

LYNN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

LYNN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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LYNN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
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LYNN COUNTY, TEXAS

**COUNTY OFFICIALS
SEPTEMBER 30, 2016**

Mike Braddock

County Judge

Keith Wied

Commissioner Precinct 1

John Hawthorne

Commissioner Precinct 2

Don Blair

Commissioner Precinct 3

Larry Durham

Commissioner Precinct 4

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

To the Honorable Judge and
Members of the Commissioners' Court of
Lynn County, Texas

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Lynn County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lynn County, Texas, as of September 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note C.

Basis of Accounting

We draw attention to Note C 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 opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lynn County, Texas basic financial statements. The budgetary comparison schedules, combining schedules, schedule of changes in net pension asset and related ratios, schedule of employer contributions, and schedule of capital leases on pages 18-34, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report May 2, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the County's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

May 2, 2017

BASIC FINANCIAL STATEMENTS

LYNN COUNTY, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION
SEPTEMBER 30, 2016
MODIFIED CASH BASIS

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 4,869,199
Prepaid Expenses	71,704
Capital Assets (Net of Accumulated Depreciation):	
Land	230,150
Buildings and Improvements	1,771,037
Machinery and Equipment	713,298
Furniture & Fixtures	54,507
Total Assets	<u>\$ 7,709,895</u>
LIABILITIES:	
Other Liabilities	\$ 1,170
Noncurrent Liabilities	
Current Portion of Long-Term Debt	105,393
Noncurrent Portion of Long-Term Debt	218,291
Total Liabilities	<u>\$ 324,854</u>
DEFERRED INFLOWS OF RESOURCES:	
Supplements Paid in Advance	\$ 28,333
Total Deferred Inflows of Resources	<u>\$ 28,333</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 2,445,308
Restricted For:	
Debt Service	165,856
Road and Bridge	1,154,652
Archiving	4,005
Preservation	3,873
Security	38,236
Technology	46,934
Enabling Legislation	60,752
Unrestricted	<u>3,437,092</u>
Total Net Position	<u>\$ 7,356,708</u>

The accompanying notes are an integral part of this statement.

LYNN COUNTY, TEXAS

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
MODIFIED CASH BASIS

Departments/Programs	Expenses	Program Revenues			Net (Expense) and Changes in Net Position
		Fines, Fees & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Gov. Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities					
County Treasurer	\$ 107,030	\$	\$	\$	\$ (107,030)
Tax Assessor and Collector	99,859	13,238			(86,621)
Internal Auditor	31,608				(31,608)
District Court	125,325				(125,325)
District Clerk	107,665	20,808			(86,857)
Justice of the Peace - Tahoka	87,169	73,964			(13,205)
Justice of the Peace - O'Donnell	35,020	18,950			(16,070)
County Attorney	115,677	255	23,333		(92,089)
County Court	408				(408)
County Buildings	168,958	5,023			(163,935)
County Judge	116,973	52,464	20,336		(44,173)
County Clerk	132,500	53,877			(78,623)
Library	31,306				(31,306)
Social Services - Public Welfare	66,686				(66,686)
Social Services - Health	4,049				(4,049)
Sheriff's Office	507,706				(507,706)
Communications	187,060				(187,060)
Jail	665,275		225,544		(439,731)
SCAP	815	815			
OPS - Corrections	26,497				(26,497)
Fire	21,750				(21,750)
Animal Control	78,168	52,999			(25,169)
Extension Office	74,601				(74,601)
Road and Bridge	892,235	332,780	288,934		(270,521)
Juvenile Probation	239,440		170,762		(68,678)
Courthouse Restoration	2,781			153,231	150,450
Other	222,252	13,567	29,342		(179,343)
Depreciation	181,867				(181,867)
Interest on Long-Term Debt	26,376				(26,376)
Total Governmental Activities	\$ 4,357,056	\$ 638,740	\$ 758,251	\$ 153,231	\$ (2,806,834)
General Revenues:					
Property Taxes					\$ 3,279,103
Sales Taxes					97,524
Gain on the Sale of Capital Assets					7,849
Investment Earnings					56,189
Miscellaneous Revenue					36,757
Total General Revenues					\$ 3,477,422
Change in Net Position					\$ 670,588
Net Position - Beginning					13,275,759
Prior Period Adjustment					
Restatement - Net Pension Asset and Related Amounts					\$ (709,500)
Restatement - Capital Leases					136,284
Restatement - Fixed Asset Depreciation and Dispositions					(5,780,877)
Restatement - Additional Funds					9,972
Restatement - Agency Funds					(245,518)
Net Position - Ending					\$ 7,356,708

The accompanying notes are an integral part of this statement.

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
MODIFIED CASH BASIS**

	Major Funds			Nonmajor Governmental Funds (See Exhibit C-1)	Total Governmental Funds
	Capital Project		Debt Service		
	General Fund	Courthouse Restoration Fund	Jail Interest and Sinking Fund		
ASSETS:					
Cash and Cash Equivalents	\$ 2,159,793	\$ 1,233,851	\$ 165,856	\$ 1,309,699	\$ 4,869,199
Prepaid Expenditures	49,422			22,282	71,704
Due (To) From Other Funds	1,247			(1,247)	
Total Assets	\$ 2,210,462	\$ 1,233,851	\$ 165,856	\$ 1,330,734	\$ 4,940,903
LIABILITIES:					
Other Liabilities	\$ 1,170				\$ 1,170
Total Liabilities	\$ 1,170	\$ 0	\$ 0	\$ 0	\$ 1,170
DEFERRED INFLOWS OF RESOURCES:					
Supplements Paid in Advance	\$ 28,333				\$ 28,333
Total Deferred Inflows of Resources	\$ 28,333	\$ 0	\$ 0	\$ 0	\$ 28,333
FUND BALANCES:					
Nonspendable:					
Prepaid Items	\$ 49,422			\$ 22,282	\$ 71,704
Restricted for:					
Debt Service			165,856		165,856
Road and Bridge				1,154,652	1,154,652
Archiving				4,005	4,005
Preservation				3,873	3,873
Security				38,236	38,236
Technology				46,934	46,934
Enabling Legislation				60,752	60,752
Assigned for:					
Courthouse Restoration		1,233,851			1,233,851
Unassigned	2,131,537				2,131,537
Total Fund Balances	\$ 2,180,959	\$ 1,233,851	\$ 165,856	\$ 1,330,734	\$ 4,911,400
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,210,462	\$ 1,233,851	\$ 165,856	\$ 1,330,734	\$ 4,940,903

The accompanying notes are an integral part of this statement.

LYNN COUNTY, TEXAS

Exhibit A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016
MODIFIED CASH BASIS

Total Fund Balances - Governmental Funds Balance Sheet	\$	4,911,400
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:		
Capital assets used in governmental activities are not reported in the funds.		2,768,992
Payables for notes payable which are not due in the current period are not reported in the funds.		<u>(323,684)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u><u>7,356,708</u></u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
MODIFIED CASH BASIS**

	Major Funds			Nonmajor Governmental Funds (See Exhibit C-2)	Total Governmental Funds
	General Fund	Capital Project	Debt Service		
		Courthouse Restoration Fund	Jail Interest and Sinking Fund		
Revenue:					
Taxes:					
Property Taxes	\$ 2,708,206	\$ 33,621	\$ 24,058	\$ 513,218	\$ 3,279,103
Sales Taxes	3,149	94,375			97,524
License and Permits	16,386		5,914	310,480	332,780
Intergovernmental Revenue and Grants	91,646	153,232	177,567	489,040	911,485
Fines and Fees	292,115			13,842	305,957
Investment Earnings	32,631	11,119	3,866	8,573	56,189
Miscellaneous Revenue	35,157			1,600	36,757
Total Revenues	\$ 3,179,290	\$ 292,347	\$ 211,405	\$ 1,336,753	\$ 5,019,795
Expenditures:					
Current:					
County Treasurer	\$ 107,030				\$ 107,030
Tax Assessor and Collector	99,859				99,859
Internal Auditor	31,608				31,608
District Court	125,325				125,325
District Clerk	107,665				107,665
Justice of the Peace - Tahoka	87,169				87,169
Justice of the Peace - O'Donnell	35,020				35,020
County Attorney	115,677				115,677
County Court	408				408
County Buildings	168,958				168,958
County Judge	116,973				116,973
County Clerk	132,500				132,500
Library	31,306				31,306
Social Services - Public Welfare	66,686				66,686
Social Services - Health	3,750			299	4,049
Sheriff's Office	507,706				507,706
Communications	187,060				187,060
Jail	665,275				665,275
SCAP	815				815
OPS - Corrections	26,497				26,497
Fire	21,750				21,750
Animal Control	78,168				78,168
Extension Office	87,494				87,494
Road and Bridge				1,045,461	1,045,461
Juvenile Probation				239,440	239,440
Courthouse Restoration		2,781			2,781
Other	161,039		1,800	59,413	222,252
Debt Service:					
Principal			700,000	137,816	837,816
Interest and Fiscal Charges			15,179	11,197	26,376
Total Expenditures	\$ 2,965,738	\$ 2,781	\$ 716,979	\$ 1,493,626	\$ 5,179,124
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 213,552	\$ 289,566	\$ (505,574)	\$ (156,873)	\$ (159,329)
Other Financing Sources:					
Debt Proceeds	\$	\$	\$	\$ 90,000	\$ 90,000
Transfers In (Out)	(102,345)			102,345	
Proceeds from Sale of Capital Assets				19,357	19,357
Total Other Financing Sources	\$ (102,345)	\$ 0	\$ 0	\$ 211,702	\$ 109,357
Net Change in Fund Balances	\$ 111,207	\$ 289,566	\$ (505,574)	\$ 54,829	\$ (49,972)
Fund Balances - Beginning	2,069,752	944,285	671,430	1,275,905	4,961,372
Fund Balances - Ending	\$ 2,180,959	\$ 1,233,851	\$ 165,856	\$ 1,330,734	\$ 4,911,400

The accompanying notes are an integral part of this statement.

LYNN COUNTY, TEXAS

Exhibit A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
MODIFIED CASH BASIS

Net Change in Fund Balances - Total Governmental Funds	\$ (49,972)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	166,119
The depreciation of capital assets used in governmental activities is not reported in the funds.	(181,867)
The loss from the disposition of a capital asset is not recorded in the funds.	(11,508)
Debt proceeds are not recorded as revenue in the SOA.	(90,000)
Payments on Notes Payables are not expenses in the SOA, but are reported as a reduction of long-term in the SNP.	<u>837,816</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ 670,588</u>

The accompanying notes are an integral part of this statement.

LYNN COUNTY, TEXAS

Exhibit A-7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016
MODIFIED CASH BASIS

	<u>Agency Fund</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ 344,152
Total Current Assets	<u>\$ 344,152</u>
LIABILITIES:	
Current Liabilities	
Due to Others	\$ 344,152
Total Current Liabilities	<u>\$ 344,152</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civil Statutes (V.A.C.S.).

Lynn County, Texas (the County) operates under a County Judge/Commissioners' Court type of government as provided by state statute. The financial and reporting policies of the County conform to the modified cash basis of accounting which is discussed further in Note C.

The Commissioners' Court has governance responsibilities over all activities related to Lynn County, Texas. The County receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities.

The County's major activities or functions include public safety (sheriff and ambulance), parks and libraries, public health and social services, construction and maintenance of roads, and general administrative services.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Lynn County Treasurer, P.O. Box 108, Tahoka, Texas 79229.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the County's non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Interfund activities between governmental funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide information about the County's funds, including fiduciary funds. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Modified Cash Basis

The County presents its financial statements using the modified cash basis of accounting. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that revenues and expenses are not recognized when earned or incurred. Moreover, the omissions of required note disclosures, capital leases, net pension liability and related deferrals, as well as, accounts payable, accrued expenses, and receivables are specifically different. The modified cash basis reports revenue and expenditures (expenses) when the cash is received or paid and those funds are without restriction and available for use in the current period. Liabilities are only recorded when the cash has been collected and is due to other entities. In the fund financial statements capital assets and long term debt are omitted to coincide with governmental accounting. Long term assets and liabilities are reported as government wide adjustments and included in the statement of net position and statement of activities. All non-cash transactions are omitted from the financial statements. The accompanying financial statements are not intended to present the financial positions and results of operations in conformity with accounting principles generally accepted in the United States of America.

The Government-Wide Financial Statements – Modified Cash Basis - Long term assets and Liabilities where cash was paid or received are included as government wide adjustments. Capital assets are deferred and depreciated over their useful lives and principal payments are recorded as a reduction of long term debt.

Governmental Fund Financial Statements – Modified Cash Basis - Only current assets, current liabilities and fund balances that are derived from cash transactions are included on the balance sheet. Operating statements of these funds present net increases and decreases in fund balance (i.e., revenues and other financing sources and expenditures and other financing uses).

Fiduciary Funds are accounted for on a modified cash basis, all assets and all liabilities associated with the operation of these funds are included on the Fiduciary Statement of Net Position.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

D. FUND ACCOUNTING

The County applies Fund Balance Reporting and Governmental Fund Type Definitions for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the County to classify and report amounts in the appropriate fund balance classifications. The County's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy the County will spend its fund in the following order: Committed, Assigned, and Unassigned, if more than one classification of fund balance is available.

The County reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the County's right to assess, levy, or charge fees to be used for a specific purpose – such as the County's property tax revenue for debt service requirements, which must be used to repay debt. Legal enforceability means that the County can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Commissioners' Court. Committed amounts cannot be used for any other purposes unless the Commissioners' Court removes those constraints by taking the same type of actions (legislation, resolution, and ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Commissioners' Court. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the County Treasurer or (b) an appointed body or official to which the Commissioners' Court has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the County itself.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. County funds do not include funds held by County offices, which are not yet remitted to the County Treasurer. County funds are amounts which have been received by the County Treasurer and which are subject to control by the Commissioners' Court. These various County funds, which are reported as Governmental Funds in the financial statements of this report, are grouped into four fund types: General Fund, Capital Projects, Special Revenue, and Debt Service. The remaining funds held by other County offices are reported as Fiduciary Funds and are not subject to control by the Commissioners' Court.

The County maintains the following funds:

Major Governmental Funds:

General Fund – This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Restoration Fund – This capital project fund is used to account for proceeds of specific revenue sources that are reserved for expenditures for the courthouse restoration project.

Jail Interest and Sinking Fund – Debt Service – This debt service fund is used to account for proceeds of specific revenue sources that are legally reserved for debt service related to a bond issuance.

Non-major Governmental Funds:

Special Revenue Funds – Account for revenues that are “restricted use” when received, and the outlays that are permitted with the restrictions.

Fiduciary Funds:

Fiduciary Funds, which include funds held by County offices, also are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. These include Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

A. OTHER ACCOUNTING POLICIES

1. Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed.

Buildings, vehicles, furniture and equipment, and infrastructure of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50-100
Machinery and Equipment	5-10
Furniture and Fixtures	15

2. Prepaid Expenses are deferred and amortized over the service period of the agreement.

B. DEFERRED INFLOWS OF RESOURCES

1. In addition to assets, the statement of net position and governmental funds balance sheet – modified cash basis - will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (expense/expenditure) until then. Currently, the County has one item that qualifies for reporting in this category, and it relates to supplement funds that have met all criteria for recognition except the period of use.

II. PROPERTY TAX

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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LYNN COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide Appraisal Districts and for the State Property Tax Board which commenced operation in January 1980.

Lynn County Appraisal District appraises property values in the County. The Lynn County Tax Assessor - Collector assesses and collects the County's property taxes. The County is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. As of January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceeds the rate for the previous year by more than eight percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than eight percent above the effective tax rate of the previous year.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

III. DETAILED NOTES

A. DEPOSITS

Legal and Contractual Provisions Governing Deposits

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2016, the carrying amount of the County's cash and cash equivalents was \$4,869,199 and the bank balance was \$5,145,299. All county funds were covered by pledged securities or FDIC insurance at year end.

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LYNN COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

B. CAPITAL ASSETS

Capital asset activity for the County for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Additions	Retirements	Balance September 30, 2016
Governmental Activities				
Land	\$ 230,150	\$	\$	\$ 230,150
Buildings and Improvements	2,923,900			2,923,900
Machinery and Equipment	1,196,598	166,119	40,279	1,322,438
Furniture and Fixtures	125,785			125,785
Totals at Historic Cost	<u>\$ 4,476,433</u>	<u>\$ 166,119</u>	<u>\$ 40,279</u>	<u>\$ 4,602,273</u>
Less: Accumulated Depreciation				
Buildings and Improvements	\$ 1,099,490	\$ 53,373	\$	\$ 1,152,863
Machinery and Equipment	517,803	120,108	28,771	609,140
Furniture and Fixtures	62,892	8,386		71,278
Total Accumulated Depreciation	<u>\$ 1,680,185</u>	<u>\$ 181,867</u>	<u>\$ 28,771</u>	<u>\$ 1,833,281</u>
Net Investment in Capital Assets	<u>\$ 2,796,248</u>	<u>\$ (15,748)</u>	<u>\$ 11,508</u>	<u>\$ 2,768,992</u>

C. LONG-TERM DEBT

The County had the following long term debt at year end:

Date of Issue	Original Issue	Interest Rates	Precinct	Outstanding
4/1/2014	\$ 62,961	2.00%	1	\$ 32,396
10/15/2012	81,110	3.00%	1	33,865
10/26/2014	86,887	2.00%	2	70,181
8/1/2016	90,000	2.90%	2	90,000
11/15/2013	94,000	2.00%	3	57,678
10/20/2012	40,000	3.00%	4	10,476
10/20/2014	38,493	2.00%	4	29,088
	<u>\$ 493,451</u>			<u>\$ 323,684</u>

The County had the following long term debt activity during the year.

	Balance October 1, 2015	Issuances	Payments	Balance September 30, 2016
Governmental Activities				
Notes Payable	\$ 371,500	\$ 90,000	\$ 137,816	\$ 323,684
2006 G.O. Refunding Bonds	700,000		700,000	
	<u>\$ 1,071,500</u>	<u>\$ 90,000</u>	<u>\$ 837,816</u>	<u>\$ 323,684</u>

LYNN COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Debt service requirements on the long term debt at September 30, 2016, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 105,393	\$ 8,992	\$ 114,385
2018	97,804	5,886	103,690
2019	64,426	2,613	67,039
2020	35,901	1,454	37,355
2021	20,160	561	20,721
Totals	\$ 323,684	\$ 19,506	\$ 343,190

D. LITIGATION AND SUBSEQUENT EVENTS

There is no pending litigation against the County at September 30, 2016, that would have a material effect on the financial statements.

Subsequent to year end the County issued Certificates of Obligation, Series 2017, on January 23, 2017, in the amount of \$1,750,000, for the purpose of renovating and improving the Lynn County Courthouse. The certificates are due at various time through the year 2035 and carry interest rates from 2.00% to 3.00%.

Management has evaluated subsequent events through May 2, 2017 the date which the financial statements were available to be issued.

OTHER INFORMATION

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LYNN COUNTY, TEXAS

Exhibit B-1

**BUDGETARY COMPARISON - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 2,599,104	\$ 2,699,104	\$ 2,708,206	\$ 9,102
Sales Taxes	6,000	6,000	3,149	(2,851)
License and Permits	15,000	15,000	16,386	1,386
Intergovernmental Revenue and Grants	104,033	104,033	91,646	(12,387)
Fines and Fees	188,211	239,446	292,115	52,669
Investment Earnings	26,000	26,000	32,631	6,631
Miscellaneous Revenue	247,500	247,500	35,157	(212,343)
Total Revenues	<u>\$ 3,185,848</u>	<u>\$ 3,337,083</u>	<u>\$ 3,179,290</u>	<u>\$ (157,793)</u>
Expenditures:				
Current:				
County Treasurer	\$ 108,895	\$ 108,895	\$ 107,030	\$ 1,865
Tax Assessor and Collector	98,824	98,824	99,859	(1,035)
Internal Auditor	33,792	33,792	31,608	2,184
District Court	134,166	134,166	125,325	8,841
District Clerk	108,625	110,147	107,665	2,482
Justice of the Peace - Tahoka	85,804	85,804	87,169	(1,365)
Justice of the Peace - O'Donnell	36,460	36,460	35,020	1,440
County Attorney	116,755	116,755	115,677	1,078
County Court	800	800	408	392
County Buildings	229,360	229,360	168,958	60,402
County Judge	118,247	120,597	116,973	3,624
County Clerk	137,915	137,915	132,500	5,415
Library	32,406	32,406	31,306	1,100
Social Services - Public Welfare	48,000	68,884	66,686	2,198
Social Services - Health	3,750	3,750	3,750	
Sheriff's Office	489,476	496,823	507,706	(10,883)
Communications	190,140	188,340	187,060	1,280
Jail	620,640	656,511	665,275	(8,764)
SCAP	2,000	2,000	815	1,185
OPS - Corrections	29,000	29,000	26,497	2,503
Fire	21,750	21,750	21,750	
Animal Control	72,608	81,608	78,168	3,440
Extension Office	100,132	100,132	87,494	12,638
Other	181,725	208,895	161,039	47,856
Total Expenditures	<u>\$ 3,001,270</u>	<u>\$ 3,103,614</u>	<u>\$ 2,965,738</u>	<u>\$ 137,876</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 184,578</u>	<u>\$ 233,469</u>	<u>\$ 213,552</u>	<u>\$ (19,917)</u>
Other Financing Sources:				
Transfers In (Out)	<u>\$ (81,451)</u>	<u>\$ (81,451)</u>	<u>\$ (102,345)</u>	<u>\$ (20,894)</u>
Total Other Financing Sources	<u>\$ (81,451)</u>	<u>\$ (81,451)</u>	<u>\$ (102,345)</u>	<u>\$ (20,894)</u>
Net Change in Fund Balances	<u>\$ 103,127</u>	<u>\$ 152,018</u>	<u>\$ 111,207</u>	<u>\$ (40,811)</u>
Fund Balances - Beginning	<u>2,069,752</u>	<u>2,069,752</u>	<u>2,069,752</u>	
Fund Balances - Ending	<u>\$ 2,172,879</u>	<u>\$ 2,221,770</u>	<u>\$ 2,180,959</u>	

LYNN COUNTY, TEXAS

Exhibit B-2

BUDGETARY COMPARISON - COURTHOUSE RESTORATION FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 32,387	\$ 32,387	\$ 33,621	\$ 1,234
Sales Taxes	95,000	95,000	94,375	(625)
Intergovernmental Revenue and Grants		153,231	153,232	1
Investment Earnings	11,000	11,000	11,119	119
Total Revenues	<u>\$ 138,387</u>	<u>\$ 291,618</u>	<u>\$ 292,347</u>	<u>\$ 729</u>
Expenditures:				
Current:				
Courthouse Restoration	\$	\$ 2,782	\$ 2,781	\$ 1
Total Expenditures	<u>\$ 0</u>	<u>\$ 2,782</u>	<u>\$ 2,781</u>	<u>\$ 1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 138,387</u>	<u>\$ 288,836</u>	<u>\$ 289,566</u>	<u>\$ 730</u>
Net Change in Fund Balances	\$ 138,387	\$ 288,836	\$ 289,566	\$ 730
Fund Balances - Beginning	<u>944,285</u>	<u>944,285</u>	<u>944,285</u>	
Fund Balances - Ending	<u>\$ 1,082,672</u>	<u>\$ 1,233,121</u>	<u>\$ 1,233,851</u>	

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LYNN COUNTY, TEXAS

Exhibit B-3

**BUDGETARY COMPARISON - JAIL INTEREST AND SINKING FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 19,432	\$ 24,142	\$ 24,058	\$ (84)
License and Permits	7,500	7,500	5,914	(1,586)
Intergovernmental Revenue and Grants	175,000	220,000	177,567	(42,433)
Investment Earnings	4,000	4,000	3,866	(134)
Total Revenues	\$ <u>205,932</u>	\$ <u>255,642</u>	\$ <u>211,405</u>	\$ <u>(44,237)</u>
Expenditures:				
Current:				
Other	\$	\$ 1,500	\$ 1,500	\$
Debt Service:				
Principal	150,000	700,300	700,300	
Interest and Fiscal Charges	24,025	32,871	15,179	17,692
Total Expenditures	\$ <u>174,025</u>	\$ <u>734,671</u>	\$ <u>716,979</u>	\$ <u>17,692</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 31,907	\$ (479,029)	\$ (505,574)	\$ (26,545)
Net Change in Fund Balances	\$ 31,907	\$ (479,029)	\$ (505,574)	\$ (26,545)
Fund Balances - Beginning	<u>671,430</u>	<u>671,430</u>	<u>671,430</u>	
Fund Balances - Ending	\$ <u><u>703,337</u></u>	\$ <u><u>192,401</u></u>	\$ <u><u>165,856</u></u>	

**NOTES TO BUDGETARY COMPARISON INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

A. BUDGETARY DATA

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

1. The County Judge, as budget officer, prepares a budget to cover all proposed expenditures and the means of financing them, for the succeeding year and delivers the proposed budget to Commissioners' Court.
2. Commissioners' Court holds budget sessions with each department head.
3. Commissioners' Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners' Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by Commissioners' in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2015-2016 budget were approved by the Commissioners' Court as provided by law.

LYNN COUNTY, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
MODIFIED CASH BASIS

	Special Revenue Funds				Other Special Revenue Funds (See Exh C-3)	Total Nonmajor Governmental Funds (See Exh A-3)
	Juvenile IV-E Fund	Unclaimed Property Fund	NFC and MRP Fund			
ASSETS:						
Cash and Cash Equivalents	\$ 29,414	\$ 11,528	\$ 1,247	\$ 1,267,510	\$ 1,309,699	
Prepaid Expenditures				22,282	22,282	
Due (To) From Other Funds			(1,247)		(1,247)	
Total Assets	<u>\$ 29,414</u>	<u>\$ 11,528</u>	<u>\$ 0</u>	<u>\$ 1,289,792</u>	<u>\$ 1,330,734</u>	
FUND BALANCES:						
Nonspendable:						
Prepaid Items	\$	\$	\$	22,282	22,282	
Restricted for:						
Road and Bridge				1,154,652	1,154,652	
Archiving				4,005	4,005	
Preservation				3,873	3,873	
Security				38,236	38,236	
Technology				46,934	46,934	
Enabling Legislation		11,528		19,810	60,752	
Total Fund Balances	<u>\$ 29,414</u>	<u>\$ 11,528</u>	<u>\$ 0</u>	<u>\$ 1,289,792</u>	<u>\$ 1,330,734</u>	

LYNN COUNTY, TEXAS

Exhibit C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
MODIFIED CASH BASIS

	Special Revenue Funds							Unclaimed Property Fund	Other Special Revenue Funds (See Exh C-4)	Total Nonmajor Governmental Funds (See Exh A-5)
	Crime Victim Assistance Fund	Juvenile Grant C Fund	Juvenile Grant A Fund	Juvenile Local Match Fund	Juvenile IV-E Fund					
Taxes:										
Property Taxes	\$	\$	\$	\$	\$	\$	\$	\$	513,218	\$
License and Permits									310,480	310,480
Intergovernmental Revenue and Grants	29,342		117,772	52,990					288,936	489,040
Fines and Fees									13,842	13,842
Investment Earnings					293				8,280	8,280
Miscellaneous Revenue		192							1,408	1,600
Total Revenues	\$ 29,342	\$ 192	\$ 117,772	\$ 52,990	\$ 293	\$ 0	\$ 0	\$ 1,136,164	\$ 1,336,753	
Expenditures:										
Current:										
Social Services - Health	\$	\$	\$	\$	\$	\$	\$	\$	299	299
Road and Bridge									1,045,461	1,045,461
Juvenile Probation			113,639	119,779	713				5,309	239,440
Other	49,361								10,052	59,413
Debt Service:										
Principal									137,816	137,816
Interest and Fiscal Charges									11,197	11,197
Total Expenditures	\$ 49,361	\$ 0	\$ 113,639	\$ 119,779	\$ 713	\$ 0	\$ 0	\$ 1,210,134	\$ 1,493,626	
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (20,019)	\$ 192	\$ 4,133	\$ (66,789)	\$ (420)	\$ 0	\$ 0	\$ (73,970)	\$ (156,873)	
Other Financing Sources:										
Debt Proceeds	\$	\$	\$	\$	\$	\$	\$	\$	90,000	90,000
Transfers In	16,753	2,755	120	78,531	4,186				19,357	102,345
Proceeds from Sale of Capital Assets									109,357	109,357
Total Other Financing Sources	\$ 16,753	\$ 2,755	\$ 120	\$ 78,531	\$ 4,186	\$ 0	\$ 0	\$ 109,357	\$ 211,702	
Net Change in Fund Balances	\$ (3,266)	\$ 2,947	\$ 4,253	\$ 11,742	\$ 3,766	\$ 0	\$ 0	\$ 35,387	\$ 54,829	
Fund Balances - Beginning	3,266	(2,947)	(4,253)	(11,742)	25,648	11,528	1,254,405	1,289,792	1,275,905	
Fund Balances - Ending	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,414	\$ 11,528	\$ 1,289,792	\$ 1,330,734	\$ 1,330,734	

LYNN COUNTY, TEXAS

Exhibit C-3

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
MODIFIED CASH BASIS

	Special Revenue Funds							Total Nonmajor Special Revenue Funds (See Exh C-1)
	Transaction O'Donnell JP Fund	Transaction Tahoka JP Fund	Courthouse Security Fund	JP - O'Donnell Technology Fund	JP - Tahoka Technology Fund	Clerk Technology Fund	Other Special Revenue Funds (See Exh C-5)	
ASSETS:								
Cash and Cash Equivalents	\$ 5,277	\$ 4,501	\$ 38,236	\$ 995	\$ 1,436	\$ 31,349	\$ 1,185,716	\$ 1,267,510
Prepaid Expenditures				1,000	7,000	8,275	6,007	22,282
Total Assets	<u>\$ 5,277</u>	<u>\$ 4,501</u>	<u>\$ 38,236</u>	<u>\$ 1,995</u>	<u>\$ 8,436</u>	<u>\$ 39,624</u>	<u>\$ 1,191,723</u>	<u>\$ 1,289,792</u>
FUND BALANCES:								
Nonspendable:								
Prepaid Items	\$	\$	\$	1,000	7,000	8,275	6,007	22,282
Restricted for:								
Road and Bridge								
Archiving							1,154,652	1,154,652
Preservation							4,005	4,005
Security			38,236				3,873	38,236
Technology				995	1,436	31,349	13,154	46,934
Enabling Legislation	5,277	4,501					10,032	19,810
Total Fund Balances	<u>\$ 5,277</u>	<u>\$ 4,501</u>	<u>\$ 38,236</u>	<u>\$ 1,995</u>	<u>\$ 8,436</u>	<u>\$ 39,624</u>	<u>\$ 1,191,723</u>	<u>\$ 1,289,792</u>

LYNN COUNTY, TEXAS

Exhibit C-4

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016
 MODIFIED CASH BASIS

	Special Revenue Funds						Total Nonmajor Special Revenue Funds (See Exh C-2)
	Transaction O'Donnell JP Fund	Transaction Tahoka JP Fund	Courthouse Security Fund	JP - O'Donnell Technology Fund	JP - Tahoka Technology Fund	Clerk Technology Fund	
Revenue:							
Taxes:							
Property Taxes	\$	\$	\$	\$	\$	\$	\$ 513,218
License and Permits							310,480
Intergovernmental Revenue and Grants							288,936
Fines and Fees		2,000	5,023	636	2,246	301	13,842
Investment Earnings			290				7,689
Miscellaneous Revenue							1,408
Total Revenues	\$ 0	\$ 2,000	\$ 5,313	\$ 636	\$ 2,246	\$ 301	\$ 1,125,668
Expenditures:							
Current:							
Social Services - Health							299
Road and Bridge							1,045,461
Juvenile Probation							5,309
Other					757		1,389
Debt Service:							
Principal	684	6,687	535				137,816
Interest and Fiscal Charges							11,197
Total Expenditures	\$ 684	\$ 6,687	\$ 535	\$ 0	\$ 757	\$ 0	\$ 1,201,471
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (684)	\$ (4,687)	\$ 4,778	\$ 636	\$ 1,489	\$ 301	\$ (75,803)
Other Financing Sources:							
Debt Proceeds							90,000
Proceeds from Sale of Capital Assets							19,357
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 109,357
Net Change in Fund Balances	\$ (684)	\$ (4,687)	\$ 4,778	\$ 636	\$ 1,489	\$ 301	\$ 35,387
Fund Balances - Beginning	5,961	9,188	33,458	1,359	6,947	39,323	1,158,169
Fund Balances - Ending	\$ 5,277	\$ 4,501	\$ 38,236	\$ 1,995	\$ 8,436	\$ 39,624	\$ 1,191,723

LYNN COUNTY, TEXAS

Exhibit C-5

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
MODIFIED CASH BASIS

		Special Revenue Funds						Total
		FCS Fund	Payroll Clearing Fund	Pre-Trial Diversion Fund	Records Management Fund	Road and Bridge Fund	Other Special Revenue Funds (See Exh C-7)	Nonmajor Special Revenue Funds (See Exh C-3)
ASSETS:								
Cash and Cash Equivalents	\$	889	\$ 883	\$ 7,580	\$ 12,889	\$ 69,936	\$ 1,093,539	\$ 1,185,716
Prepaid Expenditures						72	5,935	6,007
Total Assets	\$	889	\$ 883	\$ 7,580	\$ 12,889	\$ 70,008	\$ 1,099,474	\$ 1,191,723
FUND BALANCES:								
Nonspendable:	\$		\$	\$	\$	72	5,935	6,007
Prepaid Items						69,936	1,084,716	1,154,652
Restricted for:							4,005	4,005
Road and Bridge							3,873	3,873
Archiving							265	13,154
Preservation					12,889		680	10,032
Technology								
Enabling Legislation								
Total Fund Balances	\$	889	\$ 883	\$ 7,580	\$ 12,889	\$ 70,008	\$ 1,099,474	\$ 1,191,723

LYNN COUNTY, TEXAS

Exhibit C-6

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016
 MODIFIED CASH BASIS

	Special Revenue Funds								Total Nonmajor Special Revenue Funds (See Exh C-4)
	FCS Fund	Payroll Clearing Fund	Pre-Trial Diversion Fund	Historical Commission Fund	Records Management Fund	Road and Bridge Fund	Other Special Revenue Funds (See Exh C-8)		
Revenue:									
Taxes:									
Property Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$ 513,218
License and Permits									310,480
Intergovernmental Revenue and Grants									288,936
Fines and Fees			1,242		694				3,937
Investment Earnings									7,689
Miscellaneous Revenue	525	883							1,408
Total Revenues	<u>525</u>	<u>883</u>	<u>1,242</u>	<u>0</u>	<u>694</u>	<u>134,130</u>	<u>988,194</u>	<u>0</u>	<u>1,125,668</u>
Expenditures:									
Current:									
Social Services - Health	\$ 299	\$	\$	\$	\$	\$	\$	\$	299
Road and Bridge						123,197	922,264		1,045,461
Juvenile Probation									5,309
Other			5,309						1,389
Debt Service:									
Principal									
Interest and Fiscal Charges									
Total Expenditures	<u>299</u>	<u>0</u>	<u>5,309</u>	<u>1,389</u>	<u>0</u>	<u>123,197</u>	<u>1,071,277</u>	<u>137,816</u>	<u>11,197</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>226</u>	<u>883</u>	<u>(4,067)</u>	<u>(1,389)</u>	<u>694</u>	<u>10,933</u>	<u>(83,083)</u>	<u>0</u>	<u>(75,803)</u>
Other Financing Sources:									
Debt Proceeds	\$	\$	\$	\$	\$	\$	\$	\$	90,000
Proceeds from Sale of Capital Assets									19,357
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>109,357</u>	<u>0</u>	<u>109,357</u>
Net Change in Fund Balances	<u>226</u>	<u>883</u>	<u>(4,067)</u>	<u>(1,389)</u>	<u>694</u>	<u>10,933</u>	<u>26,274</u>	<u>0</u>	<u>33,554</u>
Fund Balances - Beginning	<u>663</u>	<u>0</u>	<u>11,647</u>	<u>1,389</u>	<u>12,195</u>	<u>59,075</u>	<u>1,073,200</u>	<u>0</u>	<u>1,158,169</u>
Fund Balances - Ending	<u>889</u>	<u>883</u>	<u>7,580</u>	<u>0</u>	<u>12,889</u>	<u>70,008</u>	<u>1,099,474</u>	<u>0</u>	<u>1,191,723</u>

LYNN COUNTY, TEXAS

Exhibit C-7

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
MODIFIED CASH BASIS

	Special Revenue Funds				Total
	Precinct 1 Fund	Precinct 2 Fund	Other Special Revenue Funds (See Exh C-9)	Nonmajor Special Revenue Funds (See Exh C-5)	
ASSETS:					
Cash and Cash Equivalents	\$ 198,240	\$ 281,842	\$ 613,457	\$ 1,093,539	
Prepaid Expenditures	1,199	1,642	3,094	5,935	
Total Assets	<u>\$ 199,439</u>	<u>\$ 283,484</u>	<u>\$ 616,551</u>	<u>\$ 1,099,474</u>	
FUND BALANCES:					
Nonspendable:					
Prepaid Items	\$ 1,199	\$ 1,642	\$ 3,094	\$ 5,935	
Restricted for:					
Road and Bridge	198,240	281,842	604,634	1,084,716	
Archiving			4,005	4,005	
Preservation			3,873	3,873	
Technology			265	265	
Enabling Legislation			680	680	
Total Fund Balances	<u>\$ 199,439</u>	<u>\$ 283,484</u>	<u>\$ 616,551</u>	<u>\$ 1,099,474</u>	

LYNN COUNTY, TEXAS

Exhibit C-8

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016
 MODIFIED CASH BASIS

	Special Revenue Funds						Total Nonmajor Special Revenue Funds (See Exh C-6)
	Lateral Road #1 Fund	Lateral Road #2 Fund	Lateral Road #3 Fund	Lateral Road #4 Fund	Precinct 1 Fund	Precinct 2 Fund	
Revenue:							
Taxes:							
Property Taxes	\$	\$	\$	\$	\$	\$	\$
License and Permits							
Intergovernmental Revenue and Grants	6,329	6,329	6,329	6,329	59,100	91,004	129,998
Fines and Fees							73,089
Investment Earnings					1,570	2,046	2,001
Total Revenues	\$ 6,329	\$ 6,329	\$ 6,329	\$ 6,329	\$ 243,180	\$ 275,537	\$ 444,161
Expenditures:							
Current:							
Road and Bridge	6,329	6,329	6,329	6,329	208,907	287,076	400,965
Debt Service:							
Principal					46,746	53,324	37,746
Interest and Fiscal Charges					4,792	2,778	3,627
Total Expenditures	\$ 6,329	\$ 6,329	\$ 6,329	\$ 6,329	\$ 260,445	\$ 343,178	\$ 442,338
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ (17,265)	\$ (67,641)	\$ 1,823
Other Financing Sources:							
Debt Proceeds							
Proceeds from Sale of Capital Assets							
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 109,357	\$ 0
Net Change in Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ (17,265)	\$ 41,716	\$ 1,823
Fund Balances - Beginning	0	0	0	0	216,704	241,768	614,728
Fund Balances - Ending	\$ 0	\$ 0	\$ 0	\$ 0	\$ 199,439	\$ 283,484	\$ 616,551

LYNN COUNTY, TEXAS

Exhibit C-9

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
MODIFIED CASH BASIS

	Special Revenue Funds						Total Nonmajor Special Revenue Funds (See Exh C-7)
	Precinct 3 Fund	Precinct 4 Fund	District Clerk Technology Fund	District Clerk Preservation Fund	District Clerk Archive Fund	Video Fee Fund	
ASSETS:							
Cash and Cash Equivalents	\$ 280,391	\$ 324,243	\$ 265	\$ 3,873	\$ 4,005	\$ 680	\$ 613,457
Prepaid Expenditures	1,452	1,642					3,094
Total Assets	<u>\$ 281,843</u>	<u>\$ 325,885</u>	<u>\$ 265</u>	<u>\$ 3,873</u>	<u>\$ 4,005</u>	<u>\$ 680</u>	<u>\$ 616,551</u>
FUND BALANCES:							
Nonspendable:							
Prepaid Items	\$ 1,452	\$ 1,642	\$	\$	\$	\$	\$ 3,094
Restricted for:							
Road and Bridge	280,391						604,634
Archiving					4,005		4,005
Preservation				3,873			3,873
Technology							265
Enabling Legislation			265				680
Total Fund Balances	<u>\$ 281,843</u>	<u>\$ 325,885</u>	<u>\$ 265</u>	<u>\$ 3,873</u>	<u>\$ 4,005</u>	<u>\$ 680</u>	<u>\$ 616,551</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
MODIFIED CASH BASIS**

	Special Revenue Funds						Total Nonmajor Special Revenue Funds (See Exh C-8)
	Precinct 3 Fund	Precinct 4 Fund	District Clerk Technology Fund	District Clerk Preservation Fund	District Clerk Archive Fund	Video Fee Fund	
Revenue:							
Taxes:							
Property Taxes	\$ 117,500	\$ 117,500	\$	\$	\$	\$	\$ 235,000
License and Permits	64,998	65,002					129,998
Intergovernmental Revenue and Grants	46,140	26,949					73,089
Fines and Fees			41	790	855	315	2,001
Investment Earnings	2,153	1,920					4,073
Total Revenues	<u>\$ 230,789</u>	<u>\$ 211,371</u>	<u>\$ 41</u>	<u>\$ 790</u>	<u>\$ 855</u>	<u>\$ 315</u>	<u>\$ 444,161</u>
Expenditures:							
Current:							
Road and Bridge	\$ 236,384	\$ 164,581	\$	\$	\$	\$	\$ 400,965
Debt Service:							
Principal	18,164	19,582					37,746
Interest and Fiscal Charges	2,206	1,421					3,627
Total Expenditures	<u>\$ 256,754</u>	<u>\$ 185,584</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 442,338</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (25,965)</u>	<u>\$ 25,787</u>	<u>\$ 41</u>	<u>\$ 790</u>	<u>\$ 855</u>	<u>\$ 315</u>	<u>\$ 1,823</u>
Net Change in Fund Balances	<u>\$ (25,965)</u>	<u>\$ 25,787</u>	<u>\$ 41</u>	<u>\$ 790</u>	<u>\$ 855</u>	<u>\$ 315</u>	<u>\$ 1,823</u>
Fund Balances - Beginning	<u>307,808</u>	<u>300,098</u>	<u>224</u>	<u>3,083</u>	<u>3,150</u>	<u>365</u>	<u>614,728</u>
Fund Balances - Ending	<u>\$ 281,843</u>	<u>\$ 325,885</u>	<u>\$ 265</u>	<u>\$ 3,873</u>	<u>\$ 4,005</u>	<u>\$ 680</u>	<u>\$ 616,551</u>

LYNN COUNTY, TEXAS

Exhibit D-1

SCHEDULE OF CHANGES IN NET PENSION
ASSET AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>12/31/2014</u>	<u>12/31/2015</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 129,181	\$ 128,646
Interest Cost	240,648	259,557
Effect of Plan Changes		(15,187)
Effect of Economic/Demographic Losses	8,367	(56,871)
Effect of Assumptions Changes or Inputs		40,018
Benefit Payments/Refunds of Contributions	<u>(166,006)</u>	<u>(146,944)</u>
Net Change in Total Pension Liability	\$ 212,190	\$ 209,219
Total Pension Liability, Beginning	<u>2,989,012</u>	<u>3,201,202</u>
Total Pension Liability, Ending	\$ <u>3,201,202</u>	\$ <u>3,410,421</u>
FIDUCIARY NET POSITION		
Employer Contributions	\$ 49,176	\$ 50,953
Member Contributions	81,959	84,921
Investment Income, Net of Expenses	243,293	(14,261)
Benefit Payments/Refunds of Contributions	(166,006)	(146,944)
Administrative Expenses	(2,863)	(2,755)
Other	<u>15,957</u>	<u>46,670</u>
Net Change in Fiduciary Net Position	\$ 221,516	\$ 18,584
Fiduciary Net Position, Beginning	<u>3,605,237</u>	<u>3,826,753</u>
Fiduciary Net Position, Ending	\$ <u>3,826,753</u>	\$ <u>3,845,337</u>
NET PENSION ASSET	\$ <u>(625,551)</u>	\$ <u>(434,916)</u>
Fiduciary Net Position as a % of Total Pension Liability	<u>119.54%</u>	<u>112.75%</u>
County's Covered-Employee Payroll	\$ <u>1,639,185</u>	\$ <u>1,698,421</u>
Net Pension Asset as a % of Covered Payroll	<u>-38.16%</u>	<u>-25.61%</u>

LYNN COUNTY, TEXAS

Exhibit D-2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2015	\$ 49,176	\$ 49,176	\$ 0	1,639,185	3.00%
2016	53,948	53,948	0	1,798,246	3.00%

LYNN COUNTY, TEXAS

Exhibit D-3

SCHEDULE OF CAPITAL LEASES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Description	Loan #	Lender/Financing	Interest	Original Issuance	As of October 1,		Issuances	As of September 30,		Interest Paid
					2015	2015		2016	2016	
2015 Dodge Truck	AMNLC 2128C	American National Leasing	2.18%	\$ 22,715	\$ 22,715	\$ 4,474	\$ 18,241	\$ 496	\$ 18,241	\$ 496
2015 Dodge Truck	AMNLC 2129C	American National Leasing	2.18%	22,715	22,715	4,474	18,241	496	18,241	496
2015 Dodge Truck	AMNLC 2130C	American National Leasing	2.18%	22,715	22,715	4,474	18,241	496	18,241	496
2015 Dodge Truck	AMNLC 2131C	American National Leasing	2.18%	22,715	22,715	4,474	18,241	496	18,241	496
2015 Dodge Truck	AMNLC 2137C	American National Leasing	2.18%	22,715	22,715	4,474	18,241	471	18,241	471
2015 Dodge Truck	AMNLC 2138C	American National Leasing	2.18%	22,715	22,715	4,474	18,241	471	18,241	471
2016 Chevrolet Pickup	AMNLC 2283C	American National Leasing	2.60%	12,893			12,893			
				<u>\$ 136,290</u>	<u>\$ 136,290</u>	<u>\$ 26,844</u>	<u>\$ 122,339</u>	<u>\$ 2,926</u>	<u>\$ 122,339</u>	<u>\$ 2,926</u>

Year Ending,	Lease Service Payments	
	Principal	Interest
2017	\$ 31,701	\$ 2,591
2018	86,278	2,014
2019	4,360	113
	<u>\$ 122,339</u>	<u>\$ 4,718</u>

OTHER INFORMATION REQUIRED BY GAO

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**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**

Independent Auditor's Report

To the Honorable Judge and
Members of the Commissioners' Court of
Lynn County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynn County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Lynn County, Texas' basic financial statements, and have issued our report thereon dated May 2, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

May 2, 2017