

LAMB COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2019

LAMB COUNTY, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2019

Name of Official

James M. DeLoach
Cory DeBerry
Kent Lewis
Danny Short
Lee Logan
Scott Say
Gina Jones
Gary Maddox
Jerry Yarbrough
Brenda Goheen
Tonya Ritchie
Debbie Long
Becky DeBerry
Brad Bridges
Tim Walker
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

LAMB COUNTY, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2019

	<u>Page</u>	<u>Exhibit</u>
	-----	-----
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report on Financial Statements	1-3	
Management's Discussion and Analysis (Required Supplementary Information)	4-12	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position	13-14	A-1
Statement of Activities	15	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	16	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	17	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18-19	C-3
Reconciliation of the Governmental Funds		
Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20	C-4
Statement of Net Position - Proprietary Fund	21	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	22	D-2
Statement of Cash Flows - Proprietary Fund	23-24	D-3
Statement of Fiduciary Net Position - Fiduciary Funds	25	E-1
Notes to the Financial Statements	26-56	
Notes to the Financial Statements - Lamb Healthcare Center	57-71	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	72-73	F-1
Schedule of Changes in Net Pension Liability and Related Ratios	74	F-2
Schedule of Contributions	75	F-3
Notes to Required Supplementary Information	76	
<u>Combining Fund Financial Statements</u>		
Combining Statements - All General Fund Types	77-79	G-1
Combining Statements - Road and Bridge Funds	80-83	G-2
Combining Statement - Fiduciary Assets and Liabilities	84	G-3

LAMB COUNTY, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2019

	<u>Page</u>	<u>Exhibit</u>
<u>Other Supplementary Information</u>	-----	-----
Road and Bridge Fixed Assets	85-88	H-1
Office of the Tax Assessor-Collector	89-91	H-2
Lamb County Hospital Authority d/b/a Lamb Healthcare Center	92-96	H-3
<u>OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION</u>		
Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards.</u>	97-98	
Schedule of Findings and Responses	99	
Schedule of Prior Audit Findings	100	
Corrective Action Plan	101	

FINANCIAL SECTION

Stephen H. Webb, CPA



Mitchell E. Edwards, CPA

823 LFD Drive | Littlefield, Texas 79339 | 806 . 385 . 5181 | Fax 806 . 385 . 5183

Member of Texas Society of CPA's and American Institute of CPA's

Independent Auditor's Report

Honorable County Judge & 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, 2019, 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 represents 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, 2019 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, the County adopted new accounting guidance, *GASBS No. 88. Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2019, the County adopted new accounting guidance, *GASBS No. 83. Certain Asset Retirement Obligations*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net position liability and related ratios and schedule of pension contributions 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

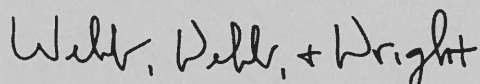
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamb County's basic financial statements. The combining fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required 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 16, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lamb County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamb County's internal control over financial reporting and compliance.

Respectfully submitted,



WEBB, WEBB AND WRIGHT CPA's, PLLC
Littlefield, TX
June 16, 2020

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, 2019. 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 total primary government activities.

Net position of the County's governmental activities decreased from \$10,420,001 to \$9,642,211. 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 \$1,105,475 at September 30, 2019.

This decrease in governmental net position was the result of the County's expenses exceeding revenues by \$777,790.

The net position of our business-type activities increased by \$428,792. This increase 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
	2019	2018	2019	2018	2019	2018	2018-2019
Current and other assets	3,572	4,419	1,821	608	5,393	5,027	7.3%
Capital assets	8,538	9,010	1,129	1,384	9,667	10,394	-7.0%
Total assets	<u>12,110</u>	<u>13,429</u>	<u>2,950</u>	<u>1,992</u>	<u>15,060</u>	<u>15,421</u>	-2.3%
Total deferred outflows of resources	<u>2,244</u>	<u>555</u>	<u>-</u>	<u>-</u>	<u>2,244</u>	<u>555</u>	304.3%
Long-term liabilities	3,247	1,666	-	-	3,247	1,666	94.9%
Other liabilities	<u>798</u>	<u>1,465</u>	<u>1,476</u>	<u>946</u>	<u>2,274</u>	<u>2,411</u>	-5.7%
Total liabilities	<u>4,045</u>	<u>3,131</u>	<u>1,476</u>	<u>946</u>	<u>5,521</u>	<u>4,077</u>	35.4%
Total deferred inflows of resources	<u>667</u>	<u>434</u>	<u>-</u>	<u>-</u>	<u>667</u>	<u>434</u>	53.7%
Net position							
Net investment in capital assets	7,921	8,226	1,129	1,384	9,050	9,610	-5.8%
Restricted	616	529	-	-	616	529	16.4%
Unrestricted	<u>1,105</u>	<u>1,665</u>	<u>345</u>	<u>(338)</u>	<u>1,450</u>	<u>1,327</u>	9.3%
Total net position	<u>9,642</u>	<u>10,420</u>	<u>1,474</u>	<u>1,045</u>	<u>11,116</u>	<u>11,465</u>	-3.0%

Table 2

Lamb County

Changes in Net Position
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2019	2018	2019	2018	2019	2018	2018-2019
Revenues:							
Net program revenues:							
Charges for services	521	578	11,977	8,563	12,498	9,141	36.7%
Operating grants and contributions	660	582	-	-	660	582	13.4%
Capital grants and contributions	76	2,593	11	9	87	2,602	-96.7%
General revenues:							
Property taxes	7,954	7,196	-	-	7,954	7,196	10.5%
Licenses and permits					-		
Commissions	522	519	-	-	522	519	0.6%
Grants and contributions not restricted	-	-	-	-	-	-	0.0%
Investment earnings	110	90	8	4	118	94	25.5%
Other	68	249	372	496	440	745	-40.9%
Gain (Loss) on sale of assets	(36)	223	-	-	(36)	223	-116.1%
Total revenues	9,877	12,030	12,368	9,071	22,244	21,103	5.4%
Expenses:							
General government	1,603	1,390	-	-	1,603	1,390	15.3%
Financial	508	455	-	-	508	455	11.6%
Judicial	636	601	-	-	636	601	5.8%
Legal	223	224	-	-	223	224	-0.4%
Public safety	3,538	3,220	-	-	3,538	3,220	9.9%
Facilities	154	140	-	-	154	140	10.0%
Public welfare	92	88	-	-	92	88	4.5%
Culture/Recreation	410	392	-	-	410	392	4.6%
Road and bridge	2,340	2,383	-	-	2,340	2,383	-1.8%
Health	-	-	13,068	10,690	13,068	10,690	22.2%
Interest on long-term debt	22	20	-	-	22	20	10.0%
Total expenses	9,527	8,912	13,068	10,690	22,594	19,603	15.3%

Table 2

Lamb County

Changes in Net Position
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2019	2018	2019	2018	2019	2018	2018-2019
Increase (decrease) in net position before transfers	351	3,118	(700)	(1,619)	(349)	1,499	-123.3%
Transfers	(1,128)	(1,020)	1,128	1,020	-	-	0.0%
Change in net position	(778)	2,098	428	(599)	(349)	1,499	-123.3%
Net position-beginning	10,420	7,974	1,045	1,644	11,465	9,618	19.2%
Prior period adjustment	-	348	-	-	-	348	-100.0%
Net position- beginning as restated	10,420	8,322	1,045	1,644	11,465	9,966	15.0%
Net position-ending	9,642	10,420	1,474	1,045	11,116	11,465	-3.0%

The County's governmental revenues decreased by \$2,152,680 this year. The total cost of governmental programs and services increased by \$614,480 this year. The County's business revenues increased by \$3,297,372 this year. The total cost of business programs and services increased by \$2,378,404 this year.

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

- Current year property tax revenues increased by \$761,665 over previous year collections. This increase is the result of increases to the tax base that totaled almost \$93 million. Most of the increase in tax base is a one-year increase.
- Fee office collections decreased over \$31,000 or 4.5% less than prior year collections. There were minor increases and decreases in multiple offices. There were significant increases in Justice of the Peace 2 and decreases in District Clerk fees, County Clerk fees, Sheriff fees and Justice of the Peace 3 fees.
- Total General Fund expenses increased during the year. A portion of this increase is reflected in the Non-Departmental area of the budget and Road & Bridge 4. The Non-Departmental budget saw increases due to Funding a 1% COLA for Retirees. Road & Bridge 4 saw increase due to purchasing a Motor Grader. There were increases in retirement expense. Employee medical benefits were not increased.

The cost of all governmental and business-type activities this year was \$22,594,658. 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 \$8,477,129 because \$12,498,330 of the costs were paid by those who directly benefited from the programs, \$748,030 by other governments and organizations that subsidized certain programs with grants and contributions.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$2,665,144, which is lower than last year's total of \$2,779,242. Included in this year's total change in fund balance is a net decrease of \$200,606 in the County's General Fund.

The County's proprietary fund reported a net position of \$1,474,156 which is higher than last year's total of \$1,045,364.

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 increased \$761,665 over prior year collections. Taxes increased due to an increase in tax base. Although there was an increase in tax base, the County chose to retain the same tax rate as the previous year.

- Expenditures in governmental funds increased over prior year totals. There were no salary increases budgeted for employees. The primary areas of increase were in capital outlay and professional services.

General Fund Budgetary Highlights

The County’s General Fund balance of \$2,049,483 differs from the General Fund’s budgetary fund balance of \$864,979. 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 Transfers to Other Funds. During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. The final budget reflected an excess of revenues over expenditures of \$52,902; however, the actual excess was revenues over expenditures of \$1,147,468. Major variances included:

- Total revenues collected were more than budgeted revenue. Property tax revenue exceeded budget by \$1,222 due to higher than expected collection rates and increased penalties and interest on collections of delinquent taxes.
- Total interest revenue collected for the General Fund was more than budgeted by \$25,656.
- Total expenditures for the General Fund were 11.17% less than the ending budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the County had \$21,414,310 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 \$104,606, or approximately 0.32% more than last year.

This year’s major additions included:

Construction in Process	\$	11,169
Buildings & Improvements	\$	22,365
Machinery & Equipment	\$	275,400
Vehicles	\$	224,642
Office Equipment	\$	60,642
Total	\$	<u>594,218</u>

Specific additions include the following:

- The Sheriff's Office purchased 3 new vehicles, body cameras, and controller.
- Renovations for the old jail in the Courthouse were continued.
- A new pickup was purchased for the Ag Extension Office.
- A new motor grader was purchased for Road & Bridge 4.

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 \$616,796 in outstanding governmental debt versus \$783,936 last year. More detailed information about the County's long-term liabilities is presented in Note 7 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 2020 budget and tax rates such as the following:

- Additional money was budgeted in capital outlay for renovations for the courthouse, a new phone system, and a camera system for the Library.
- There were also budget increases for retirement due to increased cost.
- A decrease in tax valuations will result an estimated \$52,000.00 decrease in tax revenue for Fiscal Year 2020.

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, 2019

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,433,487	\$ 40,503	\$ 2,473,990
Receivables (net of allowance for uncollectibles)	945,115	1,552,183	2,497,298
Internal Balances	180,810	(180,810)	-
Due from Other Funds	7,301	-	7,301
Due from Others	4,367	-	4,367
Inventories	1,362	268,981	270,343
Prepays and Other Current Assets	-	41,015	41,015
Estimated Third-Party Payor Settlements	-	99,250	99,250
Capital Assets (net of accumulated depreciation):			
Land	35,290	61,822	97,112
Buildings and Improvements	5,406,802	321,089	5,727,891
Machinery and Equipment	1,121,739	746,414	1,868,153
Vehicles	886,840	-	886,840
Office Equipment	228,924	-	228,924
Capital Leases	847,106	-	847,106
Construction in Progress	11,169	-	11,169
Total Capital Assets	<u>\$ 8,537,871</u>	<u>\$ 1,129,325</u>	<u>\$ 9,667,196</u>
TOTAL ASSETS	<u>\$ 12,110,313</u>	<u>\$ 2,950,447</u>	<u>\$ 15,060,760</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pensions	<u>\$ 2,244,075</u>	<u>\$ -</u>	<u>\$ 2,244,075</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,244,075</u>	<u>\$ -</u>	<u>\$ 2,244,075</u>
LIABILITIES			
Accounts Payable	\$ 433,283	\$ 835,913	\$ 1,269,196
Accrued Liabilities	142,772	640,378	783,150
Due to Others	49,464	-	49,464
Noncurrent Liabilities:			
Due within one year	172,724	-	172,724
Due in more than one year	444,072	-	444,072
Net Pension Liability	2,802,993	-	2,802,993
TOTAL LIABILITIES	<u>\$ 4,045,307</u>	<u>\$ 1,476,291</u>	<u>\$ 5,521,598</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	<u>\$ 666,870</u>	<u>\$ -</u>	<u>\$ 666,870</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 666,870</u>	<u>\$ -</u>	<u>\$ 666,870</u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	PRIMARY GOVERNMENT		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 7,921,075	\$ 1,129,325	\$ 9,050,400
Restricted for Special Revenue	615,662	-	615,662
Unrestricted	<u>1,105,475</u>	<u>344,831</u>	<u>1,450,306</u>
TOTAL NET POSITION	<u>\$ 9,642,211</u>	<u>\$ 1,474,156</u>	<u>\$ 11,116,367</u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	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	\$ 1,603,387	\$ 149,405	\$ 26,304	\$ -	\$ (1,427,678)	\$ -	\$ (1,427,678)
Financial	508,133	105,195	-	-	(402,938)	-	(402,938)
Judicial	635,734	198,192	15,470	-	(422,072)	-	(422,072)
Legal	223,468	20,130	65,843	-	(137,495)	-	(137,495)
Public Safety	3,537,713	45,243	406,221	-	(3,086,249)	-	(3,086,249)
Facilities	153,701	-	-	-	(153,701)	-	(153,701)
Public Welfare	92,336	660	-	-	(91,676)	-	(91,676)
Culture/Recreation	410,283	2,008	-	-	(408,275)	-	(408,275)
Road and Bridge	2,339,981	-	146,625	76,167	(2,117,189)	-	(2,117,189)
Interest on Long-Term Debt	21,892	-	-	-	(21,892)	-	(21,892)
Total Governmental Activities	\$ 9,526,628	\$ 520,833	\$ 660,463	\$ 76,167	\$ (8,269,166)	\$ -	\$ (8,269,166)
Business - Type Activities:							
Health	\$ 13,068,030	\$ 11,977,497	\$ -	\$ 11,400	\$ -	\$ (1,079,133)	\$ (1,079,133)
Total Business Type Activities	\$ 13,068,030	\$ 11,977,497	\$ -	\$ 11,400	\$ -	\$ (1,079,133)	\$ (1,079,133)
TOTAL PRIMARY GOVERNMENT	\$ 22,594,658	\$ 12,498,330	\$ 660,463	\$ 87,567	\$ (8,269,166)	\$ (1,079,133)	\$ (9,348,298)
General Revenues:							
Property Taxes					\$ 7,954,265	\$ -	\$ 7,954,265
Licenses and permits					847	-	847
Commissions					522,017	-	522,017
Grants and contributions not restricted to specific programs					-	-	-
Investment earnings					109,965	7,740	117,705
Other					68,471	371,824	440,295
Gain (Loss) on sale of assets					(35,828)	-	(35,828)
Transfers					(1,128,361)	1,128,361	-
Total general revenues and transfers					\$ 7,491,376	\$ 1,507,925	\$ 8,999,301
Changes in net position					\$ (777,790)	\$ 428,792	\$ (348,998)
Net position - beginning					\$ 10,420,001	\$ 1,045,364	\$ 11,465,365
Net position - ending					\$ 9,642,211	\$ 1,474,156	\$ 11,116,367

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,173,459	\$ 260,028	\$ 2,433,487
Investments	-	-	-
Accounts Receivable	25,000	534,366	559,366
Delinquent Tax Receivable	428,610	-	428,610
Allowance for Uncollectible Tax	(42,861)	-	(42,861)
Due From Other Funds	647,304	60,019	707,323
Due From Others		4,367	4,367
Inventory	1,362	-	1,362
TOTAL ASSETS	<u>\$ 3,232,874</u>	<u>\$ 858,781</u>	<u>\$ 4,091,655</u>
LIABILITIES			
Accounts Payable	\$ 277,422	\$ 155,861	\$ 433,283
Accrued Liabilities	15,930	22,873	38,803
Due To Other Funds	459,194	60,018	519,213
Due To Others	45,096	4,367	49,464
TOTAL LIABILITIES	<u>\$ 797,642</u>	<u>\$ 243,119</u>	<u>\$ 1,040,762</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 385,749	\$ -	\$ 385,749
TOTAL DEFERRED INFLOWS OF RESOURCE	<u>\$ 385,749</u>	<u>\$ -</u>	<u>\$ 385,749</u>
FUND BALANCES			
Restricted for Special Revenue	\$ -	\$ 615,662	\$ 615,662
Assigned for Retirement of L-T Debt	616,796	-	616,796
Assigned for Other Purposes	-	-	-
Unassigned	1,432,687	-	1,432,687
TOTAL FUND BALANCES	<u>\$ 2,049,483</u>	<u>\$ 615,662</u>	<u>\$ 2,665,144</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3,232,874</u>	<u>\$ 858,781</u>	<u>\$ 4,091,655</u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019

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

Total fund balances - governmental funds balance sheet.	\$	2,665,144
Capital assets used in governmental activities not financial resources, and therefore, are not reported in the funds.		8,537,871
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.		385,749
Long-term liability used in governmental activities are not due and payable in the current period and therefore are not reported in the funds.		(616,796)
Payables for accrued personal leave which are not reported in the current period are not reported in the funds.		(89,735)
Liabilities for long-term debt interest are not due and payable in the current period and therefore not reported in the funds.		(14,234)
Recognition of the County's net pension liability not reported in the funds.		(2,802,993)
Deferred outflow related to pensions not reported in the funds.		2,244,075
Deferred inflow related to pensions not reported in the funds.		<u>(666,870)</u>
Total net position of governmental activities.	\$	<u><u>9,642,211</u></u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 7,928,846	\$ 127	\$ 7,928,974
Charges for Services	419,717	101,116	520,833
Licenses & Permits	847		847
Commissions	522,017		522,017
Intergovernmental	248,103	488,527	736,629
Interest Income	96,409	13,556	109,965
Other Revenue	55,317	4,854	60,171
TOTAL REVENUES	\$ 9,271,255	\$ 608,181	\$ 9,879,436
EXPENDITURES			
Current Operating:			
District Judge	\$ 148,256	\$ -	\$ 148,256
District Clerk	162,933	-	162,933
County Judge	181,383	-	181,383
County Clerk	218,619	-	218,619
Tax Assessor	207,557	-	207,557
Treasurer	132,141	-	132,141
County Attorney	163,102	-	163,102
Justice of the Peace - Pct #1-4	283,859	-	283,859
Veterans & Welfare	87,821	-	87,821
Adult Probation	951	-	951
Ag Extension Office	98,241	-	98,241
Sheriff	1,411,466	-	1,411,466
Jail	884,573	-	884,573
County Libraries	273,800	-	273,800
Auditor	163,068	-	163,068
Non-Departmental	628,947	-	628,947
Maintenance	148,018	-	148,018
Ag & Community Centers	28,516	-	28,516
Public Safety	284,612	-	284,612
Information Services	234,713	-	234,713
Road and Bridge - Pct #1-4	1,720,202	-	1,720,202
Bail Bond Board Account	-	-	-
Jury Fund	-	7,080	7,080
Grants Fund	-	-	-
Library Grants	-	-	-
Texas Capital Fund Grant	-	6,000	6,000
EDA Grant	-	42,815	42,815
Emergency Food & Shelter	-	-	-
Child Abuse Prevention/Family Protection Fund	-	-	-
Court House Security Fund	-	14,950	14,950
Commissioners Court RPF	-	2,315	2,315

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
County Clerk RPF	\$ -	\$ 12,699	\$ 12,699
District Clerk RPF	-	4,733	4,733
County & District Court Tech Fund	-	-	-
District Court Tech/Archive Fund	-	-	-
JP Technology Fund	-	9,595	9,595
JP Court Security Fund	-	-	-
Juvenile Probation Fund	-	339,086	339,086
Juvenile Stand Grant Fund	-	121,575	121,575
Juvenile Title IV-E Fund	-	46,074	46,074
Juvenile 4-H Action Fund	-	-	-
JPO-State Aid	-	148,978	148,978
County Clerk Election Fund	-	-	-
County Clerk Records Archive Fund	-	-	-
Tax A/C Voter Registration Fund	-	-	-
VCLG Grant Fund	-	32,545	32,545
Pre-Trial Diversion Fund	-	17,504	17,504
DWI Video Fund	-	33	33
County Attorney Drug Forfeiture	-	7,802	7,802
County Attorney Hot Check Fee Fund	-	-	-
Sheriff Commissary Fund	-	4,700	4,700
Sheriff Forfeiture Fund-State	-	4,591	4,591
Sheriff Forfeiture Fund-Federal	-	-	-
County Libraries	-	1,409	1,409
Historical Commission	-	-	-
Capital Outlays	467,918	-	467,918
Debt Service:			
Principal	167,140	-	167,140
Interest	25,952	-	25,952
Total Expenditures	\$ 8,123,787	\$ 824,485	\$ 8,948,271
Excess (Deficiency) of Revenues over Expenditures	\$ 1,147,468	\$ (216,304)	\$ 931,164
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Assets	\$ 83,099	\$ -	\$ 83,099
Proceeds from Capital Leases	-	-	-
Operating Transfers In	10,799,307	302,970	11,102,277
Operating Transfers Out	(12,230,480)	(157)	(12,230,637)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (1,348,074)	\$ 302,812	\$ (1,045,262)
Net Change in Fund Balances	\$ (200,606)	\$ 86,508	\$ (114,097)
Fund Balances - Beginning	2,250,089	529,153	2,779,242
Fund Balances - Ending	\$ 2,049,483	\$ 615,662	\$ 2,665,144

The accompanying notes are an integral part of these financial statements.

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, 2019

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

Net change in fund balances - total governmental funds.	\$	(114,097)
Capital outlays are not reported as expenses in the SOA.		467,918
Capital asset depreciation used in governmental activities is not reported in the funds.		(829,075)
The net book value of trade-ins is not reported in the funds.		118,000
The value of rebates on purchases of equipment is not reported in the funds.		8,300
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.		25,291
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.		(236,927)
Personal leave is reported as the amount earned in the SOA but as the amount paid in the funds.		(89,735)
Some expenditures (e.g. principle debt payment) on fund statements are not expenses in the SOA.		167,140
(Increase) decrease in accrued interest payable from beginning of period to end of period.		4,059
Pension expense relating to GASB #68 is recorded in the SOA but not in the funds.		(298,664)
Change in net position of governmental activities.	\$	<u>(777,790)</u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2019

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 16,503
Assets Whose Use is Limited	24,000
Patient Accounts Receivable, Net of Allowances	1,310,241
Estimated Third-Party Payor Settlements	99,250
Other Receivables	241,942
Due From Other Funds	459,194
Inventory of Supplies	268,981
Prepaid Expenses and Other Current Assets	<u>41,015</u>
Total Current Assets	\$ 2,461,126

Capital Assets

Net of Accumulated Depreciation	<u>1,129,325</u>
TOTAL ASSETS	<u><u>\$ 3,590,451</u></u>

LIABILITIES

Current Liabilities

Accounts Payable	\$ 835,913
Accrued Payroll, Benefits and Related Liabilities	510,474
Other Accrued Liabilities	129,904
Estimated Third-Party Payer Settlements	-
Due To Other Funds	<u>640,004</u>
Total Current Liabilities	<u>\$ 2,116,295</u>
TOTAL LIABILITIES	<u><u>\$ 2,116,295</u></u>

NET POSITION

Net Investment in Capital Assets	\$ 1,129,325
Unrestricted	<u>344,831</u>
TOTAL NET POSITION	<u><u>\$ 1,474,156</u></u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Operating Revenues	
Net Patient Service Revenue	\$ 11,977,497
Electronic Health Records Stimulus	10,388
Delivery System Reform Incentive Program	284,673
Other Operating Revenue	<u>46,200</u>
Total Operating Revenues	\$ 12,318,758
Operating Expenses	
Salaries and Wages	\$ 4,078,023
Employee Benefits	583,332
Professional Fees and Purchased Services	4,867,782
Supplies and Other	3,208,751
Depreciation and Amortization	<u>327,554</u>
Total Operating Expenses	<u>\$ 13,065,442</u>
Operating Income (Loss)	\$ (746,684)
Nonoperating Revenues (Expenses)	
Community Benefit Support	\$ -
Tobacco Settlement Revenue	30,563
Intergovernmental Transfers	-
Interest Expense	(2,588)
Investment Income	<u>7,740</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 35,715</u>
Income (Loss) Before Capital Grants and Contributions & County Subsidies	\$ (710,969)
Capital Grants and Contributions	11,400
County Subsidies	<u>1,128,361</u>
Change in Net Position	\$ 428,792
Net Position - Beginning	<u>1,045,364</u>
Net Position - Ending	<u><u>\$ 1,474,156</u></u>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Cash Flows from Operating Activities	
Receipts From and on Behalf of Patients	\$ 11,353,866
Payments to Suppliers and Contractors	(7,700,790)
Payments to Employees	(4,630,216)
Other Receipts and Payments, Net	340,387
	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ (636,753)
Cash Flows from Noncapital Financing Activities	
Cash Invested in Funds Held by Lamb County	\$ (446,374)
County Subsidies	1,128,361
Noncapital Grants and Contributions	-
Proceeds From Tobacco Settlement	30,563
Intergovernmental Transfers	-
	<hr/>
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 712,550
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	\$ (53,845)
Capital Grants and Contributions	11,400
Interest Paid	(2,588)
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (45,033)
Cash Flows from Investing Activities	
Investment Income	\$ 7,740
	<hr/>
Net Cash Provided (Used) by Investing Activities	\$ 7,740
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 38,504
	<hr/>
Cash and Cash Equivalents - Beginning	1,999
	<hr/>
Cash and Cash Equivalents - Ending	\$ 40,503
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities**

Operating Income (Loss)	\$ (746,684)
-------------------------	--------------

**Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)
by Operating Activities**

Depreciation and Amortization	\$ 327,554
Provision for Bad Debts	893,940
Community Benefit Support	-

(Increase) Decrease in:

Patient Accounts Receivable	(1,264,727)
Other Receivables	(160,722)
Inventory of Supplies	(5,994)
Prepaid Expenses and Other Current Assets	8,606

Increase (Decrease) in:

Accounts Payable	372,419
Accrued Payroll, Benefits and Related Liabilities	31,139
Other Accrued Liabilities	10,226
Estimated Third-Party Payer Settlements	<u>(102,510)</u>

Total Adjustments	<u>\$ 109,931</u>
-------------------	-------------------

Net Cash Provided (Used) by Operating Activities	<u>\$ (636,753)</u>
--------------------------------------------------	---------------------

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
SEPTEMBER 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 498,280
Accounts Receivable	-
TOTAL ASSETS	\$ 498,280
LIABILITIES	
Accounts Payable	\$ 14,134
Due to Other Groups	455,925
Due to Trust Beneficiaries	28,221
TOTAL LIABILITIES	\$ 498,280

The accompanying notes are an integral part of these financial statements.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

statement of activities. Significantly, the County's statement of net 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, TX

Notes to Financial Statements
September 30, 2019

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The government-wide and fiduciary fund financial statements are prepared using the economic resources measurement focus. The government-wide financial statements are reported using 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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

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 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.

The County also reports the following Nonmajor Funds:

Special Revenue Funds These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

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.

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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

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.

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, if any, 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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

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:

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

I. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

J. PERSONAL LEAVE

County employees (other than Sheriff's 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 an 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 an 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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

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. The County has recognized a liability for that portion of accumulated personal leave that will be compensated with cash payments at termination. The amount expected to be paid from current resources is not significant.

All personal leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

L. FUND BALANCES

Fund balances of the governmental funds are classified as follows:

Non-spendable 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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

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

Net Position on the Government-wide Statement:

In the government-wide statements, net position is reported in three components - net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt issued to acquire, construct or improve those assets. Restricted net position is reported when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by enabling legislation.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

Unrestricted net position does not meet the definition of either of the two categories of net assets listed above. Unrestricted net position is assets available for use by the County for legal purposes.

When the County incurs an expense for which it may use either restricted or unrestricted position, it uses the restricted position first whenever they will have to be returned if they are not used.

M. USE OF ESTIMATES

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

N. IMPLEMENTATION OF NEW STANDARDS

In the current fiscal year, the County implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to the financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to the financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

GAS Statement No. 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The County does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

NOTE 2: 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 Deficit Net Position of Individual Nonmajor Fund

The following are funds having deficit fund balances or deficit 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>
Sheriff Forfeiture - Federal	\$ 1	Non-major Fund

NOTE 3: 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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

Cash Deposits:

At September 30, 2019, the carrying amount of the County's total deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$2,473,990 and the bank balance was \$3,490,193. The County's cash deposits at September 30, 2019 and during the year ended September 30, 2019, 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 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

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

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, 2019 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.

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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

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 4: 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 5: 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, TX

Notes to Financial Statements
September 30, 2019

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 35,290	\$ -	\$ -	\$ 35,290
Construction in Progress	-	11,169		11,169
Total capital assets not being depreciated	\$ 35,290	\$ 11,169	\$ -	\$ 46,459
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 13,093,864	\$ 22,365	\$ -	\$ 13,116,229
Machinery and Equipment	3,015,791	275,400	(173,170)	3,118,021
Vehicles	2,447,967	224,642	(351,731)	2,320,877
Office Equipment	1,696,907	60,641		1,757,548
Capital Leases	1,055,175			1,055,175
Total capital assets being depreciated	\$ 21,309,704	\$ 583,049	\$ (524,901)	\$ 21,367,851
<i>Less accumulated depreciation</i>				
Buildings and Improvements	\$ (7,434,098)	\$ (275,329)	\$ -	\$ (7,709,427)
Machinery and Equipment	(1,914,850)	(208,351)	126,919	(1,996,282)
Vehicles	(1,401,232)	(193,861)	161,055	(1,434,037)
Office Equipment	(1,482,608)	(46,016)		(1,528,624)
Capital Leases	(102,551)	(105,518)		(208,069)
Total accumulated depreciation	\$ (12,335,339)	\$ (829,075)	\$ 287,975	\$ (12,876,439)
Total capital assets being depreciated, net	\$ 8,974,365	\$ (246,026)	\$ (236,927)	\$ 8,491,412
Governmental activities capital assets, net	\$ 9,009,655	\$ (234,857)	\$ (236,927)	\$ 8,537,871

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

General government	\$ 222,097
Public safety	163,839
Highways and streets	443,139

	\$ 829,075
	=====

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

NOTE 7: OPERATING/CAPITAL LEASES

The County has entered into various operating lease agreements for Xerox, and Konica copiers and printers. In addition, the County has also entered into operating lease agreements for a Pitney Bowes postage mailing system. Commitments under these operating (noncapitalized) lease agreements provide for future minimum rental payments as of September 30, 2019 as follows:

Year Ending -----	
2020	\$ 27,363
2021	17,579
2022	14,382
2023	13,458
2024	11,609

Total Minimum Rental Payments	\$ 84,391
	=====
Rental Expenditures in FYE 2019	\$ 27,703
	=====

In FYE 2017, the County entered into an equipment lease-purchase agreement on a John Deere Model 770G Motor Grader for Precinct #3. 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 2.95%. The amount of interest paid in the current year was \$6,207. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2019 as follows:

Year Ending -----	
2020	\$ 56,537
2021	56,537
2022	56,537

Total Minimum Lease Payments	\$ 169,611
Less Amount Representing Interest	(9,536)

Present Value - Minimum Lease Payments	\$ 160,075
	=====

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

In FYE 2017, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140M3 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 \$5,232. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2019 as follows:

Year Ending -----	
2020	\$ 51,759
2021	51,759
2022	51,759

Total Minimum Lease Payments	\$ 155,277
Less Amount Representing Interest	(8,023)

Present Value - Minimum Lease Payments	\$ 147,254
	=====

In FYE 2018, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140K 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 3.50%. The amount of interest paid in the current year was \$5,950. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2019 as follows:

Year Ending -----	
2020	\$ 37,652
2021	37,652
2022	37,652
2023	37,651

Total Minimum Lease Payments	\$ 150,607
Less Amount Representing Interest	(12,309)

Present Value - Minimum Lease Payments	\$ 138,298
	=====

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

In FYE 2018, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 12M3 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 3.99%. The amount of interest paid in the current year was \$8,562. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2019 as follows:

Year Ending -----	
2020	\$ 47,144
2021	47,144
2022	47,144
2023	47,144

Total Minimum Lease Payments	\$ 188,576
Less Amount Representing Interest	(17,408)

Present Value - Minimum Lease Payments	\$ 171,168
	=====

NOTE 8: CHANGES IN OTHER LONG-TERM DEBT

Governmental Activities:

	Balance 10-01-18	Increase	Decrease	Balance 09-30-19	Amounts Due Within One Year
	-----	-----	-----	-----	-----
Capital Leases	\$ 783,936	\$ -0-	\$ 167,141	\$ 616,795	\$ 172,724
NPL *	1,048,798	2,552,038	797,843	2,802,993	-0-
	-----	-----	-----	-----	-----
Total Long-Term Liabilities	\$1,832,734	\$2,552,038	\$ 964,984	\$3,419,788	\$ 172,724
	=====	=====	=====	=====	=====

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General

There are no direct borrowings or direct placements of debt and no unused lines of credit nor assets pledged as collateral for debt.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

NOTE 9: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and from other funds at September 30, 2019 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Proprietary Fund-Hospital	\$ 640,004
General Fund	Agency Funds	7,300
EDA Grant Fund	Texas Capital Fund Grant	60,017
Proprietary Fund-Hospital	General Fund	459,194
Other Governmental Fund	Other Governmental Fund	1
Other Governmental Fund	Agency Fund	1

		\$1,166,517
		=====

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, 2019 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 386,151
Proprietary Fund-Hospital	LHC	10,659,211
LHC	Proprietary Fund-Hospital	11,787,572
Other Governmental Funds	General Fund	56,914

		\$ 22,889,848
		=====

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

NOTE 10: 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 2019, 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.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

NOTE 11: 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.

NOTE 12: 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 13: 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 collectability 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 respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 14: LITIGATION

The County was not involved in any significant litigation as of September 30, 2019.

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

NOTE 15: DEFINED BENEFIT PENSION 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 TCDRS Board of Trustees is responsible for the administration of the statewide, agent multiple-employer, public-employee retirement system consisting of 781 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.

All eligible employees of the County are required to participate in TCDRS.

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, TX

Notes to Financial Statements
September 30, 2019

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	68
Active employees	95

	231

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 12.62% for the months of the accounting year in 2018, and 12.71% for the months of the accounting year in 2019. The contribution rate payable by the employee members for fiscal year end 2019 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 2019 FY were \$481,962, and were equal to the required contributions.

D. NET PENSION LIABILITY

The County's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

All actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68. The following is a description of the assumptions used in the December 31, 2018 actuarial valuation analysis for Lamb County. This

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

information may also be found in the Lamb County December 31, 2018 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

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 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	3.25%

The payroll growth 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, TX

Notes to Financial Statements
September 30, 2019

Mortality

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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 is 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 that is 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 is 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, TX

Notes to Financial Statements
September 30, 2019

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 2019 information for a 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 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net Index)	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

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 of the County is equal to the long-term assumed rate of return on investments, and the municipal bond rate does not apply. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 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

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
	-----	-----	-----
Balances as of December 31, 2017	\$ 18,590,142	\$ 17,541,344	\$ 1,048,798
Changes for the year:			
Service cost	488,595		488,595
Interest on total pension liability	1,510,877		1,510,877
Effect of plan changes	72,232		72,232
Effect of economic/demographic gains or losses	138,640		138,640
Effect of assumptions changes or inputs	-0-		-0-
Refund of contributions	(7,288)	(7,288)	-0-
Benefit payments	(861,506)	(861,506)	-0-
Administrative expenses		(13,758)	13,758
Member contributions		256,031	(256,031)
Net investment income		(327,584)	327,584
Employer contributions		541,812	(541,812)
Other		(352)	352
Balances as of December 31, 2018	\$ 19,931,691	\$ 17,128,699	\$ 2,802,993

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

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	\$ 22,225,874	\$ 19,931,691	\$17,976,070
Fiduciary net position	17,128,699	17,128,699	17,128,699
Net pension liability (asset)	\$ 5,097,175	\$ 2,802,993	\$ 847,371

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 September 30, 2019, the County recognized pension expense (income) of \$860,853. The calculation was based on the measurement date of December 31, 2018.

As of September 30, 2019, the deferred outflows and inflows of resources related to pensions are as follows:

Deferred Outflows/Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 151,589	\$ 60,623
Changes of assumptions	56,935	-0-
Net difference between projected and actual earnings	1,057,121	-0-
Contributions made subsequent to measurement date	372,183	N/A
Total	\$ 1,637,828	\$ 60,623

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

\$372,183 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	
2020	\$ 422,099
2021	252,324
2022	181,588
2023	349,011

	\$1,205,022

NOTE 17: HEALTHCARE COVERAGE

During the year ended September 30, 2019, 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, 2019, and the terms of coverage and contribution costs are included in the contractual provisions.

NOTE 18: TAX ABATEMENT

Effective July 11, 2016, the Lamb County, Texas Commissioners' Court approved a Tax Abatement Agreement with Continental Dairy Facilities Southwest, LLC ("CDFS") for construction of Improvements within the Lamb County Reinvestment Zone as designated by the Commissioners' Court of Lamb County, Texas in accordance with Texas Tax Code 312.002 (d).

CDFS agrees to make certain improvements to be located on land within the Reinvestment Zone, with such improvements generally described as rehabilitation of existing structures, construction of new structures, and the installation of new equipment and infrastructure necessary to process and produce powdered milk and other dairy products. The Commissioners' Court has concluded that the Improvements and operations proposed by CDFS constitute a major investment in the Reinvestment Zone that will be a benefit to the Reinvestment Zone and will contribute to the economic development of the County.

The County agrees to abate ad valorem property taxes levied by the County on the Improvements during the Abatement Period provided by the

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

Agreement. The Abatement Period shall begin on the earlier of (a) January 1 of the first calendar year after the commencement of commercial operations or (b) January 1 of the calendar year identified in a Notice of Abatement Commencement delivered by CDFS. The period in which taxes are abated (the "Abatement Period") will begin on the Commencement Date and will terminate on December 31 of the tenth (10th) year following the Commencement Date, unless sooner terminated in accordance with the terms of this Agreement. Termination of this Agreement shall not relieve either party of any covenants, obligations, or payments owing to the other as of the date the Agreement is terminated.

CDFS agrees to continue routine commercial operation of the Facilities, including all outages for repair, maintenance and refurbishment, for a period of not less than ten (10) years after the end of the Abatement Period at a level of production not less than an annual average of 1.8 million pounds of raw milk received per day. In addition to any other remedies available to the County, upon any default and failure to cure by CDFS of this covenant, the County shall be entitled to recapture the ad valorem taxes abated under the terms of this Agreement.

County Year: 2018 - 2019

Project Value:	\$55,483,940
Project Value Limitation Amount:	\$55,483,940
Amount of CDFS Taxes Paid:	\$ 431,895
Amount of CDFS Taxes Abated:	\$ -0-
CDFS Revenue Loss Payment to Lamb County:	\$ -0-
CDFS Supplemental Payment to Lamb County:	\$ -0-

Effective July 11, 2016, the Lamb County, Texas Commissioners' Court approved a Tax Abatement Agreement with Blue Cloud Renewable Energy Project, LLC ("BCREP") for construction of Improvements within the Lamb County Reinvestment Zone as designated by the Commissioners' Court of Lamb County, Texas in accordance with Texas Tax Code 312.002 (d).

BCREP agrees to make certain improvements to be located on land within the Reinvestment Zone, with such improvements generally described as a wind power facility - consisting of rehabilitation of existing structures, construction of new structures, and the installation of

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

new equipment and infrastructure necessary to produce wind power and perform other functions related to the production, distribution and transmission of electric power. The Commissioners' Court has concluded that the Improvements and operations proposed by BCREP constitute a major investment in the Reinvestment Zone that will be a benefit to the Reinvestment Zone and will contribute to the economic development of the County.

The County agrees to abate ad valorem property taxes levied by the County on the Improvements during the Abatement Period provided by the Agreement. The Abatement Period shall begin on January 1, 2017 and end upon conclusion of ten full calendar years. Termination of this Agreement shall not relieve either party of any covenants, obligations, or payments owing to the other as of the date the Agreement is terminated.

As additional consideration for this Abatement, BCREP agrees to make an annual payment to the County of two thousand dollars (\$2,000.00) per megawatt of Turbine Nameplate Capacity during the ten (10) years the abatement is in effect with a maximum annual cap of sixty thousand dollars (\$60,000.00). The first such payment shall be due and payable on October 1, 2017 and delinquent if not paid on or before January 31, 2018, with the remaining nine (9) payments due and payable annually on or before October 1 thereafter and delinquent if not paid on or before the immediately following January 31.

Once constructed, BCREP agrees that the Improvements will remain in place until at least twenty (20) calendar years after the end of the Term of this Agreement. In addition to any other remedies available to the County, upon any default and failure to cure by BCREP of this covenant, the County shall be entitled to recapture the ad valorem taxes abated under the terms of this Agreement.

County Year: 2018 - 2019

Project Value:	\$	-0-
Project Value Limitation Amount:	\$	-0-
Amount of BCREP Taxes Paid:	\$	-0-
Amount of BCREP Taxes Abated:	\$	-0-
BCREP Revenue Loss Payment to Lamb County:	\$	-0-
BCREP Supplemental Payment to Lamb County:	\$	-0-

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

Effective August 26, 2019, the Lamb County, Texas Commissioners' Court approved a Tax Abatement Agreement with Cage Ranch Solar, LLC "CRS") for construction of a solar powered electric generating facility within the boundaries of the Lamb County Reinvestment Zone as designated by the Commissioners' Court of Lamb County, Texas in accordance with Texas Tax Code 312.

CRS agrees to make certain improvements to be located on land within the Reinvestment Zone, with such improvements generally described as renewable infrastructure improvements necessary to generate and transmit approximately 500 megawatts of electricity, but in no event less than 300 megawatts of electricity, upon completion of a solar powered ground mounted electric generation facility. The Commissioners' Court has concluded that the Improvements and operations proposed by CRS constitute a major investment in the Reinvestment Zone that will be a benefit to the Reinvestment Zone and will contribute to the economic development of the County.

The County agrees to a 100% abatement of all categories of ad valorem property taxes levied by the County on the Improvements and Facilities during the Abatement Period provided by the Agreement. The Abatement Period shall begin on the earlier of (a) January 1 of the first calendar year after the commencement of Commercial Operations, or (b) January 1 of the calendar year identified in a Notice of Abatement Commencement delivered by CRS (the "Commencement Date"). The period in which taxes are abated (the "Abatement Period") will begin on the Commencement Date and will terminate on December 31 of the tenth (10th) year following the Commencement Date, unless sooner terminated in accordance with the terms of this Agreement. Termination of this Agreement shall not relieve either party of any covenants, obligations, or payments owing to the other as of the date the Agreement is terminated.

As consideration for the abatement granted by the County under this Agreement, CRS agrees to timely perform all covenants undertaken by CRS pursuant to the terms of this Agreement including the making of an annual payment in lieu of taxes (the "Annual PILOT") to the County for each year during the Abatement Period. The Annual PILOT required by this Agreement must be paid to the County Treasurer not later than December 1 of the tax year for which abatement is granted.

Once constructed, CRS agrees that the Improvements will remain in place for at least a period of fifteen (15) years following the end of the Abatement Period. In addition to any other remedies available to the County, upon any default and failure to cure by CRS of this covenant, the County shall be entitled to recapture the ad valorem taxes abated under the terms of this Agreement to the date of any

LAMB COUNTY, TX

Notes to Financial Statements
September 30, 2019

default but providing a credit to CRS for the sum of the Annual PILOTs paid to the date of the default.

County Year: 2018 - 2019

Project Value:	\$	-0-
Project Value Limitation Amount:	\$	-0-
Amount of CRS Taxes Paid:	\$	-0-
Amount of CRS Taxes Abated:	\$	-0-
CRS Revenue Loss Payment to Lamb County:	\$	-0-
CRS Supplemental Payment to Lamb County:	\$	-0-

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 of 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.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 County"). 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. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. 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* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 collectability 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 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 three components: net investment in capital asses, restricted, and unrestricted. 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. The restricted component of net position consists of restricted assets reduced by liabilities and

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

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 subsidies, 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.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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. 88 - In April 2018, the GASB issued GASB Statement No. 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this Statement had no effect on the change in net position.

Pending Adoption of Recent Accounting Pronouncements:

GASB Statement No. 87 - In June 2017, the Governmental Accounting Standards Board ("GASB") issued Statement No. 87, - *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement is effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

GASB Statement No. 89 - In June 2018, the GASB issued GASB Statement No. 89, - *Accounting for Interest Cost Incurred Before the end of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Statement is effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

GASB Statement No. 90 - In June 2018, the GASB issued GASB Statement No. 90, - *Majority Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest a fair value. The Statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

GASB Statement No. 91 - In May 2019, the GASB issued GASB Statement No. 91, - *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2021. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

GASB Statement No. 92 - In January 2020, the GASB issued GASB Statement No. 92, - *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of GASB Statement No. 87, *Leases*;
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan;
- The applicability of GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are*

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits;

- The applicability of certain requirements of GASB Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements;
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition;
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers;
- Reference to nonrecurring fair value measurements of assets and liabilities in authoritative literature;
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance;
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021;
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021;
- The requirements related to the measurement of liabilities (and assets, if any) associated with ATOs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

GASB Statement No. 95 - In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year and the new effective dates are presented in the above pending accounting pronouncements:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*

The Effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

Accounting Standards Update (ASU) NO. 2014-09 - In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 was implemented by FASB to whether an entity should recognize revenue. An entity should recognize revenue to depict the transfers of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018, with early implementation permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

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

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

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 Service Revenue is comprised as follows:

Routine Patient Services	\$ 294,295
Ancillary Patient Services	
Inpatient	2,085,528
Outpatient	16,625,222

Gross Patient Service Revenue	\$ 19,005,045
Charity	(1,154,974)
Third-Party Contractual Adjustments	(6,559,710)
Provision for Bad Debts	(893,940)
Medicaid Supplemental Payments & Other Credits	1,581,076

Net Patient Service Revenue	\$ 11,977,497
	=====

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 (liabilities) at September 30, 2019 are \$99,250.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Charity Care - The value of charity care provided by the Hospital based upon its established rates, was \$1,154,974 in 2019. 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 approximately \$799,000 for the year ended September 30, 2019.

NOTE 3: DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2019, the carrying amount of the Hospital's deposits with financial institutions was \$16,503 and the bank balance was \$649,346. 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 last Monday of the month to approve all cash disbursements.

NOTE 4: ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited as of September 30, 2019 is as follows:

Internally Designated for Security Deposit:

Cash and Cash Equivalents	\$	24,000
---------------------------	----	--------

NOTE 5: PATIENT ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at September 30, 2019:

Gross Accounts Receivable	\$	2,840,133
Less: Allowance for Bad Debts		(986,969)
Allowance for Contractuals		(542,923)

Accounts Receivable, Net of Allowance	\$	1,310,241
		=====

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019 is as follows:

Medicare	10%
Medicaid	13%
Other Third-Party Payers	41%
Patients	36%

Total	100%
	=====

NOTE 6: CAPITAL ASSETS

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

	Balance 9/30/18	Additions	Retirements	Balance 9/30/19
	-----	-----	-----	-----
Land	\$ 61,822	\$	\$	\$ 61,822
Land Improvements	1,022,226			1,022,226
Equipment	5,937,402	76,217		6,013,619
Construction in Progress	540		(540)	
	-----	-----	-----	-----
Totals at historical cost	\$ 7,021,990	\$ 76,217	\$ (540)	\$ 7,097,667
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Land Improvements	\$ (633,573)	\$ (67,564)	\$	\$ (701,137)
Equipment	(5,004,689)	(262,516)		(5,267,205)
	-----	-----	-----	-----
Total Accumulated Depreciation	\$ (5,638,262)	\$ (330,080)	\$ -0-	\$ (5,968,342)
	-----	-----	-----	-----
Capital Assets, Net	\$ 1,383,728	\$ (253,863)	\$ (540)	\$ 1,129,325
	=====	=====	=====	=====

Depreciation and amortization expense for the year ended September 30, 2019 was \$327,554.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7: SECTION 1115 DEMONSTRATION WAIVER PROGRAM

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 funding. In connection with this program, the Hospital provided intergovernmental transfers of \$964,295 and received \$2,294,173 for the year ended September 30, 2019. Additionally, the Hospital recorded an estimated recoupment payable of \$25,000 as of September 30, 2019. The recoupment payable is further discussed in Note 11. The Hospital recognized net revenue of \$1,304,878 for the year ended September 30, 2019. The net revenue is included in net patient service revenue on the accompanying statement of revenues, expenses, and changes in fund net position.

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 \$205,976 and received \$490,649 for the year ended September 30, 2019. The Hospital recognized net revenue of \$284,673 for the year ended September 30, 2019.

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

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

fund 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. The Hospital recognized \$276,198 in disproportionate share revenue for the year ended September 30, 2019. The net revenue is included in net patient service revenue on the accompanying statement of revenues, expenses, and changes in net position.

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: 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. The Hospital received \$1,128,361 from the County for operations for the year ended September 30, 2019. The County also provides operating cash when needed for the Hospital to meet its obligations. The Hospital currently owes the County \$640,004 for amounts borrowed during the current fiscal year.

NOTE 11: 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

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, was \$198,528 for the year ended September 30, 2019.

Texas Medicaid 1115 Healthcare Transformation Waiver Recoupment Liability - During 2017, several hospitals filed a lawsuit against the federal government challenging the rule calculating disproportionate share (DSH) and uncompensated care (UC) payments. The hospitals claimed the rule's definition of "costs incurred" was contrary to the Medicaid Act. The main issue is whether payments made by Medicare and private insurers should be subtracted from a hospital's "costs incurred" in the calculation of the Medicaid Hospital Specific Limit (HSL). In August 2019, the D.C. Circuit reinstated the 2017 Final Rule as adopted by the Centers for Medicare and Medicaid Services. As a result, the HSL was subsequently recalculated, resulting in numerous hospitals receiving DSH and UC funds in excess of the calculated limit during Demonstration Year (DY) 7. Consequently, management has recorded an estimate for the anticipated recoupment of DY 7 funds as of September 30, 2019 in the amount of \$25,000. The estimated recoupment payable is included within other accrued liabilities on the accompanying statement of net position.

NOTE 12: SUBSEQUENT EVENTS

In April and May of 2020, the U.S. Department of Health and Human Services provided \$3,384,185 to the Hospital from funds appropriated in the Public Health and Social Services Emergency Fund for provider relief ("Relief Fund") under Division B of Public Law 116-127. By accepting the Relief Funds, the Hospital must maintain compliance with the Secretary's term and conditions, including but not limited to, using the Relief Funds to prevent, prepare for, and respond to coronavirus, and shall reimburse the Hospital only for health care related expenses or lost revenues that are attributable to coronavirus. The Hospital's commitment to full compliance with all terms and conditions is material to the Secretary's decision to disburse these funds. Non-compliance with any terms and conditions is grounds for the Secretary to recoup some or all of the payment made from the Relief Fund.

LAMB COUNTY, TX

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Also, in May 2020, the District issued a loan in the amount of \$999,700, which was provided under Division A, Title 1, Section 1102 Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The provisions of the CARES Act amend the Small Business Administration ("SBA") to include a provision for the PPP. Beginning in May 2020, the PPP allows certain entities to apply for a loan to cover the cost of specific expenses incurred during the period February 15, 2020 through June 30, 2020 ("covered period"). The primary purpose of the loan is to provide small businesses the opportunity to maintain employment levels during the covered period. Under the provisions of the SBA Act, principal and interest payments are deferred for at least six months and up to one year after disbursement. While the PPP loan program allows for all or part of this loan to be forgiven by the SBA, whether forgiveness will be granted and in what amount is subject to an application to, and approval by, the SBA and may also be subject to further requirements in any regulations and guidelines the SBA may adopt. Of any portion of the loan is not forgiven, principal and interest payments will be deferred for the first six months, thereafter, the remaining principal balance and accrued interest shall be payable in 18 equal monthly installments with interest at 1% and a maturity date of May 1, 2022.

The date to which events occurring after September 30, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is June 11, 2020, 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, 2019

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Taxes	\$ 7,927,736	\$ 7,927,736	\$ 7,928,846	\$ 1,110
Charges for Services	401,700	401,700	419,717	18,017
Licenses & Permits	750	750	847	97
Commissions	514,500	514,500	522,017	7,517
Intergovernmental	215,975	215,975	248,103	32,128
Interest Income	56,100	56,100	96,409	40,309
Other Revenue	73,500	73,500	55,317	(18,183)
Total Revenues	\$ 9,190,261	\$ 9,190,261	\$ 9,271,255	\$ 80,994
Expenditures				
District Judge	\$ 193,668	\$ 193,668	\$ 148,256	\$ 45,412
District Clerk	164,153	166,153	162,933	3,220
County Judge	191,789	191,789	181,383	10,406
County Clerk	234,593	238,897	218,619	20,278
Tax Assessor	213,433	218,609	207,557	11,052
Treasurer	160,539	160,539	132,141	28,398
County Attorney	185,862	185,862	163,102	22,760
Justice of Peace - Pct #1-4	317,757	317,757	283,859	33,898
Veterans & Welfare	98,104	98,104	87,821	10,283
Adult Probation	2,000	2,000	951	1,049
Ag Extension Office	126,873	126,873	98,241	28,632
Sheriff	1,629,982	1,629,982	1,411,466	218,516
Jail	1,016,701	1,031,801	884,573	147,228
County Libraries	301,393	301,393	273,800	27,593
Auditor	170,053	171,478	163,068	8,410
Non-Departmental	732,803	629,863	628,947	916
Maintenance	152,267	152,267	148,018	4,249
Ag & Community Centers	37,900	37,300	28,516	8,784
Public Safety	312,459	312,459	284,612	27,848
Information Services	238,527	238,527	234,713	3,814
Road & Bridge - Pct #1-4	1,900,841	1,898,841	1,720,202	178,639
Capital Outlays	587,525	638,720	467,918	170,802
Principal	167,142	167,142	167,140	2
Interest	27,335	27,335	25,952	1,383
Total Expenditures	\$ 9,163,699	\$ 9,137,359	\$ 8,123,787	\$ 1,013,572

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, 2019

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Excess (Deficiency) of Revenues Over Expenditures	\$ 26,562	\$ 52,902	\$ 1,147,468	\$ 1,094,566
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	\$ 25,000	\$ 25,000	\$ 83,099	\$ 58,099
Proceeds From Capital Leases	-	-	-	-
Operating Transfers In	9,404,314	9,404,314	10,799,307	1,394,993
Operating Transfers Out	(10,833,326)	(10,867,326)	(12,230,480)	(1,363,154)
Total Other Financing Sources (Uses)	\$ (1,404,012)	\$ (1,438,012)	\$ (1,348,074)	\$ 89,938
Net Change in Fund Balances	\$ (1,377,450)	\$ (1,385,110)	\$ (200,606)	\$ 1,184,504
Fund Balances - Beginning	2,250,089	2,250,089	2,250,089	-
Fund Balance - Ending	\$ 872,639	\$ 864,979	\$ 2,049,483	\$ 1,184,504

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
MEASUREMENT 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	\$ 508,187	\$ 522,204	\$ 488,595	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	1,202,686	1,271,258	1,330,784	1,411,619	1,510,877					
Effect of plan changes		(54,066)			72,232					
Effect of assumption changes or inputs		186,976		113,871						
Effect of economic/demographic (gains) or losses	(86,320)	(223,636)	(242,491)	95,217	138,640					
Benefit payments/refunds of contributions	(736,690)	(878,811)	(845,743)	(898,431)	(868,794)					
Net change in total pension liability	864,882	758,772	750,736	1,244,480	1,341,549	-	-	-	-	-
Total pension liability - beginning	14,971,272	15,836,154	16,594,926	17,345,662	18,590,142	-	-	-	-	-
Total pension liability - ending (a)	\$ 15,836,154	\$ 16,594,926	\$ 17,345,662	\$ 18,590,142	\$ 19,931,691	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary Net Position										
Employer contributions	\$ 428,314	\$ 443,804	\$ 455,608	\$ 462,119	\$ 541,812	\$ -	\$ -	\$ -	\$ -	\$ -
Member contributions	240,242	247,222	254,410	256,327	256,031					
Investment income net of investment expenses	952,041	47,906	1,084,504	2,256,501	(327,584)					
Benefit payments/refunds of contributions	(736,690)	(878,811)	(845,743)	(898,431)	(868,794)					
Administrative expenses	(11,010)	(10,584)	(11,793)	(11,666)	(13,758)					
Other	50,544	54,939	(115,592)	(2,522)	(352)					
Net change in fiduciary net position	923,440	(95,523)	821,394	2,062,328	(412,646)	-	-	-	-	-
Fiduciary net position - beginning	13,829,705	14,753,145	14,657,622	15,479,016	17,541,344	-	-	-	-	-
Fiduciary net position - ending (b)	\$ 14,753,145	\$ 14,657,622	\$ 15,479,016	\$ 17,541,344	\$ 17,128,699	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability/(asset), ending = (a) - (b)	\$ 1,083,009	\$ 1,937,304	\$ 1,866,646	\$ 1,048,798	\$ 2,802,993	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary net position as a % of total pension liability	93.16%	88.33%	89.24%	94.36%	85.94%	0.00%	0.00%	0.00%	0.00%	0.00%
Pension covered payroll	\$ 3,432,025	\$ 3,531,748	\$ 3,618,804	\$ 3,661,813	\$ 3,657,581	-	-	-	-	-
Net pension liability as a % of covered payroll	31.56%	54.85%	51.58%	28.64%	76.64%	0.00%	0.00%	0.00%	0.00%	0.00%

SCHEDULE OF PENSION CONTRIBUTIONS
FISCAL YEAR ENDED SEPTEMBER 30
LAST 10 YEARS (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 430,773	\$ 450,853	\$ 452,144	\$ 467,343	\$ 456,961	\$ 481,962	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	(430,773)	(450,853)	(452,144)	(467,343)	(456,961)	(481,962)				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,473,106	\$ 3,612,621	\$ 3,567,716	\$ 3,703,196	\$ 3,620,927	\$ 3,798,154	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	12.40%	12.48%	12.67%	12.62%	12.62%	12.69%	0.00%	0.00%	0.00%	0.00%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

- Actuarial Cost Method: Entry Age
- Amortization Method: Level percentage of payroll, closed
- Remaining Amortization Period: 12.3 years (based on contribution rate calculated in 12/31/18 valuation)
- Asset Valuation Method: 5-year smoothed market
- Inflation: 2.75%
- Salary Increases: Varies by age and service. 4.9% average over career including inflation.
- Investment Rate of Return: 8.00% net of administrative and investment expenses, including inflation.
- Retirement Age: Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
- Mortality: 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
- Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions: 2015 : New inflation, mortality and other assumptions were reflected.
2017 : New mortality assumptions were reflected.
- Changes in Plan Provisions Reflected in the Schedule of Employer Contributions: 2015 : No changes in plan provisions were reflected in the Schedule.
2016 : No changes in plan provisions were reflected in the Schedule.
2017 : New Annuity Purchase Rates were reflected for benefits earned after 2017.
2018 : No changes in plan provisions were reflected in the Schedule.

LAMB COUNTY, TEXAS

Notes to Required Supplementary Information
September 30, 2019

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 Commissioners' 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 Commissioners' Court.

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

Each amendment must have Commissioner's Court approval. Such amendments are made before the fact, are reflected in the official minutes of the Commissioners' 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 Commissioners' 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.

DEFINED BENEFIT PENSION PLAN

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING FUND FINANCIAL STATEMENTS

LAMB COUNTY, TEXAS
 COMBINING BALANCE SHEET - ALL GENERAL FUND TYPES
 SEPTEMBER 30, 2019

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,319,107	\$ 395,157	\$ 459,194	\$ 2,173,459
Investments	-	-	-	-
Accounts Receivable	25,000	-	-	25,000
Delinquent Tax Receivable	428,610	-	-	428,610
Allowance for Uncollectible Tax	(42,861)	-	-	(42,861)
Due From Other Funds	647,304	-	-	647,304
Inventory	1,362	-	-	1,362
TOTAL ASSETS	\$ 2,378,522	\$ 395,157	\$ 459,194	\$ 3,232,874
LIABILITIES				
Accounts Payable	\$ 207,174	\$ 70,248	\$ -	\$ 277,422
Accrued Liabilities	14,762	1,167	-	15,930
Due To Other Funds	-	-	459,194	459,194
Due To Others	45,096	-	-	45,096
TOTAL LIABILITIES	\$ 267,033	\$ 71,416	\$ 459,194	\$ 797,642
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	\$ 385,749	\$ -	\$ -	\$ 385,749
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 385,749	\$ -	\$ -	\$ 385,749
FUND BALANCES				
Assigned for Retirement of L-T Debt	\$ -	\$ 616,796	\$ -	\$ 616,796
Unassigned	1,725,741	(293,054)	-	1,432,687
TOTAL FUND BALANCES	\$ 1,725,741	\$ 323,742	\$ -	\$ 2,049,483
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 2,378,522	\$ 395,157	\$ 459,194	\$ 3,232,874

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ALL GENERAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
REVENUES				
Taxes	\$ 5,522,792	\$ 1,277,694	\$ 1,128,361	\$ 7,928,846
Charges for Services	419,717	-	-	419,717
Licenses & Permits	847	-	-	847
Commissions	6,765	515,252	-	522,017
Intergovernmental	101,478	146,625	-	248,103
Interest Income	75,656	20,752	-	96,409
Other Revenue	54,644	673	-	55,317
TOTAL REVENUES	<u>\$ 6,181,899</u>	<u>\$ 1,960,995</u>	<u>\$ 1,128,361</u>	<u>\$ 9,271,255</u>
EXPENDITURES				
District Judge	\$ 148,256	\$ -	\$ -	\$ 148,256
District Clerk	162,933	-	-	162,933
County Judge	181,383	-	-	181,383
County Clerk	218,619	-	-	218,619
Tax Assessor	207,557	-	-	207,557
Treasurer	132,141	-	-	132,141
County Attorney	163,102	-	-	163,102
Justice of Peace - Pct #1-4	283,859	-	-	283,859
Veterans & Welfare	87,821	-	-	87,821
Adult Probation	951	-	-	951
Ag Extension Office	98,241	-	-	98,241
Sheriff	1,411,466	-	-	1,411,466
Jail	884,573	-	-	884,573
County Libraries	273,800	-	-	273,800
Auditor	163,068	-	-	163,068
Non-Departmental	628,947	-	-	628,947
Maintenance	148,018	-	-	148,018
Ag & Community Centers	28,516	-	-	28,516
Public Safety	284,612	-	-	284,612
Information Services	234,713	-	-	234,713
Road and Bridge - Pct #1-4	-	1,720,202	-	1,720,202
Capital Outlays	250,518	217,400	-	467,918
Principal	-	167,140	-	167,140
Interest	-	25,952	-	25,952
TOTAL EXPENDITURES	<u>\$ 5,993,093</u>	<u>\$ 2,130,694</u>	<u>\$ -</u>	<u>\$ 8,123,787</u>

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ALL GENERAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Road and Bridge</u>	<u>LHC</u>	<u>Total</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 188,806	\$ (169,698)	\$ 1,128,361	\$ 1,147,468
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Assets	\$ 72,000	\$ 11,099	\$ -	\$ 83,099
Proceeds From Capital Leases	-	-	-	-
Operating Transfers In	56,914	83,182	10,659,211	10,799,307
Operating Transfers Out	(386,152)	(56,756)	(11,787,572)	(12,230,480)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (257,238)	\$ 37,525	\$ (1,128,361)	\$ (1,348,074)
NET CHANGE IN FUND BALANCES	\$ (68,432)	\$ (132,173)	\$ -	\$ (200,606)
FUND BALANCES - BEGINNING	1,794,173	455,915	-	2,250,089
FUND BALANCES - ENDING	<u>\$ 1,725,741</u>	<u>\$ 323,742</u>	<u>\$ -</u>	<u>\$ 2,049,483</u>

LAMB COUNTY, TEXAS
 COMBINING BALANCE SHEET
 ROAD AND BRIDGE FUNDS
 SEPTEMBER 30, 2019

	<u>PRECINCT ONE</u>	<u>PRECINCT TWO</u>	<u>PRECINCT THREE</u>	<u>PRECINCT FOUR</u>	<u>TOTAL</u>
ASSETS					
Cash and Cash Equivalents	\$ 108,427	\$ 13,987	\$ 21,318	\$ 251,425	\$ 395,157
Investments	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
TOTAL ASSETS	\$ 108,427	\$ 13,987	\$ 21,318	\$ 251,425	\$ 395,157
LIABILITIES					
Accounts Payable	\$ 16,442	\$ 13,969	\$ 21,312	\$ 18,525	\$ 70,248
Accrued Liabilities	1,149	18	-	-	1,167
Due to Other Funds	-	-	-	-	-
TOTAL LIABILITIES	\$ 17,591	\$ 13,987	\$ 21,312	\$ 18,525	\$ 71,416
FUND BALANCES					
Assigned for Retirement of L-T Debt	\$ 171,168	\$ 285,552	\$ 160,075	\$ -	\$ 616,796
Unassigned	(80,333)	(285,552)	(160,069)	232,900	(293,054)
TOTAL FUND BALANCES	\$ 90,836	\$ -	\$ 6	\$ 232,900	\$ 323,742
TOTAL LIABILITIES AND FUND BALANCES	\$ 108,427	\$ 13,987	\$ 21,318	\$ 251,425	\$ 395,157

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES - ACTUAL AND BUDGET
 ROAD AND BRIDGE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<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	\$ 319,423	\$ 319,423	\$ 319,423	\$ 319,423	\$ 1,277,694	\$ 1,278,120	\$ (426)
Car Tags	128,813	128,813	128,813	128,813	515,252	508,000	7,252
Total Tax Collector	<u>\$ 448,236</u>	<u>\$ 448,236</u>	<u>\$ 448,236</u>	<u>\$ 448,236</u>	<u>\$ 1,792,946</u>	<u>\$ 1,786,120</u>	<u>\$ 6,826</u>
Other Revenue:							
Intergovernmental	\$ 36,656	\$ 36,656	\$ 36,656	\$ 36,656	\$ 146,625	\$ 108,000	\$ 38,625
Interest	5,867	2,294	1,590	11,001	20,752	6,100	14,652
Miscellaneous	597	-	75	-	673	4,000	(3,327)
Sale of Assets	-	-	5,111	5,988	11,099	20,000	(8,901)
Total Other Revenue	<u>\$ 43,121</u>	<u>\$ 38,951</u>	<u>\$ 43,432</u>	<u>\$ 53,645</u>	<u>\$ 179,148</u>	<u>\$ 138,100</u>	<u>\$ 41,048</u>
TOTAL REVENUES	<u>\$ 491,357</u>	<u>\$ 487,187</u>	<u>\$ 491,669</u>	<u>\$ 501,882</u>	<u>\$ 1,972,094</u>	<u>\$ 1,924,220</u>	<u>\$ 47,874</u>

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET
 ROAD AND BRIDGE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	PRECINCT ONE	PRECINCT TWO	PRECINCT THREE	PRECINCT FOUR	TOTAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES							
Commissioner's Salaries	\$ 52,069	\$ 52,069	\$ 52,069	\$ 49,589	\$ 205,795	\$ 205,796	\$ 1
Employee Salaries	168,442	158,796	109,719	129,613	566,571	610,740	44,169
Part-Time Salaries	41	-	27,013	480	27,534	59,620	32,086
Automobile Allowance	-	-	6,000	-	6,000	6,000	-
Social Security	16,790	15,759	14,842	13,769	61,160	68,149	6,989
Retirement	28,283	27,054	25,014	23,011	103,362	112,940	9,578
Group Hospital Insurance	47,285	46,997	37,773	39,791	171,846	179,569	7,723
Unemployment	311	293	253	230	1,087	3,698	2,611
Workers Comp.	5,238	4,961	4,325	4,040	18,564	22,943	4,379
Supplies/Other Operations	200	-	289	840	1,329	2,400	1,071
Equipment & Furniture	-	-	-	-	-	2,650	2,650
Fuel	59,945	60,337	49,270	65,150	234,702	244,275	9,573
Equipment Parts & Repairs	66,650	65,715	74,312	49,607	256,283	262,200	5,917
Paving & Seal Coating	-	-	-	-	-	-	-
Materials & Supplies	5,330	5,849	90	4,527	15,796	45,710	29,914
Telephone	2,280	2,280	3,103	2,070	9,733	11,680	1,947
Utilities	3,302	3,714	4,159	881	12,055	16,125	4,070
Travel & Training	2,048	275	620	4,440	7,382	9,550	2,168
Soil Conversation	750	750	750	750	3,000	3,000	-
Contract/Professional	-	-	2,500	513	3,013	15,500	12,487
Equipment Rentals/Leases	-	-	-	-	-	-	-
Principal	38,582	78,228	50,330	-	167,140	167,142	2
Interest Expense	8,562	11,182	6,207	-	25,952	27,335	1,383
Insurance & Bonds	-	178	-	178	355	756	401
Auto & Liability Insurance	3,619	3,792	3,690	3,534	14,635	15,540	905
Capital Outlays	-	22,000	-	195,400	217,400	230,000	12,600
TOTAL EXPENDITURES	\$ 509,726	\$ 560,228	\$ 472,328	\$ 588,412	\$ 2,130,694	\$ 2,323,318	\$ 192,624

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN FUND BALANCES
 ROAD AND BRIDGE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>PRECINCT ONE</u>	<u>PRECINCT TWO</u>	<u>PRECINCT THREE</u>	<u>PRECINCT FOUR</u>	<u>TOTAL</u>
FUND BALANCES September 30, 2018	\$ 109,204	\$ 27,280	\$ -	\$ 319,431	\$ 455,915
ADD: Revenue	491,357	487,187	491,669	501,882	1,972,094
DEDUCT: Expenditures	(509,726)	(560,228)	(472,328)	(588,412)	(2,130,694)
TRANSFERS IN (OUT)	-	45,761	(19,335)	-	26,426
FUND BALANCES September 30, 2019	<u>\$ 90,836</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 232,900</u>	<u>\$ 323,742</u>

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 SEPTEMBER 30, 2019

	District Clerk	County Clerk	Tax Assessor Collector	County Treasurer	County Attorney	Adult Probation	Justice of the Peace	Sheriff	Adult Basic Supervision	Adult Community Corrections	Diversion Program	Total
Cash & Cash Equivalents	\$ 150,343	\$ 21,377	\$ 125,025	\$ 44,401	\$ 4,358	\$ 1,636	\$ 1,843	\$ 34,898	\$ 95,063	\$ 5,740	\$ 13,597	\$ 498,280
Accounts Receivable												
TOTAL ASSETS	\$ 150,343	\$ 21,377	\$ 125,025	\$ 44,401	\$ 4,358	\$ 1,636	\$ 1,843	\$ 34,898	\$ 95,063	\$ 5,740	\$ 13,597	\$ 498,280
LIABILITIES												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,375	\$ 609	\$ 10,151	\$ 14,134
Due to Other Groups	122,122	21,377	125,025	44,401	4,358	1,636	1,843	34,898	91,688	5,131	3,446	455,925
Due to Trust Beneficiaries	28,221	-	-	-	-	-	-	-	-	-	-	28,221
TOTAL LIABILITIES	\$ 150,343	\$ 21,377	\$ 125,025	\$ 44,401	\$ 4,358	\$ 1,636	\$ 1,843	\$ 34,898	\$ 95,063	\$ 5,740	\$ 13,597	\$ 498,280

OTHER SUPPLEMENTARY INFORMATION

ROAD AND BRIDGE FIXED ASSETS

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2019

	<u>Balance</u> <u>9-30-2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-2019</u>
<u>Precinct #1</u>				
JD 410B Backhoe SN723439 (9-86)	\$ 43,800	\$ -	\$ -	\$ 43,800
1989 Mack Dump Truck	47,000			47,000
Used Grid Roller (4-93)	12,500			12,500
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
1996 Mack Truck - #57136	13,000			13,000
1997 Mack Truck - #65596	15,000			15,000
Jeep Truck Wrecker	5,100			5,100
2003 Chevy Crew Cab P/U #70359	12,600			12,600
Bush Hog Shredder #00635	11,900			11,900
2009 Caterpillar 140M Mtr Grader #B9D01781	167,430			167,430
1996 JD 8300 Tractor #05757	45,000			45,000
Caterpillar 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
2018 Caterpillar Mtr Grader #00604	292,250			292,250
2018 GMC Sierra #48832	34,267			34,267
Total Equipment	<u>\$ 1,216,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,216,181</u>
Lots	900			900
Precinct Barn	7,016			7,016
Pct #1 Community Building	31,510			31,510
Total Precinct #1	<u>\$ 1,255,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,255,607</u>

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2019

	Balance 9-30-2018	Additions	Deletions	Balance 9-30-2019
<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 Caterpillar 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
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
Caterpillar 140H MTR Grader #CCA04113	74,143			74,143
2006 Chevy P/U #166231	10,000			10,000
2008 Chevy P/U #295811	10,000			10,000
2014 Caterpillar 140M2 Mtr Grader OR9G00299	212,000			212,000
2016 Caterpillar 140M3 Mtr Grader #00395	238,925			238,925
2017 Caterpillar Mtr Grader #04138	265,000			265,000
Caterpillar Model D150-10 Generator	121,312			121,312
2013 GMC Sierra P/U # 45497		22,000		22,000
Total Equipment	\$ 1,346,349	\$ 22,000	\$ -	\$ 1,368,349
Land	1,450			1,450
Barn	19,618			19,618
Total Precinct #2	\$ 1,367,417	\$ 22,000	\$ -	\$ 1,389,417

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2019

	<u>Balance</u> <u>9-30-2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-2019</u>
<u>Precinct #3</u>				
1980 Timppte Belly Dump Trailer (5-88)	\$ 15,500	\$ -	\$ -	\$ 15,500
Campac Packers (4-95)	5,000			5,000
544H JD Loader - #1267 (850)	97,500			97,500
Bush Hog Flex-Wing Shredder #12-09661	8,500			8,500
Caterpillar 140H Grader	96,642			96,642
Road Groom Machine	13,264			13,264
2000 Chevy 271 P/U #22590	5,000			5,000
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
2016 JD 770G Mtr Grader #77220	154,000			154,000
2016 JD 770G Mtr Grader #77195	259,000			259,000
1997 Mack Truck #078253 Bed & Dump System	8,800		8,800	-
Total Equipment	\$ 1,000,347	\$ -	\$ 38,750	\$ 961,597
Iron Clad Barn	10,000			10,000
Metal Barn	92,113			92,113
Infrastructure	-	2,276,686		2,276,686
Total Precinct #3	\$ 1,102,460	\$ 2,276,686	\$ 38,750	\$ 3,340,396

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
SEPTEMBER 30, 2019

<u>Precinct #4</u>	<u>Balance</u> <u>9-30-2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-2019</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 Caterpillar 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
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
Caterpillar 140H Mtr Grader #03686	77,367			77,367
Caterpillar 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
2017 Chevy Silverado #137940	37,804			37,804
Caterpillar 140K Mtr Grader	256,000			256,000
Caterpillar 140 Mtr Grader #00116		275,400		275,400
Total Equipment	\$ 1,134,974	\$ 275,400	\$ 184,558	\$ 1,225,816
Land	2,000			2,000
Barn	10,000			10,000
Total Precinct #4	\$ 1,146,974	\$ 275,400	\$ 184,558	\$ 1,237,816

OFFICE OF THE TAX ASSESSOR-COLLECTOR

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
SEPTEMBER 30, 2019

	<u>Carrying Value</u>
<u>Roll</u>	
Taxable Value	\$ 1,015,142,277
Tax Levy	\$ 8,063,275
<u>Collections</u>	
October 1, 2018 through June 30, 2019	7,917,781
Balance June 30, 2019	\$ 145,494

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
SCHEDULE OF PRORATION OF FUNDS FROM AD VALOREM TAXES
SEPTEMBER 30, 2019

	<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	<u>0.1130</u>	<u>14.23</u>
County Tax Rate	<u>\$ 0.7943</u>	<u>100.00</u>

LAMB COUNTY, TEXAS
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 SEPTEMBER 30, 2019

LAST TEN YEARS ENDED SEPTEMBER 30,	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-2018	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEARS ADJUSTMENTS	ENDING BALANCE 9-30-2019
2010 & Prior Years	Various	Various	\$ 50,519		\$ 1,579	\$ (3,994)	\$ 44,946
2011	0.7943	943,028,186	11,573		774	(1,254)	9,545
2012	0.7963	962,016,905	15,985		759	(1,418)	13,808
2013	0.7963	1,017,702,126	15,334		1,230	(1,730)	12,374
2014	0.7943	984,964,545	23,397		3,402	(1,830)	18,165
2015	0.7943	900,278,988	25,982		5,269	(1,856)	18,857
2016	0.7943	875,025,108	45,172		9,411	(2,556)	33,205
2017	0.7943	898,243,573	74,246		24,847	(2,665)	46,734
2018	0.7943	919,280,517	138,301		49,392	(3,426)	85,483
2019 (Year Under Audit)	0.7943	1,015,142,277	8,063,275		7,917,781		145,494
TOTALS			\$ 400,508	\$ 8,063,275	\$ 8,014,445	\$ (20,729)	\$ 428,610

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, 2019

Routine Services:	
Routine Services	\$ 256,595
Nursery	37,700
Total Routine Services	<u>\$ 294,295</u>
Ancillary and Other Services:	
Inpatient	
Operating Room	\$ 106,980
Delivery and Labor	482,475
Anesthesiology	140,789
Radiology and Nuclear Medicine	50,634
Laboratory	246,370
Blood	50,646
Respiratory Therapy	289,472
Physical Therapy	89,025
Electrocardiology	4,200
Central Supply	91,797
Pharmacy	386,242
Emergency Room	146,898
Total Inpatient Ancillary Services	<u>\$ 2,085,528</u>

LAMB COUNTY HOSPITAL AUTHORITY
d/b/a LAMB HEALTHCARE CENTER
REVENUES FROM ROUTINE AND ANCILLARY SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Outpatient:

Operating Room	\$ 46,805
Delivery and Labor	66,312
Anesthesiology	1,685
Radiology and Nuclear Medicine	1,506,625
Laboratory	2,311,944
Blood	105,711
Respiratory Therapy	160,555
Physical Therapy	3,800
Electrocardiology	58,800
Central Supply	78,127
Pharmacy	709,327
Sleep Studies	4,214,200
340b Pharmacy	2,338,544
Lamb Healthcare Center Family Medicine	1,676,664
Olton Clinic	276,154
Emergency Room	<u>3,069,969</u>
Total Outpatient Ancillary Services	<u>\$ 16,625,222</u>
Gross Patient Revenue	<u><u>\$ 19,005,045</u></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, 2019

Gross Patient Revenue:	\$ 19,005,045
Deductions from Revenue:	
Charity	\$ (1,154,974)
Third-Party Contractual Adjustments	(6,559,710)
Provision for Bad Debts	(893,940)
Medicaid Supplemental Payments and Other Credits	<u>1,581,076</u>
Total Deductions from Revenue	<u>\$ (7,027,548)</u>
Net Patient Service Revenue	<u>\$ 11,977,497</u>
Electronic Health Records Stimulus	<u>\$ 10,388</u>
Delivery System Reform Incentive Program	<u>\$ 284,673</u>
Other Operating Revenue:	
Office Rents	\$ 675
Sale of Non-Patient Meals	44,777
Medical Records	2,975
Miscellaneous	<u>(2,227)</u>
Total Operating Revenue	<u>\$ 46,200</u>

LAMB COUNTY HOSPITAL AUTHORITY
d/b/a LAMB HEALTHCARE CENTER
OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Routine Services	\$ 1,060,197
Ancillary Services:	
Operating Room	\$ 76,230
Delivery and Labor	438,299
Anesthesiology	366,363
Radiology and Nuclear Medicine	343,404
Laboratory	805,294
Blood	37,109
Respiratory Therapy	266,288
Physical Therapy	63,419
Central Supply	97,062
Pharmacy	1,728,806
Sleep Studies	1,739,183
Lamb Healthcare Center Family Medicine	1,852,743
Olton Clinic	185,715
Emergency Room	760,014
Total Ancillary Services	<u>\$ 8,759,929</u>

LAMB COUNTY HOSPITAL AUTHORITY
d/b/a LAMB HEALTHCARE CENTER
OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

General Services	
Operation and Plant	\$ 310,450
Laundry and Linen	95,294
Housekeeping	156,621
Dietary	221,687
Total General Services	<u>\$ 784,052</u>
Administrative Services	
Salaries and Wages	\$ 455,919
Other Operating	31,516
Employee Benefits	583,332
Supplies	2,060
Medical Records	122,669
Nursing Administration	164,738
Travel and Seminars	3,523
Insurance	124,533
Legal and Accounting Fees	61,427
Professional Fees	185,349
Marketing	6,577
Repairs and Maintenance	162,122
Physician Recruitment	109,500
Telephone and Utilities	14,867
Rental Expense	55,771
Dues and Subscriptions	20,887
Collection Fees	28,920
Total Administrative Services	<u>\$ 2,133,710</u>
Depreciation and Amortization	\$ 327,554
Total Operating Expenses	<u><u>\$ 13,065,442</u></u>

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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 & 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, 2019, 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 16, 2020. 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.

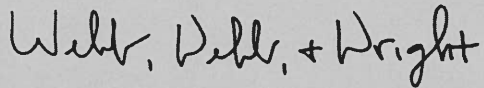
Compliance and Other Matters

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, PLLC
Littlefield, TX
June 16, 2020

LAMB COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019

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

LAMB COUNTY, TEXAS

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019

None