

**LAMB COUNTY, TEXAS**

*ANNUAL FINANCIAL REPORT*

FOR THE YEAR ENDED  
SEPTEMBER 30, 2018

**Webb, Webb, and Wright**  
Certified Public Accountants

823 Lfd Drive  
Littlefield, Texas 79339  
(806) 385-5181

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Name of Official  
-----

Office  
-----

James M. DeLoach  
Cory DeBerry  
Kent Lewis  
Danny Short  
Jimmy Young  
Scott Say  
Gina Jones  
Gary Maddox  
Jerry Yarbrough  
Brenda Goheen  
Tonya Ritchie  
Stephanie Chester  
Becky DeBerry  
Christy Clark  
Al Mann  
Melton Hanna

County Judge  
Commissioner, Precinct #1  
Commissioner, Precinct #2  
Commissioner, Precinct #3  
Commissioner, Precinct #4  
County Attorney  
County Auditor  
County Sheriff  
County Treasurer  
Tax Assessor-Collector  
County Clerk  
District Clerk  
Justice of Peace #1  
Justice of Peace #2  
Justice of Peace #3  
Justice of Peace #4



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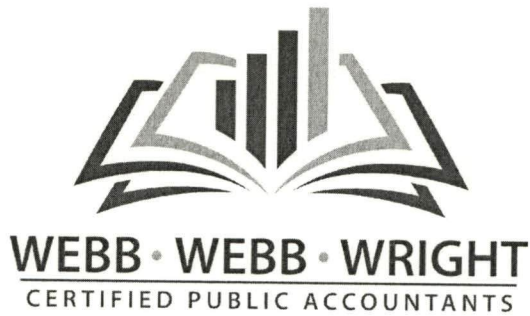
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FINANCIAL SECTION



## Independent Auditor's Report

Honorable County Judge and Commissioners' Court  
Lamb County  
100 6<sup>th</sup> Street  
Littlefield, Texas 79339

### **Report on the Financial Statements**

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 Lamb County, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Lamb 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 did not audit the financial statements of the Lamb Healthcare Center, which is both a major fund and 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lamb Healthcare Center, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



An audit 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, based on our audit and the report of other auditors, 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 Lamb County, as of September 30, 2018 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 management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information 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 and other auditors 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamb County's basic financial statements. The combining fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial statements, other supplementary information, and the schedule of expenditures of federal awards 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining fund financial statements, other supplementary information, and the schedule of expenditures of federal awards 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 June 14, 2019 on our consideration of Lamb County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Lamb County's internal control over financial reporting and compliance.

Respectfully submitted,



WEBB, WEBB AND WRIGHT, CPA's  
Littlefield, TX  
June 20, 2019



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Lamb County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the County's financial statements.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the County as a whole and present a long-term view of the County's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the County were sold to departments within the County or to external customers and how well the sales revenues covered the expenses of the goods or services. The fiduciary statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

### **Reporting the County as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

The analysis of the County's overall financial condition and operations is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the same basis of accounting used by most private sector companies – accrual.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by business functions that are intended to recover a portion of their costs through user fees and charges and general revenues provided by the taxpayers. All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's net position and changes in them. The County's net position (the difference between assets, plus deferred outflows of resources less liabilities, less deferred inflows of resources) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider nonfinancial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County operates under two kinds of activities:

*Governmental activities* – Most of the County's basic services are reported here, including general government, public safety, highways and streets and judicial. Property taxes and fees finance most of these activities.

*Business-type activities* – The County charges a fee to customers to help it cover all or most of the cost of services it provides in health services.

## **Reporting the County's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. The County's administration establishes many funds to help it control and manage money for particular purposes.

*Governmental Funds* – The County reports most of its basic services in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides.



We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

*Proprietary Funds* – The County reports the activities for which it charges users (whether outside customers or other units of the County) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise fund (one category of proprietary funds) is the business-type activity reported in the government-wide statements but containing more detail and some additional information, such as cash flows.

*Fiduciary Funds* - The County is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's total primary government activities.

During the fiscal year ended September 30, 2018, the County became aware some expenditures reported in the prior year should have been capitalized. The County recorded a Prior Period Adjustment which increased beginning Net Position of the County's governmental activities by \$347,975 from \$7,974,095 to \$8,322,070.

Net position of the County's governmental activities increased from \$8,322,070 to \$10,420,001. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,665,129 at September 30, 2018.

This increase in governmental net position was the result of the County's revenues exceeding expenses by \$2,097,930.

The net position of our business-type activities decreased by \$598,736. This decrease is significant to the overall operations of the County as it provides significant services to the community. Factors contributing to this decrease are shown in Exhibit B-1.



**Table 1**

## Lamb County

**Net Position**

in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change 2017-2018
	2018	2017	2018	2017	2018	2017	
Current and other assets	4,419	4,419	608	1,032	5,027	5,451	-7.8%
Capital assets	9,010	5,821	1,384	1,689	10,394	7,510	38.4%
Total assets	<u>13,429</u>	<u>10,240</u>	<u>1,992</u>	<u>2,721</u>	<u>15,421</u>	<u>12,961</u>	19.0%
Total deferred outflows of resources	<u>555</u>	<u>1,287</u>			<u>555</u>	<u>1,287</u>	-56.9%
Long-term liabilities	1,666	2,271			1,666	2,271	-26.6%
Other liabilities	<u>1,465</u>	<u>966</u>	<u>946</u>	<u>1,077</u>	<u>2,411</u>	<u>2,043</u>	18.0%
Total liabilities	<u>3,131</u>	<u>3,237</u>	<u>946</u>	<u>1,077</u>	<u>4,077</u>	<u>4,314</u>	-5.5%
Total deferred inflows of resources	<u>434</u>	<u>315</u>			<u>434</u>	<u>315</u>	37.8%
Net position							
Net investment in capital assets	8,226	5,323	1,384	1,689	9,610	7,012	37.1%
Restricted	529	264			529	264	100.4%
Unrestricted	<u>1,665</u>	<u>2,388</u>	<u>(338)</u>	<u>(45)</u>	<u>1,327</u>	<u>2,343</u>	-43.4%
Total net position	<u><u>10,420</u></u>	<u><u>7,974</u></u>	<u><u>1,045</u></u>	<u><u>1,644</u></u>	<u><u>11,465</u></u>	<u><u>9,618</u></u>	19.2%

**Table 2**

## Lamb County

**Changes in Net Position**

in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Revenues:							
Net program revenues:							
Charges for services	578	579	8,563	8,403	9,141	8,982	1.8%
Operating grants and contributions	582	711			582	711	-18.1%
Capital grants and contributions	2,593		9	13	2,602	13	19915.4%
General revenues:							
Property taxes	7,196	7,045			7,196	7,045	2.1%
Licenses and permits					-		
Commissions	519	519			519	519	0.0%
Grants and contributions not restricted					-		
Investment earnings	90	62	4	3	94	65	44.6%
Other	249	135	496	729	745	864	-13.8%
Gain (Loss) on sale of assets	223	38			223	38	486.8%
Total revenues	12,030	9,090	9,071	9,148	21,103	18,238	15.7%
Expenses:							
General government	1,390	1,683			1,390	1,683	-17.4%
Financial	455	481			455	481	-5.4%
Judicial	601	609			601	609	-1.3%
Legal	224	225			224	225	-0.4%
Public safety	3,220	3,387			3,220	3,387	-4.9%
Facilities	140	140			140	140	0.0%
Public welfare	88	80			88	80	10.0%
Culture/Recreation	392	380			392	380	3.2%
Road and bridge	2,383	2,463			2,383	2,463	-3.2%
Health			10,690	11,377	10,690	11,377	-6.0%
Interest on long-term debt	20	16			20	16	25.0%
Total expenses	8,912	9,465	10,690	11,377	19,603	20,841	-5.9%

**Table 2**

## Lamb County

**Changes in Net Position**

in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Increase (decrease) in net position before transfers	3,118	(374)	(1,619)	(2,229)	1,499	(2,603)	-157.6%
Transfers	(1,020)	(1,001)	1,020	1,001	-	-	0.0%
Change in net position	2,098	(1,375)	(599)	(1,228)	1,499	(2,603)	-157.6%
Net position-beginning	7,974	9,349	1,644	2,873	9,618	12,222	-21.3%
Prior period adjustment	348	-	-	-	348	-	0.0%
Net position- beginning as restated	8,322	9,349	1,644	2,873	9,966	12,222	-18.5%
Net position-ending	10,420	7,974	1,045	1,644	11,465	9,618	19.2%



The County's governmental revenues increased by \$2,939,717 this year. The total cost of governmental programs and services decreased by \$552,459 this year. The County's business revenues decreased by \$77,319 this year. The total cost of business programs and services decreased by \$687,821 this year.

Key elements of the analysis of government-wide revenues and expenses are as follows:

- Current year property tax revenues increased by \$153,508 over previous year collections. This increase is the result of increases to the tax base that totaled a little over \$21 million.
- Fee office collections increased \$2,247 or .5% over prior year collections. There were minor increases and decreases in multiple offices. There were significant increases in Justice of the Peace 3 and decreases in District Clerk fees.
- Total General Fund expenses increased during the year. A portion of this increase is reflected in the Non-Departmental area of the budget for the Sheriff's Office. The Non-Departmental budget saw increases due to the purchase of a new generator for the Jail and the purchase of the Lamb Health Care Clinic. There were increases in retirement expense and employee medical benefits.

The cost of all governmental and business-type activities this year was \$19,601,774. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes, licenses and permits, and commissions was only \$7,715,586 because \$9,141,208 of the costs were paid by those who directly benefited from the programs, \$3,183,125 by other governments and organizations that subsidized certain programs with grants and contributions.

## **THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$2,779,242, which is significantly lower than last year's total of \$3,227,964. Included in this year's total change in fund balance is a net decrease of \$714,034 in the County's General Fund.

The County's proprietary fund reported a net position of \$1,045,364 which is significantly lower than last year's total of \$1,644,100.

The details of the above summarized information can be found on Exhibit C-3 and Exhibit D-2.

Highlights include:

- Total Tax revenue including delinquent taxes increased \$153,501 over prior year collections. Taxes increased due to an increase in tax base. Although there was an increase in tax base, the County chose to retain the same tax rate as the previous year.
- Expenditures in governmental funds increased over prior year totals. A 5% salary increase was budgeted for all employees. The primary areas of increase were in capital outlay.

**General Fund Budgetary Highlights**

The County's General Fund balance of \$2,250,089 differs from the General Fund's budgetary fund balance of \$790,148. This difference is shown on the budgetary comparison schedule (Exhibit F-1).

The County budget is prepared by the County Judge and approved by the Commissioners Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure line item level. Budgetary adjustments must be approved by the Commissioners Court. The significant differences between the original budget and the final budget were due to grant revenue being received after the start of the fiscal year. During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. The final budget reflected an excess of expenditures over revenues of \$897,573; however, the actual excess was revenues over expenditures of \$28,466. Major variances included:

- Total revenues collected were more than budgeted revenue. Property tax revenue exceeded budget by \$19,097 due to higher than expected collection rates and increased penalties and interest on collections of delinquent taxes.
- Total interest revenue collected for the General Fund was more than budgeted by \$35,516.
- Total expenditures for the General Fund were 11.66% less than the ending budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2018, the County had \$21,309,704 invested in a broad range of governmental capital assets, including administrative facilities and equipment, public safety facilities and equipment, and maintenance buildings and equipment. This amount represents a net increase of \$3,359,348, or approximately 18.71% more than last year.

This year's major additions included:

Land	\$	2,320
Buildings & Improvements	\$	2,634,696
Machinery & Equipment	\$	934,562
Vehicles	\$	420,367
Office Equipment	\$	10,750
Total	\$	<u>4,002,695</u>



Specific additions include the following:

- The Sheriff's Office purchased 3 new vehicles, new trailer, and server.
- Renovations for the old jail in the Courthouse were started.
- A new ambulance was purchased for Amherst EMS.
- The Lamb Health Care Clinic was purchased from Covenant Medical.

The County will continue renovation projects for the courthouse in the next fiscal year with no plans to incur any new debt to finance said capital expenditures.

### ***Debt***

At year-end, the County had \$783,936 in outstanding governmental debt versus \$497,925 last year. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected officials considered many factors when setting the fiscal year 2019 budget and tax rates such as the following:

- Additional money was also budgeted in contract/professional services for renovations for the courthouse
- There were also budget increases for health insurance due to increased cost.
- A significant one year increase in tax valuations will result an estimated \$700,000.00 increase in tax revenue for Fiscal Year 2019.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Judge's office.



BASIC FINANCIAL STATEMENTS

LAMB COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,766,768	\$ 1,999	\$ 2,768,767
Receivables (net of allowance for uncollectibles)	912,370	1,020,674	1,933,044
Internal Balances	727,184	(727,184)	-
Due from Other Funds	7,201		7,201
Due from Others	4,369		4,369
Inventories	1,600	262,987	264,587
Prepays and Other Current Assets		49,621	49,621
Capital Assets (net of accumulated depreciation):			
Land	35,290	61,822	97,112
Buildings and Improvements	5,659,766	388,653	6,048,419
Machinery and Equipment	1,100,941	932,713	2,033,654
Vehicles	1,046,735		1,046,735
Office Equipment	214,299		214,299
Capital Leases	952,624		952,624
Construction in Progress		540	540
Total Capital Assets	\$ 9,009,655	\$ 1,383,728	\$ 10,393,383
<b>TOTAL ASSETS</b>	<b>\$ 13,429,148</b>	<b>\$ 1,991,825</b>	<b>\$ 15,420,973</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pensions	\$ 555,366	\$ -	\$ 555,366
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 555,366</b>	<b>\$ -</b>	<b>\$ 555,366</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,241,061	\$ 344,188	\$ 1,585,249
Accrued Liabilities	31,068	602,273	633,341
Due to Others	25,958		25,958
Noncurrent Liabilities:			
Due within one year	167,140		167,140
Due in more than one year	616,796		616,796
Net Pension Liability	1,048,798		1,048,798
<b>TOTAL LIABILITIES</b>	<b>\$ 3,130,821</b>	<b>\$ 946,461</b>	<b>\$ 4,077,282</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pensions	\$ 433,692	\$ -	\$ 433,692
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 433,692</b>	<b>\$ -</b>	<b>\$ 433,692</b>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

	<u>PRIMARY GOVERNMENT</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 8,225,719	\$ 1,383,728	\$ 9,609,447
Restricted for Special Revenue	529,153		529,153
Unrestricted	<u>1,665,129</u>	<u>(338,364)</u>	<u>1,326,765</u>
TOTAL NET POSITION	<u>\$ 10,420,001</u>	<u>\$ 1,045,364</u>	<u>\$ 11,465,365</u>

The accompanying notes are an integral part of these financial statements.



LAMB COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
FUNCTIONS/PROGRAMS						
PRIMARY GOVERNMENT:						
Governmental Activities:						
General Government	\$ 1,389,788	\$ 156,096	\$ 59,260	\$ -	\$ (1,174,432)	\$ (1,174,432)
Financial	454,526	98,779	-	-	(355,748)	(355,748)
Judicial	600,706	226,638	19,323	-	(354,745)	(354,745)
Legal	224,225	33,657	65,843	-	(124,725)	(124,725)
Public Safety	3,219,678	59,853	304,275	-	(2,855,550)	(2,855,550)
Facilities	139,986	-	-	-	(139,986)	(139,986)
Public Welfare	87,833	615	-	-	(87,218)	(87,218)
Culture/Recreation	392,207	2,326	-	-	(389,881)	(389,881)
Road and Bridge	2,383,416	-	133,018	2,592,777	342,378	342,378
Interest on Long-Term Debt	19,781	-	-	-	(19,781)	(19,781)
Total Governmental Activities	<u>\$ 8,912,148</u>	<u>\$ 577,964</u>	<u>\$ 581,719</u>	<u>\$ 2,592,777</u>	<u>\$ (5,159,688)</u>	<u>\$ (5,159,688)</u>
Business - Type Activities:						
Health	\$ 10,689,626	\$ 8,563,244	\$ -	\$ 8,629	\$ (2,117,753)	\$ (2,117,753)
Total Business Type Activities	<u>\$ 10,689,626</u>	<u>\$ 8,563,244</u>	<u>\$ -</u>	<u>\$ 8,629</u>	<u>\$ (2,117,753)</u>	<u>\$ (2,117,753)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 19,601,774</u>	<u>\$ 9,141,208</u>	<u>\$ 581,719</u>	<u>\$ 2,601,406</u>	<u>\$ (5,159,688)</u>	<u>\$ (2,117,753)</u>
General Revenues:						
Property Taxes					\$ 7,196,052	\$ 7,196,052
Licenses and permits					715	715
Commissions					518,819	518,819
Grants and contributions not restricted to specific programs					-	-
Investment earnings					89,801	3,516
Other					249,108	495,700
Gain (Loss) on sale of assets					222,926	222,926
Transfers					(1,019,801)	1,019,801
Total general revenues and transfers					<u>\$ 7,257,618</u>	<u>\$ 1,519,017</u>
Changes in net position					\$ 2,097,930	\$ (598,736)
Net position - beginning					\$ 7,974,095	\$ 1,644,100
Prior period adjustment					347,975	-
Net position - beginning, as restated					<u>8,322,070</u>	<u>1,644,100</u>
Net position - ending					<u>\$ 10,420,001</u>	<u>\$ 1,045,364</u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	<u>GENERAL FUND</u>	<u>TEXAS CAPITAL GRANT FUND</u>	<u>EDA GRANT FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,187,138	\$ 8,628		\$ 571,002	\$ 2,766,768
Investments	-			-	-
Accounts Receivable	14,254	118,300	394,641	24,719	551,914
Delinquent Tax Receivable	400,508			-	400,508
Allowance for Uncollectible Tax	(40,051)			-	(40,051)
Due From Other Funds	747,204		30,278	-	777,482
Due From Others				4,369	4,369
Inventory	1,600			-	1,600
<b>TOTAL ASSETS</b>	<u>\$ 3,310,654</u>	<u>\$ 126,927</u>	<u>\$ 424,919</u>	<u>\$ 600,091</u>	<u>\$ 4,462,591</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 653,332	\$ 96,538	\$ 452,271	\$ 38,920	\$ 1,241,061
Accrued Liabilities	12,783			(9)	12,774
Due To Other Funds	12,820	30,278		-	43,099
Due To Others	21,173			4,785	25,958
<b>TOTAL LIABILITIES</b>	<u>\$ 700,107</u>	<u>\$ 126,817</u>	<u>\$ 452,271</u>	<u>\$ 43,696</u>	<u>\$ 1,322,892</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	\$ 360,458	\$ -	\$ -	\$ -	\$ 360,458
<b>TOTAL DEFERRED INFLOWS OF RESOURCE</b>	<u>\$ 360,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,458</u>
<b>FUND BALANCES</b>					
Restricted for Special Revenue	\$ -	\$ 111	\$ (27,352)	\$ 556,394	\$ 529,153
Assigned for Retirement of L-T Debt	783,936				783,936
Assigned for Other Purposes					-
Unassigned	1,466,153				1,466,153
<b>TOTAL FUND BALANCES</b>	<u>\$ 2,250,089</u>	<u>\$ 111</u>	<u>\$ (27,352)</u>	<u>\$ 556,394</u>	<u>\$ 2,779,242</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 3,310,654</u>	<u>\$ 126,927</u>	<u>\$ 424,919</u>	<u>\$ 600,091</u>	<u>\$ 4,462,591</u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds balance sheet.	\$	2,779,242
Capital assets used in governmental activities not financial resources, and therefore, are not reported in the funds.		9,009,655
A reclassification is necessary to convert from the modified accrual basis of accounting to accrual basis of accounting, and thereby recognizing unavailable revenue from property taxes revenue.		360,458
Long-term liability used in governmental activities are not due and payable in the current period and therefore are not reported in the funds.		(783,936)
Liabilities for long-term debt interest are not due and payable in the current period and therefore not reported in the funds.		(18,293)
Recognition of the County's net pension liability not reported in the funds.		(1,048,798)
Deferred outflow related to pensions not reported in the funds.		555,366
Deferred inflow related to pensions not reported in the funds.		<u>(433,692)</u>
Total net position of governmental activities.	\$	<u><u>10,420,001</u></u>

The accompanying notes are an integral part of these financial statements.



LAMB COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>GENERAL FUND</u>	<u>TEXAS CAPITAL GRANT FUND</u>	<u>EDA GRANT FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>					
Taxes	\$ 7,167,285			\$ 23	\$ 7,167,308
Charges for Services	451,136			126,828	577,964
Licenses & Permits	715				715
Commissions	518,819				518,819
Intergovernmental	276,661	1,453,801	1,138,976	305,058	3,174,496
Interest Income	79,043	111		10,647	89,801
Other Revenue	171,887			77,220	249,108
<b>TOTAL REVENUES</b>	<b>\$ 8,665,547</b>	<b>\$ 1,453,912</b>	<b>\$ 1,138,976</b>	<b>\$ 519,776</b>	<b>\$ 11,778,210</b>
<b>EXPENDITURES</b>					
Current Operating:					
District Judge	\$ 159,374			\$ -	\$ 159,374
District Clerk	152,375			-	152,375
County Judge	174,831			-	174,831
County Clerk	214,802			-	214,802
Tax Assessor	206,023			-	206,023
Treasurer	125,589			-	125,589
County Attorney	164,807			-	164,807
Justice of the Peace - Pct #1-4	270,517			-	270,517
Veterans & Welfare	82,833			-	82,833
Adult Probation	519			-	519
Ag Extension Office	87,112			-	87,112
Sheriff	1,301,150			-	1,301,150
Jail	944,065			-	944,065
County Libraries	271,760			-	271,760
Auditor	122,914			-	122,914
Non-Departmental	521,576			-	521,576
Maintenance	139,986			-	139,986
Ag & Community Centers	30,171			-	30,171
Public Safety	159,744			-	159,744
Information Services	230,308			-	230,308
Road and Bridge - Pct #1-4	1,619,821			-	1,619,821
Bail Bond Board Account				-	-
Jury Fund				6,900	6,900
Grants Fund				-	-
Library Grants				-	-
Texas Capital Fund Grant		41,156		-	41,156
EDA Grant			342,485	-	342,485
Emergency Food & Shelter				-	-
Child Abuse Prevention/Family Protection Fund				5,000	5,000
Court House Security Fund				1,662	1,662
Commissioners Court RPF				4,400	4,400

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>GENERAL FUND</u>	<u>TEXAS CAPITAL GRANT FUND</u>	<u>EDA GRANT FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
County Clerk RPF				14,900	14,900
District Clerk RPF	\$	\$	\$	\$ 1,119	\$ 1,119
County & District Court Tech Fund				-	-
District Court Tech/Archive Fund				-	-
JP Technology Fund				8,760	8,760
JP Court Security Fund				-	-
Juvenile Probation Fund				326,988	326,988
Juvenile Stand Grant Fund				117,836	117,836
Juvenile Title IV-E Fund				6,106	6,106
Juvenile 4-H Action Fund				-	-
JPO-State Aid				152,784	152,784
County Clerk Election Fund				-	-
County Clerk Records Archive Fund				-	-
Tax A/C Voter Registration Fund				-	-
VCLG Grant Fund				30,986	30,986
Pre-Trial Diversion Fund				12,436	12,436
DWI Video Fund				-	-
County Attorney Drug Forfeiture				11,071	11,071
County Attorney Hot Check Fee Fund				4,926	4,926
Sheriff Commissary Fund				40,417	40,417
Sheriff Forfeiture Fund-State				1,493	1,493
Sheriff Forfeiture Fund-Federal				-	-
County Libraries				3,165	3,165
Historical Commission				-	-
Capital Outlays	1,548,509	1,133,872	794,838	-	3,477,220
Debt Service:				-	-
Principal	93,739			-	93,739
Interest	14,557			-	14,557
<b>Total Expenditures</b>	<u>\$ 8,637,081</u>	<u>\$ 1,175,029</u>	<u>\$ 1,137,324</u>	<u>\$ 750,948</u>	<u>\$ 11,700,381</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 28,466</u>	<u>\$ 278,883</u>	<u>\$ 1,652</u>	<u>\$ (231,172)</u>	<u>\$ 77,829</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Assets	\$ 113,500			\$	\$ 113,500
Proceeds from Capital Leases	379,750				379,750
Operating Transfers In	9,120,836			251,696	9,372,532
Operating Transfers Out	<u>(10,356,585)</u>			<u>(35,747)</u>	<u>(10,392,333)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ (742,500)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,949</u>	<u>\$ (526,551)</u>
Net Change in Fund Balances	<u>\$ (714,034)</u>	<u>\$ 278,883</u>	<u>\$ 1,652</u>	<u>\$ (15,223)</u>	<u>\$ (448,722)</u>
Fund Balances - Beginning	<u>2,964,123</u>	<u>(278,772)</u>	<u>(29,004)</u>	<u>571,617</u>	<u>3,227,964</u>
Fund Balances - Ending	<u><u>\$ 2,250,089</u></u>	<u><u>\$ 111</u></u>	<u><u>\$ (27,352)</u></u>	<u><u>\$ 556,394</u></u>	<u><u>\$ 2,779,242</u></u>

The accompanying notes are an integral part of these financial statements.

LAMB 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 SEPTEMBER 30, 2018

Amounts reported for governmental activities in the statement of activities  
 ("SOA") are different because:

Net change in fund balances - total governmental funds.	\$ (448,722)
Capital outlays are not reported as expenses in the SOA.	3,477,220
Capital asset depreciation used in governmental activities is not reported in the funds.	(745,578)
The net book value of trade-ins is not reported in the funds.	177,500
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	28,744
Governmental funds only report the sale of assets to the extent proceeds are received from the sale. In the SOA, a gain or loss is reported.	(68,074)
Proceeds from capital lease are not reported as revenue in the SOA.	(379,750)
Some expenditures (e.g. principle debt payment) on fund statements are not expenses in the SOA.	93,739
(Increase) decrease in accrued interest payable from beginning of period to end of period.	(5,224)
Pension expense relating to GASB #68 is recorded in the SOA but not in the funds.	<u>(31,924)</u>
Change in net position of governmental activities.	<u><u>\$ 2,097,930</u></u>

The accompanying notes are an integral part of these financial statements.



LAMB COUNTY, TEXAS  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
SEPTEMBER 30, 2018

## ASSETS

## Current Assets

Cash and Cash Equivalents	\$ 1,999
Patient Accounts Receivable, Net of Allowances	939,454
Other Receivables	81,220
Due From Other Funds	12,820
Inventory of Supplies	262,987
Prepaid Expenses and Other Current Assets	<u>49,621</u>

Total Current Assets \$ 1,348,101

## Capital Assets

Net of Accumulated Depreciation	<u>1,383,728</u>
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TOTAL ASSETS \$ 2,731,829

## LIABILITIES

## Current Liabilities

Accounts Payable	\$ 344,188
Accrued Payroll, Benefits and Related Liabilities	479,335
Other Accrued Liabilities	119,678
Estimated Third-Party Payer Settlements	3,260
Due To Other Funds	<u>740,004</u>

Total Current Liabilities \$ 1,686,465

TOTAL LIABILITIES \$ 1,686,465

## NET POSITION

Net Investment in Capital Assets	\$ 1,383,728
Unrestricted	<u>(338,364)</u>

TOTAL NET POSITION \$ 1,045,364

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Operating Revenues	
Net Patient Service Revenue	\$ 8,563,244
Electronic Health Records Stimulus	-
Delivery System Reform Incentive Program	351,680
Other Operating Revenue	<u>115,354</u>
Total Operating Revenues	\$ 9,030,278
Operating Expenses	
Salaries and Wages	\$ 4,264,062
Employee Benefits	580,798
Professional Fees and Purchased Services	2,631,558
Supplies and Other	2,855,446
Depreciation and Amortization	<u>354,316</u>
Total Operating Expenses	<u>\$ 10,686,180</u>
Operating Income (Loss)	\$ (1,655,902)
Nonoperating Revenues (Expenses)	
Community Benefit Support	\$ -
Tobacco Settlement Revenue	28,666
Intergovernmental Transfers	-
Interest Expense	(1,879)
Investment Income	<u>3,516</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 30,303</u>
Income (Loss) Before Capital Grants and Contributions & County Subsidies	\$ (1,625,599)
Capital Grants and Contributions	8,629
County Subsidies	<u>1,018,234</u>
Change in Net Position	\$ (598,736)
Net Position - Beginning	<u>1,644,100</u>
Net Position - Ending	<u><u>\$ 1,045,364</u></u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS  
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

<b>Cash Flows from Operating Activities</b>	
Receipts From and on Behalf of Patients	\$ 8,539,124
Payments to Suppliers and Contractors	(5,415,451)
Payments to Employees	(4,832,035)
Other Receipts and Payments, Net	<u>461,065</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,247,297)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash Invested in Funds Held by Lamb County	\$ 144,729
County Subsidies	1,018,234
Noncapital Grants and Contributions	-
Proceeds From Tobacco Settlement	28,666
Intergovernmental Transfers	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 1,191,629</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of Capital Assets	\$ (49,136)
Capital Grants and Contributions	8,629
Interest Paid	<u>(1,879)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (42,386)</u>
<b>Cash Flows from Investing Activities</b>	
Investment Income	<u>\$ 3,516</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 3,516</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (94,538)
Cash and Cash Equivalents - Beginning	<u>96,537</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 1,999</u></u>

The accompanying notes are an integral part of these financial statements.



LAMB COUNTY, TEXAS  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**Reconciliation of Operating Income (Loss) to Net Cash  
Provided (Used) by Operating Activities**

Operating Income (Loss)	\$ (1,655,902)
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**Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)  
by Operating Activities**

Depreciation and Amortization	\$ 354,316
Provision for Bad Debts	495,233
Community Benefit Support	-

**(Increase) Decrease in:**

Patient Accounts Receivable	(577,243)
Other Receivables	25,905
Inventory of Supplies	69,226
Prepaid Expenses and Other Current Assets	19,253

**Increase (Decrease) in:**

Accounts Payable	(21,842)
Accrued Payroll, Benefits and Related Liabilities	12,825
Other Accrued Liabilities	54,130
Estimated Third-Party Payer Settlements	(23,198)

Total Adjustments	\$ 408,605
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Net Cash Provided (Used) by Operating Activities	\$ (1,247,297)
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The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
SEPTEMBER 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 738,230
Accounts Receivable	-
TOTAL ASSETS	<u>\$ 738,230</u>
LIABILITIES	
Accounts Payable	\$ 11,018
Due to Other Groups	699,258
Due to Trust Beneficiaries	27,954
TOTAL LIABILITIES	<u>\$ 738,230</u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies follow.

**A. REPORTING ENTITY**

This report includes all of the services provided by the County to residents and businesses within its boundaries. In evaluating the County's reporting entity in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, management has included all organizations that make up the County's legal entity and all component units. Consistent with applicable guidance, the criteria used by the County to include component units within its reporting entity are financial accountability and/or the nature and significance of the relationship with the County is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County includes organizations as component units under the following financial accountability criteria:

1. Organizations for which the Commissioners' Court appoints a voting majority of the organizations' governing body and for which (a) the County is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.
2. Organizations that are fiscally dependent on the County. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the County.

**B. BASIS OF PRESENTATION**

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the County's governmental activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the County's statement of net



LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2018

position includes both noncurrent assets and noncurrent liabilities of the County. In addition, the government-wide statement of activities reflects depreciation expenses on the County's fixed assets, including infrastructure.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the County's governmental programs. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Statement No. 34 also requires the County to present a Management's Discussion and Analysis (MD&A) which provides an analytical overview of the County's financial activities. Although it is Required Supplementary Information (RSI), the County is required to present the MD&A before the basic financial statements. In addition, a budgetary comparison statement that compares the adopted and modified General Fund budget with actual results is required to be presented as RSI.

In addition to the government-wide financial statements, the County has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the County's General Fund is similar to that previously presented in the County's financial statements, although the format of financial statements has been modified by Statement No. 34.

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2018

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

The government-wide and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

The County has presented the following Major Governmental Funds:



LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2018

General Fund (GF) The County accounts for financial resources used for general operations in this fund. It is a budgeted fund, and any fund balances are considered resources available for current operations. The general fund accounts for all financial resources except those required to be accounted for in another fund.

TX Capital Fund Grant This fund is used for public infrastructure in the form of street improvements in support of the Continental Dairy Facilities Southwest, LLC economic development project.

EDA Grant This fund is also used for public infrastructure in the form of street improvements in support of the Continental Dairy Facilities Southwest, LLC economic development project.

The County has presented the following Major Proprietary Fund:

Lamb Healthcare Center This is an enterprise fund of Lamb County. It was established for the purpose of maintaining a system to provide hospital and medical care to the residents of Lamb County.

The County also reports the following non-major funds:

Special Revenue Funds These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

In addition, the County reports the following fund types:

Agency Funds These funds are used to report resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The County's agency funds consist of amounts collected by the individual County fee offices for court costs, vehicle registration fees, victim restitution payments, pre-trial attorney fees, bail bond payments, seizures, inmate trust funds, cafeteria plan funds and trust beneficiaries.

Fiduciary Funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.



LAMB COUNTY, TEXAS

Notes to Financial Statements  
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**D. CASH AND CASH EQUIVALENTS**

For purposes of reporting cash flows, all highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

**E. RECEIVABLE AND PAYABLE BALANCES**

The County believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of year end.

**F. INTERFUND ACTIVITY**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

**G. INVENTORIES AND PREPAID ITEMS**

The County maintains very little inventory and as a result, the cost is recorded as an expenditure at the time individual inventory items are purchased. Any inventory, if any, on the balance sheet is stated at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**H. CAPITAL ASSETS**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest costs

LAMB COUNTY, TEXAS

Notes to Financial Statements  
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incurred during construction of capital assets are capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class -----	Estimated Useful Lives (Years) -----
Buildings & Improvements	7-50
Machinery & Equipment	7-15
Vehicles	8
Office Equipment	5-20

**I. ENCUMBRANCES**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The County had no outstanding end-of-year encumbrances.

**J. PERSONAL LEAVE**

County employees (other than Sheriff office employees) earn personal leave in varying amounts and do not earn sick leave. Unused personal leave may be accumulated up to 216 hours and is paid upon termination of employment. Sheriff office employees earn varying amounts of vacation time with a maximum accrual of 120 hours and an end of year carryover of 40 hours and is paid upon termination of employment. Sheriff office employees earn 3.08 hours of sick pay per pay period with a maximum accrual of 80 hours and an end of year carryover of 40 hours. Lamb County will not pay the employee for unused sick leave time accumulated. Also, in accordance with the Fair Labor Standards Act as it applies to local governments, non-exempt county employees are granted compensatory time for hours worked beyond their regular working hours. Accumulated compensatory time is also paid upon termination of employment.

The County has identified a liability for accumulated personal leave where the employees' rights to receive benefits are attributable to services already rendered, and it is probable that the County will compensate the employees through either paid time off or cash payments at termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The contingent liability for accumulated personal leave at 9-30-18 was \$110,717.



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September 30, 2018

**K. PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of The Texas County & District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**L. FUND BALANCES**

Fund balances of the governmental funds are classified as follows:

*Non-spendable Fund Balance* - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted Fund Balance* - represents 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 governing body. Committed amounts cannot be used for any other purpose unless the governing body removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing body. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

*Assigned Fund Balance* - represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing body or by an official or body to which the governing body 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 those amounts is for a specific purpose that is narrower than the general purposes of the County itself.



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*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 balance in this classification because of overspending for specific purposes for which amounts had 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.

**M. USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

**NOTE 2: COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No.38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
EDA Grant	27,352	Major Fund
Juvenile Stand Grant	911	Non-major Fund
JPO State Aid	12,733	Non-major Fund
Sheriff Forfeiture - Federal	1	Non-major Fund

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2018

**NOTE 3: DEPOSITS AND INVESTMENTS**

The County's funds are required to be deposited and invested under the terms of depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") coverage.

Cash Deposits:

At September 30, 2018, the carrying amount of the County's total deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$2,768,767 and the bank balance was \$3,206,254. The County's cash deposits at September 30, 2018 and during the year ended September 30, 2018, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

Investments:

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1)safety of principal and liquidity, 2)portfolio diversification, 3)allowable investments, 4)acceptable risk levels, 5)expected rates of return, 6)maximum allowable stated maturity of portfolio investments, 7)maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, 8)investment staff quality and capabilities, and 9)bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, 1)obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2)certificates of deposit, 3)certain municipal securities,

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4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

Investment Accounting Policy:

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The County's investments at September 30, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
None	N/A	\$ -0-
Total Investments		<u>\$ -0-</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. *Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

b. *Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.



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Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name.

At year end, the County was not exposed to custodial credit risk.

c. *Concentration of Credit Risk*

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

d. *Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate risk.

e. *Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

**NOTE 4: PROPERTY TAX**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 February 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

**NOTE 5: DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between the General Fund and Debt Service Fund, when applicable, based on rates adopted for the year of the levy. There was no allocation for the Debt Service Fund in the current year. Allowances for uncollectibles are based upon 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.

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September 30, 2018

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 32,970	\$ 2,320	\$ -	\$ 35,290
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 32,970</u>	<u>\$ 2,320</u>	<u>\$ -</u>	<u>\$ 35,290</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 10,459,168	\$ 2,634,696	\$ -	\$ 13,093,864
Machinery and Equipment	3,007,659	377,312	(369,180)	3,015,791
Vehicles	2,266,477	420,367	(238,877)	2,447,967
Office Equipment	1,686,157	10,750		1,696,907
Capital Leases	497,925	557,250		1,055,175
Total capital assets being depreciated	<u>\$ 17,917,386</u>	<u>\$ 4,000,375</u>	<u>\$ (608,057)</u>	<u>\$ 21,309,704</u>
Less accumulated depreciation				
Buildings and Improvements	\$ (7,216,490)	\$ (217,608)	\$ -	\$ (7,434,098)
Machinery and Equipment	(2,045,055)	(221,040)	351,244	(1,914,850)
Vehicles	(1,407,382)	(182,589)	188,738	(1,401,232)
Office Equipment	(1,435,922)	(46,686)		(1,482,608)
Capital Leases	(24,896)	(77,655)		(102,551)
Total accumulated depreciation	<u>\$ (12,129,745)</u>	<u>\$ (745,578)</u>	<u>\$ 539,982</u>	<u>\$ (12,335,340)</u>
Total capital assets being depreciated, net	<u>\$ 5,787,641</u>	<u>\$ 3,254,798</u>	<u>\$ (68,074)</u>	<u>\$ 8,974,364</u>
Governmental activities capital assets, net	<u>\$ 5,820,611</u>	<u>\$ 3,257,118</u>	<u>\$ (68,074)</u>	<u>\$ 9,009,654</u>

Depreciation expense, including capital lease amortization expense, was charged to functions/programs of the governmental activities as follows:

General government	\$ 218,330
Public safety	157,935
Highways and streets	369,313
	-----
	\$ 745,578
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements  
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**NOTE 7: OPERATING/CAPITAL LEASES**

The County has entered into various operating lease agreements for Xerox, Ricoh, Sharp and Konica copiers and printers. Commitments under these operating (noncapitalized) lease agreements provide for future minimum rental payments as of September 30, 2018 as follows:

Year Ending -----	
2019	\$ 23,598
2020	12,981
2021	3,197
	-----
Total Minimum Rental Payments	\$ 39,776
	=====
Rental Expenditures in FYE 2018	\$ 25,833
	=====

In FYE 2017, the County entered into an equipment lease-purchase agreement on a John Deere Model 770G Motor Grader for Precinct #3. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 2.95%. The amount of interest paid in the current year was \$7,942. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2018 as follows:

Year Ending -----	
2019	\$ 56,537
2020	56,537
2021	56,537
2022	56,537
	-----
Total Minimum Lease Payments	\$ 226,148
Less Amount Representing Interest	(15,743)
	-----
Present Value - Minimum Lease Payments	\$ 210,405
	=====



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In FYE 2017, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140M3 Motor Grader for Precinct #2. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 2.70%. The amount of interest paid in the current year was \$6,615. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2018 as follows:

Year Ending -----	
2019	\$ 51,759
2020	51,759
2021	51,759
2022	51,759
	-----
Total Minimum Lease Payments	\$ 207,036
Less Amount Representing Interest	(13,255)
	-----
Present Value - Minimum Lease Payments	\$ 193,781 =====

During the current year, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140K Motor Grader for Precinct #2. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 3.50%. The amount of interest paid in the current year was \$-0-. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2018 as follows:

Year Ending -----	
2019	\$ 37,652
2020	37,652
2021	37,652
2022	37,652
2023	37,651
	-----
Total Minimum Lease Payments	\$ 188,259
Less Amount Representing Interest	(18,259)
	-----
Present Value - Minimum Lease Payments	\$ 170,000 =====

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During the current year, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 12M3 Motor Grader for Precinct #1. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 3.99%. The amount of interest paid in the current year was \$-0-. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2018 as follows:

Year Ending	
-----	
2019	\$ 47,144
2020	47,144
2021	47,144
2022	47,144
2023	47,144
	-----
Total Minimum Lease Payments	\$ 235,720
Less Amount Representing Interest	(25,970)
	-----
Present Value - Minimum Lease Payments	\$ 209,750
	=====

LAMB COUNTY, TEXAS

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September 30, 2018

**NOTE 8: LONG-TERM DEBT**

Changes in Long-Term Liabilities:

	Balance 10-01-17	Increase	Decrease	Balance 09-30-18	Amounts Due Within One Year
	-----	-----	-----	-----	-----
Capital Leases	\$ 497,925	\$ 379,750	\$ 93,739	\$ 783,936	\$ 167,140
NPL *	1,866,646	2,157,099	2,974,947	1,048,798	
	-----	-----	-----	-----	-----
Total Long-Term Liabilities	\$2,364,571	\$2,536,849	\$3,068,686	\$1,832,734	\$ 167,140
	=====	=====	=====	=====	=====

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General

**NOTE 9: INTERFUND BALANCES AND ACTIVITIES**

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2018 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
-----	-----	-----
General Fund	Proprietary Fund-Hospital	\$ 740,004
EDA Grant Fund	Texas Capital Fund Grant Fund	30,278
Proprietary Fund-Hospital	General Fund	12,820
General Fund	Agency Funds	7,200
Other Governmental Fund	Other Governmental Fund	1
Other Governmental Fund	Agency Fund	1
		-----
		\$ 760,026
		=====

All amounts due are scheduled to be repaid within one year.



LAMB COUNTY, TEXAS

Notes to Financial Statements  
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2. Transfers To and From Other Funds  
Transfers to and from other funds at September 30, 2018 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 308,452
Proprietary Fund-Hospital	LHC	9,028,332
LHC	Proprietary Fund-Hospital	10,048,133
Other Governmental Funds	General Fund	69,174
Other Governmental Fund	Other Governmental Fund	35,747
		-----
		\$ 19,486,323
		=====

Interfund balances are short-term loans and interfund transfers are subsidy transfers from unrestricted funds.

**NOTE 10: RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year end 2018, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**NOTE 11: SELF-INSURED INSURANCE**

The County is a member of the Texas Association of Counties Risk Management Pool, a public entity risk pool currently operating as a common risk management and insurance program for Workers' Compensation, General Liability, Law Enforcement Liability, Public Officials Liability and Property/Casualty coverage. The County pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Texas Association of Counties Risk Management Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of insured amounts. The pooling agreement requires the pool to be self-sustaining.

**NOTE 12: SUBSEQUENT EVENTS**

There has been no significant subsequent event which would have a material effect on the financial statements as of the Independent Auditor's Report date.

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2018

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

Lamb County has an agreement with the State of Texas to pay any unemployment wages which are directly related to unemployed employees of the County. The amounts by which this contingency would affect the financial statements are not determinable. However, management is confident that this contingency would be a seldom occurrence.

The County participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NOTE 14: LITIGATION**

The County was not involved in any significant litigation as of September 30, 2018.

**NOTE 15: PENSION BENEFITS PLAN**

**A. PLAN DESCRIPTION**

Lamb County provides retirement, disability and survivor benefits for all of its full-time and part-time non-temporary employees through a nontraditional defined benefit pension plan in 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 760 cash balance-account type defined benefit pension plans. TCDRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at [www.TCDRS.org](http://www.TCDRS.org).

**B. BENEFITS PROVIDED**

The plan provisions are adopted by the governing body of each county or district, within the options available in the TCDRS Act. 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 75 or more. Most members have a vested right to a future pension benefit after 8 years of service, but must leave their contributions in TCDRS until retirement age is attained. If a member

LAMB COUNTY, TEXAS

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withdraws his personal contributions in a lump-sum, he forfeits the right to any employer contributions.

Benefit amounts are determined by the sum of the employee's contributions 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, disability or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using the actuarial equivalent as prescribed by the TCDRS Act.

*Employees covered by benefit terms.*

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	64
Active employees	95
	----
	224

**C. CONTRIBUTIONS**

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 12.62% for the months of the accounting year in 2017, and 12.62% for the months of the accounting year in 2018. The contribution rate payable by the employee members for fiscal year end 2018 is the rate of 7.0% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County's contributions to TCDRS for the 2018 FY were \$456,961, and were equal to the required contributions.



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Notes to Financial Statements  
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**D. NET PENSION LIABILITY**

The County's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

New mortality assumptions were reflected in 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

The following is a description of the assumptions used in the December 31, 2017 actuarial valuation analysis for Lamb County.

**Economic Assumptions**

**TCDRS system-wide economic assumptions:**

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

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 3.25% made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

**Employer-specific economic assumptions:**

Growth in membership	0.00%
Payroll growth for funding calculations	3.25%

The payroll growth assumption is for the aggregate covered payroll of an employer.

LAMB COUNTY, TEXAS

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**Demographic Assumptions**

**TCDRS system-wide demographic assumptions:**

**Replacement of Terminated Members** - New employees are assumed to replace any terminated members and have similar entry ages.

**Disability** - Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

**Mortality**

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**Family Composition** - For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

**Service Retirement** - Members eligible for service retirement are assumed to retire at the rates shown in an experience-based table that is specific to the County's plan of benefits.

**Employer-specific demographic assumptions:**

**Other Terminations of Employment** - The rates of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are shown in an experience-based table of rates that is specific to the County's plan of benefits. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

**Withdrawals** - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting

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schedule. Rates applied to your plan are shown in an experience-based table that is specific to the County's plan of benefits. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

**Long-Term Expected Rate of Return**

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' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World(net) Index	1.50%	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA(net) Index	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI EM Standard (net) Index	8.00%	5.55%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net)	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%



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**Discount Rate**

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the County is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

*Changes in Net Pension Liability/(Asset)*

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
	-----	-----	-----
Balances as of December 31, 2016	\$ 17,345,662	\$ 15,479,016	\$ 1,866,646
Changes for the year:			
Service cost	522,204		522,204
Interest on total pension liability	1,411,619		1,411,619
Effect of plan changes			-0-
Effect of economic/demographic gains or losses	95,217		95,217
Effect of assumptions changes or inputs	113,871		113,871
Refund of contributions	(31,048)	(31,048)	-0-
Benefit payments	(867,382)	(867,382)	-0-
Administrative expenses		(11,666)	11,666
Member contributions		256,327	(256,327)
Net investment income		2,256,501	(2,256,501)
Employer contributions		462,119	(462,119)
Other		(2,522)	2,522
	-----	-----	-----
Balances as of December 31, 2017	\$ 18,590,142	\$ 17,541,344	\$ 1,048,798

LAMB COUNTY, TEXAS

Notes to Financial Statements  
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**Sensitivity Analysis**

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the Lamb County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Current Discount Rate (8.10%)	1% Increase (9.10%)
	-----	-----	-----
Total pension liability	\$ 20,764,952	\$ 18,590,142	\$16,734,570
Fiduciary net position	17,541,344	17,541,344	17,541,344
Net pension liability(asset)	\$ 3,223,608	\$ 1,048,798	\$ (806,774)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at [www.TCDRS.gov](http://www.TCDRS.gov).

**E. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended September 30, 2018, the County recognized pension expense (income) of \$488,884. The calculation was based on the measurement date of December 31, 2017.

As of December 31, 2017, the deferred outflows and inflows of resources related to pensions are as follows:

**Deferred Outflows/Inflows of Resources**

	Deferred Outflows of Resources	Deferred Inflows of Resources
	-----	-----
Differences between expected and actual experience	\$ 71,413	\$ 177,155
Changes of assumptions	132,147	-0-
Net difference between projected and actual earnings	-0-	256,537
Contributions made subsequent to measurement date	351,806	N/A
Total	\$ 555,366	\$ 433,692

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Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ending September 30	
2019	\$ 64,870
2020	38,427
2021	(131,347)
2022	(202,082)
	-----
	\$(230,132)

**NOTE 17: HEALTHCARE COVERAGE**

During the year ended September 30, 2018, all full time employees were covered by a healthcare insurance plan. The County pays the total cost of premiums for the employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. This healthcare plan provided through the Texas Association of Counties Health and Employee Benefits Pool is with a Blue Cross Blue Shield Preferred Provider Organization (PPO), is renewable October 1, 2018, and the terms of coverage and contribution costs are included in the contractual provisions.

**NOTE 18: PRIOR PERIOD ADJUSTMENT**

During the year ended September 30, 2018, management became aware that some capitalizable costs in the governmental funds were reported as expenses in the prior fiscal year ended September 30, 2017. A prior period adjustment was required to reclassify the costs as a capital asset. The prior period adjustment totaled \$347,975 which resulted in a government-wide restated beginning net position balance of \$9,966,170.



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**LAMB HEALTHCARE CENTER**

As of June 28, 1991, by order of the Commissioners' Court, the County Judge was authorized to execute a contract for the purchase of the hospital real property, improvements, personal property, and all other assets of the Lamb County Hospital Authority. On August 1, 1991, the County purchased all of the assets and assumed all of the liabilities of the Lamb County Hospital Authority. The new entity became Lamb County Hospital Authority d/b/a Lamb Healthcare Center (The "Hospital"). The following disclosures pertain specifically to the Lamb Healthcare Center Fund.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The Hospital is an enterprise fund of Lamb County, State of Texas. It was established for the purpose of maintaining a system to provide hospital and medical care to the residents of Lamb County, Texas ("the County"). The Hospital is supported, in part, by ad valorem tax revenue assessed on real and personal property by the County each year, and subsidies from the County. The Hospital is responsible for the indigent healthcare of the County.

**Enterprise Fund Accounting** - The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Hospital is considered a governmental organization and is subject to the pronouncements of the Governmental Accounting Standards Board ("GASB"). The Hospital has elected to apply the provisions based on GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Hospital has also elected to apply the provisions GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Hospital considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third party payers.

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**Patient Accounts Receivable** - The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management's judgement, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management's evaluation of the collectability of patient accounts receivable, including the nature of the accounts, credit concentrations, trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

**Inventory of Supplies** - Inventories are stated at historical cost on the First-In/First-Out (FIFO) method.

**Capital Assets** - Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital has elected to capitalize expenditures over \$5,000 and provide for depreciation of capital assets on the straight-line method at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life as follows:

Land Improvements	15 to 20 years
Building (Components)	5 to 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

**Net Position** - Net position of the Hospital is classified into two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.



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**Operating Revenues and Expenses** - For purposes of display, the Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including subsidies, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services other than financing costs.

**Charity Care** - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge at amounts less than its established rates. Management's policy for provision of charity care is to request proof of income and personal property values, proof of Lamb County residency, number of household members, other benefits received, and other pertinent information. The Hospital applies Federal Poverty Guidelines to determine patient eligibility and performs an application review every six months after approval. The Hospital does not pursue collection of amounts determined to qualify as charity care; therefore, charity care is excluded from net patient revenue.

**Federal Income Taxes** - The Hospital is a governmental entity and, therefore, exempt from federal and state income taxes under the Internal Revenue Code. No expense has been provided for income taxes in the accompanying financial statements.

**County Subsidy** - County subsidies are interfund transactions that are recognized as nonoperating revenue when received.

**Grants and Contributions** - From time to time, the Hospital receives grants from the state as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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**Risk Management** - The Hospital is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

**Pending Adoption of Recent Accounting Pronouncement:**

**GASB Statement No. 87** - Governmental Accounting Standards Board Statement No. 87, *Leases*. The objective of this Statement is to provide financial statement users with improved accounting and financial reporting for leases by establishing a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for periods beginning after December 15, 2019.

**NOTE 2: NET PATIENT SERVICE REVENUE**

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

**Medicare** - Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

**Medicaid** - Inpatient services are paid under prospectively determined rates per discharge, which include reimbursement for capital costs, based on a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services are paid based on the lower of reasonable costs or customary charges, a fee schedule or blended rates.

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**Other** - The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net Patient Revenue is comprised as follows:

Routine Patient Services	\$ 446,985
Ancillary Patient Services	
Inpatient	3,115,887
Outpatient	11,210,590
	-----
Gross Patient Service Revenue	\$ 14,773,462
Charity	(1,686,033)
Third-Party Contractual Adjustments	(5,085,136)
Provision for Bad Debts	(495,233)
Medicaid Supplemental Payments & Other Credits	1,056,184
	-----
Net Patient Service Revenue	\$ 8,563,244
	=====

**Estimated Third-Party Payer Settlements** - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Anticipated final settlement amounts from current and prior years' cost reports are recorded in the financial statements as they are determined by the Hospital. Estimated third-party payer settlements recorded in current assets (liabilities) at September 30, 2018 are (\$3,260).

**Charity Care** - The value of charity care provided by the Hospital based upon its established rates, was \$1,686,033 in 2018. ASU 2010-23 requires charity care to be disclosed on a cost basis. The Hospital utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost. The Hospital's cost of providing charity care was estimated at \$1,185,413 for the year ended September 30, 2018.



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**NOTE 3: DEPOSITS WITH FINANCIAL INSTITUTIONS**

At September 30, 2018, the carrying amount of the Hospital's deposits with financial institutions was \$1,999 and the bank balance was \$204,673. The bank balance is protected by Federal Deposit Insurance Corporation coverage and by the County's specific securities pledged to secure the deposits. All cash is deposited through the County Commissioners Office. The County Commissioners meet twice a month, the second and fourth Monday of the month to approve all cash disbursements.

**NOTE 4: PATIENT ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at September 30, 2018:

Gross Accounts Receivable	\$ 2,292,560
Less: Allowance for Bad Debts	(1,181,202)
Allowance for Contractuals	(171,904)
	-----
Accounts Receivable, Net of Allowance	\$ 939,454
	=====

**Concentration of Credit Risk** - The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2018 is as follows:

Medicare	13%
Medicaid	13%
Other Third-Party Payers	27%
Patients	47%
	-----
Total	100%
	=====

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**NOTE 5: CAPITAL ASSETS**

The following is a summary of capital assets at cost less accumulated depreciation:

	Balance 9/30/17	Additions	Retirements	Balance 9/30/18
	-----	-----	-----	-----
Land	\$ 61,822	\$	\$	\$ 61,822
Land Improvements	1,022,226			1,022,226
Equipment	5,794,664	33,859	108,879	5,937,402
Construction in Progress	94,140	15,277	(108,879)	540
	-----	-----	-----	-----
Totals at historical cost	\$ 6,972,852	\$ 49,136	\$ -0-	\$ 7,021,990
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Land Improvements	\$ (566,008)	\$ (67,565)	\$	\$ (633,573)
Equipment	(4,717,936)	(286,753)		(5,004,689)
	-----	-----	-----	-----
Total Accumulated Depreciation	\$ (5,283,944)	\$ (354,318)	\$ -0-	\$ (5,638,262)
	-----	-----	-----	-----
Capital Assets, Net	\$ 1,688,908	\$ (305,182)	\$ -0-	\$ 1,383,728
	=====	=====	=====	=====

Depreciation expense for the year ended September 30, 2018 was \$354,318.

**NOTE 6: SECTION 1115 DEMONSTRATION WAIVER PROGRAM**

**Uncompensated Care** - The Hospital participated in the Section 1115 Demonstration Waiver Program, a program designed to benefit rural community hospitals. This program is facilitated through the Hospital providing an intergovernmental transfer whereby federal matching funds are provided to supplement the Hospital for the shortfall in Medicaid funding. In connection with this program, the Hospital provided intergovernmental transfers of \$522,407 and received \$1,211,518 for the year ended September 30, 2018. The Hospital recognized net revenue of \$689,112 for the year ended September 30, 2018. The net revenue is included in net patient service revenue in the accompanying statement of revenues, expenses, and changes in fund net position.

**Delivery System Reform Incentive Program** - As part of the Section 1115 Demonstration Waiver Program, the Hospital is eligible to receive incentive payments through the Delivery System Reform Incentive Payment Program (DSRIP). This incentive program is designed to improve the experience of care, improve the health of populations, and

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containing costs. By participating in the DSRIP program, the Hospital provides an intergovernmental transfer to finance the non-federal share of the incentive payments. In connection with this program, the Hospital provided intergovernmental transfers of \$268,086 and received \$619,766 for the year ended September 30, 2018. The Hospital recognized net revenue of \$351,680 for the year ended September 30, 2018.

**Indigent Care Affiliation Agreement** - Under the Section 1115 Demonstration Waiver Program, the Hospital is part of an indigent care affiliation agreement with the Service Organization of West Texas. This agreement is intended to increase funding for the Medicaid population and to access federal funding for the indigent population. Under this program, the Hospital transfers certain governmental funds to the State of Texas. The Service Organization of West Texas then provides care to the Medicaid and non-Medicaid indigent in the region and surrounding communities. These services were valued at \$-0- for the year ended September 30, 2018. As part of the affiliation agreement, the Hospital provided \$-0- in funding to the program for the year ended September 30, 2018.

**NOTE 7: ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM**

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based upon a statutory formula, as determined by the State, which is approved by the Center for Medicare and Medicaid Services. Payments under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period. For the year ended September 30, 2018, the Hospital recognized EHR revenue of \$-0-.



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**NOTE 8: MEDICAID DISPROPORTIONATE SHARE FUNDS**

The Indigent Health Care and Treatment Act, passed by the 69th Texas Legislature in 1985, first apportioned funds to the Texas Department of Human Services (DHS) to provide assistance to hospitals providing a disproportionate share of inpatient indigent health care. The State of Texas created a mechanism whereby intergovernmental transfers were made between selected district and county hospitals to generate additional federal matching funds. Hospitals participating in the Medicaid program that meet the conditions of participation and that serve a disproportionate share of low-income patients as defined by state law are eligible for additional reimbursement from the disproportionate share hospital fund. There are direct and implied expectations regarding the purpose of this funding. The focus of the fund is to benefit the health care needs of the medically indigent, including recipients of Medicaid benefits, those eligible for Medicaid benefits, the uninsured, and others for whom the cost of medical and hospital care has exceeded their ability to pay. However, state and federal laws offer considerable flexibility to recipient hospitals regarding specific use of the funds. In connection with this program, the Hospital provided intergovernmental transfers of \$304,370 and received \$705,867 for the year ended September 30, 2018. The Hospital recognized net revenue of \$401,497 for the year ended September 30, 2018. The respective net revenue is included in net patient service revenue in the accompanying statement of revenues, expenses, and changes in net position.

**NOTE 9: MEDICAL MALPRACTICE CLAIMS**

The Hospital is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to \$100,000 per person/\$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the Hospital. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

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**NOTE 10: COMMITMENTS AND CONTINGENCIES**

**Litigation** - In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. In the opinion of management, the ultimate resolution of pending legal proceedings, if any, will not have a material effect on the Hospital's financial position or results of operations.

**Leases** - The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total rental expense, including operating leases, in 2018 was \$117,455.

**NOTE 11: COUNTY SUBSIDIES**

**County** - The Hospital receives funds from the County for indigent patient care, capital improvements, repairs, and other operating costs. These funds are partially provided through the County's general tax revenues. During 2018, the Hospital received \$1,018,234 from the County for operations. The County also provides operating cash when needed for the Hospital to meet its obligations. The Hospital currently owes the County \$740,004 for amounts borrowed during the current fiscal year.

**NOTE 12: SUBSEQUENT EVENTS**

The date to which events occurring after September 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is March 13, 2019, which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



LAMB COUNTY, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - ALL GENERAL FUND TYPES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 7,206,663	\$ 7,206,663	\$ 7,167,285	\$ (39,378)
Charges for Services	401,700	401,700	451,136	49,436
Licenses & Permits	750	750	715	(35)
Commissions	539,500	539,500	518,819	(20,681)
Intergovernmental	247,975	247,975	276,661	28,686
Interest Income	34,100	34,100	79,043	44,943
Other Revenue	73,500	73,500	171,887	98,387
<b>Total Revenues</b>	<b>\$ 8,504,188</b>	<b>\$ 8,504,188</b>	<b>\$ 8,665,547</b>	<b>\$ 161,359</b>
<b>Expenditures</b>				
District Judge	\$ 186,132	\$ 186,132	\$ 159,374	\$ 26,758
District Clerk	162,642	162,642	152,375	10,267
County Judge	195,851	195,851	174,831	21,020
County Clerk	237,761	237,761	214,802	22,959
Tax Assessor	218,774	218,774	206,023	12,751
Treasurer	144,706	144,706	125,589	19,117
County Attorney	189,820	189,820	164,807	25,013
Justice of Peace - Pct #1-4	317,820	317,820	270,517	47,303
Veterans & Welfare	97,505	97,505	82,833	14,672
Adult Probation	2,000	2,000	519	1,481
Ag Extension Office	119,232	119,232	87,112	32,120
Sheriff	1,551,455	1,562,411	1,301,150	261,261
Jail	1,008,250	981,736	944,065	37,671
County Libraries	289,638	289,638	271,760	17,878
Auditor	164,731	164,731	122,914	41,817
Non-Departmental	761,649	727,843	521,576	206,267
Maintenance	164,094	164,094	139,986	24,108
Ag & Community Centers	36,900	37,900	30,171	7,729
Public Safety	120,100	151,644	159,744	(8,100)
Information Services	234,524	234,524	230,308	4,216
Road & Bridge - Pct #1-4	1,905,983	1,900,216	1,619,821	280,395
Capital Outlays	784,825	1,167,742	1,548,509	(380,767)
Principal	127,701	127,701	93,739	33,962
Interest	19,338	19,338	14,557	4,781
<b>Total Expenditures</b>	<b>\$ 9,041,431</b>	<b>\$ 9,401,761</b>	<b>\$ 8,637,081</b>	<b>\$ 764,680</b>

LAMB COUNTY, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - ALL GENERAL FUND TYPES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Excess (Deficiency) of Revenues Over Expenditures	\$ (537,243)	\$ (897,573)	\$ 28,466	\$ 926,039
<b>Other Financing Sources (Uses)</b>				
Proceeds From Sale of Assets	\$ 25,000	\$ 25,000	\$ 113,500	\$ 88,500
Proceeds From Capital Leases	-	-	379,750	379,750
Operating Transfers In	11,875,873	11,875,873	9,120,836	(2,755,037)
Operating Transfers Out	(13,177,275)	(13,177,275)	(10,356,585)	2,820,690
Total Other Financing Sources (Uses)	\$ (1,276,402)	\$ (1,276,402)	\$ (742,500)	\$ 533,902
Net Change in Fund Balances	\$ (1,813,645)	\$ (2,173,975)	\$ (714,034)	\$ 1,459,941
Fund Balances - Beginning	2,964,123	2,964,123	2,964,123	-
Fund Balance - Ending	\$ 1,150,478	\$ 790,148	\$ 2,250,089	\$ 1,459,941

SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS  
 YEAR ENDED DECEMBER 31  
 LAST 10 YEARS (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Pension Liability</b>										
Service Cost	\$ 485,206	\$ 457,052	\$ 508,187	\$ 522,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	1,202,686	1,271,258	1,330,784	1,411,619	-	-	-	-	-	-
Effect of plan changes	-	(54,066)	-	-	-	-	-	-	-	-
Effect of assumption changes or inputs	-	186,976	-	113,871	-	-	-	-	-	-
Effect of economic/demographic (gains) or losses	(86,320)	(223,636)	(242,491)	95,217	-	-	-	-	-	-
Benefit payments/refunds of contributions	(736,690)	(878,811)	(845,743)	(898,431)	-	-	-	-	-	-
Net change in total pension liability	864,882	758,772	750,736	1,244,480	-	-	-	-	-	-
Total pension liability - beginning	14,971,272	15,836,154	16,594,926	17,345,662	-	-	-	-	-	-
Total pension liability - ending (a)	\$ 15,836,154	\$ 16,594,926	\$ 17,345,662	\$ 18,590,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fiduciary Net Position</b>										
Employer contributions	\$ 428,314	\$ 443,804	\$ 455,608	\$ 462,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Member contributions	240,242	247,222	254,410	256,327	-	-	-	-	-	-
Investment income net of investment expenses	952,041	47,906	1,084,504	2,256,501	-	-	-	-	-	-
Benefit payments/refunds of contributions	(736,690)	(878,811)	(845,743)	(898,431)	-	-	-	-	-	-
Administrative expenses	(11,010)	(10,584)	(11,793)	(11,666)	-	-	-	-	-	-
Other	50,544	54,939	(115,592)	(2,522)	-	-	-	-	-	-
Net change in fiduciary net position	923,440	(95,523)	821,394	2,062,328	-	-	-	-	-	-
Fiduciary net position - beginning	13,829,705	14,753,145	14,657,622	15,479,016	-	-	-	-	-	-
Fiduciary net position - ending (b)	\$ 14,753,145	\$ 14,657,622	\$ 15,479,016	\$ 17,541,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability/(asset), ending = (a) - (b)	\$ 1,083,009	\$ 1,937,304	\$ 1,866,646	\$ 1,048,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary net position as a % of total pension liability	93.16%	88.33%	89.24%	94.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pension covered payroll	\$ 3,432,025	\$ 3,531,748	\$ 3,618,804	3,661,813	-	-	-	-	-	-
Net pension liability as a % of covered payroll	31.56%	54.85%	51.58%	28.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



SCHEDULE OF CONTRIBUTIONS  
YEAR ENDED DECEMBER 31  
LAST 10 YEARS (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 428,314	\$ 440,409	\$ 455,608	\$ 439,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	(428,314)	(443,804)	(455,608)	(462,119)						
Contribution deficiency (excess)	\$ -	\$ (3,395)	\$ -	\$ (23,067)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,432,025	\$ 3,531,748	\$ 3,618,804	\$ 3,661,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	12.48%	12.57%	12.59%	12.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTES TO SCHEDULE OF CONTRIBUTIONS

**Valuation Date:** Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

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

- Actuarial Cost Method: Entry Age
- Amortization Method: Level percentage of payroll, closed
- Remaining Amortization Period: 12.3 years (based on contribution rate calculated in 12/31/17 valuation)
- Asset Valuation Method: 5-year smoothed market
- Inflation: 2.75%
- Salary Increases: Varies by age and service. 4.9% average over career including inflation.
- Investment Rate of Return: 8.00% net of administrative and investment expenses, including inflation.
- Retirement Age: Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
- Mortality: 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
- Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions: 2015 : New inflation, mortality and other assumptions were reflected. 2017 : New mortality assumptions were reflected.
- Changes in Plan Provisions Reflected in the Schedule of Employer Contributions: 2015 : No changes in plan provisions were reflected in the Schedule. 2016 : No changes in plan provisions were reflected in the Schedule. 2017 : New Annuity Purchase Rates were reflected for benefits earned after 2017.

LAMB COUNTY, TEXAS

Notes to Required Supplementary Information  
September 30, 2018

**BUDGET**

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.

- a. Prior to October 1, the County Judge reviews the operating budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Commissioner's Court is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted by acceptance of the Commissioner's Court.

Once a budget is approved, it can be amended only by approval of the Commissioner's Court.

Such amendments are made before the fact, are reflected in the official minutes of the Commissioner's Court and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure department level. Budgeted amounts are as amended by the Commissioner's Court. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase order or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

**DEFINED BENEFIT PENSION PLAN**

*Changes of Benefit Terms*

New Annuity Purchase Rates were reflected for benefits earned after 2017.

*Changes of Assumptions*

New mortality assumptions were reflected.

COMBINING FUND FINANCIAL STATEMENTS



LAMB COUNTY, TEXAS  
 COMBINING BALANCE SHEET - ALL GENERAL FUND TYPES  
 SEPTEMBER 30, 2018

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,467,774	\$ 544,972	\$ 174,392	\$ 2,187,138
Investments	-	-	-	-
Accounts Receivable	11,540	1,438	1,275	14,254
Delinquent Tax Receivable	400,508	-	-	400,508
Allowance for Uncollectible Tax	(40,051)	-	-	(40,051)
Due From Other Funds	747,204	-	-	747,204
Inventory	1,600	-	-	1,600
<b>TOTAL ASSETS</b>	<b>\$ 2,588,575</b>	<b>\$ 546,411</b>	<b>\$ 175,668</b>	<b>\$ 3,310,654</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 401,156	\$ 89,328	\$ 162,848	\$ 653,332
Accrued Liabilities	11,615	1,167	-	12,783
Due To Other Funds	-	-	12,820	12,820
Due To Others	21,173	-	-	21,173
<b>TOTAL LIABILITIES</b>	<b>\$ 433,944</b>	<b>\$ 90,495</b>	<b>\$ 175,668</b>	<b>\$ 700,107</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	\$ 360,458	\$ -	\$ -	\$ 360,458
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 360,458</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 360,458</b>
<b>FUND BALANCES</b>				
Assigned for Retirement of L-T Debt	\$ -	\$ 783,936	\$ -	\$ 783,936
Unassigned	1,794,173	(328,021)	-	1,466,153
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,794,173</b>	<b>\$ 455,915</b>	<b>\$ -</b>	<b>\$ 2,250,089</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS &amp; FUND BALANCES</b>	<b>\$ 2,588,575</b>	<b>\$ 546,411</b>	<b>\$ 175,668</b>	<b>\$ 3,310,654</b>

LAMB COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - ALL GENERAL FUND TYPES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Road and Bridge	LHC	Total
<b>REVENUES</b>				
Taxes	\$ 4,992,543	\$ 1,154,942	\$ 1,019,801	\$ 7,167,285
Charges for Services	451,136			451,136
Licenses & Permits	715			715
Commissions	4,900	513,919		518,819
Intergovernmental	143,563	133,099		276,661
Interest Income	63,516	15,527	-	79,043
Other Revenue	171,116	772		171,887
<b>TOTAL REVENUES</b>	<b>\$ 5,827,488</b>	<b>\$ 1,818,258</b>	<b>\$ 1,019,801</b>	<b>\$ 8,665,547</b>
<b>EXPENDITURES</b>				
District Judge	\$ 159,374	\$ -	\$ -	\$ 159,374
District Clerk	152,375			152,375
County Judge	174,831			174,831
County Clerk	214,802			214,802
Tax Assessor	206,023			206,023
Treasurer	125,589			125,589
County Attorney	164,807			164,807
Justice of Peace - Pct #1-4	270,517			270,517
Veterans & Welfare	82,833			82,833
Adult Probation	519			519
Ag Extension Office	87,112			87,112
Sheriff	1,301,150			1,301,150
Jail	944,065			944,065
County Libraries	271,760			271,760
Auditor	122,914			122,914
Non-Departmental	521,576			521,576
Maintenance	139,986			139,986
Ag & Community Centers	30,171			30,171
Public Safety	159,744			159,744
Information Services	230,308			230,308
Road and Bridge - Pct #1-4		1,619,821		1,619,821
Capital Outlays	869,692	678,817		1,548,509
Principal		93,739		93,739
Interest		14,557		14,557
<b>TOTAL EXPENDITURES</b>	<b>\$ 6,230,147</b>	<b>\$ 2,406,934</b>	<b>\$ -</b>	<b>\$ 8,637,081</b>

LAMB COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - ALL GENERAL FUND TYPES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (402,660)	\$ (588,676)	\$ 1,019,801	\$ 28,466
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Assets	\$ 30,000	\$ 83,500	\$ -	\$ 113,500
Proceeds From Capital Leases		379,750		379,750
Operating Transfers In	69,174	23,329	9,028,332	9,120,836
Operating Transfers Out	(308,452)	-	(10,048,133)	(10,356,585)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (209,278)</u>	<u>\$ 486,579</u>	<u>\$ (1,019,801)</u>	<u>\$ (742,500)</u>
NET CHANGE IN FUND BALANCES	\$ (611,938)	\$ (102,096)	\$ -	\$ (714,034)
FUND BALANCES - BEGINNING	<u>2,406,111</u>	<u>558,011</u>	<u>-</u>	<u>2,964,123</u>
FUND BALANCES - ENDING	<u>\$ 1,794,173</u>	<u>\$ 455,915</u>	<u>\$ -</u>	<u>\$ 2,250,089</u>



LAMB COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 ROAD AND BRIDGE FUNDS  
 SEPTEMBER 30, 2018

	Precinct One	Precinct Two	Precinct Three	Precinct Four	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 128,806	\$ 50,841	\$ 30,681	\$ 334,645	\$ 544,972
Investments	-	-	-	-	-
Accounts Receivable	360	360	360	360	1,438
<b>TOTAL ASSETS</b>	<b>\$ 129,165</b>	<b>\$ 51,201</b>	<b>\$ 31,040</b>	<b>\$ 335,004</b>	<b>\$ 546,411</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 18,811	\$ 23,902	\$ 31,040	\$ 15,574	\$ 89,328
Accrued Liabilities	1,149	18	-	-	1,167
Due to Other Funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 19,961</b>	<b>\$ 23,920</b>	<b>\$ 31,040</b>	<b>\$ 15,574</b>	<b>\$ 90,495</b>
<b>FUND BALANCES</b>					
Assigned for Retirement of L-T Debt	\$ 209,750	\$ 363,781	\$ 210,405	\$ -	\$ 783,936
Unassigned	(100,546)	(336,500)	(210,405)	319,431	(328,021)
<b>TOTAL FUND BALANCES</b>	<b>\$ 109,204</b>	<b>\$ 27,280</b>	<b>\$ -</b>	<b>\$ 319,431</b>	<b>\$ 455,915</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 129,165</b>	<b>\$ 51,201</b>	<b>\$ 31,040</b>	<b>\$ 335,004</b>	<b>\$ 546,411</b>

LAMB COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES - ACTUAL AND BUDGET  
 ROAD AND BRIDGE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>PRECINCT ONE</u>	<u>PRECINCT TWO</u>	<u>PRECINCT THREE</u>	<u>PRECINCT FOUR</u>	<u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES							
Tax Collector:							
Ad Valorem Taxes	\$ 288,735	\$ 288,735	\$ 288,735	\$ 288,735	\$ 1,154,942	\$ 1,161,920	\$ (6,978)
Car Tags	<u>128,480</u>	<u>128,480</u>	<u>128,480</u>	<u>128,480</u>	<u>513,919</u>	<u>508,000</u>	<u>5,919</u>
Total Tax Collector	<u>\$ 417,215</u>	<u>\$ 417,215</u>	<u>\$ 417,215</u>	<u>\$ 417,215</u>	<u>\$ 1,668,861</u>	<u>\$ 1,669,920</u>	<u>\$ (1,059)</u>
Other Revenue:							
Intergovernmental	\$ 33,275	\$ 33,275	\$ 33,275	\$ 33,275	\$ 133,099	\$ 108,000	\$ 25,099
Interest	4,489	2,905	743	7,391	15,527	6,100	9,427
Miscellaneous	631	133	8	-	772	4,000	(3,228)
Sale of Assets	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>80,000</u>	<u>83,500</u>	<u>20,000</u>	<u>63,500</u>
Total Other Revenue	<u>\$ 41,894</u>	<u>\$ 36,312</u>	<u>\$ 34,026</u>	<u>\$ 120,665</u>	<u>\$ 232,897</u>	<u>\$ 138,100</u>	<u>\$ 94,797</u>
TOTAL REVENUES	<u>\$ 459,109</u>	<u>\$ 453,528</u>	<u>\$ 451,241</u>	<u>\$ 537,881</u>	<u>\$ 1,901,758</u>	<u>\$ 1,808,020</u>	<u>\$ 93,738</u>

LAMB COUNTY, TEXAS  
 COMBINING STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET  
 ROAD AND BRIDGE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>PRECINCT ONE</u>	<u>PRECINCT TWO</u>	<u>PRECINCT THREE</u>	<u>PRECINCT FOUR</u>	<u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES							
Commissioner's Salaries	\$ 49,589	\$ 49,589	\$ 49,589	\$ 49,589	\$ 198,357	\$ 198,356	\$ (1)
Employee Salaries	159,469	153,422	113,574	107,994	534,458	599,269	64,811
Part-Time Salaries	446	119	23,593	-	24,158	59,620	35,462
Automobile Allowance	-	-	6,000	-	6,000	6,000	-
Social Security	15,957	15,276	14,743	12,150	58,127	66,827	8,700
Retirement	26,727	25,908	24,614	20,122	97,371	110,136	12,765
Group Hospital Insurance	46,131	46,008	34,607	36,890	163,636	162,944	(692)
Unemployment	630	606	541	426	2,203	3,644	1,441
Workers Comp.	5,681	5,469	4,949	3,914	20,013	27,136	7,123
Supplies/Other Operations	964	-	1,034	-	1,998	2,199	201
Equipment & Furniture	-	-	-	-	-	2,650	2,650
Fuel	55,049	63,643	46,697	59,469	224,858	274,696	49,838
Equipment Parts & Repairs	52,875	70,184	76,571	35,200	234,829	262,093	27,264
Paving & Seal Coating	-	-	-	-	-	-	-
Materials & Supplies	4,443	5,554	-	-	9,997	49,233	39,236
Telephone	2,280	2,280	3,359	1,962	9,881	11,680	1,799
Utilities	3,597	2,940	5,890	859	13,287	13,900	613
Travel & Training	1,973	622	422	40	3,057	5,522	2,465
Soil Conversation	-	-	-	-	-	3,000	3,000
Contract/Professional	2,022	3,179	319	319	5,838	25,319	19,481
Equipment Rentals/Leases	-	1,136	-	-	1,136	1,136	0
Principal	-	45,144	48,595	-	93,739	127,701	33,962
Interest Expense	-	6,615	7,942	-	14,557	19,338	4,781
Insurance & Bonds	-	-	-	-	-	756	756
Auto & Liability Insurance	2,726	2,882	2,732	2,278	10,618	14,100	3,482
Capital Outlays	34,267	-	8,800	256,000	299,067	318,767	19,700
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 464,828</u></b>	<b><u>\$ 500,574</u></b>	<b><u>\$ 474,570</u></b>	<b><u>\$ 587,211</u></b>	<b><u>\$ 2,027,184</u></b>	<b><u>\$ 2,366,022</u></b>	<b><u>\$ 338,838</u></b>



LAMB COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN FUND BALANCES  
 ROAD AND BRIDGE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Precinct One</u>	<u>Precinct Two</u>	<u>Precinct Three</u>	<u>Precinct Four</u>	<u>Total</u>
FUND BALANCES September 30, 2016	\$ 114,923	\$ 74,327	\$ -	\$ 368,761	\$ 558,011
ADD: Revenue	459,109	453,528	451,241	537,881	1,901,758
DEDUCT: Expenditures	(464,828)	(500,574)	(474,570)	(587,211)	(2,027,184)
TRANSFERS IN (OUT)			23,329		23,329
FUND BALANCES September 30, 2017	<u>\$ 109,204</u>	<u>\$ 27,280</u>	<u>\$ -</u>	<u>\$ 319,431</u>	<u>\$ 455,915</u>

LAMB COUNTY, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 SEPTEMBER 30, 2018

	District Clerk	County Clerk	Tax Assessor Collector	County Treasurer	County Attorney	Adult Probation	Justice of the Peace	Sheriff	Adult Basic Supervision	Adult Community Corrections	Diversion Program	Total
<u>ASSETS</u>												
Cash & Cash Equivalents	\$ 357,085	\$ 19,514	\$ 122,260	\$ 43,933	\$ 19,501	\$ 7,476	\$ 1,898	\$ 32,607	\$ 93,866	\$ 6,720	\$ 33,371	\$ 738,230
Accounts Receivable												
TOTAL ASSETS	\$ 357,085	\$ 19,514	\$ 122,260	\$ 43,933	\$ 19,501	\$ 7,476	\$ 1,898	\$ 32,607	\$ 93,866	\$ 6,720	\$ 33,371	\$ 738,230
<u>LIABILITIES</u>												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,815	\$ 1,078	\$ 4,125	\$ 11,018
Due to Other Groups	329,131	19,514	122,260	43,933	19,501	7,476	1,898	32,607	88,051	5,641	29,246	699,258
Due to Trust Beneficiaries	27,954											27,954
TOTAL LIABILITIES	\$ 357,085	\$ 19,514	\$ 122,260	\$ 43,933	\$ 19,501	\$ 7,476	\$ 1,898	\$ 32,607	\$ 93,866	\$ 6,720	\$ 33,371	\$ 738,230

OTHER SUPPLEMENTARY INFORMATION



ROAD AND BRIDGE FIXED ASSETS

LAMB COUNTY, TEXAS  
 SCHEDULE OF FIXED ASSETS  
 SEPTEMBER 30, 2018

<u>Precinct #1</u>	<u>Balance</u> <u>9-30-2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-2018</u>
JD 410B Backhoe SN723439 (9-86)	\$ 43,800	\$ -	\$ -	\$ 43,800
1989 Mack Dump Truck	47,000			47,000
Used Grid Roller (4-93)	12,500			12,500
Radio Equipment (3-96)	10,107			10,107
938 G Caterpillar (9-98)	85,000			85,000
1999 Dump Truck - # 0383 (853)	23,500			23,500
1999 Dump Truck - 0382 (854)	23,500			23,500
1996 Mack Truck - #57136	13,000			13,000
1997 Mack Truck - #65596	15,000			15,000
Jeep Truck Wrecker	5,100			5,100
2003 Chevy Crew Cab P/U #70359	12,600			12,600
Bush Hog Shredder #00635	11,900			11,900
Caterpillar 140H Mtr Grader #03689	83,821		83,821	-
2009 Caterpillar 140M Mtr Grader #B9D01781	167,430			167,430
1996 JD 8300 Tractor #05757	45,000			45,000
Caterpillar 140M Mtr Grader #B9D02600	179,227			179,227
2010 Chevy 4x4 P/U #169591	16,000			16,000
2015 JD 772G Mtr Grader #672889	179,000			179,000
2012 Chevy Silverado P/U #216648	14,000		14,000	-
2018 Caterpillar Mtr Grader #00604		292,250		292,250
2018 GMC Sierra #48832		34,267		34,267
<b>Total Equipment</b>	<b>\$ 987,485</b>	<b>\$ 326,517</b>	<b>\$ 97,821</b>	<b>\$ 1,216,181</b>
Lots	900			900
Precinct Barn	7,016			7,016
Pct #1 Community Building	31,510			31,510
<b>Total Precinct #1</b>	<b>\$ 1,026,911</b>	<b>\$ 326,517</b>	<b>\$ 97,821</b>	<b>\$ 1,255,607</b>

LAMB COUNTY, TEXAS  
 SCHEDULE OF FIXED ASSETS  
 SEPTEMBER 30, 2018

	<u>Balance</u> <u>9-30-2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-2018</u>
<u>Precinct #2</u>				
1978 Mack W/Dump 72266	\$ 28,610	\$ -	\$ -	\$ 28,610
1987 3/4 Ton Pickup	9,350			9,350
1982 Clements Dump Trailer SN 1B3BM1 (4-91)	14,000			14,000
1 - Roller Grid	13,800			13,800
1995 Chevy 3/4 Ton Pickup (4-94)	15,709			15,709
Clements Belly Dump Truck SN 388807 (3-97)	12,500			12,500
Grid Roller (11-97)	14,000			14,000
1989 Mack - #7057 (855)	24,000			24,000
938 G Caterpillar Wheel Loader #47501647	75,000			75,000
2001 Mtr Grader #2ZK06524	109,000			109,000
Hyster Grid Roller - #BEE - 2002 (1004)	13,250			13,250
Hyster Grid Roller	12,000			12,000
1996 Mack Truck	20,000			20,000
2000 Chevy Ext Cab P/U #1224783	7,600			7,600
Crust Buster Shredder #00669	10,900			10,900
2002 Chevy P/U #16678	10,500			10,500
JD 4020 Tractor #26064	24,750			24,750
Caterpillar 140H MTR Grader #CCA04113	74,143			74,143
2006 Chevy P/U #166231	10,000			10,000
Caterpillar 140H MTR Grader #B9D01929	179,357		179,357	-
2008 Chevy P/U #295811	10,000			10,000
2014 Caterpillar 140M2 Mtr Grader OR9G00299	212,000			212,000
2016 Caterpillar 140M3 Mtr Grader #00395	238,925			238,925
2017 Caterpillar Mtr Grader #04138		265,000		265,000
Caterpillar Model D150-10 Generator		121,312		121,312
Total Equipment	\$ 1,139,394	\$ 386,312	\$ 179,357	\$ 1,346,349
Land	1,450			1,450
Barn	19,618			19,618
Total Precinct #2	<u>\$ 1,160,462</u>	<u>\$ 386,312</u>	<u>\$ 179,357</u>	<u>\$ 1,367,417</u>



LAMB COUNTY, TEXAS  
 SCHEDULE OF FIXED ASSETS  
 SEPTEMBER 30, 2018

<u>Precinct #3</u>	<u>Balance</u> <u>9-30-2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-2018</u>
1980 Timpfe Belly Dump Trailer (5-88)	\$ 15,500	\$ -	\$ -	\$ 15,500
Campac Packers (4-95)	5,000			5,000
544H JD Loader - #1267 (850)	97,500			97,500
Bush Hog Flex-Wing Shredder #12-09661	8,500			8,500
Caterpillar 140H Grader	96,642			96,642
Road Groom Machine	13,264			13,264
2000 Chevy 271 P/U #22590	5,000			5,000
2002 Ford F-150 #96290	5,157			5,157
2004 Chevy #85450	5,700			5,700
AMCO LOF-2424 Harrow Disc	6,000			6,000
2001 CPS Belly Dump Trlr #003481	9,750			9,750
1997 Mack Truck #078253	29,950			29,950
Caterpillar 140H Mtr Grader #CCA01056	182,700			182,700
2000 Peterbilt Truck #86021	7,500			7,500
2000 Peterbilt Truck #85988	7,000			7,000
JD 4960 Tractor #5937	53,934			53,934
2008 GMC Sierra #43809	12,450			12,450
JD CX15 Flex-wing Rotary Cutter	17,000			17,000
2016 JD 770G Mtr Grader #77220	154,000			154,000
2016 JD 770G Mtr Grader #77195	259,000			259,000
1997 Mack Truck #078253 Bed & Dump System		8,800		8,800
Total Equipment	\$ 991,547	\$ 8,800	\$ -	\$ 1,000,347
Iron Clad Barn	10,000			10,000
Metal Barn	92,113			92,113
Infrastructure	-	2,276,686		2,276,686
Total Precinct #3	\$ 1,093,660	\$ 2,285,486	\$ -	\$ 3,379,146

LAMB COUNTY, TEXAS  
SCHEDULE OF FIXED ASSETS  
SEPTEMBER 30, 2018

<u>Precinct #4</u>	<u>Balance</u> <u>9-30-2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-2018</u>
1974 Mack Truck SN 22339 (9-84)	\$ 13,750	\$ -	\$ -	\$ 13,750
Hyster Grid Roller SN301600L (3-86)	16,500			16,500
1988 GMC Pickup SN575697 (4-88)	11,388			11,388
Rhino Rotary Cutter Shredder - SN 10117	6,500			6,500
1984 Mack Truck SN 087417 (3-91)	22,690			22,690
1988 Caterpillar Backhoe SN5PC06404	19,000			19,000
Ripper W/Pushblock (864)	8,739			8,739
2000 Midland MG40 Dump Trk #000734	22,500			22,500
2000 Midland MG40 Dump Trk #000733	22,500			22,500
Bush-Hog Model 12615 (961)	8,900			8,900
1994 Mack Truck	12,500			12,500
Hyster Grid Roller	14,685			14,685
2000 Chevy 3/4 Ton Pickup #139972	7,600			7,600
Catterpillar 140H Mtr Grader #2658	106,002		106,002	-
2000 Kenworth T800 #47177	29,547			29,547
2006 GMC K1500 P/U #15186	21,555			21,555
2008 Chevy K1500 #48457	21,973			21,973
Caterpillar 140H Mtr Grader #03686	77,367			77,367
Caterpillar Wheel Loader #CRD01861	129,700			129,700
JD 770G Motor Grader #664660	154,170			154,170
Railroad Flat Cars	16,650			16,650
2014 JD 770G Mtr Grader #660246	150,750			150,750
2015 JD 5100E Tractor #340221	52,206			52,206
2017 Chevy Silverado #137940	37,804			37,804
Caterpillar 140K Mtr Grader		256,000		256,000
Total Equipment	\$ 984,976	\$ 256,000	\$ 106,002	\$ 1,134,974
Land	2,000			2,000
Barn	10,000			10,000
Total Precinct #4	\$ 996,976	\$ 256,000	\$ 106,002	\$ 1,146,974

OFFICE OF THE TAX ASSESSOR-COLLECTOR

LAMB COUNTY, TEXAS  
OFFICE OF THE TAX ASSESSOR-COLLECTOR  
SEPTEMBER 30, 2018

	<u>Carrying Value</u>
<u>Roll</u>	
Taxable Value	\$ 919,280,517
Tax Levy	\$ 7,301,845
<u>Collections</u>	
October 1, 2017 through June 30, 2018	<u>7,163,544</u>
Balance June 30, 2018	<u>\$ 138,301</u>



LAMB COUNTY, TEXAS  
 OFFICE OF THE TAX ASSESSOR-COLLECTOR  
 SCHEDULE OF PRORATION OF FUNDS FROM AD VALOREM TAXES  
 SEPTEMBER 30, 2018

	Dollars	Percent
<u>Constitutional Levies</u>		
Total Tax per \$100 Valuation	\$ 0.7943	100.00
Distribution as Follows:		
General Fund	\$ 0.5533	69.66
General Road & Bridge	0.1280	16.11
Hospital	0.1130	14.23
County Tax Rate	\$ 0.7943	100.00

LAMB COUNTY, TEXAS  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 SEPTEMBER 30, 2018

LAST TEN YEARS ENDED SEPTEMBER 30,	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 9-30-2017	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-2018
2009 & Prior Years	Various	Various	\$ 45,780		\$ 904	\$ (2,787)	\$ 42,089
2010	0.7943	884,643,365	10,003		422	(1,152)	8,429
2011	0.7943	943,028,186	14,199		1,151	(1,475)	11,573
2012	0.7943	962,016,905	19,067		1,595	(1,488)	15,985
2013	0.7943	1,017,702,126	19,305		268	(3,702)	15,334
2014	0.7943	984,964,545	30,629		3,532	(3,701)	23,397
2015	0.7943	900,278,988	36,592		7,000	(3,609)	25,982
2016	0.7943	875,025,108	69,590		19,304	(5,114)	45,172
2017	0.7943	898,243,573	123,406		46,169	(2,991)	74,246
2018 (Year Under Audit)	0.7943	919,280,517		7,301,845	7,163,544		138,301
<b>TOTALS</b>			\$ 368,571	\$ 7,301,845	\$ 7,243,889	\$ (26,019)	\$ 400,508

LAMB COUNTY HOSPITAL AUTHORITY  
d/b/a LAMB HEALTHCARE CENTER

LAMB COUNTY HOSPITAL AUTHORITY  
d/b/a LAMB HEALTHCARE CENTER  
REVENUES FROM ROUTINE AND ANCILLARY SERVICES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Routine Services:

Routine Services	\$ 408,935
Nursery	38,050
Total Routine Services	<u>\$ 446,985</u>

Ancillary and Other Services:

Inpatient

Operating Room	\$ 144,557
Delivery and Labor	536,768
Anesthesiology	188,753
Radiology and Nuclear Medicine	98,042
Laboratory	325,421
Blood	33,269
Respiratory Therapy	622,058
Physical Therapy	177,491
Electrocardiology	6,500
Central Supply	139,167
Pharmacy	735,658
Emergency Room	<u>108,203</u>
Total Inpatient Ancillary Services	<u>\$ 3,115,887</u>



LAMB COUNTY HOSPITAL AUTHORITY  
d/b/a LAMB HEALTHCARE CENTER  
REVENUES FROM ROUTINE AND ANCILLARY SERVICES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Outpatient:	
Operating Room	\$ 53,393
Delivery and Labor	54,982
Anesthesiology	585
Radiology and Nuclear Medicine	1,453,800
Laboratory	2,288,497
Blood	26,366
Respiratory Therapy	172,570
Physical Therapy	2,715
Electrocardiology	55,700
Central Supply	77,850
Pharmacy	392,261
340b Pharmacy	1,897,192
Lamb Healthcare Center Family Medicine	1,667,475
Olton Clinic	272,828
Emergency Room	2,794,376
Total Outpatient Ancillary Services	<u>\$ 11,210,590</u>
Gross Patient Revenue	<u><u>\$ 14,773,462</u></u>

LAMB COUNTY HOSPITAL AUTHORITY  
d/b/a LAMB HEALTHCARE CENTER  
NET PATIENT SERVICE REVENUE AND OTHER OPERATING REVENUE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Gross Patient Revenue:	\$ 14,773,462
Deductions from Revenue:	
Charity	\$ (1,686,033)
Third-Party Contractual Adjustments	(5,085,136)
Provision for Bad Debts	(495,233)
Medicaid Supplemental Payments and Other Credits	<u>1,056,184</u>
Total Deductions from Revenue	<u>\$ (6,210,218)</u>
Net Patient Service Revenue	<u>\$ 8,563,244</u>
Electronic Health Records Stimulus	<u>\$ -</u>
Delivery System Reform Incentive Program	<u>\$ 351,680</u>
Other Operating Revenue:	
Sale of Non-Patient Meals	\$ 34,201
Medical Records	4,643
Miscellaneous	<u>76,510</u>
Total Operating Revenue	<u>\$ 115,354</u>

LAMB COUNTY HOSPITAL AUTHORITY  
d/b/a LAMB HEALTHCARE CENTER  
OPERATING EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

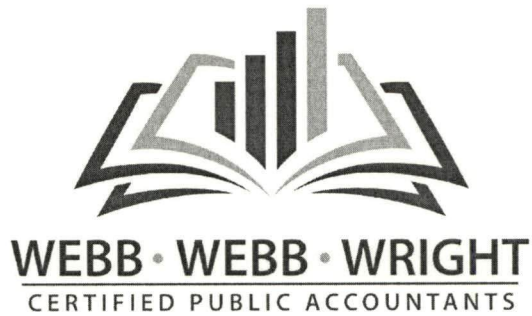
Routine Services	\$ 1,025,291
Ancillary Services:	
Operating Room	\$ 83,656
Delivery and Labor	272,985
Anesthesiology	335,309
Radiology and Nuclear Medicine	370,075
Laboratory	785,736
Blood	29,512
Respiratory Therapy	265,359
Physical Therapy	126,868
Central Supply	91,128
Pharmacy	1,495,104
Lamb Healthcare Center Family Medicine	1,676,536
Olton Clinic	178,379
Emergency Room	<u>757,058</u>
Total Ancillary Services	\$ 6,467,705

LAMB COUNTY HOSPITAL AUTHORITY  
d/b/a LAMB HEALTHCARE CENTER  
OPERATING EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

General Services	
Operation and Plant	\$ 299,744
Laundry and Linen	79,549
Housekeeping	152,500
Dietary	249,272
Total General Services	<u>\$ 781,065</u>
Administrative Services	
Salaries and Wages	\$ 545,176
Other Operating	3,945
Employee Benefits	580,798
Supplies	2,837
Medical Records	131,780
Nursing Administration	173,191
Travel and Seminars	2,076
Insurance	109,750
Legal and Accounting Fees	65,320
Professional Fees	121,414
Marketing	8,004
Repairs and Maintenance	165,007
Physician Recruitment	66,000
Telephone and Utilities	5,784
Rental Expense	41,290
Dues and Subscriptions	12,785
Collection Fees	22,646
Total Administrative Services	<u>\$ 2,057,803</u>
Depreciation and Amortization	\$ 354,316
Total Operating Expenses	<u><u>\$ 10,686,180</u></u>



OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



## Independent Auditor's Report

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*

Honorable County Judge and Commissioners' Court  
Lamb County  
100 6<sup>th</sup> Street  
Littlefield, Texas 79339

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 Lamb County, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Lamb County's basic financial statements, and have issued our report thereon dated June 20, 2019. Our report includes a reference to other auditors who audited the financial statements of the Lamb Healthcare Center, as described in our report on Lamb County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



WEBB, WEBB, & WRIGHT, CPA's  
Littlefield, TX  
June 20, 2019





**WEBB • WEBB • WRIGHT**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable County Judge and Commissioners' Court  
Lamb County  
100 6<sup>th</sup> Street  
Littlefield, Texas 79339

**Report on Compliance for Each Major Federal Program**

We have audited Lamb County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lamb County's major federal programs for the year ended September 30, 2018. Lamb County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lamb County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lamb County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lamb County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Lamb County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.



## Report on Internal Control over Compliance

Management of Lamb County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lamb County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lamb County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Webb, Webb & Wright, CPA's

Littlefield, TX

June 20, 2019

LAMB COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.228	Texas Capital Fund Grant
11.300	EDA Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

None

LAMB COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

C. Federal Award Findings and Questioned Costs

None

LAMB COUNTY, TEXAS

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Finding/Recommendation -----	Current Status -----	Management's Explanation If Not Implemented -----
None		



LAMB COUNTY, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

None

**LAMB COUNTY, TEXAS**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures
<u>U.S. Department of Commerce</u>			
Passed through Economic Development Administration:			
Public Works	11.300	08-01-05131	1,137,324
<u>U.S. Department of Housing &amp; Urban Development</u>			
Passed through Texas Department of Agriculture:			
Community Development Block G:	14.228	7216102	1,175,029
<u>U.S. Department of Justice</u>			
Passed through Texas Office of the Governor - Criminal Justice Division (CJD):			
DARE Officer Program	16.540	3279801	35,690
Edward Byrne Memorial (JAG) P:	16.738	3367501	33,935
Total U.S. Department of Justice			69,625
<u>U.S. Department of Health and Human Services</u>			
Passed through Texas Juvenile Justice Department (TJJD):			
Foster Care - Title IV-E	93.658	23939981	122
Total Expenditures of Federal Awards			2,382,100

The accompanying notes are an integral part of this schedule.

**LAMB COUNTY, TEXAS**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Basis of Presentaion

The accompanying schedule of expenditures of federal awards (the "Schedule") include federal award activity of Lamb County, Texas. The information in this Schedule is p accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) P *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Fed Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presen in, or used in the preparation of the basic financial statements.

Special revenue funds are used to account for resources restricted to, or designated purposes by a grantor. Federal and state financial assistance generally is accounte Special Revenue Fund.

Summary of Significant Accounting Polices

Expenditures reported on the Schedule are reported on the modified accrual basis of These expeditures are recognized following the cost principles contained in the Unif Guidance, wherein certain types of expenditures are not allowable or are limited as reimbursement. Negative amounts shown on the Schedule, if any, represent adjustment credits made in the normal course of business to amounts reported as expenditures in years.