

HOCKLEY COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

HOCKLEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDING DECEMBER 31, 2012

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HOCKLEY COUNTY, TEXAS

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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
Anna Hord County Attorney
Irene Gumula County Clerk
Denise Bohannon County Treasurer
Debra Bramlett County Tax Assessor-Collector
Paul Scarborough 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 Boudreaux Justice 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
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LEVELLAND, TX 79336
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MEMBERS
TEXAS SOCIETY AND AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Hockley County Commissioners Court
Hockley County, Texas
Levelland, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hockley County, Texas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hockley County, Texas, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, on our consideration of Hockley County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hockley County's internal control over financial reporting and compliance.

Respectfully submitted,

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

Myatt, Blume, & Fidaleo, Ltd., L.L.P.
Certified Public Accountants
Levelland, Texas
October 15, 2013

BASIC FINANCIAL STATEMENTS

HOCKLEY COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2012

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 8,643,754	\$ 23,034	\$ 8,666,788
Receivables (net of allowance for uncollectibles)	8,954,522	-	8,954,522
Due from Fiduciary Funds	7,053,454	-	7,053,454
Capital Assets:			
Land	295,729	-	295,729
Infrastructure, net	73,534	-	73,534
Buildings, net	18,064,937	-	18,064,937
Machinery and Equipment, net	5,067,499	-	5,067,499
Total Assets	<u>48,153,429</u>	<u>23,034</u>	<u>48,176,463</u>
LIABILITIES			
Accounts Payable	345,926	-	345,926
Accrued Interest Payable	161,550	-	161,550
Noncurrent Liabilities			
Bond Premium - Long Term Portion	1,360,000	-	1,360,000
Bond Principal Due in More Than One Year	9,842,593	-	9,842,593
Total Liabilities	<u>11,710,069</u>	<u>-</u>	<u>11,710,069</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	12,299,106	-	12,299,106
Restricted for:			
Debt Service	786,401	-	786,401
Highways and Streets	2,188,777	-	2,188,777
Courthouse Projects	88,141	-	88,141
Records Management	66,124	-	66,124
Unrestricted Net Assets	21,014,811	23,034	21,037,845
Total Net Position	<u>\$ 36,443,360</u>	<u>\$ 23,034</u>	<u>\$ 36,466,394</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, 2012

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 6,120,491	\$ 1,085,822	\$ 24,140
Public Safety	2,925,383	367,835	5,300
Highways and Streets	2,280,957	955,910	-
Health and Welfare	311,244	4,857	-
Culture and Recreation	980,269	51,228	14,650
Bond Interest	437,325	-	-
Total Governmental Activities:	13,055,669	2,465,652	44,090
BUSINESS-TYPE ACTIVITIES:			
Sheriff Commissary Fund	14,888	5,864	-
Inmate Trust Fund	79,936	78,392	-
Total Business-Type Activities:	94,824	84,256	-
TOTAL PRIMARY GOVERNMENT:	\$ 13,150,493	\$ 2,549,908	\$ 44,090

General Revenues:

Taxes:

- Property Taxes, Levied for General Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Road & Bridge
- Penalty and Interest
- Grants and Contributions Not Restricted
- Royalty Income
- Miscellaneous Revenue
- Investment Earnings
- Gain on Disposal of Assets

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - 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
\$ (5,010,529)	\$ -	\$ (5,010,529)
(2,552,248)	-	(2,552,248)
(1,325,047)	-	(1,325,047)
(306,387)	-	(306,387)
(914,391)	-	(914,391)
(437,325)	-	(437,325)
(10,545,927)	-	(10,545,927)
-	(9,024)	(9,024)
-	(1,544)	(1,544)
-	(10,568)	(10,568)
(10,545,927)	(10,568)	(10,556,495)
9,771,136	-	9,771,136
1,833,570	-	1,833,570
1,866,341	-	1,866,341
198,902	-	198,902
3,043	-	3,043
401,352	-	401,352
522,822	-	522,822
48,568	295	48,863
135,416	-	135,416
14,781,150	295	14,781,445
4,235,223	(10,273)	4,224,950
32,345,382	33,307	32,378,689
(137,245)	-	(137,245)
\$ 36,443,360	\$ 23,034	\$ 36,466,394

HOCKLEY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

EXHIBIT C-1

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 6,194,334	\$ 591,488	\$ 1,847,989	\$ 8,633,811
Taxes Receivable	5,803,987	1,183,749	2,097,527	9,085,263
Allowance for Uncollectible Taxes (credit)	(396,947)	(80,959)	(143,455)	(621,361)
Due from Other Funds	4,855,547	246,522	1,951,385	7,053,454
Total Assets	\$ 16,456,921	\$ 1,940,800	\$ 5,753,446	\$ 24,151,167
LIABILITIES				
Accounts Payable	\$ 101,275	\$ -	\$ 244,651	\$ 345,926
Accrued Interest Payable	-	51,609	-	51,609
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
Total Liabilities	101,275	51,609	244,651	397,535
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Ad Valorem Taxes	5,407,040	1,102,790	1,954,072	8,463,902
Total Deferred Inflows of Resources	5,407,040	1,102,790	1,954,072	8,463,902
FUND BALANCES				
Restricted Fund Balance:				
Debt Service	-	786,401	36,878	823,279
Restricted for Highways and Streets	-	-	2,188,777	2,188,777
Courthouse Projects	-	-	88,141	88,141
Records Management	-	-	66,124	66,124
Committed Fund Balance:				
Construction	-	-	530,322	530,322
Other Committed Fund Balance	-	-	644,481	644,481
Unassigned Fund Balance	10,948,606	-	-	10,948,606
Total Fund Balances	10,948,606	786,401	3,554,723	15,289,730
Total Liabilities, Deferred Inflows & Fund Balances	\$ 16,456,921	\$ 1,940,800	\$ 5,753,446	\$ 24,151,167

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

HOCKLEY COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2012

Total Fund Balances - Governmental Funds	\$	15,289,730
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The Governmental Funds Fund Balance differs from the Net Position of Governmental Activities because:

The County uses internal service funds to charge the costs of certain activities, such as employee insurance costs, 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 position. The net effect of this consolidation is to increase net position.		9,943
--	--	-------

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was \$48,552,380, with related accumulated depreciation of \$(25,050,681). The net effect of including the ending balances for capital assets (net of depreciation) in the governmental activities is to increase net position.		23,501,699
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Long-term liabilities, including bonds payable and related prepaid costs and discounts, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. The net effect of including the long-term debt and other debt-related accounts in the governmental activities is to reduce net position.		(11,312,534)
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Bond Principal	\$10,770,000	
Unamortized Discount	432,593	
Accrued Interest	<u>109,941</u>	
Total	\$11,312,534	

When converting from the modified accrual basis of accounting to the full accrual basis, deferred revenue under the modified accrual method is recognized as revenue under the full accrual method. At the end of the year, the County had \$8,463,902 of property taxes reported as Deferred Inflows and an additional \$490,620 of taxes reserved as uncollectible to be recognized as income on the full accrual basis. The net effect of this reclassification is to increase net position.		8,954,522
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Net Position of Governmental Activities	\$	36,443,360
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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, 2012

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 8,641,170	\$ 1,811,375	\$ 2,976,843	\$ 13,429,388
Licenses and Permits	125	-	522,060	522,185
Intergovernmental Revenue and Grants	44,090	-	-	44,090
Charges for Services	733,991	-	747,884	1,481,875
Fines	-	-	152,572	152,572
Forfeits	-	-	32,056	32,056
Investment Earnings	29,847	1,565	17,156	48,568
Rents and Royalties	401,352	-	-	401,352
Contributions & Donations from Private Sources	-	-	3,043	3,043
Other Revenue	470,428	-	329,358	799,786
Total Revenues	10,321,003	1,812,940	4,780,972	16,914,915
EXPENDITURES:				
Current:				
General Government	5,384,842	4,000	397,041	5,785,883
Public Safety	2,757,130	-	47,147	2,804,277
Highways and Streets	-	-	1,966,926	1,966,926
Health and Welfare	-	-	311,161	311,161
Culture and Recreation	58,719	-	583,225	641,944
Debt Service:				
Bond Principal	-	1,305,000	-	1,305,000
Bond Interest	-	456,900	-	456,900
Capital Outlay:				
Capital Outlay	194,451	-	2,583,511	2,777,962
Total Expenditures	8,395,142	1,765,900	5,889,011	16,050,053
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,925,861	47,040	(1,108,039)	864,862
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	1,544	-	133,872	135,416
Transfers In	-	-	557,468	557,468
Transfers Out (Use)	(500,000)	-	(57,468)	(557,468)
Total Other Financing Sources (Uses)	(498,456)	-	633,872	135,416
Net Change in Fund Balances	1,427,405	47,040	(474,167)	1,000,278
Fund Balance - January 1 (Beginning)	9,521,201	739,361	4,028,890	14,289,452
Fund Balance - December 31 (Ending)	\$ 10,948,606	\$ 786,401	\$ 3,554,723	\$ 15,289,730

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

HOCKLEY COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	1,000,278
 The County uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net loss of this internal service fund is reported with governmental activities. The net effect of this consolidation is to decrease net assets.		(2,761)
 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the capital outlays is to increase net position.		2,777,962
 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 position.		(1,176,019)
 Current year bond principal payments are expenditures in the fund financial statements, but are reported as reductions in long-term debt in the government-wide financial statements. The net effect of reclassing the principal payments is to increase net position.		1,305,000
 Bond premiums are incurred and reported when the bonds are issued in the government funds but are capitalized and amortized over the life of the bonds in the government-wide financial statements. The annual amortization of the bond premium of \$70,627 is reported as a reduction in the annual cost of maintaining the bonds and, as a result, increases net position.		70,627
 Bond interest is partially accrued in the governmental funds and fully reported as an expense when paid, but is fully accrued between payments for the government-wide financial statements. The net decrease in accrued interest from the prior year to the current year increases net position.		19,575
 Under the full accrual basis of accounting, property taxes are recognized as income when levied by the County. A portion of the property taxes reported as current year tax revenue (\$8,223,341) was recognized as income in the prior year's government-wide financial statements and is removed from the current year revenue to avoid double recognition. Property taxes designated for the next fiscal year (\$8,463,902) are being reported as Deferred Inflows in this year's governmental funds are to be recognized as income for this year in the government-wide financial statements. The net effect of the changes in Deferred Inflows is to increase net position.		240,561
 Change in Net Position of Governmental Activities	\$	4,235,223

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

HOCKLEY COUNTY, TEXAS
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Business-Type Activities -		Governmental Activities -	
	Total		Internal Service Fund	
	Enterprise Funds			
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$	23,034	\$	9,943
Total Assets		23,034		9,943
NET POSITION				
Unrestricted Net Position		23,034		9,943
Total Net Position	\$	23,034	\$	9,943

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

HOCKLEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

EXHIBIT D-2

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Internal Service Fund
OPERATING REVENUES:		
Charges for Services	\$ 84,256	\$ -
Total Operating Revenues	84,256	-
OPERATING EXPENSES:		
Personnel Services - Employee Benefits	-	660
Purchased Professional & Technical Services	1,152	-
Purchased Property Services	2,940	-
Other Operating Expenses	42,513	2,228
Supplies	48,219	-
Total Operating Expenses	94,824	2,888
Operating Income (Loss)	(10,568)	(2,888)
NON-OPERATING REVENUES (EXPENSES):		
Investment Earnings	295	127
Total Non-operating Revenue (Expenses)	295	127
Change in Net Position	(10,273)	(2,761)
Total Net Position -January 1 (Beginning)	33,307	12,704
Total Net Position -December 31 (Ending)	\$ 23,034	\$ 9,943

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, 2012

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total	Internal
	Enterprise	Service Fund
	Funds	
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 84,256	\$ -
Cash Payments to Vendors	(48,219)	-
Cash Payments for Other Operating Expenses	(46,605)	(2,888)
Net Cash Provided by (Used for) Operating Activities	(10,568)	(2,888)
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	295	127
Net Increase(Decrease) in Cash and Cash Equivalents	(10,273)	(2,761)
Cash and Cash Equivalents at Beginning of the Year:	33,307	12,704
Cash and Cash Equivalents at the End of the Year:	\$ 23,034	\$ 9,943
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	\$ (10,568)	\$ (2,888)

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

HOCKLEY COUNTY, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 14,005,720
Restricted Cash	315,461
Accounts Receivable-Net of Uncollectible Allowance	51,500
Due from Fiduciary Funds	1,852,807
Total Assets	<u>\$ 16,225,488</u>
LIABILITIES	
Accounts Payable	\$ 463,728
Claims and Judgments Payable	53,619
Intergovernmental Payable	6,533,189
Due to Other Funds	7,053,454
Due to Fiduciary Funds	1,852,807
Due to Others	268,691
Total Liabilities	<u>\$ 16,225,488</u>

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The County prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) as applicable to governments. The financial report has been prepared in accordance with GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, issued in 2009 and implemented by the County in fiscal year 2011. The following is a summary of the more significant accounting policies the County utilizes to prepare its basic financial statements.

1. REPORTING ENTITY

The members of the County's Commissioners Court ("Court") are elected by the public, and the Court has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. 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.

Blended Component Unit

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

The Commissioners Court appoints all five Directors, and can remove them at will. The Court can also change the structure, organization, programs, or activities of the Corporation, and it may terminate or dissolve the Corporation. The Corporation was incorporated on January 30, 2004, and as of December 31, 2012, no financial transactions had taken place.

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

Implementation of New Pronouncements

The County has adopted the implementation of GASB Statement No. 63 which has an effective date for financial statements beginning after December 15, 2011 and applies to all fund types and activities. The County has also implemented the early adoption of GASB 65, which has effective date of for financial statements beginning after December 15, 2012.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2012

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

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

With the adoption of GASB Statement No. 63, governmental entities will now present a Statement of Net Position. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The Statement defines *deferred outflow of resources* as a consumption of net position by the government that is applicable to a future reporting period. Items such as grants paid in advance of the time requirement, deferred amounts from the refunding of debt, or costs to acquire rights to future revenues are to be reported as deferred outflow of resources. Debt issuance costs are now expensed under GASB No. 65.

The Statement defines *deferred inflows of resources* as an acquisition of net position by the government that is applicable to a future reporting period. Examples of deferred inflows of resources are grant advance payments, property taxes received in advance, or deferred amounts from debt refunding.

Net Position represents the difference between all other elements in a **Statement of Financial Position** and is displayed in three components—*net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*. The calculation of *net investment in capital assets* is similar to the prior calculation of investment in capital assets, net of related debt; however, with the implementation of GASB Statement No. 63, the deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Financial reporting for **Governmental Funds** requires deferred outflows of resources and deferred inflows of resources that are required to be reported in a governmental fund balance sheet be presented in a format that displays *assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance*.

Government-Wide Financial Statements

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

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.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2012

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

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

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

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

Fund Financial Statements

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

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

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

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.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2012

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

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

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

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

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

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

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.

The County reports the following major governmental funds:

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

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

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

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

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

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.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2012

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

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

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, which is considered a non-major fund.

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

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

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

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

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

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

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

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2012

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

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

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

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

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

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

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

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

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

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

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

3. OTHER ACCOUNTING POLICIES

- a. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
- b. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. All appropriations lapse at the end of each fiscal year, and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year’s budget. Encumbrances do not constitute expenditures or liabilities.

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2012

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

3. OTHER ACCOUNTING POLICIES (Cont.)

- c. Capital assets, which include land, buildings, furniture, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than; \$5,000 for equipment and machinery; \$100,000 for buildings (and building improvements) and infrastructure; and an estimated useful life in excess of two years. Land is always capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

- d. Since internal service funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the County as a whole.
- e. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- f. County employees are entitled to certain compensated absences based on their length of employment. Except for extenuating circumstances, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.
- g. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
- h. Any inventory or materials and supplies on hand at year-end are considered insignificant, and, therefore, not reflected in the financial statements. A small inventory of food and supplies is kept for the inmates in the Sheriff's Commissary Fund.
- i. FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date on the auditor's report, the date the financial statements were available to be issued.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2012

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

3. OTHER ACCOUNTING POLICIES (Cont.)

- j. The County is exposed to various risks of loss related to torts; errors and omissions; violations of civil rights; theft of, damage to, and destruction of assets; natural disasters; injuries to employees; and other claims of various natures. The County participates in the Texas Association of Counties Intergovernmental Risk Pool (TAC Pool) which provides protection for risks of loss. TAC Pool was established by the Texas Association of Counties to provide self-insurance for its members and to obtain lower costs for insurance. The County pays annual premiums for liability, property, workers' compensation, and unemployment coverage. Annual contribution rates are determined by the TAC Pool Board. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. TAC Pool has established Claims Reserves for each of the types of insurance offered. Thus, although TAC Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions and the member's policies' deductibles. If losses incurred are significantly higher than actuarially estimated, TAC Pool adjusts the contribution rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated.

Any losses reported but unsettled or incurred and not reported are believed to be insignificant to the County's basic financial statements.

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

For the year ended December 31, 2012, the County contributed \$232,615 for its property, liability, workers' compensation, and unemployment coverage.

The County also carries insurance on most other risks of loss including employee health and accident insurance and surety bond coverage. The County does retain the risk on automobile physical damage.

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

4. BUDGETARY DATA

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2012

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

4. BUDGETARY DATA (Cont.)

2. The budget is filed in the County Clerk's office and is open to public inspection. The Commissioners Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
3. The budget is then adopted at the conclusion of the last public hearing by the favorable votes of a majority of the members of the Commissioners Court. The original budget was adopted by the Commissioners Court on August 29, 2011, in accordance with the above process. The final fiscal 2012 budget revision was adopted by the Commissioners Court on December 19, 2012.
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 2012 budget was prepared on the cash basis using estimated beginning and ending cash balances. There is not a significant difference in the budgeted revenues and expenditures between the cash basis and the modified accrual basis.

NOTE B - CASH DEPOSITS AND INVESTMENTS

Compliance with the Public Funds Investment Act – The County's investment policies are governed by State statutes and County ordinances. The Public Funds Investment Act (PFIA, Chapter 2256) requires the County to adopt, implement, and publicize the investment policy which covers specific provisions in the Act regarding investment practices, management reporting, and policy establishment. The investment policy is available for public inspection at the Hockley County Courthouse. The PFIA establishes authorized investment vehicles for the County. The County is in substantial compliance with the PFIA at the end of the 2012 fiscal year.

Restricted Cash - Under the normal course of conducting its activities, Hockley County will become the custodian of funds that can only be paid on behalf of, for, or to certain third-party beneficiaries. These funds are held in either bank accounts or short-term certificates of deposit until use of the funds is required. As of December 31, 2012, Hockley County had restricted cash in the amount of \$315,461 that was payable to third-party beneficiaries held in the Agency funds.

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

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

In accordance with the FDIC, funds owned by the County are public unit deposits. Time deposits, savings deposits and interest bearing NOW accounts of a public unit held at a financial institution will be insured up to \$250,000 in aggregate and separate from the unlimited coverage for public unit demand deposits held at the same institution through December, 2012, at which time the coverage will revert back to \$250,000. Of the County's deposits at December 31, 2012, all deposits were covered by either the federal depository insurance or the financial institution's pledged collateral, and were not subject to custodial credit risk.

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2012

NOTE B – CASH DEPOSITS AND INVESTMENTS (Cont.)

The County's deposits and collateralization by institution as of December 31, 2012 are as follows:

	AIM Bank	Platinum Bank
Carrying Amounts:		
Demand Deposits	\$ -	\$ -
Interest Bearing Accounts	18,947,023	4,040,947
Net Reconciling Items	<u>307,471</u>	<u>-</u>
Total Public Funds on Deposit	<u>19,254,494</u>	<u>4,040,947</u>
Less FDIC Coverage	<u>(500,000)</u>	<u>(250,000)</u>
Amount to be Collateralized	18,754,494	3,790,947
Collateralization by Institution	<u>(22,668,699)</u>	<u>(5,250,000)</u>
Under (Over) Collateralized	<u>\$ (3,914,205)</u>	<u>\$ (1,459,053)</u>

NOTE C - CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 295,729	\$ -	\$ -	\$ 295,729
Infrastructure	4,923,759	-	-	4,923,759
Buildings	19,179,970	15,360,049	-	34,540,019
Machinery and Equipment	5,173,290	1,990,186	(667,745)	6,495,731
Vehicles	2,146,870	207,030	(56,758)	2,297,142
Construction in Progress	<u>14,323,652</u>	<u>-</u>	<u>(14,323,652)</u>	<u>-</u>
Totals at Historic Cost	<u>46,043,270</u>	<u>17,557,265</u>	<u>(15,048,155)</u>	<u>48,552,380</u>
Less Accumulated Depreciation:				
Infrastructure – Roads	(4,846,238)	(3,987)	-	(4,850,225)
Buildings	(15,926,670)	(548,413)	-	(16,475,083)
Machinery and Equipment	(1,763,752)	(427,806)	212,094	(1,979,464)
Vehicles	<u>(1,606,854)</u>	<u>(195,813)</u>	<u>56,758</u>	<u>(1,745,909)</u>
Total Accumulated Depreciation	<u>(24,143,514)</u>	<u>(1,176,019)</u>	<u>268,852</u>	<u>(25,050,681)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 21,899,756</u>	<u>\$ 16,381,246</u>	<u>\$(14,779,303)</u>	<u>\$ 23,501,699</u>

Hockley County traded in several pieces of equipment throughout the year with an aggregate initial cost of \$724,503, and having an aggregate book value of \$455,651 at the time of the trade-in. This remaining book value was added back to the basis of the new equipment and will be depreciated over the life of the equipment.

Capital Asset Additions Reconciliation	
Construction in Progress	\$ 14,323,652
Current Year Capital Outlay	2,777,962
Remaining Basis of Traded Assets	<u>455,651</u>
Total Capital Asset Additions	<u>\$ 17,557,265</u>

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2012

NOTE C - CAPITAL ASSET ACTIVITY (Cont.)

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

General Government	\$ 333,091
Public Safety	120,474
Highways and Streets	313,561
Culture and Recreation	<u>408,893</u>
Total	<u>\$ 1,176,019</u>

Hockley County's business-type activities had no capital assets as of December 31, 2012.

NOTE D - INTERFUND BALANCES AND TRANSFERS

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

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

Due From	Due To				Totals	Reason
	General Fund	Debt Service Fund	Special Revenue Funds	Agency Funds		
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	
Agency Funds	<u>4,855,547</u>	<u>246,522</u>	<u>1,951,385</u>	<u>1,852,807</u>	<u>8,906,261</u>	Tax Levy Distribution
Totals	<u>\$ 4,855,547</u>	<u>\$ 246,522</u>	<u>\$ 1,951,385</u>	<u>\$ 1,852,807</u>	<u>\$ 8,906,261</u>	

During the year ended December 31, 2012, the County transferred \$500,000 from the General Fund to the Mallet MPEC Operating Fund for general operations purpose. The County also transferred \$57,468 from the Permanent Improvement Fund to the Capital Projects Fund for capital outlay purposes.

NOTE E - BONDS PAYABLE

Hockley County, Texas issued a \$14,515,000 General Obligation Bond, Series 2009, for the construction and related equipment of the Mallet Multipurpose Event Center in September, 2009 with an interest cost of 3.04%. The bonds are payable over a ten year period beginning February 15, 2011 and maturing February 15, 2019. The \$668,016 in bond premiums is being amortized on a straight-line basis over the life of the bonds. Designated property tax levies and revenues from the MPEC are to be used to fund the debt service.

Bond	Beginning Balance	Additions	Payments	Ending Balance
G.O Bonds Series 2009	<u>\$ 12,075,000</u>	<u>\$ -</u>	<u>\$ 1,305,000</u>	<u>\$ 10,770,000</u>

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2012

NOTE E - BONDS PAYABLE (Cont.)

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

Year Ending December 31,	Principal Payment	Bond Premium	Net Bond Liability	Interest	Total Debt Service
2013	\$ 1,360,000	\$ 70,627	\$ 1,430,627	\$ 403,600	\$ 1,763,600
2014	1,415,000	70,627	1,485,627	348,100	1,763,100
2015	1,475,000	70,627	1,545,627	290,300	1,765,300
2016	1,535,000	70,627	1,605,627	230,100	1,765,100
2017	1,595,000	70,627	1,665,627	167,500	1,762,500
2018	1,660,000	70,627	1,730,627	102,400	1,762,400
2019	<u>1,730,000</u>	<u>8,831</u>	<u>1,738,831</u>	<u>34,600</u>	<u>1,764,600</u>
Totals	<u>\$ 10,770,000</u>	<u>\$ 432,593</u>	<u>\$11,202,593</u>	<u>\$ 1,576,600</u>	<u>\$ 12,346,600</u>

Prior Period Adjustment – GASB Statement No. 65 does not categorize bond issuance costs as a deferred outflow or as an asset. The statement considers the amount as an expendable item during the year the costs are incurred. The early adoption of GASB Statement No. 65 required the \$137,245 carrying amount of bond issuance costs on the government-wide financial statements be removed from the Statement of Financial Position through a prior period adjustment.

NOTE F - LEASES

The County did not have any capital leases in effect as of December 31, 2012. The County leases multiple office equipment for several departments under multiple operating leases expiring in March, 2017. The County pays approximately \$3,433 in monthly lease payments for the equipment. Total payments for the fiscal year 2012 were approximately \$40,697. The future minimum payments on the leases are as follows:

Year Ending December 31,	Copier Leases	Postage Meter	Total Leases
2013	\$ 37,704	\$ 3,492	\$ 41,196
2014	37,704	3,492	41,196
2015	37,704	3,492	41,196
2016	37,704	3,492	41,196
2017	<u>-</u>	<u>873</u>	<u>873</u>
Totals	<u>\$ 150,816</u>	<u>\$ 14,841</u>	<u>\$ 165,657</u>

NOTE G - PROPERTY TAXES

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

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

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2012

NOTE G - PROPERTY TAXES (Cont.)

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

The County's fiscal year is the calendar year, while the tax years have a September 30 year end. This overlap in fiscal year requires the County to recognize the 2012 tax levy as income for government-wide financial statement purposes under the full accrual basis of accounting, but only recognize what is collected during the fiscal year as revenue for the governmental fund financial statements. The remainder of the 2012 tax levy is reported as a tax receivable and a deferred inflow in the governmental funds.

The tax rates for the 2012 fiscal year (2011 and 2012 tax levies) are \$0.28870 and \$0.30680 per \$100 assessed value for County operations, respectively. The County assessed an additional \$0.04772 and \$0.04970, respectively for the construction of a multipurpose events center. The maximum allowable tax rate for the County is \$1.10 for each \$100 assessed value. The County is subject to a tax rate rollback if the total amount of property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceding year, as defined by statute, by 8%.

The original appraised taxable values upon which the 2011 and 2012 tax levies are based are \$3,758,901,283 and \$3,623,455,322, respectively, resulting in tax levies of \$12,863,011 and \$13,638,955 respectively after supplemental adjustments made by the Hockley County Central Appraisal District. The County has collected approximately 98% of 2011's tax levy and 35% of 2012's levy as of December 31, 2012.

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

NOTE H - FEDERAL AND STATE AWARDS

The County had \$13,052 in expenditures of Federal awards and \$31,039 in state awards for the year ended December 31, 2012. Since the Federal expenditures did not exceed \$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.

Contingency Risk - As a condition for the County to participate in Federally-assisted programs and grants, 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.

The Federal and state award detail and expenditures were as follows:

Project/Grant Number	CFDA No.	Program Title	Federal Expenditures	State Expenditures
78585	39.011	Help America Vote Act – Education	\$ 10,908	\$ -
77405	90.481	Help America Vote Act – General Compliance	2,144	-
442-11835	N/A	Lone Star Library Grant	-	14,650
	N/A	SPAG/ER Communications Grant	-	5,300
212-08-110	N/A	Texas Task Force on Indigent Defense	-	11,089
			<u>\$ 13,052</u>	<u>\$ 31,039</u>

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2012

NOTE I - MEDICAL/HEALTH CARE COVERAGE – SELF-INSURANCE FUND

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

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

Beginning June 1, 2006, the County discontinued the self-insurance fund and converted to Blue Cross Blue Shield of Texas for health insurance benefits. The Texas Association of Counties Health Benefits Department serves as plan administrator. The County pays premiums for full-time employees. Employees may add spouses and children and pay premiums through payroll deductions. For the calendar year 2012, the County paid approximately \$1,641,104 for health insurance.

The internal service fund is still active to account for any pending claims under the old self-insurance program. Activity for the 2012 fiscal year reported \$2,888 in expenditures and \$127 in interest income in the fund. The fund has a cash balance of \$9,943 at December 31, 2012.

NOTE J - PENSION PLAN

Hockley County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined pension plan through the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, consisting of 641 nontraditional defined pension plans from various county and district governmental entities statewide. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon request through TCDRS, PO Box 2034, Austin, TX 79768-2034, or through the www.tcdrs.org website.

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

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

Funding Status and Funding Progress – As of December 31, 2012, the most recent actuarial valuation date for Hockley County, the plan was 77.45% funded. The actuarial accrued liability for benefits was \$14,637,902, and actuarial value of the assets was \$11,336,431, resulting in an unfunded actuarial accrued liability of \$3,301,471. Covered payroll for the County was \$4,458,252 and the ratio of unfunded actuarial accrued liability to covered payroll was 74.05%

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2012

NOTE J - PENSION PLAN (Cont.)

The deposit rate for the employer is 13.16% for the 2012 calendar year while employee members' rate is 7% for the 2012 calendar year, as adopted by Hockley County Commissioners Court. The employee and/or employer contribution rate may be changed by the Commissioners to other options as allowed by the TCDRS Act.

Annual Pension Cost - The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 include an 8% investment return and a 5.4% projected salary increase. Both assumptions include a 3.5% inflationary adjustment component. The actuarial value of the plan assets is determined using techniques that spread the effects of short-term market volatility over a ten-year period. The unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of December 31, 2012 was 20 years. The TCDRS pension cost for all Hockley County employees for the fiscal year ending December 31, 2012 was approximately \$578,229. Historical information on annual pension costs, annual funding progress, and actuarial valuation information, annual funding progress are reported below.

ACTUARIAL VALUATION INFORMATION

Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
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	20 years	20 years	20 years
Asset Valuation Method	Subdivision Accum. Fund – 10 Year Smoothed Value; Employee Saving Fund – Fund Value	Subdivision Accum. Fund – 10 Year Smoothed Value; Employee Saving Fund – Fund Value	Subdivision Accum. Fund – 10 Year Smoothed Value; Employee Saving Fund – Fund Value
Actuarial Assumptions*:			
Investment Return	8.0%	8.0%	8.0%
Projected Salary Increases	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%

*Includes inflation at stated rate – no cost of living adjustments

EMPLOYEES OF HOCKLEY COUNTY RETIREMENT PLAN COST TREND INFORMATION

Fiscal Year Ending December 31,	Annual Pension Cost (APC)	Supplemental Death Benefit	APC Contribution Percentage	Remaining Net Pension Obligation
2012	\$ 578,229	\$ 12,930	100%	\$ -
2011	543,860	11,562	100%	-
2010	530,150	13,972	100%	-
2009	463,115	14,117	100%	-

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2012

NOTE J - PENSION PLAN (Cont.)

EMPLOYEES OF HOCKLEY COUNTY RETIREMENT PLAN SCHEDULE OF FUNDING PROGRESS

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 a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$ 11,336,431	\$ 14,637,902	\$ 3,301,471	77.45%	\$ 4,458,252	74.05%
12/31/11	11,058,307	14,205,124	3,146,817	77.85%	4,282,416	73.48%
12/31/10	10,060,518	12,973,498	2,912,980	77.55%	3,992,088	72.97%
12/31/09	9,514,869	12,231,691	2,716,822	77.79%	3,922,802	69.26%

NOTE K – OTHER POST EMPLOYMENT BENEFITS

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

The County elected to provide group-term life insurance coverage for its employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculations are based on the employee's actual earnings for the 12 months preceding the month of death). Retired employees are insured for \$5,000.

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

The TCDRS supplemental death benefits paid by the County for the fiscal year 2012 were approximately \$12,930. The historical trend of supplemental death benefits paid by the County is reported along with the historical pension costs in Note J.

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, 2012

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on	to	BUDGET	Final Budget
			GAAP	Budget	(See Note)	Positive or
			Basis	Basis		(Negative)
REVENUES:						
Taxes:						
Property Taxes	\$ 8,254,089	\$ 8,254,089	\$ 8,641,170	\$ -	\$ 8,641,170	387,081
Licenses and Permits	-	-	125	-	125	125
Intergovernmental Revenue and Grants	6,500	6,500	44,090	-	44,090	37,590
Charges for Services	667,400	667,400	733,991	-	733,991	66,591
Investment Earnings	76,073	76,073	29,847	-	29,847	(46,226)
Rents and Royalties	304,000	304,000	401,352	-	401,352	97,352
Other Revenue	327,916	327,916	470,428	-	470,428	142,512
Total Revenues	9,635,978	9,635,978	10,321,003	-	10,321,003	685,025
EXPENDITURES:						
Current:						
General Government	6,027,029	5,964,507	5,384,842	(17,671)	5,367,171	597,336
Public Safety	3,033,463	3,006,659	2,757,130	(7,574)	2,749,556	257,103
Culture and Recreation	54,612	54,612	58,719	-	58,719	(4,107)
Capital Outlay:						
Capital Outlay	150,200	150,200	194,451	-	194,451	(44,251)
Total Expenditures	9,265,304	9,175,978	8,395,142	(25,245)	8,369,897	806,081
Excess of Revenues Over Expenditures	370,674	460,000	1,925,861	25,245	1,951,106	1,491,106
OTHER FINANCING SOURCES (USES):						
Sale of Real and Personal Property	-	-	1,544	-	1,544	1,544
Transfers In	40,000	40,000	-	-	-	(40,000)
Transfers Out (Use)	(410,674)	(500,000)	(500,000)	-	(500,000)	-
Total Other Financing Sources (Uses)	(370,674)	(460,000)	(498,456)	-	(498,456)	(38,456)
Change in Fund Balance	-	-	1,427,405	25,245	1,452,650	1,452,650
Fund Balance - January 1 (Beginning)	9,394,681	9,394,681	9,521,201	(126,520)	9,394,681	-
Fund Balance - December 31 (Ending)	\$ 9,394,681	\$ 9,394,681	\$ 10,948,606	\$ (101,275)	\$ 10,847,331	1,452,650

HOCKLEY COUNTY, TEXAS

EXHIBIT G-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - I&S MULTI PURPOSE EVENTS CENTER
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on	to	BUDGET	Final Budget
			GAAP	Budget	(See Note)	Positive or
			Basis	Basis		(Negative)
REVENUES:						
Taxes:						
Property Taxes	\$ 1,761,900	\$ 1,761,900	\$ 1,811,375	\$ -	\$ 1,811,375	\$ 49,475
Investment Earnings	-	-	1,565	-	1,565	1,565
Total Revenues	1,761,900	1,761,900	1,812,940	-	1,812,940	51,040
EXPENDITURES:						
Current:						
General Government	-	-	4,000	-	4,000	(4,000)
Debt Service:						
Bond Principal	1,305,000	1,305,000	1,305,000	-	1,305,000	-
Bond Interest	456,900	456,900	456,900	-	456,900	-
Total Expenditures	1,761,900	1,761,900	1,765,900	-	1,765,900	(4,000)
Change in Fund Balance	-	-	47,040	-	47,040	47,040
Fund Balance - January 1 (Beginning)	739,361	739,361	739,361	-	739,361	-
						-
Fund Balance - December 31 (Ending)	\$ 739,361	\$ 739,361	\$ 786,401	\$ -	\$ 786,401	\$ 47,040

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	214 Indigent Health Care Fund	217 Jury Fund	221 Road and Bridge #1 Fund	222 Road and Bridge #2 Fund
ASSETS				
Cash and Cash Equivalents	\$ 43,814	\$ 199,672	\$ 113,970	\$ 374,369
Taxes Receivable	-	201,404	305,190	305,190
Allowance for Uncollectible Taxes (credit)	-	(13,774)	(20,873)	(20,873)
Due from Other Funds	-	173,210	327,604	327,604
Total Assets	\$ 43,814	\$ 560,512	\$ 725,891	\$ 986,290
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 5,570	\$ -	\$ -	\$ 115,569
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Ad Valorem Taxes	-	187,630	284,317	284,317
Total Liabilities	5,570	187,630	284,317	399,886
Fund Balances:				
Restricted Fund Balance:				
Debt Service	-	-	-	-
Restricted for Highways and Streets	-	-	441,574	586,404
Courthouse Projects	-	-	-	-
Records Management	-	-	-	-
Committed Fund Balance:				
Construction	-	-	-	-
Other Committed Fund Balance	38,244	372,882	-	-
Total Fund Balances	38,244	372,882	441,574	586,404
Total Liabilities and Fund Balances	\$ 43,814	\$ 560,512	\$ 725,891	\$ 986,290

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	241 Records Management Office Fund
\$ 451,918	\$ 783	\$ 66,756	\$ 26,587	\$ 30,581	\$ 15,400	\$ 67,232	\$ 13,687
305,190	305,190	-	-	112,178	-	-	-
(20,873)	(20,873)	-	-	(7,672)	-	-	-
327,604	327,604	-	180	89,825	143	-	288
\$ 1,063,839	\$ 612,704	\$ 66,756	\$ 26,767	\$ 224,912	\$ 15,543	\$ 67,232	\$ 13,975
\$ 38,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,626	\$ -
-	-	-	-	-	-	-	-
284,317	284,317	-	-	104,506	-	-	-
323,270	284,317	-	-	104,506	-	30,626	-
-	-	-	-	-	-	-	-
740,569	328,387	66,756	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	15,543	36,606	13,975
-	-	-	-	-	-	-	-
-	-	-	26,767	120,406	-	-	-
740,569	328,387	66,756	26,767	120,406	15,543	36,606	13,975
\$ 1,063,839	\$ 612,704	\$ 66,756	\$ 26,767	\$ 224,912	\$ 15,543	\$ 67,232	\$ 13,975

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	243 Courthouse Security Fund	244 Court Technology Fund	270 Permanent Improvement Fund	271 Road Bond Fund
ASSETS				
Cash and Cash Equivalents	\$ 41,810	\$ 46,204	\$ 153,999	\$ 20,703
Taxes Receivable	-	-	563,185	-
Allowance for Uncollectible Taxes (credit)	-	-	(38,517)	-
Due from Other Funds	127	-	376,323	-
Total Assets	<u>\$ 41,937</u>	<u>\$ 46,204</u>	<u>\$ 1,054,990</u>	<u>\$ 20,703</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Ad Valorem Taxes	-	-	524,668	-
Total Liabilities	-	-	524,668	-
Fund Balances:				
Restricted Fund Balance:				
Debt Service	-	-	-	-
Restricted for Highways and Streets	-	-	-	20,703
Courthouse Projects	41,937	46,204	-	-
Records Management	-	-	-	-
Committed Fund Balance:				
Construction	-	-	530,322	-
Other Committed Fund Balance	-	-	-	-
Total Fund Balances	<u>41,937</u>	<u>46,204</u>	<u>530,322</u>	<u>20,703</u>
Total Liabilities and Fund Balances	<u>\$ 41,937</u>	<u>\$ 46,204</u>	<u>\$ 1,054,990</u>	<u>\$ 20,703</u>

272 Mallet MPEC Operating Fund	280 Farm to Market & Lateral Roads	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
\$ 64,385	\$ 4,384	\$ 15,425	\$ 27,303	\$ 809	\$ 2,851	\$ 28,469	\$ 1,811,111
-	-	-	-	-	-	-	2,097,527
-	-	-	-	-	-	-	(143,455)
-	-	-	-	873	-	-	1,951,385
<u>\$ 64,385</u>	<u>\$ 4,384</u>	<u>\$ 15,425</u>	<u>\$ 27,303</u>	<u>\$ 1,682</u>	<u>\$ 2,851</u>	<u>\$ 28,469</u>	<u>\$ 5,716,568</u>
\$ 53,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,651
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,954,072
<u>53,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,198,723</u>
-	-	-	-	-	-	-	-
-	4,384	-	-	-	-	-	2,188,777
-	-	-	-	-	-	-	88,141
-	-	-	-	-	-	-	66,124
-	-	-	-	-	-	-	530,322
10,452	-	15,425	27,303	1,682	2,851	28,469	644,481
10,452	4,384	15,425	27,303	1,682	2,851	28,469	3,517,845
<u>\$ 64,385</u>	<u>\$ 4,384</u>	<u>\$ 15,425</u>	<u>\$ 27,303</u>	<u>\$ 1,682</u>	<u>\$ 2,851</u>	<u>\$ 28,469</u>	<u>\$ 5,716,568</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	560 1998 Hospital Interest & Sinking Fund	600 Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 36,878	\$ -	\$ 1,847,989
Taxes Receivable	-	-	2,097,527
Allowance for Uncollectible Taxes (credit)	-	-	(143,455)
Due from Other Funds	-	-	1,951,385
Total Assets	<u>\$ 36,878</u>	<u>\$ -</u>	<u>\$ 5,753,446</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ 244,651
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Ad Valorem Taxes	-	-	1,954,072
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,198,723</u>
Fund Balances:			
Restricted Fund Balance:			
Debt Service	36,878	-	36,878
Restricted for Highways and Streets	-	-	2,188,777
Courthouse Projects	-	-	88,141
Records Management	-	-	66,124
Committed Fund Balance:			
Construction	-	-	530,322
Other Committed Fund Balance	-	-	644,481
Total Fund Balances	<u>36,878</u>	<u>-</u>	<u>3,554,723</u>
Total Liabilities and Fund Balances	<u>\$ 36,878</u>	<u>\$ -</u>	<u>\$ 5,753,446</u>

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	214 Indigent Health Care Fund	217 Jury Fund	221 Road and Bridge #1 Fund	222 Road and Bridge #2 Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ 315,165	\$ 465,923	\$ 465,923
Licenses and Permits	-	-	130,515	130,515
Charges for Services	350,000	3,554	-	-
Fines	-	-	16,423	16,423
Forfeits	-	-	-	-
Investment Earnings	316	804	1,212	2,179
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	13,069	8,655	66,941	73,776
Total Revenues	363,385	328,178	681,014	688,816
EXPENDITURES:				
Current:				
General Government	-	263,253	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	518,733	468,649
Health and Welfare	311,161	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	110,847	273,272
Total Expenditures	311,161	263,253	629,580	741,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,224	64,925	51,434	(53,105)
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	-
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	52,224	64,925	51,434	(53,105)
Fund Balance - January 1 (Beginning)	(13,980)	307,957	390,140	639,509
Fund Balance - December 31 (Ending)	\$ 38,244	\$ 372,882	\$ 441,574	\$ 586,404

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	241 Records Management Office Fund
\$ 465,923	\$ 465,923	\$ -	\$ -	\$ 159,986	\$ -	\$ -	\$ -
130,515	130,515	-	-	-	-	-	-
-	-	-	-	1,099	4,717	59,835	8,194
16,423	16,423	82,050	3,380	1,450	-	-	-
-	-	-	-	-	-	-	-
1,987	1,055	641	261	323	161	632	148
-	-	-	-	3,043	-	-	-
69,262	66,986	-	-	374	-	-	-
684,110	680,902	82,691	3,641	166,275	4,878	60,467	8,342
-	-	-	-	-	-	65,693	7,151
-	-	-	-	-	-	-	-
411,376	503,677	64,491	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	479	160,512	-	-	-
324,151	152,200	-	-	-	8,527	-	5,000
735,527	655,877	64,491	479	160,512	8,527	65,693	12,151
(51,417)	25,025	18,200	3,162	5,763	(3,649)	(5,226)	(3,809)
133,872	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
133,872	-	-	-	-	-	-	-
82,455	25,025	18,200	3,162	5,763	(3,649)	(5,226)	(3,809)
658,114	303,362	48,556	23,605	114,643	19,192	41,832	17,784
\$ 740,569	\$ 328,387	\$ 66,756	\$ 26,767	\$ 120,406	\$ 15,543	\$ 36,606	\$ 13,975

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	243 Courtthouse Security Fund	244 Court Technology Fund	270 Permanent Improvement Fund	271 Road Bond Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ 638,000	\$ -
Licenses and Permits	-	-	-	-
Charges for Services	19,101	15,743	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	425	575	2,615	217
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	14,385	-
Total Revenues	19,526	16,318	655,000	217
EXPENDITURES:				
Current:				
General Government	18,156	32,024	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Health and Welfare	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	708,082	-
Total Expenditures	18,156	32,024	708,082	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,370	(15,706)	(53,082)	217
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	-
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	(57,468)	-
Total Other Financing Sources (Uses)	-	-	(57,468)	-
Net Change in Fund Balance	1,370	(15,706)	(110,550)	217
Fund Balance - January 1 (Beginning)	40,567	61,910	640,872	20,486
Fund Balance - December 31 (Ending)	\$ 41,937	\$ 46,204	\$ 530,322	\$ 20,703

272 Mallet MPEC Operating Fund	280 Farm to Market & Lateral Roads	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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,976,843
-	-	-	-	-	-	-	522,060
234,977	-	17,742	-	14,819	352	17,751	747,884
-	-	-	-	-	-	-	152,572
-	-	-	32,056	-	-	-	32,056
1,315	46	154	188	32	35	205	15,526
-	-	-	-	-	-	-	3,043
-	-	-	-	-	-	100	313,548
236,292	46	17,896	32,244	14,851	387	18,056	4,763,532
-	-	10,417	-	-	-	-	396,694
-	-	-	21,773	19,772	1,911	3,691	47,147
-	-	-	-	-	-	-	1,966,926
-	-	-	-	-	-	-	311,161
422,234	-	-	-	-	-	-	583,225
192,516	-	-	-	-	-	-	1,774,595
614,750	-	10,417	21,773	19,772	1,911	3,691	5,079,748
(378,458)	46	7,479	10,471	(4,921)	(1,524)	14,365	(316,216)
-	-	-	-	-	-	-	133,872
500,000	-	-	-	-	-	-	500,000
-	-	-	-	-	-	-	(57,468)
500,000	-	-	-	-	-	-	576,404
121,542	46	7,479	10,471	(4,921)	(1,524)	14,365	260,188
(111,090)	4,338	7,946	16,832	6,603	4,375	14,104	3,257,657
\$ 10,452	\$ 4,384	\$ 15,425	\$ 27,303	\$ 1,682	\$ 2,851	\$ 28,469	\$ 3,517,845

HOCKLEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	560 1998 Hospital Interest & Sinking Fund	600 Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	\$ -	\$ -	\$ 2,976,843
Licenses and Permits	-	-	522,060
Charges for Services	-	-	747,884
Fines	-	-	152,572
Forfeits	-	-	32,056
Investment Earnings	367	1,263	17,156
Contributions & Donations from Private Sources	-	-	3,043
Other Revenue	-	15,810	329,358
Total Revenues	367	17,073	4,780,972
EXPENDITURES:			
Current:			
General Government	-	347	397,041
Public Safety	-	-	47,147
Highways and Streets	-	-	1,966,926
Health and Welfare	-	-	311,161
Culture and Recreation	-	-	583,225
Capital Outlay:			
Capital Outlay	-	808,916	2,583,511
Total Expenditures	-	809,263	5,889,011
Excess (Deficiency) of Revenues Over (Under) Expenditures	367	(792,190)	(1,108,039)
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	-	-	133,872
Transfers In	-	57,468	557,468
Transfers Out (Use)	-	-	(57,468)
Total Other Financing Sources (Uses)	-	57,468	633,872
Net Change in Fund Balance	367	(734,722)	(474,167)
Fund Balance - January 1 (Beginning)	36,511	734,722	4,028,890
Fund Balance - December 31 (Ending)	\$ 36,878	\$ -	\$ 3,554,723

NON-MAJOR ENTERPRISE FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2012

	711	712	Total
	Sheriff's Comissary Fund	Inmate Trust Fund	Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 20,616	\$ 2,418	\$ 23,034
Total Assets	20,616	2,418	23,034
NET ASSETS			
Unrestricted Net Position	20,616	2,418	23,034
Total Net Assets	\$ 20,616	\$ 2,418	\$ 23,034

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

EXHIBIT H-4

	711 Sheriff's Comissary Fund	712 Inmate Trust Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 5,864	\$ 78,392	\$ 84,256
Total Operating Revenues	5,864	78,392	84,256
OPERATING EXPENSES:			
Purchased Professional & Technical Services	-	1,152	1,152
Purchased Property Services	2,940	-	2,940
Other Operating Expenses	-	42,513	42,513
Supplies	11,948	36,271	48,219
Total Operating Expenses	14,888	79,936	94,824
Operating Income (Loss)	(9,024)	(1,544)	(10,568)
NON-OPERATING REVENUES (EXPENSES):			
Investment Earnings	236	59	295
Total Non-operating Revenue (Expenses)	236	59	295
Change in Net Assets	(8,788)	(1,485)	(10,273)
Total Net Assets - January 1 (Beginning)	29,404	3,903	33,307
Total Net Assets - December 31 (Ending)	\$ 20,616	\$ 2,418	\$ 23,034

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	711 Sheriff's Comissary Fund	712 Inmate Trust Fund	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 5,864	\$ 78,392	\$ 84,256
Cash Payments to Vendors	(11,948)	(36,271)	(48,219)
Cash Payments for Other Operating Expenses	(2,940)	(43,665)	(46,605)
Net Cash Provided by (Used for) Operating Activities	<u>(9,024)</u>	<u>(1,544)</u>	<u>(10,568)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	<u>236</u>	<u>59</u>	<u>295</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(8,788)	(1,485)	(10,273)
Cash and Cash Equivalents at Beginning of the Year:	<u>29,404</u>	<u>3,903</u>	<u>33,307</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 20,616</u>	<u>\$ 2,418</u>	<u>\$ 23,034</u>

FIDUCIARY FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 FIDUCIARY FUNDS
 DECEMBER 31, 2012

	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	\$ 4,889	\$ 2,420	\$ 1,147	\$ 22,216
Restricted Cash	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Agency Funds	-	-	-	-
	<u>4,889</u>	<u>2,420</u>	<u>1,147</u>	<u>22,216</u>
TOTAL ASSETS	<u>\$ 4,889</u>	<u>\$ 2,420</u>	<u>\$ 1,147</u>	<u>\$ 22,216</u>
<u>Liabilities:</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,422
Claims and Judgments Payable	-	-	-	-
Intergovernmental Payable	-	-	-	-
Due to Other Funds	4,889	2,420	1,147	20,794
Due to Fiduciary Funds	-	-	-	-
Due to Others	-	-	-	-
	<u>4,889</u>	<u>2,420</u>	<u>1,147</u>	<u>22,216</u>
TOTAL LIABILITIES	<u>\$ 4,889</u>	<u>\$ 2,420</u>	<u>\$ 1,147</u>	<u>\$ 22,216</u>

865	865	866	866	867	868
County Clerk	County Clerk Trusts	District Clerk	District Clerk Trusts	County Attorney Processing	District Attorney Trust
\$ 28,424	\$ -	\$ 118,900	\$ -	\$ 94,097	\$ 10,651
-	53,619	-	261,842	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 28,424</u>	<u>\$ 53,619</u>	<u>\$ 118,900</u>	<u>\$ 261,842</u>	<u>\$ 94,097</u>	<u>\$ 10,651</u>
\$ -	\$ -	\$ 102,078	\$ -	\$ 88,831	\$ -
-	53,619	-	-	-	10,651
-	-	3,578	-	-	-
28,424	-	13,244	-	5,266	-
-	-	-	-	-	-
-	-	-	261,842	-	-
<u>\$ 28,424</u>	<u>\$ 53,619</u>	<u>\$ 118,900</u>	<u>\$ 261,842</u>	<u>\$ 94,097</u>	<u>\$ 10,651</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET (Cont.)
 AGENCY FUNDS
 DECEMBER 31, 2012

	<u>845</u>	<u>860</u>	<u>869</u>	<u>870</u>
	Sheriff's Bond Fund	Adult and Juvenile Probation	Sheriff's Work Release Program	Tax A/C Tax Account
<u>Assets</u>				
Cash and Cash Equivalents	\$ 37,409	\$ 157,213	\$ 1,820	\$ 8,047,319
Restricted Cash	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Agency Funds	-	-	-	88,800
 TOTAL ASSETS	 <u>\$ 37,409</u>	 <u>\$ 157,213</u>	 <u>\$ 1,820</u>	 <u>\$ 8,136,119</u>
<u>Liabilities:</u>				
Accounts Payable	\$ 37,409	\$ 157,213	\$ -	\$ -
Claims and Judgments Payable	-	-	-	-
Intergovernmental Payable	-	-	-	6,223,274
Due to Other Funds	-	-	1,820	246,522
Due to Fiduciary Funds	-	-	-	1,659,474
Due to Others	-	-	-	6,849
 TOTAL LIABILITIES	 <u>\$ 37,409</u>	 <u>\$ 157,213</u>	 <u>\$ 1,820</u>	 <u>\$ 8,136,119</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET (Cont.)
 FIDUCIARY FUNDS
 DECEMBER 31, 2012

	816	842	871	872
	L.E.O.S.E.	Road and Bridge Extra Fee Account	Tax A/C Highway Account	Tax A/C Auto Registration
<u>Assets</u>				
Cash and Cash Equivalents	\$ 19,027	\$ 115,067	\$ 265,610	\$ 158,015
Restricted Cash	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Agency Funds	-	20,380	-	1,518
 TOTAL ASSETS	 \$ 19,027	 \$ 135,447	 \$ 265,610	 \$ 159,533
<u>Liabilities:</u>				
Accounts Payable	\$ 19,027	\$ -	\$ 5,634	\$ 1,450
Claims and Judgements Payable	-	-	-	-
Intergovernmental Payable	-	-	175,811	130,526
Due to Other Funds	-	135,447	1,530	5,659
Due to Fiduciary Funds	-	-	82,635	21,898
Due to Others	-	-	-	-
 TOTAL LIABILITIES	 \$ 19,027	 \$ 135,447	 \$ 265,610	 \$ 159,533

EXHIBIT H-6

873	874	875	876	877	
Dealer Escrow Account	Tax A/C Office Expense	Sheriff's Fee Account	Auditor's Auto Registration Fund	Ad Valorem Tax Fund	Totals
\$ 80,698	\$ 39,053	\$ 2,921	\$ 19,424	\$ 4,779,400	\$ 14,005,720
-	-	-	-	-	315,461
9,338	-	-	42,162	-	51,500
-	-	-	82,635	1,659,474	1,852,807
<u>\$ 90,036</u>	<u>\$ 39,053</u>	<u>\$ 2,921</u>	<u>\$ 144,221</u>	<u>\$ 6,438,874</u>	<u>\$ 16,225,488</u>
\$ -	\$ 39,053	\$ 960	\$ -	\$ -	\$ 453,077
-	-	-	-	-	64,270
-	-	-	-	-	6,533,189
1,236	-	1,961	144,221	6,438,874	7,053,454
88,800	-	-	-	-	1,852,807
-	-	-	-	-	268,691
<u>\$ 90,036</u>	<u>\$ 39,053</u>	<u>\$ 2,921</u>	<u>\$ 144,221</u>	<u>\$ 6,438,874</u>	<u>\$ 16,225,488</u>

OTHER SCHEDULES

HOCKLEY COUNTY, TEXAS
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED DECEMBER 31, 2012

Last 10 Years Ended December 31	Tax Rates		Assessed/Appraised Value for Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	0.36501	0.00000	1,609,381,900
2005	0.36247	0.00000	1,743,635,276
2006	0.32950	0.00000	2,234,039,102
2007	0.28950	0.00000	2,914,476,684
2008	0.28950	0.00000	2,986,760,970
2009	0.23950	0.00000	3,830,914,567
2010	0.24840	0.05503	3,427,470,541
2011	0.28870	0.04772	3,758,901,283
2012 (Fiscal year under audit)	0.30680	0.04970	3,623,455,322
1000 TOTALS			

Beginning Balance January 1, 2012	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance December 31, 2012
\$ 62,847	\$ -	\$ 2,707	\$ -	\$ 8,031	\$ 52,109
11,193	-	749	-	142	10,302
9,453	-	1,037	-	292	8,124
11,519	-	2,684	-	290	8,545
16,609	-	3,137	-	451	13,021
18,439	-	5,173	-	409	12,857
46,648	-	19,685	-	863	26,100
178,306	-	116,177	19,203	2,252	40,674
8,534,897	-	7,276,935	1,178,826	1,486	77,650
-	13,640,892	4,177,267	625,808	1,936	8,835,881
<u>\$ 8,889,911</u>	<u>\$ 13,640,892</u>	<u>\$ 11,605,551</u>	<u>\$ 1,823,837</u>	<u>\$ 16,152</u>	<u>\$ 9,085,263</u>

HOCKLEY COUNTY, TEXAS
 RECONCILIATION OF CURRENT TAX COLLECTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Taxes Assessed
2012 Assessed Tax Roll	\$ 13,640,892
Less: Adjustments	(21,822)
Plus: Supplements	19,886
2012 Adjusted Tax Roll	\$ 13,638,956
Less: Current Tax Collections	(4,803,075)
<i>Current Taxes Receivable</i>	\$ 8,835,881
 Percent of current taxes collected through December 31, 2012	 35.22%

HOCKLEY COUNTY, TEXAS
RECONCILIATION OF DELINQUENT TAX COLLECTIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Delinquent Taxes Receivable - January 1, 2012		\$	355,217
Less: Adjustments			<u>(203)</u>
Adjusted Delinquent Tax Roll - January 1, 2012		\$	355,014
Plus: Taxes Transferred to Delinquent Roll - September 30, 2012			
Current Taxes Receivable - January 1, 2012	\$		8,534,897
Less: Tax Collections January through September, 2012			(8,428,909)
Less: Net Adjustments and Supplements			<u>(1,486)</u>
2011 Taxes Transferred to Delinquent Roll - September 30, 2012			<u>104,502</u>
Available for Collection		\$	459,516
Less: Write-Offs per State Statutes			(861)
Less: Prior Year Refund Collections			(1,118)
Less: Tax Collections January through September, 2012			(170,552)
Less: Tax Collections October through December, 2012			<u>(37,602)</u>
<i>Delinquent Taxes Receivable - December 31, 2012</i>		\$	<u>249,383</u>

HOCKLEY COUNTY, TEXAS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
DECEMBER 31, 2012

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value December 31, 2012
AIM Bank	FNMA #994933 Matures 9/1/2023	Texas Independent Bankers Dallas, TX	\$ 1,541,406
AIM Bank	FNMA #MA0629 Matures 1/1/2021	Texas Independent Bankers Dallas, TX	3,251,154
AIM Bank	FNMA #AD7079 Matures 6/1/2025	Texas Independent Bankers Dallas, TX	2,105,232
AIM Bank	FNMA Pool AE0721 Matures 1/1/20	Texas Independent Bankers Dallas, TX	1,710,353
AIM Bank	FNMA #MA7701 Matures 11/1/2026	Texas Independent Bankers Dallas, TX	1,884,022
AIM Bank	FNMA #AL0519 Matures 3/1/2026	Texas Independent Bankers Dallas, TX	2,176,532
AIM Bank	Federal Home Loan Line of Credit	FNMA Dallas, TX	10,000,000
Platinum Bank	Maypearl, TX ISD Matures 2/15/2032	AloStar Bank of Commerce Birmingham, AL	500,000
Platinum Bank	Jefferson, TX ISD Matures 2/15/30	AloStar Bank of Commerce Birmingham, AL	400,000
Platinum Bank	FER 3946 KQ Matures 11/15/2029	AloStar Bank of Commerce Birmingham, AL	1,000,000
Platinum Bank	GNMA II Pool #783525 Matures 10/1/2025	AloStar Bank of Commerce Birmingham, AL	1,500,000
Platinum Bank	GNMA CMO 2009-57 PC Matures 11/1/2025	AloStar Bank of Commerce Birmingham, AL	1,850,000
			\$ 27,918,699

HOCKLEY COUNTY, TEXAS
SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED DECEMBER 31, 2012

Company	Policy Number	Policy Period		Type of Insurance
		From	To	
Republic Entity	RPE-1070177-01	03/22/12	03/22/13	General Liability
Texas Association of Counties	AL 1100 2012 03 22	03/22/12	03/22/13	Liability, B.I.P.D., Uninsured, Underinsured
Republic Entity	RPE-1070177-01	03/22/12	03/22/13	Property Insurance Horse Barn
Texas Association of Counties	PO 1100 2012 03 22	03/22/12	03/22/13	Public Officials and Employee Liability
Republic Entity	LEI9517212-01	03/22/12	03/22/13	Law Enforcement Liability Policy
Texas Association of Counties	APD 1100 2012 03 22	03/22/12	03/22/13	Juvenile Prob/Co Judge
Chubb Inland Marine Insurance	0664-04-25WUC	03/23/12	03/23/13	Comprehensive Property Damage/Per Accident
Republic Entity	RPE-1070177-01	03/22/12	03/22/13	Terrorism Risk Insurance
Texas Association of Counties	WC 1100 2012 01 01	01/01/12	01/01/13	Worker's Compensation
Western Surety Company	18242784	01/12/12	01/12/13	Errors and Omissions
National District Attorneys Association	CEM 701	04/01/12	04/01/13	Professional Liability
TLIE Texas Lawyers Insurance	53094	12/6/2012	12/6/2013	Judge's Professional Liability

EXHIBIT J-5

Type of Coverage	Co-Insurance	Coverage Amount	Premium
Commercial General Personal and Advers. Injury Fire Damage		\$ 1,000,000	\$ 9,859
Auto Fleet		\$ 300,000 Per Endorsement	16,638
Fire, E. C., M. M., Van.	\$5,000 Deductible \$10,000 Wind and Hail	\$ 46,206,758 2,337,500 425,000	84,201 371
Public Officials and Employees Liability	\$10,000 Deductible	\$ 2,000,000	8,563
Comprehensive Law Enforcement Liability	\$5,000 Deductible	\$ 2,000,000 2,000,000 Each Wrongful Act	34,388
Physical Damage, Collision	\$500 Deductible	\$ Damages	737
Computer and Printers Electronic Equipment	\$1,000 Deductible	\$ 442,973	5,050
Terrorism Risk	No Deductible	\$ 26,231,138	5,163
Employees	No Deductible	\$ Unlimited	64,062
Notary Public Comprehensive		\$ 20,000	422
Lawyers	\$5,000 Deductible	\$ 300,000	1,661
District Judge Liability	\$1,000 Deductible	\$ 1,000,000	<u>1,500</u>
			<u><u>\$ 232,615</u></u>

HOCKLEY COUNTY, TEXAS
SURETY BOND SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

Name	Policy Number	Effective Dates	
		Beginning	Ending
Paul D. Scarborough	54939255	09/01/09	Continuous
Teresa Patterson	54939159	12/16/09	Continuous
Wilburn Burks	14381675	01/01/09	01/01/13
Everett McDaniel	1031273	09/29/11	09/29/15
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	01/01/13	01/01/15
Larry R. Carter	LPO1136526	01/01/11	01/01/15
J.L. Whitey Barnett	93QS20269	01/01/09	01/01/13
Tommy Clevenger	15863951	01/01/11	01/01/14
Larry D. Sprowls	13739188	01/01/11	01/01/14
Gale Rumbaugh	15863954	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
Yvonne Lanelle Gipson	70468387	02/20/12	02/20/13
Delia Montez	15300272	05/12/11	Continuous
Debra C Bramlett	61379351	07/02/12	07/02/16
Lora Dockery	68501272	06/06/09	Continuous
Sue Coker	tx357507	06/06/12	06/06/13
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	01/01/11	01/01/15
Gary Goff	13032826	01/01/09	01/01/13
Dennis Price	14381670	01/01/11	01/01/15
Denise Bohannon	14381676	01/01/11	01/01/15
Bonnie Sue Coker	LPO1136525	01/01/11	01/01/15
Charlotte Trull	15865334	01/01/11	01/01/13
Rita Diane Conkin	18262288	03/19/12	03/19/16
Jerry Boudreaux	15527700	12/31/10	12/31/12

Office	Bond Amount	Bonding Company
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 Tax Assessor-Collector	10,000.00	Western Surety Co.
Deputy Tax Collector	10,000.00	Western Surety Co.
Tax Collector/Assessor	100,000.00	Western Surety Co.
Deputy Tax Collector	10,000.00	Western Surety Co.
Deputy Tax Collector	10,000.00	Merchants Bonding Company
Deputy Tax Collector	10,000.00	Western Surety Co.
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 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	Western Surety Co.
Justice of the Peace - Precinct #2	5,000.00	Western Surety Co.
Justice of the Peace - Precinct #4	1,000.00	Western Surety Co.
Justice of the Peace - Precinct #5	5,000.00	Western Surety Co.

HOCKLEY COUNTY, TEXAS
SURETY BOND SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Name</u>	<u>Policy Number</u>	<u>Effective Dates</u>	
		<u>Beginning</u>	<u>Ending</u>
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
Cheryl Smart	71165526	9/9/2011	9/9/2013
Wendy Scott	54939251	9/13/2011	Continuous
Mary Frescaz	54939250	9/9/2011	Continuous
Clyde Jeffrey Foster	54939213	1/6/2011	Continuous
Robyn Haston	70878445	2/19/2011	2/19/2012
Allyson Sherrill	54939422	8/27/2012	Continuous
Kayla Dawson	54939461	4/1/2012	Continuous
Anna Hord	54939424	8/10/2012	12/31/2012
Lance Scott	54939425	8/28/2012	12/31/2012
Cynthia O'Canas	71306678	7/2/2012	7/2/2013
David Beseda	15100738	2/8/2008	2/8/2012

EXHIBIT J-6

Office	Bond Amount	Bonding Company
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 Co.
Library Assistant	5,000.00	Western Surety Co.
Narcotics Investigator	10,000.00	Western Surety Co.
Reserve Deputy	2,000.00	Western Surety Co.
Voter Registrar	10,000.00	Western Surety Co.
Dir Mallet Event Center	10,000.00	Western Surety Co.
Deputy Clerk	40,000.00	Western Surety Co.
Special Investigator	10,000.00	Western Surety Co.
Deputy Tax Assessor	10,000.00	Western Surety Co.
Dir Mallet Event Center	10,000.00	Western Surety Co.
Mallet Event Center	2,500.00	Western Surety Co.
County Attorney	2,500.00	Western Surety Co.
Constable Prct 5	1,000.00	Western Surety Co.
Deputy Tax Assessor	10,000.00	Western Surety Co.
Deputy Sheriff	2,000.00	Western Surety Co.

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, TX 79336
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MEMBERS
TEXAS SOCIETY AND AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Hockley County Commissioners Court
Hockley County, Texas
Levelland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2012, and the related notes to the financial statements, which collectively comprise Hockley County, Texas' basic financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hockley County, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 12-1, which is a repeated finding modified from the prior year.

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

Purpose of this Report

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

Respectfully submitted,

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

Myatt, Blume, and Fidaleo, Ltd., L.L.P.
Certified Public Accountants
Levelland, Texas
October 15, 2013

HOCKLEY COUNTY, TEXAS
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2012

Prior Year Findings:

Finding:

11-1 Controls over Cash

11-2 Financial Reporting

Status:

Resolved

Repeated as 12-1

HOCKLEY COUNTY, TEXAS
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2012

12-1 Financial Reporting – Repeated from 11-1

Criteria: Hockley County, Texas (the County) has not fully implemented reporting requirements for elected officials who control their own cash accounts. Attorney General Opinion No. GA-0636 issued June 12, 2008 states 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 and recording the transactions into the County's accounting records. The fees remittance and the reporting to the County Treasurer office are not timely, nor is the recording in the County's books.

Additionally, the County does not prepare adjusting documentation necessary to convert the County's cash basis accounting records to the accrual basis at year end (i.e. accounts receivable, due tos and due froms, and accounts payable). Conversion from cash basis to accrual basis is an audited financial statement requirement as promulgated by the *Government Accounting Standards Board* and the pronouncements therefrom. The transfers and ending receivables and liabilities between Agency Funds and Governmental Funds are not in balance because of this lack of preparation.

Condition: In preparing a working trial balance without recording the transactions with the Agency Funds maintained by the various County departments, the County is significantly misstating the amount of cash on hand and on deposit as well as the receivables and liabilities from and to various state and local governments and internal funds.

Obtaining a complete and accurate trial balance from the County's accounting system is not possible without piecemealing several other sources of information from the various County departments. This piecemealing significantly alters the trial balance generated from the accounting system and dramatically increases the amount of time spent by both the County Auditor's office and the external auditors to prepare and audit a complete and accurate trial balance before preparing the audited financial statements.

Cause: The County continues to annually operate on a cash basis, which is an acceptable basis of accounting for a governmental entity. County personnel have not followed the proper procedures required by the GASB 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 at year end which includes recording all the transactions occurring in the Agency Funds to develop a complete and accurate working trial balance on the accrual basis of accounting.

Recommendation: The County Auditor's Office should annually prepare schedules of accounts receivable, due tos and due froms, transfers in and transfers out, and accounts payable as of December 31 for each fund. 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 to the County Auditor for entry into the accounting records before the external audit is engaged.

Response: Due to limited space, resources, and availability of personnel in the County Auditor's Office, implementation of the accrual basis of accounting cannot be accomplished at this time. The County Auditor will seek alternative measures to provide information concerning receivables, payables, due tos and due froms to external auditors. The two County Offices maintaining their own records will be required to submit year end trial balances to the County Auditor so the County Auditor can include such information into the accounting records before the external audit is engaged.