

HOCKLEY COUNTY, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

HOCKLEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDING DECEMBER 31, 2015

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HOCKLEY COUNTY, TEXAS

COUNTY OFFICIALS

Larry Sprowls County Judge
Curtis Thrash Commissioner, Precinct 1
Larry Carter Commissioner, Precinct 2
J. L. Barnett Commissioner, Precinct 3
Tommy Clevenger Commissioner, Precinct 4
Anna Hord County Attorney
Irene Gumula County Clerk
Denise Bohannon County Treasurer
Debra Bramlett County Tax Assessor-Collector
R.C. Cheek County Sheriff
Pat Phelan Judge, 286th Judicial District
Christopher Dennis District Attorney
Linda Barnette County Auditor
Dennis Price District Clerk
Sue Coker Justice of the Peace #1
Linda J. Canon Justice of the Peace #2
Rodney Carr Justice of the Peace #4
Brenda Nock Justice of the Peace #5

FINANCIAL SECTION

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

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

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

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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hockley County, Texas' basic financial statements. The introductory section, combining nonmajor fund financial statements, 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 October 5, 2016, on our consideration of Hockley County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hockley County, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



Myatt, Blume, & Osburn, Ltd., L.L.P.
Certified Public Accountants
Levelland, Texas
October 5, 2016

BASIC FINANCIAL STATEMENTS

HOCKLEY COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2015

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 13,155,430	\$ 43,102	\$ 13,198,532
Receivables (net of allowance for uncollectibles)	9,949,336	-	9,949,336
Due from Fiduciary Funds	7,026,787	-	7,026,787
Capital Assets:			
Land	300,729	-	300,729
Infrastructure, net	639,682	-	639,682
Buildings, net	19,441,284	-	19,441,284
Machinery and Equipment, net	4,865,743	-	4,865,743
Construction in Progress	218,656	-	218,656
Total Assets	<u>55,597,647</u>	<u>43,102</u>	<u>55,640,749</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflow Related to Pension Plan	\$ 879,124	\$ -	\$ 879,124
Total Deferred Outflows of Resources	<u>879,124</u>	<u>-</u>	<u>879,124</u>
LIABILITIES			
Accounts Payable	163,394	-	163,394
Intergovernmental Payable	1,034	-	1,034
Accrued Interest Payable	97,800	-	97,800
Noncurrent Liabilities			
Due Within One Year	1,535,000	-	1,535,000
Due in More Than One Year	5,205,712	-	5,205,712
Net Pension Liability	2,128,127	-	2,128,127
Total Liabilities	<u>9,131,067</u>	<u>-</u>	<u>9,131,067</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to Pension Plan	25,347	-	25,347
Total Deferred Inflows of Resources	<u>25,347</u>	<u>-</u>	<u>25,347</u>
NET POSITION			
Net Investment in Capital Assets	18,746,607	-	18,746,607
Restricted for:			
Debt Service	834,440	-	834,440
Highway and Streets	2,607,002	-	2,607,002
Courthouse Projects	458,981	-	458,981
Records Management/Retention	305,223	-	305,223
Unrestricted Net Position	24,368,104	43,102	24,411,206
Total Net Position	<u>\$ 47,320,357</u>	<u>\$ 43,102</u>	<u>\$ 47,363,459</u>

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

HOCKLEY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 5,734,918	\$ 768,277	\$ -	\$ -
Public Safety	4,149,463	202,117	20,745	-
Highways and Streets	3,328,130	756,984	-	578,076
Health and Welfare	170,265	250,000	-	-
Culture and Recreation	1,525,364	342,780	-	-
Bond Interest	268,175	-	-	-
Total Governmental Activities:	15,176,315	2,320,158	20,745	578,076
BUSINESS-TYPE ACTIVITIES:				
Sheriff Commissary Fund	20,940	29,095	-	-
Inmate Trust Fund	113,672	114,185	-	-
Total Business-Type Activities:	134,612	143,280	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 15,310,927	\$ 2,463,438	\$ 20,745	\$ 578,076

General Revenues:

Taxes:

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

Change in Net Position

- Net Position - Beginning
- Prior Period Adjustment
- Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,966,641)	\$ -	\$ (4,966,641)
(3,926,601)	-	(3,926,601)
(1,993,070)	-	(1,993,070)
79,735	-	79,735
(1,182,584)	-	(1,182,584)
(268,175)	-	(268,175)
<u>(12,257,336)</u>	<u>-</u>	<u>(12,257,336)</u>
-	8,155	8,155
-	513	513
<u>-</u>	<u>8,668</u>	<u>8,668</u>
<u>(12,257,336)</u>	<u>8,668</u>	<u>(12,248,668)</u>
9,326,733	-	9,326,733
1,560,092	-	1,560,092
1,950,173	-	1,950,173
97,198	-	97,198
844,011	-	844,011
81,783	297	82,080
<u>13,859,990</u>	<u>297</u>	<u>13,860,287</u>
1,602,654	8,965	1,611,619
47,173,845	34,137	47,207,982
(1,456,142)	-	(1,456,142)
<u>\$ 47,320,357</u>	<u>\$ 43,102</u>	<u>\$ 47,363,459</u>

HOCKLEY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

EXHIBIT C-1

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 8,716,608	\$ 751,867	\$ 3,679,235	\$ 13,147,710
Taxes Receivable	6,211,928	1,252,888	2,626,474	10,091,290
Allowance for Uncollectible Taxes (credit)	(498,758)	(100,594)	(210,878)	(810,230)
Due from Other Funds	4,639,567	82,573	2,304,647	7,026,787
Total Assets	<u>\$ 19,069,345</u>	<u>\$ 1,986,734</u>	<u>\$ 8,399,478</u>	<u>\$ 29,455,557</u>
LIABILITIES				
Accounts Payable	\$ 101,396	\$ -	\$ 61,998	\$ 163,394
Intergovernmental Payable	1,034	-	-	1,034
Total Liabilities	<u>102,430</u>	<u>-</u>	<u>61,998</u>	<u>164,428</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	5,713,171	1,152,294	2,415,596	9,281,061
Total Deferred Inflows of Resources	<u>5,713,171</u>	<u>1,152,294</u>	<u>2,415,596</u>	<u>9,281,061</u>
FUND BALANCES				
Restricted Fund Balance:				
Debt Service	-	834,440	-	834,440
Highways and Streets	-	-	2,607,002	2,607,002
Courthouse Projects	-	-	458,981	458,981
Records Management/Preservation	-	-	305,223	305,223
Committed Fund Balance:				
Construction	-	-	1,973,087	1,973,087
Other Committed Fund Balance	-	-	509,108	509,108
Unassigned Fund Balance	13,253,744	-	68,483	13,322,227
Total Fund Balances	<u>13,253,744</u>	<u>834,440</u>	<u>5,921,884</u>	<u>20,010,068</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 19,069,345</u>	<u>\$ 1,986,734</u>	<u>\$ 8,399,478</u>	<u>\$ 29,455,557</u>

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

HOCKLEY COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Total Fund Balances - Governmental Funds	\$	20,010,068
The County uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to Increase (decrease) net position.		7,720
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was \$54,318,384 and less the accumulated depreciation was \$28,852,290.		25,466,094
Prior period entry to adjust the beginning net position for the implementation of GASB 68 for 2015		(1,456,142)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for long-term debt in the governmental activities less the current year principal payments is to decrease net position.		(6,838,512)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		181,793
When converting from the modified accrual basis of accounting to the full accrual basis, property tax revenue is recognized (less an allowance for uncollectible) as revenue in the year levied rather than the year collected. The net effect of this reclassification and recognition is to increase the net position.		9,949,336
Net Position of Governmental Activities	\$	47,320,357

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

HOCKLEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 6,224,981	\$ 1,258,816	\$ 2,641,069	\$ 10,124,866
Licenses and Permits	1,861	-	522,097	523,958
Intergovernmental Revenue and Grants	12,952	-	588,425	601,377
Charges for Services	663,328	-	708,195	1,371,523
Fines	-	-	191,582	191,582
Forfeits	-	-	4,864	4,864
Investment Earnings	44,480	3,579	33,724	81,783
Rents and Royalties	238,824	-	30	238,854
Contributions & Donations from Private Sources	-	-	(2,556)	(2,556)
Other Revenue	433,922	-	298,258	732,180
Total Revenues	<u>7,620,348</u>	<u>1,262,395</u>	<u>4,985,688</u>	<u>13,868,431</u>
EXPENDITURES:				
Current:				
General Government	4,639,679	4,306	558,262	5,202,247
Public Safety	4,111,045	-	16,207	4,127,252
Highways and Streets	-	-	2,842,326	2,842,326
Health and Welfare	-	-	170,265	170,265
Culture and Recreation	35,441	-	1,010,481	1,045,922
Debt Service:				
Bond Principal	-	1,475,000	-	1,475,000
Bond Interest	-	290,300	-	290,300
Capital Outlay:				
Capital Outlay	124,701	-	1,638,464	1,763,165
Total Expenditures	<u>8,910,866</u>	<u>1,769,606</u>	<u>6,236,005</u>	<u>16,916,477</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,290,518)</u>	<u>(507,211)</u>	<u>(1,250,317)</u>	<u>(3,048,046)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	101,208	101,208
Transfers In	4,000	-	551,908	555,908
Transfers Out (Use)	(551,908)	-	(4,000)	(555,908)
Total Other Financing Sources (Uses)	<u>(547,908)</u>	<u>-</u>	<u>649,116</u>	<u>101,208</u>
Net Change in Fund Balances	<u>(1,838,426)</u>	<u>(507,211)</u>	<u>(601,201)</u>	<u>(2,946,838)</u>
Fund Balance - January 1 (Beginning)	<u>15,092,170</u>	<u>1,341,651</u>	<u>6,523,085</u>	<u>22,956,906</u>
Fund Balance - December 31 (Ending)	<u>\$ 13,253,744</u>	<u>\$ 834,440</u>	<u>\$ 5,921,884</u>	<u>\$ 20,010,068</u>

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

HOCKLEY COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(2,946,838)
The city uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) the change in net position.		(1,245)
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 removing the 2015 capital outlays is to increase the change in net position.		1,694,438
Current year bond principal payments are expenditures in the fund financial statements, but they should be shown as decrease in long-term debt in the government-wide financial statements. The net effect of reclassifying the 2015 bond principal payments is to increase the change in net position.		1,475,000
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 governmental-wide financial statements. The net decrease in accrued interest from the prior year to the current year increases net position.		22,125
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(1,702,575)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		2,991,122
 Change in Net Position of Governmental Activities	 \$	 <u>1,602,654</u>

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

HOCKLEY COUNTY, TEXAS
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 43,102	\$ 7,720
Total Assets	43,102	7,720
NET POSITION		
Unrestricted Net Position	43,102	7,720
Total Net Position	\$ 43,102	\$ 7,720

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

HOCKLEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT D-2

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Internal Service Fund
OPERATING REVENUES:		
Charges for Services	\$ 143,280	\$ 1,050
Total Operating Revenues	143,280	1,050
OPERATING EXPENSES:		
Personnel Services - Employee Benefits	-	2,355
Purchased Property Services	3,426	-
Other Operating Expenses	40,251	-
Supplies	90,935	-
Total Operating Expenses	134,612	2,355
Operating Income (Loss)	8,668	(1,305)
NON-OPERATING REVENUES (EXPENSES):		
Investment Earnings	297	60
Total Non-operating Revenue (Expenses)	297	60
Change in Net Position	8,965	(1,245)
Total Net Position -January 1 (Beginning)	34,137	8,965
Total Net Position December 31 (Ending)	\$ 43,102	\$ 7,720

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

HOCKLEY COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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	\$ 143,280	\$ 1,050
Cash Payments for Suppliers	(90,935)	-
Cash Payments for Other Operating Expenses	(43,677)	(2,355)
Net Cash Provided by (Used for) Operating Activities	8,668	(1,305)
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	297	60
Net Increase(Decrease) in Cash and Cash Equivalents	8,965	(1,245)
Cash and Cash Equivalents at Beginning of the Year:	34,137	8,965
Cash and Cash Equivalents at the End of the Year:	\$ 43,102	\$ 7,720
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	\$ 8,668	\$ (1,305)

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

HOCKLEY COUNTY, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 10,983,529
Accounts Receivable-Net of Uncollectible Allowance	8,876
Due from Fiduciary Funds	698,075
Total Assets	<u>\$ 11,690,480</u>
LIABILITIES	
Accounts Payable	\$ 594,559
Claims and Judgments Payable	61,435
Intergovernmental Payable	2,925,656
Due to Other Funds	7,026,787
Due to Fiduciary Funds	698,075
Due to Others	383,968
Total Liabilities	<u>\$ 11,690,480</u>

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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, 2015, no financial transactions had taken place.

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

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

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2015

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

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

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Fund Financial Statements

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

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

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

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

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

Pursuant to GASB Statement No. 20, the County applies all GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The County reports the following major governmental funds:

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

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

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

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

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

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:

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

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

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

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

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

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

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

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

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

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

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

3. OTHER ACCOUNTING POLICIES

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

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2015

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

3. OTHER ACCOUNTING POLICIES (Cont.)

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

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

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2015

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

3. OTHER ACCOUNTING POLICIES (Cont.)

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

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

For the year ended December 31, 2015, the County contributed \$286,716 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 26, 2014, in accordance with the above process. The final fiscal 2015 budget revision was adopted by the Commissioners Court on December 21, 2015.
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 2015 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, 2015

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 2015 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, 2015, Hockley County had restricted cash in the amount of \$130,474 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.

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, 2015 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, 2015 are as follows:

	AIM Bank
Carrying Amounts:	
Demand Deposits	\$ 21,140,614
Time Accounts	<u>3,041,449</u>
Total Public Funds on Deposit	<u>24,182,063</u>
Less FDIC Coverage	<u>(500,000)</u>
Amount to be Collateralized	23,682,063
Collateralization by Institution	<u>(33,379,962)</u>
Under (Over) Collateralized	<u>\$ (9,697,899)</u>

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2015

NOTE C - CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 300,729	\$ -	\$ -	\$ 300,729
Infrastructure	4,923,759	606,980	-	5,530,739
Buildings	37,101,820	980,165	-	38,081,985
Machinery and Equipment	7,465,675	530,973	(214,142)	7,782,506
Vehicles	2,314,560	147,368	(58,159)	2,403,769
Construction in Progress	<u>646,562</u>	<u>218,656</u>	<u>(646,562)</u>	<u>218,656</u>
Totals at Historic Cost	<u>52,753,105</u>	<u>2,484,142</u>	<u>(918,863)</u>	<u>54,318,384</u>
Less Accumulated Depreciation:				
Infrastructure – Roads	(4,858,177)	(32,880)	-	(4,891,057)
Buildings	(17,849,269)	(791,432)	-	(18,640,701)
Machinery and Equipment	(2,747,877)	(650,745)	71,000	(3,327,622)
Vehicles	<u>(1,823,551)</u>	<u>(227,518)</u>	<u>58,159</u>	<u>(1,992,910)</u>
Total Accumulated Depreciation	<u>(27,278,874)</u>	<u>(1,702,575)</u>	<u>129,159</u>	<u>(28,852,290)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 25,474,231</u>	<u>\$ 781,567</u>	<u>\$ (789,704)</u>	<u>\$ 25,466,094</u>

Hockley County traded in several pieces of equipment throughout the year with an aggregate initial cost of \$199,892 and having an aggregate book value of \$143,142 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	\$ 539,797
Public Safety	124,637
Highways and Streets	510,957
Culture and Recreation	<u>527,184</u>
Total	<u>\$ 1,702,575</u>

Hockley County's business-type activities had no capital assets as of December 31, 2015.

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, 2015

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	Debt Service Fund	Special Revenue Funds	Totals
Agency Funds	<u>\$ 4,639,567</u>	<u>\$ 82,573</u>	<u>\$ 2,304,647</u>	<u>\$ 7,026,787</u>
Totals	<u>\$ 4,639,567</u>	<u>\$ 82,573</u>	<u>\$ 2,304,647</u>	<u>\$ 7,026,787</u>

During the year ended December 31, 2015, the County transferred \$551,908 from the General Fund to the Mallet MPEC Operating Fund for general operation purposes; \$40,000 was transferred to the General Fund from the Road & Bridge Fund, also for general operation purposes.

NOTE E - BONDS PAYABLE

Hockley County, Texas issued a \$14,515,000 General Obligation Bond, Series 2009, for the construction and related equipment of the Mallet Multipurpose Event Center in September, 2009 with an interest rate of 3.04%. The bonds were payable over a ten year period, beginning February 15, 2010 and maturing February 15, 2019. The \$668,016 in bond premiums is being amortized on a straight-line basis over the life of the bonds. As of December 31, 2015, the outstanding unamortized premium is \$220,712. 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>\$ 7,995,000</u>	<u>\$ -</u>	<u>\$ 1,475,000</u>	<u>\$ 6,520,000</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
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>\$ 6,520,000</u>	<u>\$ 220,712</u>	<u>\$ 6,740,712</u>	<u>\$ 534,600</u>	<u>\$ 7,054,600</u>

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2015

NOTE F - LEASES

The County did not have any capital leases in effect as of December 31, 2015. 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 2015 were approximately \$41,196. The future minimum payments on the leases are as follows:

Year Ending December 31,	Copier Leases	Postage Meter	Total Leases
2016	37,704	3,492	41,196
2017	<u>-</u>	<u>873</u>	<u>873</u>
Totals	<u>\$ 75,408</u>	<u>\$ 7,857</u>	<u>\$ 83,265</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 2015 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 2015 tax levy is reported as a tax receivable and a deferred inflow in the governmental funds.

The tax rates for the 2015 fiscal year (2014 and 2015 tax levies) are \$0.30640 and \$0.30442 per \$100 assessed value for County operations, respectively. The County assessed an additional \$0.04406 and \$0.04392, 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, 2015

NOTE G - PROPERTY TAXES (Cont.)

The original appraised taxable values upon which the 2014 and 2015 tax levies are based are \$4,019,050,641 and \$3,034,008,722, respectively, resulting in tax levies of \$14,072,486 and \$13,898,461 respectively after supplemental adjustments made by the Hockley County Appraisal District. The County has collected approximately 99.36% of 2014's tax levy and 29.21% of 2015's levy as of December 31, 2015.

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

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

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

A private insurance carrier determined premium payments to be made by the County. Any dependent coverage was funded by charges to employees. Annual claims are 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 2015, the County paid approximately \$1,370,173 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 2015 fiscal year reported \$1,050 in operating revenues, \$2,355 in expenditures and \$60 in interest income in the fund. The fund has a cash balance of \$7,720 at December 31, 2015.

NOTE I - PENSION PLAN

Hockley County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined pension plan through the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, consisting of 677 nontraditional defined pension plans from various county and district governmental entities statewide. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon request through TCDRS, PO Box 2034, Austin, TX 78768-2034, or through the www.tcdrs.org website.

Benefits Provided - The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 or above with 10 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, 2015

NOTE I - PENSION PLAN (cont.)

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

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

Hockley County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually and it was 13.02% for the calendar year 2015. The deposit rate payable by the employee members is the rate of 7% as adopted by the Commissioners' Court of Hockley County. The Commissioners' Court, within the options available in the TCDRS Act, may change the employee deposit rate and the County contribution rate.

For the County's accounting year ending December 31, 2015, the annual pension cost for the TCDRS Plan for its employees was \$659,083 and were equal to the actual contributions.

Net Pension Liability – Hockley County's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The December 31, 2014 actuarial valuation is the most recent valuation.

Actuarial Valuation Information - The TPL in the December 31, 2014 actuarial valuations was determined using the following actuarial methods and assumptions:

ACTUARIAL VALUATION INFORMATION

Actuarial Valuation Date	12/31/14
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	13.3 years
Asset Valuation Method	SAF – 5 Year Smoothed Value ESF – Fund Value
Actuarial Assumptions*:	
Investment Return	8.0%
Projected Salary Increases	4.9%
Inflation	3.0%
Cost-of-living adjustments	0.0%

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2015

NOTE I - PENSION PLAN (Cont.)

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. Mortality rates for active members were based on gender-distinct RP2000 Active Employee Mortality Table, with a projection scale AA, a two year set-forward for males, and a four year set-back for females. Mortality rates for retirees, beneficiaries, and non-active members were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with the projection scale AA, with a one year set-forward for males and no age adjustment for females. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with the projection scale AA, no age adjustment for males, and a two year set-forward for females.

The long-term expected rate of return on pension plan investments is 8.1%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS's investment consultants and are based on January 2015 information for a 7-10 year time horizon.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Inflation)
US Equities	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities - Developed	11.00%	5.35%
International Equities - Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	0.55%
High-Yield Bonds	3.00%	3.75%
Opportunistic Credit	5.00%	5.54%
Direct Lending	2.00%	5.80%
Distressed Debt	3.00%	6.75%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-0.20%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	<u>25.00%</u>	5.15%
Total	100.00%	

HOCKLEY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 YEAR ENDED DECEMBER 31, 2015

NOTE I - PENSION PLAN (Cont.)

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/13	\$ 23,581,416	\$ 21,210,768	\$ 2,370,648
Changes for the year:			
Service cost	654,382		654,382
Interest	1,884,149		1,884,149
Change in benefit terms	-		-
Diff between expected/actual experience	(31,684)		(31,684)
Changes of assumptions	-		-
Contributions - employer		914,506	(914,506)
Contributions - employee		344,180	(344,180)
Net investment income		1,459,207	(1,459,207)
Benefit payments, including refunds of employee contributions	(1,307,737)	(1,307,737)	-
Administrative expenses		(16,884)	16,884
Other charges		48,359	(48,359)
Net changes	1,199,111	1,441,632	(242,521)
Balance at 12/31/14	\$ 24,780,527	\$ 22,652,400	\$ 2,128,127

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

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	Increase in Discount Rate (9.1%)
County's net pension liability	\$ 4,916,647	\$ 2,128,127	\$ (210,150)

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2015

NOTE I - PENSION PLAN (Cont.)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2015, Hockley County recognized pension expense of \$477,291.

At December 31, 2015, Hockley County reported deferred outflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ 25,347
Changes in actuarial assumptions	\$ -	\$ -
Differences between projected and actual investment earnings (net of current year amortization)	\$ 220,041	\$ -
Contributions subsequent to the measurement date	659,083	
Total	\$ 879,124	\$ 25,347

Hockley County reported \$659,083 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2015. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2015	\$ 48,673
2016	\$ 48,673
2017	\$ 48,673
2018	\$ 48,673
2019	\$ -
Thereafter	\$ -

NOTE J – OTHER POST EMPLOYMENT BENEFITS

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

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

HOCKLEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
YEAR ENDED DECEMBER 31, 2015

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Cont.)

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

The TCDRS supplemental death benefits paid by the County for the years ended December 31, 2015, 2014 and 2013 were approximately \$15,198, \$16,716 and \$17,211 respectively, which equaled the contractually required contributions each year.

NOTE K – PRIOR PERIOD ADJUSTMENT

During 2015, the County adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the County must assume their proportionate share of the Net Pension Liability of the Texas County and District Retirement System. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$ (1,456,142) and the restated beginning net position is \$45,751,840.

REQUIRED SUPPLEMENTARY INFORMATION

HOCKLEY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 8,514,311	\$ 8,514,311	\$ 6,224,981	\$ (2,289,330)
Licenses and Permits	-	-	1,861	1,861
Intergovernmental Revenue and Grants	-	-	12,952	12,952
Charges for Services	655,000	655,000	663,328	8,328
Investment Earnings	80,000	80,000	44,480	(35,520)
Rents and Royalties	344,075	594,000	238,824	(355,176)
Contributions & Donations from Private Sources	11,000	11,000	-	(11,000)
Other Revenue	266,916	266,916	433,922	167,006
Total Revenues	<u>9,871,302</u>	<u>10,121,227</u>	<u>7,620,348</u>	<u>(2,500,879)</u>
EXPENDITURES:				
Current:				
General Government	5,104,376	5,136,780	4,639,679	497,101
Public Safety	4,063,358	4,306,508	4,111,045	195,463
Culture and Recreation	45,260	37,071	35,441	1,630
Capital Outlay:				
Capital Outlay	170,500	159,430	124,701	34,729
Total Expenditures	<u>9,383,494</u>	<u>9,639,789</u>	<u>8,910,866</u>	<u>728,923</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>487,808</u>	<u>481,438</u>	<u>(1,290,518)</u>	<u>(1,771,956)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	4,000	4,000
Transfers Out (Use)	-	-	(551,908)	(551,908)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(547,908)</u>	<u>(547,908)</u>
Net Change	487,808	481,438	(1,838,426)	(2,319,864)
Fund Balance - January 1 (Beginning)	15,092,170	15,092,170	15,092,170	-
Fund Balance - December 31 (Ending)	<u>\$ 15,579,978</u>	<u>\$ 15,573,608</u>	<u>\$ 13,253,744</u>	<u>\$ (2,319,864)</u>

HOCKLEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - I&S MULTI PURPOSE EVENTS CENTER
FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 1,765,300	\$ 1,765,300	\$ 1,258,816	\$ (506,484)
Investment Earnings	3,000	3,000	3,579	579
Total Revenues	1,768,300	1,768,300	1,262,395	(505,905)
EXPENDITURES:				
Current:				
General Government	3,000	3,000	4,306	(1,306)
Debt Service:				
Bond Principal	1,475,000	1,475,000	1,475,000	-
Bond Interest	290,300	290,300	290,300	-
Total Expenditures	1,768,300	1,768,300	1,769,606	(1,306)
Change in Fund Balance	-	-	(507,211)	(507,211)
Fund Balance - January 1 (Beginning)	1,304,211	1,304,211	1,341,651	37,440
Fund Balance - December 31 (Ending)	\$ 1,304,211	\$ 1,304,211	\$ 834,440	\$ (469,771)

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

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	Indigent Health Care	Jury Fund	Road & Bridge #1	Road & Bridge #2
ASSETS				
Cash and Cash Equivalents	\$ 76,850	\$ 232,352	\$ 162,772	\$ 440,347
Taxes Receivable	-	182,483	383,501	383,501
Allowance for Uncollectible Taxes (credit)	-	(14,651)	(30,791)	(30,792)
Due from Other Funds	-	134,281	374,726	374,725
Total Assets	<u>\$ 76,850</u>	<u>\$ 534,465</u>	<u>\$ 890,208</u>	<u>\$ 1,167,781</u>
LIABILITIES				
Accounts Payable	\$ 8,367	\$ -	\$ 19,096	\$ 6,982
Total Liabilities	<u>8,367</u>	<u>-</u>	<u>19,096</u>	<u>6,982</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	167,832	352,710	352,710
Total Deferred Inflows of Resources	<u>-</u>	<u>167,832</u>	<u>352,710</u>	<u>352,710</u>
FUND BALANCES				
Restricted Fund Balance:				
Highways and Streets	-	-	518,402	808,089
Courthouse Projects	-	366,633	-	-
Records Management/Preservation	-	-	-	-
Committed Fund Balance:				
Construction	-	-	-	-
Other Committed Fund Balance	-	-	-	-
Unassigned Fund Balance	68,483	-	-	-
Total Fund Balances	<u>68,483</u>	<u>366,633</u>	<u>518,402</u>	<u>808,089</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 76,850</u>	<u>\$ 534,465</u>	<u>\$ 890,208</u>	<u>\$ 1,167,781</u>

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

Road & Bridge #3	Road & Bridge #4	Road & Bridge #5	Law Library	Library	District Clerk Preservation	County Clerk Preservation	Records Management Office
\$ 396,478	\$ 106,030	\$ 41,805	\$ 25,108	\$ 38,335	\$ 37,010	\$ 82,986	\$ 12,313
383,501	383,501	-	-	146,074	-	-	-
(30,792)	(30,789)	-	-	(11,728)	-	-	-
374,726	374,725	-	190	107,439	1,630	-	212
<u>\$ 1,123,913</u>	<u>\$ 833,467</u>	<u>\$ 41,805</u>	<u>\$ 25,298</u>	<u>\$ 280,120</u>	<u>\$ 38,640</u>	<u>\$ 82,986</u>	<u>\$ 12,525</u>
\$ 10,408	\$ 6,736	\$ 615	\$ -	\$ -	\$ -	\$ -	\$ -
<u>10,408</u>	<u>6,736</u>	<u>615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
352,710	352,710	-	-	134,346	-	-	-
<u>352,710</u>	<u>352,710</u>	<u>-</u>	<u>-</u>	<u>134,346</u>	<u>-</u>	<u>-</u>	<u>-</u>
760,795	474,021	41,190	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	25,298	145,774	38,640	82,986	12,525
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>760,795</u>	<u>474,021</u>	<u>41,190</u>	<u>25,298</u>	<u>145,774</u>	<u>38,640</u>	<u>82,986</u>	<u>12,525</u>
<u>\$ 1,123,913</u>	<u>\$ 833,467</u>	<u>\$ 41,805</u>	<u>\$ 25,298</u>	<u>\$ 280,120</u>	<u>\$ 38,640</u>	<u>\$ 82,986</u>	<u>\$ 12,525</u>

HOCKLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	Courthouse Security	Court Technology	Permanent Improvements	Road Bond Fund
ASSETS				
Cash and Cash Equivalents	\$ 22,023	\$ 52,796	\$ 1,389,948	\$ 21,274
Taxes Receivable	-	-	763,913	-
Allowance for Uncollectible Taxes (credit)	-	-	(61,335)	-
Due from Other Funds	128	-	561,865	-
Total Assets	<u>\$ 22,151</u>	<u>\$ 52,796</u>	<u>\$ 2,654,391</u>	<u>\$ 21,274</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	702,578	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>702,578</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Highways and Streets	-	-	-	-
Courthouse Projects	22,151	52,796	-	-
Records Management/Preservation	-	-	-	-
Committed Fund Balance:				
Construction	-	-	1,951,813	21,274
Other Committed Fund Balance	-	-	-	-
Unassigned Fund Balance	-	-	-	-
Total Fund Balances	<u>22,151</u>	<u>52,796</u>	<u>1,951,813</u>	<u>21,274</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 22,151</u>	<u>\$ 52,796</u>	<u>\$ 2,654,391</u>	<u>\$ 21,274</u>

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

Mallet Operating Fund	Farm to Market & Lateral Road	Distict Attorney Forfeiture	District Attorney Proceeds	County Attorney Restitution	District Attorney Restitution	CA Pre-Trial Diversion	Total Nonmajor Special Revenue Funds
\$ 379,489	\$ 4,505	\$ 17,401	\$ 27,247	\$ 18,224	\$ 4,390	\$ 89,552	\$ 3,679,235
-	-	-	-	-	-	-	2,626,474
-	-	-	-	-	-	-	(210,878)
-	-	-	-	-	-	-	2,304,647
<u>\$ 379,489</u>	<u>\$ 4,505</u>	<u>\$ 17,401</u>	<u>\$ 27,247</u>	<u>\$ 18,224</u>	<u>\$ 4,390</u>	<u>\$ 89,552</u>	<u>\$ 8,399,478</u>
\$ 9,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,998
<u>9,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,998</u>
-	-	-	-	-	-	-	2,415,596
-	-	-	-	-	-	-	2,415,596
-	4,505	-	-	-	-	-	2,607,002
-	-	17,401	-	-	-	-	458,981
-	-	-	-	-	-	-	305,223
-	-	-	-	-	-	-	1,973,087
369,695	-	-	27,247	18,224	4,390	89,552	509,108
-	-	-	-	-	-	-	68,483
<u>369,695</u>	<u>4,505</u>	<u>17,401</u>	<u>27,247</u>	<u>18,224</u>	<u>4,390</u>	<u>89,552</u>	<u>5,921,884</u>
<u>\$ 379,489</u>	<u>\$ 4,505</u>	<u>\$ 17,401</u>	<u>\$ 27,247</u>	<u>\$ 18,224</u>	<u>\$ 4,390</u>	<u>\$ 89,552</u>	<u>\$ 8,399,478</u>

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Indigent Health Care	Jury Fund	Road & Bridge #1	Road & Bridge #2
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ 174,068	\$ 391,193	\$ 391,193
Licenses and Permits	-	-	130,525	130,524
Intergovernmental Revenue and Grants	-	10,350	89,847	274,068
Charges for Services	250,000	2,472	-	-
Fines	-	-	27,025	27,025
Forfeits	-	-	-	-
Investment Earnings	534	2,707	2,893	4,016
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	1,762	5,245	72,665	72,690
Total Revenues	<u>252,296</u>	<u>194,842</u>	<u>714,148</u>	<u>899,516</u>
EXPENDITURES:				
Current:				
General Government	-	335,298	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	733,865	823,579
Health and Welfare	170,265	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	123,445	112,190
Total Expenditures	<u>170,265</u>	<u>335,298</u>	<u>857,310</u>	<u>935,769</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>82,031</u>	<u>(140,456)</u>	<u>(143,162)</u>	<u>(36,253)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	9,500
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	(1,333)	(1,333)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,333)</u>	<u>8,167</u>
Net Change in Fund Balance	82,031	(140,456)	(144,495)	(28,086)
Fund Balance - January 1 (Beginning)	(13,548)	507,089	662,897	836,175
Fund Balance - December 31 (Ending)	<u>\$ 68,483</u>	<u>\$ 366,633</u>	<u>\$ 518,402</u>	<u>\$ 808,089</u>

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

Road & Bridge #3	Road & Bridge #4	Road & Bridge #5	Law Library	Library	District Clerk Preservation	County Clerk Preservation	Records Management Office
\$ 391,194	\$ 391,194	\$ -	\$ -	\$ 149,081	\$ -	\$ -	\$ -
130,524	130,524	-	-	-	-	-	-
214,160	-	-	-	-	-	-	-
-	-	-	-	1,851	4,629	41,500	7,217
27,025	27,025	78,398	3,410	1,420	-	-	-
-	-	-	-	-	-	-	-
4,278	2,730	280	190	861	254	993	77
-	-	-	-	-	-	-	-
-	-	-	-	(2,556)	-	-	-
72,780	72,706	-	-	-	-	-	-
<u>839,961</u>	<u>624,179</u>	<u>78,678</u>	<u>3,600</u>	<u>150,657</u>	<u>4,883</u>	<u>42,493</u>	<u>7,294</u>
-	-	-	-	-	-	92,922	7,609
-	-	-	-	-	-	-	-
633,791	573,604	77,487	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	5,480	217,367	-	-	-
457,403	119,858	-	-	495	-	-	1,302
<u>1,091,194</u>	<u>693,462</u>	<u>77,487</u>	<u>5,480</u>	<u>217,862</u>	<u>-</u>	<u>92,922</u>	<u>8,911</u>
<u>(251,233)</u>	<u>(69,283)</u>	<u>1,191</u>	<u>(1,880)</u>	<u>(67,205)</u>	<u>4,883</u>	<u>(50,429)</u>	<u>(1,617)</u>
91,708	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,334)	-	-	-	-	-	-	-
<u>90,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(160,859)	(69,283)	1,191	(1,880)	(67,205)	4,883	(50,429)	(1,617)
921,654	543,304	39,999	27,178	212,979	33,757	133,415	14,142
<u>\$ 760,795</u>	<u>\$ 474,021</u>	<u>\$ 41,190</u>	<u>\$ 25,298</u>	<u>\$ 145,774</u>	<u>\$ 38,640</u>	<u>\$ 82,986</u>	<u>\$ 12,525</u>

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Courthouse Security	Court Technology	Permanent Improvements	Road Bond Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ 753,146	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	12,870	9,951	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	113	384	10,130	151
Rents and Royalties	30	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>13,013</u>	<u>10,335</u>	<u>763,276</u>	<u>151</u>
EXPENDITURES:				
Current:				
General Government	2,102	11,120	107,790	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Health and Welfare	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	823,771	-
Total Expenditures	<u>2,102</u>	<u>11,120</u>	<u>931,561</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,911</u>	<u>(785)</u>	<u>(168,285)</u>	<u>151</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	-
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	10,911	(785)	(168,285)	151
Fund Balance - January 1 (Beginning)	<u>11,240</u>	<u>53,581</u>	<u>2,120,098</u>	<u>21,123</u>
Fund Balance - December 31 (Ending)	<u>\$ 22,151</u>	<u>\$ 52,796</u>	<u>\$ 1,951,813</u>	<u>\$ 21,274</u>

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

Mallet Operating Fund	Farm to Market & Lateral Road	Distict Attorney Forfeiture	District Attorney Proceeds	County Attorney Restitution	District Attorney Restitution	CA Pre-Trial Diversion	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,641,069
-	-	-	-	-	-	-	522,097
-	-	-	-	-	-	-	588,425
340,929	-	5,764	-	7,333	75	23,604	708,195
-	-	-	-	-	254	-	191,582
-	-	-	4,864	-	-	-	4,864
2,537	32	90	(217)	110	30	551	33,724
-	-	-	-	-	-	-	30
-	-	-	-	-	-	-	(2,556)
-	-	-	-	-	-	410	298,258
<u>343,466</u>	<u>32</u>	<u>5,854</u>	<u>4,647</u>	<u>7,443</u>	<u>359</u>	<u>24,565</u>	<u>4,985,688</u>
-	-	1,421	-	-	-	-	558,262
-	-	-	14,042	2,165	-	-	16,207
-	-	-	-	-	-	-	2,842,326
-	-	-	-	-	-	-	170,265
787,634	-	-	-	-	-	-	1,010,481
-	-	-	-	-	-	-	1,638,464
<u>787,634</u>	<u>-</u>	<u>1,421</u>	<u>14,042</u>	<u>2,165</u>	<u>-</u>	<u>-</u>	<u>6,236,005</u>
<u>(444,168)</u>	<u>32</u>	<u>4,433</u>	<u>(9,395)</u>	<u>5,278</u>	<u>359</u>	<u>24,565</u>	<u>(1,250,317)</u>
-	-	-	-	-	-	-	101,208
551,908	-	-	-	-	-	-	551,908
-	-	-	-	-	-	-	(4,000)
<u>551,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,116</u>
107,740	32	4,433	(9,395)	5,278	359	24,565	(601,201)
<u>261,955</u>	<u>4,473</u>	<u>12,968</u>	<u>36,642</u>	<u>12,946</u>	<u>4,031</u>	<u>64,987</u>	<u>6,523,085</u>
<u>\$ 369,695</u>	<u>\$ 4,505</u>	<u>\$ 17,401</u>	<u>\$ 27,247</u>	<u>\$ 18,224</u>	<u>\$ 4,390</u>	<u>\$ 89,552</u>	<u>\$ 5,921,884</u>

NONMAJOR ENTERPRISE FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2015

	Sheriff Commissary	Inmate Trust	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 35,882	\$ 7,220	\$ 43,102
Total Assets	35,882	7,220	43,102
NET POSITION			
Unrestricted Net Position	35,882	7,220	43,102
Total Net Position	\$ 35,882	\$ 7,220	\$ 43,102

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

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT H-7

	Sheriff Commissary	Inmate Trust	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 29,095	\$ 114,185	\$ 143,280
Total Operating Revenues	<u>29,095</u>	<u>114,185</u>	<u>143,280</u>
OPERATING EXPENSES:			
Purchased Property Services	3,426	-	3,426
Other Operating Expenses	-	40,251	40,251
Supplies	17,514	73,421	90,935
Total Operating Expenses	<u>20,940</u>	<u>113,672</u>	<u>134,612</u>
Operating Income	<u>8,155</u>	<u>513</u>	<u>8,668</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment Earnings	184	113	297
Total Non-operating Revenue (Expenses)	<u>184</u>	<u>113</u>	<u>297</u>
Change in Net Position	8,339	626	8,965
Total Net Position - January 1 (Beginning)	<u>27,543</u>	<u>6,594</u>	<u>34,137</u>
Total Net Position - December 31 (Ending)	<u>\$ 35,882</u>	<u>\$ 7,220</u>	<u>\$ 43,102</u>

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

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Sheriff Commissary	Inmate Trust	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 29,095	\$ 114,185	\$ 143,280
Cash Payments for Suppliers	(17,514)	(73,421)	(90,935)
Cash Payments for Other Operating Expenses	(3,426)	(40,251)	(43,677)
Net Cash Provided by Operating Activities	<u>8,155</u>	<u>513</u>	<u>8,668</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	<u>184</u>	<u>113</u>	<u>297</u>
Net Increase in Cash and Cash Equivalents	8,339	626	8,965
Cash and Cash Equivalents at Beginning of the Year:	<u>27,543</u>	<u>6,594</u>	<u>34,137</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 35,882</u>	<u>\$ 7,220</u>	<u>\$ 43,102</u>

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

AGENCY FUNDS

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2015

	J. P. Precinct #1	J. P. Precinct #2	J. P. Precinct #4	J. P. Precinct #5
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,570	\$ 576	\$ 849	\$ 18,680
Restricted Cash	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Agency Funds	-	-	-	-
 TOTAL ASSETS	 <u>\$ 1,570</u>	 <u>\$ 576</u>	 <u>\$ 849</u>	 <u>\$ 18,680</u>
<u>Liabilities:</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 7,335
Claims and Judgments Payable	-	-	-	-
Intergovernmental Payable	-	-	-	-
Due to Other Funds	1,570	576	849	11,345
Due to Fiduciary Funds	-	-	-	-
Due to Others	-	-	-	-
 TOTAL LIABILITIES	 <u>\$ 1,570</u>	 <u>\$ 576</u>	 <u>\$ 849</u>	 <u>\$ 18,680</u>

<u>County Clerk</u>	<u>County Clerk Trusts</u>	<u>District Clerk</u>	<u>District Clerk Trusts</u>	<u>County Attorney Processing</u>	<u>District Attorney Trust</u>
\$ 26,229	\$ 61,435	\$ 175,028	\$ -	\$ 87,691	\$ 13,984
-	-	-	130,474	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 26,229</u>	<u>\$ 61,435</u>	<u>\$ 175,028</u>	<u>\$ 130,474</u>	<u>\$ 87,691</u>	<u>\$ 13,984</u>
\$ -	\$ -	\$ 161,263	\$ -	\$ 83,071	\$ 13,984
-	61,435	-	-	-	-
-	-	3,799	-	-	-
26,229	-	9,966	-	4,620	-
-	-	-	-	-	-
-	-	-	130,474	-	-
<u>\$ 26,229</u>	<u>\$ 61,435</u>	<u>\$ 175,028</u>	<u>\$ 130,474</u>	<u>\$ 87,691</u>	<u>\$ 13,984</u>

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION (Cont.)
 FIDUCIARY FUNDS
 DECEMBER 31, 2015

	Sheriff's Bond Fund	Adult and Juvenile Probation	Sheriff's Work Release Program	Tax A/C Tax Account
<u>Assets</u>				
Cash and Cash Equivalents	\$ 71,910	\$ 168,081	\$ 1,870	\$ 3,398,419
Restricted Cash	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Agency Funds	-	-	-	115,210
 TOTAL ASSETS	 <u>\$ 71,910</u>	 <u>\$ 168,081</u>	 <u>\$ 1,870</u>	 <u>\$ 3,513,629</u>
<u>Liabilities:</u>				
Accounts Payable	\$ 71,910	\$ 167,983	\$ -	\$ -
Claims and Judgments Payable	-	-	-	-
Intergovernmental Payable	-	-	-	2,653,769
Due to Other Funds	-	-	1,870	82,573
Due to Fiduciary Funds	-	-	-	582,865
Due to Others	-	98	-	194,422
 TOTAL LIABILITIES	 <u>\$ 71,910</u>	 <u>\$ 168,081</u>	 <u>\$ 1,870</u>	 <u>\$ 3,513,629</u>

EXHIBIT H-9 (Cont.)

L.E.O.S.E.	Road and Bridge Extra Fee Account	Tax A/C Highway Account	Sheriff's Forfeit Account	Dealer Escrow Account	Tax A/C Office Expense
\$ 21,666	\$ 264,871	\$ 305,973	\$ 58,974	\$ 107,358	\$ 42,253
-	-	-	-	-	-
-	-	-	-	8,876	-
-	-	-	-	-	-
<u>\$ 21,666</u>	<u>\$ 264,871</u>	<u>\$ 305,973</u>	<u>\$ 58,974</u>	<u>\$ 116,234</u>	<u>\$ 42,253</u>
\$ 21,666	\$ -	\$ 25,094	\$ -	\$ -	\$ 42,253
-	-	-	-	-	-
-	-	268,088	-	-	-
-	264,871	12,791	-	1,024	-
-	-	-	-	115,210	-
-	-	-	58,974	-	-
<u>\$ 21,666</u>	<u>\$ 264,871</u>	<u>\$ 305,973</u>	<u>\$ 58,974</u>	<u>\$ 116,234</u>	<u>\$ 42,253</u>

HOCKLEY COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION (Cont.)
 FIDUCIARY FUNDS
 DECEMBER 31, 2015

EXHIBIT H-9 (Cont.)

	Sheriff's Fee Account	Auditor's Auto Registration Fund	Ad Valorem Tax Fund	Totals
<u>Assets</u>				
Cash and Cash Equivalents	\$ 2,015	\$ 105,753	\$ 5,917,870	\$ 10,853,055
Restricted Cash	-	-	-	130,474
Accounts Receivable	-	-	-	8,876
Due from Agency Funds	-	-	582,865	698,075
TOTAL ASSETS	<u>\$ 2,015</u>	<u>\$ 105,753</u>	<u>\$ 6,500,735</u>	<u>\$ 11,690,480</u>
<u>Liabilities:</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 594,559
Claims and Judgments Payable	-	-	-	61,435
Intergovernmental Payable	-	-	-	2,925,656
Due to Other Funds	2,015	105,753	6,500,735	7,026,787
Due to Fiduciary Funds	-	-	-	698,075
Due to Others	-	-	-	383,968
TOTAL LIABILITIES	<u>\$ 2,015</u>	<u>\$ 105,753</u>	<u>\$ 6,500,735</u>	<u>\$ 11,690,480</u>

OTHER SCHEDULES

HOCKLEY COUNTY, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
DECEMBER 31, 2015

YEAR ENDED DECEMBER 31,	TAX RATES		ASSESSED/ APPRAISED VALUE FOR TAX PURPOSES
	LOCAL	DEBT SERVICE	
2006 AND PRIOR	\$ VARIOUS	\$ VARIOUS	\$ VARIOUS
2007	\$ 0.28950	\$ 0.00000	\$ 2,234,039,102
2008	\$ 0.28950	\$ 0.00000	\$ 2,914,476,684
2009	\$ 0.23950	\$ 0.00000	\$ 2,986,760,970
2010	\$ 0.24840	\$ 0.05503	\$ 3,830,914,567
2011	\$ 0.28870	\$ 0.04772	\$ 3,427,470,541
2012	\$ 0.30680	\$ 0.04970	\$ 3,758,901,283
2013	\$ 0.27541	\$ 0.04126	\$ 3,623,455,322
2014	\$ 0.30640	\$ 0.04406	\$ 4,306,993,240
2015	\$ 0.30442	\$ 0.04392	\$ 4,007,382,865

TOTALS

EXHIBIT J-1

BEGINNING BALANCE 1/01/2015	CURRENT YEAR'S TOTAL LEVY	COLLECTIONS		ADJUST- MENTS	ENDING BALANCE 12/31/2015
		LOCAL	DEBT SERVICE		
\$ 55,189	\$ -	\$ 1,838	\$ 95	\$ 2,093	\$ 55,349
8,387	-	787	-	(932)	6,668
7,144	-	998	-	(326)	5,820
12,681	-	2,628	-	(254)	9,799
17,151	-	4,127	682	(315)	12,027
26,864	-	8,139	1,318	(732)	16,675
34,867	-	11,490	1,724	(926)	20,727
80,406	-	31,415	4,517	(8,248)	36,226
6,099,478	-	5,252,274	742,970	(14,829)	89,405
-	13,874,732	3,555,810	504,054	23,729	9,838,597
<u>\$ 6,342,167</u>	<u>\$ 13,874,732</u>	<u>\$ 8,869,506</u>	<u>\$ 1,255,360</u>	<u>\$ (740)</u>	<u>\$ 10,091,293</u>

HOCKLEY COUNTY, TEXAS
 RECONCILIATION OF CURRENT TAX COLLECTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Taxes Assessed
2015 Adjusted Tax Roll	\$ 13,874,732
Less: Current Tax Collections	(4,059,864)
Plus: Current Year Adjustments	<u>23,729</u>
<i>Current Taxes Receivable</i>	<u><u>\$ 9,838,597</u></u>
Percent of current taxes collected through December 31, 2015	<u><u>29.26%</u></u>

HOCKLEY COUNTY, TEXAS
RECONCILIATION OF DELINQUENT TAX COLLECTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Delinquent Taxes Receivable - January 1, 2015	\$	242,689
Plus: Taxes Transferred to Delinquent Roll - September 30, 2015		
Current Taxes Receivable - January 1, 2015	\$	6,099,478
Less: Tax Collections January through September, 2015		(5,935,893)
Plus: Net Adjustments and Supplements		740
 2014 Taxes Transferred to Delinquent Roll - September 30, 2015		 164,325
Available for Collection	\$	407,014
Less: Adjustments		(20,987)
Less: Write-Offs per State Statutes		(1,507)
Less: Prior Year Refund Collections		(1,975)
Less: Tax Collections January through September, 2015		(89,461)
Less: Tax Collections October through December, 2015		(40,388)
 <i>Delinquent Taxes Receivable - December 31, 2015</i>	 \$	 252,696

HOCKLEY COUNTY, TEXAS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
DECEMBER 31, 2015

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value December 31, 2014
AIM Bank	FHLMC # 2B0639 ARM Matures 6/01/2042	The Independent Bankers Bank Dallas, TX	899,013
AIM Bank	FHLMC GOLD G18535 Matures 12/01/2029	The Independent Bankers Bank Dallas, TX	4,320,345
AIM Bank	FNMA # AK0706-a Matures 2/01/2027	The Independent Bankers Bank Dallas, TX	946,168
AIM Bank	FNMA # AK0706-b Matures 2/01/2027	The Independent Bankers Bank Dallas, TX	1,383,598
AIM Bank	FNMA # AL0519 Matures 3/01/2026	The Independent Bankers Bank Dallas, TX	1,110,499
AIM Bank	FNMA # AL2188 ARM Matures 6/01/2042	The Independent Bankers Bank Dallas, TX	1,222,098
AIM Bank	FNMA # MA1089 Matures 6/01/2032	The Independent Bankers Bank Dallas, TX	1,649,305
AIM Bank	FNMA # MA1153 Matures 8/01/2022	The Independent Bankers Bank Dallas, TX	1,889,183
AIM Bank	FNMA # MA1181 Matures 9/01/2022	The Independent Bankers Bank Dallas, TX	2,417,313
AIM Bank	FNMA # MA1218 Matures 10/01/2022	The Independent Bankers Bank Dallas, TX	2,003,571
AIM Bank	FNMA # MA1452 Matures 05/01/2023	The Independent Bankers Bank Dallas, TX	718,086
AIM Bank	FNMA # MA1892 Matures 05/01/2024	The Independent Bankers Bank Dallas, TX	3,956,039
AIM Bank	FNMA POOL AE0729 Matures 1/01/2026	The Independent Bankers Bank Dallas, TX	864,744
			<u>\$ 23,379,962</u>

HOCKLEY COUNTY, TEXAS
SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED DECEMBER 31, 2015

Company	Policy Number	Policy Period		Type of Insurance
		From	To	
West Texas Rural Counties Assoc. Preferred Risk Pool Fund	H-DPK1014212HCT	03/22/15	03/22/16	General Liability
Texas Association of Counties	AL 110 2013 03 22	03/22/15	04/01/16	Liability, B.I.P.D., Uninsured, Underinsured
West Texas Rural Counties Assoc. Preferred Risk Pool Fund	H-DPK1014212HCT	03/22/15	03/22/16	Property Insurance
Texas Association of Counties	PO 1100 2014 03 22	03/22/15	04/01/16	Public Officials and Employee Liability
Texas Association of Counties	CR 11000 2014 04 01	04/01/15	04/01/16	Crime Coverage
West Texas Rural Counties Assoc. Preferred Risk Pool Fund	H-DPK1014212HCT	03/22/15	03/22/16	Law Enforcement Liability Policy
Texas Association of Counties	APD 1100 2014 03 22	01/01/15	01/01/16	Juvenile Prob/Co Judge
Chubb Inland Marine Insurance	0664-04-25WUC	03/22/15	04/01/16	Comprehensive Property Damage/Per Accident
Texas Association of Counties	WC 1100 2014 01 01	03/23/15	03/22/16	Worker's Compensation
Western Surety Company	18242784	01/01/15	01/01/16	Errors and Omissions
National District Attorneys	CEM 701	01/12/15	01/12/16	Professional Liability
TLIE Texas Lawyers Insurance	53094	4/1/2015	4/1/2016	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	\$ 9,000
Auto Fleet		\$ 300,000 Per Endorsement	\$ 11,313
Fire, E. C., M. M., Van.	\$5,000 Deductible \$10,000 Wind & Hail	\$ 54,321,033 3,590,000	\$ 117,040
Public Officials and Employees Liability	\$10,000 Deductible	\$ 2,000,000	\$ 15,865
Cyber, Counterfeit, Forgery, Dishonesty, Computer Fraud	\$1,000 Deductible	\$ 20,000 to 100,000	\$ 2,576
Comprehensive Law(Police) Enforcement Liability	\$5,000 Deductible	\$ 1,000,000 Each Wrongful Act	\$ 21,134
Physical Damage, Collision	\$500 Deductible	Damages	\$ 1,346
Computer and Printers Electronic Equipment	\$1,000 Deductible	\$ 442,973	\$ 5,050
Employees	No Deductible	Unlimited	\$ 89,642
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
			\$ 276,549

HOCKLEY COUNTY, TEXAS
SURETY BOND SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015

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
Bonnie Sue Coker	LPO1136525	01/01/11	01/01/15
Brenda Nock	15865337	06/19/13	Continuous
Paula Moody	15865338	06/19/13	Continuous
Jalisa Salazar	54939501	05/01/14	Continuous
Curtis Thrash	POB2104895	01/01/13	01/01/15
Larry R. Carter	LPO1136526	01/01/11	01/01/15
J.L. Whitey Barnett	93QS20269	01/01/13	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
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
Gary Moran	54939157	08/13/13	08/13/14
Clyde Jeffrey Foster	54939213	01/06/13	01/06/14
Ferris E. Shaheen	15262617	02/25/09	02/25/13
Tracy Rogers	61766428	07/22/13	07/22/17
Cody Salazar	54939466	07/05/13	07/02/14
Don Henderson	61777820	08/13/13	Continuous
Margaret Jeffcoat	61746089	07/11/13	07/05/17
Brenda Nock	54939500	01/01/14	01/01/18
Jeff Pharis	61790536	08/20/13	08/20/17
David Lee Olivo	61871364	11/13/13	Continuous

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 #1	5,000.00	Old Republic Surety Co.
Justice of the Peace - Precinct #5	5,000.00	Western Surety Company
Justice of the Peace Clerk	5,000.00	Western Surety Company
Justice of the Peace Clerk	2,500.00	Western Surety Company
County Commissioner - Precinct #1	3,000.00	Old Republic Surety Co.
County Commissioner - Precinct #2	3,000.00	Old Republic Surety Co.
County Commissioner - Precinct #3	3,000.00	State Farm Fire & Casualty Co.
County Commissioner - Precinct #4	3,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
Deputy Clerk	40,000.00	Western Surety Company
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
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
Narcotics Investigator	10,000.00	Western Surety Company
Special Investigator	10,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
Reserve Deputy	2,000.00	Western Surety Company
County Judge	5,000.00	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
 FOR THE YEAR ENDED DECEMBER 31, 2015

Name	Policy Number	Effective Dates	
		Beginning	Ending
David Beseda	15100738	02/08/08	02/08/12
Chrisina Rodriguez	62053906	05/06/14	Continuous
Cheryl Smart	71165526	05/07/13	05/07/14
Tammy Barron	71306678	05/06/14	Continuous
Jellica Meza Morales	62013005	03/07/14	Continuous
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
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. Sprowls	13739188	01/01/11	01/01/14
Dennis Price	14381670	01/01/11	01/01/15
Marilyn Kay Daniel	54939154	06/29/13	Continuous
Allyson Sherrill	54939422	08/10/13	08/10/14
Steffani Cantwell	62054156	06/03/14	Continuous
Larae Berry	54939460	12/17/13	12/17/14
R. C. Check	54939427	01/01/13	01/01/17

EXHIBIT J-6

Office	Bond Amount	Bonding Company
Reserve Deputy	2,000.00	Western Surety Company
Tax Clerk	5,000.00	Western Surety Company
Bookkeeper	10,000.00	Western Surety Company
Deputy Tax Clerk	10,000.00	Western Surety Company
Deputy Tax Clerk	10,000.00	Western Surety Company
Deputy Tax Assessor-Collector	10,000.00	Western Surety Company
Tax Collector-Assessor	100,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
Deputy Tax Collector	10,000.00	Western Surety Company
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
Director Mallet Event Center	10,000.00	Western Surety Company
Executive Assistant	5,000.00	Western Surety Company
Mallet Livestock Manager	2,500.00	Western Surety Company
Sheriff	10,000.00	Western Surety Company

HOCKLEY COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2014
Total Pension Liability	
Service cost	\$ 654,382
Interest (on the total pension liability)	1,884,149
Changes of benefit terms	-
Difference between expected and actual experience	(31,684)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(1,307,737)
Net Change in Total Pension Liability	1,199,110
Total Pension Liability - Beginning	23,581,416
Total Pension Liability - Ending (a)	\$ 24,780,526
 Plan Fiduciary Net Position	
Contributions - employer	\$ 914,506
Contributions - employee	344,180
Net investment income	1,459,207
Benefit payments, including refunds of employee contributions	(1,307,737)
Administrative expense	(16,884)
Other	48,359
Net Change in Plan Fiduciary Net Position	1,441,631
Plan Fiduciary Net Position - Beginning	21,210,768
Plan Fiduciary Net Position - Ending (b)	\$ 22,652,399
 Net Pension Liability - Ending (a) - (b)	\$ 2,128,127
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.41%
 Covered Employee Payroll	\$ 4,916,857
 Net Pension Liability as a Percentage of Covered Employee Payroll	43.28%

HOCKLEY COUNTY, TEXAS
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 659,083	\$ 914,506
Contributions in relation to actuarially determined contribution	<u>(659,083)</u>	<u>(914,506)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,062,087	\$ 4,916,857
Contributions as a percentage of covered employee payroll	13.02%	18.60%

HOCKLEY COUNTY, TEXAS
 NOTES TO SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2015

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	12.6
Asset Valuation Method	5-yr smoothed value; Fund value
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Retirement Age	Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit.
Mortality	The RP2000 Active Employee Mortality Table for males with a two-year set-forward and a four-year setback for females with the projection scale AA.

Other Information: There were no benefit changes during the year.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Sham L. Myatt CPA
Phelps Blume CPA
Sarah J. Osburn 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, 2015, and the related notes to the financial statements, which collectively comprise Hockley County, Texas' basic financial statements, and have issued our report thereon dated October 5, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Respectfully submitted,



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

October 5, 2016