

LAMB COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2013

LAMB COUNTY, TEXAS  
COUNTY OFFICIALS  
SEPTEMBER 30, 2013

Name of Official  
-----

Office  
-----

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

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

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## FINANCIAL SECTION

# Webb, Webb, and Wright

## Certified Public Accountants

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Texas Society of CPA's  
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Stephen H. Webb, CPA  
Richard B. Wright, CPA

### Independent Auditor's Report

Honorable County Judge and Commissioners' Court  
Lamb County  
100 6<sup>th</sup> Street  
Littlefield, Texas

### 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, 2013, 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 represent 33 percent, 32 percent, and 49 percent, respectively, of the assets, net position, and revenues of the proprietary fund. 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, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

The other supplementary information is the responsibility of management and was 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2014 on our consideration of Lamb County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lamb County's internal control over financial reporting and compliance.

Respectfully submitted,



WEBB, WEBB AND WRIGHT, CPA's

June 12, 2014



## **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, 2013. 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 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 governmental activities.

Net position of the County's governmental activities increased from \$10,073,897 to \$10,497,106. 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 \$4,993,836 at September 30, 2013.

This increase in governmental net position was the net result of the County's revenues exceeding the expenses as shown in Exhibit B-1.

The net position of our business-type activities increased by \$708,776. This increase is significant to the overall operations of the County as it provides significant services to the community. Factors contributing to this increase are shown in Exhibit B-1.

**Table 1**

**Lamb County**

**Net Position**

in thousands

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	6,028	5,522	3,245	2,971	9,273	8,493	9.2%
Capital assets	5,259	5,702	2,268	2,228	7,527	7,930	-5.1%
Total assets	11,287	11,224	5,513	5,199	16,800	16,423	2.3%
Long-term liabilities	156	280			156	280	-44.3%
Other liabilities	634	870	601	996	1,235	1,866	-33.8%
Total liabilities	790	1,150	601	996	1,391	2,146	-35.2%
Net position:							
Invested in capital assets, net of related debt	5,033	5,302	2,267	2,228	7,300	7,530	-3.1%
Restricted	470				470	-0-	0.0%
Unrestricted	4,994	4,772	2,645	1,975	7,639	6,747	13.2%
Total net position	10,497	10,074	4,912	4,203	15,409	14,277	7.9%

**Table 2****Lamb County****Changes in Net Position**

in thousands

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
<b>Revenues:</b>							
Net program revenues:							
Charges for services	597	678	8,964	6,493	9,561	7,171	33.3%
Operating grants and contributions	540	614			540	614	-12.1
Capital grants and contributions					-0-	-0-	0.0%
General revenues:							
Property taxes	8,193	7,575			8,193	7,575	8.2%
Licenses and permits	1				1	-0-	0.0%
Commissions	545	550			545	550	-.9%
Grants and contributions not restricted			83	413	83	413	-79.9%
Unrestricted investments earnings	96	80	14	11	110	91	20.9%
Other revenues	298	143	842	1,793	1,140	1,936	-41.1%
Gain(Loss) on sale of assets	10	(32)			10	(32)	-131.3%
<b>Total revenues</b>	<b>10,280</b>	<b>9,609</b>	<b>9,903</b>	<b>8,710</b>	<b>20,183</b>	<b>18,319</b>	<b>10.2%</b>
<b>Expenses:</b>							
General government	1,731	1,213			1,731	1,213	42.7%
Financial	406	396			406	396	2.5%
Judicial	506	469			506	469	7.9%
Legal	187	208			187	208	-10.1%
Public safety	3,250	2,986			3,250	2,986	8.8%
Facilities	140	171			140	171	-18.1%
Public welfare	66	65			66	65	1.5%
Culture/Recreation	402	380			402	380	5.8%
Road and Bridge	1,867	1,797			1,867	1,797	3.9%
Health			10,482	9,691	10,482	9,691	8.2%
Interest on long-term debt	14	12			14	12	16.7%
<b>Total expenses</b>	<b>8,569</b>	<b>7,697</b>	<b>10,482</b>	<b>9,691</b>	<b>19,051</b>	<b>17,388</b>	<b>9.6%</b>

**Table 2****Lamb County****Changes in Net Position**

in thousands

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Increase(decrease)in net position before transfers	1,711	1,912	(579)	(981)	1,132	931	21.6%
Transfers	(1,288)	(1,312)	1,288	1,312	-0-	-0-	0.0%
Change in net position	423	600	709	331	1,132	931	21.6%
Net position-beginning	10,074	9,473	4,203	3,872	14,277	13,345	7.0%
Increase (Decrease) in net position		1				1	-100.0%
Net position-ending	10,497	10,074	4,912	4,203	15,409	14,277	7.9%

The County's governmental revenues increased over \$671,000 this year. The total cost of governmental programs and services increased over \$872,000 this year. The County's business revenues increased over \$1,192,000 this year. The total cost of business programs and services increased over \$791,000 this year.

Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Current year property tax revenues increased by \$425,469 over previous year collections. This increase is the result of increases to the tax base that totaled over \$56 million. The increase in property tax revenue was used to fund health insurance increases and to remodel the dispatch area of the Sheriff's office.
- Office fee collections decreased \$52,295 or 10.1% below prior year collections. There were decreases in multiple offices.
- Total expenses increased during the year. A portion of this increase is reflected in the non-departmental area of the budget. The non-departmental budget saw increases in capital outlays and contract professional services. There were also increases in the Road and Bridge expenditures for equipment maintenance and early retirement of debt. There were increases in retirement expense and employee medical benefits.

The cost of all governmental and business-type activities this year was \$19,051,274. 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 \$8,739,247 because \$9,560,750 of the costs were paid by those who directly benefited from the programs, \$540,294 by other governments and organizations that subsidized certain programs with grants and contributions or by \$83,154 in unrestricted grants and contributions.

## **THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$5,165,688, which is significantly above last year's total of \$4,658,429. Included in this year's total change in fund balance is a net increase of \$425,154 in the County's General Fund.

Total tax revenue including delinquent taxes increased \$425,469 over prior year collections. Taxes increased due to high collection rates and an increase in the tax base. The increase in the tax base also allowed the County to retain the same tax rate as the previous year.

Expenditures in the governmental funds increased over prior year totals. No salary increases were budgeted. The primary areas of increase were in capital outlays, equipment repair expenditures, personnel related costs due to increases in employee benefit costs, and increases in funding for the Lamb Healthcare Center.

### ***General Fund Budgetary Highlights***

The County's General Fund balance of \$4,682,741 differs from the General Fund's budgetary fund balance of \$3,555,556. This difference is shown on the budgetary comparison schedule (Exhibit F-1).

The County budget is prepared by the County Judge and approved by the Commissioners Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure line item level. Budgetary adjustments must be approved by the Commissioners Court. The significant differences between the original budget and the final budget were due to grant revenue being received after the start of the fiscal year. The largest increase was from revenue received from the Texas Department of Agriculture for damage caused by Hurricane Alex. 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 \$759,680 and the actual excess was \$1,997,424. Major variances included:

- Total revenues collected were more than budgeted revenue. Property tax revenue exceeded budget by \$116,292 due to higher than expected collection rates and increased penalties and interest on collections of delinquent taxes.
- Total fee revenue collected was less than budgeted amounts by \$23,536.
- Total expenditures were 10.21% less than the ending budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of 2013, the County had \$16,774,522 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 year's major additions included:

Buildings & Improvements	\$ 30,852
Machinery & Equipment	35,000
Vehicles	182,672
Office Equipment	90,815
	-----
Total	\$ 339,339
	=====



The County completed the consolidated dispatching project renovations and purchased new 911 equipment for the Sheriff's office. The Sheriff's office also purchased several new vehicles. The Juvenile Probation purchased a new vehicle as well.

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

### ***Debt***

At year-end, the County had \$226,697 in outstanding governmental debt versus \$400,036 last year.

More detailed information about the County's long-term liabilities is presented in Note 9 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 2014 budget and tax rates such as the following:

- Additional money was budgeted in contract/professional services for possible litigation expense and renovations for the courthouse.
- There were also budget increases for retirement and health insurance due to increased costs.

## **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, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 6,279,363	\$ 115,310	\$ 6,394,673
Investments	29		29
Receivables (net of allowance for uncollectibles)	339,391	937,891	1,277,282
Internal balances	(597,723)	597,723	-0-
Due from other funds	7,001		7,001
Inventories	149	292,799	292,948
Prepays and other current assets		1,301,438	1,301,438
Capital assets (net of accumulated depreciation):			
Land	32,970	61,822	94,792
Buildings and improvements	2,818,353	729,391	3,547,744
Machinery and equipment	464,992	1,465,529	1,930,521
Vehicles	721,850		721,850
Office equipment	655,263		655,263
Capital Leases	565,982		565,982
Construction in progress		10,756	10,756
Total Capital Assets	\$ 5,259,410	\$ 2,267,498	\$ 7,526,908
TOTAL ASSETS	\$ 11,287,620	\$ 5,512,659	\$ 16,800,279
LIABILITIES			
Accounts payable	\$ 438,399	\$ 234,058	\$ 672,457
Accrued liabilities	85,262	366,590	451,852
Due to Others	882		882
Unearned revenue	39,273		39,273
Noncurrent liabilities:			
Due within one year	70,798		70,798
Due in more than one year	155,899		155,899
TOTAL LIABILITIES	\$ 790,514	\$ 600,648	\$ 1,391,162
NET POSITION			
Invested in capital assets, net of related debt	\$ 5,032,713	\$ 2,267,498	\$ 7,300,211
Restricted	470,557		470,557
Unrestricted	4,993,836	2,644,513	7,638,349
TOTAL NET POSITION	\$ 10,497,106	\$ 4,912,011	\$ 15,409,117

The accompanying notes are an integral part of this statement.  
(13)

LAMB COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,731,112	\$ 156,384	\$ 19,817	\$	\$ (1,554,911)	\$	\$ (1,554,911)
Financial	406,383	89,828	831		(315,724)		(315,724)
Judicial	506,015	243,515	1,142		(261,358)		(261,358)
Legal	186,610	64,888	59,943		(61,779)		(61,779)
Public safety	3,249,853	41,448	350,482		(2,857,923)		(2,857,923)
Facilities	140,531				(140,531)		(140,531)
Public welfare	66,218	765			(65,453)		(65,453)
Culture/Recreation	401,599				(401,599)		(401,599)
Road and Bridge	1,866,745		108,079		(1,758,666)		(1,758,666)
Interest on long-term debt	13,959				(13,959)		(13,959)
Total Governmental Activities	\$ 8,569,025	\$ 596,828	\$ 540,294	\$ -0-	\$ (7,431,903)	\$ -0-	\$ (7,431,903)
Business – Type Activities:							
Health	\$ 10,482,249	\$ 8,963,922	\$	\$	\$	\$ (1,518,327)	\$ (1,518,327)
Total Business-Type Activities	\$ 10,482,249	\$ 8,963,922	\$ -0-	\$ -0-	\$ -0-	\$ (1,518,327)	\$ (1,518,327)
TOTAL PRIMARY GOVERNMENT	\$ 19,051,274	\$ 9,560,750	\$ 540,294	\$ -0-	\$ (7,431,903)	\$ (1,518,327)	\$ (8,950,230)
<hr/>							
General Revenues:							
Property taxes					\$ 8,193,274	\$	\$ 8,193,274
Licenses and permits					726		726
Commissions					545,247		545,247
Grants and contributions not restricted to specific programs						83,154	83,154
Investment earnings					95,970	14,368	110,338
Miscellaneous					298,442	841,268	1,139,710
Gain (Loss) on sale of assets					9,765		9,765
Transfers					(1,288,313)	1,288,313	-0-
Total general revenues and transfers					\$ 7,855,111	\$ 2,227,103	\$ 10,082,214
Change in net position					\$ 423,209	\$ 708,776	\$ 1,131,985
Net position – beginning					10,073,897	4,203,235	14,277,132
Net position – ending					\$ 10,497,106	\$ 4,912,011	\$ 15,409,117

The accompanying notes are an integral part of this statement.

LAMB COUNTY, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	-----	-----	-----
<b>ASSETS</b>			
	-----		
Cash	\$ 5,785,157	\$ 494,206	\$ 6,279,363
Investments	29		29
Accounts Receivable	22,275	18,411	40,686
Delinquent Tax Receivable	331,894		331,894
Allowance for Uncollectible Tax	(33,189)		(33,189)
Due From Other Funds	7,000	2	7,002
Inventory	149		149
	-----	-----	-----
Total Assets	\$ 6,113,315	\$ 512,619	\$ 6,625,934
	-----	-----	-----
<b>LIABILITIES</b>			
	-----		
Accounts Payable	\$ 409,611	\$ 28,788	\$ 438,399
Accrued Liabilities	85,262		85,262
Due to Other Funds	597,723	1	597,724
Due to Others		882	882
Unearned Revenue	337,978		337,978
	-----	-----	-----
Total Liabilities	\$ 1,430,574	\$ 29,671	\$ 1,460,245
	-----	-----	-----
<b>FUND BALANCE</b>			
	-----		
Nonspendable	\$ 149	\$	\$ 149
Restricted		470,557	470,557
Assigned for Retirement of L-T Debt	226,697		226,697
Assigned for Other Purposes		12,390	12,390
Unassigned	4,455,895		4,455,895
	-----	-----	-----
Total Fund Balance	\$ 4,682,741	\$ 482,948	\$ 5,165,688
	-----	-----	-----
Total Liabilities and Fund Balance	\$ 6,113,315	\$ 512,619	\$ 6,625,934
	=====	=====	=====

The accompanying notes are an integral part of this statement.  
(15)

LAMB COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

Total fund balances - governmental fund balance sheet	\$ 5,165,688
Capital assets used in governmental activities not financial resources and, therefore, are not reported in the funds.	5,259,410
A reclassification is necessary to convert from the modified accrual basis of accounting to accrual basis of accounting and, thereby recognizing unearned revenue from property taxes as revenue.	298,705
Long-term liability used in governmental activities are not due and payable in the current period and therefore not reported in the funds.	(226,697)
	-----
Total net position of governmental activities	\$ 10,497,106 =====

The accompanying notes are an integral part of this statement.  
(16)

LAMB COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
<b>REVENUES</b>			
Taxes	\$ 8,008,381	\$ 386	\$ 8,008,766
Charges for Services	463,814	133,013	596,828
Licenses & Permits	726		726
Commissions	545,247		545,247
Intergovernmental	269,523	270,771	540,294
Interest on Investments	91,725	4,246	95,970
Miscellaneous	296,710	1,731	298,442
	-----	-----	-----
Total Revenues	\$ 9,676,126	\$ 410,147	\$ 10,086,273
	-----	-----	-----
<b>EXPENDITURES</b>			
Current Operating:			
District Judge	\$ 80,253	\$	\$ 80,253
District Clerk	149,411		149,411
County Judge	160,795		160,795
County Clerk	230,803		230,803
Tax Assessor	197,636		197,636
County Treasurer	83,032		83,032
County Attorney	142,552		142,552
Justice of Peace - Pct #1-4	267,411		267,411
County Veterans & Welfare	66,218		66,218
Adult Probation	152		152
County Extension Office	127,659		127,659
County Sheriff	1,477,775		1,477,775
Jail	793,614		793,614
County Library	240,724		240,724
County Auditor	124,884		124,884
Non-Departmental	886,375		886,375
Maintenance	140,531		140,531
Ag & Community Centers	28,778		28,778
Public Safety	217,865		217,865
Information Services	160,240		160,240
Road and Bridge - Pct #1-4	1,647,149		1,647,149
Bail Bond Board Account			-0-
Jury Fund		3,140	3,140
Grants Fund		9,818	9,818
Library Grants			-0-
Emergency Food & Shelter			-0-
Child Abuse Prevention/Family Protection Fund			-0-
Courthouse Security Fund		2,361	2,361
Commissioners Court RPF		300	300
County Clerk RPF		17,426	17,426
District Clerk RPF		297	297
County & District Tech Fund			-0-
District Courts Tech/Archive Fund			-0-
JP Technology Fund		3,140	3,140

The accompanying notes are an integral part of this statement.  
(17)

LAMB COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
JP Security Fund			-0-
Juvenile Probation Fund		382,619	382,619
Stand Grant Fund		103,093	103,093
Title IV-E Fund		6,633	6,633
Lamb County 4-H Action Fund			-0-
JPO-State Aid		10,278	10,278
County Clerk Election Fund			-0-
County Clerk Records Archive			-0-
Tax A/C - Voter Registration Fund		831	831
VCLG Grant Fund		28,146	28,146
Pre-Trial Diversion Fund		2,710	2,710
DWI Video Fund		300	300
County Attorney Drug Forfeiture		10,474	10,474
County Attorney Hot Check Fee Fund		2,428	2,428
Sheriff Commissary Fund		10,962	10,962
Sheriff Forfeiture Fund-State			-0-
Sheriff Forfeiture Fund-Federal			-0-
County Library		2,317	2,317
Historical Commission		2,121	2,121
Capital Outlays	267,546	28,558	296,103
Debt Service:			
Principal	173,339		173,339
Interest	13,959		13,959
Total Expenditures	\$ 7,678,702	\$ 627,951	\$ 8,306,653
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,997,424	\$ (217,804)	\$ 1,779,620
OTHER FINANCING SOURCES (USES)			
Proceeds From Sale of Assets	\$ 15,952	\$	\$ 15,952
Operating Transfers In	9,791,633	299,910	10,091,543
Operating Transfers Out	(11,379,856)		(11,379,856)
Total Other Financing Sources (Uses)	\$ (1,572,271)	\$ 299,910	\$ (1,272,361)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	\$ 425,154	\$ 82,106	\$ 507,259
Fund Balances - Beginning	4,257,587	400,842	4,658,429
Increase (Decrease) in Fund Balance			-0-
Fund Balances - Ending	\$ 4,682,741	\$ 482,948	\$ 5,165,688
	=====	=====	=====

The accompanying notes are an integral part of this statement.  
(18)



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, 2013

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

Net change in fund balances - total governmental funds.	\$ 507,259
Capital outlays are not reported as expenses in the SOA.	296,103
Capital asset depreciation used in governmental activities is not reported in the funds.	(731,813)
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.	(6,187)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	184,508
Some expenditures (e.g. principal debt payment) on fund statements are not expenditures on the SOA.	173,339
	-----
Change in net position of governmental activities.	\$ 423,209
	=====

LAMB COUNTY, TEXAS  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
SEPTEMBER 30, 2013

ASSETS:

CURRENT ASSETS

Cash and Cash Equivalents	\$ 115,310
Patient Accounts Receivable, Net of Allowances	856,438
Estimated Third-Party Payer Settlements	81,453
Other Receivable - Lamb County	597,723
Inventory of Supplies	292,799
Prepaid Expenses and Other Current Assets	1,301,438
	-----
Total Current Assets	\$ 3,245,161

CAPITAL ASSETS

Net of Accumulated Depreciation	2,267,498
	-----
Total Assets	\$ 5,512,659
	-----

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$ 234,058
Accrued Payroll, Benefits and Related Liabilities	322,769
Other Accrued Liabilities	43,821
	-----
Total Current Liabilities	\$ 600,648
	-----
Total Liabilities	\$ 600,648
	-----

NET POSITION

Invested in Capital Assets Net of Related Debt	\$ 2,267,498
Unrestricted	2,644,513
	-----
Total Net Position	\$ 4,912,011
	=====

The accompanying notes are an integral part of this statement.  
(20)

LAMB COUNTY, TEXAS  
STATEMENT OF REVENUE, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUND  
SEPTEMBER 30, 2013

OPERATING REVENUES	
Net Patient Service Revenue	\$ 8,963,922
Other Revenue	513,649
	-----
Total Operating Revenues	\$ 9,477,571
	-----
OPERATING EXPENSES	
Salaries	\$ 4,158,261
Employee Benefits	662,088
Professional Fees and Purchased Services	2,542,980
Supplies and Other	2,640,875
Depreciation and Amortization	327,345
	-----
Total Operating Expenses	\$ 10,331,549
	-----
Operating Income (Loss)	\$ (853,978)
NON-OPERATING REVENUES (EXPENSES)	
Tobacco Settlement Revenue	\$ 38,260
Non-Capital Grants and Contributions	83,154
Indigent Care Support	916,862
Interest Income	14,368
Intergovernmental Transfer	(627,503)
Interest Expense	(1,207)
	-----
Total Non-operating Revenues (Expenses)	\$ 423,934
	-----
Income (Loss) Before Capital Grants and Contributions & County Subsidies	\$ (430,044)
Capital Grants and Contributions	-0-
County Subsidies	1,138,820
	-----
Increase (Decrease) in Net Position	\$ 708,776
Net Position - Beginning	4,203,235
	-----
Net Position - Ending	\$ 4,912,011
	=====

The accompanying notes are an integral part of this statement.  
(21)

LAMB COUNTY, TEXAS  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
SEPTEMBER 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From and on Behalf of Patients	\$ 9,863,175
Payments to Suppliers and Contractors	(6,376,876)
Payments to Employees	(4,794,600)
Other Receipts and Payments, Net	533,442
	-----
Net Cash Provided(Used) by Operating Activities	\$ (774,859)
	-----
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash Invested in Funds Held by Lamb County	\$ 644,148
County Subsidies	1,138,820
Non-Capital Grants and Contributions	83,154
Proceeds From Tobacco Settlement	38,260
Intergovernmental Transfers	(730,892)
	-----
Net Cash Provided(Used) by Non-Capital Financing Activities	\$ 1,173,490
	-----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	\$ (366,282)
Principal Paid on Long-Term Debt and Notes Payable	-0-
Interest Paid on Long-Term Debt and Notes Payable	(1,207)
	-----
Net Cash Provided(Used) by Capital and Related Financing Activities	\$ (367,489)
	-----
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	\$ 14,368
	-----
Net Cash Provided(Used) by Investing Activities	\$ 14,368
	-----
Net Increase(Decrease) in Cash and Cash Equivalents	\$ 45,510
Cash and Cash Equivalents at the Beginning of Year	69,800
	-----
Cash and Cash Equivalents at the End of Year	\$ 115,310
	=====

The accompanying notes are an integral part of this statement.

LAMB COUNTY, TEXAS  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
SEPTEMBER 30, 2013

RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH	
USED BY OPERATING ACTIVITIES	
Operating Income(Loss)	\$ (853,978)
Adjustments to Reconcile Operating Income(Loss) to Net Cash	.
Used by Operating Activities:	
Depreciation and Amortization	327,345
Provision for Bad Debts	1,438,746
Indigent Care Support	916,862
(Increase)Decrease in:	
Accounts Receivable	(1,575,357)
Estimated Third-Party Payer Settlements	294,256
Prepaid Expenses and Other Current Assets	(927,294)
Increase(Decrease) in:	
Accounts Payable	(245,988)
Accrued Payroll Benefits and Related Liabilities	25,749
Other Accrued Liabilities	(175,200)
	-----
Net Cash Provided(Used) by Operating Activities	\$ (774,859)
	-----

The accompanying notes are an integral part of this statement.  
(23)

LAMB COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
SEPTEMBER 30, 2013

	Agency Funds -----
ASSETS:	
Cash and Cash Equivalents	\$ 485,040
Accounts Receivable	3,156
	-----
Total Assets	\$ 488,196
	-----
LIABILITIES:	
Accounts Payable	\$ 2,404
Due to Other Groups	428,781
Due to Trust Beneficiaries	57,011
	-----
Total Liabilities	\$ 488,196
	-----

The accompanying notes are an integral part of this statement.  
(24)

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**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. 14, *The Financial Reporting Entity*, 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.

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**B. BASIS OF PRESENTATION**

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



LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**B. BASIS OF PRESENTATION (continued)**

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.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

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

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

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

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

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The County has chosen to apply future FASB standards.

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

The Major Governmental Fund is:

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 Major Proprietary Fund is:

Lamb Healthcare Center This is an enterprise fund of Lamb County. It was established for the purpose of maintaining a system to provide hospital and medical care to the residents of Lamb County.

In addition, the County reports the following fund type:

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

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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

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

D. CASH AND CASH EQUIVALENTS

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

E. RECEIVABLE AND PAYABLE BALANCES

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

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

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.

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

G. INVENTORIES

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

H. CAPITAL ASSETS

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

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

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

I. ENCUMBRANCES

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

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

J. PERSONAL LEAVE

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

The County has identified a liability for accumulated personal leave where the employees' rights to receive benefits are attributable to services already rendered, and it is probable that the County will compensate the employees through either paid time off or cash payments at termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The contingent liability for accumulated personal leave at 9-30-13 was \$90,218.

K. FUND BALANCES

Fund balances of the governmental funds are classified as follows:

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

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

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

K. FUND BALANCES (continued)

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

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

L. USE OF ESTIMATES

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

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING**

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

1. Prior to May 1, the County Judge reviews the operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted when applicable by law.
3. Prior to October 1, the budget is legally enacted by acceptance of the Commissioners' Court.
4. Transfer of budgeted amounts between line items is authorized within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Commissioners' Court.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget was properly amended by the Commissioners' Court as needed throughout the year. There were no significant budget amendments passed during the 12-13 fiscal year.

**NOTE 3: COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
STAND Grant	84	Nonmajor Fund
JPO-State Aid	10,278	Nonmajor Fund

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 4: DEPOSITS AND INVESTMENTS**

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

Cash Deposits:

At September 30, 2013, the carrying amount of the County's total deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$6,394,673 and the bank balance was \$6,720,541. The County's cash deposits with financial institutions at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

In addition, the following is disclosed regarding coverage of combined account balances on the date of highest deposit:

- a. Name of depository bank is Aimbank - Littlefield, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$15,847,937.
- c. Largest cash, savings and time deposits combined account balance amounted to \$11,867,212 and occurred during the month of February 2013.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$402,055.

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



LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 4: DEPOSITS AND INVESTMENTS (continued)**

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 or guaranteed by governmental entities, 2)certificates of deposit and share deposits, 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 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 in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 4: DEPOSITS AND INVESTMENTS (continued)**

Current investments of \$29 are invested in TexPool (a non SEC-registered investment pool). TexPool is rated AAAM by Standard & Poor's. TexPool is the largest and oldest government investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. The carrying amount of \$29 and the fair value are the same.

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.

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.

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 4: DEPOSITS AND INVESTMENTS (continued)**

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

**NOTE 5: PROPERTY TAX**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On February 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

**NOTE 6: DELINQUENT TAXES RECEIVABLE**

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

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
	-----	-----	-----	-----
<u>Governmental Activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 32,970	\$	\$	\$ 32,970
Construction in progress				-0-
Total capital assets not being depreciated	\$ 32,970	\$ -0-	\$ -0-	\$ 32,970
	-----	-----	-----	-----
<i>Capital assets being depreciated:</i>				
Buildings and improvements	\$ 9,527,137	\$ 30,852	\$	\$ 9,557,989
Machinery and equipment	2,243,226	35,000	(19,075)	2,259,151
Vehicles	1,989,357	182,672	(92,734)	2,079,295
Office equipment	1,914,156	90,815		2,004,971
Capital leases	840,147			840,147
Total capital assets being depreciated	\$ 16,514,022	\$ 339,339	\$ (111,809)	\$ 16,741,552
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings and improvements	\$ (6,611,606)	\$ (128,029)	\$	\$ (6,739,635)
Machinery and Equipment	(1,690,611)	(116,436)	12,888	(1,794,159)
Vehicles	(1,246,658)	(160,285)	49,498	(1,357,445)
Office equipment	(1,107,302)	(242,406)		(1,349,708)
Capital leases	(189,508)	(84,657)		(274,165)
Total accumulated depreciation	\$ (10,845,685)	\$ (731,813)	\$ 62,386	\$ (11,515,112)
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 5,668,337	\$ (392,474)	\$ (49,423)	\$ 5,226,440
	-----	-----	-----	-----
Governmental activities capital assets, net	\$ 5,701,307	\$ (392,474)	\$ (49,423)	\$ 5,259,410
	=====	=====	=====	=====

Depreciation, including capital lease amortization expense, was charged to functions as follows:

General government	\$ 265,355
Public safety	246,862
Highways and streets	219,596
	-----
	\$ 731,813
	=====

**NOTE 8: UNEARNED REVENUE**

Unearned revenue at year end consisted of the following:

Description	Fund	Amount
-----	-----	-----
Uncollected Property Taxes	General	\$ 298,705
Insurance Claim Proceeds	General	39,273
		-----
Total Unearned Revenue		\$ 337,978
		=====

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 9: OPERATING/CAPITAL LEASES**

The County has entered into various operating lease agreements for Xerox, Ricoh and Sharp copiers and printers. Commitments under these operating (noncapitalized) lease agreements provide for future minimum rental payments as of September 30, 2013 as follows:

Year Ending	
-----	
2014	\$ 25,085
2015	21,317
2016	17,040
2017	7,575
2018	2,618
	-----
Total Minimum Rental Payments	\$ 73,635
	=====
Rental Expenditures in FYE 2013	\$ 29,185
	=====

In FYE 2009, the County entered into an equipment lease-purchase agreement on a Caterpillar 938G Wheel Loader for Precinct #4. This lease agreement qualified as a capital lease for accounting purposes and, therefore, had been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 3.84%. Commitments under this capitalized lease agreement expired during the current year. The amount of interest paid in the current year was \$1,801.

In FYE 2009, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140M Motor Grader for Precinct #2. This lease agreement qualified as a capital lease for accounting purposes and, therefore, had been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 3.85%. Commitments under this capitalized lease agreement expired during the current year. The amount of interest paid in the current year was \$2,419.

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 9: OPERATING/CAPITAL LEASES (continued)**

In FYE 2010, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140H 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 3.94%. The amount of interest paid in the current year was \$2,281. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2013 as follows:

Year Ending	
-----	
2014	\$ 20,794
2015	20,795
	-----
Total Minimum Lease Payments	\$ 41,589
Less Amount Representing Interest	(2,340)
	-----
Present Value - Minimum Lease Payments	\$ 39,249
	=====

In FYE 2011, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140M 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 3.41%. The amount of interest paid in the current year was \$2,761. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2013 as follows:

Year Ending	
-----	
2014	\$ 21,943
2015	21,943
2016	21,942
	-----
Total Minimum Lease Payments	\$ 65,828
Less Amount Representing Interest	(4,257)
	-----
Present Value - Minimum Lease Payments	\$ 61,571
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 9: OPERATING/CAPITAL LEASES (continued)**

In FYE 2012, the County entered into a lease agreement on a Canon IR C5030 copier. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with no interest. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2013 as follows:

Year Ending	
-----	
2014	\$ 3,748
2015	3,748
2016	938
	-----
Total Minimum Lease Payments	\$ 8,434
Less Amount Representing Interest	-0-
	-----
Present Value - Minimum Lease Payments	\$ 8,434
	=====

In FYE 2012, the County entered into an equipment lease-purchase agreement on a JD 770G Motor Grader for Precinct #4. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 3.25%. The amount of interest paid in the current year was \$4,697. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2013 as follows:

Year Ending	
-----	
2014	\$ 31,784
2015	31,784
2016	31,784
2017	31,786
	-----
Total Minimum Lease Payments	\$ 127,138
Less Amount Representing Interest	(9,695)
	-----
Present Value - Minimum Lease Payments	\$ 117,443
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 10: LONG-TERM DEBT**

Changes in Long-Term Liabilities:

	Balance 10-01-12	Increase	Decrease	Balance 09-30-13	Amounts Due Within One Year
	-----	-----	-----	-----	-----
Capital Leases	\$ 400,036	\$	\$ 173,339	\$ 226,697	\$ 70,798
	-----	-----	-----	-----	-----
Total Long-Term Liabilities	\$ 400,036	\$ -0-	\$ 173,339	\$ 226,697	\$ 70,798
	=====	=====	=====	=====	=====

**NOTE 11: INTERFUND BALANCES AND ACTIVITIES**

1. Due To and From Other Funds  
Balances due to and due from other funds at September 30, 2013 consisted of the following:

Due To Fund	Due From Fund	Amount
-----	-----	-----
Proprietary Fund-Hospital	General Fund	\$ 597,723
General Fund	Agency Funds	7,000
Other Governmental Funds	Other Governmental Funds	1
Other Governmental Funds	Agency Funds	1
		-----
		\$ 604,725
		=====

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, 2013 consisted of the following:

Transfers From	Transfers To	Amount
-----	-----	-----
General Fund	LHC	\$ 131,857
General Fund	Other Governmental Funds	299,910
Proprietary Fund-Hospital	LHC	9,659,776
LHC	Proprietary Fund-Hospital	10,948,089
		-----
		\$ 21,039,632
		=====

Purpose of interfund balances and transfers was for fund loans and operations.



LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 12: 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 2013, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**NOTE 13: SELF-INSURED INSURANCE**

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

**NOTE 14: 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 15: 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;

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 15: COMMITMENTS AND CONTINGENCIES (continued)**

therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NOTE 16: LITIGATION**

Lamb County is involved in various lawsuits and claims. Some are for alleged losses suffered and are being handled by the County's insurance carriers. Although the outcome of these lawsuits and claims are not presently determinable, in the opinion of management the resolution of these matters will not have a material adverse effect on the County's financial position as of September 30, 2013.

**NOTE 17: PENSION BENEFIT PLAN**

**Plan Description.** Lamb County provides retirement, death, disability, and withdrawal benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide, agent multiple-employer, public-employee retirement system consisting of 641 cash balance-account type defined benefit pension plans.

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, death or disability, the

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 17: PENSION BENEFIT PLAN (continued)**

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.

**Funding Policy.** 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 10.61% for the months of the accounting year in 2012, and 12.26% for the months of the accounting year in 2013. The contribution rate payable by the employee members for fiscal year 2013 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.

**Schedule of Funding Information:**

Actuarial Valuation Date	12-31-10	12-31-11	12-31-12
	-----	-----	-----
Actuarial Value of Assets	\$7,110,889	\$7,698,561	\$ 8,317,483
Actuarial Accrued Liability (AAL)	\$8,730,074	\$9,650,159	\$10,360,124
Unfunded or (Over-funded) Actuarial Accrued Liability (UAAL or (OAAL))	\$1,619,185	\$1,951,598	\$ 2,042,641
Funded Ratio	81.45%	79.78%	80.28%
Annual Covered Payroll (Actuarial)	\$3,373,079	\$3,406,378	\$ 3,415,561
UAAL or (OAAL) as a Percentage of Covered Payroll	48.00%	57.29%	59.80%
Net Pension Obligation (NPO) at The Beginning of Period	\$ -0-	\$ -0-	\$ -0-
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 345,067	\$ 348,472	\$ 362,388
Contributions Made	\$ 345,067	\$ 348,472	\$ 362,388
Net Pension Obligation (NPO) at The End of Period	\$ -0-	\$ -0-	\$ -0-

LAMB COUNTY, TEXAS

Notes to Financial Statements  
September 30, 2013

**NOTE 17: PENSION BENEFIT PLAN (continued)**

The County is one of 641 member counties and districts having the benefit plan administered by TCDRS. Each of the member counties and districts has an annual, individual actuarial valuation performed. All assumptions for the 12-31-12 valuations are contained in the 2012 TCDRS Comprehensive Annual Financial Report, a copy of which may be obtained from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

**NOTE 18: HEALTH CARE COVERAGE**

During the year ended September 30, 2013, 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, 2013, and the terms of coverage and contribution costs are included in the contractual provisions.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a  
LAMB HEALTHCARE CENTER  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**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. The Lamb County Hospital d/b/a Lamb Healthcare Center was purchased as of this date and became an enterprise fund of Lamb County. See the following disclosures which pertain specifically to the Lamb Healthcare Center Fund.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a  
LAMB HEALTHCARE CENTER  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - On August 1, 1991, the County purchased all of the assets and assumed all the liabilities of the Lamb County Hospital Authority. The new entity became Lamb County Hospital d/b/a Lamb Healthcare Center. Lamb Healthcare Center 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. The Hospital is supported, in part, by ad valorem taxes on real and personal property, and transfers from the County as subsidies. The Hospital is responsible for the indigent healthcare of the County.

**Enterprise Fund Accounting** - Lamb Healthcare Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

**Accounting Pronouncements** - The System has elected to apply the provisions based on Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Governmental Accounting Standard Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 is effective for periods beginning after December 15, 2012.

**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.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a  
LAMB HEALTHCARE CENTER  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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

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

**Capital Assets** - Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. The Hospital provides for depreciation of capital assets on the straight-line method and at rates promulgated by the American Hospital Association which are designed to amortize the cost of such equipment over its useful life. 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's capitalization policy states that capital assets with a value greater than \$5,000 and a useful life described in the table below will be capitalized.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a  
LAMB HEALTHCARE CENTER  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following are a range of useful lives used by asset class:

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 four components. Net position invested in capital assets net of related debt 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. Restricted expendable net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position equals the principal portion of permanent endowments. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of invested in capital assets net of related debt or restricted.

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

**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.

**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. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, charity care is excluded from net patient revenue.



LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a  
LAMB HEALTHCARE CENTER  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

**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.

**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 rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital is a Sole Community Hospital, which entitles it to a higher payment per inpatient Medicare discharge. 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 method.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 2: NET PATIENT SERVICE REVENUE (continued)**

The Hospital is reimbursed for allowable costs at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

**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 Revenue is comprised as follows:

Routine Patient Services	\$ 485,305
Ancillary Patient Services	
Inpatient	2,640,962
Outpatient	8,862,735
	-----
Gross Patient Service Revenue	\$ 11,989,002
Charity	(417,335)
Third-Party Contractual Adjustments	(2,430,134)
Provision for Bad Debts	(1,438,746)
Medicaid Supplemental Payments & Other Credits	1,261,135
	-----
Net Patient Service Revenue	\$ 8,963,922
	=====

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 2: NET PATIENT SERVICE REVENUE (continued)**

**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, 2013 are \$81,453.

**Charity Care** - The value of charity care provided by the Hospital based upon its established rates, was \$417,335 in 2013. ASU 2010-23 requires charity care to be disclosed on a cost basis. The Hospital utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost. The Hospital's cost of providing charity care was estimated at \$391,352 for the year ended September 30, 2013.

**NOTE 3: 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 \$403,833 and received \$959,646 for the year ended September 30, 2013. The Hospital recognized revenue of \$555,813 for the year ended September 30, 2013. The respective revenue is included within net patient service revenue in the statement of revenues, expenses, and changes in fund net position.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 3: SECTION 1115 DEMONSTRATION WAIVER PROGRAM (continued)**

**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 District 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 \$186,567 and received \$452,653 for the year ended September 30, 2013. The Hospital recognized net revenue of \$224,894 for the year ended September 30, 2013. The respective revenue is included within other revenue in the statement of revenues, expenses and changes in fund net position.

**Indigent Care Affiliation Agreement** - The Hospital is part of an indigent care affiliation agreement with the Service Organization of West Texas, a non-profit corporation, and affiliated hospitals. This agreement is intended to increase funding for the Medicaid population and to access federal funding for the indigent population through the Texas Medicaid Supplemental Payment Program also known as the Private Upper Payment Limit Program. Under this program, the Hospital contributes certain governmental funds to the State of Texas. The Service Organization of West Texas then provides care to the Medicaid and non-Medicaid indigent in the region and surrounding communities. These services were valued at \$916,862 for the year ended September 30, 2013. As part of the affiliation agreement, the Hospital provided \$627,503 in funding to the program for the year ended September 30, 2013. Additionally, the Hospital has funded \$103,389 which has been recorded as prepaid services in the statement of net position at September 30, 2013.

**NOTE 4: DEPOSITS WITH FINANCIAL INSTITUTIONS**

At September 30, 2013, the carrying amount of the Hospital's deposits with financial institutions was \$115,310 and the bank balance was \$185,815. 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.

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SEPTEMBER 30, 2013

**NOTE 5: 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 hospital and county hospitals to generate additional federal matching funds. Hospitals participating in the Medicaid program that meet the conditions of participation and that serve a disproportionate share of low-income patients as defined by state law are eligible for additional reimbursement from the disproportionate share hospital fund. There are direct and implied expectations regarding the purpose of this funding.

The focus of the funds is to benefit the health care needs of the medically indigent, including recipients of Medicaid benefits, those eligible for Medicaid benefits, the uninsured poor, 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. During 2013 the Hospital received \$1,261,135 in Medicaid disproportionate share funds.

**NOTE 6: ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at September 30, 2013:

Patient Accounts Receivable	\$ 2,253,634
Less: Allowance for Bad Debts	(762,481)
Allowance for Contractuals	(634,715)
	-----
Patient Accounts Receivable, Net of Allowance	\$ 856,438
	=====

LAMB COUNTY, TEXAS

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SEPTEMBER 30, 2013

**NOTE 6: ACCOUNTS RECEIVABLE (continued)**

**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, 2013 is as follows:

Medicare	28%
Medicaid	13%
Other Third-Party Payers	12%
Patients	47%
	-----
Total	100%
	=====

**NOTE 7: CAPITAL ASSETS**

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

	Balance 9/30/12	Additions	Retirements	Balance 9/30/13
	-----	-----	-----	-----
Land	\$ 61,822	\$	\$	\$ 61,822
Land Improvements	1,022,226			1,022,226
Equipment	4,323,721	362,418	423,065	5,109,204
Construction in Progress	597,222	3,864	(590,330)	10,756
	-----	-----	-----	-----
Totals at historical cost	\$ 6,004,991	\$ 366,282	\$ (167,265)	\$ 6,204,008
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Land Improvements	\$ (224,273)	\$ (68,562)	\$	\$ (292,835)
Equipment	(3,552,157)	(258,783)	167,265	(3,643,675)
	-----	-----	-----	-----
Total Accumulated Depreciation	\$ (3,776,430)	\$ (327,345)	\$ 167,265	\$ (3,936,510)
	-----	-----	-----	-----
Capital Assets, Net	\$ 2,228,561	\$ 38,937	\$ -0-	\$ 2,267,498
	=====	=====	=====	=====

Depreciation expense, including capital lease amortization, for the year ended September 30, 2013 was \$327,345.

LAMB COUNTY, TEXAS

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SEPTEMBER 30, 2013

**NOTE 8: RELATED PARTIES**

**County-**The Hospital receives funds from the County for indigent patient care, capital improvements, repairs, and other operating costs. These funds are partially provided through the County's general tax revenues. During 2013 the Hospital received \$1,138,820 from the County for operations.

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

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

**Leases** - The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total rental expense, including operating leases, in 2013 was \$155,866.

**NOTE 10: 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.

LAMB COUNTY, TEXAS

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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 11: ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM**

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon statutory formula, as determined by the state, which is approved by the Center for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount of any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period. The Hospital has met the first requirements under the Medicare program and has recorded revenue in 2013 of \$-0-.

**NOTE 12: SUBSEQUENT EVENTS**

Subsequent events of the hospital have been evaluated through February 15, 2014, 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 (GAAP BASIS) AND ACTUAL - ALL GENERAL FUND TYPES  
For Year Ended September 30, 2013

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 7,892,089	\$ 7,892,089	\$ 8,008,381	\$ 116,292
Charges for Services	487,350	487,350	463,814	(23,536)
Licenses & Permits	500	500	726	226
Commissions	563,000	563,000	545,247	(17,753)
Intergovernmental	258,750	258,750	269,523	10,773
Interest	66,800	66,800	91,725	24,925
Miscellaneous	43,500	43,500	296,710	253,210
Total Revenues	\$ 9,311,989	\$ 9,311,989	\$ 9,676,126	\$ 364,137
<b>Expenditures</b>				
District Judge	\$ 137,800	\$ 137,800	\$ 80,253	\$ 57,547
District Clerk	154,079	154,079	149,411	4,668
County Judge	168,365	168,365	160,795	7,570
County Clerk	240,349	240,349	230,803	9,546
Tax Assessor	206,921	206,921	197,636	9,285
County Treasurer	91,356	91,356	83,032	8,324
County Attorney	173,341	173,431	142,552	30,879
Justice of Peace - Pct #1-4	291,620	291,620	267,411	24,209
County Veterans & Welfare	82,215	82,214	66,218	15,996
Adult Probation	950	950	152	798
County Extension Office	124,283	129,283	127,659	1,624
County Sheriff	1,602,023	1,610,616	1,477,775	132,841
Jail	908,018	908,018	793,614	114,404
County Library	240,462	241,063	240,724	339
County Auditor	141,804	141,804	124,884	16,920
Non-Departmental	825,090	615,613	886,375	(270,762)
Maintenance	205,624	205,624	140,531	65,093
Ag & Community Centers	44,000	37,669	28,778	8,891
Public Safety	268,529	268,529	217,865	50,664
Information Services	93,461	168,521	160,240	8,281
Road & Bridge - Pct #1-4	1,825,407	1,847,316	1,647,149	200,167
Capital Outlays	615,600	642,338	267,546	374,792
Principal	179,932	172,995	173,339	(344)
Interest	15,755	15,835	13,959	1,876
Total Expenditures	\$ 8,636,984	\$ 8,552,309	\$ 7,678,702	\$ 873,607

The accompanying notes are an integral part of this statement.  
(59)

LAMB COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BASIS) AND ACTUAL - ALL GENERAL FUND TYPES  
For Year Ended September 30, 2013

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Excess (Deficiency) of Revenues Over Expenditures	\$ 675,005	\$ 759,680	\$ 1,997,424	\$ 1,237,744
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	\$ 70,000	\$ 84,352	\$ 15,952	\$ (68,400)
Operating Transfers In	9,515,535	9,555,535	9,791,633	236,098
Operating Transfers Out	(10,901,181)	(11,101,598)	(11,379,856)	(278,258)
Total Other Financing Sources (Uses)	\$ (1,315,646)	\$ (1,461,711)	\$ (1,572,271)	\$ (110,560)
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	\$ (640,641)	\$ (702,031)	\$ 425,154	\$ 1,127,185
Fund Balance at Beginning of Year	4,257,587	4,257,587	4,257,587	-0-
Fund Balance at End of Year	\$ 3,616,946	\$ 3,555,556	\$ 4,682,741	\$ 1,127,185

The accompanying notes are an integral part of this statement.  
(60)

## COMBINING STATEMENTS

LAMB COUNTY, TEXAS  
COMBINING BALANCE SHEET - ALL GENERAL FUND TYPES  
September 30, 2013

	General	Road and Bridge	LHC	Total
	-----	-----	-----	-----
<b>Assets</b>				
-----				
Cash	\$ 4,133,102	\$ 1,054,342	\$ 597,713	\$ 5,785,157
Investments	11	8	10	29
Accounts Receivable	18,126	4,149		22,275
Delinquent Tax Receivable	331,894			331,894
Allowance for Uncollectible Tax	(33,189)			(33,189)
Due from Other Funds	7,000			7,000
Inventory	149			149
	-----	-----	-----	-----
Total Assets	\$ 4,457,093	\$ 1,058,499	\$ 597,723	\$ 6,113,315
	=====	=====	=====	=====
<b>Liabilities and Fund Balance</b>				
-----				
Accounts Payable	\$ 295,025	\$ 114,586	\$	\$ 409,611
Accrued Liabilities	85,262			85,262
Due to Other Funds			597,723	597,723
Unearned Revenue	310,245	27,733		337,978
	-----	-----	-----	-----
Total Liabilities	\$ 690,532	\$ 142,319	\$ 597,723	\$ 1,430,574
	-----	-----	-----	-----
Nonspendable	\$ 149	\$	\$	\$ 149
Assigned for Retirement of L-T Debt	8,434	218,263		226,697
Unassigned	3,757,977	697,917		4,455,895
	-----	-----	-----	-----
Total Fund Balance	\$ 3,766,560	\$ 916,180	\$ -0-	\$ 4,682,741
	-----	-----	-----	-----
Total Liabilities & Fund Balance	\$ 4,457,093	\$ 1,058,499	\$ 597,723	\$ 6,113,315
	=====	=====	=====	=====

LAMB COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GENERAL FUND TYPES  
For Year Ended September 30, 2013

	General	Road and Bridge	LHC	Total
	-----	-----	-----	-----
Revenues				
-----				
Taxes	\$ 5,576,776	\$ 1,289,518	\$ 1,142,087	\$ 8,008,381
Charges for Services	463,814			463,814
Licenses & Permits	726			726
Commissions	35,811	509,436		545,247
Intergovernmental	161,444	108,079		269,523
Interest	62,646	14,710	14,368	91,725
Miscellaneous	293,120	3,590		296,710
	-----	-----	-----	-----
Total Revenues	\$ 6,594,338	\$ 1,925,332	\$ 1,156,456	\$ 9,676,126
	-----	-----	-----	-----
Expenditures				
-----				
District Judge	\$ 80,253	\$	\$	\$ 80,253
District Clerk	149,411			149,411
County Judge	160,795			160,795
County Clerk	230,803			230,803
Tax Assessor	197,636			197,636
County Treasurer	83,032			83,032
County Attorney	142,552			142,552
Justice of Peace - Pct #1-4	267,411			267,411
County Veterans & Welfare	66,218			66,218
Adult Probation	152			152
County Extension Office	127,659			127,659
County Sheriff	1,477,775			1,477,775
Jail	793,614			793,614
County Library	240,724			240,724
County Auditor	124,884			124,884
Non-Departmental	886,375			886,375
Maintenance	140,531			140,531
Ag & Community Centers	28,778			28,778
Public Safety	217,865			217,865
Information Services	160,240			160,240
Road and Bridge - Pct #1-4		1,647,149		1,647,149
Capital Outlays	232,546	35,000		267,546
Principal	3,748	169,591		173,339
Interest		13,959		13,959
	-----	-----	-----	-----
Total Expenditures	\$ 5,813,003	\$ 1,865,698	\$ -0-	\$ 7,678,702
	-----	-----	-----	-----

LAMB COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GENERAL FUND TYPES  
For Year Ended September 30, 2013

	General -----	Road and Bridge -----	LHC -----	Total -----
Excess (Deficiency) of Revenues Over Expenditures	\$ 781,335 -----	\$ 59,634 -----	\$ 1,156,456 -----	\$ 1,997,424 -----
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	\$	\$ 15,952	\$	\$ 15,952
Operating Transfers In			9,791,633	9,791,633
Operating Transfers Out	(431,767) -----	 -----	(10,948,089) -----	(11,379,856) -----
Total Other Financing Sources (Uses)	\$ (431,767) -----	\$ 15,952 -----	\$ (1,156,456) -----	\$ (1,572,271) -----
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures And Other Uses	\$ 349,568	\$ 75,586	\$ -0-	\$ 425,154
Fund Balance at Beginning of Year	3,416,993	840,594	-0-	4,257,587
Increase (Decrease) in Fund Balance				-0-
Fund Balance at End of Year	\$ 3,766,560 =====	\$ 916,180 =====	\$ -0- =====	\$ 4,682,741 =====

LAMB COUNTY, TEXAS  
COMBINING BALANCE SHEET  
ROAD AND BRIDGE FUNDS  
September 30, 2013

	Precinct One -----	Precinct Two -----	Precinct Three -----	Precinct Four -----	Total -----
ASSETS -----					
Cash	\$212,538	\$301,659	\$194,356	\$345,789	\$1,054,342
Investments	8				8
Accounts Receivable	737	737	1,937	737	4,149
	-----	-----	-----	-----	-----
TOTAL ASSETS	\$213,283	\$302,396	\$196,293	\$346,526	\$1,058,499
	=====	=====	=====	=====	=====
LIABILITIES AND FUND BALANCE -----					
Accounts Payable	\$ 28,069	\$ 31,412	\$ 26,962	\$ 28,143	\$ 114,586
Unearned Revenue			27,733		27,733
	-----	-----	-----	-----	-----
TOTAL LIABILITIES	\$ 28,069	\$ 31,412	\$ 54,695	\$ 28,143	\$ 142,319
Assigned for Retirement of L-T Debt	\$ 61,571	\$	\$ 39,249	\$117,443	\$ 218,263
Unassigned	123,644	270,984	102,349	200,940	697,917
	-----	-----	-----	-----	-----
TOTAL FUND BALANCE	\$185,215	\$270,984	\$141,598	\$318,383	\$ 916,180
	-----	-----	-----	-----	-----
TOTAL LIABILITIES AND FUND BALANCE	\$213,283	\$302,396	\$196,293	\$346,526	\$1,058,499
	=====	=====	=====	=====	=====



LAMB COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES-BUDGETED AND ACTUAL  
ROAD AND BRIDGE FUNDS  
For Year Ended September 30, 2013

	PRECINCT ONE	PRECINCT TWO	PRECINCT THREE	PRECINCT FOUR	TOTAL	BUDGETED REVENUES	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:							
Tax Collector:							
Ad Valorem Taxes	\$ 322,379	\$ 322,379	\$ 322,379	\$ 322,379	\$ 1,289,518	\$ 1,270,712	\$ 18,806
Car Tags	127,359	127,359	127,359	127,359	509,436	528,000	(18,564)
Total Tax Collector	\$ 449,738	\$ 449,738	\$ 449,738	\$ 449,739	\$ 1,798,953	\$ 1,798,712	\$ 241
Other Revenue:							
Intergovernmental	\$ 27,020	\$ 27,020	\$ 27,020	\$ 27,020	\$ 108,079	\$ 76,000	\$ 32,079
Interest	3,070	4,217	2,918	4,505	14,710	8,800	5,910
Miscellaneous	440		1,650	1,500	3,590	4,000	(410)
Sale of Assets		1,600	14,352		15,952	34,352	(18,400)
Total Other Revenue	\$ 30,530	\$ 32,836	\$ 45,940	\$ 33,025	\$ 142,331	\$ 123,152	\$ 19,179
TOTAL REVENUES	\$ 480,268	\$ 482,575	\$ 495,678	\$ 482,763	\$ 1,941,284	\$ 1,921,864	\$ 19,420

LAMB COUNTY, TEXAS  
COMBINING STATEMENT OF EXPENDITURES-BUDGETED AND ACTUAL  
ROAD AND BRIDGE FUNDS  
For Year Ended September 30, 2013

	PRECINCT ONE	PRECINCT TWO	PRECINCT THREE	PRECINCT FOUR	TOTAL	BUDGETED EXPENDITURES	VARIANCE FAVORABLE (UNFAVORABLE)
<u>EXPENDITURES:</u>							
Salaries:							
Commissioners	\$ 46,471	\$ 46,293	\$ 46,293	\$ 46,293	\$ 185,350	\$ 185,172	\$ (178)
Employees	146,941	110,240	153,626	122,584	533,391	598,674	65,283
Part-Time		2,899			2,899	27,000	24,101
Automobile Allowance			6,000		6,000	6,000	-0-
Social Security	14,509	12,147	15,650	12,258	54,564	62,052	7,488
Retirement	23,223	18,815	24,582	20,189	86,809	100,369	13,560
Group Hospital Insurance	32,316	28,775	36,011	28,230	125,332	141,938	16,606
Unemployment	341	1,042	6,638	272	8,293	8,486	193
Workmen's Comp.	7,381	4,787	6,413	5,206	23,787	26,757	2,970
Supplies/Other Operations	100	920	198	138	1,357	2,012	655
Equipment & Furniture					-0-	2,500	2,500
Fuel & Oil	71,337	66,263	65,858	77,461	280,919	301,656	20,737
Equipment Parts & Repairs	71,010	72,854	86,808	46,338	277,010	282,882	5,872
Cnty Highway Maintenance					-0-		-0-
Materials & Supplies	1,513	5,682	5,411	1,530	14,136	26,941	12,805
Telephone	2,339	1,860	3,191	1,965	9,355	9,690	335
Utilities	2,984	2,048	3,608	2,073	10,713	10,700	(13)
Travel & Training	1,457	938	733	851	3,980	5,334	1,354
Soil Conservation	750	750	750	750	3,000	3,000	-0-
Contract/Professional Services	1,553	2,152	1,553	1,552	6,810	25,700	18,890
Equipment Rentals/Leases					-0-		-0-
Principal	19,182	62,648	18,514	69,247	169,591	172,995	3,404
Interest	2,761	2,419	2,281	6,498	13,959	15,835	1,876
Insurance & Bonds	178		178		356	5,136	4,781
Auto & Liability Insurance	4,422	2,503	3,352	2,813	13,089	15,317	2,228
Capital Outlays			35,000		35,000	65,000	30,000
 TOTAL EXPENDITURES	 \$ 450,766	 \$ 446,036	 \$ 522,648	 \$ 446,249	 \$ 1,865,698	 \$ 2,101,146	 \$ 235,448

LAMB COUNTY, TEXAS  
COMBINING STATEMENT OF CHANGES IN FUND BALANCES  
ROAD AND BRIDGE FUNDS  
September 30, 2013

	Precinct One -----	Precinct Two -----	Precinct Three -----	Precinct Four -----	Total -----
FUND BALANCE, September 30, 2012	\$155,713	\$234,445	\$168,567	\$281,869	\$ 840,594
ADD: Revenues	480,268	482,575	495,678	482,763	1,941,284
DEDUCT: Expenditures	(450,766)	(446,036)	(522,648)	(446,249)	(1,865,698)
TRANSFERS IN (OUT)	-0-	-0-	-0-	-0-	-0-
	-----	-----	-----	-----	-----
FUND BALANCE (DEFICIT) September 30, 2013	\$185,215 =====	\$270,984 =====	\$141,598 =====	\$318,383 =====	\$ 916,180 =====

LAMB COUNTY, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 September 30, 2013

	District Clerk	County Clerk	Tax Assessor Collector	County Treasurer	County Attorney	Adult Probation	Justice of the Peace	Sheriff	Adult Basic Supervision	Total
<u>ASSETS</u>										
Cash & Cash Equivalents	\$ 151,498	\$ 17,260	\$ 125,949	\$ 28,064	\$ 16,220	\$ 1,036	\$ 4,787	\$ 22,720	\$ 117,506	\$ 485,040
Accounts Receivable									3,156	3,156
TOTAL ASSETS	\$ 151,498	\$ 17,260	\$ 125,949	\$ 28,064	\$ 16,220	\$ 1,036	\$ 4,787	\$ 22,720	\$ 120,662	\$ 488,196
<u>LIABILITIES</u>										
Accounts Payable	\$ 96,588	\$ 15,159	\$ 125,949	\$ 28,064	\$ 16,220	\$ 1,036	\$ 4,787	\$ 22,720	\$ 2,404	\$ 428,781
Due to Other Groups	54,910	2,101							118,258	57,011
Due to Trust Beneficiaries										
TOTAL LIABILITIES	\$ 151,498	\$ 17,260	\$ 125,949	\$ 28,064	\$ 16,220	\$ 1,036	\$ 4,787	\$ 22,720	\$ 120,662	\$ 488,196

## OTHER SUPPLEMENTARY INFORMATION

LAMB COUNTY, TEXAS  
 SCHEDULE OF INVESTMENTS-ALL FUNDS  
 SEPTEMBER 30, 2013

	Account -----	Carrying Value -----
TexPool:		
-----		
General Fund	1400200002	\$ 11
Precinct One	1400200001	8
Lamb County Hospital	1400200003	10
		-----
Total		\$ 29
		=====

ROAD AND BRIDGE FIXED ASSETS

LAMB COUNTY, TEXAS  
SCHEDULE OF FIXED ASSETS  
September 30, 2013

	Balance 9-30-12	Additions	Deletions	Balance 9-30-13
<u>Precinct #1</u>				
JD 4040 Tractor	\$ 24,360	\$	\$	\$ 24,360
JD 410B Backhoe SN723439 (9-86)	43,800			43,800
1989 Mack Dump Truck	47,000			47,000
1991 Chevy Pickup SN130341 (5-91)	13,805			13,805
Used Grid Roller (4-93)	12,500			12,500
Mack Truck (4-93)	7,500			7,500
Bottom Dump Trailer (4-93)	21,500			21,500
Ripper (9-93)	7,750			7,750
1968 Mack Truck (10-94)	5,650			5,650
1977 Dodge Tank Truck T81HZ3T (1-96)	7,000			7,000
Radio Equipment (3-96)	10,107			10,107
938 G Caterpillar (9-98)	85,000			85,000
1999 Dump Truck - # 0383 (853)	23,500			23,500
1999 Dump Truck - # 0382 (854)	23,500			23,500
2000 Chev P/U Model K2500	22,093			22,093
1996 Mack Truck - #57132	13,000			13,000
1996 Mack Truck - #57136	13,000			13,000
1997 Mack Truck - #65596	15,000			15,000
Caterpillar Escavator - #9RL00289 (960)	64,942			64,942
Jeep Truck Wrecker	5,100			5,100
2003 Big Tex Trailer	11,000			11,000
140 H Mtr Grader #17638	112,186			112,186
2003 Chevy Crew Cab P/U #70359	12,600			12,600
2003 Chevy K1500 P/U #70584	11,500			11,500
JD 7800 MFWD Tractor #08183	27,234			27,234
Bush Hog Shredder #00635	11,900			11,900
Cat 140H Mtr Grader #03689	83,821			83,821
2009 CAT 140M Mtr Grader # B9D01781	167,430			167,430
1996 JD 8300 Tractor #05757	45,000			45,000
Bush Hog Shredder #01806	13,850			13,850
2007 Chevy K1500 P/U #83547	12,500			12,500
CAT 140M Mtr Grader #B9D02600	179,227			179,227
Total Equipment	\$1,154,355	\$ -0-	\$ -0-	\$1,154,355
Lots	900			900
Precinct Barn	7,016			7,016
Pct #1 Community Bldg	31,510			31,510
Total Pct # 1	\$1,193,781	\$ -0-	\$ -0-	\$1,193,781



LAMB COUNTY, TEXAS  
SCHEDULE OF FIXED ASSETS  
September 30, 2013

	Balance 9-30-12	Additions	Deletions	Balance 9-30-13
<u>Precinct #2</u>				
1978 Mack W/Dump 72266	\$ 28,610	\$	\$	\$ 28,610
1987 3/4 Ton Pickup	9,350			9,350
1982 Clements Dump Trailer SN 1B3BM1 (4-91)	14,000			14,000
1 - Roller Grid	13,800			13,800
1995 Chevy 3/4 Ton Pickup (4-94)	15,709			15,709
Clements Belly Dump Truck SN 388807 (3-97)	12,500			12,500
Grid Roller (11-97)	14,000			14,000
1989 Mack - #7057 (855)	24,000			24,000
938 G Cat Wheel Loader #47501647	75,000			75,000
140 H Version Mtr Grader #22K05067	109,000			109,000
Hyster Grid Roller - #BEE - 2002 (1004)	13,250			13,250
Hyster Grid Roller	12,000			12,000
Caterpillar 140H Grader	115,083			115,083
1996 Mack Truck	20,000			20,000
2000 Chevy Ext Cab P/U #1224783	7,600			7,600
140 H Mtr Grader #17464	110,377			110,377
Crust Buster Shredder #00669	10,900			10,900
2002 Chevy P/U #16678	10,500			10,500
JD 4240 Tractor #26064	24,750			24,750
CAT 140H MTR Grader #CCA04113	74,143			74,143
2006 Chevy P/U #166231	10,000			10,000
CAT 140M MTR Grader #B9D01929	179,357			179,357
2008 Chevy P/U #295811	10,000			10,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Equipment	\$ 913,929	\$ -0-	\$ -0-	\$ 913,929
Land	1,450			1,450
Bam	19,618			19,618
	<hr/>	<hr/>	<hr/>	<hr/>
Total Pct # 2	\$ 934,997	\$ -0-	\$ -0-	\$ 934,997
	<hr/>	<hr/>	<hr/>	<hr/>

LAMB COUNTY, TEXAS  
SCHEDULE OF FIXED ASSETS  
September 30, 2013

	Balance 9-30-12	Additions	Deletions	Balance 9-30-13
<u>Precinct #3</u>				
Shredder #930458 (12-87)	\$ 5,000	\$	\$	\$ 5,000
1980 Timpbe Belly Dump Trailer (5-88)	15,500			15,500
1981 Used Timpbe Beal Belly Dump Trailer	10,500			10,500
Campac Packers (4-95)	5,000			5,000
544H JD Loader - #1267 (850)	97,500			97,500
1986 Cherokee Truck - #9514 (859)	6,000			6,000
JD 4440 Tractor (868)	6,700		6,700	-0-
Bush Hog Flex-Wing Shredder #12-09661	8,500			8,500
1988 Mack Truck	10,000			10,000
140H CAT - #7096 (974)	117,000			117,000
Caterpillar 140H Grader	96,642			96,642
Road Groom Machine	13,264			13,264
2000 Chevy Z71 P/U #22590	5,000			5,000
Volvo G930 MTR Grader #70090	49,144			49,144
2002 Ford F-150 #96290	5,157			5,157
2004 Chevy #85450	5,700			5,700
AMCO LOF-2424 Harrow Disc	6,000			6,000
JD 4440 Tractor Repairs (868)	12,375		12,375	-0-
2001 CPS Belly Dump Tlrr #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		35,000		35,000
Total Equipment	\$ 711,882	\$ 35,000	\$ 19,075	\$ 727,807
Iron Clad Barn	10,000			10,000
Total Pct # 3	\$ 721,882	\$ 35,000	\$ 19,075	\$ 737,807

LAMB COUNTY, TEXAS  
SCHEDULE OF FIXED ASSETS  
September 30, 2013

	Balance 9-30-12	Additions	Deletions	Balance 9-30-13
<u>Precinct #4</u>				
1974 Mack Truck SN 22339 (9-84)	\$ 13,750	\$	\$	\$ 13,750
Hyster Grid Roller SN301600L (3-86)	16,500			16,500
1988 GMC Pickup SN575697 (4-88)	11,388			11,388
Rhino Rotary Cutter Shredder - SN 10117	6,500			6,500
1984 Mack Truck SN 087417 (3-91)	22,690			22,690
1988 Cat Backhoe SN5PC06404	19,000			19,000
Ripper W/Pushblock (864)	8,739			8,739
140H Version Mrt Grader #22K05095	109,000			109,000
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
Caterpillar 140H Grader	107,441			107,441
1994 Mack Truck	12,500			12,500
Hyster Grid Roller	14,685			14,685
2000 Chevy ¾ Ton P/U #139972	7,600			7,600
140H Cat - CAT #2658	106,002			106,002
2000 Kenworth T800 #47177	29,547			29,547
2006 GMC K1500 P/U #15186	21,555			21,555
2008 Chevy K1500 #48457	21,973			21,973
Cat 140H Mtr Grader #03686	77,367			77,367
Cat Wheel Loader #CRD01861	129,700			129,700
Challenger Tractor #341082	50,000			50,000
JD 770G Motor Grader #644660	154,170			154,170
Total Equipment	\$ 994,007	\$ -0-	\$ -0-	\$ 994,007
Land	2,000			2,000
Barn	10,000			10,000
Total Pct #4	\$1,006,007	\$ -0-	\$ -0-	\$1,006,007

OFFICE OF THE TAX ASSESSOR-COLLECTOR

LAMB COUNTY, TEXAS  
OFFICE OF THE TAX ASSESSOR-COLLECTOR  
2012 ROLL  
For The Year Ended September 30, 2013

Roll

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Taxable Value	\$1,017,702,126
	=====

Tax Levy	\$ 8,083,608
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Collections

-----

October 1, 2012 thru June 30, 2013	7,971,120
	-----

Balance June 30, 2013	\$ 112,488
	=====

LAMB COUNTY, TEXAS  
OFFICE OF THE TAX ASSESSOR-COLLECTOR  
SCHEDULE OF PRORATION OF FUNDS FROM AD VALOREM TAXES  
September 30, 2013

	Dollars	Percent
	-----	-----
Constitutional Levies		
-----		
Total Tax Per \$100 Valuation	\$ .7943	100.00
	=====	=====
Distribution as Follows:		
General Fund	\$ .5533	\$ 69.66
General Road & Bridge	.1280	16.11
Hospital	.1130	14.23
	-----	-----
County Tax Rate	\$ .7943	100.00
	=====	=====

LAMB COUNTY, TEXAS  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
YEAR ENDED SEPTEMBER 30, 2013

LAST TEN YEARS ENDED SEPTEMBER 30,	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-12	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-13
2004 & Prior Years	Various	Various	\$ 34,614	\$	\$ 957	\$ (7,606)	\$ 26,051
2005	.7642	795,374,475	8,617		597	(485)	7,535
2006	.7642	808,383,279	9,730		805	(497)	8,428
2007	.7967	796,528,948	14,276		2,938	(518)	10,820
2008	.7943	803,447,816	17,774		4,194	(452)	13,128
2009	.7943	868,857,728	27,536		8,824	(376)	18,336
2010	.7943	884,643,365	43,707		16,960	(712)	26,035
2011	.7943	943,028,186	71,900		29,559	(1,295)	41,046
2012	.7943	962,016,905	126,885		57,027	(1,831)	68,027
2013 (Year Under Audit)	.7943	1,017,702,126		8,083,608	7,971,120		112,488
TOTALS			<u>\$ 355,039</u>	<u>\$ 8,083,608</u>	<u>\$ 8,092,982</u>	<u>\$ (13,771)</u>	<u>\$ 331,894</u>

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



**Webb, Webb, and Wright**  
**Certified Public Accountants**

Member  
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American Institute of CPA's

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

**Independent Auditor's Report**

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

Honorable County Judge and Commissioners' Court  
Lamb County  
100 6<sup>th</sup> Street  
Littlefield, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, 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 12, 2014. 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 Lamb County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



WEBB, WEBB, & WRIGHT, CPA's

June 12, 2014

LAMB COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

C. Federal Award Findings and Questioned Costs

None

LAMB COUNTY, TEXAS

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

LAMB COUNTY, TEXAS

CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

None