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CERTIFIED PUBLIC ACCOUNTANTS

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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
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October 24, 2018
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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
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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		<u>63,129.76</u>	<u>63,129.76</u>

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		<u>85,592.22</u>	<u>85,592.22</u>

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		<u>84.00</u>	<u>84.00</u>

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		<u>8,000.00</u>	<u>8,000.00</u>

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		<u>304,980.00</u>	<u>304,980.00</u>

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