, although not required to be part of, the basic financial statements.

Hockley County Commissioners Court
HOCKLEY COUNTY, TEXAS
February 7, 2012
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The accompanying schedules listed as Other Supplementary Information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Myatt, Blume, and Fidaleo, LTD., L.L.P.

Myatt, Blume, and Fidaleo, LTD., L.L.P.
Certified Public Accountants
Levelland, Texas 79336

February 7, 2012

BASIC FINANCIAL STATEMENTS

HOCKLEY COUNTY, TEXAS
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

EXHIBIT A-1

Data Control Codes		Governmental Activities	Primary Government Business Type Activities	Total
ASSETS				
1010	Cash and Cash Equivalents	\$ 20,786,705	\$ 38,984	\$ 20,825,689
1150	Receivables (net of allowance for uncollectibles)	8,388,062	-	8,388,062
1300	Due from Fiduciary Funds	6,286,331	-	6,286,331
1520	Capitalized Debt Issuance Costs	156,507	-	156,507
	Capital Assets:			
1710	Land	295,729	-	295,729
1730	Buildings, net	3,230,699	-	3,230,699
1750	Machinery and Equipment, net	3,617,449	-	3,617,449
1780	Construction in Progress	559,246	-	559,246
1000	Total Assets	<u>43,320,728</u>	<u>38,984</u>	<u>43,359,712</u>
LIABILITIES				
2020	Accounts Payable	193,440	-	193,440
2140	Accrued Interest Payable	201,593	-	201,593
	Noncurrent Liabilities			
2501	Due Within One Year	1,255,000	-	1,255,000
2502	Due in More Than One Year	12,648,847	-	12,648,847
2000	Total Liabilities	<u>14,298,880</u>	<u>-</u>	<u>14,298,880</u>
NET ASSETS				
3200	Invested in Capital Assets, Net of Related Debt	(6,245,810)	-	(6,245,810)
	Restricted for:			
3810	Restricted for Debt Service	731,989	-	731,989
3830	Restricted for Construction	13,694,980	-	13,694,980
3900	Unrestricted Net Assets	20,840,689	38,984	20,879,673
3000	Total Net Assets	<u>\$ 29,021,848</u>	<u>\$ 38,984</u>	<u>\$ 29,060,832</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, 2010

Data Control Codes	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
10 General Government	\$ 7,023,270	\$ 736,994	\$ 74,295
20 Public Safety	2,754,175	171,102	42,407
31 Highways and Streets	2,138,824	552,322	-
40 Health and Welfare	319,936	295,000	-
50 Culture and Recreation	213,237	6,107	6,615
73 Bond Interest	546,413	-	-
Total Governmental Activities:	12,995,855	1,761,525	123,317
BUSINESS-TYPE ACTIVITIES:			
701 Sheriff Commissary Fund	7,249	9,906	-
702 Inmate Trust Fund	88,326	85,881	-
Total Business-Type Activities:	95,575	95,787	-
TOTAL PRIMARY GOVERNMENT:	\$ 13,091,430	\$ 1,857,312	\$ 123,317

Data Control Codes	General Revenues:
	Taxes:
5010	Property Taxes, Levied for General Purposes
5011	Property Taxes, Levied for Debt Service
5190	Penalty and Interest
5600	Grants and Contributions Not Restricted
5700	Miscellaneous Revenue
5800	Investment Earnings
	Total General Revenues
	Change in Net Assets
	Net Assets--Beginning
	Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (6,211,981)	\$ -	\$ (6,211,981)
(2,540,666)	-	(2,540,666)
(1,586,502)	-	(1,586,502)
(24,936)	-	(24,936)
(200,515)	-	(200,515)
(546,413)	-	(546,413)
(11,111,013)	-	(11,111,013)
-	2,657	2,657
-	(2,445)	(2,445)
-	212	212
(11,111,013)	212	(11,110,801)
9,795,617	-	9,795,617
2,890,337	-	2,890,337
84,272	-	84,272
10,284	-	10,284
1,133,293	-	1,133,293
268,901	391	269,292
14,182,704	391	14,183,095
3,071,691	603	3,072,294
25,950,157	38,381	25,988,538
\$ 29,021,848	\$ 38,984	\$ 29,060,832

HOCKLEY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

Data Control Codes	10 General Fund	50 Debt Service MPEC	60 MPEC Construction
ASSETS			
1010 Cash and Cash Equivalents	\$ 3,955,950	\$ 645,704	\$ 13,694,980
1050 Taxes Receivable	5,382,436	1,207,682	-
1051 Allowance for Uncollectible Taxes (credit)	(438,423)	(98,371)	-
1300 Due from Other Funds	4,477,521	141,395	-
1000 Total Assets	<u>\$ 13,377,484</u>	<u>\$ 1,896,410</u>	<u>\$ 13,694,980</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2010 Accounts Payable	\$ 149,695	\$ 3,501	\$ -
2020 Wages and Salaries Payable	524	-	-
2140 Accrued Interest Payable	-	51,609	-
2220 Deferred Revenues	4,944,013	1,109,311	-
2000 Total Liabilities	<u>5,094,232</u>	<u>1,164,421</u>	<u>-</u>
Fund Balances:			
Reserved For:			
3410 Debt Service	-	731,989	-
3430 Construction	-	-	13,694,980
Unreserved and Undesignated:			
3600 Reported in the General Fund	8,283,252	-	-
3610 Reported in the Special Revenue Fund	-	-	-
3620 Reported in the Debt Service Fund	-	-	-
3000 Total Fund Balances	<u>8,283,252</u>	<u>731,989</u>	<u>13,694,980</u>
4000 Total Liabilities and Fund Balances	<u>\$ 13,377,484</u>	<u>\$ 1,896,410</u>	<u>\$ 13,694,980</u>

The notes to the Financial Statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 2,474,834	\$ 20,771,468
1,923,891	8,514,009
(156,710)	(693,504)
1,667,415	6,286,331
<u>\$ 5,909,430</u>	<u>\$ 34,878,304</u>
\$ 39,970	\$ 193,166
(250)	274
-	51,609
1,767,180	7,820,504
<u>1,806,900</u>	<u>8,065,553</u>
-	731,989
-	13,694,980
-	8,283,252
4,066,210	4,066,210
36,320	36,320
<u>4,102,530</u>	<u>26,812,751</u>
<u>\$ 5,909,430</u>	<u>\$ 34,878,304</u>

HOCKLEY COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Total Fund Balances - Governmental Funds	\$	26,812,751
<p>The County uses internal service funds to charge the costs of certain activities, such as self-insurance 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 net assets.</p>		
		15,237
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$30,501,285 and the accumulated depreciation was \$23,356,231. 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 decrease net assets.</p>		
		(8,021,701)
<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 2010 capital outlays and debt principal payments is to increase net assets.</p>		
		2,652,302
<p>The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(824,802)
<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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.</p>		
		8,388,061
Net Assets of Governmental Activities	\$	29,021,848

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, 2010

Data Control Codes	10 General Fund	50 Debt Service MPEC	60 MPEC Construction
REVENUES:			
Taxes:			
5110 Property Taxes	\$ 7,568,140	\$ 1,879,183	\$ -
5200 Licenses and Permits	397	-	-
5300 Intergovernmental Revenue and Grants	115,874	-	-
5400 Charges for Services	760,457	-	-
5510 Fines	-	-	-
5520 Forfeits	-	-	-
5610 Investment Earnings	17,777	4,074	229,760
5620 Rents and Royalties	342,447	-	-
5640 Contributions & Donations from Private Sources	-	-	-
5700 Other Revenue	438,512	-	-
5020 Total Revenues	<u>9,243,604</u>	<u>1,883,257</u>	<u>229,760</u>
EXPENDITURES:			
Current:			
0010 General Government	4,942,918	3,700	775,515
0020 Public Safety	2,526,933	-	-
0031 Highways and Streets	-	-	-
0040 Health and Welfare	-	-	-
0050 Culture and Recreation	101,142	-	-
Debt Service:			
0071 Bond Principal	-	1,185,000	-
0073 Bond Interest	-	579,479	-
Capital Outlay:			
0080 Capital Outlay	313,425	-	505,450
6030 Total Expenditures	<u>7,884,418</u>	<u>1,768,179</u>	<u>1,280,965</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,359,186</u>	<u>115,078</u>	<u>(1,051,205)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	-	-	-
7915 Transfers In	2,497,339	-	-
8911 Transfers Out (Use)	(2,497,339)	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	1,359,186	115,078	(1,051,205)
0100 Fund Balance - January 1 (Beginning)	6,924,066	616,911	14,746,185
3000 Fund Balance - December 31 (Ending)	<u>\$ 8,283,252</u>	<u>\$ 731,989</u>	<u>\$ 13,694,980</u>

The notes to the Financial Statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 2,888,959	\$ 12,336,282
428,784	429,181
17,698	133,572
434,275	1,194,732
128,686	128,686
8,926	8,926
17,290	268,901
-	342,447
29	29
336,206	774,718
4,260,853	15,617,474
827,609	6,549,742
46,183	2,573,116
1,993,653	1,993,653
298,667	298,667
149,284	250,426
-	1,185,000
-	579,479
570,762	1,389,637
3,886,158	14,819,720
374,695	797,754
13,128	13,128
-	2,497,339
-	(2,497,339)
13,128	13,128
387,823	810,882
3,714,707	26,001,869
\$ 4,102,530	\$ 26,812,751

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, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	810,882
The County uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net loss of these internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net assets.		(635)
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 2010 capital outlays and debt principal payments is to increase net assets.		2,652,302
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 net assets.		(824,802)
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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		433,944
Change in Net Assets of Governmental Activities	\$	3,071,691

The notes to the Financial Statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

EXHIBIT D-1

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 38,984	\$ 15,237
Total Assets	38,984	15,237
NET ASSETS		
Unrestricted Net Assets	38,984	15,237
Total Net Assets	\$ 38,984	\$ 15,237

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Charges for Services	\$ 95,787	\$ 395
Total Operating Revenues	95,787	395
OPERATING EXPENSES:		
Supplies	43,293	-
Other Operating Expenses	52,282	1,185
Total Operating Expenses	95,575	1,185
Operating Income (Loss)	212	(790)
NON-OPERATING REVENUES (EXPENSES):		
Investment Earnings	391	155
Total Non-operating Revenue (Expenses)	391	155
Change in Net Assets	603	(635)
Total Net Assets - January 1 (Beginning)	38,381	15,872
Total Net Assets - December 31 (Ending)	\$ 38,984	\$ 15,237

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, 2010

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 95,787	\$ 395
Cash Payments for Supplies	(43,293)	(1,185)
Cash Payments for Other Operating Expenses	(53,197)	-
Net Cash Provided by (Used for) Operating Activities	(703)	(790)
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	391	155
Net Increase(Decrease) in Cash and Cash Equivalents	(312)	(635)
Cash and Cash Equivalents at Beginning of the Year:	39,296	15,872
Cash and Cash Equivalents at the End of the Year:	\$ 38,984	\$ 15,237
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	\$ 212	\$ (790)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase (Decrease) in Accounts Payable	(915)	-
Net Cash Provided by (Used for) Operating Activities	\$ (703)	\$ (790)

The notes to the Financial Statements are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 12,556,990
Accounts Receivable	8,624
Due From Agency Funds	962,215
Court Ordered Trust Funds (Restricted)	170,212
Total Assets	\$ 13,698,041
LIABILITIES	
Accounts Payable	\$ 1,151,581
Intergovernmental Payable	5,127,702
Due to General Fund	4,477,521
Due to Special Revenue Funds	1,667,415
Due to Debt Service Fund	141,395
Due to Agency Funds	962,215
Due to Beneficiaries	170,212
Total Liabilities	\$ 13,698,041

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hockley County, Texas (the "County") 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, law enforcement, court system maintenance, 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.

A. 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. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *The Financial Reporting Entity*. Accounting principles generally accepted in the United States of America require that these financial statements present the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The component unit discussed in this note is included in the County's reporting entity because of the significance of its operational or financial relationships with the County.

Discretely Presented 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, 2010, no financial transactions had taken place.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of Hockley County, Texas' non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont.)

Examples include charges for collecting taxes for the surrounding cities/districts and record management services provided by the County Clerk. The "grants and contributions" columns include amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. Examples include grants for security equipment. 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 Assets 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 Assets. 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 Assets 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 Assets.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column for each major fund.

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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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.

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 revenues.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (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.

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.

Pursuant to GASB Statement No. 20, the County applies all GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

1. 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 a general fund, several special revenue funds, two debt service funds, and one capital projects fund. The County reports the General Fund as a major 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.
2. 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.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. FUND ACCOUNTING (Cont.)

3. Additionally, the County reports the following fund type(s):

Governmental Funds:

- a. **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-two funds designated as special revenue funds.
- b. **Debt Service Funds** – The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in debt service funds. The County currently has two debt service funds. The Debt Service – MPEC Fund met the requirements of being a major fund for financial reporting purposes.
- c. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in capital projects funds. The County currently has one capital projects fund, the MPEC Construction Fund, and it is considered a major fund.

Proprietary Funds:

- a. **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.
- b. **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.

Fiduciary Funds:

- a. **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-three agency funds.

E. OTHER ACCOUNTING POLICIES

- 1. 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.
- 2. 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.

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. OTHER ACCOUNTING POLICIES (Cont.)

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
4. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.
5. 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.

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

6. 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.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. OTHER ACCOUNTING POLICIES (Cont.)

7. 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.
8. 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 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 September 8, 2009, in accordance with the above process. The final fiscal 2010 budget revision was adopted by the Commissioners Court on December 13, 2010.
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 2010 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.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2010

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

County Policies and Legal and Contractual Provisions Governing Deposits:

Custodial Credit Risk for Deposits – 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. Since the County complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk – The County limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency to less than 5% of all deposits.

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act.

The County is in compliance with the requirements of the Act and with local policies.

Investments by the County in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

As of December 31, 2010, the County has no amounts invested in certificates of deposit or investment pools. All of the County's funds are in depository accounts, although some accounts do earn interest.

Additional policies and contractual provisions governing deposits and investments for Hockley County, Texas are specified below:

Credit Risk – To limit the risk that an insurer or other counter-party to an investment will not fulfill its obligations, the County limits investments in commercial paper, corporate bonds, and mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of December 31, 2010, the County's investments were rated AAA or higher by Standard & Poor's.

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counter-party to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the County requires counter-parties to register the securities in the name of the County and hand them over to the County or its designated agent. This includes securities in securities lending transactions. All of the securities are in the County's name and held by the County's agent.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2010

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)

A. DEPOSITS AND INVESTMENTS (Cont.)

County Policies and Legal and Contractual Provisions Governing Investments (Cont.):

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the County limits investments in a single issuer to less than 5% of its total investments. The County further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate nonmajor funds, and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County requires the investment portfolio to have maturities of one year or less.

Foreign Currency Risk for Investments – The County limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to less than 5% of all investments.

B. 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.

The tax rate for fiscal 2011 (2010 tax levy) was \$0.28870 per \$100 assessed value for County operations. The County did assess an additional \$0.04772 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%.

The original appraised taxable value upon which the 2010 tax levy was based was \$3,758,901,283. Current tax collections for the fiscal year 2011 were approximately 34.85% of the tax levy.

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.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2010

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)

C. 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:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
<u>General Fund</u>		
Agency Funds	\$ 4,477,521	\$ 0
<u>Nonmajor Special Revenue Funds</u>		
Agency Funds	1,667,415	0
<u>Debt Service Funds</u>		
Agency Funds	141,395	0
<u>Agency Funds</u>		
General Fund	0	4,477,521
Nonmajor Special Revenue Funds	0	1,667,415
Debt Service Funds	0	141,395
Other Agency Funds	962,215	962,215
Total All Funds	<u>\$ 7,248,546</u>	<u>\$ 7,248,546</u>

The County had the following permanent transfers during the year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>		
General Fund	\$ 2,497,339	\$ 2,497,339
Nonmajor Special Revenue Funds	0	0
<u>Nonmajor Special Revenue Funds</u>		
General Fund	0	0
<u>Capital Projects Fund</u>		
Debt Service – MPEC	0	0
<u>Debit Service Fund</u>		
MPEC Construction Fund	0	0
Total All Funds	<u>\$ 2,497,339</u>	<u>\$ 2,497,339</u>

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2010

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 282,721	\$ 13,008	\$ 0	\$ 295,729
Infrastructure - Roads	4,844,245	0	0	4,844,245
Buildings	18,945,211	7,133	0	18,952,344
Machinery and Equipment	6,377,890	936,234	(205,055)	7,109,069
Construction in Progress	<u>51,218</u>	<u>508,028</u>	<u>0</u>	<u>559,246</u>
Totals at Historic Cost	<u>30,501,285</u>	<u>1,464,403</u>	<u>(205,055)</u>	<u>31,760,633</u>
Less Accumulated Depreciation:				
Infrastructure - Roads	(4,844,245)	0	0	(4,844,245)
Buildings	(15,331,449)	(390,196)	0	(15,721,645)
Machinery and Equipment	<u>(3,180,537)</u>	<u>(434,606)</u>	<u>123,523</u>	<u>(3,491,620)</u>
Total Accumulated Depreciation	<u>(23,356,231)</u>	<u>(824,802)</u>	<u>123,523</u>	<u>(24,057,510)</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,145,054</u>	<u>\$ 639,601</u>	<u>\$ (81,532)</u>	<u>\$ 7,703,123</u>

Hockley County's business-type activities had no capital assets as of December 31, 2010.

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

General Government	\$ 466,413
Public Safety	180,913
Highways and Streets	142,063
Health and Welfare	21,250
Culture and Recreation	<u>14,163</u>
Total	<u>\$ 824,802</u>

E. EMPLOYEE PENSION PLAN

1. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined-benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The TCERS Board of Trustees is responsible for the administration of the statewide, agent multiple-employer, public employee retirement system consisting of 602 nontraditional defined-benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2010

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)

E. EMPLOYEE PENSION PLAN (Cont.)

1. Plan Description (Cont)

The plan provisions for the County (employer) are adopted by the Commissioners Court, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but their accumulated deposits and allocated interest must remain in the plan to receive any employer-financed benefit. Members who withdraw their personal account balance in a lump sum prior to retirement are not entitled to any amounts contributed by the employer. The County has not elected the partial lump-sum payment option.

Benefit amounts are determined by the sum of the employee's personal account balance and employer-financed monetary credits. The level of these monetary credits has been adopted by the Commissioners Court within the actuarial constraints imposed by the TCDRS Act so that the expected benefits can 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 personal account balance and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

2. Funding Policy

Hockley County's Commissioners Court has elected the variable-rate plan provisions of the TCDRS Act. The plan is funded monthly from employee deposits and from employer contributions based on the covered payroll of employee members. Under variable-rate plan provisions, the contribution rate of the employer is actuarially determined annually. The rate was 13.28% for calendar year 2010. The deposit rate payable by employee members is the rate of 7.00% as adopted by the Commissioners Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners Court within the options available in the TCDRS Act.

3. Annual Pension Cost

The tables below and on the following page present annual pension costs for the last three years, present an overview of actuarial methods and assumptions employed during the last three years to develop costs of benefits for County employees, and reflect the funding progress made by the County over the last three years. For the County's fiscal year ending December 31, 2010, the annual pension cost for the TCDRS plan for its employees was \$530,150 and the actual contributions were \$530,150. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2008, the basis for determining the contribution rate for calendar year 2010. The December 31, 2009 actuarial valuation is the most recent valuation.

**Trend Information for the Retirement Plan
 For the Employees of Hockley County, Texas**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-07	\$ 389,081	100%	\$.00
12-31-08	460,154	100%	.00
12-31-09	463,115	100%	.00

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2010

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)

E. EMPLOYEE PENSION PLAN (Cont.)

3. Annual Pension Cost (Cont.)

**Actuarial Methods and Assumptions for the Retirement Plan
 For the Employees of Hockley County, Texas**

Actuarial valuation date	12-31-07	12-31-08	12-31-09
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	15.0 years	19.8 years	20.0 years
Asset valuation method	SAF: 10yr smoothed value ESF: Fund value	SAF: 10yr smoothed value ESF: Fund value	SAF: 10yr smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

**Funding Progress for the Retirement Plan
 For the Employees of Hockley County, Texas**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
12-31-07	9,376,598	11,654,448	2,277,850	80.46%	3,524,289	64.63%
12-31-08 ²	9,126,560	12,026,218	2,899,658	75.89%	3,722,930	77.89%
12-31-09	9,514,869	12,152,219	2,637,350	78.30%	3,922,802	67.23%

¹ Includes inflation at the stated rate.

² Funding information may differ from prior year compliance data due to plan changes effective 1/1/2010.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2010

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)

F. EMPLOYEE DEFERRED COMPENSATION PLAN

The employees of Hockley County also participate in a deferred compensation plan administrated by Nationwide Retirement Solutions. The County does not contribute to the plan. One of the County employees was participating in the plan at the end of 2010.

Net Assets Available for Participants	<u>\$ 59,538</u>
---------------------------------------	------------------

G. 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. As of December 31, 2010 the County was paying on the average \$828 per employee for health insurance benefits. For the period beginning January 1, 2010 and continuing through December 31, 2010, the County paid \$1,510,738 for health insurance.

H. SICK LEAVE AND VACATION

County employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.

I. CAPITAL LEASES

The County had no capital leases as of December 31, 2010.

J. 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, 2010, Hockley County had restricted cash in the amount of \$170,212 that was payable to third-party beneficiaries.

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2010

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)

K. FEDERAL AWARDS

The County had \$50,655 in expenditures of Federal awards for the year ended December 31, 2010. The Federal expenditures were as follows:

Project Number CFDA No.	Federal Grantor Program Title	Expenditures, Indirect Cost, and Refunds
Community Development Grant CFDA 14.228	Office of Rural Community Affairs	\$ 13,486
78585 & 77405 Grant CFDA 39.011	Help America Vote Act (HAVA) Education	9,188
78585 Grant CFDA 90.481	Help America Vote Act (HAVA) General Compliance	21,481
78585 Grant CFDA 93.617	Help America Vote Act (HAVA) Polling Place Accessibility	<u>6,500</u>
Total All Programs		<u>\$ 50,655</u>

Since the Federal expenditures were below \$500,000, the County is not subject to the Federal Single Audit as described in the U.S. Office of Management and Budget (OMB) Circular A-133.

L. BOND INDEBTEDNESS

The citizens of Hockley County, Texas on May 9, 2009 passed by a majority vote of the participating voters a \$14,515,000 General Obligation Bond, Series 2009 for the construction and equipping of a County multipurpose events center. The bonds were issued pursuant to the Constitution and general laws of the State of Texas (the State) including particularly Subchapter B of Chapter 1473, Texas Government Code, as amended. The bonds were sold September 3, 2009 with an interest cost of 3.04%. The bonds are payable over a ten year period beginning February 15, 2010 and maturing February 15, 2019. The debt service requirements are as follows:

Year Ending December 31,	Principal	Interest	Total
2011	\$ 1,255,000	\$ 508,100	\$ 1,763,100
2012	1,305,000	456,900	1,761,900
2013	1,360,000	403,600	1,763,600
2014	1,415,000	348,100	1,763,100
2015	1,475,000	290,300	1,765,300
2016-2019	<u>6,520,000</u>	<u>534,600</u>	<u>7,054,600</u>
Totals	<u>\$13,330,000</u>	<u>\$2,541,600</u>	<u>\$15,871,600</u>

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2010

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)

M. STATE AWARDS

The County had \$91,914 in expenditures of State awards for the year ended December 31, 2010. The State expenditures were as follows:

Project Number	State Grantor Program Title	Expenditures, Indirect Cost and Refunds
212-08-110	Texas Task Force on Indigent Defense Formula Grant	\$ 14,886
	South Plains Association of Governments Public Safety Interoperable Communication Grant	63,066
1012350	Office of the Attorney General of Texas – CSVD Texas VINE Grant	6,874
2009-AP-BX-0831	State Criminal Alien Assistance Program	488
442-10428	Texas State Library and Archives Commission Lone Star Library Grant	<u>6,600</u>
	Total All Programs	<u>\$ 91,914</u>

IV. ESTIMATES

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.

V. COMMITMENTS AND CONTINGENCIES

The County participates in Federally-assisted programs. In connection with grants under these programs, the County is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the County has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the County expects the resulting liability to be immaterial.

VI. CONTINGENT LIABILITY

The County had no contingent liabilities as of December 31, 2010.

VII. SUBSEQUENT EVENTS

No subsequent event occurred after December 31, 2010 that was material to these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HOCKLEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on	to	BUDGET BASIS	Final Budget
			GAAP	Budget	(See Note)	Positive or
			Basis	Basis		(Negative)
REVENUES:						
Taxes:						
5110 Property Taxes	\$ 6,888,674	\$ 6,888,674	\$ 7,568,140	\$ -	\$ 7,568,140	679,466
5200 Licenses and Permits	-	-	397	183	580	580
5300 Intergovernmental Revenue and Grants	7,038	7,038	115,874	-	115,874	108,836
5400 Charges for Services	616,750	621,500	760,457	(3,600)	756,857	135,357
5610 Investment Earnings	91,500	91,500	17,777	-	17,777	(73,723)
5620 Rents and Royalties	203,000	203,000	342,447	-	342,447	139,447
5700 Other Revenue	312,000	307,250	438,512	50	438,562	131,312
5020 Total Revenues	8,118,962	8,118,962	9,243,604	(3,367)	9,240,237	1,121,275
EXPENDITURES:						
Current:						
10 General Government	5,260,978	5,344,131	4,942,918	12,521	4,955,439	388,692
20 Public Safety	2,569,308	2,641,108	2,526,933	(9,951)	2,516,982	124,126
50 Culture and Recreation	253,676	252,452	101,142	(441)	100,701	151,751
Capital Outlay:						
80 Capital Outlay	-	97,191	313,425	-	313,425	(216,234)
6030 Total Expenditures	8,083,962	8,334,882	7,884,418	2,129	7,886,547	448,335
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,000	(215,920)	1,359,186	(5,496)	1,353,690	1,569,610
OTHER FINANCING SOURCES (USES):						
7915 Transfers In	-	2,497,339	2,497,339	-	2,497,339	-
8911 Transfers Out (Use)	-	(2,497,339)	(2,497,339)	-	(2,497,339)	-
7080 Total Other Financing Sources (Uses)	-	-	-	-	-	-
1200 Change in Fund Balance	35,000	(215,920)	1,359,186	(5,496)	1,353,690	1,569,610
0100 Fund Balance - January 1 (Beginning)	7,079,390	7,079,390	6,924,066	155,324	7,079,390	-
3000 Fund Balance - December 31 (Ending)	\$ 7,114,390	\$ 6,863,470	\$ 8,283,252	\$ 149,828	\$ 8,433,080	\$ 1,569,610

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - I&S MULTI PURPOSE EVENTS CENTER
 FOR THE YEAR ENDED DECEMBER 31, 2010

EXHIBIT G-2

Data Control Codes	Budgeted Amounts		Actual Amounts on GAAP Basis	Adjustments to Budget Basis	Actual Amounts BUDGET BASIS (See Note)	Variance With Final Budget Positive or (Negative)	
	Original	Final					
REVENUES:							
Taxes:							
5110	Property Taxes	\$ 1,764,479	\$ 1,764,479	\$ 1,879,183	\$ -	\$ 1,879,183	114,704
5610	Investment Earnings	-	-	4,074	-	4,074	4,074
5020	Total Revenues	1,764,479	1,764,479	1,883,257	-	1,883,257	118,778
EXPENDITURES:							
Current:							
10	General Government	-	-	3,700	(3,501)	199	(199)
Debt Service:							
71	Bond Principal	1,185,000	1,185,000	1,185,000	-	1,185,000	-
73	Bond Interest	579,479	579,479	579,479	-	579,479	-
6030	Total Expenditures	1,764,479	1,764,479	1,768,179	(3,501)	1,764,678	(199)
1200	Change in Fund Balance	-	-	115,078	3,501	118,579	118,579
0100	Fund Balance - January 1 (Beginning)	616,911	616,911	616,911	-	616,911	-
3000	Fund Balance - December 31 (Ending)	\$ 616,911	\$ 616,911	\$ 731,989	\$ 3,501	\$ 735,490	118,579

The accompanying notes are an integral part of this statement. 40

HOCKLEY COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - MULTI PURPOSE EVENTS CENTER CONSTRUCTION
 FOR THE YEAR ENDED DECEMBER 31, 2010

EXHIBIT G-3

Data Control Codes	Budgeted Amounts		Actual Amounts on GAAP Basis	Adjustments to Budget Basis	Actual Amounts BUDGET BASIS (See Note)	Variance With Final Budget Positive or (Negative)
	Original	Final				
	REVENUES:					
5610 Investment Earnings	\$ -	\$ -	\$ 229,760	\$ -	\$ 229,760	\$ 229,760
5020 Total Revenues	-	-	229,760	-	229,760	229,760
EXPENDITURES:						
Current:						
10 General Government	-	-	775,515	1,297	776,812	(776,812)
Capital Outlay:						
80 Capital Outlay	-	-	505,450	-	505,450	(505,450)
6030 Total Expenditures	-	-	1,280,965	1,297	1,282,262	(1,282,262)
1200 Change in Fund Balance	-	-	(1,051,205)	(1,297)	(1,052,502)	(1,052,502)
0100 Fund Balance - January 1 (Beginning)	14,746,185	14,746,185	14,746,185	-	14,746,185	-
3000 Fund Balance - December 31 (Ending)	\$ 14,746,185	\$ 14,746,185	\$ 13,694,980	\$ (1,297)	\$ 13,693,683	\$ (1,052,502)

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2010

Data Control Codes	214 Indigent Health Care Fund	217 Jury Fund	221 Road and Bridge #1 Fund
ASSETS			
1010 Cash and Cash Equivalents	\$ 21,314	\$ 134,737	\$ 167,651
1050 Taxes Receivable	-	201,196	299,833
1051 Allowance for Uncollectible Taxes (credit)	-	(16,388)	(24,423)
1300 Due from Other Funds	-	162,652	264,947
1000 Total Assets	<u>\$ 21,314</u>	<u>\$ 482,197</u>	<u>\$ 708,008</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2010 Accounts Payable	\$ 13,051	\$ 4,634	\$ 1,607
2020 Wages and Salaries Payable	-	(250)	-
2220 Deferred Revenues	-	184,808	275,410
2000 Total Liabilities	<u>13,051</u>	<u>189,192</u>	<u>277,017</u>
Fund Balances:			
Unreserved and Undesignated:			
3610 Reported in the Special Revenue Fund	8,263	293,005	430,991
3620 Reported in the Debt Service Fund	-	-	-
3000 Total Fund Balances	<u>8,263</u>	<u>293,005</u>	<u>430,991</u>
4000 Total Liabilities and Fund Balances	<u>\$ 21,314</u>	<u>\$ 482,197</u>	<u>\$ 708,008</u>

The notes to the Financial Statements are an integral part of this statement.

222 Road and Bridge #2 Fund	223 Road and Bridge #3 Fund	224 Road and Bridge #4 Fund	225 Road and Bridge #5 Fund	230 Law Library Fund	235 Library Fund	239 District Clerk Preservation	240 County Clerk Preservation Fund
\$ 355,233	\$ 481,554	\$ 41,154	\$ 56,490	\$ 20,840	\$ 28,175	\$ 12,653	\$ 23,569
299,833	299,833	299,833	-	-	104,015	-	-
(24,424)	(24,424)	(24,421)	-	-	(8,472)	-	-
264,947	264,947	264,947	11,457	300	83,917	1,671	4,381
<u>\$ 895,589</u>	<u>\$ 1,021,910</u>	<u>\$ 581,513</u>	<u>\$ 67,947</u>	<u>\$ 21,140</u>	<u>\$ 207,635</u>	<u>\$ 14,324</u>	<u>\$ 27,950</u>
\$ 5,170	\$ 10,926	\$ 1,352	\$ 651	\$ -	\$ 53	\$ -	\$ 73
-	-	-	-	-	-	-	-
275,410	275,410	275,410	-	-	95,542	-	-
280,580	286,336	276,762	651	-	95,595	-	73
615,009	735,574	304,751	67,296	21,140	112,040	14,324	27,877
-	-	-	-	-	-	-	-
615,009	735,574	304,751	67,296	21,140	112,040	14,324	27,877
<u>\$ 895,589</u>	<u>\$ 1,021,910</u>	<u>\$ 581,513</u>	<u>\$ 67,947</u>	<u>\$ 21,140</u>	<u>\$ 207,635</u>	<u>\$ 14,324</u>	<u>\$ 27,950</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2010

Data Control Codes	241 Records Management Office Fund	243 Courthouse Security Fund	244 Justice Court Technology Fund	270 Permanent Improvement Fund	
ASSETS					
1010	Cash and Cash Equivalents	\$ 15,779	\$ 36,197	\$ 56,624	\$ 929,056
1050	Taxes Receivable	-	-	-	419,348
1051	Allowance for Uncollectible Taxes (credit)	-	-	-	(34,158)
1300	Due from Other Funds	1,025	1,573	907	338,323
1000	Total Assets	<u>\$ 16,804</u>	<u>\$ 37,770</u>	<u>\$ 57,531</u>	<u>\$ 1,652,569</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2010	Accounts Payable	\$ -	\$ 925	\$ 93	\$ 901
2020	Wages and Salaries Payable	-	-	-	-
2220	Deferred Revenues	-	-	-	385,190
2000	Total Liabilities	<u>-</u>	<u>925</u>	<u>93</u>	<u>386,091</u>
Fund Balances:					
Unreserved and Undesignated:					
3610	Reported in the Special Revenue Fund	16,804	36,845	57,438	1,266,478
3620	Reported in the Debt Service Fund	-	-	-	-
3000	Total Fund Balances	<u>16,804</u>	<u>36,845</u>	<u>57,438</u>	<u>1,266,478</u>
4000	Total Liabilities and Fund Balances	<u>\$ 16,804</u>	<u>\$ 37,770</u>	<u>\$ 57,531</u>	<u>\$ 1,652,569</u>

The notes to the Financial Statements are an integral part of this statement.

271 Road Bond Fund	280 Farm to Market & Lateral Road	282 District Attorney Forfeiture	289 District Attorney Proceeds Fund	294 County Attorney Restitution	295 District Attorney Restitution	296 CA Pre-Trial Diversion Fund	Total Nonmajor Special Revenue Funds
\$ 20,283	\$ 4,296	\$ 8,023	\$ 11,102	\$ 7,534	\$ 2,206	\$ 4,044	\$ 2,438,514
-	-	-	-	-	-	-	1,923,891
-	-	-	-	-	-	-	(156,710)
-	-	-	-	1,342	79	-	1,667,415
<u>\$ 20,283</u>	<u>\$ 4,296</u>	<u>\$ 8,023</u>	<u>\$ 11,102</u>	<u>\$ 8,876</u>	<u>\$ 2,285</u>	<u>\$ 4,044</u>	<u>\$ 5,873,110</u>
\$ -	\$ -	\$ 534	\$ -	\$ -	\$ -	\$ -	\$ 39,970
-	-	-	-	-	-	-	(250)
-	-	-	-	-	-	-	1,767,180
-	-	534	-	-	-	-	1,806,900
20,283	4,296	7,489	11,102	8,876	2,285	4,044	4,066,210
-	-	-	-	-	-	-	-
<u>20,283</u>	<u>4,296</u>	<u>7,489</u>	<u>11,102</u>	<u>8,876</u>	<u>2,285</u>	<u>4,044</u>	<u>4,066,210</u>
<u>\$ 20,283</u>	<u>\$ 4,296</u>	<u>\$ 8,023</u>	<u>\$ 11,102</u>	<u>\$ 8,876</u>	<u>\$ 2,285</u>	<u>\$ 4,044</u>	<u>\$ 5,873,110</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2010

Data Control Codes	560 I & S 1988 Hospital Fund	Total Nonmajor Governmental Funds
ASSETS		
1010	Cash and Cash Equivalents	\$ 36,320 \$ 2,474,834
1050	Taxes Receivable	- 1,923,891
1051	Allowance for Uncollectible Taxes (credit)	- (156,710)
1300	Due from Other Funds	- 1,667,415
1000	Total Assets	<u>\$ 36,320</u> <u>\$ 5,909,430</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
2010	Accounts Payable	\$ - \$ 39,970
2020	Wages and Salaries Payable	- (250)
2220	Deferred Revenues	- 1,767,180
2000	Total Liabilities	<u>-</u> <u>1,806,900</u>
Fund Balances:		
Unreserved and Undesignated:		
3610	Reported in the Special Revenue Fund	- 4,066,210
3620	Reported in the Debt Service Fund	36,320 36,320
3000	Total Fund Balances	<u>36,320</u> <u>4,102,530</u>
4000	Total Liabilities and Fund Balances	<u>\$ 36,320</u> <u>\$ 5,909,430</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, 2010

Data Control Codes	214 Indigent Health Care Fund	217 Jury Fund	221 Road and Bridge #1 Fund
REVENUES:			
Taxes:			
5110 Property Taxes	\$ -	\$ 301,837	\$ 445,580
5200 Licenses and Permits	-	-	107,196
5300 Intergovernmental Revenue and Grants	-	11,198	-
5400 Charges for Services	295,000	1,135	-
5510 Fines	-	-	9,012
5520 Forfeits	-	-	-
5610 Investment Earnings	257	458	775
5640 Contributions & Donations from Private Sources	-	-	-
5700 Other Revenue	14,457	15,232	65,780
5020 Total Revenues	<u>309,714</u>	<u>329,860</u>	<u>628,343</u>
EXPENDITURES:			
Current:			
0010 General Government	-	274,343	-
0020 Public Safety	-	-	-
0031 Highways and Streets	-	-	478,711
0040 Health and Welfare	298,667	-	-
0050 Culture and Recreation	-	-	-
Capital Outlay:			
0080 Capital Outlay	-	-	132,250
6030 Total Expenditures	<u>298,667</u>	<u>274,343</u>	<u>610,961</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,047</u>	<u>55,517</u>	<u>17,382</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-
1200 Net Change in Fund Balance	11,047	55,517	17,382
0100 Fund Balance - January 1 (Beginning)	<u>(2,784)</u>	<u>237,488</u>	<u>413,609</u>
3000 Fund Balance - December 31 (Ending)	<u>\$ 8,263</u>	<u>\$ 293,005</u>	<u>\$ 430,991</u>

The notes to the Financial Statements are an integral part of this statement.

222 Road and Bridge #2 Fund	223 Road and Bridge #3 Fund	224 Road and Bridge #4 Fund	225 Road and Bridge #5 Fund	230 Law Library Fund	235 Library Fund	239 District Clerk Preservation	240 County Clerk Preservation Fund
\$ 445,580	\$ 445,580	\$ 445,580	\$ -	\$ -	\$ 155,392	\$ -	\$ -
107,196	107,196	107,196	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	960	6,270	45,304
9,012	9,012	9,012	87,408	3,730	1,500	-	-
-	-	-	-	-	-	-	-
1,715	3,044	562	464	199	218	143	110
-	-	-	-	-	29	-	-
65,780	106,258	66,028	50	-	1,787	-	-
629,283	671,090	628,378	87,922	3,929	159,886	6,413	45,414
-	-	-	-	-	-	7,160	27,121
-	-	-	-	-	-	-	-
505,033	421,539	527,082	61,288	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	218	149,066	-	-
50,294	223,416	89,221	-	-	7,208	-	-
555,327	644,955	616,303	61,288	218	156,274	7,160	27,121
73,956	26,135	12,075	26,634	3,711	3,612	(747)	18,293
-	13,128	-	-	-	-	-	-
-	13,128	-	-	-	-	-	-
73,956	39,263	12,075	26,634	3,711	3,612	(747)	18,293
541,053	696,311	292,676	40,662	17,429	108,428	15,071	9,584
\$ 615,009	\$ 735,574	\$ 304,751	\$ 67,296	\$ 21,140	\$ 112,040	\$ 14,324	\$ 27,877

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Data Control Codes	241 Records Management Office Fund	243 Courthouse Security Fund	244 Justice Court Technology Fund	270 Permanent Improvement Fund
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ 642,993
5200 Licenses and Permits	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	-	-	6,500
5400 Charges for Services	9,179	20,834	13,735	-
5510 Fines	-	-	-	-
5520 Forfeits	-	-	-	-
5610 Investment Earnings	159	650	653	7,044
5640 Contributions & Donations from Private Sources	-	-	-	-
5700 Other Revenue	-	-	-	-
5020 Total Revenues	<u>9,338</u>	<u>21,484</u>	<u>14,388</u>	<u>656,537</u>
EXPENDITURES:				
Current:				
0010 General Government	9,153	28,786	14,380	460,325
0020 Public Safety	-	-	-	-
0031 Highways and Streets	-	-	-	-
0040 Health and Welfare	-	-	-	-
0050 Culture and Recreation	-	-	-	-
Capital Outlay:				
0080 Capital Outlay	-	56,166	5,074	7,133
6030 Total Expenditures	<u>9,153</u>	<u>84,952</u>	<u>19,454</u>	<u>467,458</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>185</u>	<u>(63,468)</u>	<u>(5,066)</u>	<u>189,079</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	185	(63,468)	(5,066)	189,079
0100 Fund Balance - January 1 (Beginning)	<u>16,619</u>	<u>100,313</u>	<u>62,504</u>	<u>1,077,399</u>
3000 Fund Balance - December 31 (Ending)	<u>\$ 16,804</u>	<u>\$ 36,845</u>	<u>\$ 57,438</u>	<u>\$ 1,266,478</u>

The notes to the Financial Statements are an integral part of this statement.

271 Road Bond Fund	280 Farm to Market & Lateral Road	282 District Attorney Forfeiture	289 District Attorney Proceeds Fund	294 County Attorney Restitution	295 District Attorney Restitution	296 CA Pre-Trial Diversion Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,882,542
-	-	-	-	-	-	-	428,784
-	-	-	-	-	-	-	17,698
-	-	12,828	-	25,750	75	3,205	434,275
-	-	-	-	-	-	-	128,686
-	-	-	8,926	-	-	-	8,926
207	44	67	82	121	26	5	17,003
-	-	-	-	-	-	-	29
-	-	-	-	-	-	834	336,206
207	44	12,895	9,008	25,871	101	4,044	4,254,149
-	-	6,341	-	-	-	-	827,609
-	-	-	12,216	32,625	1,342	-	46,183
-	-	-	-	-	-	-	1,993,653
-	-	-	-	-	-	-	298,667
-	-	-	-	-	-	-	149,284
-	-	-	-	-	-	-	570,762
-	-	6,341	12,216	32,625	1,342	-	3,886,158
207	44	6,554	(3,208)	(6,754)	(1,241)	4,044	367,991
-	-	-	-	-	-	-	13,128
-	-	-	-	-	-	-	13,128
207	44	6,554	(3,208)	(6,754)	(1,241)	4,044	381,119
20,076	4,252	935	14,310	15,630	3,526	-	3,685,091
\$ 20,283	\$ 4,296	\$ 7,489	\$ 11,102	\$ 8,876	\$ 2,285	\$ 4,044	\$ 4,066,210

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Data Control Codes	560 I & S 1988 Hospital Fund	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
5110 Property Taxes	\$ 6,417	\$ 2,888,959
5200 Licenses and Permits	-	428,784
5300 Intergovernmental Revenue and Grants	-	17,698
5400 Charges for Services	-	434,275
5510 Fines	-	128,686
5520 Forfeits	-	8,926
5610 Investment Earnings	287	17,290
5640 Contributions & Donations from Private Sources	-	29
5700 Other Revenue	-	336,206
5020 Total Revenues	<u>6,704</u>	<u>4,260,853</u>
EXPENDITURES:		
Current:		
0010 General Government	-	827,609
0020 Public Safety	-	46,183
0031 Highways and Streets	-	1,993,653
0040 Health and Welfare	-	298,667
0050 Culture and Recreation	-	149,284
Capital Outlay:		
0080 Capital Outlay	-	570,762
6030 Total Expenditures	<u>-</u>	<u>3,886,158</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,704</u>	<u>374,695</u>
OTHER FINANCING SOURCES (USES):		
7912 Sale of Real and Personal Property	-	13,128
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>13,128</u>
1200 Net Change in Fund Balance	6,704	387,823
0100 Fund Balance - January 1 (Beginning)	<u>29,616</u>	<u>3,714,707</u>
3000 Fund Balance - December 31 (Ending)	<u>\$ 36,320</u>	<u>\$ 4,102,530</u>

The notes to the Financial Statements are an integral part of this statement.

NON-MAJOR ENTERPRISE FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2010

	711	712	Total
	Sheriff's Commissary Fund	Inmate Trust Fund	Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 34,526	\$ 4,458	\$ 38,984
Total Assets	34,526	4,458	38,984
NET ASSETS			
Unrestricted Net Assets	34,526	4,458	38,984
Total Net Assets	\$ 34,526	\$ 4,458	\$ 38,984

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 ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	711 Sheriff's Commissary Fund	712 Inmate Trust Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 9,906	\$ 85,881	\$ 95,787
Total Operating Revenues	9,906	85,881	95,787
OPERATING EXPENSES:			
Supplies	7,123	36,170	43,293
Other Operating Expenses	126	52,156	52,282
Total Operating Expenses	7,249	88,326	95,575
Operating Income (Loss)	2,657	(2,445)	212
NON-OPERATING REVENUES (EXPENSES):			
Investment Earnings	391	-	391
Total Non-operating Revenue (Expenses)	391	-	391
Change in Net Assets	3,048	(2,445)	603
Total Net Assets - January 1 (Beginning)	31,478	6,903	38,381
Total Net Assets - December 31 (Ending)	\$ 34,526	\$ 4,458	\$ 38,984

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, 2010

	711 Sheriff's Commissary Fund	712 Inmate Trust Fund	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 9,906	\$ 85,881	\$ 95,787
Cash Payments for Supplies	(7,123)	(36,170)	(43,293)
Cash Payments for Other Operating Expenses	(1,041)	(52,156)	(53,197)
Net Cash Provided by (Used for) Operating Activities	<u>1,742</u>	<u>(2,445)</u>	<u>(703)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	<u>391</u>	<u>-</u>	<u>391</u>
Net Increase(Decrease) in Cash and Cash Equivalents	2,133	(2,445)	(312)
Cash and Cash Equivalents at Beginning of the Year:	<u>32,393</u>	<u>6,903</u>	<u>39,296</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 34,526</u>	<u>\$ 4,458</u>	<u>\$ 38,984</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating Income (Loss):	\$ 2,657	\$ (2,445)	\$ 212
Effect of Increases and Decreases in Current Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	<u>(915)</u>	<u>-</u>	<u>(915)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,742</u>	<u>\$ (2,445)</u>	<u>\$ (703)</u>

The notes to the Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 DECEMBER 31, 2010

	861	862	863	864
	J. P. Precinct #1	J. P. Precinct #2	J. P. Precinct #4	J. P. Precinct #5
<u>Assets</u>				
Cash and Cash Equivalents	\$ 8,510.00	\$ 1,846.00	\$ 810.00	\$ 39,772.00
Restricted Cash	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00
Due from General Fund	0.00	0.00	0.00	0.00
Due from Agency Funds	0.00	0.00	0.00	0.00
 TOTAL ASSETS	 <u>\$ 8,510.00</u>	 <u>\$ 1,846.00</u>	 <u>\$ 810.00</u>	 <u>\$ 39,772.00</u>
 <u>Liabilities:</u>				
Accounts Payable	\$ 639.00	\$ 0.00	\$ 6.00	\$ 5,843.00
Intergovernmental Payables	0.00	0.00	0.00	0.00
Due to General Fund	7,570.00	1,773.00	764.00	32,609.00
Due to Special Revenue Funds	301.00	73.00	40.00	1,320.00
Due to Debt Service Funds	0.00	0.00	0.00	0.00
Due to Agency Funds	0.00	0.00	0.00	0.00
Due to Third-Party Beneficiaries	0.00	0.00	0.00	0.00
Loans Payable - General Fund	0.00	0.00	0.00	0.00
 TOTAL LIABILITIES	 <u>\$ 8,510.00</u>	 <u>\$ 1,846.00</u>	 <u>\$ 810.00</u>	 <u>\$ 39,772.00</u>

EXHIBIT H-6

865	865	866	866	867	860
County Clerk	County Clerk Trusts	District Clerk	District Clerk Trusts	County Attorney Processing	Adult and Juvenile Probation
\$ 96,274.00	\$ 0.00	\$ 741,755.00	\$ 0.00	\$ 84,636.00	\$ 217,482.00
0.00	2,966.00	0.00	167,246.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	398.00
<u>\$ 96,274.00</u>	<u>\$ 2,966.00</u>	<u>\$ 741,755.00</u>	<u>\$ 167,246.00</u>	<u>\$ 84,636.00</u>	<u>\$ 217,880.00</u>
\$ 54,926.00	\$ 0.00	\$ 724,106.00	\$ 0.00	\$ 83,381.00	\$ 182,449.00
0.00	0.00	0.00	0.00	0.00	0.00
26,672.00	0.00	12,415.00	0.00	0.00	35,431.00
14,676.00	0.00	5,234.00	0.00	1,255.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	2,966.00	0.00	167,246.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
<u>\$ 96,274.00</u>	<u>\$ 2,966.00</u>	<u>\$ 741,755.00</u>	<u>\$ 167,246.00</u>	<u>\$ 84,636.00</u>	<u>\$ 217,880.00</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET (Cont.)
 AGENCY FUNDS
 DECEMBER 31, 2010

	868	875	869	845
	District Attorney Trust	Sheriff's Fee Account	Sheriff's Work Release Program	Sheriff's Bond Fund
<u>Assets</u>				
Cash and Cash Equivalents	\$ 14,772.00	\$ 6,593.00	\$ 1,578.00	\$ 50,145.00
Restricted Cash	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	0.00
Due from General Fund	0.00	0.00	0.00	0.00
Due from Agency Funds	0.00	0.00	0.00	0.00
TOTAL ASSETS	<u>\$ 14,772.00</u>	<u>\$ 6,593.00</u>	<u>\$ 1,578.00</u>	<u>\$ 50,145.00</u>
<u>Liabilities:</u>				
Accounts Payable	\$ 2,931.00	\$ 0.00	\$ 0.00	\$ 50,145.00
Intergovernmental Payables	11,277.00	0.00	0.00	0.00
Due to General Fund	0.00	6,593.00	1,578.00	0.00
Due to Special Revenue Funds	166.00	0.00	0.00	0.00
Due to Debt Service Funds	0.00	0.00	0.00	0.00
Due to Agency Funds	398.00	0.00	0.00	0.00
Due to Third-Party Beneficiaries	0.00	0.00	0.00	0.00
Loans Payable - General Fund	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	<u>\$ 14,772.00</u>	<u>\$ 6,593.00</u>	<u>\$ 1,578.00</u>	<u>\$ 50,145.00</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET (Cont.)
 AGENCY FUNDS
 DECEMBER 31, 2010

	816	870	872	873
	L.E.O.S.E.	Tax A/C Tax Account	Tax A/C Auto Registration	Dealer Escrow Account
Assets				
Cash and Cash Equivalents	\$ 16,225.00	\$ 5,760,400.00	\$ 126,031.00	\$ 64,070.00
Restricted Cash	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	0.00	8,624.00
Due from General Fund	0.00	0.00	0.00	0.00
Due from Agency Funds	0.00	71,699.00	10,942.00	0.00
TOTAL ASSETS	\$ 16,225.00	\$ 5,832,099.00	\$ 136,973.00	\$ 72,694.00
Liabilities:				
Accounts Payable	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Intergovernmental Payables	16,225.00	4,829,540.00	112,023.00	0.00
Due to General Fund	0.00	1,582.00	5,356.00	995.00
Due to Special Revenue Funds	0.00	0.00	0.00	0.00
Due to Debt Service Funds	0.00	141,395.00	0.00	0.00
Due to Agency Funds	0.00	859,582.00	19,594.00	71,699.00
Due to Third-Party Beneficiaries	0.00	0.00	0.00	0.00
Loans Payable - General Fund	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	\$ 16,225.00	\$ 5,832,099.00	\$ 136,973.00	\$ 72,694.00

EXHIBIT H-6

871 Tax A/C Highway Account	874 Tax A/C Office Expense	842 Road and Bridge Extra Fee Account	877 Ad Valorem Tax Fund	876 Auditor's Auto Registration Fund	Totals
\$ 174,916.00	\$ 43,543.00	\$ 61,835.00	\$ 5,035,037.00	\$ 10,760.00	\$ 12,556,990.00
0.00	0.00	0.00	0.00	0.00	170,212.00
0.00	0.00	0.00	0.00	0.00	8,624.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	19,594.00	859,582.00	0.00	962,215.00
<u>\$ 174,916.00</u>	<u>\$ 43,543.00</u>	<u>\$ 81,429.00</u>	<u>\$ 5,894,619.00</u>	<u>\$ 10,760.00</u>	<u>\$ 13,698,041.00</u>
\$ 3,612.00	\$ 43,543.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,151,581.00
158,637.00	0.00	0.00	0.00	0.00	5,127,702.00
1,725.00	0.00	0.00	4,342,458.00	0.00	4,477,521.00
0.00	0.00	81,429.00	1,552,161.00	10,760.00	1,667,415.00
0.00	0.00	0.00	0.00	0.00	141,395.00
10,942.00	0.00	0.00	0.00	0.00	962,215.00
0.00	0.00	0.00	0.00	0.00	170,212.00
0.00	0.00	0.00	0.00	0.00	0.00
<u>\$ 174,916.00</u>	<u>\$ 43,543.00</u>	<u>\$ 81,429.00</u>	<u>\$ 5,894,619.00</u>	<u>\$ 10,760.00</u>	<u>\$ 13,698,041.00</u>

OTHER SCHEDULES

HOCKLEY COUNTY, TEXAS
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED DECEMBER 31, 2010

Last 10 Years Ended December 31	Tax Rates		Assessed/Appraised Value for Tax Purposes
	Maintenance	Debt Service	
2001 and prior years	Various	Various	\$ Various
2002	0.25039	0.00000	2,066,915,728
2003	0.36501	0.00000	1,609,381,900
2004	0.36247	0.00000	1,743,635,276
2005	0.32950	0.00000	2,234,039,102
2006	0.28950	0.00000	2,914,476,684
2007	0.28950	0.00000	2,986,760,970
2008	0.23950	0.00000	3,830,914,567
2009	0.28480	0.05503	3,427,470,541
2010 (Fiscal year under audit)	0.28870	0.04772	3,758,901,283
100 TOTALS			

Beginning Balance January 1, 2010	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance December 31, 2010
\$ 65,942	\$ -	\$ 3,232	\$ -	\$ (11,958)	\$ 50,752
14,072	-	1,135	-	(304)	12,633
14,646	-	1,984	-	(324)	12,338
16,421	-	3,253	-	(371)	12,797
15,893	-	3,921	-	(303)	11,669
21,517	-	5,991	-	(468)	15,058
31,225	-	7,957	-	(705)	22,563
56,617	-	24,292	-	(53)	32,272
7,847,120	-	7,725,060	-	(13,601)	108,459
-	12,645,493	3,780,761	624,932	(4,334)	8,235,466
\$ 8,083,453	\$ 12,645,493	\$ 11,557,586	\$ 624,932	\$ (32,421)	\$ 8,514,007

HOCKLEY COUNTY, TEXAS
 RECONCILIATION OF CURRENT TAX COLLECTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Taxes Assessed</u>
2010 Assessed Tax Roll	\$ 12,645,492.98
Less: Adjustments	(23,550.76)
Plus: Supplements	<u>19,216.35</u>
2010 Adjusted Tax Roll	\$ 12,641,158.57
Less: Current Tax Collections	<u>(4,405,692.80)</u>
<i>Current Taxes Receivable</i>	<u><u>\$ 8,235,465.77</u></u>
 Percent of current taxes collected through December 31, 2010	 <u><u>34.85%</u></u>

HOCKLEY COUNTY, TEXAS
RECONCILIATION OF DELINQUENT TAX COLLECTIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

Delinquent Taxes Receivable 01/01/2010		\$	236,332.76
Less: Adjustments			<u>(11,966.78)</u>
Adjusted Delinquent Tax Roll		\$	224,365.98
Plus: Taxes Transferred to Delinquent Roll 10/01/2010			
Current Taxes Receivable 01/01/2010	\$		7,847,119.92
Less: Tax Collections January through September, 2010			(7,700,003.79)
Less: Net Adjustments and Supplements			<u>(11,334.05)</u>
2009 Taxes Transferred to Delinquent Roll 10/01/2010			<u>135,782.08</u>
Available for Collection		\$	360,148.06
Less: Write-Offs per State Statutes			(1,969.39)
Less: Prior Year Refund Collections			(2,817.10)
Less: Tax Collections January through September, 2010			(43,485.86)
Less: Tax Collections October through December, 2010			<u>(33,334.17)</u>
<i>Delinquent Taxes Receivable 12/31/2010</i>		\$	<u>278,541.54</u>

HOCKLEY COUNTY, TEXAS
SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED DECEMBER 31, 2010

Company	Policy Number	Policy Period		Type of Insurance
		From	To	
National Fire Insurance of Hartford	MNP271298778	03/22/10	03/22/11	General Liability
Texas Association of Counties	AL11002008 03 22	03/22/10	03/22/11	Liability, B.I.P.D., Uninsured, Underinsured
National Fire Insurance of Hartford	MNP271298788	03/22/10	03/22/11	Property Insurance
Texas Association of Counties	P1100/2008 03 22	03/22/10	03/22/11	Public Officials and Employee Liability
CAN Commerical Insurance	MNP27LEL299425612	03/22/10	03/22/11	Law Enforcement Liability Policy
Texas Association of Counties	APD1100 2008 03 29	03/29/10	03/29/11	Juvenile Prob/Co Judge
Chubb Inland Marine Insurance	0664-04-25WUC	03/23/10	03/23/11	Comprehensive Property Damage/Per Accident
CAN Commerical Insurance	MNP271298778	03/22/10	03/22/11	Terrorism Risk Insurance
Texas Association of Counties	1100	01/01/10	01/01/11	Worker's Compensation
Western Surety Company	18242784	01/12/10	01/12/11	Errors and Omissions
National District Attorneys Association	CEM 701	04/01/10	04/01/11	Professional Liability
TLIE Texas Lawyers Insurance (Michael "Pat" Phelan)	53094	12/6/2010	12/6/2011	Judge's Professional Liability

EXHIBIT J-4

Type of Coverage	Co-Insurance	Coverage Amount	Premium
Commercial General Personal and Advers. Injury Fire Damage		\$ 1,000,000	\$ 9,754
Auto Fleet		\$ 300,000 Per Endorsement	\$ 11,494
Fire. E. C., M. M., Van.	\$5,000 Deductible	\$ 26,231,138	\$ 54,956
Public Officials and Employees Liability	\$10,000 Deductible	\$ 2,000,000	\$ 8,363
Comprehensive Law Enforcement Liability	\$5,000 Deductible	\$ 2,000,000 2,000,000 Each Wrongful Act	\$ 34,375
Physical Damage, Collision	\$500 Deductible	\$ Damages	\$ 1,342
Computer and Printers Electronic Equipment	\$1,000 Deductible	\$ 442,973	\$ 5,050
Terrorism Risk	No Deductible	\$ 26,231,138	\$ 2,677
Employees	No Deductible	\$ Unlimited	\$ 65,940
Notary Public Comprehensive		\$ 20,000	\$ 422
Lawyers	\$5,000 Deductible	\$ 300,000	\$ 1,246
District Judge Liability	\$1,000 Deductible	\$ 1,000,000	\$ 1,500

HOCKLEY COUNTY, TEXAS
SURETY BOND SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

Name	Policy Number	Effective Dates	
		Beginning	Ending
Charles Russell	15865335	03/17/10	03/17/11
Paul D. Scarborough	54939158	09/01/09	Continuous
Teresa Patterson	54939159	12/16/09	Continuous
Wilburn Burks	14381675	01/01/09	01/01/13
Everett McDaniel	1031273	11/10/08	11/10/11
E. Jennifer Kinney	13748653	01/01/09	01/01/13
Robert Todd Latham	13748652	01/01/09	01/01/13
Christopher Dennis	15865331	01/01/09	01/01/13
Debra Willmon	54939153	06/01/91	Continuous
Stacy Schulle	15865339	07/01/94	Continuous
Veronica Quintanilla	54939151	04/24/02	Continuous
Curtis Thrash	POB2104895	01/01/09	01/01/11
Larry R. Carter	LPO1136526	01/01/07	01/01/11
J.L. Whitey Barnett	93QS20269	01/01/09	01/01/13
Tommy Clevenger	15863951	01/01/07	01/01/11
Larry D. Sprowls	13739188	01/01/07	01/01/11
Gale Rumbaugh	15863954	01/01/07	Continuous
Melissa Henry	15863955	01/01/07	Continuous
Amy Cantwell	15863953	01/01/07	Continuous
Janie Salazar	15863956	01/01/07	Continuous
Gaynelle Box	15865332	01/01/08	Continuous
David Beseda	15100738	02/08/08	02/08/12
Yvonne Lanelle Gipson	70468387	02/20/10	02/20/11
Delia Montez	15300272	04/01/10	04/01/11
Toni Wilson	15293936	05/14/09	05/14/10
Debra C Bramlett	69859987	02/16/05	Continuous
Lora Dockery	68501272	06/06/09	Continuous
Sue Coker	tx357507	04/17/10	04/17/11
Linda Sehon	14383630	11/29/05	Continuous
Rita Kay Caroland	54939150	10/01/85	Continuous
Linda Barnette	15865336	03/17/09	03/17/13
Irene Gumula	15863952	01/01/07	01/01/11
Irene Gumula	15863952	01/01/07	01/01/11
Gary Goff	13032826	01/01/09	01/01/13
Gary Goff	13032826	01/01/09	01/01/13
Dennis Price	14381670	01/01/07	01/01/11
Denise Bohannon	14381676	01/01/07	01/01/11
Bonnie Sue Coker	LPO1136525	01/01/07	01/01/11
Charlotte Trull	15865334	01/01/09	01/01/11

Office	Bond Amount	Bonding Company
Ass't District Attorney	5,000.00	Western Surety Co.
Chief Deputy Sheriff	5,000.00	Western Surety Co.
Chief Deputy Treasurer	10,000.00	Western Surety Co.
Constable - Precinct #1	1,000.00	Western Surety Co.
Constable - Precinct #2	1,000.00	Trinity Universal Insurance Co.
Constable - Precinct #4	1,000.00	Western Surety Co.
Constable - Precinct #5	1,000.00	Western Surety Co.
County Attorney	2,500.00	Western Surety Co.
County Attorney Clerk	5,000.00	Western Surety Co.
County Attorney Clerk	5,000.00	Western Surety Co.
County Attorney Clerk	5,000.00	Western Surety Co.
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 Co.
County Judge	3,000.00	Western Surety Co.
Deputy Clerk	40,000.00	Western Surety Co.
Deputy Clerk	40,000.00	Western Surety Co.
Deputy Clerk	40,000.00	Western Surety Co.
Deputy Clerk	40,000.00	Western Surety Co.
Deputy Clerk	40,000.00	Western Surety Co.
Deputy Clerk	40,000.00	Western Surety Co.
Deputy Sheriff	2,000.00	Western Surety Co.
Deputy Tax Assessor-Collector	10,000.00	Western Surety Co.
Deputy Tax Collector	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Merchants Bonding Company
Deputy Tax Collector	10,000.00	Western Surety Company
Dist. Attorney Clerk	5,000.00	Western Surety Co.
Hockley County Auditor	5,000.00	Western Surety Co.
Hockley County Clerk	40,000.00	Western Surety Co.
Hockley County Clerk	40,000.00	Western Surety Co.
Hockley County District Attorney	5,000.00	Western Surety Co.
Hockley County District Attorney	5,000.00	Western Surety Co.
Hockley County District Clerk	25,000.00	Western Surety Co.
Hockley County Treasurer	10,000.00	Western Surety Co.
Justice of the Peace - Precinct #1	5,000.00	Old Republic Surety Co.
Justice of the Peace - Precinct #2	5,000.00	Western Surety Co.

HOCKLEY COUNTY, TEXAS
 SURETY BOND SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Name</u>	<u>Policy Number</u>	<u>Effective Dates</u>	
		<u>Beginning</u>	<u>Ending</u>
Rita Diane Conkin	18262288	01/01/07	01/01/11
Jerry Boudreaux	15527700	12/31/10	12/31/12
Brenda Nock	15865337	06/19/09	Continuous
Paula Moody	15865338	06/19/09	Continuous
Marilyn Kay Daniel	54939154	09/01/98	Continuous
Nora Honesto	54939155	08/14/06	Continuous
Gary Moran	54939157	02/01/07	Continuous
Ferris E. Shaheen	15262617	02/25/09	02/25/13
Tracy Rodgers	LPO2020996	1/1/2010	1/1/2011
Don Henderson	LPO2021930	01/01/10	01/01/11
Margret Jeffcoat	POB2061566	08/31/09	08/31/12
Kevin Davis	54939156	08/24/03	Continuous
Christy Clevenger	70630162	01/01/09	01/01/13
Christy Clevenger	70630153	01/01/09	01/01/13

<u>Office</u>	<u>Bond Amount</u>	<u>Bonding Company</u>
Justice of the Peace - Precinct #4	1,000.00	Western Surety Co.
Justice of the Peace - Precinct #5	5,000.00	Western Surety Co.
Justice of the Peace Clerk	5,000.00	Western Surety Co.
Justice of the Peace Clerk	5,000.00	Western Surety Co.
Librarian	5,000.00	Western Surety Company
Library Assistant	5,000.00	Western Surety Company
Narcotics Investigator	10,000.00	Western Surety Co.
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Old Republic Surety Co.
Reserve Deputy	2,000.00	Old Republic Surety Co.
Reserve Deputy	2,000.00	Old Republic Surety Co.
Hockley County Sheriff	10,000.00	Western Surety Co.
Tax Assessor-Collector	100,000.00	Western Surety Company
Tax Assessor-Collector	100,000.00	Western Surety Company

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

MYATT, BLUME AND FIDALEO, LTD., L.L.P.

SHAM L. MYATT CPA
PHELPS BLUME CPA
ANTHONY S. FIDALEO CPA
BUFORD A. DUFF CPA

CERTIFIED PUBLIC ACCOUNTANTS

908 COLLEGE AVENUE
LEVELLAND, TEXAS 79336

806 - 894-7324

FAX: 806 - 894-8693

EMAIL smyatt@windstream.net

MEMBERS

TEXAS SOCIETY AND AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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*

Hockley County Commissioners Court
HOCKLEY COUNTY, TEXAS
Courthouse, Box 10
Levelland, Texas 79336

We have audited the 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, 2010 which collectively comprise Hockley County, Texas' basic financial statements and have issued our report thereon dated February 7, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Hockley County, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hockley County, Texas' internal control over financial reporting. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies in internal control over financial reporting. The items are 10-1 and 10-2. 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.

Compliance and Other Matters

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

Hockley County, Texas' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Hockley County, Texas' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Commissioners Court and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Myatt, Blume, and Fidaleo, LTD., L.L.P.

Myatt, Blume, and Fidaleo, LTD., L.L.P.
Certified Public Accountants
Levelland, Texas 79336

February 7, 2012

HOCKLEY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010

INTERNAL CONTROL OVER FINANCIAL REPORTING:

10-1 Controls over Cash

Criteria: One of the significant controls over cash is the establishment of correct cash balances. It was noted that bank reconciliations from the Tax Assessor-Collector's Office did not equal the cash in the bank per the General Ledger.

Condition: The Tax Assessor-Collector used the ending bank balance for cash in the bank on the balance sheet instead of the reconciled balance. Thus, the cash in the bank for reporting purposes was overstated.

Effect: The failure to prepare accurate monthly bank reconciliations indicates that the County does not know how much money the elected officials are holding at the end of any given month.

Cause: It appears the elected officials are assuming that their cash for book purposes is their ending bank balance. The book balance should be decreased by any outstanding checks which have not cleared the bank. In other instances the elected officials are using overlapping cash reconciliation methods to prove current month collections are remitted in the succeeding month.

Recommendation: We recommend the County provide assistance in reconciling bank statements to elected officials books (records) or provide additional training on how bank reconciliations are to be performed.

Response: The County Auditor and Treasurer will provide assistance in reconciling bank statements when necessary or when assistance is sought by elected officials. If additional training is requested by elected officials, the County will see that such training is provided.

HOCKLEY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2010

10-2 Financial Reporting

Criteria: Hockley County, Texas has not designed reporting requirements for elected officials who control their own cash accounts. According to Attorney General Opinion No. GA-0636 as issued June 12, 2008 each elected official who collects fees for the County should remit such fees directly to the County Treasurer daily and the County Treasurer assumes the responsibility of remitting the funds to the appropriate vendor or other governmental entity. Additionally, the County does not prepare adjusting documentation necessary to convert the County's cash basis accounting records to full accrual basis at year end (i.e. accounts receivable, due tos and due froms, and accounts payable). Also, the transfers between Agency Funds and Governmental Funds do not balance.

Condition: In preparing a working trial balance the County has yet to demonstrate the knowledge and expertise in including all departments within the reporting entity's accounting system.

Cause: The County has operated on a cash basis since creation. Accounting personnel have not followed the proper procedures needed to prepare closing and adjusting journal entries to convert the accounting records from the cash basis of accounting to the accrual basis of accounting.

Recommendation: The auditors suggest that the County Auditor's Office prepare schedules of accounts receivable, due tos and due froms, transfers in and transfers out, and accounts payable as of December 31 each year. Additionally, each elected official whose records are not kept on the County Auditor's system of accounting should provide a trial balance of all assets, liabilities, receipts, and expenditures for the year ended December 31.

Response: The elected officials that maintain their own bank accounts will be required to submit their year-end trial balances to the County Auditor for review and inclusion in the trial balance to be submitted to the outside auditor. The County Auditor will begin recording accounts receivable and accounts payable in the 2011 trial balance. Such entries will include amounts due from the elected officials.

HOCKLEY COUNTY, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010

INTERNAL CONTROL OVER FINANCIAL REPORTING:

09-1 County Attorney Hot Check Fund

Criteria: Hockley County, Texas has a policy with all departments that money collected shall be deposited on a timely basis in such a manner that required reporting requirements can be met. This means that money collected in the current month shall be remitted to the Treasurer by the 10th of the following month.

Condition: For the past four years it has been brought to the County's attention that the County Attorney has not filed timely reports with the County Treasurer.

Effect: The failure of the County Attorney's Office to submit reports to the County Treasurer is an indication that disbursements of money to merchants for "hot" checks collected is not taking place on a monthly basis. This a repeat finding from prior years.

Cause: Personnel charged with these responsibilities are procrastinating in performing these duties and not following County policies with regards to monthly reporting. As a result, remittances to merchants and the County for fees collected are late. Our tests in this area revealed that only eight reports were prepared for the whole year.

Recommendation: Personnel should be instructed that no matter what the circumstance, a monthly report should be filed with the County Treasurer on or before the 10th day of the month following the collection of funds.

Status: A review of reports submitted to the Treasurer indicated that this audit finding has been corrected and all required reports are being filed on a timely basis.

HOCKLEY COUNTY, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2010

09-2 Controls over Cash

Criteria: One of the significant controls over cash is the establishment of correct cash balances. It was noted that bank reconciliations from the Tax Assessor-Collector's Office did not reflect an accurate amount of cash in the bank in relation to what was recorded on the books.

Condition: The Tax Assessor-Collector does not include deposits for money collected in the current month and deposited in the following month as deposits in transit. Thus, the cash in the bank for reporting purposes is understated.

Effect: The failure to prepare accurate monthly bank reconciliations indicates that the County does not know how much money the elected officials are holding at the end of any given month.

Cause: It appears the elected officials are assuming that their monthly collections are equal to their monthly reports to the County Treasurer when additional money is actually present in the bank accounts. In other instances the elected officials are using overlapping cash reconciliation methods to prove current month collections are remitted in the succeeding month.

Recommendation: We recommend the County provide assistance in reconciling bank statements to elected officials books (records) or provide additional training on how bank reconciliations are to be performed.

Status: Progress in reconciling bank statements in the Tax Office has been made. However, book balance of cash in the bank is not being cross-checked back to the reconciled balance to ensure that the book balance is the same as the bank reconciliation. It was noted that the two did match as of December 31, 2010. This finding is shown as a repeat finding, 10-1 in the current audit.

HOCKLEY COUNTY, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2010

09-3 Financial Reporting

Criteria: Hockley County, Texas has not designed reporting requirements for elected officials who control their own cash accounts. According to Attorney General Opinion No. GA-0636 as issued June 12, 2008 each elected official who collects fees for the County should remit such fees directly to the County Treasurer daily and the County Treasurer assumes the responsibility of remitting the funds to the appropriate vendor or other governmental entity. Additionally, the County does not prepare adjusting documentation necessary to convert the County's cash basis accounting records to full accrual basis at year end (i.e. accounts receivable, due tos and due froms, and accounts payable). Also, the transfers between Agency Funds and Governmental Funds do not balance.

Condition: In preparing a working trial balance the County has yet to demonstrate the knowledge and expertise in including all departments within the reporting entity's accounting system.

Cause: The County has operated on a cash basis since creation. Accounting personnel have not followed the proper procedures needed to prepare closing and adjusting journal entries to convert the accounting records from the cash basis of accounting to the accrual basis of accounting.

Recommendation: The auditors suggest that the County Auditor's Office prepare schedules of accounts receivable, due tos and due froms, transfers in and transfers out, and accounts payable as of December 31 each year. Additionally, each elected official whose records are not kept on the County Auditor's system of accounting should provide a trial balance of all assets, liabilities, receipts, and expenditures for the year ended December 31.

Status: The County has assumed the maintenance of cash accounts of cash in the bank for the Justice of Peace's, County Clerk, County Attorney, and the Sheriff's Office. The Tax Assessor-Collector and District Clerk still maintain their own bank accounts. The combining of elected official financial information in a working trial balance is still indicating a lack of expertise in this area. This finding is shown as a repeat finding, 10-2 in the current audit.

HOCKLEY COUNTY, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2010

COMPLIANCE

09-4 Approving opening, closing, and/or changes to bank accounts.

Criteria: The County has always maintained an internal policy that all new or closed bank accounts and general ledger accounts must have approval from the Commissioners Court. Likewise, any changes to bank accounts should have prior written approval from the Commissioners Court.

Condition: During 2009 the County experienced a number of situations where bank accounts were opened, closed, or changed without the prior approval of the Commissioners Court.

Effect: Without securing permission from the Commissioners Court the County may fail to maintain a current cash position which enables the County Treasurer to monitor whether all County bank accounts are properly insured. Additionally, the County may duplicate accounts and combine information having different reporting requirements or purposes into one category. Finally, failure to secure permission from the Commissioners Court could result in negative exposure and control from the Treasurer's Office.

Cause: During 2009 there was a major change in personnel within one County Department. In an effort to better identify monies received changes in bank account descriptions were made or new accounts were opened.

Recommendation: The County should require all departments to filter changes or requests to open and close bank and general ledger accounts through the Commissioners Court.

Status: The minutes of the Commissioners' Court and audit fieldwork did not note any problems in this area. Thus, it appear this finding has been corrected.