

**Lynn County, Texas
Audited Financial Statements
September 30, 2012**

**Lynn County, Texas
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September 30, 2012**

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**Lynn County, Texas
County Officials
September 30, 2012**

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

GARY, BOWERS & MILLER

Steve Gary, C.P.A., PC
James Bowers, C.P.A., PC
Eric Miller, C.P.A., PC
Melvin Eaker, 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 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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lynn County, Texas' management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, Lynn County, Texas, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 Lynn County, Texas, as of September 30, 2012, and the respective changes in financial position – modified cash basis, thereof, and for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014, on our consideration of Lynn County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lynn County, Texas' financial statements as a whole. The combining and individual nonmajor fund financial statements, and detailed budget comparison statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gary, Bowers & Miller

Gary, Bowers & Miller
Lubbock, Texas
February 21, 2014

Lynn County, Texas
Statement of Net Assets - Modified Cash Basis
September 30, 2012

	<u>Primary Government Governmental Activities</u>
Assets	
Cash	\$ 346,487
Savings and Time Deposits	4,225,585
Receivables	
Due from Agency Funds	29,774
Property Taxes	190,310
Less: Allowance for Uncollectibles	(34,256)
Capital Assets	
Land	230,150
Buildings and Improvements	3,543,223
Machinery and Equipment	3,603,602
Furniture and Fixtures	125,785
Construction in Progress	457,357
Total Assets	<u><u>\$ 12,718,017</u></u>
Liabilities and Fund Equity	
Liabilities	
Due to Other Governments	\$ 38,021
Due to Others	2,586
State Fees Payable	345
Sales Tax Payable	259
Deferred Revenues	
Grants	20,833
Uncollected Taxes	156,055
Long-Term Liabilities	
Due Within One Year	224,111
Due in More Than One Year	1,654,917
Total Liabilities	<u>\$ 2,097,127</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 6,081,089
Restricted For:	
Technology Improvements	38,707
Courthouse Security	109,966
Community Development	743
Highway & Road Improvements	70,012
Law Enforcement	58,274
Unrestricted	4,262,099
Total Net Assets	<u><u>\$ 10,620,890</u></u>

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, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
Governmental Activities				
Financial and Administration	\$ 204,856	\$ 70,413	\$ 15,305	\$ (119,138)
Judicial and Legal	438,958	181,491	29,473	(227,994)
General County Buildings	193,166	165,618	48,884	21,336
Central Administration	512,043	193,299	26,609	(292,135)
Libraries	22,581	2,345	-	(20,236)
Social Services - Public Welfare	39,698	-	-	(39,698)
Social Services - Health	3,750	-	-	(3,750)
Transportation - Highways	887,777	342,144	68,545	(477,088)
Public Safety - Police	597,632	41,936	17,428	(538,268)
Public Safety - Correction	553,968	85,863	-	(468,105)
Public Safety - Fire	26,424	-	7,174	(19,250)
Environment - Animal Control	60,170	59,830	-	(340)
Environment - Natural Resources	82,429	-	-	(82,429)
Miscellaneous	41,694	-	-	(41,694)
	\$ 3,665,146	\$ 1,142,939	\$ 213,418	\$ (2,308,789)
General Revenue:				
Taxes:				
Property Taxes				\$ 2,794,400
Sales Taxes				148,981
Intergovernmental Revenue				36,022
Miscellaneous Revenue				46,884
Investment Earnings				55,838
Removal of Original Cost of Disposed Assets				(4,924)
Total General Revenues and Special Items				\$ 3,077,201
Change in Net Assets				\$ 768,412
Net Assets - Beginning				\$ 9,852,478
Net Assets - Ending				\$ 10,620,890

The accompanying notes are an integral part of this statement.

Lynn County, Texas
Balance Sheet - Modified Cash Basis
Governmental Funds
September 30, 2012

	<u>General Fund</u>	<u>Precinct 1</u>	<u>Precinct 2</u>	<u>Precinct 3</u>
Assets and Other Debits				
Cash	\$ (23,898)	\$ (2,832)	\$ 12,019	\$ 14,101
Savings and Time Deposits	1,806,821	130,196	155,599	160,670
Receivables				
Due from Agency Funds	29,774	-	-	-
Property Taxes	190,310	-	-	-
Less: Allowance for Uncollectibles	(34,256)	-	-	-
Total Assets and Other Debits	<u>\$ 1,968,751</u>	<u>\$ 127,364</u>	<u>\$ 167,618</u>	<u>\$ 174,771</u>
Liabilities, Fund Equity, and Other Credits				
Liabilities				
Due to Other Governments	\$ 38,021	\$ -	\$ -	\$ -
Due to Others	-	-	-	-
State Fees Payable	-	-	-	-
Sales Tax Payable	-	-	-	-
Due to/from County	(4,010)	-	-	-
Deferred Revenues				
Grants	20,833	-	-	-
Uncollected Taxes	156,055	-	-	-
Total Liabilities	\$ 210,899	\$ -	\$ -	\$ -
Fund Balances				
Restricted	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Assigned	-	127,364	167,618	174,771
Unassigned	1,757,852	-	-	-
Total Fund Balances	<u>\$ 1,757,852</u>	<u>\$ 127,364</u>	<u>\$ 167,618</u>	<u>\$ 174,771</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 1,968,751</u>	<u>\$ 127,364</u>	<u>\$ 167,618</u>	<u>\$ 174,771</u>

The accompanying notes are an integral part of this statement.

<u>Precinct 4</u>	<u>Laterals</u>	<u>Road and Bridge</u>	<u>Jail I&S Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 9,071	\$ -	\$ 13,931	\$ 11,073	\$ 313,022	\$ 346,487
175,473	-	-	828,330	968,496	4,225,585
-	-	-	-	-	29,774
-	-	-	-	-	190,310
-	-	-	-	-	(34,256)
<u>\$ 184,544</u>	<u>\$ -</u>	<u>\$ 13,931</u>	<u>\$ 839,403</u>	<u>\$ 1,281,518</u>	<u>\$ 4,757,900</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,021
-	-	-	-	2,586	2,586
-	-	-	-	345	345
-	-	-	-	259	259
-	-	-	-	4,010	-
-	-	-	-	-	20,833
-	-	-	-	-	156,055
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,200</u>	<u>\$ 218,099</u>
\$ -	\$ -	\$ -	\$ -	\$ 277,372	\$ 277,372
-	-	-	839,403	846,182	1,685,585
184,544	-	13,931	-	131,376	799,604
-	-	-	-	19,388	1,777,240
<u>\$ 184,544</u>	<u>\$ -</u>	<u>\$ 13,931</u>	<u>\$ 839,403</u>	<u>\$ 1,274,318</u>	<u>\$ 4,539,801</u>
<u>\$ 184,544</u>	<u>\$ -</u>	<u>\$ 13,931</u>	<u>\$ 839,403</u>	<u>\$ 1,281,518</u>	<u>\$ 4,757,900</u>

Lynn County, Texas
Reconciliation of Balance Sheet - Modified Cash Basis - Governmental Funds
to the Statement of Net Assets - Modified Cash Basis
September 30, 2012

Governmental Funds - Fund Balance (Modified Cash Basis) \$ 4,539,801

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. 7,960,117

Notes Payable are not due and payable in the current period and therefore are not reported in the funds. (1,879,028)

Net Assets of Governmental Activities (Modified Cash Basis) \$ 10,620,890

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, 2012

	<u>General Fund</u>	<u>Precinct 1</u>	<u>Precinct 2</u>	<u>Precinct 3</u>
Revenues				
Property Tax	\$ 2,186,729	\$ -	\$ -	\$ -
Local Sales Tax	10,906	-	-	-
Licenses, Permits and Other Taxes	18,753	71,133	71,133	71,133
Intergovernmental Revenues	108,393	10,756	10,756	10,756
Fee Collections	348,002	-	-	-
Other Fees	59,997	-	-	-
Interest Earned	25,526	1,296	1,444	1,674
Other Revenues	256,500	-	-	-
Total Revenues	<u>\$ 3,014,806</u>	<u>\$ 83,185</u>	<u>\$ 83,333</u>	<u>\$ 83,563</u>
Expenditures				
Financial and Administration	\$ 204,856	\$ -	\$ -	\$ -
Judicial and Legal	425,377	-	-	-
General County Buildings	193,166	-	-	-
Central Administration	429,236	-	-	-
Libraries	22,581	-	-	-
Social Services - Public Welfare	39,698	-	-	-
Social Services - Health	3,750	-	-	-
Transportation - Highways	-	177,591	127,873	146,195
Public Safety - Police	612,886	-	-	-
Public Safety - Correction	480,591	-	-	-
Public Safety - Fire	26,424	-	-	-
Environment - Animal Control	60,170	-	-	-
Environment - Natural Resources	82,429	-	-	-
Miscellaneous	41,694	-	-	-
Total Expenditures	<u>\$ 2,622,858</u>	<u>\$ 177,591</u>	<u>\$ 127,873</u>	<u>\$ 146,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 391,948</u>	<u>\$ (94,406)</u>	<u>\$ (44,540)</u>	<u>\$ (62,632)</u>
Other Financing Sources (Uses)				
Transfer to Other Funds	\$ -	\$ -	\$ -	\$ -
Transfer from Other Funds	-	116,096	116,096	116,096
Debt Service Proceeds	-	-	-	-
Debt Service Principal Paid	(9,795)	(11,982)	(32,230)	(18,876)
Total Other Financing Sources (Uses)	<u>\$ (9,795)</u>	<u>\$ 104,114</u>	<u>\$ 83,866</u>	<u>\$ 97,220</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 382,153</u>	<u>\$ 9,708</u>	<u>\$ 39,326</u>	<u>\$ 34,588</u>
Fund Balance, Beginning of Year	<u>\$ 1,375,699</u>	<u>\$ 117,656</u>	<u>\$ 128,292</u>	<u>\$ 140,183</u>
Fund Balance, End of Year	<u>\$ 1,757,852</u>	<u>\$ 127,364</u>	<u>\$ 167,618</u>	<u>\$ 174,771</u>

The accompanying notes are an integral part of this statement.

Precinct 4	Laterals	Road and Bridge	Jail I&S Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 507,212	\$ 78,836	\$ 21,623	\$ 2,794,400
-	-	-	-	138,075	148,981
71,133	-	52,797	20,169	-	376,251
10,441	25,836	-	-	72,502	249,440
-	-	-	-	-	348,002
-	-	-	-	77,228	137,225
2,130	-	-	10,695	13,073	55,838
-	-	-	59,300	12,548	328,348
<u>\$ 83,704</u>	<u>\$ 25,836</u>	<u>\$ 560,009</u>	<u>\$ 169,000</u>	<u>\$ 335,049</u>	<u>\$ 4,438,485</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204,856
-	-	-	-	13,581	438,958
-	-	-	-	-	193,166
-	-	-	-	133,599	562,835
-	-	-	-	-	22,581
-	-	-	-	-	39,698
-	-	-	-	-	3,750
223,057	25,849	115,102	-	172,191	987,858
-	-	-	-	14,591	627,477
-	-	-	64,361	18,835	563,787
-	-	-	-	-	26,424
-	-	-	-	-	60,170
-	-	-	-	-	82,429
-	-	-	-	-	41,694
<u>\$ 223,057</u>	<u>\$ 25,849</u>	<u>\$ 115,102</u>	<u>\$ 64,361</u>	<u>\$ 352,797</u>	<u>\$ 3,855,683</u>
<u>\$ (139,353)</u>	<u>\$ (13)</u>	<u>\$ 444,907</u>	<u>\$ 104,639</u>	<u>\$ (17,748)</u>	<u>\$ 582,802</u>
\$ -	\$ -	\$ (464,384)	\$ -	\$ (4,911)	\$ (469,295)
116,096	-	-	-	4,911	469,295
40,000	-	-	-	-	40,000
(8,613)	-	-	(125,000)	-	(206,496)
<u>\$ 147,483</u>	<u>\$ -</u>	<u>\$ (464,384)</u>	<u>\$ (125,000)</u>	<u>\$ -</u>	<u>\$ (166,496)</u>
\$ 8,130	\$ (13)	\$ (19,477)	\$ (20,361)	\$ (17,748)	\$ 416,306
<u>\$ 176,414</u>	<u>\$ 13</u>	<u>\$ 33,408</u>	<u>\$ 859,764</u>	<u>\$ 1,292,066</u>	<u>\$ 4,123,495</u>
<u>\$ 184,544</u>	<u>\$ -</u>	<u>\$ 13,931</u>	<u>\$ 839,403</u>	<u>\$ 1,274,318</u>	<u>\$ 4,539,801</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, 2012

Net Change in Fund Balances - Total Governmental Funds (Modified Cash Basis)	\$	416,306
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Amounts reported for governmental activities in the statement of activities are different because:

<p>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.</p>		166,496
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<p>Governmental funds report capital outlays as capital expenditures. However, in the statement of activities, the capital outlays are capitalized and not included in expense.</p>		190,534
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<p>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.</p>		(4,924)
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Change in Net Assets of Governmental Activities (Modified Cash Basis)	\$	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">768,412</td> </tr> </table>	768,412
768,412			

The accompanying notes are an integral part of this statement.

Lynn County, Texas
Statement of Fiduciary Assets and Liabilities
September 30, 2012

	Agency Funds
Assets	
Cash	\$ 134,684
Returned Check	333
Due from District Clerk	731
Total Assets	\$ 135,748
 Liabilities	
Due to County	\$ 30,615
Due to Sheriff	731
DC Rec Management	55
Due to Other Governments	28,114
Due to Others	54,347
Cases Pending	21,886
Total Liabilities	\$ 135,748

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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Property Tax	\$ 2,103,880	\$ 2,103,880	\$ 2,186,729	\$ 82,849
Local Sales Tax	6,000	6,000	10,906	4,906
Licenses, Permits and Other Taxes	15,000	15,000	18,753	3,753
Intergovernmental Revenues	70,500	80,116	108,393	28,277
Fee Collections	397,600	402,600	348,002	(54,598)
Other Fees	70,153	70,153	59,997	(10,156)
Interest Earned	20,000	20,000	25,526	5,526
Other Revenues	38,300	38,300	256,500	218,200
Total Revenues	<u>\$ 2,721,433</u>	<u>\$ 2,736,049</u>	<u>\$ 3,014,806</u>	<u>\$ 278,757</u>
Expenditures				
Financial and Administration	\$ 197,262	\$ 208,156	\$ 204,856	\$ 3,300
Judicial and Legal	447,101	448,613	425,377	23,236
General County Buildings	206,769	206,769	193,166	13,603
Central Administration	352,416	374,106	429,236	(55,130)
Libraries	23,692	23,692	22,581	1,111
Social Services - Public Welfare	34,920	41,220	39,698	1,522
Social Services - Health	3,750	3,750	3,750	-
Public Safety - Police	642,707	642,707	612,886	29,821
Public Safety - Correction	565,317	565,317	480,591	84,726
Public Safety - Fire	19,125	25,549	26,424	(875)
Environment - Animal Control	67,403	67,403	60,170	7,233
Environment - Natural Resources	86,798	86,798	82,429	4,369
Miscellaneous	40,000	40,000	41,694	(1,694)
	<u>\$ 2,687,260</u>	<u>\$ 2,734,080</u>	<u>\$ 2,622,858</u>	<u>\$ 111,222</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 34,173</u>	<u>\$ 1,969</u>	<u>\$ 391,948</u>	<u>\$ 389,979</u>
Other Source (Uses)				
Debt Service Principal Paid	\$ (9,788)	\$ (9,788)	\$ (9,795)	\$ (7)
Total Other Sources (Uses)	<u>\$ (9,788)</u>	<u>\$ (9,788)</u>	<u>\$ (9,795)</u>	<u>\$ (7)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 24,385</u>	<u>\$ (7,819)</u>	<u>\$ 382,153</u>	<u>\$ 389,972</u>
Fund Balance, Beginning of Year			<u>\$ 1,375,699</u>	
Fund Balance, End of Year			<u>\$ 1,757,852</u>	

The accompanying notes are an integral part of this statement.

Lynn County, Texas
Notes to Financial Statements
September 30, 2012

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 August 22, 2011.

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
Revenues	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$4,103,436
Adjustments:	
Revenue from Unbudgeted Funds	<u>335,049</u>
Total revenues as reported on the Statement of Activities – Modified Cash Basis	<u>\$4,438,485</u>
Expenditures	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$3,502,886
Adjustments:	
Expenditures from Unbudgeted Funds	352,794
Capital Outlay	<u>(190,534)</u>
Total expenditures as reported on the Statement of Activities – Modified Cash Basis	<u>\$3,665,146</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. 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, 2012, fund balances are composed of the following:

	Major Governmental Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	-	-	-
Restricted			
Technology Improvements	-	38,706	38,706
Courthouse Security	-	109,967	109,967
Community Development	-	743	743
Highway & Road Improvements	-	70,012	70,012
Law Enforcement	-	57,944	57,944
Committed			
Debt Service	839,403	-	839,403
Courthouse Restoration	-	846,182	846,182
Assigned			
Highway & Road Improvements	668,228	-	668,228
Records Preservation	-	105,658	105,658
Community Development	-	3,800	3,800
Law Enforcement	-	21,918	21,918
Unassigned	1,757,852	19,388	1,777,240
Total Fund Balances	<u>3,265,483</u>	<u>1,274,318</u>	<u>4,539,801</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, 2012, the annual pension cost for the TCDRS plan for its employees was \$46,532 and the actual contributions were \$46,532.

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, 2011.

GASB 27 Calculation Information

	2011	2012
GASB 27 compliant contribution rate	1.82%	1.78%
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	12/31/09	12/31/10	12/31/11
Actuarial value of assets	1,974,687	2,136,871	2,336,345
Actuarial accrued liability (AAL)	1,705,660	1,866,090	2,082,750
Unfunded or (overfunded) actuarial accrued liability [UAAL or (OAAL)]	(269,027)	(270,781)	(253,595)
Funded Ratio	115.77%	114.51%	112.18%
Annual covered payroll (actuarial)	1,390,622	1,429,526	1,519,572
UAAL or (OAAL) as percentage of covered payroll	(19.35%)	(18.94%)	(16.69%)

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	2011*	2012*
Number of participating subdivisions	618	624
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
9/30/10	42,636	100%	-
9/30/11	44,859	100%	-
9/30/12	46,532	100%	-

Note 4 Changes in General Fixed Assets

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

	Balance 9/30/11	Additions	Deletions	Balance 9/30/12
Land	\$ 228,750	\$1,400	\$ -	\$ 230,150
Buildings and Improvements	3,543,223	-	-	3,543,223
Machinery and Equipment	3,468,781	312,996	178,175	3,603,602
Furniture and Fixtures	125,785	-	-	125,785
Construction In Progress	407,964	49,393	-	457,357
	<u>\$ 7,774,503</u>	<u>\$ 363,785</u>	<u>\$ 178,175</u>	<u>\$ 7,960,117</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, 2012, 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	\$ 12,484	\$ 25,438
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.	130,000	1,610,000
4.2% note payable to First Bank & Trust; annual installments of \$21,196, including interest, secured by a Caterpillar Maintainer – Precinct #3	19,701	35,611
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	8,870	18,018
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	15,890	66,643

Note 5 (continued)

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

17,360 73,118

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

9,606 40,000

4.5% note payable to First Bank & Trust; annual installments of \$10,687.42, including interest to October of 2012, secured by a 2011 GMC.

10,200 10,200

Total Long-Term Debt

\$ 224,111 \$ 1,879,028

Interest expense included in the financial statements was \$75,392 for the year ended September 30, 2012.

Notes & Bonds Payable mature as follows:

Year Ended September 30,	Principal	Interest	Total
2013	224,111	69,010	293,121
2014	222,324	60,627	282,951
2015	185,772	52,502	238,274
2016	196,821	46,015	242,836
2017	160,000	38,200	198,200
2018-2022	890,000	92,200	982,200
Total	<u>\$ 1,879,028</u>	<u>\$ 358,554</u>	<u>\$ 2,237,582</u>

The following is a summary of long-term debt activity for the year ended September 30, 2012:

Description and Purpose	Balance September 30, 2011	Issued	Retired	Balance September 30, 2012
Governmental Activity				
Certificates of Obligation	\$1,735,000	\$ -	\$ 125,000	\$1,610,000
Note Payable – Caterpillar Maintainer	37,420	-	11,982	25,438
Note Payable – Caterpillar Maintainer	54,487	-	18,876	35,611
Note Payable – Caterpillar Grader	90,000	-	16,882	73,118
Note Payable – Caterpillar Grader	26,631	-	8,613	18,018
Note Payable – Caterpillar Grader	81,990	-	15,347	66,643
Note Payable – Caterpillar Grader	-	40,000	-	40,000
Note Payable – 2011 Pick-up	19,995	-	9,795	10,200
Total Governmental Activity	<u>\$2,045,523</u>	<u>\$ 40,000</u>	<u>\$ 206,496</u>	<u>\$1,879,028</u>

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, 2012, 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, 2012, the total amount on deposit was \$4,764,451. 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 \$5,403,776 as of September 30, 2012.

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, 2012, but not distributed before month end. Interfund balances at September 30, 2012, consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Agency Fund	\$ 29,774	\$ -
Trust and Agency Funds:		
General Fund	-	29,774
Total	<u>\$ 29,774</u>	<u>\$ 29,774</u>

Note 8 Subsequent Events

There were no subsequent events required to be reported.

Note 9 Commitments and Contingencies

There were no commitments or contingencies to be reported at September 30, 2012.

Note 10 Litigation

There was no pending or threatened litigation involving the County at September 30, 2012.

Note 11 Related Organizations

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

Note 12 Prior Period Adjustment

During the fiscal year ending September 30, 2011, the County purchased a Motor Grader for \$90,000. The County also obtained a loan for the \$90,000. These transactions were not recorded on the September 30, 2011, financial statements, but on the cash basis the net effect to the ending fund balance of the transactions is zero. Asset and loan balances of the Motor Grader at September 30, 2012 are included in the current year's Statement of Net Assets.

Required Supplementary Information
Lynn County, Texas
Precinct 1
Budgetary Comparison Schedule
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Auto Registration	\$ 62,000	\$ 62,000	\$ 71,133	\$ 9,133
Axle Weight Fees	6,000	6,000	10,756	4,756
Interest Earned	500	500	1,296	796
Total Revenue	<u>\$ 68,500</u>	<u>\$ 68,500</u>	<u>\$ 83,185</u>	<u>\$ 14,685</u>
Expenditures				
Salaries	\$ 47,700	\$ 47,700	\$ 47,700	\$ -
Overtime	2,000	2,000	69	1,931
Longevity	1,995	1,995	2,000	(5)
Unemployment Insurance	155	155	47	108
Medicare Tax	750	750	758	(8)
Social Security	3,205	3,205	3,239	(34)
Health Insurance	14,815	14,815	14,849	(34)
Retirement	1,491	1,491	1,637	(146)
Travel Allowance	4,800	4,800	4,800	-
Miscellaneous	1,200	1,200	30	1,170
Materials	4,000	4,000	-	4,000
Equipment Insurance	2,450	2,450	1,908	542
Gas/Fuel	40,000	40,000	44,007	(4,007)
Bonds/Dues/Fees	50	50	50	-
Equipment Repair	17,000	45,000	52,171	(7,171)
Utilities/Phone	2,000	2,000	1,939	61
Training Schools	900	900	862	38
Equipment Note Interest	1,967	1,967	1,525	442
Capital Outlay	13,000	13,000	-	13,000
Total Expenditures	<u>\$ 159,478</u>	<u>\$ 187,478</u>	<u>\$ 177,591</u>	<u>\$ 9,887</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (90,978)</u>	<u>\$ (118,978)</u>	<u>\$ (94,406)</u>	<u>\$ 24,572</u>
Other Source (Uses)				
Transfers from Other Funds	\$ 106,096	\$ 106,096	\$ 116,096	\$ 10,000
Debt Service Principal Paid	(11,594)	(11,594)	(11,982)	(388)
Total Other Sources (Uses)	<u>\$ 94,502</u>	<u>\$ 94,502</u>	<u>\$ 104,114</u>	<u>\$ 9,612</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 3,524</u>	<u>\$ (24,476)</u>	<u>\$ 9,708</u>	<u>\$ 34,184</u>
Fund Balance, Beginning of Year			<u>\$ 117,656</u>	
Fund Balance, End of Year			<u>\$ 127,364</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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Auto Registration	\$ 62,000	\$ 62,000	\$ 71,133	\$ 9,133
Axle Weight Fees	6,000	6,000	10,756	4,756
Interest Earned	500	500	1,444	944
Total Revenue	<u>\$ 68,500</u>	<u>\$ 68,500</u>	<u>\$ 83,333</u>	<u>\$ 14,833</u>
Expenditures				
Salaries	\$ 47,700	\$ 47,700	\$ 47,360	\$ 340
Overtime	9,372	9,372	2,406	6,966
Temporary Help	-	-	265	(265)
Longevity	428	428	468	(40)
Unemployment Insurance	173	173	50	123
Medicare Tax	834	834	803	31
Social Security	3,565	3,565	3,432	133
Health Insurance	14,815	14,815	14,868	(53)
Retirement	1,444	1,444	1,661	(217)
Travel Allowance	4,800	4,800	4,800	-
Miscellaneous	1,000	1,000	30	970
Materials	1,000	1,000	-	1,000
Equipment Insurance	3,508	3,508	3,233	275
Gas/Fuel	30,000	40,000	28,241	11,759
Bonds/Dues/Fees	50	50	50	-
Equipment Repair	15,000	15,000	12,692	2,308
Utilities/Phone	2,000	2,000	1,475	525
Training Schools	300	300	250	50
Capital Outlay	1,480	1,480	-	1,480
Equipment Note Interest	4,206	4,206	5,789	(1,583)
Total Expenditures	<u>\$ 141,675</u>	<u>\$ 151,675</u>	<u>\$ 127,873</u>	<u>\$ 23,802</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (73,175)</u>	<u>\$ (83,175)</u>	<u>\$ (44,540)</u>	<u>\$ 38,635</u>
Other Source (Uses)				
Transfers from Other Funds	\$ 106,096	\$ 106,096	\$ 116,096	\$ 10,000
Debt Service Principal Paid	(32,883)	(32,883)	(32,230)	653
Total Other Sources (Uses)	<u>\$ 73,213</u>	<u>\$ 73,213</u>	<u>\$ 83,866</u>	<u>\$ 10,653</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 38</u>	<u>\$ (9,962)</u>	<u>\$ 39,326</u>	<u>\$ 49,288</u>
Fund Balance, Beginning of Year			<u>\$ 128,292</u>	
Fund Balance, End of Year			<u>\$ 167,618</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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Auto Registration	\$ 62,000	\$ 62,000	\$ 71,133	\$ 9,133
Axle Weight Fees	6,000	6,000	10,756	4,756
Interest Earned	500	500	1,674	1,174
Total Revenue	<u>\$ 68,500</u>	<u>\$ 68,500</u>	<u>\$ 83,563</u>	<u>\$ 15,063</u>
Expenditures				
Salaries	\$ 47,700	\$ 47,700	\$ 42,594	\$ 5,106
Part Time/Overtime	4,000	4,000	706	3,294
Longevity	868	868	959	(91)
Unemployment Insurance	158	158	43	115
Medicare Tax	762	762	702	60
Social Security	3,259	3,259	3,000	259
Health Insurance	14,815	14,815	13,016	1,799
Retirement	1,457	1,457	1,471	(14)
Bonds, Dues & Fees	50	50	-	50
Travel Allowance	4,800	4,800	4,800	-
Miscellaneous	1,000	1,000	292	708
Materials	6,000	6,000	3,700	2,300
Equipment Insurance	3,500	3,500	2,507	993
Gas/Fuel	40,000	40,000	37,123	2,877
Equipment Repair	14,966	24,966	20,161	4,805
Utilities/Phone	3,600	3,600	2,533	1,067
Training Schools	500	500	768	(268)
Interest Expense	2,289	2,289	2,320	(31)
Capital Outlay	11,000	11,000	9,500	1,500
Total Expenditures	<u>\$ 160,724</u>	<u>\$ 170,724</u>	<u>\$ 146,195</u>	<u>\$ 24,529</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (92,224)</u>	<u>\$(102,224)</u>	<u>\$ (62,632)</u>	<u>\$ 39,592</u>
Other Source (Uses)				
Transfers from Other Funds	\$ 106,096	\$ 106,096	\$ 116,096	\$ 10,000
Debt Service Principal Paid	(18,908)	(18,908)	(18,876)	32
Total Other Sources (Uses)	<u>\$ 87,188</u>	<u>\$ 87,188</u>	<u>\$ 97,220</u>	<u>\$ 10,032</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (5,036)</u>	<u>\$ (15,036)</u>	<u>\$ 34,588</u>	<u>\$ 49,624</u>
Fund Balance, Beginning of Year			<u>\$ 140,183</u>	
Fund Balance, End of Year			<u>\$ 174,771</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, 2012

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
Revenue				
Auto Registration	\$ 62,000	\$ 62,000	\$ 71,133	\$ 9,133
Axle Weight Fees	6,000	6,000	10,441	4,441
Interest Earned	500	500	2,130	1,630
Total Revenue	\$ 68,500	\$ 68,500	\$ 83,704	\$ 15,204
Expenditures				
Salaries	\$ 47,700	\$ 47,700	\$ 46,259	\$ 1,441
Overtime/Holiday	3,500	3,500	1,558	1,942
Unemployment Insurance	154	154	47	107
Medicare Tax	742	742	748	(6)
Social Security	3,174	3,174	3,200	(26)
Health Insurance	14,815	14,815	13,351	1,464
Retirement	1,431	1,431	1,560	(129)
Travel Allowance	4,800	4,800	4,800	-
Miscellaneous	762	762	434	328
Materials	4,000	9,000	3,648	5,352
Bonds/Dues/Fees	50	50	100	(50)
Equipment Insurance	3,000	3,000	2,704	296
Gas/Fuel	35,000	40,000	43,310	(3,310)
Equipment Repair	25,000	25,000	8,060	16,940
Utilities/Phone	1,500	1,500	1,114	386
Training Schools	1,000	1,000	768	232
Interest Expense	802	802	815	(13)
Capital Outlay	25,000	45,000	90,581	(45,581)
Total Expenditures	\$ 172,430	\$ 202,430	\$ 223,057	\$ (20,627)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$(103,930)	\$(133,930)	\$(139,353)	\$ (5,423)
Other Source (Uses)				
Transfers from Other Funds	\$ 106,096	\$ 106,096	\$ 116,096	\$ 10,000
Debt Service Proceeds	-	-	40,000	(40,000)
Debt Service Principal Paid	(8,627)	(8,627)	(8,613)	14
Total Other Sources (Uses)	\$ 97,469	\$ 97,469	\$ 147,483	\$ (29,986)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (6,461)	\$ (36,461)	\$ 8,130	\$ (35,409)
Fund Balance, Beginning of Year			\$ 176,414	
Fund Balance, End of Year			\$ 184,544	

The accompanying notes are an integral part of this statement.

**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 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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 21, 2014. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lynn County, Texas' internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lynn County, Texas' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gary, Bowers & Miller

Gary, Bowers & Miller
February 21, 2014