

HOCKLEY COUNTY, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

HOCKLEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2013

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HOCKLEY COUNTY, TEXAS

COUNTY OFFICIALS

Larry Sprowls County Judge

Curtis Thrash Commisioner, Precinct 1

Larry Carter Commisioner, Precinct 2

J.L. Barnett Commisioner, Precinct 4

Tommy Clevenger Commisioner, Precinct 5

Anna Hord. County Attorney

Irene Gumula County Clerk

Denise Bohannon County Treasurer

Debra Bramlett County Tax Assessor-Collector

R. C. Cheek County Sheriff

Jay M. Phelan Judge, 286th Judicial District

Christopher Dennis District Attorney

Linda Barnette County Auditor

Dennis Price District Clerk

Sue Coker Justice of the Peace, Precinct 1

Charlotte Trull Justice of the Peace, Precinct 2

Rita Conkin Justice of the Peace, Precinct 4

Brenda Nock Justice of the Peace, Precinct 5

FINANCIAL SECTION

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

Sham L. Myatt CPA
Phelps Blume CPA
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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
802 Houston St.
Levelland, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hockley County, Texas, as of and for the year ended December 31, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2015, on our consideration of Hockley County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hockley County, Texas' internal control over financial reporting and compliance.

Respectfully submitted,


Myatt, Blume, & Fidaleo, Ltd., L.L.P.
Certified Public Accountants
Levelland, Texas
January 9, 2015

BASIC FINANCIAL STATEMENTS

HOCKLEY COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2013

Exhibit A-1

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 12,759,511	\$ 14,592	\$ 12,774,103
Accounts Receivable	7,018,988	-	7,018,988
Due from Fiduciary Funds	7,053,455	-	7,053,455
Capital Assets:			
Land	300,729	-	300,729
Infrastructure, Net	69,558	-	69,558
Buildings, Net	19,926,046	-	19,926,046
Machinery and Equipment, Net	5,220,126	-	5,220,126
TOTAL ASSETS	\$ 52,348,413	\$ 14,592	\$ 52,363,005
LIABILITIES			
Accounts Payable	\$ 337,074	-	\$ 337,074
Accrued Interest Payable	141,150	-	141,150
Noncurrent Liabilities			
Due within One Year	1,415,000	-	1,415,000
Due in more than One Year	8,356,966	-	8,356,966
Total Liabilities	10,250,190	-	10,250,190
NET POSITION			
Net Investment in Capital Assets	15,744,493	-	15,744,493
Restricted for:			
Debt Service	1,278,101	-	1,278,101
Highways and Streets	2,478,494	-	2,478,494
Courthouse Projects	541,731	-	541,731
Records Management / Retention	272,093	-	272,093
Unrestricted	21,783,311	14,592	21,797,903
Total Net Position	\$ 42,098,223	\$ 14,592	\$ 42,112,815

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Program Revenues		
		Charges for	Operating
	Expenses	Services	Grants and Contributions
Primary Government			
Governmental Activities			
General Government	\$ 4,270,945	\$ 1,013,562	\$ 3,560
Public Safety	3,558,138	257,138	98,151
Highways and Streets	2,971,856	1,046,442	-
Health and Welfare	1,097,562	160,880	-
Culture and Recreation	1,462,021	234,323	-
Bond Interest	312,573	-	-
Total Governmental Activities	13,673,095	2,712,345	101,711
Business-Type Activities			
Sheriff Commissary Fund	50,296	84,322	-
Inmate Trust Fund	46,909	-	-
Total Business-Type Activities	97,205	84,322	-
Total Primary Government	\$ 13,770,300	\$ 2,796,667	\$ 101,711

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

Insurance Proceeds

Miscellaneous Revenue

Investment Earnings

Gain on the Sale of Fixed Assets

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (3,253,823)	\$ -	\$ (3,253,823)
(3,202,849)	-	(3,202,849)
(1,925,414)	-	(1,925,414)
(936,682)	-	(936,682)
(1,227,698)	-	(1,227,698)
(312,573)	-	(312,573)
<u>(10,859,039)</u>	<u>-</u>	<u>(10,859,039)</u>
-	34,026	34,026
-	(46,909)	(46,909)
-	(12,883)	(12,883)
<u>(10,859,039)</u>	<u>(12,883)</u>	<u>(10,871,922)</u>
10,026,374	-	10,026,374
1,909,411	-	1,909,411
1,828,196	-	1,828,196
17,037	-	17,037
65,764	-	65,764
386,768	-	386,768
1,955,808	-	1,955,808
236,685	4,210	240,895
81,585	231	81,816
6,274	-	6,274
<u>16,513,902</u>	<u>4,441</u>	<u>16,518,343</u>
5,654,863	(8,442)	5,646,421
36,443,360	23,034	36,466,394
<u>\$ 42,098,223</u>	<u>\$ 14,592</u>	<u>\$ 42,112,815</u>

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

EXHIBIT C-1

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 8,726,095	\$ 1,031,579	\$ 2,992,005	\$ 12,749,679
Taxes Receivable	4,568,526	931,772	1,651,039	7,151,337
Less: Allowance for Uncollectibles Taxes	(452,619)	(92,314)	(163,574)	(708,507)
Due from Other Funds	4,855,548	246,522	1,951,385	7,053,455
Total Assets	\$ 17,697,550	\$ 2,117,559	\$ 6,430,855	\$ 26,245,964
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 121,440	\$ -	\$ 215,634	\$ 337,074
Total Liabilities	121,440	-	215,634	337,074
Deferred Inflows Of Resources				
Property Taxes - Unavailable	4,115,907	839,458	1,487,465	6,442,830
Total Deferred Inflows of Resources	4,115,907	839,458	1,487,465	6,442,830
Fund Balances				
Restricted Fund Balance:				
Debt Service	-	1,278,101	-	1,278,101
Highways and Streets	-	-	2,478,494	2,478,494
Courthouse Projects	-	-	541,731	541,731
Records Management/Preservation	-	-	272,093	272,093
Committed Fund Balance:				
Construction	-	-	1,236,765	1,236,765
Other	-	-	220,849	220,849
Unassigned Fund Balance	13,460,203	-	(22,176)	13,438,027
Total Fund Balances	13,460,203	1,278,101	4,727,756	19,466,060
Total Liabilities, Deferred Inflows Of Resources, and Fund Balances	\$ 17,697,550	\$ 2,117,559	\$ 6,430,855	\$ 26,245,964

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 YEAR ENDED DECEMBER 31, 2013

EXHIBIT C-2

Total Fund Balances - Governmental Funds \$ 19,466,060

Fund balance for Governmental Funds differs from Net Position of Governmental Activities because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was \$ 51,756,578 and the accumulated depreciation was \$ 26,240,119. The net effect of including the ending balances for capital assets (net of depreciation) in the governmental activities is to increase net position. 25,516,459

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. (9,913,116)

Bond Principal	9,410,000
Unamortized Discount	361,966
Accrued Interest	<u>141,150</u>
	<u><u>9,913,116</u></u>

When converting from the modified accrual basis of accounting to the full accrual basis, deferred inflows under the accrual method are recognized as revenue under the full accrual method. At the end of the year, the County had \$ 6,442,830 of property taxes recorded as deferred inflows and an additional \$ 576,158 (\$ 708,507 allowance reported on modified accrual basis less \$ 132,349 allowance reported on full accrual basis) reported as an allowance for uncollectible taxes which were to be recognized as income on the full accrual basis. The net effect of this reclassification is to increase net position. 7,018,988

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. 9,832

Net Position of Governmental Activities \$ 42,098,223

HOCKLEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit C-3

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES				
Taxes				
Property Taxes	\$ 9,958,849	\$ 2,166,072	\$ 3,591,631	\$ 15,716,552
Licenses and Permits	65,883	-	-	65,883
Intergovernmental Revenue and Grants	168,422	-	17,087	185,509
Charges for Services	931,938	-	1,538,138	2,470,076
Fines & Forfeitures	12	-	3,575	3,587
Investment Earnings	55,733	4,779	20,974	81,486
Rents and Royalties	398,846	-	-	398,846
Contributions and Donations	-	-	60	60
Other Revenue	231,477	-	147,935	379,412
Total Revenues	11,811,160	2,170,851	5,319,400	19,301,411
EXPENDITURES				
Current:				
General Government	3,587,774	4,038	364,827	3,956,639
Public Safety	3,404,076	-	44,019	3,448,095
Highways and Streets	-	-	2,548,413	2,548,413
Health and Welfare	836,350	-	261,212	1,097,562
Culture and Recreation	228,147	-	743,438	971,585
Debt Service				
Bond Principal	-	1,360,000	-	1,360,000
Bond Interest	-	403,600	-	403,600
Capital Outlay:				
Capital Outlay	2,337,768	-	1,014,109	3,351,877
Total Expenditures	10,394,115	1,767,638	4,976,018	17,137,771
Excess of Revenues				
Over Expenditures	1,417,045	403,213	343,382	2,163,640
OTHER FINANCING SOURCES				
Insurance Proceeds	1,955,808	-	-	1,955,808
Sale of Real and Personal Property	5,273	-	-	5,273
Transfers In	-	-	875,057	875,057
Transfers Out	(866,529)	-	(8,528)	(875,057)
Total Other Financing Sources	1,094,552	-	866,529	1,961,081
Net Change in Fund Balances	2,511,597	403,213	1,209,911	4,124,721
Fund Balance - Beginning	10,948,606	786,401	3,554,723	15,289,730
Prior Period Adjustment	-	88,487	(36,878)	51,609
Fund Balance - Beginning, as Restated	10,948,606	874,888	3,517,845	15,341,339
Fund Balance - Ending	\$ 13,460,203	\$ 1,278,101	\$ 4,727,756	\$ 19,466,060

The accompanying notes are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 4,124,721
The Net Change in Fund Balances - Governmental Funds differs from the Change in Net Position of Governmental Activities because:	
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 position.	(111)
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 2013 capital outlay is to increase net position.	3,351,877
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.	(1,337,117)
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 reclassifying the principal payments is to increase net position.	1,360,000
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.	20,400
Under the full accrual basis, property taxes are recognized as revenue when levied by the County. Some property taxes reported as current tax revenue for this year under the modified accrual method, \$ 8,463,902 (plus an additional \$ 490,620 representing the difference between full accrual and modified accrual allowance for uncollectible accounts) were recognized as income in the prior year's government-wide financial statements. Property taxes designated for the next fiscal year being reported as deferred revenue in the current year's governmental funds, \$ 6,442,829 (plus an additional \$ 576,158, representing the difference between allowance calculations), are to be recognized as income for this year in the government-wide financial statements. The net effect of this change in tax recognition is to reduce net position.	(1,935,535)
Change in Net Position of Governmental Activities	\$ 5,654,862

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

Exhibit D-1

	Business-type Activities	Governmental Activities
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Cash and Cash Equivalents	\$ 14,592	\$ 9,832
Total Assets	14,592	9,832
NET POSITION		
Unrestricted Net Position	14,592	9,832
Total Net Position	\$ 14,592	\$ 9,832

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit D-2

	Business-type Activities	Governmental Activities
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Charges for Services	\$ 84,322	\$ -
Other Revenues	4,210	900
Total Operating Revenues	88,532	900
OPERATING EXPENSES:		
Personnel Services - Employee Benefits	-	1,110
Purchased Professional & Technical Services	1,133	-
Purchased Property Services	3,604	-
Other Operating Expenses	42,172	-
Supplies	50,296	-
Total Operating Expenses	97,205	1,110
Operating Loss	(8,673)	(210)
NON-OPERATING REVENUES:		
Investment Earnings	231	99
Total Non-operating Revenues	231	99
Change in Net Position	(8,442)	(111)
Total Net Position - Beginning	23,034	9,943
Total Net Position - Ending	\$ 14,592	\$ 9,832

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

Exhibit D-3

	Business-type Activities	Governmental Activities
	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities</u>		
Cash Received from User Charges	\$ 88,532	\$ 900
Cash Payments to Vendors	(50,296)	-
Cash Payments for Other Operating Expenses	(46,909)	(1,110)
Net Cash Used for Operating Activities	(8,673)	(210)
 <u>Cash Flows from Investing Activities</u>		
Interest and Dividends on Investments	231	99
Net Decrease in Cash and Cash Equivalents	(8,442)	(111)
Cash and Cash Equivalents - Beginning	23,034	9,943
Cash and Cash Equivalents - Ending	\$ 14,592	\$ 9,832
 <u>Reconciliation of Operating Loss to Net</u>		
<u>Cash Used for Operating Activities</u>		
Operating Loss	\$ (8,673)	\$ (210)

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

Exhibit E-1

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 17,647,157
Restricted Cash	246,865
Due from Fiduciary Funds	97,926
TOTAL ASSETS	\$ 17,991,948
LIABILITIES	
Accounts Payable	\$ 408,275
Due to Other Governments	10,185,427
Due to Governmental Funds	7,053,455
Due to Fiduciary Funds	97,926
Due to Others	246,865
Total Liabilities	\$ 17,991,948

The accompanying notes are an integral part of this statement.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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, 2013, 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 is effective for fiscal years 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 is effective for fiscal years beginning after December 15, 2012.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2013

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 outflows 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 outflows 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.

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.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2013

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

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

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

Fund Financial Statements

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

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

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

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

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

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2013

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

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

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.

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

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

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2013

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

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

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

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

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

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

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

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

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

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

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2013

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

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

statement of cash flows for proprietary funds. GASB 34 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These components are reported in the proprietary fund financial statements as well in the government-wide financial statements. These classifications are defined as follows:

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

Restricted – This component consists of net position 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 position which do not meet the definition of the first two categories.

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

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

3. OTHER ACCOUNTING POLICIES

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

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

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2013

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

3. OTHER ACCOUNTING POLICIES (Cont.)

c. Capital assets (cont.)

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

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

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.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2013

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

3. OTHER ACCOUNTING POLICIES (Cont.)

- j. (cont.) 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, 2013, the County contributed \$241,815 for its property, liability, workers' compensation, and unemployment coverage.

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

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

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.
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 27, 2012, in accordance with the above process. The final fiscal 2013 budget revision was adopted by the Commissioners Court on December 23, 2013.
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 2013 budget was prepared on the cash basis using estimated beginning and ending cash balances. There is not a significant difference in the budgeted revenues and expenditures between the cash basis and the modified accrual basis.

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2013

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 2013 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, 2013, Hockley County had restricted cash in the amount of \$ 234,859 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 coverage for public unit demand deposits held at the same institution, which are also covered up to \$250,000, as well as an additional \$250,000 for Interest and Sinking funds held at each depository. All County deposits at December 31, 2013 were covered by either the federal depository insurance or the financial institution’s pledged collateral, and were not subject to custodial credit risk.

The County’s deposits and collateralization by institution as of December 31, 2013 are as follows:

	AIM Bank	Platinum Bank
Carrying Amounts:		
Demand Deposits	\$ 26,287,815	\$ -
Time Accounts	292,222	4,088,088
Net Reconciling Items	<u>(6,854,771)</u>	<u>-</u>
Total Public Funds on Deposit	<u>19,725,266</u>	<u>4,088,088</u>
Less FDIC Coverage	<u>(500,000)</u>	<u>(250,000)</u>
Amount to be Collateralized	19,225,266	3,838,088
Collateralization by Institution	<u>(28,298,796)</u>	<u>(4,351,994)</u>
Under (Over) Collateralized	<u>\$ (9,073,530)</u>	<u>\$ (513,906)</u>

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2013

NOTE C - CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 295,729	\$ 5,000	\$ -	\$ 300,729
Infrastructure	4,923,759	-	-	4,923,759
Buildings	34,540,019	2,473,422	-	37,013,441
Machinery and Equipment	6,495,731	995,574	(412,595)	7,078,710
Vehicles	<u>2,297,142</u>	<u>186,800</u>	<u>(44,003)</u>	<u>2,439,939</u>
Totals at Historic Cost	<u>48,552,380</u>	<u>3,660,796</u>	<u>(456,598)</u>	<u>51,756,578</u>
Less Accumulated Depreciation:				
Infrastructure – Roads	(4,850,225)	(3,976)	-	(4,854,201)
Buildings	(16,475,083)	(612,312)	-	(17,087,395)
Machinery and Equipment	(1,979,464)	(545,669)	109,967	(2,415,166)
Vehicles	<u>(1,745,909)</u>	<u>(175,160)</u>	<u>37,712</u>	<u>(1,883,357)</u>
Total Accumulated Depreciation	<u>(25,050,681)</u>	<u>(1,337,117)</u>	<u>147,679</u>	<u>(26,240,119)</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,501,699</u>	<u>\$ 2,323,679</u>	<u>\$ (308,919)</u>	<u>\$ 25,516,459</u>

Hockley County traded in several pieces of equipment throughout the year with an aggregate initial cost of \$434,645 and having an aggregate book value of \$308,919 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.

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

General Government	\$ 313,190
Public Safety	110,043
Highways and Streets	423,444
Culture and Recreation	<u>490,440</u>
Total	<u>\$ 1,337,117</u>

Hockley County's business-type activities had no capital assets as of December 31, 2013.

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.

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2013

NOTE D - INTERFUND BALANCES AND TRANSFERS (Cont.)

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

Due From	General Fund	Due To		Agency Funds	Totals
		Debt Service Fund	Special Revenue Funds		
Agency Funds	\$ 4,855,548	\$ 246,522	\$ 1,950,512	\$ 97,926	\$ 7,150,508
Totals	<u>\$ 4,855,548</u>	<u>\$ 246,522</u>	<u>\$ 1,950,512</u>	<u>\$ 97,926</u>	<u>\$ 7,150,508</u>

During the year ended December 31, 2013, the County transferred \$490,585 from the General Fund to the Mallet MPEC Operating Fund for general operations purposes, \$375,945 was transferred from the General Fund to various other funds for employee health insurance, and \$8,528 from the County Clerk to the District Clerk.

NOTE E - BONDS PAYABLE

Hockley County, Texas issued a \$14,515,000 General Obligation Bond, Series 2009, for the construction and related equipment of the Mallet Multipurpose Event Center in September, 2009 with an interest rate of 3.04%. The bonds were payable over a ten year period, beginning February 15, 2010 and maturing February 15, 2019. The \$668,016 in bond premiums is being amortized on a straight-line basis over the life of the bonds. 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>\$ 10,770,000</u>	<u>\$ -</u>	<u>\$ 1,360,000</u>	<u>\$ 9,410,000</u>

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
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>\$ 9,410,000</u>	<u>\$ 361,966</u>	<u>\$ 9,771,966</u>	<u>\$ 1,173,000</u>	<u>\$ 10,583,000</u>

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2013

NOTE F - LEASES

The County did not have any capital leases in effect as of December 31, 2013. The County leases multiple units of 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 2013 were approximately \$41,196. The future minimum payments on the leases are as follows:

Year Ending December 31,	Copier Leases	Postage Meter	Total Leases
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>\$ 113,112</u>	<u>\$ 11,349</u>	<u>\$ 124,461</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.

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 2013 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 2013 tax levy is reported as a tax receivable and a deferred inflow in the governmental funds.

The tax rates for the 2013 fiscal year (2012 and 2013 tax levies) are \$0.27541 and \$0.30680 per \$100 assessed value for County operations, respectively. The County assessed an additional \$0.04970 and \$0.04126, respectively for the construction of a multipurpose events center. The maximum allowable tax rate for the County is \$1.10 for each \$100 assessed value. The County is subject to a tax rate rollback if the total amount of property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceding year, as defined by statute, by 8%.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2013

NOTE G - PROPERTY TAXES (Cont.)

The original appraised taxable values upon which the 2012 and 2013 tax levies are based are \$3,623,455,322 and \$4,306,993,240, respectively, resulting in tax levies of \$13,638,955 and \$14,098,403 respectively after supplemental adjustments made by the Hockley County Appraisal District. The County has collected approximately 99.5% of 2012's tax levy and 50.93% of 2013's levy as of December 31, 2013.

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 - 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 2013, 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 2013 fiscal year reported \$900 in operating revenues, \$1,110 in expenditures and \$99 in interest income in the fund. The fund has a cash balance of \$9,832 at December 31, 2013.

NOTE I - PENSION PLAN

Hockley County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined pension plan through the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, consisting of 656 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.

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2013

NOTE I - PENSION PLAN (cont.)

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

Funding Status and Funding Progress – As of December 31, 2013, the most recent actuarial valuation date for Hockley County, the plan was 78.33% funded. The actuarial accrued liability for benefits was \$15,387,601, and actuarial value of the assets was \$12,053,276, resulting in an unfunded actuarial accrued liability of \$3,334,325. Covered payroll for the County was \$4,749,098 and the ratio of unfunded actuarial accrued liability to covered payroll was 70.21%

The deposit rate for the employer is 13.49% for the 2013 calendar year while employee members' rate is 7% for the 2013 calendar year, as adopted by the 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, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 include an 8% investment return and a 4.9% projected salary increase. Both assumptions include a 3.0% 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 five-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, 2013 was 20 years. The TCDRS pension cost for all Hockley County employees for the fiscal year ending December 31, 2013 was approximately \$624,980. Historical information on annual pension costs, annual funding progress, and actuarial valuation information are reported below.

ACTUARIAL VALUATION INFORMATION

Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
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%	4.9%
Inflation	3.5%	3.5%	3.0%

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

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2013

NOTE I - PENSION PLAN (Cont.)

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
2013	\$ 624,980	\$ 15,198	100%	\$ -
2012	578,229	12,930	100%	-
2011	543,860	11,562	100%	-
2010	530,150	13,972	100%	-

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)
12/31/13	\$ 12,053,276	\$ 15,387,601	\$ 3,334,325	78.33%	\$ 4,749,098	70.21%
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%

NOTE J – OTHER POST EMPLOYMENT BENEFITS

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

The County elected to provide group-term life insurance coverage for its employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculations are based on the employee's actual earnings for the 12 months preceding the month of death). 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 2013 were approximately \$15,198. The historical data of supplemental death benefits paid by the County is reported above, along with the historical pension costs in Note I.

NOTE K – PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2013, errors were noted that occurred in prior years, and were corrected in the current year with a prior period adjustment.

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2013

NOTE K – PRIOR PERIOD ADJUSTMENTS (cont.)

Net Position in the Debt Service Fund was increased in the current year with an adjustment in the amount of \$ 51,609 to correct accrued interest payable that was recorded in a prior year that should have been zero at the beginning of 2013.

The second prior period adjustment occurred only in the presentation of the financial statements for purposes of segregating major funds from non-major funds. A separate debt service fund was included in the non-major funds in the prior year that should have been rolled together with the multipurpose events center debt service fund for financial presentation. This does not result in an increase or a decrease in overall net position, only reclassifies \$ 36,878 from the non-major funds column to the major fund column on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance.

NOTE L - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement 27. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the County to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TCDRS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

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

REQUIRED SUPPLEMENTARY INFORMATION

HOCKLEY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

Exhibit G-1

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	on Cash (Budget) Basis	Final Budget Positive (Negative)
REVENUES						
Taxes						
Property Taxes	\$ 8,711,646	\$ 8,711,646	\$ 9,958,849	\$ -	\$ 9,958,849	\$ 1,247,203
Licenses and Permits	2,650	2,650	65,883	-	65,883	63,233
Intergovernmental Revenue and Grants	83,916	83,916	168,422	-	168,422	84,506
Charges for Services	893,300	893,300	931,938	56,544	988,482	95,182
Fines	-	-	12	-	12	12
Investment Earnings	76,000	76,000	55,733	-	55,733	(20,267)
Rents and Royalties	361,000	361,000	398,846	-	398,846	37,846
Contributions and Donations	-	-	-	-	-	-
Other Revenue	48,000	48,000	231,477	6,823	238,300	190,300
Total Revenues	<u>10,176,512</u>	<u>10,176,512</u>	<u>11,811,160</u>	<u>63,367</u>	<u>11,874,527</u>	<u>1,698,015</u>
EXPENDITURES						
Current:						
General Government	5,052,986	4,123,732	3,587,774	60,604	3,648,378	475,354
Public Safety	2,906,742	3,398,306	3,404,076	130	3,404,206	(5,900)
Highways and Streets	-	-	-	-	-	-
Health and Welfare	1,456,674	1,464,724	836,350	(8,005)	828,345	636,379
Culture and Recreation	226,525	247,220	228,147	(19,903)	208,244	38,976
Capital Outlay:						
Capital Outlay	76,000	76,000	2,337,768	(53,858)	2,283,910	(2,207,910)
Total Expenditures	<u>9,718,927</u>	<u>9,309,982</u>	<u>10,394,115</u>	<u>(21,032)</u>	<u>10,373,083</u>	<u>(1,063,101)</u>
Excess of Revenues						
Over Expenditures	457,585	866,530	1,417,045	84,399	1,501,444	634,914
OTHER FINANCING SOURCES (USES)						
Insurance Proceeds	-	-	1,955,808	-	1,955,808	1,955,808
Sale of Real and Personal Property	-	-	5,273	-	5,273	5,273
Transfers In	3,105,264	3,896,499	-	-	-	(3,896,499)
Transfers Out	(3,562,849)	(4,763,029)	(866,529)	-	(866,529)	3,896,500
Total Other Financing Sources (Uses)	<u>(457,585)</u>	<u>(866,530)</u>	<u>1,094,552</u>	<u>-</u>	<u>1,094,552</u>	<u>1,961,082</u>
Net Change in Fund Balances	-	-	2,511,597	84,399	2,595,996	2,595,996
Fund Balance - Beginning	10,847,331	10,847,331	10,948,606	(101,275)	10,847,331	-
Fund Balance - Ending	<u>\$ 10,847,331</u>	<u>\$ 10,847,331</u>	<u>\$ 13,460,203</u>	<u>\$ (16,876)</u>	<u>\$ 13,443,327</u>	<u>\$ 2,595,996</u>

HOCKLEY COUNTY, TEXAS

Exhibit G-2

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	on Cash (Budget) Basis	Final Budget Positive (Negative)
REVENUES						
Taxes						
Property Taxes	\$ 1,763,600	\$ 1,763,600	\$ 2,166,072	\$ -	\$ 2,166,072	\$ 402,472
Investment Earnings	-	-	4,779	-	4,779	4,779
Total Revenues	1,763,600	1,763,600	2,170,851	-	2,170,851	407,251
EXPENDITURES						
Current:						
General Government	-	-	4,038	-	4,038	(4,038)
Bond Principal	1,360,000	1,360,000	1,360,000	-	1,360,000	-
Bond Interest	403,600	403,600	403,600	-	403,600	-
Total Expenditures	1,763,600	1,763,600	1,767,638	-	1,767,638	(4,038)
Excess of Revenues						
Over Expenditures	-	-	403,213	-	403,213	403,213
Net Change in Fund Balances	-	-	403,213	-	403,213	403,213
Fund Balance - Beginning	786,401	786,401	786,401	-	786,401	-
Prior Period Adjustment	-	-	88,487	-	88,487	88,487
Fund Balance - Beginning, as Restated	786,401	786,401	874,888	-	874,888	88,487
Fund Balance - Ending	\$ 786,401	\$ 786,401	\$ 1,278,101	\$ -	\$ 1,278,101	\$ 491,700

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

	Indigent Health Care	Jury Fund	Road & Bridge #1	Road & Bridge #2
ASSETS				
Cash and Cash Equivalents	\$ 36,322	\$ 292,007	\$ 175,196	\$ 350,805
Taxes Receivable	-	158,532	240,226	240,226
Allowance for Uncollectible Taxes	-	(15,706)	(23,800)	(23,801)
Due from Other Funds	-	173,210	327,604	327,604
Total Assets	\$ 36,322	\$ 608,043	\$ 719,226	\$ 894,834
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 58,498	\$ 132	\$ 2,274	\$ 4,541
Total Liabilities	58,498	132	2,274	4,541
Deferred Inflows Of Resources				
Property Taxes - Unavailable	-	142,826	216,426	216,425
Total Deferred Inflows of Resources	-	142,826	216,426	216,425
Fund Balances:				
Restricted Fund Balance:				
Debt Service	-	-	-	-
Highways and Streets	-	-	500,526	673,868
Courthouse Projects	-	465,085	-	-
Records Management/Preservation	-	-	-	-
Committed Fund Balance:				
Construction	-	-	-	-
Other	-	-	-	-
Unassigned Fund Balance:	(22,176)	-	-	-
Total Fund Balances	(22,176)	465,085	500,526	673,868
Total Liabilities, Deferred Inflows Of Resources, and Fund Balances	\$ 36,322	\$ 608,043	\$ 719,226	\$ 894,834

Road & Bridge #3	Road & Bridge #4	Road & Bridge #5	Law Library	Library	District Clerk Preservation	County Clerk Preservation	Records Management Office
\$ 509,272	\$ 113,725	\$ 79,924	\$ 29,458	\$ 57,311	\$ 28,828	\$ 85,805	\$ 11,312
240,226	240,226	-	-	88,300	-	-	-
(23,801)	(23,798)	-	-	(8,748)	-	-	-
327,604	327,604	-	180	89,825	143	-	288
<u>\$1,053,301</u>	<u>\$ 657,757</u>	<u>\$ 79,924</u>	<u>\$ 29,638</u>	<u>\$ 226,688</u>	<u>\$ 28,971</u>	<u>\$ 85,805</u>	<u>\$ 11,600</u>
\$ 5,156	\$ 52,003	\$ 1,298	\$ 307	\$ 124	\$ -	\$ 30,626	\$ -
5,156	52,003	1,298	307	124	-	30,626	-
216,425	216,428	-	-	79,552	-	-	-
216,425	216,428	-	-	79,552	-	-	-
-	-	-	-	-	-	-	-
831,720	389,326	78,626	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	29,331	147,012	28,971	55,179	11,600
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
831,720	389,326	78,626	29,331	147,012	28,971	55,179	11,600
<u>\$1,053,301</u>	<u>\$ 657,757</u>	<u>\$ 79,924</u>	<u>\$ 29,638</u>	<u>\$ 226,688</u>	<u>\$ 28,971</u>	<u>\$ 85,805</u>	<u>\$ 11,600</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

	Courthouse Security	Court Technology	Permanent Improve- ments	Road Bond Fund
ASSETS				
Cash and Cash Equivalents	\$ 14,294	\$ 49,803	\$ 883,464	\$ 20,911
Taxes Receivable	-	-	443,303	-
Allowance for Uncollectible Taxes	-	-	(43,920)	-
Due from Other Funds	127	-	376,323	-
Total Assets	\$ 14,421	\$ 49,803	\$ 1,659,170	\$ 20,911
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 2,716	\$ -	\$ 43,933	\$ -
Total Liabilities	2,716	-	43,933	-
Deferred Inflows Of Resources				
Property Taxes - Unavailable	-	-	399,383	-
Total Deferred Inflows of Resources	-	-	399,383	-
Fund Balances:				
Restricted Fund Balance:				
Debt Service	-	-	-	-
Highways and Streets	-	-	-	-
Courthouse Projects	11,705	49,803	-	-
Records Management/Preservation	-	-	-	-
Committed Fund Balance:				
Construction	-	-	1,215,854	20,911
Other	-	-	-	-
Unassigned Fund Balance:				
	-	-	-	-
Total Fund Balances	11,705	49,803	1,215,854	20,911
Total Liabilities, Deferred Inflows Of Resources, and Fund Balances	\$ 14,421	\$ 49,803	\$ 1,659,170	\$ 20,911

Mallet Operating Fund	Farm to Market & Lateral Roads	District Attorney Forfeiture	District Attorney Proceeds	County Attorney Restitution	District Attorney Restitution	CA Pre-Trial Diversion	Total Non-Major Governmental Funds
\$ 153,431	\$ 4,428	\$ 15,138	\$ 28,076	\$ 2,650	\$ 3,160	\$ 46,685	\$ 2,992,005
-	-	-	-	-	-	-	1,651,039
-	-	-	-	-	-	-	(163,574)
-	-	-	-	873	-	-	1,951,385
<u>\$ 153,431</u>	<u>\$ 4,428</u>	<u>\$ 15,138</u>	<u>\$ 28,076</u>	<u>\$ 3,523</u>	<u>\$ 3,160</u>	<u>\$ 46,685</u>	<u>\$ 6,430,855</u>
\$ 14,026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,634
<u>14,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,634</u>
-	-	-	-	-	-	-	1,487,465
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,487,465</u>
-	-	-	-	-	-	-	-
-	4,428	-	-	-	-	-	2,478,494
-	-	15,138	-	-	-	-	541,731
-	-	-	-	-	-	-	272,093
-	-	-	-	-	-	-	1,236,765
139,405	-	-	28,076	3,523	3,160	46,685	220,849
-	-	-	-	-	-	-	(22,176)
<u>139,405</u>	<u>4,428</u>	<u>15,138</u>	<u>28,076</u>	<u>3,523</u>	<u>3,160</u>	<u>46,685</u>	<u>4,727,756</u>
<u>\$ 153,431</u>	<u>\$ 4,428</u>	<u>\$ 15,138</u>	<u>\$ 28,076</u>	<u>\$ 3,523</u>	<u>\$ 3,160</u>	<u>\$ 46,685</u>	<u>\$ 6,430,855</u>

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2013

	Indigent Health Care	Jury Fund	Road & Bridge #1	Road & Bridge #2
REVENUES:				
Taxes				
Property Taxes	\$ -	\$ 344,740	\$ 522,686	\$ 522,686
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	17,087	-	-
Charges for Services	200,000	2,597	213,602	213,602
Fines & Forfeitures	-	-	-	-
Investment Earnings	632	1,553	2,191	2,650
Contributions and Donations	-	-	-	-
Other Revenue	160	-	-	18,371
Total Revenues	<u>200,792</u>	<u>365,977</u>	<u>738,479</u>	<u>757,309</u>
EXPENDITURES				
Current:				
General Government	-	298,774	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	623,581	605,218
Health and Welfare	261,212	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	146,946	144,627
Total Expenditures	<u>261,212</u>	<u>298,774</u>	<u>770,527</u>	<u>749,845</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(60,420)</u>	<u>67,203</u>	<u>(32,048)</u>	<u>7,464</u>
OTHER FINANCING SOURCES (USES)				
Sale of Real and Personal Property	-	-	-	-
Transfers In	-	25,000	91,000	80,000
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>25,000</u>	<u>91,000</u>	<u>80,000</u>
Net Change in Fund Balances	<u>(60,420)</u>	<u>92,203</u>	<u>58,952</u>	<u>87,464</u>
Fund Balance - Beginning	-	-	-	-
Prior Period Adjustment	-	-	-	-
Fund Balance - Beginning	38,244	372,882	441,574	586,404
Fund Balance - Ending	<u>\$ (22,176)</u>	<u>\$ 465,085</u>	<u>\$ 500,526</u>	<u>\$ 673,868</u>

Road & Bridge #3	Road & Bridge #4	Road & Bridge #5	Law Library	Library	District Clerk Preservation	County Clerk Preservation	Records Management Office
\$ 522,686	\$ 522,686	\$ -	\$ -	\$ 191,779	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
213,602	213,602	81,771	-	992	4,689	59,096	7,556
-	-	-	3,575	-	-	-	-
3,623	1,614	728	278	507	212	551	126
-	-	-	-	60	-	-	-
120	30	-	-	1,316	-	-	-
<u>740,031</u>	<u>737,932</u>	<u>82,499</u>	<u>3,853</u>	<u>194,654</u>	<u>4,901</u>	<u>59,647</u>	<u>7,682</u>
-	-	-	-	-	-	32,546	10,057
-	-	-	-	-	-	-	-
659,250	581,685	78,679	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,289	192,943	-	-	-
59,630	172,308	-	-	-	-	-	-
<u>718,880</u>	<u>753,993</u>	<u>78,679</u>	<u>1,289</u>	<u>192,943</u>	<u>-</u>	<u>32,546</u>	<u>10,057</u>
21,151	(16,061)	3,820	2,564	1,711	4,901	27,101	(2,375)
-	-	-	-	-	-	-	-
70,000	77,000	8,050	-	24,895	8,527	-	-
-	-	-	-	-	-	(8,528)	-
<u>70,000</u>	<u>77,000</u>	<u>8,050</u>	<u>-</u>	<u>24,895</u>	<u>8,527</u>	<u>(8,528)</u>	<u>-</u>
91,151	60,939	11,870	2,564	26,606	13,428	18,573	(2,375)
740,569	328,387	66,756	26,767	120,406	15,543	36,606	13,975
<u>\$ 831,720</u>	<u>\$ 389,326</u>	<u>\$ 78,626</u>	<u>\$ 29,331</u>	<u>\$ 147,012</u>	<u>\$ 28,971</u>	<u>\$ 55,179</u>	<u>\$ 11,600</u>

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2013

	Courthouse Security	Court Technology	Permanent Improve- ments	Road Bond Fund
REVENUES:				
Taxes				
Property Taxes	\$ -	\$ -	\$ 964,368	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	19,631	16,867	-	-
Fines & Forfeitures	-	-	-	-
Investment Earnings	230	479	2,911	208
Contributions and Donations	-	-	-	-
Other Revenue	10	-	3,982	-
Total Revenues	<u>19,871</u>	<u>17,346</u>	<u>971,261</u>	<u>208</u>
EXPENDITURES				
Current:				
General Government	9,703	13,747	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Health and Welfare	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay:				
Capital Outlay	40,400	-	285,729	-
Total Expenditures	<u>50,103</u>	<u>13,747</u>	<u>285,729</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,232)</u>	<u>3,599</u>	<u>685,532</u>	<u>208</u>
OTHER FINANCING SOURCES (USES)				
Sale of Real and Personal Property	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(30,232)</u>	<u>3,599</u>	<u>685,532</u>	<u>208</u>
Fund Balance - Beginning	41,937	46,204	530,322	20,703
Fund Balance - Ending	<u>\$ 11,705</u>	<u>\$ 49,803</u>	<u>\$ 1,215,854</u>	<u>\$ 20,911</u>

Mallet Operating Fund	Farm to Market & Lateral Roads	District Attorney Forfeiture	District Attorney Proceeds	County Attorney Restitution	District Attorney Restitution	CA Pre-Trial Diversion	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,591,631
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	17,087
244,393	-	-	-	19,847	270	26,021	1,538,138
-	-	-	-	-	-	-	3,575
1,559	44	156	294	24	29	375	20,974
-	-	-	-	-	-	-	60
106,091	-	1,700	15,983	162	10	-	147,935
352,043	44	1,856	16,277	20,033	309	26,396	5,319,400
-	-	-	-	-	-	-	364,827
-	-	2,143	15,504	18,192	-	8,180	44,019
-	-	-	-	-	-	-	2,548,413
-	-	-	-	-	-	-	261,212
549,206	-	-	-	-	-	-	743,438
-	-	-	-	-	-	-	-
164,469	-	-	-	-	-	-	1,014,109
713,675	-	2,143	15,504	18,192	-	8,180	4,976,018
(361,632)	44	(287)	773	1,841	309	18,216	343,382
-	-	-	-	-	-	-	-
490,585	-	-	-	-	-	-	875,057
-	-	-	-	-	-	-	(8,528)
490,585	-	-	-	-	-	-	866,529
128,953	44	(287)	773	1,841	309	18,216	1,209,911
10,452	4,384	15,425	27,303	1,682	2,851	28,469	3,517,845
\$ 139,405	\$ 4,428	\$ 15,138	\$ 28,076	\$ 3,523	\$ 3,160	\$ 46,685	4,727,756

NON-MAJOR ENTERPRISE FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2013

Exhibit H-3

	Sheriff's Comissary Fund	Inmate Trust Fund	Total Nonmajor Enterprise Funds
ASSETS			
Cash and Cash Equivalents	\$ 7,365	\$ 7,227	\$ 14,592
Total Assets	<u>7,365</u>	<u>7,227</u>	<u>14,592</u>
NET POSITION			
Unrestricted Net Position	<u>7,365</u>	<u>7,227</u>	<u>14,592</u>
Total Net Position	<u>\$ 7,365</u>	<u>\$ 7,227</u>	<u>\$ 14,592</u>

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
 NET POSITION - NONMAJOR ENTERPRISE FUNDS
 YEAR ENDED DECEMBER 31, 2013

Exhibit H-4

	Sheriff's Comissary Fund	Inmate Trust Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 4,864	\$ 79,458	\$ 84,322
Other Revenues	-	4,210	4,210
Total Operating Revenues	<u>4,864</u>	<u>83,668</u>	<u>88,532</u>
OPERATING EXPENSES:			
Purchased Professional & Technical Services	-	1,133	1,133
Purchased Property Services	3,604	-	3,604
Other Operating Expenses	-	42,172	42,172
Supplies	14,642	35,654	50,296
Total Operating Expenses	<u>18,246</u>	<u>78,959</u>	<u>97,205</u>
Operating Income (Loss)	<u>(13,382)</u>	<u>4,709</u>	<u>(8,673)</u>
NON-OPERATING REVENUES			
Investment Earnings	131	100	231
Total Non-operating Revenues	<u>131</u>	<u>100</u>	<u>231</u>
Change in Net Position	(13,251)	4,809	(8,442)
Total Net Position - Beginning	<u>20,616</u>	<u>2,418</u>	<u>23,034</u>
Total Net Position - Ending	<u>\$ 7,365</u>	<u>\$ 7,227</u>	<u>\$ 14,592</u>

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 YEAR ENDED DECEMBER 31, 2013

Exhibit H-5

	Sheriff's Comissary Fund	Inmate Trust Fund	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities</u>			
Cash Received from User Charges	\$ 4,864	\$ 83,668	\$ 88,532
Cash Payments to Vendors	(14,642)	(35,654)	(50,296)
Cash Payments for Other Operating Expenses	(3,604)	(43,305)	(46,909)
Net Cash Provided by (Used for) Operating Activities	<u>(13,382)</u>	<u>4,709</u>	<u>(8,673)</u>
<u>Cash Flows from Investing Activities</u>			
Interest and Dividends on Investments	131	100	231
Net Increase (Decrease) in Cash and Cash Equivalents	(13,251)	4,809	(8,442)
Cash and Cash Equivalents - Beginning	20,615	2,419	23,034
Cash and Cash Equivalents - Ending	<u>\$ 7,364</u>	<u>\$ 7,228</u>	<u>\$ 14,592</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>			
Operating Income (Loss)	<u>\$ (13,382)</u>	<u>\$ 4,709</u>	<u>\$ (8,673)</u>

FIDUCIARY FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 DECEMBER 31, 2013

	JP Precinct #1	JP Precinct #2	JP Precinct #4	JP Precinct #5
ASSETS				
Cash and Cash Equivalents	\$ 7,593	\$ 1,376	\$ 835	\$ 28,330
Restricted Cash	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Total Assets	\$ 7,593	\$ 1,376	\$ 835	\$ 28,330
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 3,470
Due to Other Governments	-	-	-	-
Due to Governmental Funds	7,593	1,376	835	24,860
Due to Fiduciary Funds	-	-	-	-
Due to Others	-	-	-	-
Total Liabilities and Fund Balances	\$ 7,593	\$ 1,376	\$ 835	\$ 28,330

County Clerk	County Clerk Trusts	District Clerk	District Clerk Trusts	County Attorney Processing	District Attorney Trust	Sheriff's Bond Fund	Adult and Juvenile Probation
\$ 25,642	\$ -	\$ 263,214	\$ -	\$ 87,492	\$ -	\$ 41,409	\$ 21,604
-	59,619	-	175,240	-	12,006	-	-
-	-	-	-	-	-	-	-
<u>\$ 25,642</u>	<u>\$ 59,619</u>	<u>\$ 263,214</u>	<u>\$ 175,240</u>	<u>\$ 87,492</u>	<u>\$ 12,006</u>	<u>\$ 41,409</u>	<u>\$ 21,604</u>
\$ -	\$ -	\$ 285	\$ -	\$ 83,071	\$ -	\$ 41,409	\$ 21,604
-	-	253,952	-	-	-	-	-
25,642	-	8,977	-	4,421	-	-	-
-	-	-	-	-	-	-	-
-	59,619	-	175,240	-	12,006	-	-
<u>\$ 25,642</u>	<u>\$ 59,619</u>	<u>\$ 263,214</u>	<u>\$ 175,240</u>	<u>\$ 87,492</u>	<u>\$ 12,006</u>	<u>\$ 41,409</u>	<u>\$ 21,604</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 DECEMBER 31, 2013

	Sheriff's Work Release Program	Tax A/C Account	L.E.O.S.E.	Road and Bridge Extra Fee Account
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 10,458,170	\$ 16,822	\$ 164,264
Restricted Cash	-	-	-	-
Due from Fiduciary Funds	-	97,926	-	-
Total Assets	\$ -	\$ 10,556,096	\$ 16,822	\$ 164,264
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ (1,838)	\$ 199,397	\$ 16,822	\$ -
Due to Other Governments	-	9,604,642	-	-
Due to Governmental Funds	1,838	752,057	-	164,264
Due to Fiduciary Funds	-	-	-	-
Due to Others	-	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ 10,556,096	\$ 16,822	\$ 164,264

Tax A/C Highway Account	Dealer Escrow Account	Tax A/C Office Expense	Auto Registration Fund	Sheriff's Fee Account	Ad Valorem Tax Account	Total
\$ 344,227	\$ 97,926	\$ 39,790	\$ 49,574	\$ 1,981	\$ 5,996,908	\$ 17,647,157
-	-	-	-	-	-	246,865
-	-	-	-	-	-	97,926
<u>\$ 344,227</u>	<u>\$ 97,926</u>	<u>\$ 39,790</u>	<u>\$ 49,574</u>	<u>\$ 1,981</u>	<u>\$ 5,996,908</u>	<u>\$ 17,991,948</u>
\$ 4,265	\$ -	\$ 39,790	\$ -	\$ -	\$ -	\$ 408,275
326,833	-	-	-	-	-	10,185,427
13,129	-	-	49,574	1,981	5,996,908	7,053,455
-	97,926	-	-	-	-	97,926
-	-	-	-	-	-	246,865
<u>\$ 344,227</u>	<u>\$ 97,926</u>	<u>\$ 39,790</u>	<u>\$ 49,574</u>	<u>\$ 1,981</u>	<u>\$ 5,996,908</u>	<u>\$ 17,991,948</u>

OTHER SCHEDULES

HOCKLEY COUNTY, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
DECEMBER 31, 2013

YEAR ENDED DECEMBER 31,	TAX RATES		ASSESSED/ APPRAISED VALUE FOR TAX PURPOSES
	LOCAL	DEBT SERVICE	
2004 AND PRIOR	\$ VARIOUS	\$ VARIOUS	\$ VARIOUS
2005	\$ 0.36247	\$ 0.03364	\$ 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	\$ 0.30680	\$ 0.04970	\$ 3,623,455,322
2013	\$ 0.27541	\$ 0.04126	\$ 4,306,993,240

TOTALS

BEGINNING BALANCE 1/01/2013	CURRENT YEAR'S TOTAL LEVY	COLLECTIONS		ADJUST- MENTS	ENDING BALANCE 12/31/2013
		LOCAL	DEBT SERVICE		
\$ 62,411	\$ -	\$ 6,546	\$ 962	\$ (1,426)	\$ 53,477
8,124	-	958	98	-	7,068
8,545	-	1,976	-	-	6,569
13,021	-	3,289	-	-	9,732
12,857	-	3,921	-	(48)	8,888
26,100	-	8,260	-	(57)	17,783
40,674	-	12,385	2,047	(54)	26,188
77,650	-	30,801	4,990	(40)	41,819
8,835,881	-	7,438,167	1,339,800	4,601	62,515
-	14,098,403	6,494,160	686,072	-	6,918,171
<u>\$ 9,085,263</u>	<u>\$ 14,098,403</u>	<u>\$ 14,000,463</u>	<u>\$ 2,033,969</u>	<u>\$ 2,976</u>	<u>\$ 7,152,210</u>

HOCKLEY COUNTY, TEXAS
RECONCILIATION OF CURRENT TAX COLLECTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Taxes Assessed</u>
2013 Adjusted Tax Roll	\$ 14,098,403
Less: Current Tax Collections	<u>(7,180,232)</u>
<i>Current Taxes Receivable</i>	<u><u>\$ 6,918,171</u></u>
Percent of current taxes collected through December 31, 2013	<u><u>50.93%</u></u>

HOCKLEY COUNTY, TEXAS
RECONCILIATION OF DELINQUENT TAX COLLECTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Delinquent Taxes Receivable - January 1, 2013		\$ 249,382
Plus: Taxes Transferred to Delinquent Roll - September 30, 2013		
Current Taxes Receivable - January 1, 2013	\$ 8,835,881	
Less: Tax Collections January through September, 2013	(8,733,584)	
Plus: Net Adjustments and Supplements	2,456	
2012 Taxes Transferred to Delinquent Roll - September 30, 2013		104,753
Available for Collection		\$ 354,135
Less: Adjustments		2,123
Less: Write-Offs per State Statutes		(635)
Less: Prior Year Refund Collections		(968)
Less: Tax Collections January through September, 2013		(67,298)
Less: Tax Collections October through December, 2013		(53,318)
<i>Delinquent Taxes Receivable - December 31, 2013</i>		<i>\$ 234,039</i>

HOCKLEY COUNTY, TEXAS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
DECEMBER 31, 2013

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value December 31, 2013
AIM Bank	FNMA # 994933 Matures 9/1/2023	Texas Independent Bankers Dallas, TX	\$ 1,124,121
AIM Bank	FHLMC # 2B0639 ARM Matures 6/01/2042	Texas Independent Bankers Dallas, TX	1,425,874
AIM Bank	FHLMC # J19197 Matures 5/01/2027	Texas Independent Bankers Dallas, TX	2,572,973
AIM Bank	FNMA # AH3552 Matures 2/01/2026	Texas Independent Bankers Dallas, TX	1,160,577
AIM Bank	FNMA # AK0706-a Matures 2/01/2027	Texas Independent Bankers Dallas, TX	1,617,945
AIM Bank	FNMA # AK0706-b Matures 2/01/2027	Texas Independent Bankers Dallas, TX	2,365,282
AIM Bank	FNMA # AL0519 Matures 3/01/2026	Texas Independent Bankers Dallas, TX	1,703,088
AIM Bank	FNMA # AL2188 ARM Matures 6/01/2042	Texas Independent Bankers Dallas, TX	1,972,158
AIM Bank	FNMA # MA1089 Matures 6/01/2032	Texas Independent Bankers Dallas, TX	2,421,927
AIM Bank	FNMA # MA1153 Matures 8/01/2022	Texas Independent Bankers Dallas, TX	3,170,327
AIM Bank	FNMA # MA1181 Matures 9/01/2022	Texas Independent Bankers Dallas, TX	4,101,451
AIM Bank	FNMA # MA1218 Matures 10/01/2022	Texas Independent Bankers Dallas, TX	3,337,767
AIM Bank	FNMA POOL AE0729 Matures 1/01/2026	FNMA Dallas, TX	1,325,306
Platinum Bank	Maypearl, TX ISD Matures 2/15/2032	AloStar Bank of Commerce Birmingham, AL	529,616
Platinum Bank	Jefferson, TX ISD Matures 2/15/30	AloStar Bank of Commerce Birmingham, AL	433,824
Platinum Bank	Rosenburg, TX FSA INSD Matures 3/01/2025	AloStar Bank of Commerce Birmingham, AL	632,231
Platinum Bank	Weatherford, TX Matures 3/01/2026	AloStar Bank of Commerce Birmingham, AL	335,879
Platinum Bank	GNMA I Platinum #783477 Matures 8/15/2026	AloStar Bank of Commerce Birmingham, AL	576,346
Platinum Bank	FNMA 15-Yr #AJ9360 Matures 1/01/2027	AloStar Bank of Commerce Birmingham, AL	753,999
Platinum Bank	GNMA II Pool #783525 Matures 12/20/2031	AloStar Bank of Commerce Birmingham, AL	865,099
Platinum Bank	Kerrville, TX Matures 2/15/2027	AloStar Bank of Commerce Birmingham, AL	225,000
			\$ 32,650,790

HOCKLEY COUNTY, TEXAS
SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED DECEMBER 31, 2013

Company	Policy Number	Policy Period		Type of Insurance
		From	To	
West Texas Rural Counties Assoc. Preferred Risk Pool Fund	H-DPK1014212HCT	03/22/13	03/22/14	General Liability
Texas Association of Counties	AL 110 2013 03 22	03/22/13	03/22/14	Liability, B.I.P.D., Uninsured, Underinsured
West Texas Rural Counties Assoc. Preferred Risk Pool Fund	H-DPK1014212HCT	03/22/13	03/22/14	Property Insurance
Texas Association of Counties	PO 1100 2013 03 22	03/22/13	03/22/14	Public Officials and Employee Liability
Texas Association of Counties	CR 11000 2013 04 01	04/01/13	04/01/14	Crime Coverage
West Texas Rural Counties Assoc. Preferred Risk Pool Fund	H-DPK1014212HCT	03/22/13	03/22/14	Law Enforcement Liability Policy
Texas Association of Counties	APD 1100 2013 03 22	03/22/13	03/22/14	Juvenile Prob/Co Judge
Chubb Inland Marine Insurance	0664-04-25WUC	03/23/13	03/22/14	Comprehensive Property Damage/Per Accident
Texas Association of Counties	WC 1100 2013 01 01	01/01/13	01/01/14	Worker's Compensation
Western Surety Company	18242784	01/12/13	01/12/14	Errors and Omissions
National District Attorneys	CEM 701	04/01/13	04/01/14	Professional Liability
TLIE Texas Lawyers Insurance	53094	12/6/2013	12/06/14	Judge's Professional Liability

EXHIBIT J-5

Type of Coverage	Co-Insurance	Coverage Amount	Premium
Commercial General Personal and Advers. Injury Fire Damage	No Deductible	\$ 1,000,000	\$ 8,413
Auto Fleet		\$ 300,000 Per Endorsement	\$ 11,988
Fire, E. C., M. M., Van.	\$5,000 Deductible \$10,000 Wind & Hail	\$ 46,631,758 2,337,500	\$ 103,281
Public Officials and Employees Liability	\$10,000 Deductible	\$ 2,000,000	\$ 12,890
Cyber, Counterfeit, Forgery, Dishonesty, Computer Fraud	\$1,000 Deductible	\$ 20,000 to 100,000	\$ 2,488
Comprehensive Law(Police) Enforcement Liability	\$5,000 Deductible	\$ 1,000,000 Each Wrongful Act	\$ 20,083
Physical Damage, Collision	\$500 Deductible	Damages	\$ 1,272
Computer and Printers Electronic Equipment	\$1,000 Deductible	\$ 442,973	\$ 5,050
Employees	No Deductible	Unlimited	\$ 72,767
Notary Public Comprehensive		\$ 20,000	\$ 422
Lawyers	\$5,000 Deductible	\$ 100,000 / 300,000	\$ 1,661
District Judge Liability Michael "Pat" Phelan	\$1,000 Deductible	\$ 1,000,000	\$ 1,500
			\$ 241,815

HOCKLEY COUNTY, TEXAS
SURETY BOND SCHEDULE (cont.)
FOR THE YEAR ENDED DECEMBER 31, 2013

Name	Policy Number	Effective Dates	
		Beginning	Ending
Wilburn Burks	14381675	01/01/13	01/01/17
Everett McDaniel	1031273	09/29/11	09/29/15
Lance Scott	54939425	08/28/13	08/28/14
E. Jennifer Kinney	13748653	01/01/13	01/01/17
Toney Steven Moore	54939465	05/06/13	05/06/15
Bonnie Sue Coker	LPO1136525	01/01/11	01/01/15
Charlotte Trull	15865334	01/01/13	01/01/15
Jerry Boudreaux	15527700	12/31/12	12/31/14
Brenda Nock	15865337	06/19/13	Continuous
Paula Moody	15865338	06/19/13	Continuous
Vanessa Reep	TX804923	01/29/13	01/29/14
Curtis Thrash	POB2104895	01/01/13	01/01/15
Larry R. Carter	LPO1136526	01/01/11	01/01/15
J.L. Whitey Barnett	93QS20269	01/01/13	01/01/17
Tommy Clevenger	15863951	01/01/11	01/01/14
Gale Rumbaugh	15863954	01/01/13	Continuous
Amy Cantwell	15863953	01/01/13	Continuous
Janie Salazar	15863956	01/01/13	Continuous
Gaynelle Box	15865332	01/01/13	Continuous
Mary Frescaz	54939250	09/09/13	Continuous
Irene Gumula	15863952	01/01/11	01/01/15
Janie Salazar	15863956	01/01/13	Continuous
Teresa Patterson	54939159	12/16/13	Continuous
Denise Bohannon	14381676	01/01/11	01/01/15
Stacy Schulle	15865339	06/29/13	Continuous
Veronica Quintanilla	54939151	06/29/13	Continuous
Delia Montez	54939467	07/01/13	07/01/14
Anna Hord	54939424	01/10/13	01/14/14
Rita Kay Caroland	54939150	06/29/13	Continuous
Douglas Freitag	54939214	02/01/13	02/01/14
Gary Moran	54939157	08/13/13	08/13/14
Clyde Jeffrey Foster	54939213	01/06/13	01/06/14
Christopher Dennis	54939423	08/10/13	08/10/14
Ferris E. Shaheen	15262617	02/25/09	02/25/13
Tracy Rogers	61766428	07/22/13	07/22/17

Office	Bond Amount	Bonding Company
Constable - Precinct #1	1,000.00	Western Surety Company
Constable - Precinct #2	1,000.00	Trinity Universal Insurance Co.
Constable - Precinct #5	1,000.00	Western Surety Company
Constable - Precinct #4	1,000.00	Western Surety Company
Justice of the Peace - Precinct #4	5,000.00	Western Surety Company
Justice of the Peace - Precinct #1	5,000.00	Old Republic Surety Co.
Justice of the Peace - Precinct #2	5,000.00	Western Surety Company
Justice of the Peace - Precinct #5	5,000.00	Western Surety Company
Justice of the Peace - Precinct #5	5,000.00	Western Surety Company
Justice of the Peace Clerk	5,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Merchants Bonding
County Commissioner - Precinct #1	3,000.00	Old Republic Surety Co.
County Commissioner - Precinct #2	3,000.00	Old Republic Surety Co.
County Commissioner - Precinct #3	3,000.00	State Farm Fire & Casualty Co.
County Commissioner - Precinct #4	3,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Hockley County Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Chief Deputy Treasurer	10,000.00	Western Surety Company
Hockley County Treasurer	10,000.00	Western Surety Company
County Attorney Clerk	5,000.00	Western Surety Company
County Attorney Clerk	5,000.00	Western Surety Company
DA/CA	5,000.00	Western Surety Company
County Attorney	2,500.00	Western Surety Company
Dist. Attorney Clerk	5,000.00	Western Surety Company
Assistant District Attorney	5,000.00	Western Surety Company
Narcotics Investigator	10,000.00	Western Surety Company
Special Investigator	10,000.00	Western Surety Company
District Attorney	10,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company

HOCKLEY COUNTY, TEXAS
 SURETY BOND SCHEDULE (cont.)
 FOR THE YEAR ENDED DECEMBER 31, 2013

Name	Policy Number	Effective Dates	
		Beginning	Ending
Cody Salazar	54939466	07/05/13	07/02/14
Margaret Jeffcoat	61746089	07/11/13	07/05/17
David Lee Olivo	61871364	11/13/13	Continuous
David Beseda	15100738	02/08/08	02/08/12
Nelda Cornish	54939462	04/30/13	04/30/14
Cheryl Smart	71165526	05/07/13	05/07/14
Cynthia O'Canas	71306678	05/07/13	05/07/14
Yvonne Lanelle Gipson	70468387	02/20/13	02/20/14
Debra C Bramlett	61379351	05/29/12	05/29/16
Linda Sehon	14383630	11/29/13	11/29/14
Ophelia Corral	627887	08/03/13	08/03/14
Lora Dockery	68501272	06/06/13	Continuous
Lisa G Richardson	61241858	01/01/12	Continuous
Linda Barnette	15865336	04/01/13	04/01/17
Larry D. Sprows	13739188	01/01/11	01/01/14
Dennis Price	14381670	01/01/11	01/01/15
Marilyn Kay Daniel	54939154	06/29/13	Continuous
Nora Honesto	54939155	06/29/13	Continuous
Allyson Sherrill	54939422	08/10/13	08/10/14
Kayla Dawson	54939461	04/01/13	04/01/14
Larae Berry	54939460	12/17/13	12/17/14
R. C. Cheek	54939427	01/01/13	01/01/17

EXHIBIT J-6 (cont.)

Office	Bond Amount	Bonding Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Tax Clerk	5,000.00	Western Surety Company
Bookkeeper	10,000.00	Western Surety Company
Voter Registrar	10,000.00	Western Surety Company
Deputy Tax Assessor-Collector	10,000.00	Western Surety Company
Tax Collector-Assessor	100,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Tax Clerk	5,000.00	Merchants Bonding Company
Deputy Tax Collector	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Hockley County Auditor	5,000.00	Western Surety Company
County Judge	3,000.00	Western Surety Company
Hockley County District Clerk	25,000.00	Western Surety Company
Librarian	5,000.00	Western Surety Company
Library Assistant	5,000.00	Western Surety Company
Director Mallet Event Center	10,000.00	Western Surety Company
Mallet Event Center	2,500.00	Western Surety Company
Mallet Livestock Manager	2,500.00	Western Surety Company
Sheriff	10,000.00	Western Surety Company

INTERNAL CONTROL AND COMPLIANCE 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
812 9TH STREET
LEVELLAND, TX 79336
806-894-7324
FAX: 806-894-8693

MEMBERS
TEXAS SOCIETY AND AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hockley County, Texas (County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Hockley County, Texas' basic financial statements, and have issued our report thereon dated January 9, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Respectfully submitted,



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

January 9, 2015