

LAMB COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2020

LAMB COUNTY, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2020

Name of Official

Office

James M. DeLoach
Cory DeBerry
Kent Lewis
Danny Short
Lee Logan
Scott Say
Gina Jones
Gary Maddox
Jerry Yarbrough
Brenda Goheen
Tonya Ritchie
Debbie Long
Becky DeBerry
Brad Bridges
Tim Walker
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

LAMB COUNTY, TEXAS
TABLE OF CONTENTS
 SEPTEMBER 30, 2020

	Page -----	Exhibit -----
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report on Financial Statements	1-3	
Management's Discussion and Analysis (Required Supplementary Information)	4-12	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position	13-14	A-1
Statement of Activities	15	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	16	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	17	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18-20	C-3
Reconciliation of the Governmental Funds		
Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21	C-4
Statement of Net Position - Proprietary Fund	23-23	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	24	D-2
Statement of Cash Flows - Proprietary Fund	25-26	D-3
Statement of Fiduciary Net Position - Fiduciary Funds	27	E-1
Notes to the Financial Statements	28-59	
Notes to the Financial Statements - Lamb Healthcare Center	60-76	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	77-78	F-1
Schedule of Changes in Net Pension Liability and Related Ratios	79	F-2
Schedule of Contributions	80	F-3
Notes to Required Supplementary Information	81	
<u>Combining Fund Financial Statements</u>		
Combining Statements - All General Fund Types	82-84	G-1
Combining Statements - Road and Bridge Funds	85-88	G-2
Combining Statement - Fiduciary Assets and Liabilities	89	G-3

LAMB COUNTY, TEXAS
TABLE OF CONTENTS
 SEPTEMBER 30, 2020

	Page -----	Exhibit -----
<u>Other Supplementary Information</u>		
Road and Bridge Fixed Assets	90-93	H-1
Office of the Tax Assessor-Collector	94-96	H-2
 <u>OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION</u>		
Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards.</u>	97-98	
Schedule of Findings and Responses	99	
Schedule of Prior Audit Findings	100	
Corrective Action Plan	101	

FINANCIAL SECTION

Stephen H. Webb, CPA



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Member of Texas Society of CPA's and American Institute of CPA's

Independent Auditor's Report

Honorable County Judge & Commissioners' Court
Lamb County
100 6th 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, 2020, 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 represents 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, 2020 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, budgetary comparison information, schedule of changes in net position liability and related ratios and schedule of pension contributions 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

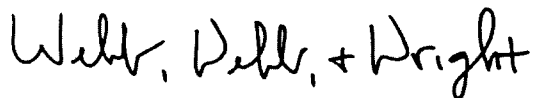
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamb County's basic financial statements. The combining fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements, and other supplementary information 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 and other supplementary information 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 24, 2021, 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 solely 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 effectiveness of Lamb County's 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, PLLC
Littlefield, TX
June 24, 2021

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, 2020. 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.

Net position of the County's governmental activities decreased from \$9,642,211 to \$9,619,971. 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 \$1,103,318 at September 30, 2020.

This decrease in governmental net position was the result of the County's expenses exceeding revenues by \$22,240.

The net position of our business-type activities increased by \$2,331,554. This increase 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 2019-2020
	2020	2019	2020	2019	2020	2019	
Current and other assets	3,975	3,572	11,543	1,821	15,518	5,393	187.7%
Capital assets	8,601	8,538	1,140	1,129	9,741	9,667	0.8%
Total assets	<u>12,577</u>	<u>12,110</u>	<u>12,683</u>	<u>2,950</u>	<u>25,260</u>	<u>15,060</u>	67.7%
Total deferred outflows of resources	<u>1,572</u>	<u>2,244</u>	<u>-</u>	<u>-</u>	<u>1,572</u>	<u>2,244</u>	-29.9%
Long-term liabilities	1,503	3,247	392		1,895	3,247	-41.6%
Other liabilities	<u>1,304</u>	<u>798</u>	<u>1,701</u>	<u>1,476</u>	<u>3,005</u>	<u>2,274</u>	32.1%
Total liabilities	<u>2,807</u>	<u>4,045</u>	<u>2,093</u>	<u>1,476</u>	<u>4,900</u>	<u>5,521</u>	-11.2%
Total deferred inflows of resources	<u>1,722</u>	<u>667</u>	<u>6,784</u>	<u>-</u>	<u>8,506</u>	<u>667</u>	1175.3%
Net position							
Net investment in capital assets	7,989	7,921	1,140	1,129	9,129	9,050	0.9%
Restricted	528	616	-	-	528	616	-14.3%
Unrestricted	<u>1,103</u>	<u>1,105</u>	<u>2,666</u>	<u>345</u>	<u>3,769</u>	<u>1,450</u>	159.9%
Total net position	<u>9,620</u>	<u>9,642</u>	<u>3,806</u>	<u>1,474</u>	<u>13,426</u>	<u>11,116</u>	20.8%

Table 2

Lamb County

Changes in Net Position

in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues:							
Net program revenues:							
Charges for services	452	521	12,563	11,977	13,015	12,498	4.1%
Operating grants and contributions	631	660	2,297	-	2,928	660	343.6%
Capital grants and contributions	162	76	102	11	264	87	203.4%
General revenues:							
Property taxes	7,931	7,954	-	-	7,931	7,954	-0.3%
Fines & Forfeitures	2	-	-	-	-	-	0.0%
Licenses and permits	1	-	-	-	-	-	0.0%
Commissions	510	522	-	-	510	522	-2.3%
Grants and contributions not restricted	-	-	-	-	-	-	0.0%
Investment earnings	54	110	26	8	80	118	-32.2%
Other	207	68	512	372	719	440	63.4%
Gain (Loss) on sale of assets	45	(36)	-	-	45	(36)	-225.0%
Total revenues	9,996	9,877	15,500	12,367	25,493	22,244	14.6%
Expenses:							
General government	1,690	1,603	-	-	1,690	1,603	5.4%
Financial	510	508	-	-	510	508	0.4%
Judicial	643	636	-	-	643	636	1.1%
Legal	225	223	-	-	225	223	0.9%
Public safety	3,131	3,538	-	-	3,131	3,538	-11.5%
Facilities	146	154	-	-	146	154	-5.2%
Public welfare	87	92	-	-	87	92	-5.4%
Culture/Recreation	386	410	-	-	386	410	-5.9%
Road and bridge	2,052	2,340	-	-	2,052	2,340	-12.3%
Health	-	-	14,292	13,068	14,292	13,068	9.4%
Interest on long-term debt	27	22	-	-	27	22	22.7%
Total expenses	8,895	9,527	14,292	13,068	23,189	22,594	2.6%

Table 2
Lamb County
Changes in Net Position
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2019-2020
Increase (decrease) in net position before transfers	1,101	351	1,208	(700)	2,309	(349)	-761.6%
Transfers	(1,123)	(1,128)	1,123	1,128	-	-	0.0%
Change in net position	(22)	(778)	2,331	428	2,309	(349)	-761.6%
Net position-beginning	9,642	10,420	1,474	1,045	11,116	11,465	-3.0%
Net position-ending	<u>9,620</u>	<u>9,642</u>	<u>3,806</u>	<u>1,474</u>	<u>13,425</u>	<u>11,116</u>	20.8%

The County's governmental revenues increased by \$118,480 this year. The total cost of governmental programs and services decreased by \$631,806 this year. The County's business revenues increased by \$3,131,594 this year. The total cost of business programs and services increased by \$1,223,569 this year.

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

- Current year property tax revenues decreased by \$35,415 from prior year collections. This decrease is the result of decreases in the tax base totaling almost \$6.5 million. Most of the decrease in the tax base is because of a one-year increase in the previous year.
- Fee office collections decreased over \$61,000 or 14.5% less than prior year collections. There were minor increases and decreases in multiple offices. There were significant increases in the Justice of the Peace 2 and decreases in the District Clerk, Sheriff and Justice of the Peace 3 & 4 offices.
- Total General Fund expenses decreased during the year. A portion of this decrease is due to the COVID-19 pandemic. One area of increase is reflected in the Non-Departmental fund. There were decreases in many General Fund departments including decreases in three Road & Bridge Precincts. The Non-Departmental budget saw increases due to renovations to the second floor of the Courthouse. The Sheriff's Office and Jail had decreases in expense.

The cost of all governmental and business-type activities this year was \$23,186,421. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes, fines and forfeitures, licenses and permits, and commissions was only \$8,443,528 because \$13,015,264 of the costs were paid by those who directly benefited from the programs, \$3,192,985 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 \$2,547,614, which is lower than last year's total of \$2,665,144. Included in this year's total change in fund balance is a net decrease of \$29,543 in the County's General Fund.

The County's proprietary fund reported a net position of \$3,805,710 which is higher than last year's total of \$1,474,156.

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 decreased by \$35,415 from prior year collections. Taxes decreased due to a decrease in the tax base. Because there was a decrease in the tax base, the County chose to retain the same tax rate as the previous year.

- Expenditures in governmental funds decreased compared to prior year totals. There were no salary increases budgeted for employees. The primary areas of increase were in capital outlays.

General Fund Budgetary Highlights

The County’s General Fund balance of \$2,019,939 differs from the General Fund’s budgetary fund balance of \$776,520. 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 Funds received. During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. The final budget reflected an excess of revenues over expenditures of \$140,178; however, the actual excess was revenues over expenditures of \$1,045,715. Major variances included:

- Total revenues collected were more than budgeted revenue. Property tax revenue exceeded the budget by \$13,692 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 less than budgeted by \$26,268.
- Total expenditures for the General Fund were 13.37% less than the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the County had \$21,976,877 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 \$562,567, or approximately 2.63% more than last year.

This year’s major additions included:

Construction in Process	\$	105,828
Buildings & Improvements	\$	92,894
Machinery & Equipment	\$	273,200
Vehicles	\$	295,167
Office Equipment	\$	193,922
Total	\$	<u>961,010</u>

Specific additions include the following:

- The Sheriff's Office purchased 3 new vehicles.
- Renovations for the second floor of the Courthouse were continued.
- A new pickup was purchased for the Road & Bridge Precinct 1.
- A new motor grader was purchased for Road & Bridge Precinct 4.

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 \$612,272 in outstanding governmental debt versus \$616,796 last year and 999,700 in business-type activities debt versus none in the prior year. More detailed information about the County's long-term liabilities is presented in Notes 8 and 9 to the financial statements as well as Note 6 to the Lamb Healthcare Center Notes 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 2021 budget and tax rates such as the following:

- Additional money was budgeted in capital outlays for continued renovations for the Courthouse.
- There were also budget increases for a computer software conversion for the Courthouse.
- A decrease in tax valuations will result an estimated \$11,000 decrease in tax revenue for Fiscal Year 2021.

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, 2020

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 12,347,664	\$ 23,129	\$ 12,370,793
Receivables (net of allowance for uncollectibles)	569,702	1,733,558	2,303,260
Internal Balances	(8,953,891)	8,953,891	-
Due from Other Funds	7,401	-	7,401
Due from Others	4,367	-	4,367
Inventories	174	405,350	405,524
Prepays and Other Current Assets	-	181,413	181,413
Estimated Third-Party Payor Settlements	-	245,742	245,742
Capital Assets (net of accumulated depreciation):			
Land	35,290	61,822	97,112
Buildings and Improvements	5,218,591	253,525	5,472,116
Machinery and Equipment	937,763	644,080	1,581,843
Vehicles	926,386	-	926,386
Office Equipment	365,095	-	365,095
Capital Leases	1,001,129	-	1,001,129
Construction in Progress	116,997	180,218	297,215
Total Capital Assets	<u>\$ 8,601,251</u>	<u>\$ 1,139,645</u>	<u>\$ 9,740,896</u>
TOTAL ASSETS	<u>\$ 12,576,668</u>	<u>\$ 12,682,728</u>	<u>\$ 25,259,396</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pensions	\$ 1,572,401	\$ -	\$ 1,572,401
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,572,401</u>	<u>\$ -</u>	<u>\$ 1,572,401</u>
LIABILITIES			
Accounts Payable	\$ 791,400	\$ 235,528	\$ 1,026,928
Accrued Liabilities	180,712	857,533	1,038,245
Due to Others	122,516	-	122,516
Noncurrent Liabilities:			
Due within one year	209,590	608,046	817,636
Due in more than one year	402,682	391,654	794,336
Net Pension Liability	1,100,358	-	1,100,358
TOTAL LIABILITIES	<u>\$ 2,807,258</u>	<u>\$ 2,092,761</u>	<u>\$ 4,900,019</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	\$ 1,721,839	\$ -	\$ 1,721,839
Deferred Inflow Related to Provider Relief Funds	-	6,209,159	6,209,159
Deferred Inflow Related to Medicare Accelerated Payments	-	575,098	575,098
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 1,721,839</u>	<u>\$ 6,784,257</u>	<u>\$ 8,506,096</u>

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

LAMB COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	<u>PRIMARY GOVERNMENT</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 7,988,979	\$ 1,139,645	\$ 9,128,624
Restricted for Special Revenue	527,674	-	527,674
Unrestricted	<u>1,103,318</u>	<u>2,666,065</u>	<u>3,769,383</u>
TOTAL NET POSITION	<u>\$ 9,619,971</u>	<u>\$ 3,805,710</u>	<u>\$ 13,425,681</u>

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

LAMB COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,689,839	\$ 140,830	\$ 28,289	\$ 132,425	\$ (1,388,295)	\$ -	\$ (1,388,295)
Financial	509,592	92,785	-	-	(416,807)	-	(416,807)
Judicial	642,616	162,265	26,506	-	(453,845)	-	(453,845)
Legal	225,436	22,053	190,266	-	(13,116)	-	(13,116)
Public Safety	3,130,625	31,566	232,890	-	(2,866,170)	-	(2,866,170)
Facilities	145,832	-	-	-	(145,832)	-	(145,832)
Public Welfare	86,567	475	-	-	(86,092)	-	(86,092)
Culture/Recreation	385,913	2,381	-	30,000	(353,532)	-	(353,532)
Road and Bridge	2,051,524	-	153,547	-	(1,897,977)	-	(1,897,977)
Interest on Long-Term Debt	26,879	-	-	-	(26,879)	-	(26,879)
Total Governmental Activities	\$ 8,894,822	\$ 452,355	\$ 631,497	\$ 162,425	\$ (7,648,544)	\$ -	\$ (7,648,544)
Business - Type Activities:							
Health	\$ 14,291,599	\$ 12,562,909	\$ 2,296,759	\$ 102,304	\$ -	\$ 670,373	\$ 670,373
Total Business Type Activities	\$ 14,291,599	\$ 12,562,909	\$ 2,296,759	\$ 102,304	\$ -	\$ 670,373	\$ 670,373
TOTAL PRIMARY GOVERNMENT	\$ 23,186,421	\$ 13,015,264	\$ 2,928,256	\$ 264,729	\$ (7,648,544)	\$ 670,373	\$ (6,978,171)
General Revenues:							
Property Taxes					\$ 7,930,963	\$ -	\$ 7,930,963
Fines & Forfeitures					2,200	-	2,200
Licenses and permits					594	-	594
Commissions					509,771	-	509,771
Grants and contributions not restricted to specific programs					-	-	-
Investment earnings					54,006	25,768	79,774
Other					207,108	512,315	719,423
Gain (Loss) on sale of assets					44,761	-	44,761
Transfers					(1,123,098)	1,123,098	-
Total general revenues and transfers					\$ 7,626,305	\$ 1,661,181	\$ 9,287,485
Changes in net position					\$ (22,240)	\$ 2,331,554	\$ 2,309,314
Net position - beginning					\$ 9,642,211	\$ 1,474,156	\$ 11,116,367
Net position - ending					\$ 9,619,971	\$ 3,805,710	\$ 13,425,681

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

LAMB COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 11,696,796	\$ 650,868	\$ 12,347,664
Investments	-	-	-
Accounts Receivable	2,964	143,585	146,548
Delinquent Tax Receivable	470,170	-	470,170
Allowance for Uncollectible Tax	(47,017)	-	(47,017)
Due From Other Funds	527,404	1	527,405
Due From Others	-	4,367	4,367
Inventory	174	-	174
TOTAL ASSETS	<u>\$ 12,650,491</u>	<u>\$ 798,821</u>	<u>\$ 13,449,312</u>
LIABILITIES			
Accounts Payable	\$ 655,495	\$ 135,905	\$ 791,400
Accrued Liabilities	19,876	70,858	90,734
Due To Other Funds	9,473,895	-	9,473,895
Due To Others	58,132	64,385	122,516
TOTAL LIABILITIES	<u>\$ 10,207,398</u>	<u>\$ 271,147</u>	<u>\$ 10,478,545</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 423,153	\$ -	\$ 423,153
TOTAL DEFERRED INFLOWS OF RESOURCE	<u>\$ 423,153</u>	<u>\$ -</u>	<u>\$ 423,153</u>
FUND BALANCES			
Restricted for Special Revenue	\$ -	\$ 527,674	\$ 527,674
Assigned for Retirement of L-T Debt	612,272	-	612,272
Assigned for Other Purposes	-	-	-
Unassigned	1,407,667	-	1,407,667
TOTAL FUND BALANCES	<u>\$ 2,019,939</u>	<u>\$ 527,674</u>	<u>\$ 2,547,614</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 12,650,491</u>	<u>\$ 798,821</u>	<u>\$ 13,449,312</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, 2020

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

Total fund balances - governmental funds balance sheet.	\$	2,547,614
Capital assets used in governmental activities not financial resources, and therefore, are not reported in the funds.		8,601,251
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.		423,153
Long-term liability used in governmental activities are not due and payable in the current period and therefore are not reported in the funds.		(612,272)
Payables for accrued personal leave which are not reported in the current period are not reported in the funds.		(69,234)
Liabilities for long-term debt interest are not due and payable in the current period and therefore not reported in the funds.		(20,744)
Recognition of the County's net pension liability not reported in the funds.		(1,100,358)
Deferred outflow related to pensions not reported in the funds.		1,572,401
Deferred inflow related to pensions not reported in the funds.		<u>(1,721,839)</u>
Total net position of governmental activities.	<u>\$</u>	<u>9,619,971</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, 2020

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 7,893,504	\$ 54	\$ 7,893,558
Charges for Services	358,354	94,001	452,355
Fines & Forfeitures	2,200		2,200
Licenses & Permits	594		594
Commissions	509,771		509,771
Intergovernmental	235,217	558,706	793,923
Interest Income	46,090	7,916	54,006
Other Revenue	197,842	9,266	207,108
TOTAL REVENUES	\$ 9,243,572	\$ 669,943	\$ 9,913,515
EXPENDITURES			
Current Operating:			
District Judge	\$ 157,580	\$ -	\$ 157,580
District Clerk	158,689	-	158,689
County Judge	180,765	-	180,765
County Clerk	223,924	-	223,924
Tax Assessor	205,810	-	205,810
Treasurer	143,126	-	143,126
County Attorney	166,303	-	166,303
Justice of the Peace - Pct #1-4	304,922	-	304,922
Veterans & Welfare	87,759	-	87,759
Adult Probation	76	-	76
Ag Extension Office	82,012	-	82,012
Sheriff	1,323,545	-	1,323,545
Jail	833,537	-	833,537
County Libraries	271,320	-	271,320
Auditor	159,741	-	159,741
Non-Departmental	568,753	-	568,753
Maintenance	149,361	-	149,361
Ag & Community Centers	33,059	-	33,059
Public Safety	322,108	-	322,108
Information Services	252,755	-	252,755
Road and Bridge - Pct #1-4	1,616,062	-	1,616,062
Bail Bond Board Account	-	-	-
Jury Fund	-	5,200	5,200
Grants Fund	-	-	-
Library Grants	-	-	-
Texas Capital Fund Grant	-	-	-
EDA Grant	-	-	-
Emergency Food & Shelter	-	-	-
Child Abuse Prevention/Family Protection Fund	-	-	-
Court House Security Fund	-	788	788

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, 2020

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Commissioners Court RPF	-	2,604	2,604
County Clerk RPF	\$ -	\$ 15,815	15,815
District Clerk RPF	-	2,091	2,091
County & District Court Tech Fund	-	-	-
District Court Tech/Archive Fund	-	5,023	5,023
JP Technology Fund	-	6,925	6,925
JP Court Security Fund	-	1,240	1,240
Juvenile Probation Fund	-	219,409	219,409
Juvenile Stand Grant Fund	-	25,795	25,795
Juvenile Title IV-E Fund	-	5,670	5,670
Juvenile 4-H Action Fund	-	-	-
JPO-State Aid	-	135,343	135,343
LEAF Grant	-	77,377	77,377
County Clerk Election Fund	-	-	-
County Clerk Records Archive Fund	-	89,997	89,997
Tax A/C Voter Registration Fund	-	-	-
VCLG Grant Fund	-	32,219	32,219
Pre-Trial Diversion Fund	-	16,500	16,500
DWI Video Fund	-	1,011	1,011
County Attorney Drug Forfeiture	-	9,767	9,767
County Attorney Hot Check Fee Fund	-	102	102
Sheriff Commissary Fund	-	3,896	3,896
Sheriff Forfeiture Fund-State	-	3,418	3,418
Sheriff Forfeiture Fund-Federal	-	1	1
County Libraries	-	1,845	1,845
Coronavirus Relief Fund	-	128,040	128,040
Historical Commission	-	-	-
Capital Outlays	763,558	200,214	963,772
Debt Service:			
Principal	172,724	-	172,724
Interest	20,368	-	20,368
Total Expenditures	\$ 8,197,857	\$ 990,291	\$ 9,188,148

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, 2020

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 1,045,715	\$ (320,348)	\$ 725,367
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Assets	\$ 112,000	\$ -	\$ 112,000
Proceeds from Capital Leases	168,200	-	168,200
Operating Transfers In	14,187,009	236,229	14,423,238
Operating Transfers Out	<u>(15,542,467)</u>	<u>(3,869)</u>	<u>(15,546,336)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (1,075,259)</u>	<u>\$ 232,361</u>	<u>\$ (842,898)</u>
Net Change in Fund Balances	\$ (29,543)	\$ (87,987)	\$ (117,531)
Fund Balances - Beginning	<u>2,049,483</u>	<u>615,662</u>	<u>2,665,144</u>
Fund Balances - Ending	<u>\$ 2,019,939</u>	<u>\$ 527,674</u>	<u>\$ 2,547,614</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, 2020

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

Net change in fund balances - total governmental funds.	\$	(117,531)
Capital outlays are not reported as expenses in the SOA.		961,010
Capital asset depreciation used in governmental activities is not reported in the funds.		(830,391)
Proceeds from capital leases are not reported as revenue in the funds		(168,200)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.		37,404
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.		(67,239)
Personal leave is reported as the amount earned in the SOA but as the amount paid in the funds.		20,502
Some expenditures (e.g. principle debt payment) on fund statements are not expenses in the SOA.		172,724
(Increase) decrease in accrued interest payable from beginning of period to end of period.		(6,510)
Pension expense relating to GASB #68 is recorded in the SOA but not in the funds.		<u>(24,008)</u>
Change in net position of governmental activities.	<u>\$</u>	<u>(22,240)</u>

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

LAMB COUNTY, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2020

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 23,129
Assets Whose Use is Limited	-
Patient Accounts Receivable, Net of Allowances	1,371,258
Estimated Third-Party Payor Settlements	245,742
Other Receivables	362,300
Due From Other Funds	9,473,895
Inventory of Supplies	405,350
Prepaid Expenses and Other Current Assets	<u>181,413</u>
Total Current Assets	\$ 12,063,087

Capital Assets

Net of Accumulated Depreciation	<u>1,139,645</u>
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TOTAL ASSETS	<u><u>\$ 13,202,732</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ 235,528
Accrued Payroll, Benefits and Related Liabilities	594,050
Other Accrued Liabilities	263,483
Estimated Third-Party Payer Settlements	-
Due To Other Funds	520,004
Current Portion of Long-Term Debt	<u>608,046</u>
Total Current Liabilities	\$ 2,221,111

Noncurrent Liabilities

Long-Term Debt, Net of Current Portion	<u>\$ 391,654</u>
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Total Noncurrent Liabilities	<u>\$ 391,654</u>
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TOTAL LIABILITIES	<u><u>\$ 2,612,765</u></u>
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The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2020

DEFERRED INFLOW OF RESOURCES

Provider Relief Funds	\$ 6,209,159
Medicare Accelerated Advance Payment	<u>575,098</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 6,784,257</u>

NET POSITION

Net Investment in Capital Assets	\$ 1,139,645
Unrestricted	<u>2,666,065</u>
TOTAL NET POSITION	<u>\$ 3,805,710</u>

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, 2020

Operating Revenues	
Net Patient Service Revenue	\$ 12,562,909
Electronic Health Records Stimulus	-
Delivery System Reform Incentive Program	303,087
Other Operating Revenue	<u>181,825</u>
Total Operating Revenues	\$ 13,047,821
Operating Expenses	
Salaries and Wages	\$ 4,447,885
Employee Benefits	618,991
Professional Fees and Purchased Services	5,685,642
Supplies and Other	3,277,158
Depreciation and Amortization	<u>267,058</u>
Total Operating Expenses	\$ 14,296,734
Operating Income (Loss)	\$ (1,248,913)
Nonoperating Revenues (Expenses)	
Community Benefit Support	\$ -
Tobacco Settlement Revenue	27,403
Noncapital Grants and Contributions	15,370
COVID-19 Federal Financial Assistance	2,281,389
Interest Expense	-
Investment Income	<u>25,768</u>
Total Nonoperating Revenues (Expenses)	\$ 2,349,930
Income (Loss) Before Capital Grants and Contributions & County Subsidies	\$ 1,101,017
Capital Grants and Contributions	102,304
County Subsidies	<u>1,128,233</u>
Change in Net Position	\$ 2,331,554
Net Position - Beginning	<u>1,474,156</u>
Net Position - Ending	<u><u>\$ 3,805,710</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, 2020

Cash Flows from Operating Activities	
Receipts From and on Behalf of Patients	\$ 12,944,216
Payments to Suppliers and Contractors	(9,941,395)
Payments to Employees	(4,983,300)
Other Receipts and Payments, Net	<u>485,164</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,495,315)</u>
Cash Flows from Noncapital Financing Activities	
Cash Invested in Funds Held by Lamb County	\$ (9,014,701)
County Subsidies	1,128,233
Noncapital Grants and Contributions	15,370
COVID-19 Federal Fincial Assistance	8,490,548
Proceeds From Issuance of Long-Term Debt	999,700
Proceeds From Tobacco Settlement	27,403
Intergovernmental Transfers	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 1,646,553</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	\$ (296,684)
Capital Grants and Contributions	102,304
Interest Paid	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (194,380)</u>
Cash Flows from Investing Activities	
Investment Income	<u>\$ 25,768</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 25,768</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (17,374)
Cash and Cash Equivalents - Beginning	<u>40,503</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 23,129</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and Equivalents Presented Under the Following Titles:	
Cash and Cash Equivalents	\$ 23,129
Assets Whose Use is Limited - Current	<u>\$ -</u>
	<u><u>\$ 23,129</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, 2020

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

Operating Income (Loss)	\$ (1,248,913)
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Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)**by Operating Activities**

Depreciation and Amortization	\$ 267,058
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Provision for Bad Debts	2,166,349
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Community Benefit Support	-
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(Increase) Decrease in:

Patient Accounts Receivable	(2,227,366)
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Estimated Third-Party Payer Settlements	(146,492)
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Other Receivables	(120,358)
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Inventory of Supplies	(136,369)
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Prepaid Expenses and Other Current Assets	(140,398)
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Increase (Decrease) in:

Accounts Payable	(701,079)
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Accrued Payroll, Benefits and Related Liabilities	83,576
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Other Accrued Liabilities	133,579
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Deferred Inflows of Resources	575,098
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Total Adjustments	\$ (246,402)
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Net Cash Provided (Used) by Operating Activities	\$ (1,495,315)
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Supplemental Disclosure of Noncash Investing and Financing Activities

Capital Asset Purchases Included in Accounts Payable	\$ -
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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, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 459,047
Accounts Receivable	-
TOTAL ASSETS	\$ 459,047
LIABILITIES	
Accounts Payable	\$ 8,937
Due to Other Groups	440,233
Due to Trust Beneficiaries	9,877
TOTAL LIABILITIES	\$ 459,047

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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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. 14 and GASB Statement No. 61, 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, TX

Notes to Financial Statements
September 30, 2020

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, TX

Notes to Financial Statements
September 30, 2020

The County has presented the following Major Governmental Fund:

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.

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 Nonmajor 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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The government-wide and fiduciary fund financial statements are prepared using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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.

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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

J. PERSONAL LEAVE

County employees (other than Sheriff's 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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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. The County has recognized a liability for that portion of accumulated personal leave that will be compensated with cash payments at termination. The amount expected to be paid from current resources is not significant.

All personal leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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.

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.

Net Position on the Government-wide Statement:

In the government-wide statements, net position is reported in three components - net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt issued to acquire, construct or improve those assets. Restricted net position is reported when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by enabling legislation. Unrestricted net position does not meet the definition of either of the two categories of net assets listed above. Unrestricted net position is assets available for use by the County for legal purposes.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

When the County incurs an expense for which it may use either restricted or unrestricted position, it uses the restricted position first whenever they will have to be returned if they are not used.

M. USE OF ESTIMATES

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

N. NEW PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

In January 2017, GASB issued Statement No. 84 ("GASB 84"), Fiduciary Activities. GASB 84 establishes criteria for identifying fiduciary activities. GASB 84 originally had to be implemented for the fiscal period ending June 30, 2020; however, due to the COVID-19 pandemic the implementation date has been postponed by one year.

In August 2018, GASB issued Statement No. 90 ("GASB 90"), Majority Equity Interests. GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. GASB 90 originally had to be implemented for the fiscal period ending June 30, 2020; however, due to the COVID-19 pandemic the implementation date has been postponed by one year.

In May 2020, GASB issued Statement No. 95 ("GASB 95"), Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

The effective date of the following pronouncement was postponed by 18 months:

- Statement No. 87, *Leases*

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 Deficit Net Position of Individual Nonmajor Fund

The following are funds having deficit fund balances or deficit 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>
Juvenile Stand Grant	\$ 45	Nonmajor Fund
JPO State Aid	\$ 10,493	Nonmajor Fund

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, 2020, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$12,370,793 and the bank balance was \$13,038,284. The County's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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

The County's investments at September 30, 2020 are shown below.

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

Total Investments		\$ -0-
		=====

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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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.

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 significantly exposed to credit risk.

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"

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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.

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 uncollectible tax receivables 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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 35,290	\$ -	\$ -	\$ 35,290
Construction in Progress	11,169	105,828		116,997
Total capital assets not being depreciated	<u>\$ 46,459</u>	<u>\$ 105,828</u>	<u>\$ -</u>	<u>\$ 152,287</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 13,116,229	\$ 92,894	\$ -	\$ 13,209,123
Machinery and Equipment	3,118,021		(77,367)	3,040,654
Vehicles	2,320,877	295,167	(123,767)	2,492,277
Office Equipment	1,757,548	193,922	(197,309)	1,754,161
Capital Leases	1,055,175	273,200		1,328,375
Total capital assets being depreciated	<u>\$ 21,367,851</u>	<u>\$ 855,182</u>	<u>\$ (398,443)</u>	<u>\$ 21,824,590</u>
Less accumulated depreciation				
Buildings and Improvements	\$ (7,709,427)	\$ (281,105)	\$ -	\$ (7,990,532)
Machinery and Equipment	(1,996,282)	(183,976)	77,367	(2,102,891)
Vehicles	(1,434,037)	(188,382)	56,528	(1,565,891)
Office Equipment	(1,528,624)	(57,750)	197,309	(1,389,066)
Capital Leases	(208,069)	(119,178)		(327,246)
Total accumulated depreciation	<u>\$ (12,876,439)</u>	<u>\$ (830,391)</u>	<u>\$ 331,204</u>	<u>\$ (13,375,626)</u>
Total capital assets being depreciated, net	<u>\$ 8,491,412</u>	<u>\$ 24,791</u>	<u>\$ (67,239)</u>	<u>\$ 8,448,964</u>
Governmental activities capital assets, net	<u>\$ 8,537,871</u>	<u>\$ 130,619</u>	<u>\$ (67,239)</u>	<u>\$ 8,601,251</u>

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

General government	\$ 217,364
Public safety	178,743
Highways and streets	434,284

	\$ 830,391
	=====

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

NOTE 7: OPERATING LEASES

The County has entered into various operating lease agreements for Xerox, and Konica copiers and printers. In addition, the County has also entered into operating lease agreements for a Pitney Bowes postage mailing system. Commitments under these operating (noncapitalized) lease agreements provide for future minimum rental payments as of September 30, 2020 as follows:

Year Ending -----	
2021	\$ 22,788
2022	19,590
2023	18,667
2024	15,594
2025	1,536

Total Minimum Rental Payments	\$ 78,175
	=====
Rental Expenditures in FYE 2020	\$ 30,086
	=====

NOTE 8: CAPITAL LEASES

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 \$4,722. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2020 as follows:

Year Ending -----	
2021	\$ 56,537
2022	56,537

Total Minimum Lease Payments	\$ 113,074
Less Amount Representing Interest	(4,814)

Present Value - Minimum Lease Payments	\$ 108,260
	=====

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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 \$3,976. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2020 as follows:

Year Ending -----	
2021	\$ 51,759
2022	51,759

Total Minimum Lease Payments	\$ 103,518
Less Amount Representing Interest	(4,047)

Present Value - Minimum Lease Payments	\$ 99,471 =====

In FYE 2018, 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 \$4,840. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2020 as follows:

Year Ending -----	
2021	\$ 37,652
2022	37,652
2023	37,652

Total Minimum Lease Payments	\$ 112,956
Less Amount Representing Interest	(7,469)

Present Value - Minimum Lease Payments	\$ 105,487 =====

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

In FYE 2018, 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 \$6,830. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2020 as follows:

Year Ending -----	
2021	\$ 47,144
2022	47,144
2023	47,144

Total Minimum Lease Payments	\$ 141,432
Less Amount Representing Interest	(10,578)

Present Value - Minimum Lease Payments	\$ 130,854 =====

In the current year, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140 Motor Grader for Precinct #4. 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 \$0. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2020 as follows:

Year Ending -----	
2021	\$ 37,243
2022	37,243
2023	37,243
2024	37,242
2025	37,517

Total Minimum Lease Payments	\$ 186,488
Less Amount Representing Interest	(18,288)

Present Value - Minimum Lease Payments	\$ 168,200 =====

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

NOTE 9: CHANGES IN OTHER LONG-TERM DEBT

Governmental Activities:

	Balance 10-01-19	Increase	Decrease	Balance 09-30-20	Amounts Due Within One Year
	-----	-----	-----	-----	-----
Capital Leases	\$ 616,795	\$ 168,200	\$ 172,724	\$ 612,272	\$ 209,590
NPL *	2,802,993	2,115,022	3,817,656	1,100,358	-0-
	-----	-----	-----	-----	-----
Total Long-Term Liabilities	\$3,419,788	\$2,283,222	\$3,990,380	\$1,712,630	\$ 209,590
	=====	=====	=====	=====	=====

* 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

There were no current year direct borrowings or direct placements of debt and no unused lines of credit nor assets pledged as collateral for debt.

NOTE 10: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and from other funds at September 30, 2020 consisted of the following:

Due To	Due From	Amount
-----	-----	-----
General Fund	Proprietary Fund-Hospital	\$ 520,004
General Fund	Agency Funds	7,400
Proprietary Fund-Hospital	General Fund	9,473,895
Other Governmental Fund	Agency Fund	1

		\$10,001,300
		=====

Interfund balances are short-term loans. All amounts due are scheduled to be repaid within one year.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2020 consisted of the following:

Transfers To -----	Transfers From -----	Amount -----
Other Governmental Funds	General Fund	\$ 298,828
LHC	Proprietary Fund - Hospital	14,037,358
Proprietary Fund - Hospital	LHC	15,160,456
General Fund	Other Governmental Funds	83,250
Other Governmental Fund	Other Governmental Fund	3,802

		\$ 29,583,694
		=====

Interfund transfers are subsidy transfers from unrestricted funds

NOTE 11: 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 2020, 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 12: 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.

NOTE 13: 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, TX

Notes to Financial Statements
September 30, 2020

NOTE 14: 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 15: LITIGATION

The County was not involved in any significant litigation as of September 30, 2020.

NOTE 16: DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

Lamb County provides retirement, disability and survivor benefits for all of its full-time and part-time non-temporary employees, regardless of the number of hours they work in a year. Lamb County participates in the Texas County and District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public-employee retirement system. The system serves 798 participating counties and districts throughout Texas. TCERS is a savings-based plan. Each employer has a defined benefit plan that functions similarly to a cash balance plan. TCERS is governed by the Texas Legislature and overseen by an independent board of trustees, which is responsible for the administration of the system. TCERS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at www.TCERS.org.

All eligible employees of the County are required to participate in TCERS.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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 withdraws his personal contributions in a lump-sum, he forfeits the right to any employer contributions. There are no automatic COLA's. Each year the county may elect an ad hock COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

Upon retirement, 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 into a monthly annuity using the actuarial equivalent as prescribed by the TCDRS Act.

Employees covered by benefit terms.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	72
Inactive employees entitled to but not yet receiving benefits	72
Active employees	99

	243

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 12.71% for the months of the 2019 plan year, and 14.03% for

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

the months of the 2020 plan year. The contribution rate payable by the employee members for FYE 2020 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 FYE 2020 were \$516,887, and were equal to the required contributions.

D. NET PENSION LIABILITY

The County's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

All actuarial assumptions that determined the TPL as of December 31, 2019 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, 2019 actuarial valuation analysis for Lamb County. This information may also be found in the Lamb County December 31, 2019 Summary Valuation Report.

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 increase in salary 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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

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.

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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

Service Retirement - Members eligible for service retirement are assumed to retire at the rates shown in a custom table based on TCDRS experience.

Employer-specific demographic assumptions:

Other Terminations of Employment - The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are shown in a custom table based on TCDRS experience. 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 schedule. Rates applied to your plan are shown in a custom table based on TCDRS experience. 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 April 2020 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 long-term 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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net Index)	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

Discount Rate

The plan's fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years. Therefore, the discount rate for purposes of calculating the TPL and NPL of the county is equal to the long-term assumed rate of return on investments, and the municipal bond rate does not apply. 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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	-----	-----	-----
Balances as of December 31, 2018	\$ 19,931,691	\$ 17,128,699	\$ 2,802,993
Changes for the year:			
Service cost	481,854		481,854
Interest on total pension liability	1,611,324		1,611,324
Effect of plan changes	-0-		-0-
Effect of economic/demographic gains or losses	(223,296)		(223,296)
Effect of assumptions changes or inputs	-0-		-0-
Refund of contributions	(54,709)	(54,709)	-0-
Benefit payments	(1,007,289)	(1,007,289)	-0-
Administrative expenses		(14,966)	14,966
Member contributions		277,444	(277,444)
Net investment income		2,813,159	(2,813,159)
Employer contributions		503,757	(503,757)
Other		(6,878)	6,878
Balances as of December 31, 2019	\$ 20,739,574	\$ 19,639,216	\$ 1,100,358

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the NPL of the County, calculated using the discount rate of 8.10%, as well as what the County NPL 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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

	1% Decrease (7.10%)	Current Discount Rate (8.10%)	1% Increase (9.10%)
	-----	-----	-----
Total pension liability	\$ 23,101,333	\$ 20,739,574	\$18,723,764
Fiduciary net position	19,639,216	19,639,216	19,639,216
Net pension liability	\$ 3,462,117	\$ 1,100,358	\$ (915,452)

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.

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

For the year ended September 30, 2020, the County recognized pension expense (income) of \$540,895. The calculation was based on the measurement date of December 31, 2019.

At September 30, 2020, the County reported the deferred outflows and inflows related to pensions as follows:

Deferred Outflows/Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
	-----	-----
Differences between expected and actual experience	\$ 93,125	\$ 167,472
Changes of assumptions	28,467	-0-
Net difference between projected and actual earnings	-0-	488,871
Contributions made subsequent to measurement date	385,313	N/A
Total	\$ 506,905	\$ 656,343

\$385,313 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

Year ending September 30

2021	\$ (91,051)
2022	(161,787)
2023	5,636
2024	(287,549)

	\$ (534,751)

NOTE 17: HEALTHCARE COVERAGE

During the year ended September 30, 2020, 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). This plan is renewable October 1, 2020, and the terms of coverage and contribution costs are included in the contractual provisions.

NOTE 18: TAX ABATEMENT

Effective July 11, 2016, the Lamb County, Texas Commissioners' Court approved a Tax Abatement Agreement with Continental Dairy Facilities Southwest, LLC ("CDFS") for construction of Improvements within the Lamb County Reinvestment Zone as designated by the Commissioners' Court of Lamb County, Texas in accordance with Texas Tax Code 312.002 (d).

CDFS agrees to make certain improvements to be located on land within the Reinvestment Zone, with such improvements generally described as rehabilitation of existing structures, construction of new structures, and the installation of new equipment and infrastructure necessary to process and produce powdered milk and other dairy products. The Commissioners' Court has concluded that the Improvements and operations proposed by CDFS constitute a major investment in the Reinvestment Zone that will be a benefit to the Reinvestment Zone and will contribute to the economic development of the County.

The County agrees to abate ad valorem property taxes levied by the County on the Improvements during the Abatement Period provided by the Agreement. The Abatement Period shall begin on the earlier of (a) January 1 of the first calendar year after the commencement of commercial operations or (b) January 1 of the calendar year identified in a Notice of Abatement Commencement delivered by CDFS. The period in which taxes are abated (the "Abatement Period") will begin on the Commencement Date and will terminate on December 31 of the tenth (10th) year following the Commencement Date, unless sooner terminated in

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

accordance with the terms of this Agreement. Termination of this Agreement shall not relieve either party of any covenants, obligations, or payments owing to the other as of the date the Agreement is terminated.

CDFS agrees to continue routine commercial operation of the Facilities, including all outages for repair, maintenance and refurbishment, for a period of not less than ten (10) years after the end of the Abatement Period at a level of production not less than an annual average of 1.8 million pounds of raw milk received per day. In addition to any other remedies available to the County, upon any default and failure to cure by CDFS of this covenant, the County shall be entitled to recapture the ad valorem taxes abated under the terms of this Agreement.

County Year: 2019 - 2020

Project Value:	\$177,166,120
Project Value Limitation Amount:	N/A
Amount of CDFS Taxes Paid:	\$ 17,104
Amount of CDFS Taxes Abated:	\$ 1,407,230
CDFS Revenue Loss Payment to Lamb County:	\$ -0-
CDFS Supplemental Payment to Lamb County:	\$ -0-

Effective July 11, 2016, the Lamb County, Texas Commissioners' Court approved a Tax Abatement Agreement with Blue Cloud Renewable Energy Project, LLC ("BCREP") for construction of Improvements within the Lamb County Reinvestment Zone as designated by the Commissioners' Court of Lamb County, Texas in accordance with Texas Tax Code 312.002 (d).

BCREP agrees to make certain improvements to be located on land within the Reinvestment Zone, with such improvements generally described as a wind power facility - consisting of rehabilitation of existing structures, construction of new structures, and the installation of new equipment and infrastructure necessary to produce wind power and perform other functions related to the production, distribution and transmission of electric power. The Commissioners' Court has concluded that the Improvements and operations proposed by BCREP constitute a major investment in the Reinvestment Zone that will be a benefit to the Reinvestment Zone and will contribute to the economic development of the County.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

The County agrees to abate ad valorem property taxes levied by the County on the Improvements during the Abatement Period provided by the Agreement. The Abatement Period shall begin on January 1, 2017 and end upon conclusion of ten full calendar years. Termination of this Agreement shall not relieve either party of any covenants, obligations, or payments owing to the other as of the date the Agreement is terminated.

As additional consideration for this Abatement, BCREP agrees to make an annual payment to the County of two thousand dollars (\$2,000.00) per megawatt of Turbine Nameplate Capacity during the ten (10) years the abatement is in effect with a maximum annual cap of sixty thousand dollars (\$60,000.00). The first such payment shall be due and payable on October 1, 2017 and delinquent if not paid on or before January 31, 2018, with the remaining nine (9) payments due and payable annually on or before October 1 thereafter and delinquent if not paid on or before the immediately following January 31.

Once constructed, BCREP agrees that the Improvements will remain in place until at least twenty (20) calendar years after the end of the Term of this Agreement. In addition to any other remedies available to the County, upon any default and failure to cure by BCREP of this covenant, the County shall be entitled to recapture the ad valorem taxes abated under the terms of this Agreement.

County Year: 2019 - 2020

Project Value:	\$27,265,120
Project Value Limitation Amount:	N/A
Amount of BCREP Taxes Paid:	\$ -0-
Amount of BCREP Taxes Abated:	\$ 216,567
BCREP Revenue Loss Payment to Lamb County:	\$ 216,567
BCREP Supplemental Payment to Lamb County:	\$ 60,000

Effective August 26, 2019, the Lamb County, Texas Commissioners' Court approved a Tax Abatement Agreement with Cage Ranch Solar, LLC ("CRS") for construction of a solar powered electric generating facility within the boundaries of the Lamb County Reinvestment Zone as designated by the Commissioners' Court of Lamb County, Texas in accordance with Texas Tax Code 312.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

CRS agrees to make certain improvements to be located on land within the Reinvestment Zone, with such improvements generally described as renewable infrastructure improvements necessary to generate and transmit approximately 500 megawatts of electricity, but in no event less than 300 megawatts of electricity, upon completion of a solar powered ground mounted electric generation facility. The Commissioners' Court has concluded that the Improvements and operations proposed by CRS constitute a major investment in the Reinvestment Zone that will be a benefit to the Reinvestment Zone and will contribute to the economic development of the County.

The County agrees to a 100% abatement of all categories of ad valorem property taxes levied by the County on the Improvements and Facilities during the Abatement Period provided by the Agreement. The Abatement Period shall begin on the earlier of (a) January 1 of the first calendar year after the commencement of Commercial Operations, or (b) January 1 of the calendar year identified in a Notice of Abatement Commencement delivered by CRS (the "Commencement Date"). The period in which taxes are abated (the "Abatement Period") will begin on the Commencement Date and will terminate on December 31 of the tenth (10th) year following the Commencement Date, unless sooner terminated in accordance with the terms of this Agreement. Termination of this Agreement shall not relieve either party of any covenants, obligations, or payments owing to the other as of the date the Agreement is terminated.

As consideration for the abatement granted by the County under this Agreement, CRS agrees to timely perform all covenants undertaken by CRS pursuant to the terms of this Agreement including the making of an annual payment in lieu of taxes (the "Annual PILOT") to the County for each year during the Abatement Period. The Annual PILOT required by this Agreement must be paid to the County Treasurer not later than December 1 of the tax year for which abatement is granted.

Once constructed, CRS agrees that the Improvements will remain in place for at least a period of fifteen (15) years following the end of the Abatement Period. In addition to any other remedies available to the County, upon any default and failure to cure by CRS of this covenant, the County shall be entitled to recapture the ad valorem taxes abated under the terms of this Agreement to the date of any default but providing a credit to CRS for the sum of the Annual PILOTS paid to the date of the default.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2020

County Year: 2019 - 2020

Project Value:	\$	-0-
Project Value Limitation Amount:	\$	-0-
Amount of CRS Taxes Paid:	\$	-0-
Amount of CRS Taxes Abated:	\$	-0-
CRS Revenue Loss Payment to Lamb County:	\$	-0-
CRS Supplemental Payment to Lamb County:	\$	-0-

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 uncollectible accounts receivable and third party 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

Deferred Outflows/Inflows of Resources - Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources, respectively.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Net Position - Net position of the Hospital is classified into three components: net investment in capital assets, restricted, and unrestricted. 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. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

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

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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.

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.

Newly Adopted Accounting Pronouncement:

GASB Statement No. 95 - In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year and/or eighteen months and the new effective dates are presented as follows:

- The effective date for GASB Statement No. 87 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after June 15, 2021.
- The effective date for GASB Statement No. 89 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after December 15, 2020.
- The effective date for GASB Statement No. 90 has been postponed from reporting periods beginning after December 15, 2018 to reporting periods beginning after December 15, 2019.
- The effective date for GASB Statement No. 91 has been postponed from reporting periods beginning after December 15, 2020 to reporting periods beginning after December 15, 2021.
- The effective date for GASB Statement No. 92 has been postponed from reporting periods beginning after June 15, 2020 to reporting periods beginning after June 15, 2021.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Pending Adoption of Recent Accounting Pronouncements:

GASB Statement No. 87 - In June 2017, the GASB issued Statement No. 87, - *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement is effective for reporting periods beginning after December 15, 2019. See GASB Statement No. 95 for notice of implementation postponement.

GASB Statement No. 89 - In June 2018, the GASB issued GASB Statement No. 89, - *Accounting for Interest Cost Incurred Before the end of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Statement is effective for reporting periods beginning after December 15, 2019. See GASB Statement No. 95 for notice of implementation postponement.

GASB Statement No. 90 - In June 2018, the GASB issued GASB Statement No. 90, - *Majority Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest a fair value. The Statement is effective for periods beginning after December 15, 2018. See GASB Statement No. 95 for notice of implementation postponement.

GASB Statement No. 91 - In May 2019, the GASB issued GASB Statement No. 91, - *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

requirements of this Statement are effective for periods beginning after December 15, 2020. See GASB Statement No. 95 for notice of implementation postponement.

GASB Statement No. 92 - In January 2020, the GASB issued GASB Statement No. 92, - *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of GASB Statement No. 87, *Leases*;
- Reporting of intra-entity transfers of assets between a primary government employer and an enterprise fund defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan;
- The applicability of GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits;
- The applicability of certain requirements of GASB Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements;
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition;
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers;
- Reference to nonrecurring fair value measurements of assets and liabilities in authoritative literature;
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance;
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020;

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020;
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

See GASB Statement No. 95 for notice of implementation postponement.

Accounting Standards Update (ASU) NO. 2014-09 - In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 was implemented by FASB to whether an entity should recognize revenue. An entity should recognize revenue to depict the transfers of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 15, 2019, with early implementation permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

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.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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.

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 Service Revenue is comprised as follows:

Routine Patient Services	\$ 411,945
Ancillary Patient Services	
Inpatient	3,063,862
Outpatient	19,462,263

Gross Patient Service Revenue	\$ 22,938,070
Charity	(1,863,544)
Third-Party Contractual Adjustments	(7,288,158)
Provision for Bad Debts	(2,166,349)
Medicaid Supplemental Payments & Other Credits	942,890

Net Patient Service Revenue	\$ 12,562,909
	=====

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, 2020 are \$245,742.

Charity Care - The value of charity care provided by the Hospital based upon its established rates, was \$1,863,544 in 2020. 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

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

recent cost reports, to determine the total cost. The Hospital's cost of providing charity care was approximately \$1,200,000 for the year ended September 30, 2020.

NOTE 3: DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2020, the carrying amount of the Hospital's deposits was \$23,129 and the bank balance was \$408,111. 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 last Monday of the month to approve all cash disbursements.

NOTE 4: PATIENT ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at September 30, 2020:

Gross Accounts Receivable	\$ 3,226,702
Less: Allowance for Bad Debts	(1,321,000)
Allowance for Contractuals	(534,444)

Accounts Receivable, Net of Allowance	\$ 1,371,258
	=====

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, 2020 is as follows:

Medicare	12%
Medicaid	16%
Other Third-Party Payers	35%
Patients	37%

Total	100%
	=====

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5: CAPITAL ASSETS

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

	Balance 10/1/19	Additions	Retirements	Balance 9/30/20
	-----	-----	-----	-----
Land	\$ 61,822	\$	\$	\$ 61,822
Land Improvements	1,022,226			1,022,226
Equipment	6,013,619	97,159		6,110,778
Construction in Progress		180,218		180,218
	-----	-----	-----	-----
Totals at historical cost	\$ 7,097,667	\$ 277,377	\$ -0-	\$ 7,375,044
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Land Improvements	\$ (701,137)	\$ (67,564)	\$	\$ (768,701)
Equipment	(5,267,205)	(199,493)		(5,466,698)
	-----	-----	-----	-----
Total Accumulated Depreciation	\$ (5,968,342)	\$ (267,057)	\$ -0-	\$ (6,235,399)
	-----	-----	-----	-----
Capital Assets, Net	\$ 1,129,325	\$ 10,320	\$ -0-	\$ 1,139,645
	=====	=====	=====	=====

Depreciation and amortization expense for the year ended September 30, 2020 was \$267,058.

NOTE 6: LONG-TERM DEBT

The following is a summary of long-term debt at September 30, 2020.

	Balance 10-01-19	Increase	Decrease	Balance 09-30-20	Due Within One Year
	-----	-----	-----	-----	-----
PPP Loan	\$ -0-	\$ 999,700	\$ -0-	\$ 999,700	\$ 608,046

PPP loan dated May 1, 2020 in the amount of \$999,700 with interest at 1% and a maturity date of May 1, 2022. The loan was provided under Division A, Title 1, Section 1102 Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The provisions of the CARES Act amend the Small Business Administration ("SBA") to include a provision for the PPP. Beginning in May 2020, the PPP allows certain entities to apply for a loan to cover the cost of specific expenses incurred during the period February 15, 2020 through June 30, 2020 ("covered period"). The primary purpose of the loan is to provide small businesses the

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

opportunity to maintain employment levels during the covered period. Under the provisions of the SBA Act, principal and interest payments are deferred for at least six months and up to one year after disbursement. While the PPP loan program allows for all or part of this loan to be forgiven by the SBA, whether forgiveness will be granted and in what amount is subject to an application to, and approval by, the SBA and may also be subject to further requirements in any regulations and guidelines the SBA may adopt. If any portion of the loan is not forgiven, monthly principal and interest payments in the amount of \$56,261 will be deferred for the first six months, thereafter, the remaining principal balance and accrued interest shall be payable in 18 equal monthly installments through May 1, 2022.

The following is a schedule of principal and interest payments on long-term debt for each of the next five years:

Year Ending -----	Principal	Interest
2021	\$ 608,046	\$ 10,828
2022	391,654	2,175
	-----	-----
Total	\$ 999,700	\$ 13,003
	=====	=====

The Hospital follows the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. For the year ended September 30, 2020, total interest costs incurred was \$0.

NOTE 7: 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 \$248,185 and received \$754,559 for the year ended September 30, 2020. Additionally, the Hospital recorded an estimated recoupment payable of \$25,000 as of September 30, 2020. The recoupment payable is further discussed in Note 13. The Hospital recognized net revenue of \$490,276 for the year ended September 30, 2020. The net revenue is included in net patient service revenue on the accompanying statement of revenues, expenses, and changes in fund net position.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 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 \$214,411 and received \$517,947 for the year ended September 30, 2020. The Hospital recognized net revenue of \$303,087 for the year ended September 30, 2020.

Uniform Hospital Rate Increase Program - The Hospital participated in the Uniform Hospital Rate Increase Program ("UHRIP"), a program designed to direct a Medicaid managed care organization ("MCO") to provide a uniform percentage rate increase to hospitals in the MCO's network in a participating service delivery area for the provision of inpatient services, outpatient services, or both. The State of Texas determines eligibility for rate increases by service delivery area and class of hospital. This program is facilitated through the Hospital providing an intergovernmental transfer whereby federal matching funds are provided to supplement the Hospital's shortfall in Medicaid funding. Intergovernmental transfers will be due approximately six months prior to the beginning of the rate period. During 2020, the Hospital provided \$50,709 via an intergovernmental transfer covering the period through February 28, 2021. As of September 30, 2020, the Hospital had a prepaid balance of \$44,340 which has been recorded in other receivables in the statement of net position.

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,

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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. During 2020, the Hospital recognized \$452,614 in disproportionate share revenue. The net revenue is included in net patient service revenue on 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.

NOTE 10: 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 2020, the Hospital received \$1,128,2331 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 \$520,004 for year ended September 30, 2020.

NOTE 11: COVID-19 FEDERAL FINANCIAL ASSISTANCE

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (P.L. 116-123) appropriated funds to reimburse eligible healthcare providers for healthcare related expenses or lost revenues attributable to coronavirus. These funds were distributed by the Health Resources and Services Administration (HRSA) through the Provider Relief Fund (PRF) program. The Medical Center received relief funds through Phase 1-3 Stimulus payments and

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

targeted distributions such as the Rural Distribution and Allocation for High-Impact Distributions. Recipients of these funds agreed to Terms and Conditions, which require compliance with reporting requirements as specified by the Secretary of Health and Human Services in program instructions.

- **Stimulus Phases 1-3** -By accepting the Relief Funds, the Hospital must maintain compliance with the Secretary's terms and conditions, including but not limited to, using the Relief Funds to prevent, prepare for, and respond to coronavirus, and shall reimburse the Hospital only for healthcare related expenses or lost revenues that are attributable to coronavirus. The Hospital's commitment to full compliance with all terms and conditions is material to the Secretary's decision to disburse these funds. Non-compliance with any terms and conditions is grounds for the Secretary to recoup some or all of the payment made from the Relief Fund. The Hospital received stimulus funds in the amount of \$8,384,245 for the year ended September 30, 2020
- **Rural Health Clinic Testing** - The Department of Health and Human Services distributed funds received from the Public Health and Social Services Emergency Fund, as appropriated in P.L. 116-139 ("Rural Testing Relief Fund"). In connection with this program, the Hospital received \$98,923 in Rural Testing Relief Funds for the year ended September 30, 2020. The Hospital is to use the funding to reimburse for COVID-19 testing requirements, including purchasing supplies (such as test kits and other testing supplies).

In accordance with the Department of Health and Human Services Post-Payment Notice of Reporting Requirements released June 11, 2021, the recipients must submit their use of PRF payments by reporting healthcare related expenses attributable to coronavirus that another source has not reimbursed then applying actual patient care lost revenues to the remaining funds. The period of availability of funds is based on the date the payment is received. Funds received between April 10 through June 30, 2020 must be fully expended by June 30, 2021, and funds received between July 1 through December 31, 2020 must be fully expended by December 31, 2021. If recipients do not expend PRF funds in full by these deadlines toward expenses attributable to coronavirus but not reimbursed by other sources, and/or lost revenues, the funds may become subject to recoupment.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

For the year ended September 30, 2020, the Hospital incurred qualifying expenditures and recognized COVID-19 federal financial assistance revenue in the amount of \$2,281,389. The revenue is included within nonoperating revenues in the accompanying statement of revenues, expenses and changes in net position. As of September 30, 2020, the Hospital had remaining PRF funds in the amount of \$6,209,159, which are recorded in deferred inflows of resources in the accompanying statement of net position.

NOTE 12: MEDICARE ACCELERATED ADVANCE PAYMENTS

On March 28, 2020, Centers for Medicare and Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program (AAP) to a broader group of Medicare Part A providers and Part B Suppliers. An accelerated or advance payment is a payment intended to provide necessary funds when there is a disruption in claims submission and/or claims processing. CMS can also offer these payments in circumstances such as national emergencies, or natural disasters in order to accelerate cash flow to the impacted health care providers and suppliers. The passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) on March 27, 2020, amended the existing Accelerated Payments Program to provide additional benefits and flexibilities.

The Continuing Appropriations Act, 2021 and Other Extensions Act (P.L. 116-159), enacted on October 1, 2020, amended the repayment terms for all providers who requested and received accelerated and advance payments during the COVID-19 Public Health Emergency. Repayment does not begin until one year from the date the accelerated or advance payment was issued. Beginning one year from the date the payment was issued and continuing for 11 months, Medicare payments owed to providers and suppliers will be recouped at a rate of 25%. After 11 months, Medicare payments owed to the providers and suppliers will be recouped at a rate of 50% for another six months. After the additional six months, a letter for any remaining balance of the accelerated or advance payments will be issued. As of September 30, 2020, the Hospital had received \$575,098 in Medicare Accelerated Advance Payments, which are recorded within deferred inflows of resources in the statement of net position.

NOTE 13: 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

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, was \$229,745 for the year ended September 30, 2020.

Texas Medicaid 1115 Healthcare Transformation Waiver Recoupment

Liability - During 2017, several hospitals filed a lawsuit against the federal government challenging the rule calculating disproportionate share (DSH) and uncompensated care (UC) payments. The hospitals claimed the rule's definition of "costs incurred" was contrary to the Medicaid Act. The main issue is whether payments made by Medicare and private insurers should be subtracted from a hospital's "costs incurred" in the calculation of the Medicaid Hospital Specific Limit (HSL). In August 2019, the D.C. Circuit reinstated the 2017 Final Rule as adopted by the Centers for Medicare and Medicaid Services. As a result, the HSL was subsequently recalculated, resulting in numerous hospitals receiving DSH and UC funds in excess of the calculated limit during Demonstration Year (DY) 7. Consequently, management has recorded an estimate for the anticipated recoupment of DY 7 funds as of September 30, 2020 in the amount of \$25,000. The estimated recoupment payable is included within other accrued liabilities on the accompanying statement of net position.

NOTE 14: SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2020, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is June 15, 2021, 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, 2020

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Taxes	\$ 7,879,851	\$ 7,879,851	\$ 7,893,504	\$ 13,653
Charges for Services	418,700	418,700	358,354	(60,346)
Fines & Forfeitures	-	-	2,200	2,200
Licenses & Permits	750	750	594	(156)
Commissions	514,500	514,500	509,771	(4,729)
Intergovernmental	215,975	215,975	235,217	19,242
Interest Income	80,200	80,200	46,090	(34,110)
Other Revenue	121,500	121,500	197,842	76,342
Total Revenues	\$ 9,231,476	\$ 9,231,476	\$ 9,243,572	\$ 12,096
Expenditures				
District Judge	\$ 213,211	\$ 213,211	\$ 157,580	\$ 55,631
District Clerk	172,374	172,374	158,689	13,685
County Judge	193,090	193,090	180,765	12,325
County Clerk	237,550	237,550	223,924	13,626
Tax Assessor	218,655	218,655	205,810	12,845
Treasurer	161,907	161,907	143,126	18,781
County Attorney	182,223	182,223	166,303	15,920
Justice of Peace - Pct #1-4	319,857	321,857	304,922	16,935
Veterans & Welfare	94,952	94,952	87,759	7,193
Adult Probation	2,000	2,000	76	1,924
Ag Extension Office	112,706	112,706	82,012	30,694
Sheriff	1,615,835	1,615,835	1,323,545	292,290
Jail	1,017,055	1,017,055	833,537	183,518
County Libraries	304,361	304,361	271,320	33,041
Auditor	171,373	171,373	159,741	11,632
Non-Departmental	793,403	700,403	568,753	131,650
Maintenance	153,277	153,277	149,361	3,916
Ag & Community Centers	44,100	44,100	33,059	11,041
Public Safety	113,700	324,700	322,108	2,593
Information Services	257,606	257,606	252,755	4,851
Road & Bridge - Pct #1-4	1,900,586	1,856,709	1,616,062	240,647
Capital Outlays	647,825	540,877	763,558	(222,681)
Principal	168,626	172,725	172,724	1
Interest	25,851	21,752	20,368	1,384
Total Expenditures	\$ 9,122,123	\$ 9,091,298	\$ 8,197,857	\$ 893,441

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, 2020

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Excess (Deficiency) of Revenues Over Expenditures	\$ 109,353	\$ 140,178	\$ 1,045,715	\$ 905,537
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	\$ 25,000	\$ 25,000	\$ 112,000	\$ 87,000
Proceeds From Capital Leases	-	-	168,200	168,200
Operating Transfers In	9,428,782	9,428,782	14,187,009	4,758,227
Operating Transfers Out	(10,838,923)	(10,866,923)	(15,542,467)	(4,675,544)
Total Other Financing Sources (Uses)	\$ (1,385,141)	\$ (1,413,141)	\$ (1,075,259)	\$ 337,883
Net Change in Fund Balances	\$ (1,275,788)	\$ (1,272,963)	\$ (29,543)	\$ 1,243,420
Fund Balances - Beginning	2,049,483	2,049,483	2,049,483	-
Fund Balance - Ending	\$ 773,695	\$ 776,520	\$ 2,019,939	\$ 1,243,420

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service Cost	\$ 485,206	\$ 457,052	\$ 508,187	\$ 522,204	\$ 488,595	\$ 481,854	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	1,202,686	1,271,258	1,330,784	1,411,619	1,510,877	1,611,324				
Effect of plan changes	-	(54,066)	-	-	72,232	-				
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	138,640	(223,296)				
Benefit payments/refunds of contributions	(736,690)	(878,811)	(845,743)	(898,431)	(868,794)	(1,061,998)				
Net change in total pension liability	864,882	758,772	750,736	1,244,480	1,341,549	807,883				
Total pension liability - beginning	14,971,272	15,836,154	16,594,926	17,345,662	18,590,142	19,931,691				
Total pension liability - ending (a)	\$ 15,836,154	\$ 16,594,926	\$ 17,345,662	\$ 18,590,142	\$ 19,931,691	\$ 20,739,574	\$ -	\$ -	\$ -	\$ -
Fiduciary Net Position										
Employer contributions	\$ 428,314	\$ 443,804	\$ 455,608	\$ 462,119	\$ 541,812	\$ 503,757	\$ -	\$ -	\$ -	\$ -
Member contributions	240,242	247,222	254,410	256,327	256,031	277,444				
Investment income net of investment expenses	952,041	47,906	1,084,504	2,256,501	(327,584)	2,813,159				
Benefit payments/refunds of contributions	(736,690)	(878,811)	(845,743)	(898,431)	(868,794)	(1,061,998)				
Administrative expenses	(11,010)	(10,584)	(11,793)	(11,666)	(13,758)	(14,966)				
Other	50,544	54,939	(115,592)	(2,522)	(352)	(6,878)				
Net change in fiduciary net position	923,440	(95,523)	821,394	2,062,328	(412,646)	2,510,518				
Fiduciary net position - beginning	13,829,705	14,753,145	14,657,622	15,479,016	17,541,344	17,128,699				
Fiduciary net position - ending (b)	\$ 14,753,145	\$ 14,657,622	\$ 15,479,016	\$ 17,541,344	\$ 17,128,699	\$ 19,639,216	\$ -	\$ -	\$ -	\$ -
Net pension liability/(asset), ending = (a) - (b)	\$ 1,083,009	\$ 1,937,304	\$ 1,866,646	\$ 1,048,798	\$ 2,802,993	\$ 1,100,358	\$ -	\$ -	\$ -	\$ -
Fiduciary net position as a % of total pension liability	93.16%	88.33%	89.24%	94.36%	85.94%	94.69%	0.00%	0.00%	0.00%	0.00%
Pension covered payroll	\$ 3,432,025	\$ 3,531,748	\$ 3,618,804	\$ 3,661,813	\$ 3,657,581	\$ 3,963,488				
Net pension liability as a % of covered payroll	31.56%	54.85%	51.58%	28.64%	76.64%	27.76%	0.00%	0.00%	0.00%	0.00%

LAMB COUNTY, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS
FISCAL YEAR ENDED SEPTEMBER 30
LAST 10 YEARS (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 430,773	\$ 450,853	\$ 452,144	\$ 467,343	\$ 456,961	\$ 481,962	\$ 516,887	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	(430,773)	(450,853)	(452,144)	(467,343)	(456,961)	(481,962)	(516,887)	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,473,106	\$ 3,612,621	\$ 3,567,716	\$ 3,703,196	\$ 3,620,927	\$ 3,798,154	\$ 3,781,548	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	12.40%	12.48%	12.67%	12.62%	12.62%	12.69%	13.67%	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: 10.5 years (based on contribution rate calculated in 12/31/19 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.
 - 2018 : No changes in plan provisions were reflected in the Schedule.
 - 2019 : Employer contributions reflect that a 1% flat COLA was adopted.

LAMB COUNTY, TEXAS

Notes to Required Supplementary Information
September 30, 2020

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 Commissioners' 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 Commissioners' Court.

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

Each amendment must have Commissioner's Court approval. Such amendments are made before the fact, are reflected in the official minutes of the Commissioners' 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 Commissioners' 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

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING FUND FINANCIAL STATEMENTS

LAMB COUNTY, TEXAS
 COMBINING BALANCE SHEET - ALL GENERAL FUND TYPES
 SEPTEMBER 30, 2020

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,793,854	\$ 429,047	\$ 9,473,895	\$ 11,696,796
Investments	-	-	-	-
Accounts Receivable	2,749	214	-	2,964
Delinquent Tax Receivable	470,170	-	-	470,170
Allowance for Uncollectible Tax	(47,017)	-	-	(47,017)
Due From Other Funds	527,404	-	-	527,404
Inventory	174	-	-	174
TOTAL ASSETS	<u>\$ 2,747,334</u>	<u>\$ 429,261</u>	<u>\$ 9,473,895</u>	<u>\$ 12,650,491</u>
LIABILITIES				
Accounts Payable	\$ 572,042	\$ 83,453	\$ -	\$ 655,495
Accrued Liabilities	18,734	1,142	-	19,876
Due To Other Funds	-	-	9,473,895	9,473,895
Due To Others	58,132	-	-	58,132
TOTAL LIABILITIES	<u>\$ 648,907</u>	<u>\$ 84,595</u>	<u>\$ 9,473,895</u>	<u>\$ 10,207,398</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	\$ 423,153	\$ -	\$ -	\$ 423,153
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 423,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,153</u>
FUND BALANCES				
Assigned for Retirement of L-T Debt	\$ -	\$ 612,272	\$ -	\$ 612,272
Unassigned	1,675,273	(267,606)	-	1,407,667
TOTAL FUND BALANCES	<u>\$ 1,675,273</u>	<u>\$ 344,666</u>	<u>\$ -</u>	<u>\$ 2,019,939</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	<u>\$ 2,747,334</u>	<u>\$ 429,261</u>	<u>\$ 9,473,895</u>	<u>\$ 12,650,491</u>

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ALL GENERAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
REVENUES				
Taxes	\$ 5,498,411	\$ 1,271,995	\$ 1,123,098	\$ 7,893,504
Charges for Services	358,354	-	-	358,354
Fines & Forfeitures	2,200	-	-	2,200
Licenses & Permits	594	-	-	594
Commissions	5,878	503,893	-	509,771
Intergovernmental	81,670	153,547	-	235,217
Interest Income	38,731	7,358	-	46,090
Other Revenue	196,723	1,119	-	197,842
TOTAL REVENUES	<u>\$ 6,182,562</u>	<u>\$ 1,937,912</u>	<u>\$ 1,123,098</u>	<u>\$ 9,243,572</u>
EXPENDITURES				
District Judge	\$ 157,580	\$ -	\$ -	\$ 157,580
District Clerk	158,689	-	-	158,689
County Judge	180,765	-	-	180,765
County Clerk	223,924	-	-	223,924
Tax Assessor	205,810	-	-	205,810
Treasurer	143,126	-	-	143,126
County Attorney	166,303	-	-	166,303
Justice of Peace - Pct #1-4	304,922	-	-	304,922
Veterans & Welfare	87,759	-	-	87,759
Adult Probation	76	-	-	76
Ag Extension Office	82,012	-	-	82,012
Sheriff	1,323,545	-	-	1,323,545
Jail	833,537	-	-	833,537
County Libraries	271,320	-	-	271,320
Auditor	159,741	-	-	159,741
Non-Departmental	568,753	-	-	568,753
Maintenance	149,361	-	-	149,361
Ag & Community Centers	33,059	-	-	33,059
Public Safety	322,108	-	-	322,108
Information Services	252,755	-	-	252,755
Road and Bridge - Pct #1-4	-	1,616,062	-	1,616,062
Capital Outlays	449,306	314,252	-	763,558
Principal	-	172,724	-	172,724
Interest	-	20,368	-	20,368
TOTAL EXPENDITURES	<u>\$ 6,074,451</u>	<u>\$ 2,123,406</u>	<u>\$ -</u>	<u>\$ 8,197,857</u>

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ALL GENERAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 108,111	\$ (185,493)	\$ 1,123,098	\$ 1,045,715
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Assets	\$ 57,000	\$ 55,000	\$ -	\$ 112,000
Proceeds From Capital Leases	-	168,200	-	168,200
Operating Transfers In	83,250	66,401	14,037,358	14,187,009
Operating Transfers Out	(298,828)	(83,183)	(15,160,456)	(15,542,467)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (158,579)</u>	<u>\$ 206,418</u>	<u>\$ (1,123,098)</u>	<u>\$ (1,075,259)</u>
NET CHANGE IN FUND BALANCES	\$ (50,468)	\$ 20,924	\$ -	\$ (29,543)
FUND BALANCES - BEGINNING	<u>1,725,741</u>	<u>323,742</u>	<u>-</u>	<u>2,049,483</u>
FUND BALANCES - ENDING	<u><u>\$ 1,675,273</u></u>	<u><u>\$ 344,666</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,019,939</u></u>

LAMB COUNTY, TEXAS
 COMBINING BALANCE SHEET
 ROAD AND BRIDGE FUNDS
 SEPTEMBER 30, 2020

	<u>PRECINCT ONE</u>	<u>PRECINCT TWO</u>	<u>PRECINCT THREE</u>	<u>PRECINCT FOUR</u>	<u>TOTAL</u>
ASSETS					
Cash and Cash Equivalents	\$ 83,075	\$ 17,719	\$ 21,810	\$ 306,442	\$ 429,047
Investments	-	-	-	-	-
Accounts Receivable	54	54	54	54	214
TOTAL ASSETS	<u>\$ 83,129</u>	<u>\$ 17,773</u>	<u>\$ 21,863</u>	<u>\$ 306,496</u>	<u>\$ 429,261</u>
LIABILITIES					
Accounts Payable	\$ 24,080	\$ 17,702	\$ 22,466	\$ 19,205	\$ 83,453
Accrued Liabilities	1,124	18	0	0	1,142
Due to Other Funds	-	-	-	-	-
TOTAL LIABILITIES	<u>\$ 25,204</u>	<u>\$ 17,719</u>	<u>\$ 22,466</u>	<u>\$ 19,205</u>	<u>\$ 84,595</u>
FUND BALANCES					
Assigned for Retirement of L-T Debt	\$ 130,854	\$ 204,958	\$ 108,260	\$ 168,200	\$ 612,272
Unassigned	(72,929)	(204,904)	(108,863)	119,090	(267,606)
TOTAL FUND BALANCES	<u>\$ 57,925</u>	<u>\$ 54</u>	<u>\$ (603)</u>	<u>\$ 287,290</u>	<u>\$ 344,666</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 83,129</u>	<u>\$ 17,773</u>	<u>\$ 21,863</u>	<u>\$ 306,496</u>	<u>\$ 429,261</u>

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES - ACTUAL AND BUDGET
 ROAD AND BRIDGE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<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	\$ 317,999	\$ 317,999	\$ 317,999	\$ 317,999	\$ 1,271,995	\$ 1,269,680	\$ 2,315
Car Tags	125,973	125,973	125,973	125,973	503,893	508,000	(4,107)
Total Tax Collector	<u>\$ 443,972</u>	<u>\$ 443,972</u>	<u>\$ 443,972</u>	<u>\$ 443,972</u>	<u>\$ 1,775,888</u>	<u>\$ 1,777,680</u>	<u>\$ (1,792)</u>
Other Revenue:							
Intergovernmental	\$ 38,387	\$ 38,387	\$ 38,387	\$ 38,387	\$ 153,547	\$ 108,000	\$ 45,547
Interest	2,358	401	790	3,810	7,358	\$ 15,200	(7,842)
Miscellaneous	349	386	196	189	1,119	\$ 4,000	(2,881)
Proceeds from							
Capital Leases	-	-	-	168,200	168,200	\$ -	168,200
Sale of Assets	-	-	-	55,000	55,000	20,000	35,000
Total Other Revenue	<u>\$ 41,093</u>	<u>\$ 39,174</u>	<u>\$ 39,373</u>	<u>\$ 265,585</u>	<u>\$ 385,224</u>	<u>\$ 147,200</u>	<u>\$ 238,024</u>
TOTAL REVENUES	<u>\$ 485,065</u>	<u>\$ 483,146</u>	<u>\$ 483,345</u>	<u>\$ 709,557</u>	<u>\$ 2,161,112</u>	<u>\$ 1,924,880</u>	<u>\$ 236,232</u>

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET
 ROAD AND BRIDGE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<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	\$ 52,669	\$ 52,669	\$ 52,669	\$ 52,669	\$ 210,678	\$ 208,276	\$ (2,402)
Employee Salaries	162,046	146,491	111,085	121,354	540,977	600,590	59,613
Part-Time Salaries	4,425	-	26,058	11,061	41,544	41,270	(274)
Automobile Allowance	-	-	6,150	6,150	12,300	12,000	(300)
Social Security	16,682	15,119	14,935	14,566	61,302	66,617	5,315
Retirement	30,368	27,602	27,219	24,921	110,110	121,846	11,736
Group Hospital Insurance	44,851	45,323	38,297	39,487	167,959	179,569	11,610
Unemployment	121	109	98	99	428	3,576	3,148
Workers Comp.	5,119	4,595	4,284	3,909	17,907	21,334	3,427
Supplies/Other Operations	-	7	38	-	45	1,240	1,195
Equipment & Furniture	-	-	-	-	-	150	150
Fuel	40,441	34,200	43,000	44,368	162,008	207,327	45,319
Equipment Parts & Repairs	50,566	66,151	64,037	45,505	226,258	234,700	8,442
Paving & Seal Coating	-	-	-	-	-	53,000	53,000
Materials & Supplies	3,514	-	-	7,051	10,566	35,600	25,034
Telephone	2,302	2,222	3,537	1,966	10,026	11,680	1,654
Utilities	3,728	3,118	5,352	980	13,178	15,600	2,422
Travel & Training	100	-	-	-	100	7,600	7,500
Soil Conversation	750	750	750	750	3,000	3,000	-
Contract/Professional	7,967	216	216	3,116	11,515	14,620	3,106
Equipment Rentals/Leases	-	-	-	-	-	-	-
Principal	40,314	80,594	51,815	-	172,724	172,725	1
Interest Expense	6,830	8,817	4,722	-	20,368	21,752	1,384
Insurance & Bonds	-	-	-	-	-	578	578
Auto & Liability Insurance	4,132	4,076	3,940	4,013	16,161	16,536	375
Capital Outlays	41,052	-	-	273,200	314,252	116,052	(198,200)
TOTAL EXPENDITURES	\$ 517,976	\$ 492,059	\$ 458,204	\$ 655,167	\$ 2,123,406	\$ 2,167,238	\$ 43,832

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN FUND BALANCES
 ROAD AND BRIDGE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>PRECINCT ONE</u>	<u>PRECINCT TWO</u>	<u>PRECINCT THREE</u>	<u>PRECINCT FOUR</u>	<u>TOTAL</u>
FUND BALANCES September 30, 2019	\$ 90,836	\$ -	\$ 6	\$ 232,900	\$ 323,742
ADD: Revenue	485,065	483,146	483,344.63	709,556.79	2,161,112
DEDUCT: Expenditures	(517,976)	(492,059)	(458,204.23)	(655,166.60)	(2,123,406)
TRANSFERS IN (OUT)	-	8,967	(25,749)	-	(16,782)
FUND BALANCES September 30, 2020	<u>\$ 57,925</u>	<u>\$ 54</u>	<u>\$ (603)</u>	<u>\$ 287,290</u>	<u>\$ 344,666</u>

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 SEPTEMBER 30, 2020

	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
ASSETS												
Cash & Cash Equivalents	\$ 102,797	\$ 24,423	\$ 136,988	\$ 41,576	\$ 9,829	\$ 1,131	\$ 2,215	\$ 37,216	\$ 86,525	\$ 6,023	\$ 10,323	\$ 459,047
Accounts Receivable												
TOTAL ASSETS	<u>\$ 102,797</u>	<u>\$ 24,423</u>	<u>\$ 136,988</u>	<u>\$ 41,576</u>	<u>\$ 9,829</u>	<u>\$ 1,131</u>	<u>\$ 2,215</u>	<u>\$ 37,216</u>	<u>\$ 86,525</u>	<u>\$ 6,023</u>	<u>\$ 10,323</u>	<u>\$ 459,047</u>
LIABILITIES												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,617	\$ 1,321	\$ 999	\$ 8,937
Due to Other Groups	92,920	24,423	136,988	41,576	9,829	1,131	2,215	37,216	79,908	4,702	9,324	440,233
Due to Trust Beneficiaries	9,877	-	-	-	-	-	-	-	-	-	-	9,877
TOTAL LIABILITIES	<u>\$ 102,797</u>	<u>\$ 24,423</u>	<u>\$ 136,988</u>	<u>\$ 41,576</u>	<u>\$ 9,829</u>	<u>\$ 1,131</u>	<u>\$ 2,215</u>	<u>\$ 37,216</u>	<u>\$ 86,525</u>	<u>\$ 6,023</u>	<u>\$ 10,323</u>	<u>\$ 459,047</u>

OTHER SUPPLEMENTARY INFORMATION

ROAD AND BRIDGE FIXED ASSETS

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2020

	Balance 9-30-2019	Additions	Deletions	Balance 9-30-2020
<u>Precinct #1</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
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
2018 Caterpillar Mtr Grader #00604	292,250			292,250
2018 GMC Sierra #48832	34,267			34,267
2020 Chevy Silverado #5129		41,052		41,052
Total Equipment	\$ 1,216,181	\$ 41,052	\$ -	\$ 1,257,233
Lots	900			900
Precinct Barn	7,016			7,016
Pct #1 Community Building	31,510			31,510
Total Precinct #1	\$ 1,255,607	\$ 41,052	\$ -	\$ 1,296,659

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2020

	Balance 9-30-2019	Additions	Deletions	Balance 9-30-2020
<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
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
2013 GMC Sierra P/U # 45497	22,000			22,000
Total Equipment	\$ 1,368,349	\$ -	\$ -	\$ 1,368,349
Land	1,450			1,450
Barn	19,618			19,618
Total Precinct #2	\$ 1,389,417	\$ -	\$ -	\$ 1,389,417

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2020

	<u>Balance</u> <u>9-30-2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-2020</u>
<u>Precinct #3</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
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
Total Equipment	<u>\$ 961,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 961,597</u>
Iron Clad Barn	10,000			10,000
Metal Barn	92,113			92,113
Infrastructure	2,276,686			2,276,686
Total Precinct #3	<u>\$ 3,340,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,340,396</u>

LAMB COUNTY, TEXAS
 SCHEDULE OF FIXED ASSETS
 SEPTEMBER 30, 2020

<u>Precinct #4</u>	<u>Balance</u> <u>9-30-2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-2020</u>
1974 Mack Truck SN 22339 (9-84)	\$ 13,750	\$ -	\$ -	\$ 13,750
Hyster Grid Roller SN301600L (3-86)	16,500			16,500
Rhino Rotary Cutter Shredder - SN 10117	6,500			6,500
1984 Mack Truck SN 087417 (3-91)	22,690			22,690
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
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
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
Caterpillar 140 Mtr Grader #00116	275,400			275,400
Caterpillar 140 SW Mtr Grader #0134		<u>273,200</u>		<u>273,200</u>
Total Equipment	\$ 1,225,816	\$ 273,200	\$ 77,367	\$ 1,421,649
Land	2,000			2,000
Barn	10,000			10,000
Total Precinct #4	<u>\$ 1,237,816</u>	<u>\$ 273,200</u>	<u>\$ 77,367</u>	<u>\$ 1,433,649</u>

OFFICE OF THE TAX ASSESSOR-COLLECTOR

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
SEPTEMBER 30, 2020

	<u>Carrying Value</u>
<u>Roll</u>	
Taxable Value	\$ 1,008,457,784
Tax Levy	\$ 8,010,180
<u>Collections</u>	
October 1, 2019 through June 30, 2020	7,835,824
Balance June 30, 2020	\$ 174,356

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
SCHEDULE OF PRORATION OF FUNDS FROM AD VALOREM TAXES
SEPTEMBER 30, 2020

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

LAMB COUNTY, TEXAS
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 SEPTEMBER 30, 2020

LAST TEN YEARS ENDED SEPTEMBER 30,	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-2019	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-2020
2011 & Prior Years	Various	Various	\$ 54,490	\$ -	\$ 1,599	\$ (5,416)	\$ 47,475
2012	0.7963	962,016,905	13,808		831	(824)	12,153
2013	0.7963	1,017,702,126	12,374		1,359	(804)	10,211
2014	0.7943	984,964,545	18,165		2,282	(829)	15,054
2015	0.7943	900,278,988	18,857		4,249	(797)	13,811
2016	0.7943	875,025,108	33,205		6,895	(894)	25,416
2017	0.7943	898,243,573	46,734		10,529	(1,019)	35,186
2018	0.7943	919,280,517	85,483		30,967	(970)	53,546
2019	0.7943	1,015,142,277	145,494		61,380	(1,152)	82,963
2020 (Year Under Audit)	0.7943	1,008,457,784		8,010,180	7,835,824		174,356
TOTALS			\$ 428,610	\$ 8,010,180	\$ 7,955,915	\$ (12,704)	\$ 470,170

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



823 LFD Drive Littlefield, Texas 79339 806 . 385 . 5181 Fax 806 . 385 . 5183

Member of Texas Society of CPA's and American Institute of CPA's

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 & Commissioners' Court
Lamb County
100 6th 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, 2020, 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 24, 2021. 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.

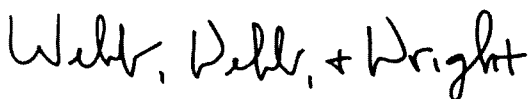
Compliance and Other Matters

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, PLLC
Littlefield, TX
June 24, 2021

LAMB COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 X No

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

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

None

LAMB COUNTY, TEXAS

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

LAMB COUNTY, TEXAS

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020

None