

LYNN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

LYNN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS (Continued)

	<u>Statement Identification</u>	<u>Page No.</u>
FINANCIAL SECTION		
Independent Auditor's Report		1
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	Exhibit A-1	4
Statement of Activities	Exhibit A-2	5
Fund Financial Statements:		
Balance Sheet – Governmental Funds	Exhibit A-3	6
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	Exhibit A-4	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	Exhibit A-5	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit A-6	9
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Position	Exhibit A-7	10
Notes to Financial Statements		11
OTHER INFORMATION		
Budgetary Comparison – General Fund	Exhibit B-1	19
Budgetary Comparison – Courthouse Restoration Fund	Exhibit B-2	20
Notes to Budgetary Comparison Information		21
Combining Balance Sheet – Nonmajor Governmental Funds	Exhibit C-1	22
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	Exhibit C-2	23
Combining Balance Sheet – Nonmajor Governmental Funds	Exhibit C-3	24
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	Exhibit C-4	25

LYNN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS (Concluded)

	<u>Statement Identification</u>	<u>Page No.</u>
Combining Balance Sheet – Nonmajor Governmental Funds	Exhibit C-5	26
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	Exhibit C-6	27
Combining Balance Sheet – Nonmajor Governmental Funds	Exhibit C-7	28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	Exhibit C-8	29
Combining Balance Sheet – Nonmajor Governmental Funds	Exhibit C-9	30
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	Exhibit C-10	31
Schedule of Changes in Net Pension Asset and Related Ratios	Exhibit D-1	32
Schedule of Employer Contributions	Exhibit D-2	33
Schedule of Capital Leases	Exhibit D-3	34
Schedule of Expenditures of State Awards	Exhibit E-1	35
 COMPLIANCE AND INTERNAL CONTROL SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		36
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the State of Texas Single Audit Circular		38
Schedule of Findings and Questioned Costs		40

LYNN COUNTY, TEXAS

**COUNTY OFFICIALS
SEPTEMBER 30, 2018**

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

PHONE: (806) 747-3806

FAX: (806) 747-3815

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, 2018, 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, 2018, 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 are on pages 19-34, 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.

The schedule of expenditures of state awards, as required by the State of Texas Single Audit Circular is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the schedule of expenditures of state awards, as required by the State of Texas Single Audit Circular is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report October 24, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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

October 24, 2018

BASIC FINANCIAL STATEMENTS

LYNN COUNTY, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION
SEPTEMBER 30, 2018
MODIFIED CASH BASIS

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 4,966,825
Due from Employees	6,367
Prepaid Expenses	69,807
Capital Assets (Net of Accumulated Depreciation):	
Land	235,832
Buildings and Improvements	1,712,257
Machinery and Equipment	566,139
Furniture & Fixtures	71,428
Construction Work in Progress	<u>5,028,927</u>
Total Assets	<u>\$ 12,657,582</u>
LIABILITIES:	
Other Liabilities	\$ 53,965
Noncurrent Liabilities	
Current Portion of Long-Term Debt	184,572
Noncurrent Portion of Long-Term Debt	<u>1,769,726</u>
Total Liabilities	<u>\$ 2,008,263</u>
DEFERRED INFLOWS OF RESOURCES:	
Supplements Paid in Advance	\$ 23,333
Unearned Revenue - PILOT Received in Advance	<u>61,200</u>
Total Deferred Inflows of Resources	<u>\$ 84,533</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 5,660,285
Restricted For:	
Road and Bridge	1,147,057
Archiving	5,650
Preservation	5,246
Security	49,357
Technology	49,009
Enabling Legislation	40,318
Courthouse Restoration	1,329,995
Unrestricted	<u>2,277,869</u>
Total Net Position	<u>\$ 10,564,786</u>

The accompanying notes are an integral part of this statement.

-5-
LYNN COUNTY, TEXAS

Exhibit A-2

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
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	\$ 111,626	\$	\$	\$	\$ (111,626)
Tax Assessor and Collector	106,608	13,691			(92,917)
Internal Auditor	36,088				(36,088)
District Court	134,382				(134,382)
District Clerk	118,898	22,042			(96,856)
Justice of the Peace - Tahoka	90,636	84,449			(6,187)
Justice of the Peace - O'Donnell	38,049	26,249			(11,800)
County Attorney	119,586	541	23,333		(95,712)
Emergency Management	7,100				(7,100)
County Buildings	237,499	6,078			(231,421)
County Judge	121,416	20,030	25,200		(76,186)
County Clerk	142,203	75,727			(66,476)
Library	48,916				(48,916)
Social Services - Public Welfare	50,225				(50,225)
Social Services - Health	3,748				(3,748)
Sheriff's Office	480,692				(480,692)
Communications	193,583				(193,583)
Jail	725,225	308,676			(416,549)
OPS - Corrections	16,412				(16,412)
Fire	21,750				(21,750)
Animal Control	26,491		14,519		(11,972)
Extension Office	78,153				(78,153)
Road and Bridge	799,729	319,970	105,472		(374,287)
Juvenile Probation	268,046	4,572	204,256		(59,218)
Courthouse Restoration	5,459	10,813		2,048,325	2,053,679
Other	237,690	1,281	53,525		(182,884)
Depreciation	173,309				(173,309)
Interest on Long-Term Debt	82,132				(82,132)
Total Governmental Activities	\$ 4,475,651	\$ 894,119	\$ 426,305	\$ 2,048,325	\$ (1,106,902)
General Revenues:					
Property Taxes					\$ 3,162,872
Other Taxes					243,780
Sales Taxes					207,718
Investment Earnings					73,637
Loss on Disposition of Capital Assets					(48,796)
Miscellaneous Revenue					45,061
Total General Revenues					\$ 3,684,272
Change in Net Position					\$ 2,577,370
Net Position - Beginning					7,987,416
Net Position - Ending					\$ 10,564,786

The accompanying notes are an integral part of this statement.

-6-
LYNN COUNTY, TEXAS

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
MODIFIED CASH BASIS**

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Courthouse Restoration Fund	Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
Cash and Cash Equivalents	\$ 2,327,893	\$ 1,329,995	\$ 1,308,937	\$ 4,966,825
Due from Employees			6,367	6,367
Prepaid Expenditures	53,759		16,048	69,807
Due (To) From Other Funds	9,247		(9,247)	0
Total Assets	\$ 2,390,899	\$ 1,329,995	\$ 1,322,105	\$ 5,042,999
LIABILITIES:				
Other Liabilities	\$ 44,545	\$ 0	\$ 9,420	\$ 53,965
Total Liabilities	\$ 44,545	\$ 0	\$ 9,420	\$ 53,965
DEFERRED INFLOWS OF RESOURCES:				
Supplements Paid in Advance	\$ 23,333	\$ 0	\$ 0	\$ 23,333
Unearned Revenue - PILOT Received in Advance	61,200			61,200
Total Deferred Inflows of Resources	\$ 84,533	\$ 0	\$ 0	\$ 84,533
FUND BALANCES:				
Nonspendable:				
Prepaid Items	\$ 53,759	\$ 0	\$ 16,048	\$ 69,807
Restricted for:				
Road and Bridge			1,147,057	1,147,057
Archiving			5,650	5,650
Preservation			5,246	5,246
Security			49,357	49,357
Technology			49,009	49,009
Enabling Legislation			40,318	40,318
Courthouse Restoration		1,329,995		1,329,995
Unassigned	2,208,062			2,208,062
Total Fund Balances	\$ 2,261,821	\$ 1,329,995	\$ 1,312,685	\$ 4,904,501

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, 2018
MODIFIED CASH BASIS

Total Fund Balances - Governmental Funds Balance Sheet	\$	4,904,501
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.		7,614,583
Payables for notes payable which are not due in the current period are not reported in the funds.		<u>(1,954,298)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u>10,564,786</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, 2018
MODIFIED CASH BASIS**

	Major Funds		Nonmajor Governmental Funds (See Exhibit C-2)	Total Governmental Funds
	General Fund	Capital Project Courthouse Restoration Fund		
Revenue:				
Taxes:				
Property Taxes	\$ 2,596,558	\$ 32,617	\$ 533,697	\$ 3,162,872
Other Taxes	243,780			243,780
Sales Taxes		207,718		207,718
License and Permits	16,542		303,426	319,968
Intergovernmental Revenue and Grants	178,063	2,227,470	363,256	2,768,789
Fines and Fees	249,328	10,813	19,851	279,992
Investment Earnings	45,876	17,310	10,451	73,637
Miscellaneous Revenue	39,863	4,778	420	45,061
Total Revenues	<u>\$ 3,370,010</u>	<u>\$ 2,500,706</u>	<u>\$ 1,231,101</u>	<u>\$ 7,101,817</u>
Expenditures:				
Current:				
County Treasurer	\$ 111,626			\$ 111,626
Tax Assessor and Collector	106,608			106,608
Internal Auditor	36,088			36,088
District Court	134,382			134,382
District Clerk	118,898			118,898
Justice of the Peace - Tahoka	89,040		1,596	90,636
Justice of the Peace - O'Donnell	36,390		1,659	38,049
County Attorney	119,586			119,586
Emergency Management	7,100			7,100
County Buildings	237,499			237,499
County Judge	121,416			121,416
County Clerk	142,203			142,203
Library	48,916			48,916
Social Services - Public Welfare	50,225			50,225
Social Services - Health	3,748			3,748
Sheriff's Office	493,671			493,671
Communications	193,583			193,583
Jail	733,163			733,163
OPS - Corrections	16,412			16,412
Fire	21,750			21,750
Animal Control	26,491			26,491
Extension Office	78,153			78,153
Road and Bridge			912,952	912,952
Juvenile Probation			268,046	268,046
Courthouse Restoration		4,009,303		4,009,303
Other	177,228		60,462	237,690
Debt Service:				
Principal	5,989	50,000	91,764	147,753
Interest and Fiscal Charges	675	75,162	6,295	82,132
Total Expenditures	<u>\$ 3,110,840</u>	<u>\$ 4,134,465</u>	<u>\$ 1,342,774</u>	<u>\$ 8,588,079</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 259,170</u>	<u>\$ (1,633,759)</u>	<u>\$ (111,673)</u>	<u>\$ (1,486,262)</u>
Other Financing Sources:				
Loan Proceeds	\$	\$	\$ 48,369	\$ 48,369
Transfers In (Out)	(582,049)	500,000	82,049	
Total Other Financing Sources	<u>\$ (582,049)</u>	<u>\$ 500,000</u>	<u>\$ 130,418</u>	<u>\$ 48,369</u>
Net Change in Fund Balances	\$ (322,879)	\$ (1,133,759)	\$ 18,745	\$ (1,437,893)
Fund Balances - Beginning	<u>2,584,700</u>	<u>2,463,754</u>	<u>1,293,940</u>	<u>6,342,394</u>
Fund Balances - Ending	<u>\$ 2,261,821</u>	<u>\$ 1,329,995</u>	<u>\$ 1,312,685</u>	<u>\$ 4,904,501</u>

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, 2018
MODIFIED CASH BASIS

Net Change in Fund Balances - Total Governmental Funds	\$ (1,437,893)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	4,137,984
The depreciation of capital assets used in governmental activities is not reported in the funds.	(173,309)
The loss from the disposition of a capital asset is not recorded in the funds.	(48,796)
Debt proceeds are not recorded as revenue in the SOA.	(48,369)
Payments on Notes Payables are not expenses in the SOA, but are reported as a reduction of long-term in the SNP.	<u>147,753</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$ <u><u>2,577,370</u></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, 2018
MODIFIED CASH BASIS

	<u>Agency Fund</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ 459,139
Total Current Assets	<u>\$ 459,139</u>
LIABILITIES:	
Current Liabilities	
Due to Others	\$ 459,139
Total Current Liabilities	<u>\$ 459,139</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, 2018**

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, 2018**

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, 2018**

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, 2018**

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.

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, 2018**

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, 2018**

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, 2018, the carrying amount of the County's cash and cash equivalents was \$4,966,825 and the bank balance was \$5,033,667. All county funds were covered by pledged securities or FDIC insurance at year end.

-17-
LYNN COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

B. CAPITAL ASSETS

Capital asset activity for the County for the year ended September 30, 2018 was as follows:

	Balance October 1, 2017	Additions	Retirements	Balance September 30, 2018
Governmental Activities				
Land	\$ 235,832	\$	\$	\$ 235,832
Buildings and Improvements	2,973,864			2,973,864
Machinery and Equipment	1,136,865	126,202	144,938	1,118,129
Furniture and Fixtures	162,952	7,938		170,890
Construction Work in Progress	1,025,083	4,003,844		5,028,927
Totals at Historic Cost	<u>\$ 5,534,596</u>	<u>\$ 4,137,984</u>	<u>\$ 144,938</u>	<u>\$ 9,527,642</u>
Less: Accumulated Depreciation				
Buildings and Improvements	\$ 1,207,235	\$ 54,372	\$	\$ 1,261,607
Machinery and Equipment	543,684	104,448	96,142	551,990
Furniture and Fixtures	84,973	14,489		99,462
Total Accumulated Depreciation	<u>\$ 1,835,892</u>	<u>\$ 173,309</u>	<u>\$ 96,142</u>	<u>\$ 1,913,059</u>
Net Investment in Capital Assets	<u>\$ 3,698,704</u>	<u>\$ 3,964,675</u>	<u>\$ 48,796</u>	<u>\$ 7,614,583</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	\$ 16,830
8/18/2017	72,090	2.90%	Pct. 1	53,589
10/26/2014	86,887	2.00%	Pct. 2	35,960
8/1/2016	90,000	2.90%	Pct. 2	55,758
11/15/2013	94,000	2.00%	Pct. 3	19,780
8/16/2018	48,369	3.10%	Pct. 4	48,369
3/23/2017	30,000	4.25%	General	24,012
	<u>\$ 499,756</u>			<u>\$ 254,298</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%.

-18-
LYNN COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

	Balance October 1, 2017	Issuances	Payments	Balance September 30, 2018
Governmental Activities:				
Notes Payable	\$ 303,682	\$ 48,369	\$ 97,753	\$ 254,298
Series 2017, C.O.	1,750,000		50,000	1,700,000
	<u>\$ 2,053,682</u>	<u>\$ 48,369</u>	<u>\$ 147,753</u>	<u>\$ 1,954,298</u>

Debt service requirements on the long-term debt at September 30, 2018, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
2019	\$ 184,572	\$ 56,437	\$ 241,009
2020	149,926	52,048	201,974
2021	133,220	47,570	180,790
2022	101,365	43,426	144,791
2023	100,215	40,217	140,432
2024-2028	480,000	157,500	637,500
2029-2033	560,000	79,800	639,800
2034-2035	245,000	7,425	252,425
Totals	<u>\$ 1,954,298</u>	<u>\$ 484,423</u>	<u>\$ 2,438,721</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 \$2,017,724 on taxable values of \$237,379,240, for the 2017 tax year. The wind farms 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, 2018, that would have a material effect on the financial statements.

The County is committed to engineering and construction contracts for renovations at the Courthouse in the amount of \$3,379,118 as of September 30, 2018. The County also received a grant from the Texas Historical Commission in relation to this project and has received \$2,048,325 in funds during the year ended September 30, 2018. The approved grant is in the amount of \$4,648,451.

Management has evaluated subsequent events through October 24, 2018 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, 2018

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 3,025,616	\$ 2,632,616	\$ 2,596,558	\$ (36,058)
Sales Taxes	5,000	5,000	0	(5,000)
License and Permits	15,000	16,150	16,542	392
Intergovernmental Revenue and Grants	171,194	193,194	178,063	(15,131)
Fines and Fees	243,211	280,231	249,328	(30,903)
Investment Earnings	26,000	42,500	45,876	3,376
Miscellaneous Revenue	223,000	344,350	283,643	(60,707)
Total Revenues	\$ 3,709,021	\$ 3,514,041	\$ 3,370,010	\$ (144,031)
Expenditures:				
Current:				
County Treasurer	\$ 116,725	\$ 116,725	\$ 111,626	\$ 5,099
Tax Assessor and Collector	108,817	108,817	106,608	2,209
Internal Auditor	36,299	36,299	36,088	211
District Court	138,024	138,024	134,382	3,642
District Clerk	120,239	120,239	118,898	1,341
Justice of the Peace - Tahoka	94,170	94,170	89,040	5,130
Justice of the Peace - O'Donnell	39,475	39,475	36,390	3,085
County Attorney	123,331	123,331	119,586	3,745
County Court	800	800	0	800
Emergency Management	0	7,000	7,100	(100)
County Buildings	247,684	248,289	237,499	10,790
County Judge	129,088	129,088	121,416	7,672
County Clerk	153,970	153,970	142,203	11,767
Library	50,016	50,016	48,916	1,100
Social Services - Public Welfare	53,500	53,500	50,225	3,275
Social Services - Health	3,750	3,750	3,748	2
Sheriff's Office	523,856	533,856	493,671	40,185
Communications	202,403	202,403	193,583	8,820
Jail	713,369	740,369	733,163	7,206
SCAP	500	500	0	500
OPS - Corrections	28,500	28,500	16,412	12,088
Fire	21,750	21,750	21,750	0
Animal Control	73,128	73,128	26,491	46,637
Extension Office	109,666	109,666	78,153	31,513
Other	209,975	209,975	177,228	32,747
Debt Service:				
Principal	6,000	6,000	5,989	11
Interest and Fiscal Charges	680	680	675	5
Total Expenditures	\$ 3,305,715	\$ 3,350,320	\$ 3,110,840	\$ 239,480
Excess of Revenues Over Expenditures	\$ 403,306	\$ 163,721	\$ 259,170	\$ 95,449
Other Financing Uses:				
Transfers Out	\$ (84,481)	\$ (84,481)	\$ (582,049)	\$ (497,568)
Total Other Financing Uses:	\$ (84,481)	\$ (84,481)	\$ (582,049)	\$ (497,568)
Net Change in Fund Balances	\$ 318,825	\$ 79,240	\$ (322,879)	\$ (402,119)
Fund Balances - Beginning	2,584,700	2,584,700	2,584,700	
Fund Balances - Ending	\$ 2,903,525	\$ 2,663,940	\$ 2,261,821	

-20-
LYNN COUNTY, TEXAS

Exhibit B-2

**BUDGETARY COMPARISON - COURTHOUSE RESTORATION FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 31,258	\$ 32,613	\$ 32,617	\$ 4
Sales Taxes	85,000	193,200	207,718	14,518
Intergovernmental Revenue and Grants	2,000,000	2,048,325	2,227,470	179,145
Fines and Fees	7,500	10,335	10,813	478
Investment Earnings	15,000	15,975	17,310	1,335
Miscellaneous Revenue	0	4,780	4,778	(2)
Total Revenues	<u>\$ 2,138,758</u>	<u>\$ 2,305,228</u>	<u>\$ 2,500,706</u>	<u>\$ 195,478</u>
Expenditures:				
Current:				
Courthouse Restoration	\$ 4,000,000	\$ 4,009,305	\$ 4,009,303	\$ 2
Debt Service:				
Principal	0	50,000	50,000	0
Interest and Fiscal Charges	0	75,165	75,162	3
Total Expenditures	<u>\$ 4,000,000</u>	<u>\$ 4,134,470</u>	<u>\$ 4,134,465</u>	<u>\$ 5</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,861,242)</u>	<u>\$ (1,829,242)</u>	<u>\$ (1,633,759)</u>	<u>\$ 195,483</u>
Other Financing Sources:				
Transfers In	\$ 175,000	\$ 679,150	\$ 500,000	\$ (179,150)
Total Other Financing Sources	<u>\$ 175,000</u>	<u>\$ 679,150</u>	<u>\$ 500,000</u>	<u>\$ (179,150)</u>
Net Change in Fund Balances	<u>\$ (1,686,242)</u>	<u>\$ (1,150,092)</u>	<u>\$ (1,133,759)</u>	<u>\$ 16,333</u>
Fund Balances - Beginning	<u>2,463,754</u>	<u>2,463,754</u>	<u>2,463,754</u>	
Fund Balances - Ending	<u><u>\$ 777,512</u></u>	<u><u>\$ 1,313,662</u></u>	<u><u>\$ 1,329,995</u></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.

-22-
LYNN COUNTY, TEXAS

Exhibit C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
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	Road and Bridge Fund	Other Special Revenue Funds (See Exh C-3)	
ASSETS:							
Cash and Cash Equivalents	\$ 444	\$ 2,377	\$ 12,585	\$ 2,880	\$ 35,776	\$ 1,254,875	\$ 1,308,937
Due from Employees				6,367			6,367
Prepaid Expenditures						16,048	16,048
Due (To) From Other Funds				(9,247)			(9,247)
Total Assets	\$ 444	\$ 2,377	\$ 12,585	\$ 0	\$ 35,776	\$ 1,270,923	\$ 1,322,105
LIABILITIES:							
Other Liabilities	\$ 444	\$ 2,377	\$ 0	\$ 0	\$ 1,194	\$ 5,405	\$ 9,420
Total Liabilities	\$ 444	\$ 2,377	\$ 0	\$ 0	\$ 1,194	\$ 5,405	\$ 9,420
FUND BALANCES:							
Nonspendable:							
Prepaid Items	\$	\$	\$	\$	\$	16,048	16,048
Restricted for:							
Road and Bridge					34,582	1,112,475	1,147,057
Archiving						5,650	5,650
Preservation						5,246	5,246
Security						49,357	49,357
Technology						49,009	49,009
Enabling Legislation			12,585			27,733	40,318
Total Fund Balances	\$ 0	\$ 0	\$ 12,585	\$ 0	\$ 34,582	\$ 1,265,518	\$ 1,312,685

-23-
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, 2018
MODIFIED CASH BASIS**

	Special Revenue Funds					Total Nonmajor Governmental Funds (See Exh A-5)
	Crime Victim Assistance Fund	Juvenile Probation Department	Unclaimed Property Fund	Road and Bridge Fund	Other Special Revenue Funds (See Exh C-4)	
Revenue:						
Taxes:						
Property Taxes	\$	\$	\$	\$ 533,697	\$ 0	\$ 533,697
License and Permits				47,170	256,256	303,426
Intergovernmental Revenue and Grants	53,525	204,256		40,079	65,396	363,256
Fines and Fees					19,851	19,851
Investment Earnings		600			9,851	10,451
Miscellaneous Revenue			32		388	420
Total Revenues	\$ 53,525	\$ 204,856	\$ 32	\$ 620,946	\$ 351,742	\$ 1,231,101
Expenditures:						
Current:						
Social Services - Health	\$	\$	\$	\$	\$ 0	\$ 0
Justice of the Peace - Tahoka					1,596	1,596
Justice of the Peace - O'Donnell					1,659	1,659
Road and Bridge				138,767	774,185	912,952
Juvenile Probation		263,324			4,722	268,046
Other	58,605				1,857	60,462
Debt Service:						
Principal					91,764	91,764
Interest and Fiscal Charges					6,295	6,295
Total Expenditures	\$ 58,605	\$ 263,324	\$ 0	\$ 138,767	\$ 882,078	\$ 1,342,774
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (5,080)	\$ (58,468)	\$ 32	\$ 482,179	\$ (530,336)	\$ (111,673)
Other Financing Sources:						
Loan Proceeds	\$	\$	\$	\$	\$ 48,369	\$ 48,369
Transfers In / (Out)	5,080	45,404		(456,535)	488,100	82,049
Total Other Financing Sources	\$ 5,080	\$ 45,404	\$ 0	\$ (456,535)	\$ 536,469	\$ 130,418
Net Change in Fund Balances	\$ 0	\$ (13,064)	\$ 32	\$ 25,644	\$ 6,133	\$ 18,745
Fund Balances - Beginning	0	13,064	12,553	8,938	1,259,385	1,293,940
Fund Balances - Ending	\$ 0	\$ 0	\$ 12,585	\$ 34,582	\$ 1,265,518	\$ 1,312,685

-24-
LYNN COUNTY, TEXAS

Exhibit C-3

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
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	\$ 8,803	\$ 49,357	\$ 805	\$ 5,815	\$ 32,007	\$ 1,152,811	\$ 1,254,875
Prepaid Expenditures				600	4,202	4,967	6,279	16,048
Total Assets	<u>\$ 5,277</u>	<u>\$ 8,803</u>	<u>\$ 49,357</u>	<u>\$ 1,405</u>	<u>\$ 10,017</u>	<u>\$ 36,974</u>	<u>\$ 1,159,090</u>	<u>\$ 1,270,923</u>
LIABILITIES:								
Other Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,405	\$ 5,405
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,405</u>	<u>\$ 5,405</u>
FUND BALANCES:								
Nonspendable:								
Prepaid Items	\$	\$	\$	\$ 600	\$ 4,202	\$ 4,967	\$ 6,279	\$ 16,048
Restricted for:								
Road and Bridge							1,112,475	1,112,475
Archiving							5,650	5,650
Preservation							5,246	5,246
Security			49,357					49,357
Technology				805	5,815	32,007	10,382	49,009
Enabling Legislation	5,277	8,803					13,653	27,733
Total Fund Balances	<u>\$ 5,277</u>	<u>\$ 8,803</u>	<u>\$ 49,357</u>	<u>\$ 1,405</u>	<u>\$ 10,017</u>	<u>\$ 36,974</u>	<u>\$ 1,153,685</u>	<u>\$ 1,265,518</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
MODIFIED CASH BASIS**

	Special Revenue Funds						Other Special Revenue Funds (See Exh C-6)	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:								
License and Permits	\$	\$	\$	\$	\$	\$	256,256	\$ 256,256
Intergovernmental Revenue and Grants							65,396	65,396
Fines and Fees		2,683	6,077	972	2,843		7,276	19,851
Investment Earnings			252			355	9,244	9,851
Miscellaneous Revenue							388	388
Total Revenues	<u>\$ 0</u>	<u>\$ 2,683</u>	<u>\$ 6,329</u>	<u>\$ 972</u>	<u>\$ 2,843</u>	<u>\$ 355</u>	<u>\$ 338,560</u>	<u>\$ 351,742</u>
Expenditures:								
Current:								
Social Services - Health	\$	\$	\$	\$	\$	\$	0	\$ 0
Justice of the Peace - Tahoka					1,596		0	1,596
Justice of the Peace - O'Donnell				1,659			0	1,659
Road and Bridge							774,185	774,185
Juvenile Probation							4,722	4,722
Other		202				1,655	0	1,857
Debt Service:								
Principal							91,764	91,764
Interest and Fiscal Charges							6,295	6,295
Total Expenditures	<u>\$ 0</u>	<u>\$ 202</u>	<u>\$ 0</u>	<u>\$ 1,659</u>	<u>\$ 1,596</u>	<u>\$ 1,655</u>	<u>\$ 876,966</u>	<u>\$ 882,078</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 0</u>	<u>\$ 2,481</u>	<u>\$ 6,329</u>	<u>\$ (687)</u>	<u>\$ 1,247</u>	<u>\$ (1,300)</u>	<u>\$ (538,406)</u>	<u>\$ (530,336)</u>
Other Financing Sources:								
Loan Proceeds	\$	\$	\$	\$	\$	\$	48,369	\$ 48,369
Transfers In / (Out)							488,100	488,100
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 536,469</u>	<u>\$ 536,469</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 2,481</u>	<u>\$ 6,329</u>	<u>\$ (687)</u>	<u>\$ 1,247</u>	<u>\$ (1,300)</u>	<u>\$ (1,937)</u>	<u>\$ 6,133</u>
Fund Balances - Beginning	<u>5,277</u>	<u>6,322</u>	<u>43,028</u>	<u>2,092</u>	<u>8,770</u>	<u>38,274</u>	<u>1,155,622</u>	<u>1,259,385</u>
Fund Balances - Ending	<u>\$ 5,277</u>	<u>\$ 8,803</u>	<u>\$ 49,357</u>	<u>\$ 1,405</u>	<u>\$ 10,017</u>	<u>\$ 36,974</u>	<u>\$ 1,153,685</u>	<u>\$ 1,265,518</u>

LYNN COUNTY, TEXAS

Exhibit C-5

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
MODIFIED CASH BASIS

	Special Revenue Funds					Total Nonmajor Special Revenue Funds (See Exh C-3)
	FCS Fund	Payroll Clearing Fund	Pre-Trial Diversion Fund	Records Management Fund	Other Special Revenue Funds (See Exh C-7)	
ASSETS:						
Cash and Cash Equivalents	\$ 863	\$ 883	\$ 10,932	\$ 10,058	\$ 1,130,075	\$ 1,152,811
Prepaid Expenditures					6,279	6,279
Total Assets	<u>\$ 863</u>	<u>\$ 883</u>	<u>\$ 10,932</u>	<u>\$ 10,058</u>	<u>\$ 1,136,354</u>	<u>\$ 1,159,090</u>
LIABILITIES:						
Other Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,405	\$ 5,405
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,405</u>	<u>\$ 5,405</u>
FUND BALANCES:						
Nonspendable:						
Prepaid Items	\$	\$	\$	\$	6,279	6,279
Restricted for:						
Road and Bridge					1,112,475	1,112,475
Archiving					5,650	5,650
Preservation					5,246	5,246
Technology				10,058	324	10,382
Enabling Legislation	863	883	10,932		975	13,653
Total Fund Balances	<u>\$ 863</u>	<u>\$ 883</u>	<u>\$ 10,932</u>	<u>\$ 10,058</u>	<u>\$ 1,130,949</u>	<u>\$ 1,153,685</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, 2018 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-8)	Nonmajor Special Revenue Funds (See Exh C-4)
Revenue:						
License and Permits	\$	\$	\$	\$	\$ 256,256	\$ 256,256
Intergovernmental Revenue and Grants					65,396	65,396
Fines and Fees			4,572	666	2,038	7,276
Investment Earnings					9,244	9,244
Miscellaneous Revenue					388	388
Total Revenues	\$ 0	\$ 0	\$ 4,572	\$ 666	\$ 333,322	\$ 338,560
Expenditures:						
Current:						
Social Services - Health	\$	\$	\$	\$	\$	\$ 0
Road and Bridge					774,185	774,185
Juvenile Probation			4,722			4,722
Other						0
Debt Service:						
Principal					91,764	91,764
Interest and Fiscal Charges					6,295	6,295
Total Expenditures	\$ 0	\$ 0	\$ 4,722	\$ 0	\$ 872,244	\$ 876,966
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ (150)	\$ 666	\$ (538,922)	\$ (538,406)
Other Financing Sources:						
Loan Proceeds	\$	\$	\$	\$	\$ 48,369	\$ 48,369
Transfers In / (Out)					488,100	488,100
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 536,469	\$ 536,469
Net Change in Fund Balances	\$ 0	\$ 0	\$ (150)	\$ 666	\$ (2,453)	\$ (1,937)
Fund Balances - Beginning	863	883	11,082	9,392	1,133,402	1,155,622
Fund Balances - Ending	\$ 863	\$ 883	\$ 10,932	\$ 10,058	\$ 1,130,949	\$ 1,153,685

-28-
LYNN COUNTY, TEXAS

Exhibit C-7

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
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	\$ 173,045	\$ 321,513	\$ 635,517	\$	1,130,075
Prepaid Expenditures	1,251	1,824	3,204		6,279
Total Assets	\$ 174,296	\$ 323,337	\$ 638,721	\$	1,136,354
LIABILITIES:					
Other Liabilities	\$ 1,310	\$ 1,074	\$ 3,021	\$	5,405
Total Liabilities	\$ 1,310	\$ 1,074	\$ 3,021	\$	5,405
FUND BALANCES:					
Nonspendable:					
Prepaid Items	\$ 1,251	\$ 1,824	\$ 3,204	\$	6,279
Restricted for:					
Road and Bridge	171,735	320,439	620,301		1,112,475
Archiving			5,650		5,650
Preservation			5,246		5,246
Technology			324		324
Enabling Legislation			975		975
Total Fund Balances	\$ 172,986	\$ 322,263	\$ 635,700	\$	1,130,949

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
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	Other Special Revenue Funds (See Exh C-10)	
Revenue:								
License and Permits	\$	\$	\$	\$	\$ 64,064	\$ 64,064	\$ 128,128	\$ 256,256
Intergovernmental Revenue and Grants	6,329	6,329	6,329	6,329	10,020	10,020	20,040	65,396
Fines and Fees							2,038	2,038
Investment Earnings					1,888	2,460	4,896	9,244
Miscellaneous Revenue						388	0	388
Total Revenues	<u>\$ 6,329</u>	<u>\$ 6,329</u>	<u>\$ 6,329</u>	<u>\$ 6,329</u>	<u>\$ 75,972</u>	<u>\$ 76,932</u>	<u>\$ 155,102</u>	<u>\$ 333,322</u>
Expenditures:								
Current:								
Road and Bridge	\$ 6,329	\$ 6,329	\$ 6,329	\$ 6,329	\$ 171,507	\$ 145,012	\$ 432,350	\$ 774,185
Debt Service:								
Principal					18,501	34,899	38,364	91,764
Interest and Fiscal Charges					447	3,507	2,341	6,295
Total Expenditures	<u>\$ 6,329</u>	<u>\$ 6,329</u>	<u>\$ 6,329</u>	<u>\$ 6,329</u>	<u>\$ 190,455</u>	<u>\$ 183,418</u>	<u>\$ 473,055</u>	<u>\$ 872,244</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (114,483)</u>	<u>\$ (106,486)</u>	<u>\$ (317,953)</u>	<u>\$ (538,922)</u>
Other Financing Sources:								
Loan Proceeds	\$	\$	\$	\$	\$	\$	\$ 48,369	\$ 48,369
Transfers In / (Out)					122,025	122,025	244,050	488,100
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 122,025</u>	<u>\$ 122,025</u>	<u>\$ 292,419</u>	<u>\$ 536,469</u>
Net Change in Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,542	\$ 15,539	\$ (25,534)	\$ (2,453)
Fund Balances - Beginning	0	0	0	0	165,444	306,724	661,234	1,133,402
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 172,986</u>	<u>\$ 322,263</u>	<u>\$ 635,700</u>	<u>\$ 1,130,949</u>

-30-
LYNN COUNTY, TEXAS

Exhibit C-9

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
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	\$ 351,579	\$ 271,743	\$ 324	\$ 5,246	\$ 5,650	\$ 975	\$ 635,517
Prepaid Expenditures	1,470	1,734					3,204
Total Assets	<u>\$ 353,049</u>	<u>\$ 273,477</u>	<u>\$ 324</u>	<u>\$ 5,246</u>	<u>\$ 5,650</u>	<u>\$ 975</u>	<u>\$ 638,721</u>
LIABILITIES:							
Other Liabilities	\$ 1,518	\$ 1,503	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,021
Total Liabilities	<u>\$ 1,518</u>	<u>\$ 1,503</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,021</u>
FUND BALANCES:							
Nonspendable:							
Prepaid Items	\$ 1,470	\$ 1,734					\$ 3,204
Restricted for:							
Road and Bridge	350,061	270,240					620,301
Archiving					5,650		5,650
Preservation				5,246			5,246
Technology			324				324
Enabling Legislation						975	975
Total Fund Balances	<u>\$ 351,531</u>	<u>\$ 271,974</u>	<u>\$ 324</u>	<u>\$ 5,246</u>	<u>\$ 5,650</u>	<u>\$ 975</u>	<u>\$ 635,700</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
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:							
License and Permits	\$ 64,064	\$ 64,064	\$	\$	\$	\$	\$ 128,128
Intergovernmental Revenue and Grants	10,020	10,020					20,040
Fines and Fees			28	820	1,000	190	2,038
Investment Earnings	2,589	2,307					4,896
Miscellaneous Revenue							0
Total Revenues	\$ 76,673	\$ 76,391	\$ 28	\$ 820	\$ 1,000	\$ 190	\$ 155,102
Expenditures:							
Current:							
Road and Bridge	\$ 160,637	\$ 271,713	\$	\$	\$	\$	\$ 432,350
Debt Service:							
Principal	18,736	19,628					38,364
Interest and Fiscal Charges	1,634	707					2,341
Total Expenditures	\$ 181,007	\$ 292,048	\$ 0	\$ 0	\$ 0	\$ 0	\$ 473,055
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (104,334)	\$ (215,657)	\$ 28	\$ 820	\$ 1,000	\$ 190	\$ (317,953)
Other Financing Sources:							
Loan Proceeds	\$	\$ 48,369	\$	\$	\$	\$	\$ 48,369
Transfers In / (Out)	122,025	122,025					244,050
Total Other Financing Sources	\$ 122,025	\$ 170,394	\$ 0	\$ 0	\$ 0	\$ 0	\$ 292,419
Net Change in Fund Balances	\$ 17,691	\$ (45,263)	\$ 28	\$ 820	\$ 1,000	\$ 190	\$ (25,534)
Fund Balances - Beginning	333,840	317,237	296	4,426	4,650	785	661,234
Fund Balances - Ending	<u>\$ 351,531</u>	<u>\$ 271,974</u>	<u>\$ 324</u>	<u>\$ 5,246</u>	<u>\$ 5,650</u>	<u>\$ 975</u>	<u>\$ 635,700</u>

-32-
LYNN COUNTY, TEXAS

Exhibit D-1

**SCHEDULE OF CHANGES IN NET PENSION
ASSET AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	12/31/2014	12/31/2015	12/31/2016	12/31/2017
TOTAL PENSION LIABILITY				
Service Cost	\$ 129,181	\$ 128,646	\$ 137,250	\$ 139,115
Interest Cost	240,648	259,557	275,095	302,741
Effect of Plan Changes		(15,187)		
Effect of Economic/Demographic Losses	8,367	(56,871)	24,955	1,474
Effect of Assumptions Changes or Inputs		40,018		48,194
Benefit Payments/Refunds of Contributions	(166,006)	(146,944)	(166,196)	(169,488)
Net Change in Total Pension Liability	\$ 212,190	\$ 209,219	\$ 271,104	\$ 322,036
Total Pension Liability, Beginning	2,989,012	3,201,202	3,410,421	3,681,525
Total Pension Liability, Ending	\$ 3,201,202	\$ 3,410,421	\$ 3,681,525	\$ 4,003,561
FIDUCIARY NET POSITION				
Employer Contributions	\$ 49,176	\$ 50,953	\$ 52,656	\$ 54,337
Member Contributions	81,959	84,921	87,760	90,563
Investment Income, Net of Expenses	243,293	(14,261)	282,610	598,166
Benefit Payments/Refunds of Contributions	(166,006)	(146,944)	(166,196)	(169,488)
Administrative Expenses	(2,863)	(2,755)	(3,081)	(3,106)
Other	15,957	46,670	1,633	(359)
Net Change in Fiduciary Net Position	\$ 221,516	\$ 18,584	\$ 255,382	\$ 570,113
Fiduciary Net Position, Beginning	3,605,237	3,826,753	3,845,337	4,100,719
Fiduciary Net Position, Ending	\$ 3,826,753	\$ 3,845,337	\$ 4,100,719	\$ 4,670,832
NET PENSION ASSET	\$ (625,551)	\$ (434,916)	\$ (419,194)	\$ (667,271)
Fiduciary Net Position as a % of Total Pension Liability	119.54%	112.75%	111.39%	116.67%
County's Covered-Employee Payroll	\$ 1,639,185	\$ 1,698,421	\$ 1,755,201	\$ 1,811,255
Net Pension Asset as a % of Covered Payroll	-38.16%	-25.61%	-23.88%	-36.84%

-33-
LYNN COUNTY, TEXAS

Exhibit D-2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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%
2018	54,898	54,898	0	1,832,968	3.00%

-34-
LYNN COUNTY, TEXAS

Exhibit D-3

**SCHEDULE OF CAPITAL LEASES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Description	Loan #	Lender/Financing	Interest	Original Issuance	As of October 1, 2017	Payments	Issuances	As of September 30, 2018	Interest Paid
2015 Dodge Truck	AMNLC 2128C	American National Leasing	2.18%	\$ 22,715	\$ 13,671	\$ 13,671	\$ -	\$ -	\$ 400
2015 Dodge Truck	AMNLC 2129C	American National Leasing	2.18%	22,715	13,671	13,671	-	-	400
2015 Dodge Truck	AMNLC 2130C	American National Leasing	2.18%	22,715	13,671	13,671	-	-	400
2015 Dodge Truck	AMNLC 2131C	American National Leasing	2.18%	22,715	13,671	13,671	-	-	400
2015 Dodge Truck	AMNLC 2137C	American National Leasing	2.18%	22,715	13,671	13,671	-	-	375
2015 Dodge Truck	AMNLC 2138C	American National Leasing	2.18%	22,715	13,671	13,671	-	-	375
2017 RAM 1500	2344	American National Leasing	3.30%	15,968	15,968	15,968	-	-	527
2018 SSV Dodge Truck	2543C	American National Leasing	4.74%	27,449	-	-	27,449	27,449	-
2018 SSV Dodge Truck	2547C	American National Leasing	4.74%	28,992	-	-	28,992	28,992	-
2018 SSV Dodge Truck	2545C	American National Leasing	4.74%	28,992	-	-	28,992	28,992	-
2018 SSV Dodge Truck	2544C	American National Leasing	4.74%	28,992	-	-	28,992	28,992	-
2018 SSV Dodge Truck	2548C	American National Leasing	4.74%	28,992	-	-	28,992	28,992	-
2018 SSV Dodge Truck	2546C	American National Leasing	4.74%	28,992	-	-	28,992	28,992	-
					<u>\$ 97,994</u>	<u>\$ 97,994</u>	<u>\$ 172,409</u>	<u>\$ 172,409</u>	<u>\$ 2,877</u>

Fiscal Year Ending,	Lease Service Payments	
	Principal	Interest
2019	\$ 37,656	\$ 8,172
2020	39,423	6,405
2021	95,330	4,519
2022	0	0
2023	0	0
	<u>\$ 172,409</u>	<u>\$ 19,096</u>

-35-
LYNN COUNTY, TEXAS

Exhibit E-1

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Grantor/Program Title</u>	<u>State Contract Number</u>	<u>Total Expenditures</u>
STATE AWARDS		
<u>Texas Historical Commission</u>		
Texas Historical Courthouse Preservation Program	CTH-LYNN-09-2016	\$ <u>2,048,325</u>
Total Texas Historical Commission		\$ <u>2,048,325</u>
Total State Awards		\$ <u><u>2,048,325</u></u>

NOTES TO SESA

1. BASIS OF PRESENTATION:

The above schedule of expenditures of state awards includes the state grant activity of Lynn County, Texas under programs of state governments for the year ended September 30, 2018. The information in this exhibit is presented in accordance with the requirements of the *State of Texas Single Audit Circular*. Because the exhibit presents only a selected portion of the operations of Lynn County, Texas, it is not intended to and does not present the net position or changes in

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the exhibit are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the *State of Texas Single Audit Circular*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

COMPLIANCE AND INTERNAL CONTROL SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

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, 2018, and the related notes to the financial statements, which collectively comprise Lynn County, Texas' basic financial statements, and have issued our report thereon dated October 24, 2018.

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

October 24, 2018

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

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF
TEXAS SINGLE AUDIT CIRCULAR**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal and State Program

We have audited Lynn County, Texas' compliance with the types of compliance requirements described in the State of Texas *Single Audit Circular* that could have a direct and material effect on each of Lynn County, Texas' major state programs for the year ended September 30, 2018. Lynn County, Texas' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lynn County, Texas' major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, and by the State of Texas *Single Audit Circular*. Those standards, and the State of Texas *Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Lynn County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Lynn County, Texas' compliance.

Opinion on Each Major State Program

In our opinion, Lynn County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of Lynn County, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lynn County, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of Texas *Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lynn County, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas *Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

October 24, 2018

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

A. Section I - Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting

Material weakness(es) identified? _____ yes x no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

2. State Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Any audit findings disclosed that are required to be reported in accordance with State of Texas *Single Audit Circular*?

_____ yes x no

Identification of major state programs:

Name of State Program or Cluster

Texas Historical Courthouse Preservation Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee - State?

x yes _____ no

B. Section II - Findings Related to the Financial Statements

The audit disclosed no findings required to be reported

C. Section III - Findings and Questioned Costs Related to State Awards

The audit disclosed no findings required to be reported

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

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

October 24, 2018

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

We have audited the financial statements of Lynn County, Texas (the County) for the fiscal year ended September 30, 2017, and have issued our report thereon dated October 24, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 9, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with modified cash basis financial statements as disclosed in Note C of the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

We have been engaged to report on the schedule of expenditures of state awards, which accompany the financial statements. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on budgetary comparison schedules, combining schedules, pension schedules, or the schedule of capital leases, which accompany the financial statements. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the County's financial statements and report does not extend beyond the financial information identified in the report. In addition we do not have an obligation to perform any procedures to corroborate other information contained in these documents.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and meetings about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending September 30, 2018. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

Management's estimate for the useful lives of capital assets is based on industry practice. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of tax abatements in the notes to the financial statements, given that the County is foregoing a material amount of tax revenue in making those agreements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. All entries made as a result of audit procedures were corrected by management and are attached to this letter. Proposed entries not posted by management are also attached to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 24, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were not engaged to report on budgetary comparison schedules, combining schedules, pension schedules, or the schedule of capital leases, which accompany the 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.

We were engaged to report on the schedule of expenditures of state awards, which accompany the financial statements. With respect to this other information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and

Honorable Judge and
Members of the Commissioners' Court
October 24, 2018
Page 4

complete in relation to our audit of the financial statements. We compared and reconciled the other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the County Commissioners and management of Lynn County, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Client: **48460 - Lynn County, Texas**
 Engagement: **2018 Lynn County**
 Period Ending: **9/30/2018**
 Trial Balance: **017 - GASB Fund Trial Balance**
 Workpaper: **017 W - Combined Journal Entries Report**
 Fund Level: **All**
 Index: **All**

Account	Description	W/P Ref	Debit	Credit
---------	-------------	---------	-------	--------

Adjusting Journal Entries

Adjusting Journal Entries JE # 1

Journal Entry to update prepaid expenses for 2018.

100-530-5700	Property Insurance		1,997.21	
210-000-1500	Prepaid Expenses		919.95	
220-000-1500	Prepaid Expenses		1,309.78	
230-000-1500	Prepaid Expenses		826.29	
240-000-1500	Prepaid Expenses		888.73	
600-500-5980	Miscellaneous		1,654.10	
601-500-5980	Miscellaneous		1,399.24	
602-500-5980	Miscellaneous		199.89	
100-000-1500	Prepaid Expenses			905.45
100-544-5305	Appraisal District			852.72
100-585-5700	Property Insurance			239.04
210-500-5700	Property Insurance			919.95
220-500-5700	Property Insurance			1,309.78
230-500-5700	Property Insurance			826.29
240-500-5700	Property Insurance			888.73
600-000-1500	Prepaid Expenses			1,654.10
601-000-1500	Prepaid Expenses			1,399.24
602-000-1500	Prepaid Expenses			199.89
Total			9,195.19	9,195.19

Adjusting Journal Entries JE # 2

To reallocate property tax revenues to corrects funds based on approved rates.

100-400-4101	Current Taxes		35,775.95	
400-000-1001	Cash - Road & Bridge		35,775.95	
100-000-1001	Cash - General Fund			35,775.95
400-400-4101	Current Taxes			35,775.95
Total			71,551.90	71,551.90

Adjusting Journal Entries JE # 3

To remove negative cash balance

100-500-4040	TRANSFER TO RESTORATION	31,564.88	
400-000-1001	Cash - Road & Bridge	31,564.88	
100-000-1001	Cash - General Fund		31,564.88
400-500-5902	Transfer to Other Funds		31,564.88
Total		63,129.76	63,129.76

Adjusting Journal Entries JE # 1001

PBC AJE to Correct Fund Balance in TB Build Funds.

650-000-3999	BSGM Fiscal Plug	4,186.15	
651-000-3999	BSGM Fiscal Plug	78,531.48	
652-000-3999	BSGM Fiscal Plug	119.91	
653-000-3999	BSGM Fiscal Plug	2,754.68	
650-400-4902	Transfer To/From Other Funds		4,186.15
651-400-4902	Transfer To/From Other Funds		78,531.48
652-400-4902	Transfer To/From Other Funds		119.91
653-400-4902	Transfer To/From Other Funds		2,754.68
Total		85,592.22	85,592.22

Adjusting Journal Entries JE # 1002

Misc reclass out of transfers.

400-500-5700	Property Insurance	84.00	
400-500-5902	Transfer to Other Funds		84.00
Total		84.00	84.00

Adjusting Journal Entries JE # 1003

To updtc NFC Fund for interfund activity during 2018.

625-000-2305	Claims Payable	8,000.00	
625-000-1400	DUE FROM NFC		8,000.00
Total		8,000.00	8,000.00

Adjusting Journal Entries JE # 1004

To reclass PILOTs out of misc revenues.

100-400-4601	Miscellaneous Income	304,980.00	
100-000-2200	Deferred Revenue Grants		61,200.00
100-400-4103	PILOT Revenues		243,780.00
Total		304,980.00	304,980.00

Adjusting Journal Entries JE # 1005

PBC entry to correct previously made cash entry

650-000-1001	Cash - Juvenile 4-E Grant	19,774.05	
651-500-9999	Transfer Out	19,774.05	
650-400-9999	Transfer In		19,774.05
651-500-5884	Governor's Office Grant		19,774.05
Total		<u>39,548.10</u>	<u>39,548.10</u>
	Total Adjusting Journal Entries	<u>582,081.17</u>	<u>582,081.17</u>
	Total All Journal Entries	<u>582,081.17</u>	<u>582,081.17</u>

Client: **48460 - Lynn County, Texas**
Engagement: **2018 Lynn County**
Period Ending: **9/30/2018**
Trial Balance: **017 - GASB Fund Trial Balance**
Workpaper: **Proposed Journal Entry Report**
Fund Level: **All**
Index: **All**

Account	Description	Debit	Credit
Proposed Journal Entries			
Proposed Journal Entries JE # 1006			
To back out expenditures for checks written at year end and held.			
100-000-1001	Cash - General Fund	21,037.05	
230-000-1001	Cash - Precinct 3	39.52	
800-000-1001	Cash - CVA	234.26	
100-422-4400	D. Clerk-Fees of Office		13.40
100-511-5200	Office Supplies		32.48
100-511-5400	Telephone		144.95
100-511-5600	Travel & Education		327.75
100-511-5702	Computer Maintenance /Support		1,597.00
100-512-5400	Telephone		348.24
100-512-5600	Travel & Education		493.36
100-522-5200	Office Supplies		225.90
100-522-5400	Telephone		87.52
100-523-5200	Office Supplies		5.50
100-523-5400	Telephone		90.73
100-524-5400	Telephone		63.69
100-525-5201	Postage		22.63
100-525-5400	Telephone		89.74
100-530-5406	Utilities		203.92
100-530-5704	Elevator Maintenance/Repairs		9.81
100-541-5201	Postage		50.00
100-541-5400	Telephone		180.08
100-542-5200	Office Supplies		225.95
100-542-5400	Telephone		152.16
100-544-5980	Miscellaneous		79.77
100-571-5200	Office Supplies		321.78
100-571-5214	Deputy Supplies		811.86
100-571-5400	Telephone		1,526.41
100-571-5600	Travel & Education		313.51
100-571-5701	Equipment Maintenance		158.00
100-571-5710	Transportation		1,057.62
100-572-5200	Office Supplies		2,000.95
100-576-5200	Office Supplies		3,416.20
100-576-5213	Janitor Supplies		1,195.70
100-576-5820	Firearms Exp		311.74
100-578-5200	Office Supplies		1,017.56
100-578-5400	Telephone		95.95
100-586-5200	Office Supplies		4,006.34
100-586-5400	Telephone		157.19
100-586-5600	Travel & Education		128.82
100-586-5710	Transportation		72.84
230-500-5400	Telephone		39.52
800-500-5400	Telephone/Cell Phone		234.26
Total		21,310.83	21,310.83
Total Proposed Journal Entries		21,310.83	21,310.83
Total All Journal Entries		21,310.83	21,310.83