

LAMB COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2016

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Name of Official

James M. DeLoach
Cory DeBerry
Kent Lewis
Danny Short
Jimmy Young
Scott Say
Gina Jones
Gary Maddox
Jerry Yarbrough
Brenda Goheen
Debbie Long
Stephanie Chester
Becky DeBerry
Christy Clark
Al Mann
Melton Hanna

Office

County Judge
Commissioner, Precinct #1
Commissioner, Precinct #2
Commissioner, Precinct #3
Commissioner, Precinct #4
County Attorney
County Auditor
County Sheriff
County Treasurer
Tax Assessor-Collector
County Clerk
District Clerk
Justice of Peace #1
Justice of Peace #2
Justice of Peace #3
Justice of Peace #4

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FINANCIAL SECTION

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Stephen H. Webb, CPA
Richard B. Wright, CPA

Independent Auditor's Report

Honorable County Judge and Commissioners' Court
Lamb County
100 6th Street
Littlefield, Texas 79339

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lamb County, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Lamb 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 accounting principles generally accepted in the United States of America; this includes 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 did not audit the financial statements of the Lamb Healthcare Center, which is both a major fund and 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lamb Healthcare Center, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lamb County, as of September 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamb County's basic financial statements. The combining fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and other supplementary information are the responsibility of management and were derived from and relate 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 combining fund financial statements and other supplementary information are 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 dated June 5, 2017 on our consideration of Lamb County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lamb County's internal control over financial reporting and compliance.

Respectfully submitted,



WEBB, WEBB AND WRIGHT, CPA's

June 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Lamb County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the County's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the County as a whole and present a long-term view of the County's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the County were sold to departments within the County or to external customers and how well the sales revenues covered the expenses of the goods or services. The fiduciary statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the same basis of accounting used by most private sector companies – accrual.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by business functions that are intended to recover a portion of their costs through user fees and charges and general revenues provided by the taxpayers. All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's net position and changes in them. The County's net position (the difference between assets, plus deferred outflows of resources less liabilities, less deferred inflows of resources) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider nonfinancial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County operates under two kinds of activities:

Governmental activities – Most of the County's basic services are reported here, including general government, public safety, highways and streets and judicial. Property taxes and fees finance most of these activities.

Business-type activities – The County charges a fee to customers to help it cover all or most of the cost of services it provides in health services.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. The County's administration establishes many funds to help it control and manage money for particular purposes.

Governmental Funds – The County reports most of its basic services in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides.

We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

Proprietary Funds – The County reports the activities for which it charges users (whether outside customers or other units of the County) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise fund (one category of proprietary funds) is the business-type activity reported in the government-wide statements but containing more detail and some additional information, such as cash flows.

Fiduciary Funds - The County is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's primary government activities.

Net position of the County's governmental activities decreased from \$9,799,721 to \$9,349,134. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$3,807,740 at September 30, 2016.

This decrease in governmental net position was the result of the County's expenses exceeding revenues by \$450,587.

The net position of our business-type activities decreased by \$937,133. This decrease is significant to the overall operations of the County as it provides significant services to the community. Factors contributing to this decrease are shown in Exhibit B-1.

Table 1**Lamb County****Net Position**
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
Current and other assets	5,362	5,690	1,657	2,413	7,019	8,103	-13.4%
Capital assets	5,337	5,517	1,855	2,026	7,192	7,543	-4.7%
Total assets	10,699	11,207	3,513	4,439	14,212	15,646	-9.2%
Total deferred outflows of resources	1,515	480			1,515	480	215.6%
Long-term liabilities	2,186	1,401			2,186	1,401	56.0%
Other liabilities	468	422	640	630	1,108	1,052	5.3%
Total liabilities	2,654	1,823	640	630	3,294	2,453	34.3%
Total deferred inflows of resources	211	65			211	65	224.6%
Net position							
Net investment in capital assets	5,021	5,199	1,855	2,399	6,876	7,598	-9.5%
Restricted	520	484			520	484	7.4%
Unrestricted	3,808	4,117	1,017	1,411	4,825	5,528	-12.7%
Total net position	9,349	9,800	2,873	3,810	12,222	13,609	-10.2%

Table 2

Lamb County

Changes in Net Position
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Revenues:							
Net program revenues:							
Charges for services	529	507	7,790	7,883	8,319	8,390	-0.8%
Operating grants and contributions	1,060	613			1,060	613	72.9%
Capital grants and contributions							
General revenues:							
Property taxes	6,852	7,066			6,852	7,066	-3.0%
Licenses and permits	1				1		
Commissions	524	520			524	520	0.8%
Grants and contributions not restricted	-		11	54	11	54	-79.6%
Investment earnings	43	75	3	11	46	86	-46.5%
Other	119	84	1,136	1,275	1,255	1,359	-7.7%
Gain (Loss) on sale of assets	18	13			18	13	38.5%
Total revenues	9,144	8,878	8,939	9,223	18,086	18,101	-0.1%
Expenses:							
General government	1,681	1,325			1,681	1,325	26.9%
Financial	461	439			461	439	5.0%
Judicial	591	557			591	557	6.1%
Legal	223	194			223	194	14.9%
Public safety	3,186	3,209			3,186	3,209	-0.7%
Facilities	142	117			142	117	21.4%
Public welfare	72	62			72	62	16.1%
Culture/Recreation	390	367			390	367	6.3%
Road and bridge	1,859	1,784			1,859	1,784	4.2%
Health			10,855	11,136	10,855	11,136	-2.5%
Interest on long-term debt	12	12			12	12	0.0%
Total expenses	8,617	8,067	10,855	11,136	19,472	19,203	1.4%

Table 2

Lamb County

Changes in Net Position
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Increase (decrease) in net position before transfers	528	811	(1,915)	(1,913)	(1,387)	(1,102)	25.9%
Transfers	(978)	(1,012)	978	1,012	-	-	0.0%
Change in net position	(451)	(200)	(937)	(901)	(1,387)	(1,102)	25.9%
Net position-beginning	9,800	10,000	3,810	4,711	13,610	14,711	-7.5%
Increase (Decrease) in net position					-		
Net position-ending	<u>9,349</u>	<u>9,800</u>	<u>2,873</u>	<u>3,810</u>	<u>12,222</u>	<u>13,609</u>	-10.2%

The County's governmental revenues increased over \$266,000 this year. The total cost of governmental programs and services increased over \$549,000 this year. The County's business revenues decreased over \$284,000 this year. The total cost of business programs and services decreased over \$281,000 this year.

Key elements of the analysis of government-wide revenues and expenses are as follows:

- Current year property tax revenues decreased by \$214,304 compared to prior year collections. This decrease is the result of decreases to the tax base that totaled almost \$26 million.
- Fee office collections increased \$15,578 or 3.7% compared to prior year collections. There were decreases in multiple offices. There were significant increases in Justice of the Peace Pct #3 and District Clerk fees.
- Total expenses increased during the year. A portion of this increase is reflected in the non-departmental area of the budget and the Jail's budget. The non-departmental budget saw increases due to courthouse renovations in progress. The Jail saw an increase due to new equipment for the Jail. There were increases in retirement expense and employee medical benefits.

The cost of all governmental and business-type activities this year was \$19,471,059. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes, licenses and permits, and commissions was only \$7,376,178 because \$8,318,645 of the costs were paid by those who directly benefited from the programs, \$1,059,573 by other governments and organizations that subsidized certain programs with grants and contributions or by \$10,554 in unrestricted grants and contributions.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$4,667,962, which is significantly lower than last year's total of \$4,975,562. Included in this year's total change in fund balance is a net decrease of \$343,512 in the County's General Fund.

The County's proprietary fund reported a net position of \$2,872,546 which is significantly lower than last year's total of \$3,809,679.

The details of the above summarized information can be found on Exhibit C-3 and Exhibit D-2.

Highlights include:

- Total tax revenue including delinquent taxes decreased \$214,304 compared to prior year collections. Taxes decreased due to a decrease in the tax base. Although there was a decrease in the tax base, the County chose to retain the same tax rate as the previous year.
- Expenditures in governmental funds increased over prior year totals. A salary increase was not budgeted. The primary area of increase was in capital outlays.

General Fund Budgetary Highlights

The County's General Fund balance of \$4,147,092 differs from the General Fund's budgetary fund balance of \$2,477,930. This difference is shown on the budgetary comparison schedule (Exhibit F-1).

The County budget is prepared by the County Judge and approved by the Commissioners' Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure line item level. Budgetary adjustments must be approved by the Commissioners' Court. The significant differences between the original budget and the final budget were due to grant revenue being received after the start of the fiscal year. During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. The final budget reflected an excess of expenditures over revenues of \$759,786; however, the actual excess was revenues over expenditures of \$703,243. Major variances included:

- Total revenues collected were more than budgeted revenue. Property tax revenue exceeded the budget by \$46,466 due to higher than expected collection rates and increased penalties and interest on collections of delinquent taxes.
- Total interest revenue collected was less than budgeted amounts by \$15,118.
- Total expenditures for the General Fund were 14.81% less than the ending budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the County had \$18,020,153 invested in a broad range of governmental capital assets, including administrative facilities and equipment, public safety facilities and equipment, and maintenance buildings and equipment. This amount represents a net increase of \$227,910, or approximately 1.3% above last year.

This year's major additions included:

Buildings & Improvements	\$ 188,276
Machinery & Equipment	194,731
Vehicles	144,492
Office Equipment	8,748

Total	\$ 536,247
	=====

Specific additions include the following:

- The Sheriff's office purchased 4 new vehicles.
- The Jail installed a new prisoner monitoring system and purchased a new mower.
- Renovations for the exterior of the courthouse were completed.
- R&B #1 purchased a pickup.
- The Ag barn purchased a new range, a/c units and overhead door.

The County will continue renovation projects for the courthouse in the next fiscal year with no plans to incur any new debt to finance said capital expenditures.

Debt

At year-end, the County had \$315,790 in outstanding governmental debt versus \$317,570 last year. More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected officials considered many factors when setting the fiscal year 2017 budget and tax rates such as the following:

- Additional money was also budgeted in contract/professional services for renovations to the courthouse.
- There were also budget increases for health insurance due to increased cost.
- A significant decrease in tax valuations will result in an estimated \$240,000 decrease in tax revenue for Fiscal Year 2017.
- Due to a delivery delay, the purchase of an ambulance for Earth was moved to Fiscal Year 2017.
- R&B #3 will purchase one motor grader and lease-purchase a second.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Judge's office.

BASIC FINANCIAL STATEMENTS

LAMB COUNTY TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,691,768	\$ 86,911	\$ 4,778,679
Receivables (net of allowance for uncollectibles)	596,627	964,374	1,561,001
Internal Balances	65,877	(65,877)	-
Due from Other Funds	7,101		7,101
Inventories	245	318,581	318,826
Prepays and Other Current Assets		353,481	353,481
Capital Assets (net of accumulated depreciation):			
Land	32,970	61,822	94,792
Buildings and Improvements	3,327,586	524,511	3,852,097
Machinery and Equipment	727,238	1,268,847	1,996,085
Vehicles	767,004		767,004
Office Equipment	184,259		184,259
Capital Leases	298,187		298,187
Construction in Progress			-
Total Capital Assets	<u>\$ 5,337,244</u>	<u>\$ 1,855,180</u>	<u>\$ 7,192,424</u>
TOTAL ASSETS	<u>\$ 10,698,862</u>	<u>\$ 3,512,650</u>	<u>\$ 14,211,512</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pensions	<u>\$ 1,514,967</u>	<u>\$ -</u>	<u>\$ 1,514,967</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,514,967</u>	<u>\$ -</u>	<u>\$ 1,514,967</u>
LIABILITIES			
Accounts Payable	\$ 366,044	\$ 205,066	\$ 571,110
Accrued Liabilities	14,037	435,038	449,075
Due to Others	20,633		20,633
Noncurrent Liabilities:			
Due within one year	66,803		66,803
Due in more than one year	248,987		248,987
Net Pension Liability	1,937,304		1,937,304
TOTAL LIABILITIES	<u>\$ 2,653,808</u>	<u>\$ 640,104</u>	<u>\$ 3,293,912</u>

LAMB COUNTY TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	\$ 210,887	\$ -	\$ 210,887
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 210,887	\$ -	\$ 210,887
NET POSITION			
Net Investment in Capital Assets	\$ 5,021,454	\$ 1,855,180	\$ 6,876,634
Restricted for Special Revenue	519,940		519,940
Unrestricted	3,807,740	1,017,366	4,825,106
TOTAL NET POSITION	\$ 9,349,134	\$ 2,872,546	\$ 12,221,680

LAMB COUNTY TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,680,916	\$ 145,497	\$ 25,615	\$ -	\$ (1,509,804)	\$ -	\$ (1,509,804)
Financial	460,803	99,090	-	-	(361,713)	-	(361,713)
Judicial	591,216	209,686	21,538	-	(359,992)	-	(359,992)
Legal	222,829	25,012	67,846	-	(129,971)	-	(129,971)
Public Safety	3,185,695	49,170	336,468	-	(2,800,057)	-	(2,800,057)
Facilities	141,957	-	-	-	(141,957)	-	(141,957)
Public Welfare	71,930	506	-	-	(71,424)	-	(71,424)
Culture/Recreation	389,597	91	-	-	(389,506)	-	(389,506)
Road and Bridge	1,859,284	-	608,105	-	(1,251,179)	-	(1,251,179)
Interest on Long-Term Debt	12,288	-	-	-	(12,288)	-	(12,288)
Total Governmental Activities	\$ 8,616,515	\$ 529,051	\$ 1,059,573	\$ -	\$ (7,027,891)	\$ -	\$ (7,027,891)
Business - Type Activities:							
Health	\$ 10,854,544	\$ 7,789,594	\$ -	\$ -	\$ -	\$ (3,064,950)	\$ (3,064,950)
Total Business Type Activities	\$ 10,854,544	\$ 7,789,594	\$ -	\$ -	\$ -	\$ (3,064,950)	\$ (3,064,950)
TOTAL PRIMARY GOVERNMENT	\$ 19,471,059	\$ 8,318,645	\$ 1,059,573	\$ -	\$ (7,027,891)	\$ (3,064,950)	\$ (10,092,841)
General Revenues:							
Property Taxes					\$ 6,851,902	\$ -	\$ 6,851,902
Licenses and permits					589	-	589
Commissions					523,687	-	523,687
Grants and contributions not restricted to specific programs					-	10,554	10,554
Investment earnings					42,839	3,465	46,304
Other					118,852	1,135,565	1,254,417
Gain (Loss) on sale of assets					17,668	-	17,668
Transfers					(978,233)	978,233	-
Total general revenues and transfers					\$ 6,577,304	\$ 2,127,817	\$ 8,705,121
Changes in net position					\$ (450,587)	\$ (937,133)	\$ (1,387,720)
Net position - beginning					9,799,721	3,809,679	13,609,400
Net position - ending					\$ 9,349,134	\$ 2,872,546	\$ 12,221,680

LAMB COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,412,199	\$ 279,569	\$ 4,691,768
Investments	-		-
Accounts Receivable	26,159	269,966	296,125
Delinquent Tax Receivable	333,891		333,891
Allowance for Uncollectible Tax	(33,389)		(33,389)
Due From Other Funds	297,200	2	297,202
Inventory	245		245
TOTAL ASSETS	\$ 5,036,305	\$ 549,537	\$ 5,585,842
LIABILITIES			
Accounts Payable	\$ 337,675	\$ 28,369	\$ 366,044
Accrued Liabilities	6,485	(9)	6,477
Due To Other Funds	224,223	1	224,224
Due To Others	20,328	305	20,633
TOTAL LIABILITIES	\$ 588,711	\$ 28,667	\$ 617,378
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 300,502	\$ -	\$ 300,502
TOTAL DEFERRED INFLOWS OF RESOURCE	\$ 300,502	\$ -	\$ 300,502
FUND BALANCES			
Restricted for Special Revenue	\$ -	\$ 519,940	\$ 519,940
Assigned for Retirement of L-T Debt	315,790		315,790
Assigned for Other Purposes		930	930
Unassigned	3,831,302		3,831,302
TOTAL FUND BALANCES	\$ 4,147,092	\$ 520,870	\$ 4,667,962
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 5,036,305	\$ 549,537	\$ 5,585,842

LAMB COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds balance sheet.	\$	4,667,962
Capital assets used in governmental activities not financial resources, and therefore, are not reported in the funds.		5,337,244
A reclassification is necessary to convert from the modified accrual basis of accounting to accrual basis of accounting, and thereby recognizing unavailable revenue from property taxes revenue.		300,502
Long-term liability used in governmental activities are not due and payable in the current period and therefore are not reported in the funds.		(315,790)
Liabilities for long-term debt interest are not due and payable in the current period and therefore not reported in the funds.		(7,560)
Recognition of the County's net pension liability not reported in the funds.		(1,937,304)
Deferred outflow related to pensions not reported in the funds.		1,514,967
Deferred inflow related to pensions not reported in the funds.		<u>(210,887)</u>
Total net position of governmental activities.	<u>\$</u>	<u>9,349,134</u>

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 6,847,776	\$ 54	\$ 6,847,829
Charges for Services	421,243	107,808	529,051
Licenses & Permits	589		589
Commissions	523,687		523,687
Intergovernmental	483,501	576,072	1,059,573
Interest Income	40,402	2,437	42,839
Other Revenue	101,485	17,367	118,852
TOTAL REVENUES	\$ 8,418,682	\$ 703,738	\$ 9,122,419
EXPENDITURES			
Current Operating:			
District Judge	\$ 147,634	\$	\$ 147,634
District Clerk	145,640		145,640
County Judge	180,020		180,020
County Clerk	247,021		247,021
Tax Assessor	201,568		201,568
Treasurer	116,130		116,130
County Attorney	159,110		159,110
Justice of the Peace - Pct #1-4	283,204		283,204
Veterans & Welfare	71,930		71,930
Adult Probation	835		835
Ag Extension Office	99,115		99,115
Sheriff	1,411,603		1,411,603
Jail	908,486		908,486
County Libraries	249,018		249,018
Auditor	143,105		143,105
Non-Departmental	513,390		513,390
Maintenance	141,957		141,957
Ag & Community Centers	37,426		37,426
Public Safety	123,406		123,406
Information Services	205,135		205,135
Road and Bridge - Pct #1-4	1,641,095		1,641,095
Bail Bond Board Account			-
Jury Fund		9,470	9,470
Grants Fund		279,227	279,227
Library Grants		536	536
Emergency Food & Shelter			-
Child Abuse Prevention/Family Protection Fund			-
Court House Security Fund		3,934	3,934
Commissioners Court RPF		126	126
County Clerk RPF		23,717	23,717

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
District Clerk RPF			-
County & District Court Tech Fund			-
District Court Tech/Archive Fund			-
JP Technology Fund		1,334	1,334
JP Court Security Fund			-
Juvenile Probation Fund		281,218	281,218
Juvenile Stand Grant Fund		115,473	115,473
Juvenile Title IV-E Fund			-
Juvenile 4-H Action Fund			-
JPO-State Aid		157,724	157,724
County Clerk Election Fund			-
County Clerk Records Archive Fund			-
Tax A/C Voter Registration Fund			-
VCLG Grant Fund		33,061	33,061
Pre-Trial Diversion Fund		13,009	13,009
DWI Video Fund			-
County Attorney Drug Forfeiture		8,457	8,457
County Attorney Hot Check Fee Fund		9,192	9,192
Sheriff Commissary Fund		9,706	9,706
Sheriff Forfeiture Fund-State		6,668	6,668
Sheriff Forfeiture Fund-Federal			-
County Libraries		3,502	3,502
Historical Commission			-
Capital Outlays	499,035		499,035
Debt Service:			-
Principal	180,779		180,779
Interest	8,797		8,797
Total Expenditures	\$ 7,715,439	\$ 956,355	\$ 8,671,794
Excess (Deficiency) of			
Revenues over Expenditures	\$ 703,243	\$ (252,618)	\$ 450,625
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Assets	\$ 41,007	\$	\$ 41,007
Proceeds from Capital Leases	179,000		179,000
Operating Transfers In	10,822,475	288,529	11,111,004
Operating Transfers Out	(12,089,237)		(12,089,237)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (1,046,755)	\$ 288,529	\$ (758,226)
Net Change in Fund Balances	\$ (343,512)	\$ 35,912	\$ (307,601)
Fund Balances - Beginning	4,490,604	484,958	4,975,562
Fund Balances - Ending	\$ 4,147,092	\$ 520,870	\$ 4,667,962

LAMB COUNTY, TEXAS
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Amounts reported for governmental activities in the statement of activities
("SOA") are different because:

Net change in fund balances - total governmental funds.	\$	(307,601)
Capital outlays are not reported as expenses in the SOA.		499,035
Capital asset depreciation used in governmental activities is not reported in the funds.		(655,156)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.		4,073
Governmental funds only report the sale of assets to the extent proceeds are received from the sale. In the SOA, a gain or loss is reported.		(23,339)
Proceeds from capital lease are not reported as revenue in the SOA.		(179,000)
Some expenditures (e.g. principle debt payment) on fund statements are not expenses in the SOA.		180,779
(Increase) decrease in accrued interest payable from beginning of period to end of period.		(3,491)
Pension expense relating to GASB #68 is recorded in the SOA but not in the funds.		<u>34,111</u>
Change in net position of governmental activities.	<u>\$</u>	<u>(450,587)</u>

LAMB COUNTY TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 86,911
Patient Accounts Receivable, Net of Allowances	729,560
Estimated Third-Party Payer Settlements	28,118
Other Receivables	206,696
Due From Other Funds	224,223
Inventory of Supplies	318,581
Prepaid Expenses and Other Current Assets	<u>353,481</u>
Total Current Assets	\$ 1,947,570

Capital Assets

Net of Accumulated Depreciation	<u>1,855,180</u>
TOTAL ASSETS	<u><u>\$ 3,802,750</u></u>

LIABILITIES

Current Liabilities

Accounts Payable	\$ 205,066
Accrued Payroll, Benefits and Related Liabilities	377,857
Other Accrued Liabilities	57,181
Due To Other Funds	<u>290,100</u>
Total Current Liabilities	<u>\$ 930,204</u>
TOTAL LIABILITIES	<u><u>\$ 930,204</u></u>

NET POSITION

Net Investment in Capital Assets	\$ 1,855,180
Unrestricted	<u>1,017,366</u>
TOTAL NET POSITION	<u><u>\$ 2,872,546</u></u>

LAMB COUNTY TEXAS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION - PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Operating Revenues	
Net Patient Service Revenue	\$ 7,789,594
Electronic Health Records Stimulus	312,963
Delivery System Reform Incentive Program	271,939
Other Operating Revenue	<u>126,392</u>
Total Operating Revenues	\$ 8,500,888
Operating Expenses	
Salaries and Wages	\$ 4,461,911
Employee Benefits	736,632
Professional Fees and Purchased Services	2,904,498
Supplies and Other	2,434,690
Depreciation and Amortization	<u>313,161</u>
Total Operating Expenses	\$ 10,850,892
Operating Income (Loss)	\$ (2,350,004)
Nonoperating Revenues (Expenses)	
Tobacco Settlement Revenue	\$ 19,458
Noncapital Grants and Contributions	10,554
Community Benefit Support	1,416,846
Investment Income	3,465
Intergovernmental Transfers	<u>(1,012,033)</u>
Total Nonoperating Revenues (Expenses)	\$ 438,290
Income (Loss) Before Capital Grants and Contributions & County Subsidies	\$ (1,911,714)
Capital Grants and Contributions	-
County Subsidies	<u>974,581</u>
Change in Net Position	\$ (937,133)
Net Position - Beginning	<u>3,809,679</u>
Net Position - Ending	<u><u>\$ 2,872,546</u></u>

LAMB COUNTY TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash Flows from Operating Activities	
Receipts From and on Behalf of Patients	\$ 9,546,113
Payments to Suppliers and Contractors	(5,130,594)
Payments to Employees	(5,147,481)
Other Receipts and Payments, Net	<u>636,695</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (95,267)</u>
Cash Flows from Noncapital Financing Activities	
Cash Invested in Funds Held by Lamb County	\$ 490,372
County Subsidies	974,581
Noncapital Grants and Contributions	10,554
Proceeds From Tobacco Settlement	19,458
Intergovernmental Transfers	<u>(1,247,379)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 247,586</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	<u>\$ (142,479)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (142,479)</u>
Cash Flows from Investing Activities	
Investment Income	<u>\$ 3,465</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 3,465</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 13,305
Cash and Cash Equivalents - Beginning	<u>73,606</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 86,911</u></u>

LAMB COUNTY TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (2,350,004)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities	
Depreciation and Amortization	\$ 313,161
Provision for Bad Debts	1,361,779
Community Benefit Support	1,416,846
(Increase) Decrease in:	
Patient Accounts Receivable	(1,313,187)
Estimated Third-Party Payer Settlements	(24,308)
Other Receivables	318,750
Inventory of Supplies	(49,313)
Prepaid Expenses and Other Current Assets	220,474
Increase (Decrease) in:	
Accounts Payable	(47,651)
Accrued Payroll, Benefits and Related Liabilities	51,062
Other Accrued Liabilities	7,124
Total Adjustments	<u>\$ 2,254,737</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (95,267)</u>

LAMB COUNTY TEXAS
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 639,077
Accounts Receivable	-
TOTAL ASSETS	<u>\$ 639,077</u>
LIABILITIES	
Accounts Payable	\$ 3,861
Due to Other Groups	612,121
Due to Trust Beneficiaries	<u>23,095</u>
TOTAL LIABILITIES	<u>\$ 639,077</u>

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies follow.

A. REPORTING ENTITY

This report includes all of the services provided by the County to residents and businesses within its boundaries. In evaluating the County's reporting entity in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, management has included all organizations that make up the County's legal entity and all component units. Consistent with applicable guidance, the criteria used by the County to include component units within its reporting entity are financial accountability and/or the nature and significance of the relationship with the County is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County includes organizations as component units under the following financial accountability criteria:

1. Organizations for which the Commissioners' Court appoints a voting majority of the organizations' governing body and for which (a) the County is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.
2. Organizations that are fiscally dependent on the County. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the County.

B. BASIS OF PRESENTATION

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the County's governmental activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the County's statement of net

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

position includes both noncurrent assets and noncurrent liabilities of the County. In addition, the government-wide statement of activities reflects depreciation expenses on the County's fixed assets, including infrastructure.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the County's governmental programs. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Statement No. 34 also requires the County to present a Management's Discussion and Analysis (MD&A) which provides an analytical overview of the County's financial activities. Although it is Required Supplementary Information (RSI), the County is required to present the MD&A before the basic financial statements. In addition, a budgetary comparison statement that compares the adopted and modified General Fund budget with actual results is required to be presented as RSI.

In addition to the government-wide financial statements, the County has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the County's General Fund is similar to that previously presented in the County's financial statements, although the format of financial statements has been modified by Statement No. 34.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

The County has presented the following Major Governmental Fund:
General Fund (GF) The County accounts for financial resources used for general operations in this fund. It is a budgeted fund, and any fund balances are considered resources available for current

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

operations. The general fund accounts for all financial resources except those required to be accounted for in another fund.

The County has presented the following Major Proprietary Fund:
Lamb Healthcare Center This is an enterprise fund of Lamb County. It was established for the purpose of maintaining a system to provide hospital and medical care to the residents of Lamb County.

In addition, the County reports the following fund types:
Agency Funds These funds are used to report resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Agency funds have no measurement focus.

The County's agency funds consist of amounts collected by the individual County fee offices for court costs, vehicle registration fees, victim restitution payments, pre-trial attorney fees, bail bond payments, seizures, inmate trust funds, cafeteria plan funds and trust beneficiaries.

Fiduciary Funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

D. CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, all highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

E. RECEIVABLE AND PAYABLE BALANCES

The County believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

F. INTERFUND ACTIVITY

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

G. INVENTORIES AND PREPAID ITEMS

The County maintains very little inventory and as a result, the cost is recorded as an expenditure at the time individual inventory items are purchased. Any inventory on the balance sheet is stated at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. CAPITAL ASSETS

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest costs incurred during construction of capital assets are capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class -----	Estimated Useful Lives (Years) -----
Buildings & Improvements	7-50
Machinery & Equipment	7-15
Vehicles	8
Office Equipment	5-20

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

I. ENCUMBRANCES

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The County had no outstanding end-of-year encumbrances.

J. PERSONAL LEAVE

County employees (other than Sheriff office employees) earn personal leave in varying amounts and do not earn sick leave. Unused personal leave may be accumulated up to 216 hours and is paid upon termination of employment. Sheriff office employees earn varying amounts of vacation time with a maximum accrual of 120 hours and end of year carryover of 40 hours and is paid upon termination of employment. Sheriff office employees earn 3.08 hours of sick pay per pay period with a maximum accrual of 80 hours and end of year carryover of 40 hours. Lamb County will not pay the employee for unused sick leave time accumulated. Also, in accordance with the Fair Labor Standards Act as it applies to local governments, non-exempt county employees are granted compensatory time for hours worked beyond their regular working hours. Accumulated compensatory time is also paid upon termination of employment.

The County has identified a liability for accumulated personal leave where the employees' rights to receive benefits are attributable to services already rendered, and it is probable that the County will compensate the employees through either paid time off or cash payments at termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The contingent liability for accumulated personal leave at 9-30-16 was \$138,719.

K. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of The Texas County & District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

L. FUND BALANCES

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the County's governing body. Committed amounts cannot be used for any other purpose unless the governing body removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing body. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing body or by an official or body to which the governing body delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

spent first out of committed funds, then assigned funds, and finally unassigned funds.

M. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

N. NEW ACCOUNTING STANDARDS ADOPTED

In fiscal year 2016, the County adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No.72, Fair Value Measurement and Application
 - Statement No.76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government
 - Statement No.77, Tax Abatement Disclosures
1. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes.

While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the County's investments was such that their carrying amount was not affected.

2. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
3. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the County or any other government which affect the County's tax revenue.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to May 1, the County Judge reviews the operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted when applicable by law.
3. Prior to October 1, the budget is legally enacted by acceptance of the Commissioners' Court.
4. Transfer of budgeted amounts between line items is authorized within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Commissioners' Court.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget was properly amended by the Commissioners' Court as needed throughout the year. There were no significant budget amendments passed during the 15-16 fiscal year.

NOTE 3: COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No.38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Juvenile Stand Grant	407	Nonmajor Fund
JPO State Aid	12,984	Nonmajor Fund
VCLG Grant	676	Nonmajor Fund
Sheriff Forfeiture - Federal	1	Nonmajor Fund

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

NOTE 4: DEPOSITS AND INVESTMENTS

The County's funds are required to be deposited and invested under the terms of depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") coverage.

Cash Deposits:

At September 30, 2016, the carrying amount of the County's total deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$4,778,679 and the bank balance was \$5,127,848. The County's cash deposits at September 30, 2016 and during the year ended September 30, 2016, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

Investments:

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1)safety of principal and liquidity, 2)portfolio diversification, 3)allowable investments, 4)acceptable risk levels, 5)expected rates of return, 6)maximum allowable stated maturity of portfolio investments, 7)maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, 8)investment staff quality and capabilities, and 9)bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, 1)obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2)certificates of deposit, 3)certain municipal securities, 4)securities lending program, 5)repurchase agreements, 6)bankers

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

Investment Accounting Policy:

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The County's investments at September 30, 2016 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
None	N/A	\$ -0-
Total Investments		<u>\$ -0-</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name.

At year end, the County was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

NOTE 5: PROPERTY TAX

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 the year in which imposed. On February 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

NOTE 6: DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between the General Fund and Debt Service Fund, when applicable, based on rates adopted for the year of the levy. There was no allocation for the Debt Service Fund in the current year. Allowances for uncollectibles are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

NOTE 7: CAPITAL ASSETS

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

	Beginning Balances	Increases	Ending Decreases	Balances
	-----	-----	-----	-----
<u>Governmental Activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 32,970	\$	\$	\$ 32,970
Construction in Progress	490,937	(490,937)		-0-
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 523,907	\$ (490,937)	\$ -0-	\$ 32,970
	-----	-----	-----	-----
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 9,746,471	\$ 679,213	\$	\$ 10,425,684
Machinery and Equipment	2,291,473	743,828	(112,186)	2,923,116
Vehicles	2,309,044	144,492	(196,152)	2,257,385
Office Equipment	2,027,506	23,742		2,051,248
Capital Leases	893,841	(564,091)		329,750
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 17,268,336	\$ 1,027,184	\$ (308,338)	\$ 17,987,183
	-----	-----	-----	-----
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	\$ (6,969,660)	\$ (128,438)	\$	\$ (7,098,098)
Machinery and Equipment	(1,852,578)	(455,486)	112,186	(2,195,878)
Vehicles	(1,458,387)	(167,594)	135,601	(1,490,381)
Office Equipment	(1,712,982)	(154,007)		(1,866,989)
Capital Leases	(281,931)	250,369		(31,563)
	-----	-----	-----	-----
Total accumulated depreciation	\$ (12,275,539)	\$ (655,156)	\$ 247,787	\$ (12,682,909)
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 4,992,797	\$ (372,028)	\$ (60,551)	\$ 5,304,274
	-----	-----	-----	-----
Governmental activities capital assets, net	\$ 5,516,704	\$ (118,909)	\$ (60,551)	\$ 5,337,244
	-----	-----	-----	-----

Depreciation expense, including capital lease amortization expense, was charged to functions/programs of the governmental activities as follows:

General government	\$ 243,650
Public safety	181,946
Highways and streets	229,560

	\$ 655,156
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

NOTE 8: OPERATING/CAPITAL LEASES

The County has entered into various operating lease agreements for Xerox, Ricoh, Sharp and Konica copiers and printers. Commitments under these operating (noncapitalized) lease agreements provide for future minimum rental payments as of September 30, 2016 as follows:

Year Ending	

2017	\$ 25,551
2018	16,836
2019	11,338
2020	4,098

Total Minimum Rental Payments	\$ 57,823
	=====
Rental Expenditures in FYE 2016	\$ 33,084
	=====

In FYE 2012, the County entered into a lease agreement on a Canon IR C5030 copier. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with no interest. Commitments under this capitalized lease agreement expired during the current year.

In FYE 2012, the County entered into an equipment lease-purchase agreement on a JD 770G Motor Grader for Precinct #4. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 3.25%. The amount of interest paid in the current year was \$765. Commitments under this capitalized lease agreement expired during the current year:

In FYE 2014, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140M2 AWD Motor Grader for Precinct #2. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 2.70%. The amount of interest paid in the current year was \$3,475. Commitments under this capitalized lease agreement expired during the current year.

In FYE 2015, the County entered into an equipment lease-purchase agreement on a John Deere Model 770G Motor Grader for Precinct #4. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

future minimum lease payments as of the inception date with an annual interest rate of 2.70%. The amount of interest paid in the current year was \$4,558. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2016 as follows:

Year Ending	

2017	\$ 36,537
2018	36,537
2019	36,537
2020	36,537

Total Minimum Lease Payments	\$ 146,148
Less Amount Representing Interest	(9,358)

Present Value - Minimum Lease Payments	\$ 136,790
	=====

During the current year, the County entered into an equipment lease-purchase agreement on a John Deere Model 772G Motor Grader for Precinct #1. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 2.70%. The amount of interest paid in the current year was \$-0-. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2016 as follows:

Year Ending	

2017	\$ 38,740
2018	38,740
2019	38,740
2020	38,740
2021	38,740

Total Minimum Lease Payments	\$ 193,700
Less Amount Representing Interest	(14,700)

Present Value - Minimum Lease Payments	\$ 179,000
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

NOTE 9: LONG-TERM DEBT

Changes in Long-Term Liabilities:

	Balance 10-01-15	Increase	Decrease	Balance 09-30-16	Amounts Due Within One Year
	-----	-----	-----	-----	-----
Capital Leases	\$ 317,570	\$ 179,000	\$ 180,780	\$ 315,790	\$ 66,803
	-----	-----	-----	-----	-----
Total Long-Term Liabilities	\$ 317,570	\$ 179,000	\$ 180,780	\$ 315,790	\$ 66,803
	=====	=====	=====	=====	=====

NOTE 10: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2016 consisted of the following:

Due To Fund	Due From Fund	Amount
-----	-----	-----
General Fund	Proprietary Fund-Hospital	\$ 290,100
Proprietary Fund-Hospital	General Fund	224,223
General Fund	Agency Funds	7,100
Other Governmental Fund	Other Governmental Fund	1
Other Governmental Fund	Agency Fund	1

		\$ 521,425
		=====

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2016 consisted of the following:

Transfers From	Transfers To	Amount
-----	-----	-----
General Fund	Other Governmental Funds	\$ 288,530
Proprietary Fund-Hospital	LHC	10,822,475
LHC	Proprietary Fund-Hospital	11,800,708

		\$ 22,911,712
		=====

Interfund balances are short-term loans and interfund transfers are subsidy transfers from unrestricted funds.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

NOTE 11: RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year end 2016, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 12: SELF-INSURED INSURANCE

The County is a member of the Texas Association of Counties Risk Management Pool, a public entity risk pool currently operating as a common risk management and insurance program for Workers' Compensation, General Liability, Law Enforcement Liability, Public Officials Liability and Property/Casualty coverage. The County pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Texas Association of Counties Risk Management Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of insured amounts. The pooling agreement requires the pool to be self-sustaining.

NOTE 13: SUBSEQUENT EVENTS

There has been no significant subsequent event which would have a material effect on the financial statements as of the Independent Auditor's Report date.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Lamb County has an agreement with the State of Texas to pay any unemployment wages which are directly related to unemployed employees of the County. The amounts by which this contingency would affect the financial statements are not determinable. However, management is confident that this contingency would be a seldom occurrence.

The County participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 15: LITIGATION

The County was not involved in any significant litigation as of September 30, 2016.

NOTE 16: PENSION BENEFITS PLAN

A. PLAN DESCRIPTION

Lamb County provides retirement, disability and survivor benefits for all of its full-time and part-time non-temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide, agent multiple-employer, public-employee retirement system consisting of 701 cash balance-account type defined benefit pension plans. TCDRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at www.TCDRS.org.

B. BENEFITS PROVIDED

The plan provisions are adopted by the governing body of each county or district, within the options available in the TCDRS Act. Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 75 or more. Most members have a vested right to a future pension benefit after 8 years of service, but must leave their contributions in TCDRS until retirement age is attained. If a member withdraws his personal contributions in a lump-sum, he forfeits the right to any employer contributions.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, disability or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using the actuarial equivalent as prescribed by the TCDRS Act.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

Employees covered by benefit terms.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	61
Active employees	94

	220

C. CONTRIBUTIONS

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 12.48% for the months of the accounting year in 2015, and 12.48% for the months of the accounting year in 2016. The contribution rate payable by the employee members for fiscal year 2016 is the rate of 7.0% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County's contributions to TCDRS for the 2016 FY were \$452,144, and were equal to the required contributions.

D. NET PENSION LIABILITY

The County's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumption

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 -December 31, 2012, except where required to be different by GASB 68.

Following is a description of the assumptions used in the December 31, 2015 actuarial valuation analysis for Lamb County.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.0%
Payroll growth	3.5%

The payroll assumption is for the aggregate covered payroll of an employer.

Demographic Assumptions

TCDRS system-wide demographic assumptions:

Replacement of Terminated Members - New employees are assumed to replace any terminated members and have similar entry ages.

Disability - Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

Mortality

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

Family Composition - For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

Service Retirement - Members eligible for service retirement are assumed to retire at the rates shown in an experience-based table that are specific to the County's plan of benefits.

Employer-specific demographic assumptions:

Other Terminations of Employment - The rates of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are shown in an experience-based table of rates that are specific to the County's plan of benefits. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

Withdrawals - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to your plan are shown in an experience-based table that are specific to the County's plan of benefits. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 - December 31, 2013 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	14.00%	8.45%
Global Equities	MSCI World(net) Index	1.50%	5.75%
International Equities-Developed	MSCI World Ex USA(net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA(net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.10%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLP)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

Discount Rate

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
	-----	-----	-----
Balances as of December 31, 2014	\$ 15,836,154	\$ 14,753,145	\$ 1,083,009
Changes for the year:			
Service cost	457,052		457,052
Interest on total pension liability	1,271,258		1,271,258
Effect on plan changes	(54,066)		(54,066)
Effect of economic/demographic gains or losses	(223,636)		(223,636)
Effect of assumptions changes or inputs	186,976		186,976
Refund of contributions	(127,931)	(127,931)	-0-
Benefit payments	(750,879)	(750,879)	-0-
Administrative expenses		(10,584)	10,584
Member contributions		247,222	(247,222)
Net investment income		47,906	(47,906)
Employer contributions		443,804	(443,804)
Other		54,939	(54,939)
	-----	-----	-----
Balances as of December 31, 2015	\$ 16,594,926	\$ 14,657,622	\$ 1,937,304

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the Lamb County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Current Discount Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 18,523,612	\$ 16,594,926	\$14,970,304
Fiduciary net position	14,657,622	14,657,622	14,657,622
Net pension liability(asset)	\$ 3,865,990	\$ 1,937,304	\$ 312,682

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.TCDRS.gov.

E. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended 9/30/16, the County recognized pension expense of \$418,033. The calculation was based on the measurement date of 12/31/15.

As of December 31,2015, the deferred outflows and inflows of resources are as follows:

Deferred Outflows/Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -0-	\$ 210,887
Changes of assumptions	140,232	-0-
Net difference between projected and actual earnings	1,028,413	-0-
Contributions made subsequent to measurement date	346,322	N/A
Total	\$ 1,514,967	\$ 210,887

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2016

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended September 30	
2017	\$ 235,260
2018	235,260
2019	256,840
2020	230,397

	\$ 957,758

NOTE 17: HEALTHCARE COVERAGE

During the year ended September 30, 2016, all full time employees were covered by a healthcare insurance plan. The County pays the total cost of premiums for the employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. This healthcare plan provided through the Texas Association of Counties Health and Employee Benefits Pool is with a Blue Cross Blue Shield Preferred Provider Organization (PPO), is renewable October 1, 2015, and the terms of coverage and contribution costs are included in the contractual provisions.

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LAMB HEALTHCARE CENTER

As of June 28, 1991, by order of the Commissioners' Court, the County Judge was authorized to execute a contract for the purchase of the hospital real property, improvements, personal property, and all other assets of the Lamb County Hospital Authority. On August 1, 1991, the County purchased all of the assets and assumed all the liabilities of the Lamb County Hospital Authority. The new entity became Lamb County Hospital Authority d/b/a Lamb Healthcare Center (The "Hospital"). The following disclosures pertain specifically to the Lamb Healthcare Center Fund.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Hospital is an enterprise fund of Lamb County, State of Texas. It was established for the purpose of maintaining a system to provide hospital and medical care to the residents of Lamb County, Texas. The Hospital is supported, in part, by ad valorem tax revenue assessed on real and personal property by the County each year, and subsidies from the County. The Hospital is responsible for the indigent healthcare of the County.

Enterprise Fund Accounting - The Hospital uses enterprise fund accounting. The accompanying financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized in the accounting period when services are rendered and expenses are recognized when incurred.

Method of Accounting - The Hospital is considered a governmental organization and is subject to the pronouncements of the Governmental Accounting Standards Board ("GASB"). The Hospital has elected to apply the provisions based on GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Hospital has also elected to apply the provisions GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Hospital considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third party payers.

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Patient Accounts Receivable - The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management's judgement, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management's evaluation of the collectibility of patient accounts receivable, including the nature of the accounts, credit concentrations, trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

Inventory of Supplies - Inventories are stated at historical cost on the First-In/First-Out (FIFO) method.

Capital Assets - Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital has elected to capitalize expenditures over \$5,000 and provide for depreciation of capital assets on the straight-line method and at rates promulgated by the American Hospital Association which are designed to amortize the cost of such equipment over its useful life as follows:

Land Improvements	15 to 20 years
Building (Components)	5 to 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

Net Position - Net position of the Hospital is classified into two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

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Operating Revenues and Expenses - For purposes of display, the Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services other than financing costs.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge at amounts less than its established rates. Management's policy for provision of charity care is to request proof of income and personal property values, proof of Lamb County residency, number of household members, other benefits received, and other pertinent information. The Hospital applies Federal Poverty Guidelines to determine patient eligibility and performs an application review every six months after approval. The Hospital does not pursue collection of amounts determined to qualify as charity care; therefore, charity care is excluded from net patient revenue.

Federal Income Taxes - The Hospital is a governmental entity and, therefore, exempt from federal and state income taxes under the Internal Revenue Code. No expense has been provided for income taxes in the accompanying financial statements.

County Subsidy - County subsidies are interfund transactions that are recognized as nonoperating revenue when received.

Grants and Contributions - From time to time, the Hospital receives grants from the state as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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Risk Management - The Hospital is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Newly Adopted Accounting Pronouncement

GASB Statement No. 76 - During 2016, the District implemented the provisions of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to improve accounting and financial reporting by raising the category of GASB Implementation Guides in the hierarchy of generally accepted accounting principles used to prepare financial statements of state and local governmental entities. The implementation of this Statement did not affect the change in net position in 2016.

NOTE 2: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare - Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid - Inpatient services are paid under prospectively determined rates per discharge, which include reimbursement for capital costs, based on a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services are paid based on the lower of reasonable costs or customary charges, a fee schedule or blended rates.

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Other - The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net Patient Revenue is comprised as follows:

Routine Patient Services	\$ 364,074
Ancillary Patient Services	
Inpatient	2,960,752
Outpatient	9,683,617

Gross Patient Service Revenue	\$ 13,008,443
Charity	(261,782)
Third-Party Contractual Adjustments	(5,123,128)
Provision for Bad Debts	(1,361,779)
Medicaid Supplemental Payments & Other Credits	1,527,840

Net Patient Service Revenue	\$ 7,789,594
	=====

Estimated Third-Party Payer Settlements - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Anticipated final settlement amounts from current and prior years' cost reports are recorded in the financial statements as they are determined by the Hospital. Estimated third-party payer settlements recorded in current assets at September 30, 2016 are \$28,118.

Charity Care - The value of charity care provided by the Hospital based upon its established rates, was \$261,782 in 2016. ASU 2010-23 requires charity care to be disclosed on a cost basis. The Hospital utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost. The Hospital's cost of providing charity care was estimated at \$215,328 for the year ended September 30, 2016.

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NOTE 3: DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2016, the carrying amount of the Hospital's deposits with financial institutions was \$86,911 and the bank balance was \$161,328. The bank balance is protected by Federal Deposit Insurance Corporation coverage and by the County's specific securities pledged to secure the deposits. All cash is deposited through the County Commissioners Office. The County Commissioners meet twice a month, the second and fourth Monday of the month to approve all cash disbursements.

NOTE 4: PATIENT ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at September 30, 2016:

Gross Accounts Receivable	\$ 2,051,288
Less: Allowance for Bad Debts	(939,048)
Allowance for Contractuals	(382,680)

Accounts Receivable, Net of Allowance	\$ 729,560
	=====

Concentration of Credit Risk - The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2016 is as follows:

Medicare	19%
Medicaid	17%
Other Third-Party Payers	23%
Patients	41%

Total	100%
	=====

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NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets at cost less accumulated depreciation:

	Balance 9/30/15	Additions	Retirements	Balance 9/30/16
	-----	-----	-----	-----
Land	\$ 61,822	\$	\$	\$ 61,822
Land Improvements	1,022,226			1,022,226
Equipment	5,583,118	142,479		5,725,597
	-----	-----	-----	-----
Totals at historical cost	\$ 6,667,166	\$ 142,479	\$ -0-	\$ 6,809,645
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Land Improvements	\$ (429,422)	\$ (68,293)	\$	\$ (497,715)
Equipment	(4,211,882)	(244,868)		(4,456,750)
	-----	-----	-----	-----
Total Accumulated Depreciation	\$ (4,641,304)	\$ (313,161)	\$ -0-	\$ (4,954,465)
	-----	-----	-----	-----
Capital Assets, Net	\$ 2,025,862	\$ (170,682)	\$ -0-	\$ 1,855,180
	-----	-----	-----	-----

Depreciation expense for the year ended September 30, 2016 was \$313,161.

NOTE 6: SECTION 1115 DEMONSTRATION WAIVER PROGRAM

On December 11, 2011, the U.S Department of Health and Human Services approved a new Medicaid section waiver 1115(a) demonstration entitled Texas Transformation and Quality Improvement Program (the "Program"). This Program expanded existing managed care programs and established two funding pools that assisted providers with uncompensated care costs and promote health system transformation. The Program is effective from December 12, 2011 to September 30, 2016, and had a material impact on the Hospital's future Medicaid funding. On May 1, 2016, the U.S. Department of Health and Human Services granted a 15-month extension of the Program through December 31, 2017. Due to the voluntary nature of these programs, revenue is recorded when received.

Uncompensated Care - The Hospital participated in the Section 1115 Demonstration Waiver Program, a program designed to benefit rural community hospitals. This program is facilitated through the Hospital providing an intergovernmental transfer whereby federal matching funds are provided to supplement the Hospital for the shortfall in Medicaid

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funding. In connection with this program, the Hospital provided intergovernmental transfers of \$779,878 and received \$1,841,838 for the year ended September 30, 2016. The Hospital recognized revenue of \$864,182 for the year ended September 30, 2016. The respective net revenue is included in net patient service revenue in the statement of revenues, expenses, and changes in fund net position. Net revenue included in other receivables in the statement of net position was \$-0-.

Delivery System Reform Incentive Program - As part of the Section 1115 Demonstration Waiver Program, the Hospital is eligible to receive incentive payments through the Delivery System Reform Incentive Payment Program (DSRIP). This incentive program is designed to improve the experience of care, improve the health of populations, and containing costs. By participating in the DSRIP program, the Hospital provides an intergovernmental transfer to finance the non-federal share of the incentive payments. In connection with this program, the Hospital provided intergovernmental transfers of \$203,699 and received \$475,638 for the year ended September 30, 2016. The Hospital recognized revenue of \$271,939 for the year ended September 30, 2016.

Indigent Care Affiliation Agreement - Under the Section 1115 Demonstration Waiver Program, the Hospital is part of an indigent care affiliation agreement with the Service Organization of West Texas. This agreement is intended to increase funding for the Medicaid population and to access federal funding for the indigent population. Under this program, the Hospital transfers certain governmental funds to the State of Texas. The Service Organization of West Texas then provides care to the Medicaid and non-Medicaid indigent in the region and surrounding communities. These services were valued at \$1,416,846 for the year ended September 30, 2016. As part of the affiliation agreement, the Hospital provided \$1,247,379 in funding to the program for the year ended September 30, 2016. Additionally, at September 30, 2016 the Hospital funded \$235,346 which has not been recorded as a prepaid expense in prepaid and other current assets in the statement of net position.

NOTE 7: ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based upon a

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statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the State, which is approved by The Center for Medicare and Medicaid Services. Payments under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period. During September 30, 2016, the Hospital met the fifth-year requirements under the Medicare program and has recorded revenue of \$268,863. During September 30, 2016, the Hospital met the fourth year requirements under the Medicaid program and has recorded revenue of \$44,100.

NOTE 8: MEDICAID DISPROPORTIONATE SHARE FUNDS

The Indigent Health Care and Treatment Act, passed by the 69th Texas Legislature in 1985, first apportioned funds to the Texas Department of Human Services (DHS) to provide assistance to hospitals providing a disproportionate share of inpatient indigent health care. The State of Texas created a mechanism whereby intergovernmental transfers were made between selected district and county hospitals to generate additional federal matching funds. Hospitals participating in the Medicaid program that meet the conditions of participation and that serve a disproportionate share of low-income patients as defined by state law are eligible for additional reimbursement from the disproportionate share hospital fund. There are direct and implied expectations regarding the purpose of this funding.

The focus of the funds is to benefit the health care needs of the medically indigent, including recipients of Medicaid benefits, those eligible for Medicaid benefits, the uninsured, and others for whom the cost of medical and hospital care has exceeded their ability to pay. However, state and federal laws offer considerable flexibility to recipient hospitals regarding specific use of the funds. In connection with this program, the Hospital provided intergovernmental transfers of \$555,166 and received \$1,258,570 for the year ended September 30, 2016. The Hospital recognized revenue of \$663,658 for the year ended September 30, 2016. The respective net

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revenue is included in net patient service revenue in the statement of revenues, expenses, and changes in net position. Net revenue included in other receivables in the statement of net position at September 30, 2016 was \$-0-.

NOTE 9: MEDICAL MALPRACTICE CLAIMS

The Hospital is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to \$100,000 per person/\$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the Hospital. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Litigation - In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. In the opinion of management, the ultimate resolution of pending legal proceedings, if any, will not have a material effect on the Hospital's financial position or results of operations.

Leases - The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total rental expense, including operating leases, in 2016 was \$162,170.

NOTE 11: COUNTY SUBSIDIES

County - The Hospital receives funds from the County for indigent patient care, capital improvements, repairs, and other operating costs. These funds are partially provided through the County's general tax revenues. During 2016, the Hospital received \$974,581 from the County for operations.

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NOTE 12: SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is March 20, 2017, which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LAMB COUNTY TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GENERAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Taxes	\$ 6,795,153	\$ 6,795,153	\$ 6,847,776	\$ 52,623
Charges for Services	421,750	421,750	421,243	(507)
Licenses & Permits	750	750	589	(162)
Commissions	539,500	539,500	523,687	(15,813)
Intergovernmental	197,500	197,500	483,501	286,001
Interest Income	63,200	63,200	40,402	(22,798)
Other Revenue	83,500	171,000	101,485	(69,516)
Total Revenues	\$ 8,101,353	\$ 8,188,853	\$ 8,418,682	\$ 229,829
Expenditures				
District Judge	\$ 166,479	\$ 166,479	\$ 147,634	\$ 18,845
District Clerk	160,621	160,621	145,640	14,981
County Judge	185,182	185,182	180,020	5,162
County Clerk	247,327	247,327	247,021	306
Tax Assessor	204,136	205,917	201,568	4,349
Treasurer	126,935	126,935	116,130	10,805
County Attorney	176,063	176,063	159,110	16,953
Justice of Peace - Pct #1-4	312,610	312,610	283,204	29,406
Veterans & Welfare	80,598	86,398	71,930	14,468
Adult Probation	2,200	2,200	835	1,365
Ag Extension Office	112,383	112,383	99,115	13,268
Sheriff	1,556,982	1,556,982	1,411,603	145,379
Jail	978,397	978,074	908,486	69,588
County Libraries	258,707	258,707	249,018	9,689
Auditor	151,780	151,780	143,105	8,675
Non-Departmental	776,671	745,850	513,390	232,460
Maintenance	160,923	160,923	141,957	18,966
Ag & Community Centers	35,400	35,755	37,426	(1,671)
Public Safety	142,512	166,012	123,406	42,606
Information Services	212,524	212,524	205,135	7,389
Road & Bridge - Pct #1-4	1,941,187	1,870,749	1,641,095	229,654
Capital Outlays	757,825	832,700	499,035	333,665
Principal	95,005	186,528	180,779	5,749
Interest	9,842	9,940	8,797	1,143
Total Expenditures	\$ 8,852,289	\$ 8,948,639	\$ 7,715,439	\$ 1,233,200

LAMB COUNTY TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GENERAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Excess (Deficiency) of Revenues Over Expenditures	\$ (750,936)	\$ (759,786)	\$ 703,243	\$ 1,463,029
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	\$ 25,000	\$ 39,606	\$ 41,007	\$ 1,401
Proceeds From Capital Leases			179,000	179,000
Operating Transfers In	11,900,269	11,900,269	10,822,475	(1,077,794)
Operating Transfers Out	(13,185,787)	(13,192,763)	(12,089,237)	1,103,526
Total Other Financing Sources (Uses)	<u>\$ (1,260,518)</u>	<u>\$ (1,252,888)</u>	<u>\$ (1,046,755)</u>	<u>\$ 206,133</u>
Net Change in Fund Balances	<u>\$ (2,011,454)</u>	<u>\$ (2,012,674)</u>	<u>\$ (343,512)</u>	<u>\$ 1,669,162</u>
Fund Balances - Beginning	4,490,604	4,490,604	4,490,604	-
Fund Balance - Ending	<u><u>\$ 2,479,150</u></u>	<u><u>\$ 2,477,930</u></u>	<u><u>\$ 4,147,092</u></u>	<u><u>\$ 1,669,162</u></u>

SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS
 YEAR ENDED DECEMBER 31
 LAST 10 YEARS (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service Cost	\$ 485,206	\$ 457,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	1,202,686	1,271,258	-	-	-	-	-	-	-	-
Effect of plan changes	-	(54,066)	-	-	-	-	-	-	-	-
Effect of assumption changes or inputs	-	186,976	-	-	-	-	-	-	-	-
Effect of economic/demographic (gains) or losses	(86,320)	(223,636)	-	-	-	-	-	-	-	-
Benefit payments/refunds of contributions	(736,690)	(878,811)	-	-	-	-	-	-	-	-
Net change in total pension liability	864,882	758,772	-	-	-	-	-	-	-	-
Total pension liability - beginning	14,971,272	15,836,154	-	-	-	-	-	-	-	-
Total pension liability - ending (a)	\$ 15,836,154	\$ 16,594,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary Net Position										
Employer contributions	\$ 428,314	\$ 443,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Member contributions	240,242	247,222	-	-	-	-	-	-	-	-
Investment income net of investment expenses	952,041	47,906	-	-	-	-	-	-	-	-
Benefit payments/refunds of contributions	(736,690)	(878,811)	-	-	-	-	-	-	-	-
Administrative expenses	(11,010)	(10,584)	-	-	-	-	-	-	-	-
Other	50,544	54,939	-	-	-	-	-	-	-	-
Net change in fiduciary net position	923,440	(95,523)	-	-	-	-	-	-	-	-
Fiduciary net position - beginning	13,829,705	14,753,145	-	-	-	-	-	-	-	-
Fiduciary net position - ending (b)	\$ 14,753,145	\$ 14,657,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability/(asset), ending = (a) - (b)	\$ 1,083,009	\$ 1,937,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary net position as a % of total pension liability	93.16%	88.33%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pension covered payroll	\$ 3,432,025	\$ 3,531,748	-	-	-	-	-	-	-	-
Net pension liability as a % of covered payroll	31.56%	54.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

SCHEDULE OF CONTRIBUTIONS
YEAR ENDED DECEMBER 31
LAST 10 YEARS (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 428,314	\$ 440,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	(428,314)	(443,804)								
Contribution deficiency (excess) Covered employee payroll	\$ -	\$ (3,395)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	12.48%	12.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	15 years
Asset Valuation Method	5 Year smoothed market
Inflation	3.0%
Salary Increases	3.50% to 8.93% including inflation
Investment Rate of Return	8.10%

Retirement Age Experience-based table of rates that are specific to the Country's plan of benefits. Last updated for the 2014 valuation pursuant to an actuarial experience study of the period 2009-2012.

Mortality RP2000 Combined Mortality Table with the projection Scale AA

Other Information:

Notes There were no benefit changes during the year.

LAMB COUNTY, TEXAS

Notes to Required Supplementary Information
September 30, 2016

BUDGET

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to October 1, the County Judge reviews the operating budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Commissioner's Court is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted by acceptance of the Commissioner's Court.

Once a budget is approved, it can be amended only by approval of the Commissioner's Court.

Such amendments are made before the fact, are reflected in the official minutes of the Commissioner's Court and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure department level. Budgeted amounts are as amended by the Commissioner's Court. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase order or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

COMBINING FUND FINANCIAL STATEMENTS

LAMB COUNTY TEXAS
COMBINING BALANCE SHEET - ALL GENERAL FUND TYPES
SEPTEMBER 30, 2016

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 3,223,218	\$ 964,757	\$ 224,223	\$ 4,412,199
Investments				-
Accounts Receivable	26,159			26,159
Delinquent Tax Receivable	333,891			333,891
Allowance for Uncollectible Tax	(33,389)			(33,389)
Due From Other Funds	297,200			297,200
Inventory	245			245
TOTAL ASSETS	\$ 3,847,324	\$ 964,757	\$ 224,223	\$ 5,036,305
LIABILITIES				
Accounts Payable	\$ 261,421	\$ 76,253	\$ -	\$ 337,675
Accrued Liabilities	5,318	1,167	-	6,485
Due To Other Funds			224,223	224,223
Due To Others	20,328			20,328
TOTAL LIABILITIES	\$ 287,067	\$ 77,421	\$ 224,223	\$ 588,711
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	\$ 300,502	\$ -	\$ -	\$ 300,502
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 300,502	\$ -	\$ -	\$ 300,502
FUND BALANCES				
Assigned for Retirement of L-T Debt	\$ -	\$ 315,790	\$ -	\$ 315,790
Unassigned	3,259,755	571,547	-	3,831,302
TOTAL FUND BALANCES	\$ 3,259,755	\$ 887,336	\$ -	\$ 4,147,092
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 3,847,324	\$ 964,757	\$ 224,223	\$ 5,036,305

LAMB COUNTY TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GENERAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
REVENUES				
Taxes	\$ 4,769,819	\$ 1,103,375	\$ 974,581	\$ 6,847,776
Charges for Services	421,243			421,243
Licenses & Permits	589			589
Commissions	31,091	492,595		523,687
Intergovernmental	107,294	376,207		483,501
Interest Income	29,881	6,869	3,652	40,402
Other Revenue	100,662	822		101,485
TOTAL REVENUES	\$ 5,460,580	\$ 1,979,869	\$ 978,233	\$ 8,418,682
EXPENDITURES				
District Judge	\$ 147,634	\$ -	\$ -	\$ 147,634
District Clerk	145,640			145,640
County Judge	180,020			180,020
County Clerk	247,021			247,021
Tax Assessor	201,568			201,568
Treasurer	116,130			116,130
County Attorney	159,110			159,110
Justice of Peace - Pct #1-4	283,204			283,204
Veterans & Welfare	71,930			71,930
Adult Probation	835			835
Ag Extension Office	99,115			99,115
Sheriff	1,411,603			1,411,603
Jail	908,486			908,486
County Libraries	249,018			249,018
Auditor	143,105			143,105
Non-Departmental	513,390			513,390
Maintenance	141,957			141,957
Ag & Community Centers	37,426			37,426
Public Safety	123,406			123,406
Information Services	205,135			205,135
Road and Bridge - Pct #1-4		1,641,095		1,641,095
Capital Outlays	306,035	193,000		499,035
Principal	937	179,842		180,779
Interest		8,797		8,797
TOTAL EXPENDITURES	\$ 5,692,705	\$ 2,022,734	\$ -	\$ 7,715,439

LAMB COUNTY TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ALL GENERAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (232,125)	\$ (42,865)	\$ 978,233	\$ 703,243
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Assets	\$ 15,101	\$ 25,906	\$ -	\$ 41,007
Proceeds From Capital Leases		179,000		179,000
Operating Transfers In			10,822,475	10,822,475
Operating Transfers Out	(281,555)	(6,975)	(11,800,708)	(12,089,237)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (266,454)	\$ 197,932	\$ (978,233)	\$ (1,046,755)
NET CHANGE IN FUND BALANCES	\$ (498,579)	\$ 155,066	\$ -	\$ (343,512)
FUND BALANCES - BEGINNING	3,758,334	732,270		4,490,604
FUND BALANCES - ENDING	<u>\$ 3,259,755</u>	<u>\$ 887,336</u>	<u>\$ -</u>	<u>\$ 4,147,092</u>

LAMB COUNTY TEXAS
COMBINING BALANCE SHEET
ROAD AND BRIDGE FUNDS
SEPTEMBER 30, 2016

	<u>Precinct One</u>	<u>Precinct Two</u>	<u>Precinct Three</u>	<u>Precinct Four</u>	<u>Total</u>
ASSETS					
Cash and Cash Equivalents	\$ 236,204	\$ 126,421	\$ 163,126	\$ 439,005	\$ 964,757
Investments					-
Accounts Receivable					-
TOTAL ASSETS	\$ 236,204	\$ 126,421	\$ 163,126	\$ 439,005	\$ 964,757
LIABILITIES					
Accounts Payable	\$ 19,310	\$ 19,916	\$ 20,291	\$ 16,736	\$ 76,253
Accrued Liabilities	1,149	18			1,167
TOTAL LIABILITIES	\$ 20,460	\$ 19,934	\$ 20,291	\$ 16,736	\$ 77,421
FUND BALANCES					
Assigned for Retirement of L-T Debt	\$ 179,000	\$ -	\$ -	\$ 136,790	\$ 315,790
Unassigned	36,745	106,488	142,835	285,479	571,547
TOTAL FUND BALANCES	\$ 215,745	\$ 106,488	\$ 142,835	\$ 422,269	\$ 887,336
TOTAL LIABILITIES AND FUND BALANCES	\$ 236,204	\$ 126,421	\$ 163,126	\$ 439,005	\$ 964,757

LAMB COUNTY TEXAS
 COMBINING STATEMENT OF REVENUES - ACTUAL AND BUDGET
 ROAD AND BRIDGE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>PRECINCT ONE</u>	<u>PRECINCT TWO</u>	<u>PRECINCT THREE</u>	<u>PRECINCT FOUR</u>	<u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES							
Tax Collector:							
Ad Valorem Taxes	\$ 275,844	\$ 275,844	\$ 275,844	\$ 275,844	\$ 1,103,375	\$ 1,096,552	\$ 6,823
Car Tags	<u>123,149</u>	<u>123,149</u>	<u>123,149</u>	<u>123,149</u>	<u>492,595</u>	<u>508,000</u>	<u>(15,405)</u>
Total Tax Collector	<u>\$ 398,993</u>	<u>\$ 398,993</u>	<u>\$ 398,993</u>	<u>\$ 398,993</u>	<u>\$ 1,595,970</u>	<u>\$ 1,604,552</u>	<u>\$ (8,582)</u>
Other Revenue:							
Intergovernmental	\$ 107,717	\$ 109,052	\$ 107,990	\$ 51,448	\$ 376,207	\$ 195,500	\$ 180,707
Interest	1,473	1,613	959	2,824	6,869	8,200	(1,331)
Miscellaneous	155	138	393	138	822	4,000	(3,178)
Sale of Assets	<u>6,300</u>		<u>19,606</u>		<u>25,906</u>	<u>34,606</u>	<u>(8,700)</u>
Total Other Revenue	<u>\$ 115,645</u>	<u>\$ 110,802</u>	<u>\$ 128,948</u>	<u>\$ 54,410</u>	<u>\$ 409,805</u>	<u>\$ 242,306</u>	<u>\$ 167,499</u>
TOTAL REVENUES	<u>\$ 514,637</u>	<u>\$ 509,795</u>	<u>\$ 527,941</u>	<u>\$ 453,403</u>	<u>\$ 2,005,775</u>	<u>\$ 1,846,858</u>	<u>\$ 158,917</u>

LAMB COUNTY TEXAS
 COMBINING STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET
 ROAD AND BRIDGE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>PRECINCT ONE</u>	<u>PRECINCT TWO</u>	<u>PRECINCT THREE</u>	<u>PRECINCT FOUR</u>	<u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES							
Commissioner's Salaries	\$ 48,599	\$ 48,599	\$ 48,599	\$ 48,599	\$ 194,396	\$ 198,064	\$ 3,668
Employee Salaries	150,448	138,679	145,344	105,726	540,197	592,607	52,410
Part-Time Salaries	1,151	24,696	23		25,869	48,554	22,685
Automobile Allowance			6,000		6,000	6,000	-
Social Security	15,333	16,165	15,156	11,897	58,551	65,808	7,257
Retirement	27,894	23,959	25,277	19,665	96,795	105,452	8,657
Group Hospital Insurance	43,850	39,108	43,000	34,397	160,355	169,832	9,477
Unemployment	786	849	748	547	2,929	3,570	641
Workers Comp.	5,402	5,455	4,845	3,601	19,304	25,054	5,750
Supplies/Other Operations	75				75	950	875
Equipment & Furniture	487				487	3,000	2,513
Fuel	42,763	42,737	33,089	35,037	153,627	230,991	77,364
Equipment Parts & Repairs	58,165	72,140	80,974	48,687	259,965	264,604	4,639
Paving & Seal Coating					-	-	-
Materials & Supplies	1,803	10,866			12,669	35,866	23,197
Telephone	2,175	2,105	4,897	1,860	11,037	11,485	448
Utilities	4,132	2,808	4,043	767	11,750	14,400	2,650
Travel & Training	1,133	824	938	1,123	4,019	5,539	1,520
Soil Conversation	750	750	750	750	3,000	3,000	-
Contract/Professional	4,600	28,674	1,923	31,539	66,735	67,136	401
Equipment Rentals/Leases					-	-	-
Principal		122,701		57,141	179,842	184,560	4,718
Interest Expense		3,475		5,322	8,797	9,940	1,143
Insurance & Bonds					-	5,136	5,136
Auto & Liability Insurance	4,134	3,136	3,204	2,861	13,335	13,701	366
Capital Outlays	14,000				14,000	211,000	197,000
TOTAL EXPENDITURES	\$ 427,680	\$ 587,725	\$ 418,810	\$ 409,519	\$ 1,843,734	\$ 2,276,249	\$ 432,515

LAMB COUNTY TEXAS
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
ROAD AND BRIDGE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Precinct One</u>	<u>Precinct Two</u>	<u>Precinct Three</u>	<u>Precinct Four</u>	<u>Total</u>
FUND BALANCES September 30, 2015	\$ 129,600	\$ 187,504	\$ 33,705	\$ 381,461	\$ 732,270
ADD: Revenue	514,637	509,795	527,941	453,403	2,005,775
DEDUCT: Expenditures	(427,680)	(587,725)	(418,810)	(409,519)	(1,843,734)
TRANSFERS IN (OUT)	(813)	(3,086)		(3,076)	(6,975)
FUND BALANCES September 30, 2016	<u>\$ 215,745</u>	<u>\$ 106,488</u>	<u>\$ 142,835</u>	<u>\$ 422,269</u>	<u>\$ 887,336</u>

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 SEPTEMBER 30, 2016

	District Clerk	County Clerk	Tax Assessor Collector	County Treasurer	County Attorney	Adult Probation	Justice of the Peace	Sheriff	Adult Basic Supervision	Adult Community Corrections	Total
ASSETS											
Cash & Cash Equivalents	\$ 367,231	\$ 19,500	\$ 121,515	\$ 31,628	\$ 4,038	\$ 2,851	\$ 4,243	\$ 30,823	\$ 50,814	\$ 6,434	\$ 639,077
Accounts Receivable											
TOTAL ASSETS	\$ 367,231	\$ 19,500	\$ 121,515	\$ 31,628	\$ 4,038	\$ 2,851	\$ 4,243	\$ 30,823	\$ 50,814	\$ 6,434	\$ 639,077
LIABILITIES											
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,997	\$ 864	\$ 3,861
Due to Other Groups	344,136	19,500	121,515	31,628	4,038	2,851	4,243	30,823	47,818	5,570	612,121
Due to Trust Beneficiaries	23,095										23,095
TOTAL LIABILITIES	\$ 367,231	\$ 19,500	\$ 121,515	\$ 31,628	\$ 4,038	\$ 2,851	\$ 4,243	\$ 30,823	\$ 50,814	\$ 6,434	\$ 639,077

OTHER SUPPLEMENTARY INFORMATION

ROAD AND BRIDGE FIXED ASSETS

LAMB COUNTY TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2016

<u>Precinct #1</u>	<u>Balance</u> <u>9-30-15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-16</u>
JD 4040 Tractor	\$ 24,360	\$ -	\$ -	\$ 24,360
JD 410B Backhoe SN723439 (9-86)	43,800			43,800
1989 Mack Dump Truck	47,000			47,000
1991 Chevy Pickup SN130341 (5-91)	13,805			13,805
Used Grid Roller (4-93)	12,500			12,500
Mack Truck (4-93)	7,500			7,500
Bottom Dump Trailer (4-93)	21,500			21,500
Ripper (9-93)	7,750			7,750
1968 Mack Truck (10-94)	5,650			5,650
1977 Dodge Tank Truck T81HZ3T (1-96)	7,000			7,000
Radio Equipment (3-96)	10,107			10,107
938 G Caterpillar (9-98)	85,000			85,000
1999 Dump Truck - # 0383 (853)	23,500			23,500
1999 Dump Truck - 0382 (854)	23,500			23,500
2000 Chev P/U Model K2500	22,093			22,093
1996 Mack Truck - #57132	13,000			13,000
1996 Mack Truck - #57136	13,000			13,000
1997 Mack Truck - #65596	15,000			15,000
Caterpillar Excavator - #9RL00289 (960)	64,942			64,942
Jeep Truck Wrecker	5,100			5,100
2003 Big Tex Trailer	11,000			11,000
140 H Mtr Grader #17638	112,186		112,186	-
2003 Chevy Crew Cab P/U #70359	12,600			12,600
JD 7800 MFWD Tractor #08183	27,234			27,234
Bush Hog Shredder #00635	11,900			11,900
Cat 140H Mtr Grader #03689	83,821			83,821
2009 CAT 140M Mtr Grader #B9D01781	167,430			167,430
1996 JD 8300 Tractor #05757	45,000			45,000
Bush Hog Shredder #01806	13,850			13,850
2007 Chevy K1500 P/U #83547	12,500		12,500	-
CAT 140M Mtr Grader #B9D02600	179,227			179,227
2010 Chevy 4x4 P/U #169591	16,000			16,000
2015 JD 772G Mtr Grader #672889		179,000		179,000
2012 Chevy Silverado P/U #216648		14,000		14,000
Total Equipment	\$ 1,158,855	\$ 193,000	\$ 124,686	\$ 1,227,169
Lots	900			900
Precinct Barn	7,016			7,016
Pct #1 Community Building	31,510			31,510
Total Precinct #1	\$ 1,198,281	\$ 193,000	\$ 124,686	\$ 1,266,595

LAMB COUNTY TEXAS
SCHEDULE OF FIXED ASSETS
 SEPTEMBER 30, 2016

	<u>Balance</u> <u>9-30-15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-16</u>
<u>Precinct #2</u>				
1978 Mack W/Dump 72266	\$ 28,610	\$ -	\$ -	\$ 28,610
1987 3/4 Ton Pickup	9,350			9,350
1982 Clements Dump Trailer SN 1B3BM1 (4-91)	14,000			14,000
1 - Roller Grid	13,800			13,800
1995 Chevy 3/4 Ton Pickup (4-94)	15,709			15,709
Clements Belly Dump Truck SN 388807 (3-97)	12,500			12,500
Grid Roller (11-97)	14,000			14,000
1989 Mack - #7057 (855)	24,000			24,000
938 G Cat Wheel Loader #47501647	75,000			75,000
2001 Mtr Grader #2ZK06524	109,000			109,000
Hyster Grid Roller - #BEE - 2002 (1004)	13,250			13,250
Hyster Grid Roller	12,000			12,000
1996 Mack Truck	20,000			20,000
2000 Chevy Ext Cab P/U #1224783	7,600			7,600
140 H Mtr Grader #17464	110,377			110,377
Crust Buster Shredder #00669	10,900			10,900
2002 Chevy P/U #16678	10,500			10,500
JD 4020 Tractor #26064	24,750			24,750
CAT 140H MTR Grader #CCA04113	74,143			74,143
2006 Chevy P/U #166231	10,000			10,000
CAT 140H MTR Grader #B9D01929	179,357			179,357
2008 Chevy P/U #295811	10,000			10,000
2014 CAT 140M2 Mtr Grader OR9G00299	212,000			212,000
Total Equipment	\$ 1,010,846	\$ -	\$ -	\$ 1,010,846
Land	1,450			1,450
Barn	19,618			19,618
Total Precinct #2	\$ 1,031,914	\$ -	\$ -	\$ 1,031,914

LAMB COUNTY TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2016

	<u>Balance</u> <u>9-30-15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-16</u>
<u>Precinct #3</u>				
Shredder #930458 (12-87)	\$ 5,000	\$ -	\$ 5,000	\$ -
1980 Timppte Belly Dump Trailer (5-88)	15,500			15,500
1981 Used Timppte Beal Belly Dump Trailer	10,500		10,500	-
Campc Packers (4-95)	5,000			5,000
544H JD Loader - #1267 (850)	97,500			97,500
1986 Cherokee Truck - #9514 (859)	6,000		6,000	-
Bush Hog Flex-Wing Shredder #12-09661	8,500			8,500
1988 Mack Truck	10,000		10,000	-
140H CAT - #7096 (974)	117,000			117,000
Caterpillar 140H Grader	96,642			96,642
Road Groom Machine	13,264			13,264
2000 Chevy 271 P/U #22590	5,000			5,000
Volvo G930 MTR Grader #70090	49,144			49,144
2002 Ford F-150 #96290	5,157			5,157
2004 Chevy #85450	5,700			5,700
AMCO LOF-2424 Harrow Disc	6,000			6,000
2001 CPS Belly Dump Trlr #003481	9,750			9,750
1997 Mack Truck #078253	29,950			29,950
Caterpillar 140H Mtr Grader #CCA01056	182,700			182,700
2000 Peterbilt Truck #86021	7,500			7,500
2000 Peterbilt Truck #85988	7,000			7,000
JD 4960 Tractor #5937	53,934			53,934
2008 GMC Sierra #43809	12,450			12,450
JD CX15 Flex-wing Rotary Cutter	17,000			17,000
Total Equipment	\$ 776,191	\$ -	\$ 31,500	\$ 744,691
Iron Clad Barn	10,000			10,000
Metal Barn	92,113			92,113
Total Precinct #3	\$ 878,304	\$ -	\$ 31,500	\$ 846,804

LAMB COUNTY TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2016

<u>Precinct #4</u>	<u>Balance</u> <u>9-30-15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-16</u>
1974 Mack Truck SN 22339 (9-84)	\$ 13,750	\$ -	\$ -	\$ 13,750
Hyster Grid Roller SN301600L (3-86)	16,500			16,500
1988 GMC Pickup SN575697 (4-88)	11,388			11,388
Rhino Rotary Cutter Shredder - SN 10117	6,500			6,500
1984 Mack Truck SN 087417 (3-91)	22,690			22,690
1988 Cat Backhoe SN5PC06404	19,000			19,000
Ripper W/Pushblock (864)	8,739			8,739
2000 Midland MG40 Dump Trk #000734	22,500			22,500
2000 Midland MG40 Dump Trk #000733	22,500			22,500
Bush-Hog Model 12615 (961)	8,900			8,900
1994 Mack Truck	12,500			12,500
Hyster Grid Roller	14,685			14,685
2000 Chevy 3/4 Ton Pickup #139972	7,600			7,600
140H Cat - CAT #2658	106,002			106,002
2000 Kenworth T800 #47177	29,547			29,547
2006 GMC K1500 P/U #15186	21,555			21,555
2008 Chevy K1500 #48457	21,973			21,973
Cat 140H Mtr Grader #03686	77,367			77,367
Cat Wheel Loader #CRD01861	129,700			129,700
JD 770G Motor Grader #664660	154,170			154,170
Railroad Flat Cars	16,650			16,650
2014 JD 770G Mtr Grader #660246	150,750			150,750
2015 JD 5100E Tractor #340221	52,206			52,206
Total Equipment	\$ 947,172	\$ -	\$ -	\$ 947,172
Land	2,000			2,000
Barn	10,000			10,000
Total Precinct #4	\$ 959,172	\$ -	\$ -	\$ 959,172

OFFICE OF THE TAX ASSESSOR-COLLECTOR

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
SEPTEMBER 30, 2016

	<u>Carrying Value</u>
<u>Roll</u>	
Taxable Value	\$ 875,025,108
Tax Levy	\$ 6,950,324
<u>Collections</u>	
October 1, 2015 through June 30, 2016	<u>6,837,619</u>
Balance June 30, 2016	<u>\$ 112,706</u>

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
SCHEDULE OF PRORATION OF FUNDS FROM AD VALOREM TAXES
SEPTEMBER 30, 2016

	<u>Dollars</u>	<u>Percent</u>
<u>Constitutional Levies</u>		
Total Tax per \$100 Valuation	<u>\$ 0.7943</u>	<u>100.00</u>
Distribution as Follows:		
General Fund	\$ 0.5533	69.66
General Road & Bridge	0.1280	16.11
Hospital	0.1130	14.23
County Tax Rate	<u>\$ 0.7943</u>	<u>100.00</u>

LAMB COUNTY TEXAS
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 SEPTEMBER 30, 2016

LAST TEN YEARS ENDED SEPTEMBER 30,	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-15	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-16
2007 & Prior Years	Various	Various	\$ 40,528	\$ -	\$ 794	\$ (5,341)	\$ 34,393
2008	0.7943	803,447,816	9,322		719	(909)	7,694
2009	0.7943	868,857,728	11,420		788	(1,724)	8,909
2010	0.7943	884,643,365	14,597		1,626	(1,734)	11,237
2011	0.7943	943,028,186	21,492		3,361	(2,246)	15,886
2012	0.7943	962,016,905	28,836		5,335	(1,824)	21,677
2013	0.7943	1,017,702,126	36,666		10,298	(2,149)	24,220
2014	0.7943	984,964,545	62,333		18,124	(2,215)	41,994
2015	0.7943	900,278,988	104,171		44,649	(4,346)	55,176
2016 (Year Under Audit)	0.7943	875,025,108		6,950,324	6,837,619		112,706
TOTALS			\$ 329,365	\$ 6,950,324	\$ 6,923,311	\$ (22,487)	\$ 333,891

**LAMB COUNTY HOSPITAL AUTHORITY
d/b/a LAMB HEALTHCARE CENTER**

LAMB COUNTY HOSPITAL AUTHORITY
d/b/a LAMB HEALTHCARE CENTER
REVENUES FROM ROUTINE AND ANCILLARY SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Routine Services:

Routine Services	\$ 317,949
Nursery	46,125
Total Routine Services	<u>\$ 364,074</u>

Ancillary and Other Services:

Inpatient	
Operating Room	\$ 254,610
Delivery and Labor	539,534
Anesthesiology	289,606
Radiology and Nuclear Medicine	86,064
Laboratory	274,666
Blood	48,092
Respiratory Therapy	453,146
Physical Therapy	175,204
Electrocardiology	4,300
Central Supply	100,121
Pharmacy	620,827
Emergency Room	114,582
Total Inpatient Ancillary Services	<u>\$ 2,960,752</u>

LAMB COUNTY HOSPITAL AUTHORITY
d/b/a LAMB HEALTHCARE CENTER
REVENUES FROM ROUTINE AND ANCILLARY SERVICES (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Outpatient:	
Operating Room	\$ 69,292
Delivery and Labor	62,368
Anesthesiology	7,128
Radiology and Nuclear Medicine	1,330,545
Laboratory	1,897,712
Blood	41,030
Respiratory Therapy	178,774
Physical Therapy	47,448
Electrocardiology	49,700
Central Supply	71,758
Pharmacy	298,567
340b Pharmacy	1,386,757
Lamb Healthcare Center Family Medicine	1,504,247
Olton Clinic	42,725
Emergency Room	2,695,566
Total Outpatient Ancillary Services	<u>\$ 9,683,617</u>
Gross Patient Revenue	<u>\$ 13,008,443</u>

LAMB COUNTY HOSPITAL AUTHORITY
d/b/a LAMB HEALTHCARE CENTER
NET PATIENT SERVICE REVENUE AND OTHER OPERATING REVENUE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Gross Patient Revenue:	\$ 13,008,443
Deductions from Revenue:	
Charity	\$ (261,782)
Third-Party Contractual Adjustments	(5,123,128)
Provision for Bad Debts	(1,361,779)
Medicaid Supplemental Payments and Other Credits	<u>1,527,840</u>
Total Deductions from Revenue	<u>\$ (5,218,849)</u>
Net Patient Service Revenue	<u>\$ 7,789,594</u>
Electronic Health Records Stimulus	<u>\$ 312,963</u>
Delivery System Reform Incentive Program	<u>\$ 271,939</u>
Other Operating Revenue:	
Office Rents	\$ -
Sale of Non-Patient Meals	60,073
Medical Records	4,426
Miscellaneous	<u>61,893</u>
Total Operating Revenue	<u>\$ 126,392</u>

LAMB COUNTY HOSPITAL AUTHORITY
d/b/a LAMB HEALTHCARE CENTER
OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Routine Services	\$ 1,142,522
Ancillary and Other Services:	
Operating Room	\$ 140,339
Delivery and Labor	354,838
Anesthesiology	314,181
Radiology and Nuclear Medicine	367,404
Laboratory	740,515
Blood	23,638
Respiratory Therapy	273,235
Physical Therapy	125,785
Electrocardiology	24,369
Central Supply	98,668
Pharmacy	1,162,816
Lamb Healthcare Center Family Medicine	1,815,864
Olton Clinic	6,516
Emergency Room	<u>689,312</u>
Total Ancillary Services	\$ 6,137,480

LAMB COUNTY HOSPITAL AUTHORITY
d/b/a LAMB HEALTHCARE CENTER
OPERATING EXPENSES (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

General Services	
Operation and Plant	\$ 281,214
Laundry and Linen	75,683
Housekeeping	209,245
Dietary	362,778
Total General Services	<u>\$ 928,920</u>
Administrative Services	
Salaries and Wages	\$ 612,710
Other Operating	20,123
Employee Benefits	736,782
Supplies	11,262
Medical Records	147,086
Nursing Administration	196,624
Travel and Seminars	17,967
Insurance	106,178
Legal and Accounting Fees	79,095
Professional Fees	185,230
Marketing	15,911
Repairs and Maintenance	105,364
Physician Recruitment	38,327
Telephone and Utilities	1,084
Rental Expense	6,625
Dues and Subscriptions	27,798
Collection Fees	20,643
Total Administrative Services	<u>\$ 2,328,809</u>
Depreciation and Amortization	\$ 313,161
Total Operating Expenses	<u><u>\$ 10,850,892</u></u>

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

823 LFD Drive
Littlefield, Texas 79339
(806) 385-5181
FAX: (806) 385-5183

Stephen H. Webb, CPA
Richard B. Wright, CPA

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Honorable County Judge and Commissioners' Court
Lamb County
100 6th Street
Littlefield, Texas 79339

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, the business-type activities, each major fund, and the aggregate remaining fund information of Lamb County, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Lamb County's basic financial statements, and have issued our report thereon dated June 5, 2017. Our report includes a reference to other auditors who audited the financial statements of the Lamb Healthcare Center, as described in our report on Lamb County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamb County's 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 Lamb County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lamb County's 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. 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 Lamb County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

Respectfully submitted,



WEBB, WEBB, & WRIGHT, CPA's

June 5, 2017

LAMB COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

None

LAMB COUNTY, TEXAS

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Finding/Recommendation -----	Current Status -----	Management's Explanation If Not Implemented -----
None		

LAMB COUNTY, TEXAS

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2016

None