

**Lynn County, Texas
Audited Financial Statements
September 30, 2013**

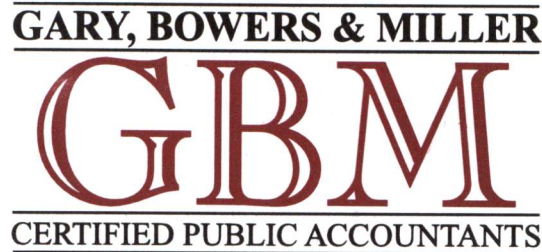
**Lynn County, Texas
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**Lynn County, Texas
County Officials
September 30, 2013**

H.G. Franklin	County Judge
Keith Wied	Commissioner Precinct 1
Mike Braddock	Commissioner Precinct 2
Don Blair	Commissioner Precinct 3
Danny Martin	Commissioner Precinct 4
Donnis Scott	County Attorney
Susan Tipton	County Clerk
Amy Schuknecht	County Treasurer
Sandra Laws	District Clerk
Sherry Pearce	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

Honorable H.G. Franklin, Judge
and County Commissioners
Lynn County
Tahoka, Texas 79373

We have audited the accompanying financial statements of Lynn County, Texas (the "County"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; 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 of material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of The County, as of September 30, 2013, and the respective changes in financial position – modified cash basis, thereof, for the year then ended in accordance with the 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 that matter.

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 combining and individual nonmajor fund financial statements, and detailed budget comparison statements 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 provides any assurance on it.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The budgetary comparison information on pages 24-30, 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 it

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.

Gary, Bowers & Miller

Gary, Bowers & Miller
Lubbock, Texas
February 20, 2015

General Purpose Financial Statements

Lynn County, Texas
Statement of Net Assets - Modified Cash Basis
September 30, 2013

	Primary Government Governmental Activities
Assets	
Cash	\$ 671,462
Savings and Time Deposits	4,304,042
Receivables	
Due from Agency Funds	48,507
Payroll	3,503
Property Taxes	169,320
Less: Allowance for Uncollectibles	(30,478)
Capital Assets	
Land	230,150
Buildings and Improvements	3,549,264
Machinery and Equipment	3,774,761
Furniture and Fixtures	125,785
Construction in Progress	457,357
Total Assets	\$ 13,303,673
Liabilities and Fund Equity	
Liabilities	
Accounts Payable	\$ 131,535
Payroll Liabilities	12,751
Due to Other Governments	20,816
Due to Others	5,491
Sales Tax Payable	15
Deferred Revenues	
Grants	23,333
Uncollected Taxes	138,843
Long-Term Liabilities	
Due Within One Year	243,907
Due in More Than One Year	1,522,314
Total Liabilities	\$ 2,099,005
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 6,371,096
Restricted For:	
Technology Improvements	44,236
Courthouse Security	114,364
Law Enforcement	61,580
Unrestricted	4,613,392
Total Net Assets	\$ 11,204,668

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, 2013

	Program Revenues			Net (Expense)
	Charges for		Operating	Revenue and
Expenses	Services	Grants and		Changes in Net
		Contributions		Assets
				Governmental
				Activities
Primary Government				
Governmental Activities				
Financial and Administration	\$ 225,904	\$ 49,750	\$ 14,837	\$ (161,317)
Judicial and Legal	446,163	221,220	21,973	(202,970)
General County Buildings	449,031	70,132	2,411	(376,488)
Central Administration	388,082	109,397	3,394	(275,291)
Libraries	23,437	2,205	-	(21,232)
Social Services - Public Welfare	37,686	9,623	-	(28,063)
Social Services - Health	3,750	-	-	(3,750)
Transportation - Highways	747,311	305,114	151,133	(291,064)
Public Safety - Police	622,899	10,646	10,250	(602,003)
Public Safety - Correction	597,872	99,316	-	(498,556)
Public Safety - Fire	21,750	-	-	(21,750)
Environment - Animal Control	59,656	43,937	-	(15,719)
Environment - Natural Resources	77,832	-	-	(77,832)
Miscellaneous	40,704	-	-	(40,704)
	<u>\$ 3,742,077</u>	<u>\$ 921,340</u>	<u>\$ 203,998</u>	<u>\$ (2,616,739)</u>
General Revenue:				
Taxes:				
Property Taxes				\$ 3,027,613
Sales Taxes				110,984
Miscellaneous Revenue				25,477
Investment Earnings				53,873
Removal of Original Cost of Disposed Assets				(17,430)
Total General Revenues and Special Items				\$ 3,200,517
				Change in Net Assets
				\$ 583,778
				Net Assets - Beginning
				\$ 10,620,890
				Net Assets - Ending
				\$ 11,204,668

The accompanying notes are an integral part of this statement.

Lynn County, Texas
Balance Sheet - Modified Cash Basis
Governmental Funds
September 30, 2013

	<u>General Fund</u>	<u>Precinct 1</u>	<u>Precinct 2</u>	<u>Precinct 3</u>
Assets and Other Debits				
Cash	\$ 306,901	\$ 24,391	\$ 18,229	\$ 26,040
Savings and Time Deposits	1,597,210	166,279	199,236	209,802
Receivables				
Due from Agency Funds	48,507	-	-	-
Payroll	-	-	-	-
Property Taxes	169,320	-	-	-
Less: Allowance for Uncollectibles	(30,478)	-	-	-
Total Assets and Other Debits	<u>\$ 2,091,460</u>	<u>\$ 190,670</u>	<u>\$ 217,465</u>	<u>\$ 235,842</u>
Liabilities, Fund Equity, and Other Credits				
Liabilities				
Accounts Payable	\$ 100,782	\$ 7,153	\$ 2,417	\$ 7,383
Payroll Liabilities	9,996	281	375	384
Due to Other Governments	20,816	-	-	-
Due to Others	-	-	-	-
Sales Tax Payable	-	-	-	-
Due to/from County	(4,000)	-	-	-
Deferred Revenues				
Grants	23,333	-	-	-
Uncollected Taxes	138,843	-	-	-
Total Liabilities	<u>\$ 289,770</u>	<u>\$ 7,434</u>	<u>\$ 2,792</u>	<u>\$ 7,767</u>
Fund Balances				
Restricted	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Assigned	-	183,236	214,673	228,075
Unassigned	1,801,690	-	-	-
Total Fund Balances	<u>\$ 1,801,690</u>	<u>\$ 183,236</u>	<u>\$ 214,673</u>	<u>\$ 228,075</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 2,091,460</u>	<u>\$ 190,670</u>	<u>\$ 217,465</u>	<u>\$ 235,842</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&S Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 16,244	\$ 26,630	\$ 26,707	\$ 9,382	\$ 216,938	\$ 671,462
236,055	955,278	-	772,059	168,123	4,304,042
-	-	-	-	-	48,507
-	-	-	-	3,503	3,503
-	-	-	-	-	169,320
-	-	-	-	-	(30,478)
<u>\$ 252,299</u>	<u>\$ 981,908</u>	<u>\$ 26,707</u>	<u>\$ 781,441</u>	<u>\$ 388,564</u>	<u>\$ 5,166,356</u>
\$ 13,570	\$ -	\$ -	\$ -	\$ 230	\$ 131,535
338	-	1,377	-	-	12,751
-	-	-	-	-	20,816
-	-	-	-	5,491	5,491
-	-	-	-	15	15
-	-	-	-	4,000	-
-	-	-	-	-	23,333
-	-	-	-	-	138,843
<u>\$ 13,908</u>	<u>\$ -</u>	<u>\$ 1,377</u>	<u>\$ -</u>	<u>\$ 9,736</u>	<u>\$ 332,784</u>
\$ -	\$ -	\$ -	\$ -	\$ 220,180	\$ 220,180
-	981,908	-	781,441	-	1,763,349
238,391	-	25,330	-	135,557	1,025,262
-	-	-	-	23,091	1,824,781
<u>\$ 238,391</u>	<u>\$ 981,908</u>	<u>\$ 25,330</u>	<u>\$ 781,441</u>	<u>\$ 378,828</u>	<u>\$ 4,833,572</u>
<u>\$ 252,299</u>	<u>\$ 981,908</u>	<u>\$ 26,707</u>	<u>\$ 781,441</u>	<u>\$ 388,564</u>	<u>\$ 5,166,356</u>

Lynn County, Texas
Reconciliation of Balance Sheet - Modified Cash Basis - Governmental Funds
to the Statement of Net Assets - Modified Cash Basis
September 30, 2013

Governmental Funds - Fund Balance (Modified Cash Basis)	\$ 4,833,572
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,137,317
Notes Payable are not due and payable in the current period and therefore are not reported in the funds.	(1,766,221)
Net Assets of Governmental Activities (Modified Cash Basis)	<u>\$ 11,204,668</u>

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, 2013

	<u>General Fund</u>	<u>Precinct 1</u>	<u>Precinct 2</u>	<u>Precinct 3</u>
Revenues				
Property Tax	\$ 2,367,800	\$ -	\$ -	\$ -
Local Sales Tax	6,874	-	-	-
Licenses, Permits and Other Taxes	18,437	63,788	63,801	63,801
Intergovernmental Revenues	49,511	24,796	45,372	14,332
Fee Collections	321,335	-	-	-
Other Fees	47,883	-	-	-
Interest Earned	24,721	1,083	1,449	1,475
Other Revenues	136,761	-	423	-
Total Revenues	<u>\$ 2,973,322</u>	<u>\$ 89,667</u>	<u>\$ 111,045</u>	<u>\$ 79,608</u>
Expenditures				
Financial and Administration	\$ 225,904	\$ -	\$ -	\$ -
Judicial and Legal	414,081	-	-	-
General County Buildings	449,031	-	-	-
Central Administration	380,907	-	-	-
Libraries	23,437	-	-	-
Social Services - Public Welfare	37,686	-	-	-
Social Services - Health	3,750	-	-	-
Transportation - Highways	-	244,556	151,742	127,597
Public Safety - Police	649,549	-	-	-
Public Safety - Correction	526,298	-	-	-
Public Safety - Fire	21,750	-	-	-
Environment - Animal Control	65,697	-	-	-
Environment - Natural Resources	77,832	-	-	-
Miscellaneous	40,704	-	-	-
Total Expenditures	<u>\$ 2,916,626</u>	<u>\$ 244,556</u>	<u>\$ 151,742</u>	<u>\$ 127,597</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 56,696</u>	<u>\$ (154,889)</u>	<u>\$ (40,697)</u>	<u>\$ (47,989)</u>
Other Financing Sources (Uses)				
Transfer to Other Funds	\$ (2,658)	\$ -	\$ -	\$ -
Transfer from Other Funds	-	142,116	120,973	120,973
Debt Service Proceeds	-	81,110	-	-
Debt Service Principal Paid	(10,200)	(12,465)	(33,220)	(19,680)
Total Other Financing Sources (Uses)	<u>\$ (12,858)</u>	<u>\$ 210,761</u>	<u>\$ 87,753</u>	<u>\$ 101,293</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 43,838</u>	<u>\$ 55,872</u>	<u>\$ 47,056</u>	<u>\$ 53,304</u>
Fund Balance, Beginning of Year	<u>\$ 1,757,852</u>	<u>\$ 127,364</u>	<u>\$ 167,618</u>	<u>\$ 174,771</u>
Fund Balance, End of Year	<u>\$ 1,801,690</u>	<u>\$ 183,236</u>	<u>\$ 214,674</u>	<u>\$ 228,075</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&S Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 22,094	\$ 552,654	\$ 85,065	\$ -	\$ 3,027,613
-	104,110	-	-	-	110,984
63,801	-	49,272	11,172	-	334,072
11,774	-	29,462	-	28,751	203,998
-	-	-	-	-	321,335
-	-	-	-	78,827	126,710
1,486	9,522	-	11,971	2,166	53,873
228	-	-	23,648	3,641	164,700
<u>\$ 77,289</u>	<u>\$ 135,726</u>	<u>\$ 631,388</u>	<u>\$ 131,856</u>	<u>\$ 113,385</u>	<u>\$ 4,343,285</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,904
-	-	-	-	40,357	454,438
-	-	-	-	-	449,031
-	-	-	-	17,170	398,077
-	-	-	-	-	23,437
-	-	-	-	-	37,686
-	-	-	-	-	3,750
170,044	-	156,617	-	39,765	890,321
-	-	-	-	659	650,208
-	-	-	59,818	11,756	597,872
-	-	-	-	-	21,750
-	-	-	-	-	65,697
-	-	-	-	-	77,832
-	-	-	-	-	40,704
<u>\$ 170,044</u>	<u>\$ -</u>	<u>\$ 156,617</u>	<u>\$ 59,818</u>	<u>\$ 109,707</u>	<u>\$ 3,936,707</u>
\$ (92,755)	\$ 135,726	\$ 474,771	\$ 72,038	\$ 3,678	\$ 406,578
\$ -	\$ -	\$ (483,892)	\$ -	\$ (56,319)	\$ (542,869)
155,474	-	-	-	3,333	542,869
-	-	20,520	-	-	101,630
(8,872)	-	-	(130,000)	-	(214,437)
<u>\$ 146,602</u>	<u>\$ -</u>	<u>\$ (463,372)</u>	<u>\$ (130,000)</u>	<u>\$ (52,986)</u>	<u>\$ (112,807)</u>
\$ 53,847	\$ 135,726	\$ 11,399	\$ (57,962)	\$ (49,308)	\$ 293,771
\$ 184,544	\$ 846,182	\$ 13,931	\$ 839,403	\$ 428,136	\$ 4,539,801
<u>\$ 238,391</u>	<u>\$ 981,908</u>	<u>\$ 25,330</u>	<u>\$ 781,441</u>	<u>\$ 378,828</u>	<u>\$ 4,833,572</u>

Lynn County, Texas
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund
Balance - Modified Cash Basis - Governmental Funds to the Statement of Activities - Modified Cash Basis
September 30, 2013

Net Change in Fund Balances - Total Governmental Funds (Modified Cash Basis) **\$ 293,771**

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

Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of the note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. 112,807

Governmental funds report capital outlays as capital expenditures. However, in the statement of activities, the capital outlays are capitalized and not included in expense. 194,630

Governmental funds do not recognize the removal of the original costs of assets disposed. However, on the statement of activities, the original costs of the asset must be removed to reconcile to the net assets on hand. (17,430)

Change in Net Assets of Governmental Activities (Modified Cash Basis) \$ 583,778

The accompanying notes are an integral part of this statement.

**Lynn County, Texas
Statement of Fiduciary Assets and Liabilities
September 30, 2013**

	Agency Funds
Assets	
Cash	\$ 666,529
Returned Check	333
Due from District Clerk	40
Due from Other Funds	133,014
Total Assets	\$ 799,916
Liabilities	
Accounts Payable	\$ 133,014
Due to Other Funds	464,959
Due to County	48,507
Due to Sheriff	40
DC Rec Management	39
Due to Other Governments	36,864
Due to Others	94,544
Cases Pending	21,949
Total Liabilities	\$ 799,916

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, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Property Tax	\$2,184,214	\$2,184,214	\$2,367,800	\$ 183,586
Local Sales Tax	6,000	6,000	6,874	874
Licenses, Permits and Other Taxes	15,000	15,000	18,437	3,437
Intergovernmental Revenues	56,333	56,333	49,511	(6,822)
Fee Collections	412,000	412,000	321,335	(90,665)
Other Fees	68,136	68,136	47,883	(20,253)
Interest Earned	20,000	20,000	24,721	4,721
Other Revenues	38,300	38,300	136,761	98,461
Total Revenues	<u>\$2,799,983</u>	<u>\$2,799,983</u>	<u>\$2,973,322</u>	<u>\$ 173,339</u>
Expenditures				
Financial and Administration	\$ 234,847	\$ 243,972	\$ 225,904	\$ 18,068
Judicial and Legal	459,888	460,501	414,081	46,420
General County Buildings	219,196	745,951	449,031	296,920
Central Administration	394,233	394,233	380,907	13,326
Libraries	24,557	24,557	23,437	1,120
Social Services - Public Welfare	43,720	47,720	37,686	10,034
Social Services - Health	3,750	3,750	3,750	-
Public Safety - Police	660,035	684,408	649,549	34,859
Public Safety - Correction	537,992	570,642	526,298	44,344
Public Safety - Fire	21,750	21,750	21,750	-
Environment - Animal Control	70,837	78,067	65,697	12,370
Environment - Natural Resources	91,182	90,767	77,832	12,935
Miscellaneous	28,000	40,250	40,704	(454)
	<u>\$2,789,987</u>	<u>\$3,406,568</u>	<u>\$2,916,626</u>	<u>\$ 489,942</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 9,996</u>	<u>\$ (606,585)</u>	<u>\$ 56,696</u>	<u>\$ 663,281</u>
Other Source (Uses)				
Debt Service Principal Paid	\$ (9,788)	\$ (10,203)	\$ (10,200)	\$ 3
Transfers to Other Funds	-	-	(2,658)	(2,658)
Total Other Sources (Uses)	<u>\$ (9,788)</u>	<u>\$ (10,203)</u>	<u>\$ (12,858)</u>	<u>\$ (2,655)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 208</u>	<u>\$ (616,788)</u>	<u>\$ 43,838</u>	<u>\$ 660,626</u>
Fund Balance, Beginning of Year			<u>\$1,757,852</u>	
Fund Balance, End of Year			<u>\$1,801,690</u>	

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Lynn County, Texas
Notes to Financial Statements
September 30, 2013

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 as detailed on pages 24-30 to the financial statements.

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 following table.

	Governmental Funds
Revenues	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$4,229,900
Adjustments:	
Revenue from Unbudgeted Funds	113,385
Removal of Original Cost of Disposed Assets	(17,430)
	<hr/>
Total revenues as reported on the Statement of Activities – Modified Cash Basis	<u>\$4,325,855</u>
Expenditures	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$3,827,000
Adjustments:	
Expenditures from Unbudgeted Funds	109,707
Capital Outlay	(194,630)
	<hr/>
Total expenditures as reported on the Statement of Activities – Modified Cash Basis	<u>\$3,742,077</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.

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, nor the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. 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.

Note 1 (continued)

- **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.
- **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, 2013, fund balances are composed of the following:

	Major Governmental Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ -	\$ -	\$ -
Restricted			
Technology Improvements	-	44,236	44,236
Courthouse Security	-	114,364	114,364
Community Development	-	-	-
Highway & Road Improvements	-	-	-
Law Enforcement	-	61,580	61,580
Committed			
Debt Service	781,441	-	781,441
Courthouse Restoration	-	981,908	981,908
Assigned			
Highway & Road Improvements	889,705	-	889,705
Records Preservation	-	113,547	113,547
Community Development	-	3,800	3,800
Law Enforcement	-	18,210	18,210
Unassigned	1,779,580	23,091	1,802,671
Total Fund Balances	<u>\$ 3,450,726</u>	<u>\$ 1,360,736</u>	<u>\$ 4,811,462</u>

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

Plan Description

Lynn County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 602 nontraditional 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 PO 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 eight 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 80 or more. Members are vested after eight 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.

Benefit amounts are determined by the sum of the employee's contributions to the plan with interest, and the 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.

Funding Policy

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. However, the governing body of the employer elected to pay a rate of 6.00% that exceeded the calculated rate as allowed by the provisions of the TCDRS Act. The contribution rate payable by the employee members is the rate of 5.00% 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.

Note 3 (continued)

Annual Pension Cost

For the County's accounting year ending September 30, 2013, the annual pension cost for the TCDRS plan for its employees was \$47,419 and the actual contributions were \$47,419.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actual valuations as of December 31, 2012.

GASB 27 Calculation Information

	<u>2012</u>	<u>2013</u>
GASB 27 compliant contribution rate	1.78%	2.10%
Assumed return on employer funds	9.00%	9.00%
Actuarial amortization factor	13.6578	13.6578
Contribution rate	3.00%	3.00%

Actuarial Information

	12/31/10	12/31/11	12/31/12
Actuarial valuation date	12/31/10	12/31/11	12/31/12
Actuarial cost method	entry age	entry age	entry age
Amortization method	level	level	level
	percentage of	percentage of	percentage of
	payroll, open	payroll, open	payroll, open
Amortization period in years	30.0	30.0	30.0
Asset valuation method			
Subdivision Accumulation Fund	10-yr	10-yr	10-yr
	smoothed	smoothed	smoothed
	value	value	value
Employees Saving Fund	Fund Value	Fund Value	Fund Value
Assumptions:			
Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Note 3 (continued)

Schedule of Funding Information

Actuarial valuation date	12/31/10	12/31/11	12/31/12
Actuarial value of assets	2,136,871	2,336,345	2,308,349
Actuarial accrued liability (AAL)	1,866,090	2,082,750	2,070,074
Unfunded or (overfunded) actuarial accrued liability [UAAL or (OAAL)]	(270,781)	(253,595)	(238,275)
Funded Ratio	114.51%	112.18%	111.51%
Annual covered payroll (actuarial)	1,429,526	1,519,572	1,561,807
UAAL or (OAAL) as percentage of covered payroll	(18.94%)	(16.69%)	(15.26%)

1. The annual covered payroll based on the employee contributions received by TCDRS for the year ending with the valuation date.
2. Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

Note Disclosure Variables

1. Plan Description	2012*	2013*
Number of participating subdivisions	624	641
Years required for vesting and retirement at age 60	8	8
Rule of Lynn County for retirement eligibility	75	75
Service years for retirement at any age	30	30
Partial Lump-sum payment option	Yes	Yes
2. Funding Policy		
Contribution rate for employer	3.00%	3.00%
Deposit rate for employees	5.00%	5.00%
3. Other		
Elected rate in effect	Yes	Yes

(*) - relates to the plan year

Trend Information for the Retirement Plan for the Employees of Lynn County, Texas

Accounting Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/11	44,859	100%	-
9/30/12	46,532	100%	-
9/30/13	47,419	100%	-

Note 4 Changes in General Fixed Assets

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

	Balance 9/30/12	Additions	Deletions	Balance 9/30/13
Land	\$ 230,150	\$ -	\$ -	\$ 230,150
Buildings and Improvements	3,543,223	6,041	-	3,549,264
Machinery and Equipment	3,603,602	298,859	127,700	3,774,761
Furniture and Fixtures	125,785	-	-	125,785
Construction In Progress	457,357	-	-	457,357
	<u>\$ 7,960,117</u>	<u>\$ 304,900</u>	<u>\$ 127,700</u>	<u>\$ 8,137,317</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, 2013, consists of the following:

	<u>Current</u>	<u>Total</u>
4.02% note payable to First Bank & Trust; annual installments of \$13,507, including interest, secured by Caterpillar Maintainer – Precinct #1	\$ 12,974	\$ 12,974
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	140,000	1,480,000
4.2% note payable to First Bank & Trust; annual installments of \$21,196, including interest, secured by a Caterpillar Maintainer – Precinct #3	15,931	15,931
3.010% note payable to First Bank & Trust; annual installments of \$9,428, including interest to June of 2014, secured by a Caterpillar Grader - Precinct #4	9,146	9,146
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	16,405	50,783

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	17,989	55,757
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	9,482	40,000
3.0% note payable to First Bank & Trust; annual installments of \$7,239.71, including interest to March of 2017, secured by a Caterpillar Backhoe – Road & Bridge	6,624	20,520
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	15,356	81,110
Total Long-Term Debt	\$ 243,907	\$ 1,766,221

Interest expense included in the financial statements was \$67,887 for the year ended September 30, 2013.

Notes & Bonds Payable mature as follows:

Year Ended September 30,	Principal	Interest	Total
2014	243,907	63,594	307,501
2015	208,028	55,194	263,222
2016	220,035	47,750	267,785
2017	187,133	39,581	226,714
2018	177,118	32,790	209,908
2018-2022	730,000	60,000	790,000
Total	\$ 1,766,221	\$ 298,909	\$ 2,065,130

The following is a summary of long-term debt activity for the year ended September 30, 2013:

Description and Purpose	Balance September 30, 2012	Issued	Retired	Balance September 30, 2013
Governmental Activity				
Certificates of Obligation	\$1,610,000	\$ -	\$ 130,000	\$1,480,000
Note Payable – Caterpillar Maintainer	25,438	-	12,464	12,974
Note Payable – Caterpillar Maintainer	35,611	-	19,680	15,931
Note Payable – Caterpillar Grader	73,118	-	17,361	55,757
Note Payable – Caterpillar Grader	18,018	-	8,872	9,146
Note Payable – Caterpillar Grader	66,643	-	15,860	50,783
Note Payable – Caterpillar Grader	-	81,110	-	81,110
Note Payable – Caterpillar Backhoe	-	20,520	-	20,520
Note Payable – Caterpillar Grader	40,000	-	-	40,000
Note Payable – 2011 Pick-up	10,200	-	10,200	-
Total Governmental Activity	\$1,879,028	\$ 101,630	\$ 214,437	\$1,766,221

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, 2013, 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, 2013, the total amount on deposit was \$5,218,097. 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 \$6,886,649 as of September 30, 2013.

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, 2013, but not distributed before month end. Interfund balances at September 30, 2013, consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Agency Fund	\$ 48,507	\$ -
Trust and Agency Funds:		
General Fund	-	48,507
	<u>\$ 48,507</u>	<u>\$ 48,507</u>

Note 8 Commitments and Contingencies

There were no commitments or contingencies to be reported at September 30, 2013.

Note 9 Litigation

There was no pending or threatened litigation involving the County at September 30, 2013.

Note 10 Subsequent Events

There were no subsequent events required to be reported.

Note 11 Related Organizations

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

Required Supplementary Information

**Required Supplementary Information
Lynn County, Texas
Precinct 1
Budgetary Comparison Schedule
For the Year Ended September 30, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Auto Registration	\$ 65,000	\$ 65,000	\$ 63,788	\$ (1,212)
Axle Weight Fees	6,000	6,000	24,796	18,796
Interest Earned	500	500	1,083	583
Total Revenue	<u>\$ 71,500</u>	<u>\$ 71,500</u>	<u>\$ 89,667</u>	<u>\$ 18,167</u>
Expenditures				
Salaries	\$ 49,132	\$ 49,132	\$ 48,432	\$ 700
Overtime	2,000	2,000	71	1,929
Longevity	2,120	2,120	1,998	122
Unemployment Insurance	160	160	13	147
Medicare Tax	772	772	771	1
Social Security	3,302	3,302	3,298	4
Health Insurance	16,093	16,093	14,997	1,096
Retirement	1,538	1,538	1,521	17
Travel Allowance	4,800	4,800	4,523	277
Miscellaneous	1,200	1,980	1,979	1
Materials	4,000	4,000	1,785	2,215
Equipment Insurance	2,450	2,450	1,812	638
Gas/Fuel	40,000	35,035	35,035	-
Bonds/Dues/Fees	50	50	50	-
Equipment Repair	27,000	43,110	43,105	5
Utilities/Phone	2,000	2,000	1,739	261
Training Schools	900	1,500	1,275	225
Equipment Note Interest	1,967	1,092	1,042	50
Capital Outlay	13,000	475	81,110	(80,635)
Total Expenditures	<u>\$ 172,484</u>	<u>\$ 171,609</u>	<u>\$ 244,556</u>	<u>\$ (72,947)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$(100,984)	\$(100,109)	\$ (154,889)	\$ (54,780)
Other Source (Uses)				
Transfers from Other Funds	\$ 111,298	\$ 111,298	\$ 142,116	\$ 30,818
Debt Service Proceeds	-	-	81,110	81,110
Debt Service Principal Paid	(11,594)	(12,469)	(12,465)	4
Total Other Sources (Uses)	<u>\$ 99,704</u>	<u>\$ 98,829</u>	<u>\$ 210,761</u>	<u>\$ 111,932</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (1,280)</u>	<u>\$ (1,280)</u>	\$ 55,872	<u>\$ 57,152</u>
Fund Balance, Beginning of Year			<u>\$ 127,364</u>	
Fund Balance, End of Year			<u>\$ 183,236</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, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Auto Registration	\$ 65,000	\$ 65,000	\$ 63,801	\$ (1,199)
Axle Weight Fees	6,000	6,000	45,372	39,372
Miscellaneous Income	-	-	423	423
Interest Earned	500	500	1,449	949
Total Revenue	<u>\$ 71,500</u>	<u>\$ 71,500</u>	<u>\$ 111,045</u>	<u>\$ 39,545</u>
Expenditures				
Salaries	\$ 49,132	\$ 49,132	\$ 48,714	\$ 418
Overtime	9,372	3,097	3,045	52
Longevity	717	717	685	32
Unemployment Insurance	178	178	13	165
Medicare Tax	859	859	811	48
Social Security	3,672	3,672	3,466	206
Health Insurance	16,093	15,143	15,005	138
Retirement	1,495	1,495	1,577	(82)
Travel Allowance	4,800	4,800	4,523	277
Miscellaneous	1,000	-	-	-
Materials	1,000	70	-	70
Equipment Insurance	3,508	3,508	2,751	757
Gas/Fuel	40,000	44,720	44,716	4
Bonds/Dues/Fees	50	50	50	-
Equipment Repair	15,000	19,810	19,808	2
Utilities/Phone	2,000	2,000	1,329	671
Training Schools	300	475	451	24
Capital Outlay	1,480	-	-	-
Equipment Note Interest	4,206	4,798	4,798	-
Total Expenditures	<u>\$ 154,862</u>	<u>\$ 154,524</u>	<u>\$ 151,742</u>	<u>\$ 2,782</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (83,362)</u>	<u>\$ (83,024)</u>	<u>\$ (40,697)</u>	<u>\$ 42,327</u>
Other Source (Uses)				
Transfers from Other Funds	\$ 111,298	\$ 111,298	\$ 120,973	\$ 9,675
Debt Service Principal Paid	(32,883)	(33,221)	(33,220)	1
Total Other Sources (Uses)	<u>\$ 78,415</u>	<u>\$ 78,077</u>	<u>\$ 87,753</u>	<u>\$ 9,676</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (4,947)</u>	<u>\$ (4,947)</u>	<u>\$ 47,056</u>	<u>\$ 52,003</u>
Fund Balance, Beginning of Year			<u>\$ 167,618</u>	
Fund Balance, End of Year			<u>\$ 214,674</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, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Auto Registration	\$ 65,000	\$ 65,000	\$ 63,801	\$ (1,199)
Axle Weight Fees	6,000	6,000	14,332	8,332
Interest Earned	500	500	1,475	975
Total Revenue	<u>\$ 71,500</u>	<u>\$ 71,500</u>	<u>\$ 79,608</u>	<u>\$ 8,108</u>
Expenditures				
Salaries	\$ 49,132	\$ 49,132	\$ 37,867	\$ 11,265
Part Time/Overtime	4,000	4,000	1,054	2,946
Longevity	1,010	1,010	968	42
Unemployment Insurance	162	162	7	155
Medicare Tax	785	785	628	157
Social Security	3,357	3,357	2,685	672
Health Insurance	16,093	16,093	11,592	4,501
Retirement	1,504	1,504	1,244	260
Bonds, Dues & Fees	50	50	-	50
Travel Allowance	4,800	4,800	4,523	277
Miscellaneous	1,000	1,000	107	893
Materials	6,000	6,000	4,119	1,881
Equipment Insurance	3,500	3,500	2,296	1,204
Gas/Fuel	40,000	42,510	42,502	8
Equipment Repair	24,966	22,456	13,509	8,947
Utilities/Phone	3,600	3,600	2,528	1,072
Training Schools	500	500	452	48
Interest Expense	2,289	1,525	1,516	9
Capital Outlay	11,000	11,000	-	11,000
Total Expenditures	<u>\$ 173,748</u>	<u>\$ 172,984</u>	<u>\$ 127,597</u>	<u>\$ 45,387</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$(102,248)	\$(101,484)	\$ (47,989)	\$ 53,495
Other Source (Uses)				
Transfers from Other Funds	\$ 111,298	\$ 111,298	\$ 120,973	\$ 9,675
Debt Service Principal Paid	(18,908)	(19,672)	(19,680)	(8)
Total Other Sources (Uses)	<u>\$ 92,390</u>	<u>\$ 91,626</u>	<u>\$ 101,293</u>	<u>\$ 9,667</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (9,858)</u>	<u>\$ (9,858)</u>	\$ 53,304	<u>\$ 63,162</u>
Fund Balance, Beginning of Year			<u>\$ 174,771</u>	
Fund Balance, End of Year			<u>\$ 228,075</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, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Auto Registration	\$ 65,000	\$ 65,000	\$ 63,801	\$ (1,199)
Axle Weight Fees	6,000	6,000	11,774	5,774
Miscellaneous Income	-	-	228	228
Interest Earned	500	500	1,486	986
Total Revenue	<u>\$ 71,500</u>	<u>\$ 71,500</u>	<u>\$ 77,289</u>	<u>\$ 5,789</u>
Expenditures				
Salaries	\$ 49,132	\$ 49,132	\$ 47,735	\$ 1,397
Overtime/Holiday	3,500	3,500	1,479	2,021
Unemployment Insurance	158	158	11	147
Medicare Tax	763	763	713	50
Social Security	3,263	3,263	3,050	213
Health Insurance	16,093	16,093	12,670	3,423
Retirement	1,474	1,474	1,411	63
Travel Allowance	4,800	4,800	4,523	277
Miscellaneous	762	762	9	753
Materials	9,000	4,885	2,966	1,919
Bonds/Dues/Fees	50	50	50	-
Equipment Insurance	3,000	3,000	2,383	617
Gas/Fuel	40,000	47,465	47,460	5
Equipment Repair	25,000	24,500	21,670	2,830
Utilities/Phone	1,500	2,000	1,257	743
Training Schools	1,000	1,000	451	549
Interest Expense	802	550	556	(6)
Capital Outlay	25,000	21,650	21,650	-
Total Expenditures	<u>\$ 185,297</u>	<u>\$ 185,045</u>	<u>\$ 170,044</u>	<u>\$ 15,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (113,797)</u>	<u>\$ (113,545)</u>	<u>\$ (92,755)</u>	<u>\$ 20,790</u>
Other Source (Uses)				
Transfers from Other Funds	\$ 111,298	\$ 111,298	\$ 155,474	\$ 44,176
Debt Service Principal Paid	(8,627)	(8,879)	(8,872)	7
Total Other Sources (Uses)	<u>\$ 102,671</u>	<u>\$ 102,419</u>	<u>\$ 146,602</u>	<u>\$ 44,183</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (11,126)</u>	<u>\$ (11,126)</u>	<u>\$ 53,847</u>	<u>\$ 64,973</u>
Fund Balance, Beginning of Year			<u>\$ 184,544</u>	
Fund Balance, End of Year			<u>\$ 238,391</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, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Property Tax	\$ 20,587	\$ 20,587	\$ 22,094	\$ 1,507
Local Sales Tax	80,000	80,000	104,110	24,110
Interest Earned	2,000	2,000	9,522	7,522
Other Revenues	2,000	2,000	-	(2,000)
Total Revenue	<u>\$ 104,587</u>	<u>\$ 104,587</u>	<u>\$ 135,726</u>	<u>\$ 31,139</u>
Expenditures				
Bond Fees	\$ -	\$ -	\$ -	\$ -
Postage	-	-	-	-
Interest Expense	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 104,587	\$ 104,587	\$ 135,726	\$ 31,139
Fund Balance, Beginning of Year			<u>\$ 846,182</u>	
Fund Balance, End of Year			<u><u>\$ 981,908</u></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, 2013**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
Revenue				
Property Tax	\$ 514,682	\$ 514,682	\$ 552,654	\$ 37,972
Licenses, Permits & Other Taxes	73,000	73,000	49,272	(23,728)
Intergovernmental Revenues	-	-	29,462	29,462
Interest Income	3,000	3,000	-	(3,000)
Total Revenue	\$ 590,682	\$ 590,682	\$ 631,388	\$ 40,706
Expenditures				
Salaries	\$ 77,917	\$ 77,917	\$ 77,549	\$ 368
Longevity	1,887	1,887	1,807	80
Medicare Tax	1,157	1,157	1,002	155
Social Security	4,948	4,948	4,285	663
Health Insurance	32,186	32,186	28,528	3,658
Retirement	2,394	2,394	2,196	198
Bonds/Dues/Fees	-	1,000	1,000	-
Miscellaneous - Equipment	25,000	24,000	40,250	(16,250)
Total Expenditures	\$ 145,489	\$ 145,489	\$ 156,617	\$ (11,128)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 445,193	\$ 445,193	\$ 474,771	\$ 29,578
Other Source (Uses)				
Transfers to Other Funds	\$(445,193)	\$(445,193)	\$(483,892)	\$ (38,699)
Debt Service Proceeds	-	-	20,520	20,520
Total Other Sources (Uses)	\$(445,193)	\$(445,193)	\$(463,372)	\$ (18,179)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ 11,399	\$ 11,399
Fund Balance, Beginning of Year			\$ 13,931	
Fund Balance, End of Year			\$ 25,330	

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, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Property Taxes	\$ 75,487	\$ 75,487	\$ 85,065	\$ 9,578
Licenses, Permits and Other Taxes	-	-	11,172	11,172
Interest Earned	13,000	13,000	11,971	(1,029)
Other Revenues	60,881	60,881	23,648	(37,233)
Total Revenue	<u>\$ 149,368</u>	<u>\$ 149,368</u>	<u>\$ 131,856</u>	<u>\$ (17,512)</u>
Expenditures				
Bond Fees	\$ 590	\$ 578	\$ 300	\$ 278
Postage	-	12	12	-
Interest Expense	64,050	59,507	59,506	1
Total Expenditures	<u>\$ 64,640</u>	<u>\$ 60,097</u>	<u>\$ 59,818</u>	<u>\$ 279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 84,728</u>	<u>\$ 89,271</u>	<u>\$ 72,038</u>	<u>\$ (17,233)</u>
Other Source (Uses)				
Debt Service Principal Paid	<u>\$(125,000)</u>	<u>\$(130,003)</u>	<u>\$(130,000)</u>	<u>\$ 3</u>
Total Other Sources (Uses)	<u>\$(125,000)</u>	<u>\$(130,003)</u>	<u>\$(130,000)</u>	<u>\$ 3</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u><u>\$ (40,272)</u></u>	<u><u>\$ (40,732)</u></u>	<u>\$ (57,962)</u>	<u><u>\$ (17,230)</u></u>
Fund Balance, Beginning of Year			<u>\$ 839,403</u>	
Fund Balance, End of Year			<u><u>\$ 781,441</u></u>	

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

**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 H. G. Franklin, Judge
And County Commissioners
Lynn County
Tahoka, Texas 79373

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynn County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lynn County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lynn County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Lynn County, Texas' 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 weakness. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of the 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

Gary, Bowers & Miller
February 20, 2015