

LYNN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

LYNN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

LYNN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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LYNN COUNTY, TEXAS

**COUNTY OFFICIALS
SEPTEMBER 30, 2017**

Mike Braddock

County Judge

Matt Woodley

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 Lynn County, Texas (the County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 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 Lynn County, Texas, as of September 30, 2017, and the respective changes in modified cash basis financial position 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 County's 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 December 18, 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

December 18, 2017

BASIC FINANCIAL STATEMENTS

LYNN COUNTY, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION
SEPTEMBER 30, 2017
MODIFIED CASH BASIS

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 6,345,099
Due from Employees	4,024
Prepaid Expenses	70,020
Capital Assets (Net of Accumulated Depreciation):	
Land	235,832
Buildings and Improvements	1,766,629
Machinery and Equipment	593,181
Furniture & Fixtures	77,979
Construction Work in Progress	<u>1,025,083</u>
Total Assets	<u>\$ 10,117,847</u>
LIABILITIES:	
Other Liabilities	\$ 53,416
Noncurrent Liabilities	
Current Portion of Long-Term Debt	155,071
Noncurrent Portion of Long-Term Debt	<u>1,898,611</u>
Total Liabilities	<u>\$ 2,107,098</u>
DEFERRED INFLOWS OF RESOURCES:	
Supplements Paid in Advance	\$ <u>23,333</u>
Total Deferred Inflows of Resources	<u>\$ 23,333</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 1,645,022
Restricted For:	
Road and Bridge	1,129,850
Archiving	4,650
Preservation	4,426
Security	43,028
Technology	45,802
Enabling Legislation	50,829
Courthouse Restoration	2,463,754
Unrestricted	<u>2,600,055</u>
Total Net Position	<u>\$ 7,987,416</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, 2017
MODIFIED CASH BASIS

Departments/Programs	Expenses	Program Revenues		Net (Expense) and and Changes in Net Position
		Fines, Fees & Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
PRIMARY GOVERNMENT:				
Governmental Activities				
County Treasurer	\$ 108,019	\$	\$	\$ (108,019)
Tax Assessor and Collector	101,207	15,639		(85,568)
Internal Auditor	33,490			(33,490)
District Court	70,974			(70,974)
District Clerk	108,721	18,257		(90,464)
Justice of the Peace - Tahoka	87,709	62,203		(25,506)
Justice of the Peace - O'Donnell	35,014	26,721		(8,293)
County Attorney	114,469	301	23,333	(90,835)
County Buildings	217,037	4,756		(212,281)
County Judge	117,462	28,756	25,353	(63,353)
County Clerk	137,199	63,200		(73,999)
Library	42,898			(42,898)
Social Services - Public Welfare	51,800			(51,800)
Social Services - Health	3,934			(3,934)
Sheriff's Office	493,189			(493,189)
Communications	186,796			(186,796)
Jail	617,415	332,742		(284,673)
SCAP	454	546		92
OPS - Corrections	28,590			(28,590)
Fire	21,750			(21,750)
Animal Control	75,032	737	48,235	(26,060)
Extension Office	102,846			(102,846)
Road and Bridge	829,930	326,957	291,004	(211,969)
Juvenile Probation	260,631	25,298	222,035	(13,298)
Courthouse Restoration	31,031	8,293		(22,738)
Other	231,079	947	46,337	(183,795)
Depreciation	206,827			(206,827)
Interest on Long-Term Debt	9,917			(9,917)
Total Governmental Activities	\$ 4,325,420	\$ 915,353	\$ 656,297	\$ (2,753,770)
General Revenues:				
Property Taxes				\$ 3,143,230
Sales Taxes				107,886
Loss on the Sale of Capital Assets				(216,421)
Investment Earnings				65,207
Miscellaneous Revenue				284,576
Total General Revenues				\$ 3,384,478
Change in Net Position				\$ 630,708
Net Position - Beginning				7,356,708
Net Position - Ending				\$ 7,987,416

The accompanying notes are an integral part of this statement.

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LYNN COUNTY, TEXAS

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017
MODIFIED CASH BASIS**

	Major Funds			Nonmajor Governmental Funds (See Exhibit C-1)	Total Governmental Funds
	General Fund	Capital Projects Courthouse Restoration Fund	Special Revenue Road and Bridge Fund		
ASSETS:					
Cash and Cash Equivalents	\$ 2,587,422	\$ 2,463,754	\$ 10,274	\$ 1,283,649	\$ 6,345,099
Due from Employees				4,024	4,024
Prepaid Expenditures	54,665			15,355	70,020
Due (To) From Other Funds	9,247			(9,247)	0
Total Assets	\$ 2,651,334	\$ 2,463,754	\$ 10,274	\$ 1,293,781	\$ 6,419,143
LIABILITIES:					
Other Liabilities	\$ 43,301	\$ 0	\$ 1,336	\$ 8,779	\$ 53,416
Total Liabilities	\$ 43,301	\$ 0	\$ 1,336	\$ 8,779	\$ 53,416
DEFERRED INFLOWS OF RESOURCES:					
Supplements Paid in Advance	\$ 23,333	\$ 0	\$ 0	\$ 0	\$ 23,333
Total Deferred Inflows of Resources	\$ 23,333	\$ 0	\$ 0	\$ 0	\$ 23,333
FUND BALANCES:					
Nonspendable:					
Prepaid Items	\$ 54,665	\$ 0	\$ 0	\$ 15,355	\$ 70,020
Restricted for:					
Road and Bridge			8,938	1,120,912	1,129,850
Archiving				4,650	4,650
Preservation				4,426	4,426
Security				43,028	43,028
Technology				45,802	45,802
Enabling Legislation				50,829	50,829
Courthouse Restoration		2,463,754			2,463,754
Unassigned	2,530,035				2,530,035
Total Fund Balances	\$ 2,584,700	\$ 2,463,754	\$ 8,938	\$ 1,285,002	\$ 6,342,394

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, 2017
MODIFIED CASH BASIS

Total Fund Balances - Governmental Funds Balance Sheet	\$	6,342,394
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.		3,698,704
Payables for notes payable which are not due in the current period are not reported in the funds.		<u>(2,053,682)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u>7,987,416</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, 2017
MODIFIED CASH BASIS**

	Major Funds				
	Capital Project	Special Revenue			
	General Fund	Courthouse Restoration Fund	Road and Bridge Fund	Nonmajor Governmental Funds (See Exhibit C-2)	Total Governmental Funds
Revenue:					
Taxes:					
Property Taxes	\$ 2,623,929	\$ 31,671	\$ 487,542	\$ 88	\$ 3,143,230
Sales Taxes	4,662	103,224			107,886
License and Permits	17,803		48,720	260,435	326,958
Intergovernmental Revenue and Grants	176,592	162,236	34,814	567,156	940,798
Fines and Fees	259,309	8,293		36,292	303,894
Investment Earnings	34,962	21,342		8,903	65,207
Miscellaneous Revenue	281,801			2,775	284,576
Total Revenues	\$ 3,399,058	\$ 326,766	\$ 571,076	\$ 875,649	\$ 5,172,549
Expenditures:					
Current:					
County Treasurer	\$ 108,019				\$ 108,019
Tax Assessor and Collector	101,207				101,207
Internal Auditor	33,490				33,490
District Court	70,974				70,974
District Clerk	108,721				108,721
Justice of the Peace - Tahoka	86,310			1,399	87,709
Justice of the Peace - O'Donnell	34,266			748	35,014
County Attorney	114,469				114,469
County Buildings	217,037				217,037
County Judge	117,462				117,462
County Clerk	137,199				137,199
Library	42,898				42,898
Social Services - Public Welfare	51,800				51,800
Social Services - Health	3,750			184	3,934
Sheriff's Office	505,938				505,938
Communications	186,796				186,796
Jail	639,915				639,915
SCAP	454				454
OPS - Corrections	28,590				28,590
Fire	21,750				21,750
Animal Control	107,597				107,597
Extension Office	102,846				102,846
Road and Bridge			122,110	942,883	1,064,993
Juvenile Probation				260,631	260,631
Courthouse Restoration		1,056,114			1,056,114
Other	202,974			53,105	256,079
Debt Service:					
Principal				122,092	122,092
Interest and Fiscal Charges				9,917	9,917
Total Expenditures	\$ 3,024,462	\$ 1,056,114	\$ 122,110	\$ 1,390,959	\$ 5,593,645
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 374,596	\$ (729,348)	\$ 448,966	\$ (515,310)	\$ (421,096)
Other Financing Sources:					
Debt Proceeds	\$ 30,000	\$ 1,750,000	\$	\$ 72,090	\$ 1,852,090
Transfers In (Out)	(855)	209,251	(510,036)	301,640	
Total Other Financing Sources	\$ 29,145	\$ 1,959,251	\$ (510,036)	\$ 373,730	\$ 1,852,090
Net Change in Fund Balances	\$ 403,741	\$ 1,229,903	\$ (61,070)	\$ (141,580)	\$ 1,430,994
Fund Balances - Beginning	2,180,959	1,233,851	70,008	1,426,582	4,911,400
Fund Balances - Ending	\$ 2,584,700	\$ 2,463,754	\$ 8,938	\$ 1,285,002	\$ 6,342,394

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, 2017
MODIFIED CASH BASIS

Net Change in Fund Balances - Total Governmental Funds	\$ 1,430,994
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	1,352,960
The depreciation of capital assets used in governmental activities is not reported in the funds.	(206,827)
The loss from the disposition of a capital asset is not recorded in the funds.	(216,421)
Debt proceeds are not recorded as revenue in the SOA.	(1,852,090)
Payments on Notes Payables are not expenses in the SOA, but are reported as a reduction of long-term in the SNP.	<u>122,092</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ 630,708</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, 2017
MODIFIED CASH BASIS

	<u>Agency Fund</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ 313,100
Total Current Assets	<u>\$ 313,100</u>
LIABILITIES:	
Current Liabilities	
Due to Others	\$ 313,100
Total Current Liabilities	<u>\$ 313,100</u>

The accompanying notes are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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, 2017**

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, 2017**

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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.

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.

Courthouse 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.

Road and Bridge Fund – Special Revenue – This special revenue fund is used to account for proceeds property taxes and other restricted revenues that are legally reserved for use in ongoing road and bridge activities.

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, 2017**

E. 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.

F. 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 inflows of resources, represents an acquisition 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.

LYNN COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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, 2017, the carrying amount of the County's cash and cash equivalents was \$6,345,099 and the bank balance was \$6,424,611. 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, 2017**

B. CAPITAL ASSETS

Capital asset activity for the County for the year ended September 30, 2017 was as follows:

	Balance October 1, 2016	Additions	Retirements	Balance September 30, 2017
Governmental Activities				
Land	\$ 230,150	\$ 5,682	\$	\$ 235,832
Buildings and Improvements	2,923,900	49,964		2,973,864
Machinery and Equipment	1,322,438	235,064	420,637	1,136,865
Furniture and Fixtures	125,785	37,167		162,952
Construction Work in Progress		1,025,083		1,025,083
Totals at Historic Cost	<u>\$ 4,602,273</u>	<u>\$ 1,352,960</u>	<u>\$ 420,637</u>	<u>\$ 5,534,596</u>
Less: Accumulated Depreciation				
Buildings and Improvements	\$ 1,152,863	\$ 54,372	\$	\$ 1,207,235
Machinery and Equipment	609,140	138,760	204,216	543,684
Furniture and Fixtures	71,278	13,695		84,973
Total Accumulated Depreciation	<u>\$ 1,833,281</u>	<u>\$ 206,827</u>	<u>\$ 204,216</u>	<u>\$ 1,835,892</u>
Net Investment in Capital Assets	<u>\$ 2,768,992</u>	<u>\$ 1,146,133</u>	<u>\$ 216,421</u>	<u>\$ 3,698,704</u>

C. LONG-TERM DEBT

The County had the following Notes Payable at year end:

Date of Issue	Original Issue	Interest Rates	Fund/ Precinct	Outstanding
4/1/2014	\$ 78,410	2.00%	Pct. 1	\$ 16,831
8/18/2017	72,090	2.90%	Pct. 1	72,090
10/26/2014	86,887	2.00%	Pct. 2	53,300
8/1/2016	90,000	2.90%	Pct. 2	73,317
11/15/2013	94,000	2.00%	Pct. 3	38,516
10/20/2014	38,493	2.00%	Pct. 4	19,628
3/23/2017	30,000	4.25%	General	30,000
	<u>\$ 489,880</u>			<u>\$ 303,682</u>

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%.

LYNN COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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

	Balance October 1, 2016	Issuances	Payments	Balance September 30, 2017
Governmental Activities:				
Notes Payable	\$ 323,684	\$ 102,090	\$ 122,092	\$ 303,682
Series 2017, C.O.		1,750,000		1,750,000
	<u>\$ 323,684</u>	<u>\$ 1,852,090</u>	<u>\$ 122,092</u>	<u>\$ 2,053,682</u>

Debt service requirements on the long-term debt at September 30, 2017, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
2018	\$ 155,071	\$ 81,807	\$ 236,878
2019	168,077	54,888	222,965
2020	140,537	50,831	191,368
2021	123,610	46,644	170,254
2022	91,387	42,800	134,187
2023-2027	470,000	171,750	641,750
2028-2032	540,000	96,300	636,300
2033-2035	365,000	16,575	381,575
Totals	<u>\$ 2,053,682</u>	<u>\$ 561,595</u>	<u>\$ 2,615,277</u>

D. TAX ABATEMENTS

The County has entered into several ten year agreements allowed for under Texas State Law for the 100% abatement of property taxes related to the installation of wind farms within the County's jurisdiction. The County has abated taxes in the amount of \$2,307,710 on taxable values of \$259,293,300, for the 2016 tax year. The Windfarms are also annually required to make payments to the County in Lieu of Taxes at the rate of \$1,000 per megawatt capacity placed into service in the County's jurisdiction during the agreement.

E. LITIGATION AND SUBSEQUENT EVENTS

There is no pending litigation against the County at September 30, 2017, that would have a material effect on the financial statements.

The County is committed to a construction contract for renovations at the Courthouse in the amount of 8,033,025 as of September 30, 2017, the remaining balance is \$7,098,137. The Courthouse also received a grant from the Texas Historical Commission in relation to this project and has not received any funds as of September 30, 2017. The approved grant is in the amount of \$4,648,451.

Management has evaluated subsequent events through December 18, 2017 the date which the financial statements were available to be issued.

OTHER INFORMATION

LYNN COUNTY, TEXAS

Exhibit B-1

**BUDGETARY COMPARISON - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 2,598,482	\$ 2,618,482	\$ 2,623,929	\$ 5,447
Sales Taxes	5,000	5,000	4,662	(338)
License and Permits	15,000	15,000	17,803	2,803
Intergovernmental Revenue and Grants	154,033	170,033	176,592	6,559
Fines and Fees	225,111	268,511	259,309	(9,202)
Investment Earnings	26,000	30,500	34,962	4,462
Miscellaneous Revenue	187,500	308,534	281,801	(26,733)
Total Revenues	\$ 3,211,126	\$ 3,416,060	\$ 3,399,058	\$ (17,002)
Expenditures:				
Current:				
County Treasurer	\$ 112,457	\$ 112,457	\$ 108,019	\$ 4,438
Tax Assessor and Collector	104,896	104,866	101,207	3,659
Internal Auditor	34,783	34,783	33,490	1,293
District Court	85,823	85,823	70,974	14,849
District Clerk	114,075	114,075	108,721	5,354
Justice of the Peace - Tahoka	90,124	90,124	86,310	3,814
Justice of the Peace - O'Donnell	37,891	37,891	34,266	3,625
County Attorney	120,215	120,215	114,469	5,746
County Court	800	800		800
County Buildings	232,499	240,899	217,037	23,862
County Judge	122,188	125,243	117,462	7,781
County Clerk	143,178	143,178	137,199	5,979
Library	40,606	42,906	42,898	8
Social Services - Public Welfare	53,500	59,400	51,800	7,600
Social Services - Health	3,750	3,750	3,750	
Sheriff's Office	505,066	514,255	505,938	8,317
Communications	195,125	195,125	186,796	8,329
Jail	681,135	681,135	639,915	41,220
SCAP	1,000	1,000	454	546
OPS - Corrections	28,500	28,848	28,590	258
Fire	21,750	21,750	21,750	
Animal Control	71,884	108,884	107,597	1,287
Extension Office	108,360	108,360	102,846	5,514
Other	211,725	237,725	202,974	34,751
Total Expenditures	\$ 3,121,330	\$ 3,213,492	\$ 3,024,462	\$ 189,030
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 89,796	\$ 202,568	\$ 374,596	\$ 172,028
Other Financing Sources (Uses):				
Debt Proceeds	\$	\$	\$ 30,000	\$ 30,000
Transfers In (Out)	(84,141)	(84,141)	(855)	83,286
Total Other Financing Sources (Uses):	\$ (84,141)	\$ (84,141)	\$ 29,145	\$ 113,286
Net Change in Fund Balances	\$ 5,655	\$ 118,427	\$ 403,741	\$ 285,314
Fund Balances - Beginning	2,180,959	2,180,959	2,180,959	
Fund Balances - Ending	\$ 2,186,614	\$ 2,299,386	\$ 2,584,700	

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LYNN COUNTY, TEXAS

Exhibit B-2

**BUDGETARY COMPARISON - COURTHOUSE RESTORATION FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 31,258	\$ 31,258	\$ 31,671	\$ 413
Sales Taxes	85,000	85,000	103,224	18,224
Intergovernmental Revenue and Grants	175,000	175,000	162,236	(12,764)
Fines and Fees	5,000	7,500	8,293	793
Investment Earnings	11,000	11,000	21,342	10,342
Total Revenues	<u>\$ 307,258</u>	<u>\$ 309,758</u>	<u>\$ 326,766</u>	<u>\$ 17,008</u>
Expenditures:				
Current:				
Courthouse Restoration	\$	\$ 1,058,703	\$ 1,056,114	\$ 2,589
Total Expenditures	<u>\$ 0</u>	<u>\$ 1,058,703</u>	<u>\$ 1,056,114</u>	<u>\$ 2,589</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 307,258</u>	<u>\$ (748,945)</u>	<u>\$ (729,348)</u>	<u>\$ 19,597</u>
Other Financing Sources:				
Debt Proceeds	\$	\$ 1,750,000	\$ 1,750,000	\$
Transfers In (Out)	<u>0</u>	<u>209,250</u>	<u>209,251</u>	<u>1</u>
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 1,959,250</u>	<u>\$ 1,959,251</u>	<u>\$ 1</u>
Net Change in Fund Balances	<u>\$ 307,258</u>	<u>\$ 1,210,305</u>	<u>\$ 1,229,903</u>	<u>\$ 19,598</u>
Fund Balances - Beginning	<u>1,233,851</u>	<u>1,233,851</u>	<u>1,233,851</u>	
Fund Balances - Ending	<u><u>\$ 1,541,109</u></u>	<u><u>\$ 2,444,156</u></u>	<u><u>\$ 2,463,754</u></u>	

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LYNN COUNTY, TEXAS

Exhibit B-3

**BUDGETARY COMPARISON - ROAD AND BRIDGE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 476,957	\$ 485,957	\$ 487,542	\$ 1,585
License and Permits	45,000	45,000	48,720	3,720
Intergovernmental Revenue and Grants	45,000	45,000	34,814	(10,186)
Total Revenues	<u>\$ 566,957</u>	<u>\$ 575,957</u>	<u>\$ 571,076</u>	<u>\$ (4,881)</u>
Expenditures:				
Current:				
Road and Bridge	\$ 136,614	\$ 136,614	\$ 122,110	\$ 14,504
Total Expenditures	<u>\$ 136,614</u>	<u>\$ 136,614</u>	<u>\$ 122,110</u>	<u>\$ 14,504</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 430,343</u>	<u>\$ 439,343</u>	<u>\$ 448,966</u>	<u>\$ 9,623</u>
Other Financing Sources (Uses):				
Transfers In (Out)	\$ (435,036)	\$ (510,036)	\$ (510,036)	\$ 0
Total Other Financing Sources (Uses):	<u>\$ (435,036)</u>	<u>\$ (510,036)</u>	<u>\$ (510,036)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (4,693)	\$ (70,693)	\$ (61,070)	<u>\$ 9,623</u>
Fund Balances - Beginning	<u>70,008</u>	<u>70,008</u>	<u>70,008</u>	
Fund Balances - Ending	<u>\$ 65,315</u>	<u>\$ (685)</u>	<u>\$ 8,938</u>	

**NOTES TO BUDGETARY COMPARISON INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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 2016-2017 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, 2017
MODIFIED CASH BASIS

	Special Revenue Funds					Total Nonmajor Governmental Funds (See Exh A-3)
	Crime Victim Assistance Fund	Juvenile Probation Department	Unclaimed Property Fund	NFC and MRP Fund	Other Special Revenue Funds (See Exh C-3)	
ASSETS:						
Cash and Cash Equivalents	\$ 445	\$ 15,348	\$ 12,553	\$ 5,223	\$ 1,250,080	\$ 1,283,649
Due from Employees				4,024		4,024
Prepaid Expenditures				(9,247)	15,355	15,355
Due (To) From Other Funds						(9,247)
Total Assets	\$ 445	\$ 15,348	\$ 12,553	\$ 0	\$ 1,265,435	\$ 1,293,781
LIABILITIES:						
Other Liabilities	\$ 445	\$ 2,284	\$ 0	\$ 0	\$ 6,050	\$ 8,779
Total Liabilities	\$ 445	\$ 2,284	\$ 0	\$ 0	\$ 6,050	\$ 8,779
FUND BALANCES:						
Nonspendable:	\$	\$	\$	\$	\$ 15,355	\$ 15,355
Prepaid Items						
Restricted for:						
Road and Bridge					1,120,912	1,120,912
Archiving					4,650	4,650
Preservation					4,426	4,426
Security					43,028	43,028
Technology					45,802	45,802
Enabling Legislation		13,064	12,553		25,212	50,829
Total Fund Balances	\$ 0	\$ 13,064	\$ 12,553	\$ 0	\$ 1,259,385	\$ 1,285,002

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, 2017
MODIFIED CASH BASIS

	Special Revenue Funds				Other Special Revenue Funds (See Exh C-4)	Total Nonmajor Governmental Funds (See Exh A-5)
	Crime Victim Assistance Fund	Juvenile Probation Department	Unclaimed Property Fund			
Taxes:						
Property Taxes	\$	\$	\$	\$	88	88
License and Permits				260,435	260,435	260,435
Intergovernmental Revenue and Grants	46,338	222,033		298,785	567,156	567,156
Fines and Fees		20,277		16,015	36,292	36,292
Investment Earnings	260			8,643	8,903	8,903
Miscellaneous Revenue	192		1,025	1,558	2,775	2,775
Total Revenues	\$ 46,338	\$ 242,762	\$ 1,025	\$ 585,524	\$	\$ 875,649
Expenditures:						
Current:						
Social Services - Health	\$	\$	\$	\$	184	184
Justice of the Peace - Tahoka				1,399	1,399	1,399
Justice of the Peace - O'Donnell				748	748	748
Road and Bridge				942,883	942,883	942,883
Juvenile Probation		259,112		1,519	260,631	260,631
Other	47,193			5,912	53,105	53,105
Debt Service:						
Principal				122,092	122,092	122,092
Interest and Fiscal Charges				9,917	9,917	9,917
Total Expenditures	\$ 47,193	\$ 259,112	\$ 0	\$ 1,084,654	\$	\$ 1,390,959
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (855)	\$ (16,350)	\$ 1,025	\$ (499,130)	\$	\$ (515,310)
Other Financing Sources:						
Debt Proceeds	\$	\$	\$	\$	72,090	72,090
Transfers In / (Out)	855			300,785	301,640	301,640
Total Other Financing Sources	\$ 855	\$ 0	\$ 0	\$ 372,875	\$	\$ 373,730
Net Change in Fund Balances	\$ 0	\$ (16,350)	\$ 1,025	\$ (126,255)	\$	\$ (141,580)
Fund Balances - Beginning	0	29,414	11,528	1,385,640		1,426,582
Fund Balances - Ending	\$ 0	\$ 13,064	\$ 12,553	\$ 1,259,385	\$	\$ 1,285,002

LYNN COUNTY, TEXAS

Exhibit C-3

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017
MODIFIED CASH BASIS

	Special Revenue Funds							Total
	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)	Nonmajor Special Revenue Funds (See Exh C-1)
ASSETS:								
Cash and Cash Equivalents	\$ 5,277	\$ 6,322	\$ 43,028	\$ 1,292	\$ 3,169	\$ 31,653	\$ 1,159,339	\$ 1,250,080
Prepaid Expenditures				800	5,601	6,621	2,333	15,355
Total Assets	\$ 5,277	\$ 6,322	\$ 43,028	\$ 2,092	\$ 8,770	\$ 38,274	\$ 1,161,672	\$ 1,265,435
LIABILITIES:								
Other Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,050	\$ 6,050
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,050	\$ 6,050
FUND BALANCES:								
Nonspendable:								
Prepaid Items				800	5,601	6,621	2,333	15,355
Restricted for:								
Road and Bridge								
Archiving							1,120,912	1,120,912
Preservation							4,650	4,650
Security			43,028				4,426	43,028
Technology				1,292	3,169	31,653	9,688	45,802
Enabling Legislation	5,277	6,322					13,613	25,212
Total Fund Balances	\$ 5,277	\$ 6,322	\$ 43,028	\$ 2,092	\$ 8,770	\$ 38,274	\$ 1,155,622	\$ 1,259,385

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, 2017
 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	Other Special Revenue Funds (See Exh C-6)	
Revenue:								
Taxes:								
Property Taxes	\$	\$	\$	\$	\$	\$	\$	\$ 88
License and Permits							260,435	260,435
Intergovernmental Revenue and Grants							298,785	298,785
Fines and Fees		1,821	4,758	845	1,733		6,858	16,015
Investment Earnings			292			304	8,047	8,643
Miscellaneous Revenue							1,558	1,558
Total Revenues	\$ 0	\$ 1,821	\$ 5,050	\$ 845	\$ 1,733	\$ 304	\$ 575,771	\$ 585,524
Expenditures:								
Current:								
Social Services - Health	\$	\$	\$	\$	\$	\$	\$	\$ 184
Justice of the Peace - Tahoka					1,399			1,399
Justice of the Peace - O'Donnell				748				748
Road and Bridge							942,883	942,883
Juvenile Probation							1,519	1,519
Other			258			1,654	4,000	5,912
Debt Service:								
Principal							122,092	122,092
Interest and Fiscal Charges							9,917	9,917
Total Expenditures	\$ 0	\$ 0	\$ 258	\$ 748	\$ 1,399	\$ 1,654	\$ 1,080,595	\$ 1,084,654
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 1,821	\$ 4,792	\$ 97	\$ 334	\$ (1,350)	\$ (504,824)	\$ (499,130)
Other Financing Sources:								
Debt Proceeds	\$	\$	\$	\$	\$	\$	\$	\$ 72,090
Transfers In / (Out)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,785	300,785
Total Other Financing Sources	\$ 0	\$ 1,821	\$ 4,792	\$ 97	\$ 334	\$ (1,350)	\$ (131,949)	\$ (126,255)
Net Change in Fund Balances	5,277	4,501	38,236	1,995	8,436	39,624	1,287,571	1,385,640
Fund Balances - Beginning	5,277	6,322	43,028	2,092	8,770	38,274	1,155,622	1,259,385
Fund Balances - Ending								

LYNN COUNTY, TEXAS

Exhibit C-5

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017
MODIFIED CASH BASIS

	Special Revenue Funds						Total
	FCS Fund	Payroll Clearing Fund	Pre-Trial Diversion Fund	Records Management Fund	Other Special Revenue Funds (See Exh C-7)	Nonmajor Special Revenue Funds (See Exh C-3)	
ASSETS:							
Cash and Cash Equivalents	\$ 863	\$ 883	\$ 11,082	\$ 9,392	\$ 1,137,119	\$ 1,159,339	
Prepaid Expenditures					2,333	2,333	
Total Assets	<u>\$ 863</u>	<u>\$ 883</u>	<u>\$ 11,082</u>	<u>\$ 9,392</u>	<u>\$ 1,139,452</u>	<u>\$ 1,161,672</u>	
LIABILITIES:							
Other Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,050	\$ 6,050	
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,050</u>	<u>\$ 6,050</u>	
FUND BALANCES:							
Nonspendable:							
Prepaid Items	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,333	\$ 2,333	
Restricted for:							
Road and Bridge					1,120,912	1,120,912	
Archiving					4,650	4,650	
Preservation					4,426	4,426	
Technology				9,392	296	9,688	
Enabling Legislation	863	883	11,082		785	13,613	
Total Fund Balances	<u>\$ 863</u>	<u>\$ 883</u>	<u>\$ 11,082</u>	<u>\$ 9,392</u>	<u>\$ 1,133,402</u>	<u>\$ 1,155,622</u>	

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, 2017 MODIFIED CASH BASIS

	Special Revenue Funds							Total
	FCS Fund	Payroll Clearing Fund	Pre-Trial Diversion Fund	Historical Commission Fund	Records Management Fund	Jail Interest and Sinking Fund	Other Special Revenue Funds (See Exh C-8)	
Revenue:								
Taxes:								
Property Taxes	\$	\$	\$	\$	\$	\$	\$	\$
License and Permits						88	0	88
Intergovernmental Revenue and Grants						416	260,019	260,435
Fines and Fees					503	42,600	256,185	298,785
Investment Earnings			5,021			291	1,334	6,858
Miscellaneous Revenue	158						7,756	8,047
Total Revenues	<u>158</u>	<u>0</u>	<u>5,021</u>	<u>0</u>	<u>503</u>	<u>43,395</u>	<u>526,694</u>	<u>575,771</u>
Expenditures:								
Current:								
Social Services - Health	\$	\$	\$	\$	\$	\$	\$	\$
Road and Bridge	184						942,883	942,883
Juvenile Probation			1,519					1,519
Other					4,000			4,000
Debt Service:								
Principal								
Interest and Fiscal Charges								
Total Expenditures	<u>184</u>	<u>0</u>	<u>1,519</u>	<u>0</u>	<u>4,000</u>	<u>0</u>	<u>1,074,892</u>	<u>1,080,595</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(26)</u>	<u>0</u>	<u>3,502</u>	<u>0</u>	<u>(3,497)</u>	<u>43,395</u>	<u>(548,198)</u>	<u>(504,824)</u>
Other Financing Sources:								
Debt Proceeds	\$	\$	\$	\$	\$	\$	\$	\$
Transfers In / (Out)						(209,251)	72,090	72,090
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(209,251)</u>	<u>510,036</u>	<u>300,785</u>
Net Change in Fund Balances	<u>(26)</u>	<u>0</u>	<u>3,502</u>	<u>0</u>	<u>(3,497)</u>	<u>(165,856)</u>	<u>33,928</u>	<u>(131,949)</u>
Fund Balances - Beginning	<u>889</u>	<u>883</u>	<u>7,580</u>	<u>0</u>	<u>12,889</u>	<u>165,856</u>	<u>1,099,474</u>	<u>1,287,571</u>
Fund Balances - Ending	<u>863</u>	<u>883</u>	<u>11,082</u>	<u>0</u>	<u>9,392</u>	<u>0</u>	<u>1,133,402</u>	<u>1,155,622</u>

LYNN COUNTY, TEXAS

Exhibit C-7

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017
MODIFIED CASH BASIS

	Special Revenue Funds			Total Nonmajor Special Revenue Funds (See Exh C-5)
	Precinct 1 Fund	Precinct 2 Fund	Other Special Revenue Funds (See Exh C-9)	
ASSETS:				
Cash and Cash Equivalents	\$ 166,778	\$ 307,329	\$ 663,012	\$ 1,137,119
Prepaid Expenditures	331	514	1,488	2,333
Total Assets	<u>\$ 167,109</u>	<u>\$ 307,843</u>	<u>\$ 664,500</u>	<u>\$ 1,139,452</u>
LIABILITIES:				
Other Liabilities	\$ 1,665	\$ 1,119	\$ 3,266	\$ 6,050
Total Liabilities	<u>\$ 1,665</u>	<u>\$ 1,119</u>	<u>\$ 3,266</u>	<u>\$ 6,050</u>
FUND BALANCES:				
Nonspendable:				
Prepaid Items	\$ 331	\$ 514	\$ 1,488	\$ 2,333
Restricted for:				
Road and Bridge	165,113	306,210	649,589	1,120,912
Archiving			4,650	4,650
Preservation			4,426	4,426
Technology			296	296
Enabling Legislation			785	785
Total Fund Balances	<u>\$ 165,444</u>	<u>\$ 306,724</u>	<u>\$ 661,234</u>	<u>\$ 1,133,402</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, 2017
 MODIFIED CASH BASIS

	Special Revenue Funds						Total	
	Lateral Road #1 Fund	Lateral Road #2 Fund	Lateral Road #3 Fund	Lateral Road #4 Fund	Precinct 1 Fund	Precinct 2 Fund	Other Special Revenue Funds (See Exh C-10)	Nonmajor Special Revenue Funds (See Exh C-6)
Revenue:								
License and Permits	\$ 6,329	\$ 6,329	\$ 6,329	\$ 6,329	\$ 65,013	\$ 8,703	\$ 129,994	\$ 260,019
Intergovernmental Revenue and Grants					58,007		164,159	256,185
Fines and Fees							1,334	1,334
Investment Earnings					1,584	2,065	4,107	7,756
Miscellaneous Revenue							1,400	1,400
Total Revenues	\$ 6,329	\$ 6,329	\$ 6,329	\$ 6,329	\$ 124,604	\$ 75,780	\$ 300,994	\$ 526,694
Expenditures:								
Current:								
Road and Bridge	\$ 6,329	\$ 6,329	\$ 6,329	\$ 6,329	\$ 304,206	\$ 139,893	\$ 473,468	\$ 942,883
Debt Service:								
Principal					49,431	33,564	39,097	122,092
Interest and Fiscal Charges					2,811	4,842	2,264	9,917
Total Expenditures	\$ 6,329	\$ 6,329	\$ 6,329	\$ 6,329	\$ 356,448	\$ 178,299	\$ 514,829	\$ 1,074,892
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ (231,844)	\$ (102,519)	\$ (213,835)	\$ (548,198)
Other Financing Sources:								
Debt Proceeds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,090	\$ 125,759	\$ 258,518	\$ 72,090
Transfers In / (Out)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 197,849	\$ 125,759	\$ 258,518	\$ 510,036
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ (33,995)	\$ 23,240	\$ 44,683	\$ 33,928
Net Change in Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 199,439	\$ 283,484	\$ 616,551	\$ 1,099,474
Fund Balances - Beginning	\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,444	\$ 306,724	\$ 661,234	\$ 1,133,402
Fund Balances - Ending	\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,444	\$ 306,724	\$ 661,234	\$ 1,133,402

LYNN COUNTY, TEXAS

Exhibit C-9

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017
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	\$ 334,831	\$ 318,024	\$ 296	\$ 4,426	\$ 4,650	\$ 785	\$ 663,012
Prepaid Expenditures	643	845					1,488
Total Assets	\$ 335,474	\$ 318,869	\$ 296	\$ 4,426	\$ 4,650	\$ 785	\$ 664,500
LIABILITIES:							
Other Liabilities	\$ 1,634	\$ 1,632	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,266
Total Liabilities	\$ 1,634	\$ 1,632	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,266
FUND BALANCES:							
Nonspendable:							
Prepaid Items	\$ 643	\$ 845	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,488
Restricted for:							
Road and Bridge	333,197	316,392					649,589
Archiving					4,650		4,650
Preservation				4,426			4,426
Technology			296				296
Enabling Legislation						785	785
Total Fund Balances	\$ 333,840	\$ 317,237	\$ 296	\$ 4,426	\$ 4,650	\$ 785	\$ 661,234

LYNN COUNTY, TEXAS

Exhibit C-10

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017 MODIFIED CASH BASIS

	Special Revenue Funds							Total
	Precinct 3 Fund	Precinct 4 Fund	District Clerk Technology Fund	District Clerk Preservation Fund	District Clerk Archive Fund	Video Fee Fund	Nonmajor Special Revenue Funds (See Exh C-8)	
Revenue:								
License and Permits	\$ 64,997	\$ 64,997	\$	\$	\$	\$	\$ 129,994	
Intergovernmental Revenue and Grants	75,269	88,890					164,159	
Fines and Fees			31	553	645	105	1,334	
Investment Earnings	2,173	1,934					4,107	
Miscellaneous Revenue	142,439	157,221	31	553	645	105	1,400	
Total Revenues	\$ 387,278	\$ 411,032	\$ 65	\$ 1,106	\$ 1,295	\$ 215	\$ 300,994	
Expenditures:								
Current:								
Road and Bridge	\$ 195,832	\$ 277,636	\$	\$	\$	\$	\$ 473,468	
Debt Service:								
Principal	19,161	19,936					39,097	
Interest and Fiscal Charges	1,208	1,056					2,264	
Total Expenditures	\$ 216,201	\$ 298,628	\$ 0	\$ 0	\$ 0	\$ 0	\$ 514,829	
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (28,923)	\$ 112,404	\$ 31	\$ 553	\$ 645	\$ 105	\$ (213,835)	
Other Financing Sources:								
Transfers In / (Out)	\$ 125,759	\$ 132,759	\$ 0	\$ 0	\$ 0	\$ 0	\$ 258,518	
Total Other Financing Sources	\$ 125,759	\$ 132,759	\$ 0	\$ 0	\$ 0	\$ 0	\$ 258,518	
Net Change in Fund Balances	\$ 51,997	\$ (8,648)	\$ 31	\$ 553	\$ 645	\$ 105	\$ 44,683	
Fund Balances - Beginning	281,843	325,885	265	3,873	4,005	680	616,551	
Fund Balances - Ending	\$ 333,840	\$ 317,237	\$ 296	\$ 4,426	\$ 4,650	\$ 785	\$ 661,234	

**SCHEDULE OF CHANGES IN NET PENSION
ASSET AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	12/31/2014	12/31/2015	12/31/2016
TOTAL PENSION LIABILITY			
Service Cost	\$ 129,181	\$ 128,646	\$ 137,250
Interest Cost	240,648	259,557	275,095
Effect of Plan Changes		(15,187)	
Effect of Economic/Demographic Losses	8,367	(56,871)	24,955
Effect of Assumptions Changes or Inputs		40,018	
Benefit Payments/Refunds of Contributions	(166,006)	(146,944)	(166,196)
Net Change in Total Pension Liability	\$ 212,190	\$ 209,219	\$ 271,104
Total Pension Liability, Beginning	2,989,012	3,201,202	3,410,421
Total Pension Liability, Ending	\$ 3,201,202	\$ 3,410,421	\$ 3,681,525
FIDUCIARY NET POSITION			
Employer Contributions	\$ 49,176	\$ 50,953	\$ 52,656
Member Contributions	81,959	84,921	87,760
Investment Income, Net of Expenses	243,293	(14,261)	282,610
Benefit Payments/Refunds of Contributions	(166,006)	(146,944)	(166,196)
Administrative Expenses	(2,863)	(2,755)	(3,081)
Other	15,957	46,670	1,633
Net Change in Fiduciary Net Position	\$ 221,516	\$ 18,584	\$ 255,382
Fiduciary Net Position, Beginning	3,605,237	3,826,753	3,845,337
Fiduciary Net Position, Ending	\$ 3,826,753	\$ 3,845,337	\$ 4,100,719
NET PENSION ASSET	\$ (625,551)	\$ (434,916)	\$ (419,194)
Fiduciary Net Position as a % of Total Pension Liability	119.54%	112.75%	111.39%
County's Covered-Employee Payroll	\$ 1,639,185	\$ 1,698,421	\$ 1,755,201
Net Pension Asset as a % of Covered Payroll	-38.16%	-25.61%	-23.88%

LYNN COUNTY, TEXAS

Exhibit D-2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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%
2017	54,366	54,366	0	1,812,231	3.00%

LYNN COUNTY, TEXAS

Exhibit D-3

SCHEDULE OF CAPITAL LEASES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Description	Loan #	Lender/Financing	Interest	Original Issuance	As of October 1,		Issuances	As of September 30,	
					2016	2017		2017	2017
					Payments	Interest Paid		Principal	Interest
2015 Dodge Truck	AMNLC 2128C	American National Leasing	2.18%	\$ 22,715	\$ 18,241	\$ 4,570	\$ 13,671	\$ 399	\$ 399
2015 Dodge Truck	AMNLC 2129C	American National Leasing	2.18%	22,715	18,241	4,570	13,671	399	399
2015 Dodge Truck	AMNLC 2130C	American National Leasing	2.18%	22,715	18,241	4,570	13,671	399	399
2015 Dodge Truck	AMNLC 2131C	American National Leasing	2.18%	22,715	18,241	4,570	13,671	399	399
2015 Dodge Truck	AMNLC 2137C	American National Leasing	2.18%	22,715	18,241	4,570	13,671	399	399
2015 Dodge Truck	AMNLC 2138C	American National Leasing	2.18%	22,715	18,241	4,570	13,671	399	399
2016 Chevrolet Pickup	AMNLC 2283C	American National Leasing	2.60%	12,893	12,893	12,893			317
2017 RAM 1500	2344	American National Leasing	3.30%	15,968			15,968		
				\$ 122,339	\$ 40,313	\$ 15,968	\$ 97,994	\$ 2,711	

Fiscal Year Ending,	Lease Service Payments	
	Principal	Interest
2018	\$ 85,016	\$ 2,315
2019	3,088	428
2020	3,189	327
2021	3,295	221
2022	3,406	112
	\$ 97,994	\$ 3,403

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, 2017, and the related notes to the financial statements, which collectively comprise Lynn County, Texas' basic financial statements, and have issued our report thereon dated December 18, 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

December 18, 2017