

**Lynn County, Texas  
Audited Financial Statements  
September 30, 2015**

**Lynn County, Texas  
Table of Contents  
September 30, 2015**

	<u>Page</u>
<b>County Officials</b> .....	1
<b>Independent Auditor’s Report</b> .....	2-3
<b>General Purpose Financial Statements</b>	
Statement of Net Position – Modified Cash Basis.....	4
Statement of Activities – Modified Cash Basis.....	5
Balance Sheet – Modified Cash Basis – Governmental Funds.....	6
Reconciliation of Balance Sheet – Modified Cash Basis – Governmental Funds to the Statement of Net Position – Modified Cash Basis.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Governmental Funds.....	8
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Governmental Funds to the Statement of Activities – Modified Cash Basis.....	9
Statement of Fiduciary Assets and Liabilities.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis - Budget and Actual – General Fund.....	11
<b>Notes to Financial Statements</b> .....	12-27
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedules.....	28-34
Schedule of Changes in Net Pension Liability and Related Ratios....	35
Schedule of Employer Pension Contributions.....	36
<b>Compliance and Internal Controls Section</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	37-38

**Lynn County, Texas  
County Officials  
September 30, 2015**

Mike Braddock	County Judge
Keith Wied	Commissioner Precinct 1
John Hawthorne	Commissioner Precinct 2
Don Blair	Commissioner Precinct 3
Larry Durham	Commissioner Precinct 4
Rebekah Filley	County Attorney
Susan Tipton	County Clerk
Amy Schuknecht	County Treasurer
Sandra Laws	District Clerk
Donna Willis	Tax Collector
Ed Follis	Justice of Peace # 4
Nancy Guilliams	Justice of Peace #1
Jerry D. Franklin	Sheriff

Steve Gary, C.P.A., PC  
James Bowers, C.P.A., PC  
Eric Miller, C.P.A., PC  
Melvin Eaker, C.P.A., PC  
Lindi Stapp, C.P.A., PC



A Partnership of  
Professional Corporations

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge Braddock and County Commissioners  
Lynn County, Texas

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynn County, Texas (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2015,



and the respective changes in the modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Emphasis of Matter**

#### **Change in Accounting Principle**

As discussed in Note 1 of the financial statements, the County adopted the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended September 30, 2015, in accordance with the Statements.

### **Other Matters**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lynn County, Texas' basic financial statements. The detailed budget comparison statements on pages 28-36, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on them.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Gary, Bowers & Miller*

Lubbock, Texas  
September 9, 2016

# General Purpose Financial Statements

**Lynn County, Texas**  
**Statement of Net Position - Modified Cash Basis**  
**September 30, 2015**

	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 1,470,443
Savings and Time Deposits	3,728,698
Receivables	
Due from Agency Funds	57,195
Due from Others	5,807
Property Taxes	160,421
Less: Allowance for Uncollectibles	(28,876)
Net Pension Asset	625,552
Capital Assets	
Land	230,150
Buildings and Improvements	4,006,621
Machinery and Equipment	4,214,570
Furniture and Fixtures	125,785
<b>Total Assets</b>	<b>\$ 14,596,366</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 83,948</b>
<b>Liabilities and Fund Equity</b>	
Liabilities	
Due to Other Governments	\$ 30,727
Due to Others	11,089
Sales Tax Payable	71
Deferred Revenues	
Grants	23,333
Uncollected Taxes	131,545
Long-Term Liabilities	
Due Within One Year	299,069
Due in More Than One Year	908,721
Total Liabilities	<b>\$ 1,404,555</b>
Net Position	
Invested in Capital Assets, Net of Related Debt	\$ 7,369,336
Restricted For:	
Technology Improvements	47,630
Courthouse Security	33,458
Law Enforcement	102,897
Social Services	663
Unrestricted	5,721,775
Total Net Position	<b>\$ 13,275,759</b>

The accompanying notes are an integral part of this statement.

**Lynn County, Texas**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended September 30, 2015**

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>		<b>Governmental Activities</b>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Financial and Administration	\$ 233,890	\$ 29,723	\$ -	\$ (204,167)
Judicial and Legal	523,876	224,291	23,333	(276,252)
General County Buildings	214,179	-	-	(214,179)
Central Administration	666,818	79,841	17,124	(569,853)
Libraries	22,652	2,800	-	(19,852)
Social Services - Public Welfare	49,304	9,719	-	(39,585)
Social Services - Health	3,790	-	-	(3,790)
Transportation - Highways	819,732	297,252	186,275	(336,205)
Public Safety - Police	678,053	98,269	21,536	(558,248)
Public Safety - Correction	729,214	507,606	-	(221,608)
Public Safety - Fire	21,750	-	-	(21,750)
Environment - Animal Control	72,229	52,323	-	(19,906)
Environment - Natural Resources	77,266	-	-	(77,266)
Miscellaneous	52,980	-	-	(52,980)
	<b>\$ 4,165,733</b>	<b>\$ 1,301,824</b>	<b>\$ 248,268</b>	<b>\$ (2,615,641)</b>
 <b>General Revenue:</b>				
Taxes:				
Property Taxes				\$ 3,265,479
Sales Taxes				114,360
Miscellaneous Revenue				71,401
Investment Earnings				61,938
Removal of the Difference Between Original Cost and Trade Allowance				(25,213)
<b>Total General Revenues and Special Items</b>				<b>\$ 3,487,965</b>
 Change in Net Assets				 \$ 872,324
 <b>Net Assets - Beginning</b>				 \$ 11,748,031
Restatement				655,404
<b>Restated Net Assets - Beginning</b>				<b>\$ 12,403,435</b>
 <b>Net Assets - Ending</b>				 <b>\$ 13,275,759</b>

The accompanying notes are an integral part of this statement.



**Lynn County, Texas**  
**Balance Sheet - Modified Cash Basis**  
**Governmental Funds**  
**September 30, 2015**

	<u>General Fund</u>	<u>Precinct 1</u>	<u>Precinct 2</u>	<u>Precinct 3</u>
<b>Assets and Other Debits</b>				
Cash	\$ 448,022	\$ 60,615	\$ 38,424	\$ 94,103
Savings and Time Deposits	1,639,745	156,090	203,404	214,043
Receivables				
Due from Agency Funds	26,715	-	-	-
Due from Others	830	-	(59)	(338)
Property Taxes	160,421	-	-	-
Less: Allowance for Uncollectibles	(28,876)	-	-	-
<b>Total Assets and Other Debits</b>	<u>\$ 2,246,857</u>	<u>\$ 216,705</u>	<u>\$ 241,769</u>	<u>\$ 307,808</u>
<b>Liabilities, Fund Equity, and Other Credits</b>				
Liabilities				
Due to Other Governments	\$ 30,727	\$ -	\$ -	\$ -
Due to Others	-	-	-	-
Sales Tax Payable	-	-	-	-
Due to/from County	(8,500)	-	-	-
Deferred Revenues				
Grants	23,333	-	-	-
Uncollected Taxes	131,545	-	-	-
<b>Total Liabilities</b>	<u>\$ 177,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances				
Restricted	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Assigned	-	216,705	241,769	307,808
Unassigned	2,069,752	-	-	-
<b>Total Fund Balances</b>	<u>\$ 2,069,752</u>	<u>\$ 216,705</u>	<u>\$ 241,769</u>	<u>\$ 307,808</u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<u>\$ 2,246,857</u>	<u>\$ 216,705</u>	<u>\$ 241,769</u>	<u>\$ 307,808</u>

The accompanying notes are an integral part of this statement.

<u>Precinct 4</u>	<u>Restoration</u>	<u>Road and Bridge</u>	<u>Jail I&amp;S Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 110,179	\$ 40,140	\$ 59,072	\$ 341,152	\$ 278,736	\$ 1,470,443
190,764	904,145	-	330,278	90,228	3,728,697
-	-	-	-	30,480	57,195
(845)	-	2	-	6,217	5,807
-	-	-	-	-	160,421
-	-	-	-	-	(28,876)
<u>\$ 300,098</u>	<u>\$ 944,285</u>	<u>\$ 59,074</u>	<u>\$ 671,430</u>	<u>\$ 405,661</u>	<u>\$ 5,393,687</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,727
-	-	-	-	11,089	11,089
-	-	-	-	71	71
-	-	-	-	8,500	-
-	-	-	-	-	23,333
-	-	-	-	-	131,545
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,660</u>	<u>\$ 196,765</u>
\$ -	\$ -	\$ -	\$ -	\$ 184,648	\$ 184,648
-	944,285	-	671,430	-	1,615,715
300,098	-	59,074	-	186,203	1,311,657
-	-	-	-	15,150	2,084,902
<u>\$ 300,098</u>	<u>\$ 944,285</u>	<u>\$ 59,074</u>	<u>\$ 671,430</u>	<u>\$ 386,001</u>	<u>\$ 5,196,922</u>
<u>\$ 300,098</u>	<u>\$ 944,285</u>	<u>\$ 59,074</u>	<u>\$ 671,430</u>	<u>\$ 405,661</u>	<u>\$ 5,393,687</u>

**Lynn County, Texas**  
**Reconciliation of Balance Sheet - Modified Cash Basis - Governmental Funds**  
**to the Statement of Net Position - Modified Cash Basis**  
**September 30, 2015**

<b>Governmental Funds - Fund Balance (Modified Cash Basis)</b>	<b>\$ 5,196,922</b>
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,577,126
Deferred Outflows of Resources related to pensions and the Net Pension Asset are not financial resources, and therefore, are not reported in the funds.	709,500
Notes Payable are not due and payable in the current period and therefore are not reported in the funds.	(1,207,790)
<b>Net Position of Governmental Activities (Modified Cash Basis)</b>	<b><u><u>\$ 13,275,759</u></u></b>

The accompanying notes are an integral part of this statement.

**Lynn County, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis**  
**Governmental Funds**  
**For the Year Ended September 30, 2015**

	<u>General Fund</u>	<u>Precinct 1</u>	<u>Precinct 2</u>	<u>Precinct 3</u>
<b>Revenues</b>				
Property Tax	\$ 2,581,926	\$ -	\$ -	\$ -
Local Sales Tax	6,121	-	-	-
Licenses, Permits and Other Taxes	14,557	62,218	62,218	62,218
Intergovernmental Revenues	61,993	23,253	65,827	14,919
Fee Collections	191,725	-	-	-
Other Fees	57,930	-	-	-
Interest Earned	31,780	1,551	2,026	2,127
Other Revenues	258,565	-	-	-
<b>Total Revenues</b>	<u>\$ 3,204,597</u>	<u>\$ 87,022</u>	<u>\$ 130,071</u>	<u>\$ 79,264</u>
<b>Expenditures</b>				
Financial and Administration	\$ 238,311	\$ -	\$ -	\$ -
Judicial and Legal	451,610	-	-	-
General County Buildings	215,729	-	-	-
Central Administration	378,777	-	-	-
Libraries	22,652	-	-	-
Social Services - Public Welfare	49,304	-	-	-
Social Services - Health	3,750	-	-	-
Transportation - Highways	-	179,948	304,089	157,320
Public Safety - Police	883,287	-	-	-
Public Safety - Correction	714,808	-	-	-
Public Safety - Fire	21,750	-	-	-
Environment - Animal Control	73,254	-	-	-
Environment - Natural Resources	77,871	-	-	-
Miscellaneous	52,982	-	-	-
<b>Total Expenditures</b>	<u>\$ 3,184,085</u>	<u>\$ 179,948</u>	<u>\$ 304,089</u>	<u>\$ 157,320</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ 20,512</u>	<u>\$ (92,926)</u>	<u>\$ (174,018)</u>	<u>\$ (78,056)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer to Other Funds	\$ -	\$ -	\$ -	\$ -
Transfer from Other Funds	1,073	146,440	146,440	146,440
Debt Service Proceeds	136,290	-	86,887	-
Debt Service Principal Paid	-	(31,157)	(35,551)	(18,158)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 137,363</u>	<u>\$ 115,283</u>	<u>\$ 197,776</u>	<u>\$ 128,282</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ 157,875</u>	<u>\$ 22,357</u>	<u>\$ 23,758</u>	<u>\$ 50,226</u>
<b>Fund Balance, Beginning of Year</b>	<u>\$ 1,911,877</u>	<u>\$ 194,348</u>	<u>\$ 218,011</u>	<u>\$ 257,582</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,069,752</u>	<u>\$ 216,705</u>	<u>\$ 241,769</u>	<u>\$ 307,808</u>

The accompanying notes are an integral part of this statement.

<u>Precinct 4</u>	<u>Restoration</u>	<u>Road and Bridge</u>	<u>Jail I&amp;S Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 23,952	\$ 605,911	\$ 53,690	\$ -	\$ 3,265,479
-	108,239	-	-	-	114,360
62,218	-	48,380	8,536	-	320,345
11,390	-	45,558	-	25,328	248,268
-	-	-	-	-	191,725
-	-	-	-	134,123	192,053
2,067	12,595	-	7,754	2,038	61,938
-	-	-	402,055	8,480	669,100
<u>\$ 75,675</u>	<u>\$ 144,786</u>	<u>\$ 699,849</u>	<u>\$ 472,035</u>	<u>\$ 169,969</u>	<u>\$ 5,063,268</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238,311
-	-	-	-	84,329	535,939
-	-	-	-	-	215,729
-	290,870	-	-	2,718	672,365
-	-	-	-	-	22,652
-	-	-	-	-	49,304
-	-	-	-	40	3,790
223,265	-	116,340	-	25,328	1,006,290
-	-	-	-	140	883,427
-	-	-	42,783	22,634	780,225
-	-	-	-	-	21,750
-	-	-	-	-	73,254
-	-	-	-	-	77,871
-	-	-	-	-	52,982
<u>\$ 223,265</u>	<u>\$ 290,870</u>	<u>\$ 116,340</u>	<u>\$ 42,783</u>	<u>\$ 135,189</u>	<u>\$ 4,633,889</u>
<u>\$ (147,590)</u>	<u>\$ (146,084)</u>	<u>\$ 583,509</u>	<u>\$ 429,252</u>	<u>\$ 34,780</u>	<u>\$ 429,379</u>
\$ -	\$ -	\$ (585,760)	\$ -	\$ (1,073)	\$ (586,833)
146,440	-	-	-	-	586,833
38,494	-	-	-	-	261,671
(9,865)	-	-	(640,000)	-	(734,731)
<u>\$ 175,069</u>	<u>\$ -</u>	<u>\$ (585,760)</u>	<u>\$ (640,000)</u>	<u>\$ (1,073)</u>	<u>\$ (473,060)</u>
\$ 27,479	\$ (146,084)	\$ (2,251)	\$ (210,748)	\$ 33,707	\$ (43,681)
<u>\$ 272,619</u>	<u>\$ 1,090,369</u>	<u>\$ 61,325</u>	<u>\$ 882,178</u>	<u>\$ 352,294</u>	<u>\$ 5,240,603</u>
<u>\$ 300,098</u>	<u>\$ 944,285</u>	<u>\$ 59,074</u>	<u>\$ 671,430</u>	<u>\$ 386,001</u>	<u>\$ 5,196,922</u>





**Lynn County, Texas**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2015**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash	\$ 110,205
<b>Total Assets</b>	<b>\$ 110,205</b>
 <b>Liabilities</b>	
Due to Other Funds	\$ 30,480
Due to County	26,715
Due to Other Governments	18,891
Due to Others	10,262
Cases Pending	23,857
<b>Total Liabilities</b>	<b>\$ 110,205</b>

The accompanying notes are an integral part of this statement.

**Lynn County, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis**  
**Budget and Actual - General Fund**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues</b>				
Property Tax	\$ 2,474,240	\$ 2,573,740	\$ 2,581,926	\$ 8,186
Local Sales Tax	6,000	6,000	6,121	121
Licenses, Permits and Other Taxes	15,000	15,000	14,557	(443)
Intergovernmental Revenues	58,833	58,833	61,993	3,160
Fee Collections	208,000	165,000	191,725	26,725
Other Fees	63,836	64,461	57,930	(6,531)
Interest Earned	26,000	26,000	31,780	5,780
Other Revenues	107,720	256,930	258,565	1,635
<b>Total Revenues</b>	<u>\$ 2,959,629</u>	<u>\$ 3,165,964</u>	<u>\$ 3,204,597</u>	<u>\$ 38,633</u>
<b>Expenditures</b>				
Financial and Administration	\$ 234,022	\$ 234,145	\$ 238,311	\$ (4,166)
Judicial and Legal	467,822	470,567	451,610	18,957
General County Buildings	226,563	226,563	215,729	10,834
Central Administration	375,587	400,022	378,777	21,245
Libraries	23,753	23,753	22,652	1,101
Social Services - Public Welfare	50,720	50,720	49,304	1,416
Social Services - Health	3,750	3,750	3,750	-
Public Safety - Police	656,520	749,020	883,287	(134,267)
Public Safety - Correction	691,314	731,999	714,808	17,191
Public Safety - Fire	21,750	21,750	21,750	-
Environment - Animal Control	71,732	103,732	73,254	30,478
Environment - Natural Resources	95,914	98,414	77,871	20,543
Miscellaneous	87,410	67,410	52,982	14,428
	<u>\$ 3,006,857</u>	<u>\$ 3,181,845</u>	<u>\$ 3,184,085</u>	<u>\$ (2,240)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (47,228)</u>	<u>\$ (15,881)</u>	\$ 20,512	<u>\$ 36,393</u>
<b>Other Sources (Uses)</b>				
Transfers from Other Funds	\$ -	\$ -	\$ 1,073	\$ 1,073
Debt Service Proceeds	-	-	136,290	136,290
<b>Total Other Sources (Uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,363</u>	<u>\$ 137,363</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ (47,228)</u>	<u>\$ (15,881)</u>	157,875	<u>\$ 173,756</u>
<b>Fund Balance, Beginning of Year</b>			<u>\$ 1,911,877</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 2,069,752</u>	

The accompanying notes are an integral part of this statement.

# Notes to Financial Statements

**Lynn County, Texas  
Notes to Financial Statements  
September 30, 2015**

**Note 1 Summary of Significant Accounting Policies**

*General*

Lynn County operates under a County Judge-Commissioners' Court form of government and provides the following services: judicial and legal, county roads, public safety and protection, social services, public welfare, and general administrative services.

*Fund Accounting*

Governmental Fund Types include:

The General Fund that accounts for all financial resources except those required to be accounted for in another fund.

The Special Revenue Funds that account for revenues derived from specific taxes or other earmarked revenue sources.

The Debt Service Fund that accounts for servicing long-term debt not being financed by proprietary and nonexpendable trust funds in a debt service fund.

Fiduciary Fund Types include:

The Agency Funds that account for activities of collecting offices and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the County. Since these funds are only used as trust accounts and do not represent funding sources available to the County, the Agency Funds are not included in the government-wide statements.

*Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets – modified cash basis and the statement of activities – modified cash basis. These statements report financial information for the County as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and County general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The County does not have any business-type activities.

The statement of activities – modified cash basis reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the County's services; (2) operating grants and contributions



## **Note 1 (continued)**

which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

### **Fund Financial Statements:**

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds, if any.

### *Basis of Accounting*

All governmental funds are accounted for using the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the modified cash basis of accounting, revenues are recognized when received. Expenditures are recorded when the related fund liability is paid. Principal and interest on general long-term debt is recognized when due.

### *Budgets*

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the beginning of each fiscal year, the commissioners, in cooperation with department heads and the county judge, prepare the operating budget which includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. The budget is prepared in a detailed line item form.
- (2) Prior to September 30, the budget is legally enacted through passage in Commissioner's Court.
- (3) The County Treasurer submits monthly reports to the Commissioner's Court for review of variances from the approved budget.
- (4) Budgets are adopted on a basis of accounting consistent with the basis of accounting used in financial statement preparation.
- (5) Appropriations lapse at the end of each fiscal year.
- (6) The Commissioner's Court may authorize supplemental appropriations during the year.

The budget information presented in these financial statements was amended during the fiscal year. The original budget was adopted September 8, 2014.

**Note 1 (continued)**

**Basis of Budgeting**

The Budgetary Comparison Schedules include comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis for the general fund that have a budgetary basis that differs from the Modified Cash Basis of Accounting. Accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with the Modified Cash Basis of Accounting. The difference in expenditures between the Modified Cash Basis of Accounting and budgetary basis is reconciled in the table following.

	Governmental Funds
<b>Revenues</b>	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$4,893,299
<b>Adjustments:</b>	
Revenue from Unbudgeted Nonmajor Governmental Funds	169,969
Removal of Original Cost of Disposed Assets	<u>(25,213)</u>
Total revenues as reported on the Statement of Activities – Modified Cash Basis	<u>\$5,038,057</u>
<b>Expenditures</b>	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$4,498,700
<b>Adjustments:</b>	
Expenditures from Unbudgeted Nonmajor Governmental Funds	135,189
Capital Outlay	<u>(468,158)</u>
Total expenditures as reported on the Statement of Activities – Modified Cash Basis	<u>\$4,165,733</u>

## **Note 1 (continued)**

### *Investments*

Investments are stated at cost. It is the County's policy to invest only in certificates of deposit.

### *Reserves*

The County records reserves to indicate that a fund balance is legally segregated for a specific use.

### *Property Taxes – Revenue Recognition*

Property taxes are levied on October 1 and are due and payable upon receipt of the tax bill. Taxes not paid by February 1 of the following year become delinquent. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

### *Pension Plan*

The County is a member of the Texas County and District Retirement System Plan, which covers all eligible full-time employees. The County's policy is to fund pension cost as it is accrued.

### *Deferred Outflows of Resources*

Deferred outflow of resources is defined as the current consumption of net assets that is applicable to a future reporting.

GASB 68 and 71 took effect for the County during the current fiscal year. The purpose of this statement is to improve accounting and financial reporting by public agencies for pensions. The implementation of GASB 68 created the County's deferred outflow of resources - the employee pension contribution. This is the same as the current year's employer pension contribution, but deferred for future consumption.

As of September 30, 2015, the County reported a balance of \$83,948 in deferred outflow of resources.

### *Implementation of New Pronouncement*

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

## Note 1 (continued)

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. These pronouncements have been implemented for purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the Texas County & District Retirement System (TCDRS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by TCDRS.

### *Total Columns on Combined Statements*

Total columns on the Combined Statements are for information purposes only as data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

### *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County Commissioners. These amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- **Note 1 (continued)**

- **Assigned:** This classification includes amounts that are constrained by the County Commissioners' intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County Commissioners or through the County Commissioners delegating this responsibility to the County Treasurer through the budgetary process.
- **Unassigned:** This classification includes the residual funds of any other governmental funds.

As of September 30, 2015, fund balances are composed of the following:

	<b>Major Governmental Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable	\$ -	\$ -	\$ -
Restricted			
Technology Improvements	-	47,630	47,630
Courthouse Security	-	33,458	33,458
Social Services	-	102,897	102,897
Law Enforcement	-	663	663
Committed			
Debt Service	671,430	-	671,430
Courthouse Restoration	944,285	-	944,285
Assigned			
Highway & Road Improvements	1,125,454	-	1,125,454
Records Preservation	-	157,189	157,189
Community Development	-	1,389	1,389
Law Enforcement	-	27,625	27,625
Unassigned	2,069,752	15,150	2,084,902
<b>Total Fund Balances</b>	<b>\$ 4,810,921</b>	<b>\$ 386,001</b>	<b>\$ 5,196,922</b>

The County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Note 2 Delinquent Taxes Receivable**

Delinquent taxes are collected by the General Fund. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes.



### **Note 3 Employees Pension Plans**

The County provides a defined benefit plan that is provided through the Texas County and District Retirement System.

#### **Texas County and District Retirement System Plan**

##### *Plan Description*

The County provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

##### *Benefits Provided*

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, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

##### *Contribution Rate*

The County 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 District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

The County continued using an elected rate of 3% for the months of the accounting year in 2014, and 3% for the months of the accounting year in 2015.

**Note 3 (continued)**

The contribution rate payable by the employee members for the calendar years 2014 and 2015 is 5%, as adopted by the governing body of the County. The employee contribution rate and the District's contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

*Net Pension Liability*

The District's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:* The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing Period	5 years
Recognition method	Non-asymptotic
Corridor	None
Funding Valuation	
TCDRS system-wide economic assumptions	
Real Rate of Return	5.00%
Inflation	3.00%
Long Term Investment Return	8.00%
District specific economic assumptions	
Growth in Membership	0.00%
Payroll Growth	0.00%
Discount Rate	8.10%
Long-term expected rate of return	8.00%

Annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% and a merit, promotion, and longevity component that on average approximates 1.4% per year for a career employee.

Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations or the funding valuation.

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table with the projection scale AA, with a two-year set-forward for males and a four year set-back for females.

Mortality rates for service retirees, beneficiaries and non-depositing members were based on the RP-200 Combined Mortality Table with the projection scale AA, with a one year set-forward for males and no age adjustment for females.

### Note 3 (continued)

Mortality rates for disabled retirees were based on the RP-2000 Disabled Mortality Table with the projection scale AA with no age adjustment for males and a two-year set-forward for females.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2012, except where required to be different by GASB 68.

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 valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30 year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of arithmetic real rates of returns for each major asset class are summarized in the following table:

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

*Discount Rate:* The discount rate used to measure the total pension liability was 8.10 percent. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

**Note 3 (continued)**

*Changes in Net Pension Liability*

	<b>Increase(Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Fiduciary Net Postion</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
Balances as of December 31, 2013	\$ 2,989,012	\$ 3,605,237	\$ (616,226)
<b>Changes for the year:</b>			
Service Cost	129,181	-	129,181
Interest on total pension liability	240,648	-	240,648
Effect of plan changes	-	-	-
Effect of economic/demographic gains or	8,367	-	8,367
Effect of assumptions changes or inputs	-	-	-
Refund of Contributions	(29,971)	(29,971)	-
Benefit Payments	(136,035)	(136,035)	-
Administrative Expenses	-	(2,863)	2,863
Member Contributions	-	81,959	(81,959)
Net Investment Income	-	243,293	(243,293)
Employer Contributions	-	49,176	(49,176)
Other	-	15,957	(15,957)
Balances as of December 31, 2014	<u>\$ 3,201,202</u>	<u>\$ 3,826,753</u>	<u>\$ (625,552)</u>

*Sensitivity of the net pension liability to changes in the discount rate:* The following represents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1(one) percentage point lower (7.10%), or one percentage point higher (9.10%), than the current rate.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>7.10%</b>	<b>8.10%</b>	<b>9.10%</b>
Total Pension Liability	\$3,557,487	\$3,201,202	\$2,903,885
Fiduciary Net Position	<u>3,826,754</u>	<u>3,826,754</u>	<u>3,826,754</u>
Net Pension Liability	(\$269,267)	(\$625,552)	(\$922,869)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2015, the District recognized pension income of \$7,009. At September 30, 2015, the County reported deferred inflows and outflows of resources related to pensions from the following sources:

**Note 3 (continued)**

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,275
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	40,584
Contributions made subsequent to measurement date	-	37,089
	<u>\$ -</u>	<u>\$ 83,948</u>

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

Year ended December 31:	
2015	\$12,238
2016	12,238
2017	12,238
2018	10,146
2019	-
Thereafter	-

**Note 4 Changes in General Fixed Assets**

A summary of changes in General Fixed Assets is as follows:

	<u>Balance 9/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/15</u>
Land	\$ 230,150	\$ -	\$ -	\$ 230,150
Buildings and Improvements	3,549,264	457,357	-	4,006,621
Machinery and Equipment	3,825,722	737,213	348,365	4,214,570
Furniture and Fixtures	125,785	-	-	125,785
Construction In Progress	457,357	-	457,357	-
	<u>\$ 8,188,278</u>	<u>\$ 1,194,570</u>	<u>\$ 805,722</u>	<u>\$ 8,577,126</u>

The County capitalizes equipment purchased with a cost in excess of \$5,000 and a useful life of more than one year. All items not meeting these requirements are expensed and not added to the General Fixed Assets. Depreciation is not computed when using the modified cash basis of accounting.

**Note 5 Long - Term Debt**

Long-term debt at September 30, 2015, consists of the following:

	<u>Current</u>	<u>Total</u>
3.5% to 4.0% General Obligation Refunding Bonds, Series 2006; secured by ad valorem taxes and other revenues from county operations; due in annual installments of \$15,000 to \$195,000 to February 15, 2022. Interest is paid semi-annually on the unpaid balance.	150,000	700,000
2.9% note payable to First Bank & Trust; annual installments of \$16,914.88, including interest, secured by a Caterpillar Grader – Precinct #1	15,089	62,961
3.25% note payable to First Bank & Trust; annual installments of \$18,055.86, including interest to August of 2016, secured by a Caterpillar Grader - Precinct #2	17,475	17,475
3.5% note payable to First Bank & Trust; annual installments of \$19,962.25, including interest to October of 2016, secured by a Caterpillar Grader - Precinct #2	19,143	19,143
3.0% note payable to First Bank & Trust; annual installments of \$10,805.99, including interest to September of 2016, secured by a Caterpillar Grader – Precinct #4	10,176	20,652
2.9% note payable to First Bank & Trust; annual installments of \$20,369.41, including interest to November of 2018, secured by a Caterpillar Grader – Precinct 3	18,176	75,842
2.5% note payable to First Bank & Trust; annual installments of \$18,691.34, including interest to December of 2020, secured by a Caterpillar Grader – Precinct 2	16,578	86,887
2.5% note payable to First Bank & Trust; annual installments of \$20,369.41, including interest to December of 2019, secured by a Caterpillar Grader – Precinct 4	9,406	38,494
3.0% note payable to First Bank & Trust; annual installments of \$17,707.98, including interest to November of 2018, secured by a Caterpillar Grader- Precinct #1.	16,182	50,046
2.18% note payable to American National Leasing Company; annual installments of \$4,969.50, including interest to November of 2017, also with a \$9,000 payment at this time, secured by a 2015 Dodge Truck- Sheriff's Office.	4,474	22,715

**Note 5 (continued)**

2.18% note payable to American National Leasing Company; annual installments of \$4,969.50, including interest to November of 2017, also with a \$9,000 payment at this time, secured by a 2015 Dodge Truck- Sheriff's Office. 4,474 22,715

2.18% note payable to American National Leasing Company; annual installments of \$4,969.50, including interest to November of 2017, also with a \$9,000 payment at this time, secured by a 2015 Dodge Truck- Sheriff's Office. 4,474 22,715

2.18% note payable to American National Leasing Company; annual installments of \$4,969.50, including interest to November of 2017, also with a \$9,000 payment at this time, secured by a 2015 Dodge Truck- Sheriff's Office. 4,474 22,715

2.18% note payable to American National Leasing Company; annual installments of \$4,969.50, including interest to November of 2017, also with a \$9,000 payment at this time, secured by a 2015 Dodge Truck- Sheriff's Office. 4,474 22,715

2.18% note payable to American National Leasing Company; annual installments of \$4,969.50, including interest to November of 2017, also with a \$9,000 payment at this time, secured by a 2015 Dodge Truck- Sheriff's Office. 4,474 22,715

Total Long-Term Debt \$ 299,069 \$ 1,207,790

Interest expense included in the financial statements was \$51,868 for the year ended September 30, 2015.

Notes & Bonds Payable mature as follows:

Year Ended September 30,	Principal	Interest	Total
2016	299,068	36,365	335,433
2017	275,188	27,485	302,673
2018	321,446	18,490	339,936
2019	233,854	7,559	241,413
2020	78,234	1,656	79,890
Total	<u>\$ 1,207,790</u>	<u>\$ 91,555</u>	<u>\$ 1,299,345</u>

**Note 5 (continued)**

The following is a summary of long-term debt activity for the year ended September 30, 2015:

<b>Description and Purpose</b>	<b>Balance September 30, 2014</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance September 30, 2015</b>
<b>Governmental Activity</b>				
Certificates of Obligation	\$1,340,000	\$ -	\$ 640,000	\$700,000
Note Payable – Caterpillar Grader	-	86,887	-	86,887
Note Payable – Caterpillar Grader	-	38,494	-	38,494
Note Payable – Caterpillar Grader	37,768	-	18,625	19,143
Note Payable – Caterpillar Grader	34,401	-	16,926	17,475
Note Payable – Caterpillar Grader	65,754	-	15,708	50,046
Note Payable – Caterpillar Grader	30,517	-	9,865	20,652
Note Payable – Caterpillar Grader	78,410	-	15,449	62,961
Note Payable – Caterpillar Grader	94,000	-	18,158	75,842
Note Payable – Dodge Truck	-	22,715	-	22,715
Note Payable – Dodge Truck	-	22,715	-	22,715
Note Payable – Dodge Truck	-	22,715	-	22,715
Note Payable – Dodge Truck	-	22,715	-	22,715
Note Payable – Dodge Truck	-	22,715	-	22,715
Note Payable – Dodge Truck	-	22,715	-	22,715
<b>Total Governmental Activity</b>	<b>\$1,680,850</b>	<b>\$ 261,671</b>	<b>\$ 734,731</b>	<b>\$1,207,790</b>

**Note 6 Deposits, Deposit Collateral, and Investments**

The County's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Public Funds Investment Act of 1987. The depository bank is required to deposit for safekeeping and trust with the County's 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 amount of Federal Deposit Insurance Corporation (FDIC) insurance. It is the County's policy not to invest in foreign currency.

The County's cash deposits at September 30, 2015, were entirely covered by FDIC insurance or by a security bond and pledged securities held by the County's agent bank.

All deposits of the County are held at First Bank & Trust, Tahoka, Texas. At September 30, 2015, the total amount on deposit was \$5,347,345. Collateral for deposits consists of a security bond, held in the name of First Bank & Trust and marked as pledged to Lynn County, with a value of \$10,283,861 as of September 30, 2015.



**Note 6 (continued)**

Cash deposits held at financial institutions can be categorized according to three levels of risk. These levels of risk are:

- Category 1 Deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Deposits that are not collateralized.

Based on the three levels of risk, all of the County's cash deposits are classified as category 2. The County maintains an investment policy that is updated as necessary.

**Note 7 Interfund Receivables and Payables**

Fees are collected by each agency fund and then distributed to the appropriate agency on a monthly basis. The interfund receivables and payables are the amounts collected as of September 30, 2015, but not distributed before month end. Interfund balances at September 30, 2015, consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund: Agency Fund	\$ 26,715	\$ -
Special Revenue Fund: Agency Funds	30,480	-
Trust and Agency Funds :		
General Fund	-	26,715
Special Revenue Funds	-	30,480
	<hr/>	<hr/>
Total	\$ 57,195	\$ 57,195
	<hr/>	<hr/>

**Note 8 Commitments and Contingencies**

There were no commitments or contingencies to be reported at September 30, 2015.

**Note 9 Litigation**

There was no pending or threatened litigation involving the County at September 30, 2015.

**Note 10 Related Organizations**

There were no "related organizations" of the County as defined by *Government Accounting Standards Board Statement No. 14*.

**Note 11 Capital Leases**

The County has entered into lease agreements as lessee to finance the acquisition of six patrol vehicles. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a schedule of the capital lease commitments as of September 30, 2015.

	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
2015 Dodge Pick-Up – Sherriff’s Office	\$ 22,715	\$ 1,194	\$ 23,909
2015 Dodge Pick-Up – Sherriff’s Office	22,715	1,193	23,908
2015 Dodge Pick-Up – Sherriff’s Office	22,715	1,194	23,909
2015 Dodge Pick-Up – Sherriff’s Office	22,715	1,193	23,908
2015 Dodge Pick-Up – Sherriff’s Office	22,715	1,194	23,909
2015 Dodge Pick-Up – Sherriff’s Office	22,715	1,193	23,908
Total	<u>\$ 136,290</u>	<u>\$ 7,161</u>	<u>\$ 143,451</u>

These total minimum lease payments are payable as follows:

<u>Year Ending September 30,</u>	Principal	Interest	Total
2016	\$ 26,842	\$ 2,975	\$ 29,817
2017	27,421	2,396	29,817
2018	82,027	1,790	83,817
Total Capital Lease Payments	<u>\$ 136,290</u>	<u>\$ 7,161</u>	<u>\$ 143,451</u>

**Note 12 Subsequent Events**

There were no subsequent events required to be reported. Subsequent events were evaluated through September 9, 2016, which was the date the financial statements were available to be issued.

## Required Supplementary Information

**Required Supplementary Information**  
**Lynn County, Texas**  
**Precinct 1**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenue</b>				
Auto Registration	\$ 65,000	\$ 65,000	\$ 62,218	\$ (2,782)
Axle Weight Fees	7,000	11,400	23,253	11,853
Interest Earned	1,100	1,200	1,551	351
<b>Total Revenue</b>	<u>\$ 73,100</u>	<u>\$ 77,600</u>	<u>\$ 87,022</u>	<u>\$ 9,422</u>
<b>Expenditures</b>				
Salaries	\$ 50,606	\$ 50,606	\$ 50,655	\$ (49)
Overtime	2,000	2,000	318	1,682
Longevity	2,300	2,300	2,300	-
Medicare Tax	734	734	832	(98)
Social Security	3,138	3,138	3,558	(420)
Health Insurance	17,590	17,590	19,608	(2,018)
Retirement	1,519	1,519	1,778	(259)
Travel Allowance	6,000	6,000	6,000	-
Miscellaneous	1,200	1,200	632	568
Materials	4,000	4,500	16,177	(11,677)
Equipment Insurance	2,450	2,450	1,167	1,283
Gas/Fuel	40,000	28,430	25,192	3,238
Bonds/Dues/Fees	50	50	50	-
Equipment Repair	27,000	45,820	45,773	47
Utilities/Phone	2,000	2,250	1,763	487
Training Schools	1,000	1,000	681	319
Equipment Note Interest	2,994	3,441	3,464	(23)
Capital Outlay	8,000	-	-	-
<b>Total Expenditures</b>	<u>\$ 172,581</u>	<u>\$ 173,028</u>	<u>\$ 179,948</u>	<u>\$ (6,920)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (99,481)</u>	<u>\$ (95,428)</u>	<u>\$ (92,926)</u>	<u>\$ 2,502</u>
<b>Other Source (Uses)</b>				
Transfers from Other Funds	\$ 131,440	\$ 146,440	\$ 146,440	\$ -
Debt Service Principal Paid	(31,630)	(31,183)	(31,157)	26
<b>Total Other Sources (Uses)</b>	<u>\$ 99,810</u>	<u>\$ 115,257</u>	<u>\$ 115,283</u>	<u>\$ 26</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ 329</u>	<u>\$ 19,829</u>	<u>\$ 22,357</u>	<u>\$ 2,528</u>
<b>Fund Balance, Beginning of Year</b>			<u>\$ 194,348</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 216,705</u>	

The accompanying notes are an integral part of this statement.

**Required Supplementary Information**  
**Lynn County, Texas**  
**Precinct 2**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenue</b>				
Auto Registration	\$ 65,000	\$ 65,000	\$ 62,218	\$ (2,782)
Axle Weight Fees	7,000	65,830	65,827	(3)
Interest Earned	1,200	1,300	2,026	726
<b>Total Revenue</b>	<u>\$ 73,200</u>	<u>\$ 132,130</u>	<u>\$ 130,071</u>	<u>\$ (2,059)</u>
<b>Expenditures</b>				
Salaries	\$ 50,606	\$ 50,606	\$ 50,825	\$ (219)
Overtime	9,372	8,072	6,952	1,120
Longevity	1,003	1,003	1,003	-
Medicare Tax	734	884	942	(58)
Social Security	3,138	3,788	4,029	(241)
Health Insurance	17,590	17,590	19,649	(2,059)
Retirement	1,519	1,834	1,959	(125)
Travel Allowance	6,000	6,000	6,000	-
Miscellaneous	1,000	1,090	438	652
Materials	1,000	55,350	55,162	188
Equipment Insurance	3,508	3,508	1,834	1,674
Gas/Fuel	43,610	50,321	47,037	3,284
Bonds/Dues/Fees	50	50	50	-
Equipment Repair	17,000	17,000	15,567	1,433
Utilities/Phone	2,000	1,950	1,598	352
Training Schools	300	1,800	1,739	61
Capital Outlay	1,480	88,217	86,838	1,379
Equipment Note Interest	2,195	2,478	2,467	11
<b>Total Expenditures</b>	<u>\$ 162,105</u>	<u>\$ 311,541</u>	<u>\$ 304,089</u>	<u>\$ 7,452</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (88,905)</u>	<u>\$ (179,411)</u>	<u>\$ (174,018)</u>	<u>\$ 5,393</u>
<b>Other Source (Uses)</b>				
Transfers from Other Funds	\$ 131,440	\$ 146,440	\$ 146,440	\$ -
Debt Service Proceeds	-	86,887	86,887	-
Debt Service Principal Paid	(35,824)	(35,541)	(35,551)	(10)
<b>Total Other Sources (Uses)</b>	<u>\$ 95,616</u>	<u>\$ 197,786</u>	<u>\$ 197,776</u>	<u>\$ (10)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ 6,711</u>	<u>\$ 18,375</u>	<u>\$ 23,758</u>	<u>\$ 5,383</u>
<b>Fund Balance, Beginning of Year</b>			<u>\$ 218,011</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 241,769</u>	

The accompanying notes are an integral part of this statement.

**Required Supplementary Information**  
**Lynn County, Texas**  
**Precinct 3**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenue</b>				
Auto Registration	\$ 65,000	\$ 65,000	\$ 62,218	\$ (2,782)
Axle Weight Fees	7,000	11,400	14,919	3,519
Interest Earned	1,200	1,600	2,127	527
<b>Total Revenue</b>	<u>\$ 73,200</u>	<u>\$ 78,000</u>	<u>\$ 79,264</u>	<u>\$ 1,264</u>
<b>Expenditures</b>				
Salaries	\$ 50,606	\$ 50,606	\$ 50,485	\$ 121
Part Time/Overtime	4,000	2,350	639	1,711
Longevity	1,190	1,190	1,190	-
Medicare Tax	734	734	758	(24)
Social Security	3,138	3,138	3,242	(104)
Health Insurance	17,590	17,590	19,609	(2,019)
Retirement	1,519	1,519	1,750	(231)
Bonds, Dues & Fees	50	50	-	50
Travel Allowance	6,000	6,000	6,000	-
Miscellaneous	1,000	1,000	89	911
Materials	6,000	6,600	7,463	(863)
Equipment Insurance	3,500	3,500	1,655	1,845
Gas/Fuel	40,000	44,800	34,622	10,178
Equipment Repair	24,966	29,000	23,919	5,081
Utilities/Phone	3,600	4,600	3,141	1,459
Training Schools	500	550	547	3
Interest Expense	1,505	2,181	2,211	(30)
Capital Outlay	11,000	11,000	-	11,000
<b>Total Expenditures</b>	<u>\$ 176,898</u>	<u>\$ 186,408</u>	<u>\$ 157,320</u>	<u>\$ 29,088</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (103,698)</u>	<u>\$ (108,408)</u>	<u>\$ (78,056)</u>	<u>\$ 30,352</u>
<b>Other Source (Uses)</b>				
Transfers from Other Funds	\$ 131,440	\$ 146,440	\$ 146,440	\$ -
Debt Service Principal Paid	(18,866)	(18,190)	(18,158)	32
<b>Total Other Sources (Uses)</b>	<u>\$ 112,574</u>	<u>\$ 128,250</u>	<u>\$ 128,282</u>	<u>\$ 32</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ 8,876</u>	<u>\$ 19,842</u>	<u>\$ 50,226</u>	<u>\$ 30,384</u>
<b>Fund Balance, Beginning of Year</b>			<u>\$ 257,582</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 307,808</u>	

The accompanying notes are an integral part of this statement.

**Required Supplementary Information**  
**Lynn County, Texas**  
**Precinct 4**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenue</b>				
Auto Registration	\$ 65,000	\$ 65,000	\$ 62,218	\$ (2,782)
Axle Weight Fees	7,000	11,400	11,390	(10)
Interest Earned	2,000	2,000	2,067	67
<b>Total Revenue</b>	<u>\$ 74,000</u>	<u>\$ 78,400</u>	<u>\$ 75,675</u>	<u>\$ (2,725)</u>
<b>Expenditures</b>				
Salaries	\$ 50,606	\$ 50,606	\$ 51,353	\$ (747)
Overtime/Holiday	3,500	3,500	137	3,363
Medicare Tax	734	734	592	142
Social Security	3,138	3,138	2,529	609
Health Insurance	17,590	17,590	13,494	4,096
Retirement	1,519	1,519	1,740	(221)
Travel Allowance	6,000	6,000	5,967	33
Miscellaneous	762	762	227	535
Materials	9,000	9,000	3,272	5,728
Bonds/Dues/Fees	50	50	50	-
Equipment Insurance	3,200	3,200	1,535	1,665
Gas/Fuel	41,538	48,200	36,414	11,786
Equipment Repair	25,000	25,000	14,783	10,217
Utilities/Phone	1,700	1,700	794	906
Training Schools	1,000	1,000	943	57
Interest Expense	941	941	941	-
Capital Outlay	22,586	88,496	88,494	2
<b>Total Expenditures</b>	<u>\$ 188,864</u>	<u>\$ 261,436</u>	<u>\$ 223,265</u>	<u>\$ 38,171</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$(114,864)</u>	<u>\$ (183,036)</u>	<u>\$(147,590)</u>	<u>\$ 35,446</u>
<b>Other Source (Uses)</b>				
Transfers from Other Funds	\$ 131,440	\$ 146,440	\$ 146,440	\$ -
Debt Service Proceeds	-	38,495	38,494	(1)
Debt Service Principal Paid	(9,866)	(9,866)	(9,865)	1
<b>Total Other Sources (Uses)</b>	<u>\$ 121,574</u>	<u>\$ 175,069</u>	<u>\$ 175,069</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ 6,710</u>	<u>\$ (7,967)</u>	<u>\$ 27,479</u>	<u>\$ 35,446</u>
<b>Fund Balance, Beginning of Year</b>			<u>\$ 272,619</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 300,098</u>	

The accompanying notes are an integral part of this statement.

**Required Supplementary Information  
Lynn County, Texas  
Restoration Fund  
Budgetary Comparison Schedule  
For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenue</b>				
Property Tax	\$ 22,945	\$ 24,445	\$ 23,952	\$ (493)
Local Sales Tax	95,000	101,500	108,239	6,739
Interest Earned	9,000	13,150	12,595	(555)
<b>Total Revenue</b>	<u>\$ 126,945</u>	<u>\$ 139,095</u>	<u>\$ 144,786</u>	<u>\$ 5,691</u>
<b>Expenditures</b>				
Miscellaneous Expense	\$ -	\$ 291,000	\$ 290,870	\$ 130
<b>Total Expenditures</b>	<u>\$ -</u>	<u>\$ 291,000</u>	<u>\$ 290,870</u>	<u>\$ 130</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ 126,945</u>	<u>\$(151,905)</u>	<u>\$ (146,084)</u>	<u>\$ 5,821</u>
<b>Fund Balance, Beginning of Year</b>			<u>\$ 1,090,369</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 944,285</u>	

The accompanying notes are an integral part of this statement.



**Required Supplementary Information  
Lynn County, Texas  
Road and Bridge  
Budgetary Comparison Schedule  
For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
<b>Revenue</b>				
Property Tax	\$ 581,277	\$ 596,277	\$ 605,911	\$ 9,634
Licenses, Permits & Other Taxes	49,000	49,000	48,380	(620)
State Revenue	27,000	45,600	45,558	(42)
<b>Total Revenue</b>	<b>\$ 657,277</b>	<b>\$ 690,877</b>	<b>\$ 699,849</b>	<b>\$ 8,972</b>
<b>Expenditures</b>				
Salaries	\$ 80,255	\$ 80,255	\$ 80,268	\$ (13)
Longevity	1,333	1,333	1,195	138
Medicare Tax	1,164	1,164	1,224	(60)
Social Security	4,976	4,976	5,232	(256)
Health Insurance	35,180	35,180	25,789	9,391
Retirement	2,408	2,408	2,545	(137)
Bonds/Dues/Fees	1,000	1,000	-	1,000
Insurance	200	200	87	113
<b>Total Expenditures</b>	<b>\$ 126,516</b>	<b>\$ 126,516</b>	<b>\$ 116,340</b>	<b>\$ 10,176</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 530,761</b>	<b>\$ 564,361</b>	<b>\$ 583,509</b>	<b>\$ 19,148</b>
<b>Other Source (Uses)</b>				
Transfers to Other Funds	\$ (525,761)	\$ (585,761)	\$ (585,760)	\$ (1)
<b>Total Other Sources (Uses)</b>	<b>\$ (525,761)</b>	<b>\$ (585,761)</b>	<b>\$ (585,760)</b>	<b>\$ (1)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ 5,000</b>	<b>\$ (21,400)</b>	<b>\$ (2,251)</b>	<b>\$ 19,147</b>
<b>Fund Balance, Beginning of Year</b>			<b>\$ 61,325</b>	
<b>Fund Balance, End of Year</b>			<b>\$ 59,074</b>	

The accompanying notes are an integral part of this statement.

**Required Supplementary Information**  
**Lynn County, Texas**  
**Jail I&S**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenue</b>				
Property Taxes	\$ 45,890	\$ 53,890	\$ 53,690	\$ (200)
Licenses, Permits and Other Taxes	10,000	7,500	8,536	1,036
Interest Earned	8,500	8,500	7,754	(746)
Other Revenues	75,000	399,000	402,055	3,055
<b>Total Revenue</b>	<u>\$ 139,390</u>	<u>\$ 468,890</u>	<u>\$ 472,035</u>	<u>\$ 3,145</u>
<b>Expenditures</b>				
Bond Fees	\$ 700	\$ -	\$ -	\$ -
Interest Expense	49,450	49,450	42,783	6,667
<b>Total Expenditures</b>	<u>\$ 50,150</u>	<u>\$ 49,450</u>	<u>\$ 42,783</u>	<u>\$ 6,667</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ 89,240</u>	<u>\$ 419,440</u>	<u>\$ 429,252</u>	<u>\$ 9,812</u>
<b>Other Source (Uses)</b>				
Debt Service Principal Paid	<u>\$(140,000)</u>	<u>\$(640,000)</u>	<u>\$(640,000)</u>	<u>\$ -</u>
<b>Total Other Sources (Uses)</b>	<u>\$(140,000)</u>	<u>\$(640,000)</u>	<u>\$(640,000)</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u><u>\$ (50,760)</u></u>	<u><u>\$(220,560)</u></u>	<u><u>\$(210,748)</u></u>	<u><u>\$ 9,812</u></u>
<b>Fund Balance, Beginning of Year</b>			<u>\$ 882,178</u>	
<b>Fund Balance, End of Year</b>			<u><u>\$ 671,430</u></u>	

The accompanying notes are an integral part of this statement.

**Lynn County, Texas**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Total Pension Liability</b>			
Service cost	\$ 129,181	N/A	N/A
Interest on total pension liability	240,648	N/A	N/A
Effect of plan changes	-	N/A	N/A
Effect of assumption changes or inputs	-	N/A	N/A
Effect of economic/demographic (gains) or losses	8,367	N/A	N/A
Benefit payments/refunds of contributions	(166,006)	N/A	N/A
Net change in total pension liability	<u>212,190</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, beginning	<u>2,989,012</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$ 3,201,202</u>	<u>N/A</u>	<u>N/A</u>
<b>Fiduciary Net Position</b>			
Employer contributions	\$ 49,176	N/A	N/A
Member contributions	81,959	N/A	N/A
Investment income net of investment expenses	243,293	N/A	N/A
Benefit payments/refunds of contributions	(166,006)	N/A	N/A
Administrative expenses	(2,863)	N/A	N/A
Other	15,957	N/A	N/A
Net change in fiduciary position	<u>\$ 221,516</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, beginning	<u>3,605,237</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$ 3,826,753</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability/(asset), ending = (a)-(b)	<u>\$ (625,552)</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as % of total pension liability	99.17%	N/A	N/A
Pensionable covered payroll	\$ 1,639,185	N/A	N/A
Net pension liability as a % of covered payroll	-38.16%	N/A	N/A

The accompanying notes are an integral part of this statement.



**Lynn County, Texas**  
**Required Supplementary Information**  
**Schedule of Employer Pension Contributions**

<b>Year Ending December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 24,500	\$ 36,208	(11,708)	\$ 1,206,918	3.0%
2007	27,007	38,582	(11,575)	1,286,070	3.0%
2008	16,028	40,071	(24,043)	1,335,698	3.0%
2009	18,773	41,719	(22,946)	1,390,622	3.0%
2010	27,876	42,886	(15,010)	1,429,526	3.0%
2011	27,656	45,578	(17,922)	1,519,572	3.0%
2012	27,800	46,849	(19,049)	1,561,807	3.0%
2013	34,097	48,710	(14,613)	1,623,663	3.0%
2014	35,242	49,176	(13,934)	1,639,185	3.0%

The accompanying notes are an integral part of this statement.

# **Compliance and Internal Controls Section**

Steve Gary, C.P.A., PC  
James Bowers, C.P.A., PC  
Eric Miller, C.P.A., PC  
Melvin Eaker, C.P.A., PC  
Lindi Stapp, C.P.A., PC



A Partnership of  
Professional Corporations

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

To the Honorable Mike Braddock, Judge and the Commissioner's Court  
Lynn County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynn County, Texas (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 9, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed 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.

*Gary, Bowers & Miller*

Lubbock, Texas  
September 9, 2016