

LAMB COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2014

LAMB COUNTY, TEXAS
COUNTY OFFICIALS
SEPTEMBER 30, 2014

<u>Name of Official</u> -----	<u>Office</u> -----
James M. DeLoach	County Judge
Cory DeBerry	Commissioner, Precinct #1
Kent Lewis	Commissioner, Precinct #2
Danny Short	Commissioner, Precinct #3
Jimmy Young	Commissioner, Precinct #4
Scott Say	County Attorney
Gina Jones	County Auditor
Gary Maddox	County Sheriff
Janice Wells	County Treasurer
Brenda Goheen	Tax Assessor-Collector
Debbie Long	County Clerk
Stephanie Chester	District Clerk
Becky DeBerry	Justice of Peace #1
Christy Clark	Justice of Peace #2
Al Mann	Justice of Peace #3
Melton Hanna	Justice of Peace #4

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FINANCIAL SECTION

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

Independent Auditor's Report

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

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, 2014, and the related notes to the financial statements, which collectively comprise Lamb County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lamb Healthcare Center, which is both a major fund and 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lamb Healthcare Center, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2014, the County adopted a new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, 2015 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, 2015

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, 2014. Please read it in conjunction with the County's financial statements.

USING THIS ANNUAL REPORT

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

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

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

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the County's governmental activities increased from \$10,497,106 to \$10,826,247. 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 \$5,238,734 at September 30, 2014.

This increase in governmental net position was the net result of the County's revenues exceeding the expenses coupled with a (\$4,402) prior period adjustment as shown in Exhibit B-1.

The net position of our business-type activities decreased by \$201,381. This decrease is significant to the overall operations of the County as it provides significant services to the community. Factors contributing to this decrease are shown in Exhibit B-1.

Table 1
Lamb County
Net Position
in thousands

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	6,264	6,028	3,141	3,245	9,405	9,273	1.4%
Capital assets	5,589	5,259	2,212	2,268	7,801	7,527	3.6%
Total assets	11,853	11,287	5,353	5,513	17,206	16,800	2.4%
Long-term liabilities	475	156			475	156	204.5%
Other liabilities	551	634	642	601	1,193	1,235	-3.4%
Total liabilities	1,026	790	642	601	1,668	1,391	19.9%
Net position:							
Net investment in capital assets	5,114	5,033	2,212	2,267	7,326	7,300	.4%
Restricted	474	470			474	470	.9%
Unrestricted	5,239	4,994	2,498	2,645	7,737	7,639	1.3%
Total net position	10,826	10,497	4,711	4,912	15,537	15,409	.8%

Table 2

Lamb County

**Changes in Net Position
in thousands**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Net program revenues:							
Charges for services	555	597	7,870	8,964	8,425	9,561	-11.9%
Operating grants and contributions	671	540			671	540	24.3%
Capital grants and contributions					-0-	-0-	0.0%
General revenues:							
Property taxes	7,720	8,193			7,720	8,193	-5.8%
Licenses and permits	1	1			1	1	0.0%
Commissions	538	545			538	545	-1.3%
Grants and contributions not restricted			9	83	9	83	-89.2%
Investment earnings	101	96	18	14	119	110	8.2%
Other revenues	160	298	1,770	842	1,930	1,140	69.3%
Gain(Loss) on sale of assets	1	10			1	10	-90.0%
Total revenues	9,747	10,280	9,667	9,903	19,414	20,183	-3.8%
Expenses:							
General government	1,280	1,731			1,280	1,731	-26.1%
Financial	432	406			432	406	6.4%
Judicial	581	506			581	506	14.8%
Legal	176	187			176	187	-5.9%
Public safety	3,195	3,250			3,195	3,250	-1.7%
Facilities	140	140			140	140	0.0%
Public welfare	66	66			66	66	0.0%
Culture/Recreation	388	402			388	402	-3.5%
Road and Bridge	2,025	1,867			2,025	1,867	8.5%
Health			10,988	10,482	10,988	10,482	4.8%
Interest on long-term debt	10	14			10	14	-28.6%
Total expenses	8,294	8,569	10,988	10,482	19,282	19,051	1.2%

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Increase (decrease) in net position before transfers	1,453	1,711	(1,320)	(579)	132	1,132	-88.3%
Transfers	(1,119)	(1,288)	1,119	1,288	-0-	-0-	0.0%
Change in net position	333	423	(201)	709	132	1,132	-88.3%
Net position-beginning	10,497	10,074	4,912	4,203	15,409	14,277	7.9%
Increase (Decrease) in net position	(4)				(4)	-0-	0.0%
Net position-ending	10,826	10,497	4,711	4,912	15,537	15,409	.8%

The County's governmental revenues decreased over \$534,000 this year. The total cost of governmental programs and services decreased over \$274,000 this year. The County's business revenues decreased over \$235,000 this year. The total cost of business programs and services increased over \$505,000 this year.

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

- Current year property tax revenues decreased by \$281,402 compared to previous year collections. This decrease is the result of decreases to the tax base that totaled over \$33 million.
- Fee office collections decreased \$24,642 or 5% below prior year collections. There were decreases in multiple offices.
- Total expenses decreased during the year. A portion of this decrease is reflected in the non-departmental area of the budget and the Sheriff's budget. The non-departmental budget saw decreases due to renovations to the courthouse not being complete. The Sheriff's office saw a decrease due to a delay in receiving vehicles that were ordered. There were also increases in the Road and Bridge expenditures for equipment maintenance and litigation expense. There were increases in retirement expense and employee medical benefits.

The cost of all governmental and business-type activities this year was \$19,281,690. 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 \$8,258,782 because \$8,425,299 of the costs were paid by those who directly benefited from the programs, \$671,427 by other governments and organizations that subsidized certain programs with grants and contributions or by \$9,305 in unrestricted grants and contributions.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$5,423,284, which is significantly above last year's total of \$5,165,688. Included in this year's total change in fund balance is a net increase of \$260,781 in the County's General Fund.

Total tax revenue including delinquent taxes increased \$281,402 compared to prior year collections. Taxes decreased due to a decrease in the tax base. Although there was a decrease in the tax base, the County chose to retain the same tax rate used in the previous year.

Expenditures in the governmental funds decreased from prior year totals. No salary increases were budgeted. The primary area of decrease was in capital outlays.

General Fund Budgetary Highlights

The County's General Fund balance of \$4,943,522 differs from the General Fund's budgetary fund balance of \$3,552,805. This difference is shown on the budgetary comparison schedule (Exhibit F-1).

The County budget is prepared by the County Judge and approved by the Commissioners Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure line item level. Budgetary adjustments must be approved by the Commissioners Court. The significant differences between the original budget and the final budget were due to grant revenue being received after the start of the fiscal year. During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. The final budget reflected an excess of revenues over expenditures of \$237,726 and the actual excess was \$1,339,667. Major variances included:

- Total revenues collected were more than budgeted revenue. Property tax revenue exceeded the budget by \$79,132 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 \$58,578.
- Total expenditures were 14.58% less than the ending budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the County had \$17,567,468 invested in a broad range of governmental capital assets, including administrative facilities and equipment, public safety facilities and equipment, and maintenance buildings and equipment. This amount represents a net increase of \$792,946, or approximately 4.7% above last year.

This year's major additions included:

Buildings & Improvements	\$ 96,370
Machinery & Equipment	396,150
Vehicles	326,246
Office Equipment	14,595
C-I-P (Buildings & Improvements)	264,147

Total	\$ 1,097,508
	=====

Specific additions include the following:

- The Sheriff's office purchased one new vehicle. Several vehicles that were on order did not arrive before the end of the fiscal year and will be budgeted for next fiscal year.
- The Extension office purchased a pickup.
- Renovations are in progress for the exterior of the courthouse, upgrades were made to the District Courtroom and a video camera system was installed in the courthouse.
- An ambulance was purchased for Sudan EMS.
- R&B 2 purchased a new motor grader.
- R&B 3 is in process of building a new barn and purchased a used pickup.
- R&B 4 purchased a new motor grader and a used freight car for replacement of a county bridge.

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 \$475,399 in outstanding governmental debt versus \$226,697 last year.

More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected officials considered many factors when setting the fiscal year 2015 budget and tax rates such as the following:

- Additional money was budgeted in contract/professional services for renovations to the courthouse.
- There were also budget increases for health insurance due to increased cost.
- A significant decrease in tax valuations will result in an estimated \$500,000 decrease in tax revenue for fiscal year 2015.
- A salary increase of 3% was budgeted for all elected officials and employees.
- Due to a delay in manufacturing, several Sheriff's office vehicles have been re-budgeted in the 2015 budget.

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, 2014

PRIMARY GOVERNMENT

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 6,516,101	\$ 104,875	\$ 6,620,976
Investments	29		29
Receivables (net of allowance for uncollectibles)	382,494	819,113	1,201,607
Internal balances	(665,854)	665,854	-0-
Due from other funds	7,001		7,001
Inventories	99	291,382	291,481
Prepays and other current assets	23,953	1,259,175	1,283,128
Capital assets (net of accumulated depreciation):			
Land	32,970	61,822	94,792
Buildings and Improvements	2,802,727	661,098	3,463,825
Machinery and Equipment	512,421	1,489,444	2,001,865
Vehicles	841,079		841,079
Office Equipment	432,801		432,801
Capital Leases	702,774		702,774
Construction in Progress	264,147		264,147
Total Capital Assets	\$ 5,588,919	\$ 2,212,364	\$ 7,801,283
TOTAL ASSETS	\$ 11,852,742	\$ 5,352,763	\$ 17,205,505
LIABILITIES			
Accounts payable	\$ 512,422	\$ 227,538	\$ 739,960
Accrued liabilities	38,486	414,595	453,081
Due to Others	188		188
Noncurrent liabilities:			
Due within one year	134,183		134,183
Due in more than one year	341,216		341,216
TOTAL LIABILITIES	\$ 1,026,495	\$ 642,133	\$ 1,668,628
NET POSITION			
Net investment in capital assets	\$ 5,113,520	\$ 2,212,364	\$ 7,325,884
Restricted	473,992		473,992
Unrestricted	5,238,734	2,498,266	7,737,000
TOTAL NET POSITION	\$ 10,826,247	\$ 4,710,630	\$ 15,536,877

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

LAMB COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	\$ 1,279,515	\$ 164,590	\$ 20,000	\$	\$ (1,094,925)	\$	\$ (1,094,925)
Financial	432,204	89,062			(343,142)		(343,142)
Judicial	581,195	209,307	35,730		(336,158)		(336,158)
Legal	176,322	22,411	57,730		(96,181)		(96,181)
Public safety	3,194,758	68,204	428,051		(2,698,503)		(2,698,503)
Facilities	140,417				(140,417)		(140,417)
Public welfare	65,961	1,372			(64,589)		(64,589)
Culture/Recreation	388,267		7,500		(380,767)		(380,767)
Road and Bridge	2,025,123		122,416		(1,902,707)		(1,902,707)
Interest on long-term debt	10,301				(10,301)		(10,301)
Total Governmental Activities	\$ 8,294,063	\$ 554,946	\$ 671,427	\$ -0-	\$ (7,067,690)	\$ -0-	\$ (7,067,690)
Business – Type Activities:							
Health	\$ 10,987,627	\$ 7,870,353	\$	\$	\$	\$ (3,117,274)	\$ (3,117,274)
Total Business-Type Activities	\$ 10,987,627	\$ 7,870,353	\$ -0-	\$ -0-	\$ -0-	\$ (3,117,274)	\$ (3,117,274)
TOTAL PRIMARY GOVERNMENT	\$ 19,281,690	\$ 8,425,299	\$ 671,427	\$ -0-	\$ (7,067,690)	\$ (3,117,274)	\$ (10,184,964)
General Revenues:							
Property taxes					\$ 7,720,492	\$	\$ 7,720,492
Licenses and permits					594		594
Commissions					537,696		537,696
Grants and contributions not restricted to specific programs						9,305	9,305
Investment earnings					100,688	17,939	118,627
Miscellaneous					159,607	1,769,854	1,929,461
Gain (Loss) on sale of assets					951		951
Transfers					(1,118,795)	1,118,795	-0-
Total general revenues and transfers					\$ 7,401,233	\$ 2,915,893	\$ 10,317,126
Change in net position					\$ 333,543	\$ (201,381)	\$ 132,162
Net position – beginning					10,497,106	4,912,011	15,409,117
Increase(Decrease) in net position					(4,402)		(4,402)
Net position – ending					\$ 10,826,247	\$ 4,710,630	\$ 15,536,877

The accompanying notes are an integral part of this statement.

LAMB COUNTY, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 6,025,648	\$ 490,453	\$ 6,516,101
Investments	29		29
Accounts Receivable	65,102	25,118	90,221
Delinquent Tax Receivable	324,748		324,748
Allowance for Uncollectible Tax	(32,475)		(32,475)
Due From Other Funds	7,000	2	7,002
Inventory	99		99
Prepaid Expense	23,953		23,953
TOTAL ASSETS	\$ 6,414,105	\$ 515,573	\$ 6,929,678
LIABILITIES			
Accounts Payable	\$ 476,790	\$ 35,631	\$ 512,422
Accrued Liabilities	35,665	(8)	35,657
Due to Other Funds	665,854	1	665,855
Due to Others		188	188
TOTAL LIABILITIES	\$ 1,178,309	\$ 35,812	\$ 1,214,121
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue – Property Taxes	\$ 292,273	\$	\$ 292,273
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 292,273	\$ -0-	\$ 292,273
FUND BALANCES			
Restricted	\$	\$ 473,992	\$ 473,992
Assigned for Retirement of L-T Debt	475,399		475,399
Assigned for Other Purposes		5,769	5,769
Unassigned	4,468,123		4,468,123
TOTAL FUND BALANCES	\$ 4,943,522	\$ 479,761	\$ 5,423,284
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 6,414,105	\$ 515,573	\$ 6,929,678

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, 2014

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

Total fund balances - governmental funds balance sheet.	\$ 5,423,284
Capital assets used in governmental activities not financial resources and, therefore, are not reported in the funds.	5,588,919
A reclassification is necessary to convert from the modified accrual basis of accounting to accrual basis of accounting and, thereby recognizing unavailable revenue from property taxes as revenue.	292,273
Long-term liability used in governmental activities are not due and payable in the current period and therefore not reported in the funds.	(475,399)
Liabilities for long-term debt interest are not due and payable in the current period and therefore not reported in the funds.	(2,829)

Total net position of governmental activities.	\$ 10,826,247 =====

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, 2014

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
REVENUES			
Taxes	\$ 7,726,499	\$ 425	\$ 7,726,924
Charges for Services	439,172	115,774	554,946
Licenses & Permits	594		594
Commissions	537,696		537,696
Intergovernmental	355,127	316,300	671,427
Interest on Investments	95,990	4,697	100,688
Miscellaneous	158,035	1,572	159,607
	-----	-----	-----
TOTAL REVENUES	\$ 9,313,113	\$ 438,769	\$ 9,751,882
	-----	-----	-----
EXPENDITURES			
Current Operating:			
District Judge	\$ 146,874	\$	\$ 146,874
District Clerk	149,709		149,709
County Judge	161,501		161,501
County Clerk	223,909		223,909
Tax Assessor	197,544		197,544
Treasurer	91,302		91,302
County Attorney	131,123		131,123
Justice of the Peace - Pct #1-4	269,276		269,276
Veterans & Welfare	65,961		65,961
Adult Probation	174		174
Ag Extension Office	106,516		106,516
Sheriff	1,461,972		1,461,972
Jail	838,795		838,795
County Libraries	242,645		242,645
Auditor	143,358		143,358
Non-Departmental	439,145		439,145
Maintenance	140,417		140,417
Ag & Community Centers	34,562		34,562
Public Safety	87,104		87,104
Information Services	184,953		184,953
Road and Bridge - Pct #1-4	1,799,704		1,799,704
Bail Bond Board Account			-0-
Jury Fund		10,395	10,395
Grants Fund			-0-
Library Grants		996	996
Emergency Food & Shelter			-0-
Child Abuse Prevention/Family Protection Fund			-0-
Court House Security Fund		1,990	1,990
Commissioners Court RPF		8,524	8,524
County Clerk RPF		16,160	16,160
District Clerk RPF		2,367	2,367
County & District Court Tech Fund			-0-
District Court Tech/Archive Fund			-0-
JP Technology Fund		583	583

The accompanying notes are an integral part of this statement.

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
JP Court Security Fund			-0-
Juvenile Probation Fund		262,010	262,010
Juvenile Stand Grant Fund		105,432	105,432
Juvenile Title IV-E Fund		4,059	4,059
Juvenile 4-H Action Fund		903	903
JPO-State Aid		160,004	160,004
County Clerk Election Fund			-0-
County Clerk Records Archive Fund			-0-
Tax A/C Voter Registration Fund			-0-
VCLG Grant Fund		30,148	30,148
Pre-Trial Diversion Fund		6,864	6,864
DWI Video Fund			-0-
County Attorney Drug Forfeiture		5,466	5,466
County Attorney Hot Check Fee Fund		2,720	2,720
Sheriff Commissary Fund		16,223	16,223
Sheriff Forfeiture Fund-State		1,000	1,000
Sheriff Forfeiture Fund-Federal			-0-
County Libraries		2,409	2,409
Historical Commission		235	235
Capital Outlays	978,630	79,605	1,058,235
Debt Service:			
Principal	70,798		70,798
Interest	7,472		7,472
TOTAL EXPENDITURES	\$ 7,973,446	\$ 718,094	\$ 8,691,540
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,339,667	\$ (279,325)	\$ 1,060,342
OTHER FINANCING SOURCES (USES)			
Proceeds From Capital Leases	\$ 319,500	\$	\$ 319,500
Proceeds From Sale of Assets	951		951
Operating Transfers In	9,318,462	285,545	9,604,007
Operating Transfers Out	(10,717,798)	(5,004)	(10,722,802)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (1,078,886)	\$ 280,541	\$ (798,345)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	\$ 260,781	\$ 1,216	\$ 261,997
Fund Balances - Beginning	4,682,741	482,948	5,165,688
Increase (Decrease) in Fund Balance		(4,402)	(4,402)
Fund Balances - Ending	\$ 4,943,522	\$ 479,761	\$ 5,423,284
	=====	=====	=====

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, 2014

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

Net change in fund balances - total governmental funds.	\$ 261,997
Capital outlays are not reported as expenses in the SOA.	1,058,235
Capital asset depreciation used in governmental activities is not reported in the funds.	(728,726)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	(6,432)
Proceeds from capital leases are not reported as revenue in the SOA.	(319,500)
Some expenditures (e.g. principal debt payment) on fund statements are not expenditures in the SOA.	70,798
(Increase)decrease in accrued interest payable from beginning of period to end of period.	(2,829)
Change in net position of governmental activities.	\$ 333,543 ----- =====

The accompanying notes are an integral part of this statement.
(19)

LAMB COUNTY, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2014

ASSETS:

CURRENT ASSETS

Cash and Cash Equivalents	\$	104,875
Patient Accounts Receivable, Net of Allowances		819,113
Other Receivable - Lamb County		665,854
Inventory of Supplies		291,382
Prepaid Expenses and Other Current Assets		1,259,175

TOTAL CURRENT ASSETS	\$	3,140,399

CAPITAL ASSETS

Net of Accumulated Depreciation		2,212,364

TOTAL ASSETS	\$	5,352,763

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	227,538
Accrued Payroll, Benefits and Related Liabilities		348,221
Other Accrued Liabilities		48,061
Estimated Third-Party Payer Settlements		18,313

TOTAL CURRENT LIABILITIES	\$	642,133

TOTAL LIABILITIES	\$	642,133

NET POSITION

Net Investment in Capital Assets	\$	2,212,364
Unrestricted		2,498,266

TOTAL NET POSITION	\$	4,710,630
		=====

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

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2014

OPERATING REVENUES	
Net Patient Service Revenue	\$ 7,870,353
Electronic Health Records Stimulus	452,239
Other Revenue	398,668

TOTAL OPERATING REVENUES	\$ 8,721,260

OPERATING EXPENSES	
Salaries	\$ 4,262,450
Employee Benefits	717,807
Professional Fees and Purchased Services	2,695,814
Supplies and Other	2,936,886
Depreciation and Amortization	355,278

TOTAL OPERATING EXPENSES	\$ 10,968,235

Operating Income (Loss)	\$ (2,246,975)

NONOPERATING REVENUES (EXPENSES)	
Tobacco Settlement Revenue	\$ 30,829
Noncapital Grants and Contributions	9,305
Indigent Care Support	1,375,216
Interest Income	17,939
Intergovernmental Transfers	(487,098)
Interest Expense	-0-

TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 946,191

Income (Loss) Before Capital Grants and Contributions & County Subsidies	\$ (1,300,784)
Capital Grants and Contributions	-0-
County Subsidies	1,099,403

Change in Net Position	\$ (201,381)

Net Position - Beginning	4,912,011

Net Position - Ending	\$ 4,710,630
	=====

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

LAMB COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SEPTEMBER 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From and on Behalf of Patients	\$ 9,385,249
Payments to Suppliers and Contractors	(5,630,893)
Payments to Employees	(4,954,805)
Other Receipts and Payments, Net	784,522

Net Cash Provided(Used) by Operating Activities	\$ (415,927)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Invested in Funds Held by Lamb County	\$ (68,131)
County Subsidies	1,099,403
Noncapital Grants and Contributions	9,305
Proceeds From Tobacco Settlement	30,829
Intergovernmental Transfers	(383,709)

Net Cash Provided(Used) by Noncapital Financing Activities	\$ 687,697

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	\$ (300,144)

Net Cash Provided(Used) by Capital and Related Financing Activities	\$ (300,144)

CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	\$ 17,939

Net Cash Provided(Used) by Investing Activities	\$ 17,939

Net Increase(Decrease) in Cash and Cash Equivalents	\$ (10,435)

Cash and Cash Equivalents at the Beginning of Year	115,310

Cash and Cash Equivalents at the End of Year	\$ 104,875
	=====

The accompanying notes are an integral part of this statement.
(22)

LAMB COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SEPTEMBER 30, 2014

RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Operating Income(Loss)	\$ (2,246,975)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities:	
Depreciation and Amortization	\$ 355,278
Provision for Bad Debts	1,578,957
Indigent Care Support	1,375,216
(Increase)Decrease in:	
Accounts Receivable	(1,541,632)
Estimated Third-Party Payer Settlements	99,766
Prepaid Expenses and Other Current Assets	(59,709)
Increase(Decrease) in:	
Accounts Payable	(6,520)
Accrued Payroll, Benefits and Related Liabilities	25,452
Other Accrued Liabilities	4,240
Total Adjustments	\$ 1,831,048
Net Cash Provided(Used) by Operating Activities	\$ (415,927)

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

LAMB COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
SEPTEMBER 30, 2014

	Agency Funds

ASSETS:	
Cash and Cash Equivalents	\$ 619,277
Accounts Receivable	7,647

Total Assets	\$ 626,924

LIABILITIES:	
Accounts Payable	\$ 3,038
Due to Other Groups	571,583
Due to Trust Beneficiaries	52,303

Total Liabilities	\$ 626,924

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

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

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, 2014

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, 2014

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.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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

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

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

The 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 types:

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

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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

Fiduciary Funds These 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, 2014

G. INVENTORIES AND PREPAID ITEMS

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

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

H. CAPITAL ASSETS

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

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

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

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, 2014

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 9-30-14 was \$108,523.

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, 2014

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 conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been 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, 2014

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 13-14 fiscal year.

NOTE 3: COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Juvenile Probation	8,332	Nonmajor Fund
Juvenile STAND Grant	8,364	Nonmajor Fund
VCLG Grant	2,422	Nonmajor Fund

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

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, 2014, the carrying amount of the County's total deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$6,620,976 and the bank balance was \$6,981,259. The County's cash deposits with financial institutions at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

Investments:

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

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

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

Investment Accounting Policy:

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported 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.

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.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

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, 2014

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, 2014

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, 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-	264,147		264,147
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 32,970	\$ 264,147	\$ -0-	\$ 297,117
	-----	-----	-----	-----
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 9,557,989	\$ 96,370	\$	\$ 9,654,359
Machinery and Equipment	2,259,151	325,707	(222,524)	2,362,334
Vehicles	2,079,295	326,246	(82,038)	2,323,503
Office Equipment	2,004,971	14,595		2,019,566
Capital Leases	840,147	70,443		910,590
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 16,741,552	\$ 833,361	\$ (304,562)	\$ 17,270,351
	-----	-----	-----	-----
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	\$ (6,739,635)	\$ (111,997)	\$	\$ (6,851,632)
Machinery and Equipment	(1,794,159)	(278,278)	222,524	(1,849,913)
Vehicles	(1,357,445)	(167,743)	42,764	(1,482,424)
Office Equipment	(1,349,708)	(237,057)		(1,586,765)
Capital Leases	(274,165)	66,349		(207,816)
	-----	-----	-----	-----
Total accumulated depreciation	\$ (11,515,112)	\$ (728,726)	\$ 265,288	\$ (11,978,549)
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 5,226,440	\$ 104,636	\$ (39,274)	\$ 5,291,802
	-----	-----	-----	-----
Governmental activities capital assets, net	\$ 5,259,410	\$ 368,783	\$ (39,274)	\$ 5,588,919
	=====	=====	=====	=====

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

General government	\$ 245,322
Public safety	257,985
Highways and streets	225,419

	\$ 728,726
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

NOTE 8: OPERATING/CAPITAL LEASES

The County has entered into various operating lease agreements for Xerox, Ricoh, Sharp and Konica copiers and printers. Commitments under these operating (noncapitalized) lease agreements provide for future minimum rental payments as of September 30, 2014 as follows:

Year Ending -----	
2015	\$ 29,735
2016	25,216
2017	14,223
2018	5,035
2019	1,069

Total Minimum Rental Payments	\$ 75,278
	=====
Rental Expenditures in FYE 2014	\$ 30,507
	=====

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 \$1,550. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2014 as follows:

Year Ending -----	
2015	\$ 20,795

Total Minimum Lease Payments	\$ 20,795
Less Amount Representing Interest	(790)

Present Value - Minimum Lease Payments	\$ 20,005
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

NOTE 8: OPERATING/CAPITAL LEASES (continued)

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 \$2,105. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2014 as follows:

Year Ending -----	
2015	\$ 21,943
2016	21,942

Total Minimum Lease Payments	\$ 43,885
Less Amount Representing Interest	(2,152)

Present Value - Minimum Lease Payments	\$ 41,733
	=====

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, 2014 as follows:

Year Ending -----	
2015	\$ 3,748
2016	938

Total Minimum Lease Payments	\$ 4,686
Less Amount Representing Interest	-0-

Present Value - Minimum Lease Payments	\$ 4,686
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

NOTE 8: OPERATING/CAPITAL LEASES (continued)

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 \$3,817. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2014 as follows:

Year Ending -----	
2015	\$ 31,784
2016	31,784
2017	31,785

Total Minimum Lease Payments	\$ 95,353
Less Amount Representing Interest	(5,878)

Present Value - Minimum Lease Payments	\$ 89,475
	=====

During the current year, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140M2 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 2.70%. The amount of interest paid in the current year was \$-0-. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2014 as follows:

Year Ending -----	
2015	\$ 36,262
2016	36,262
2017	36,262
2018	36,261
2019	36,261

Total Minimum Lease Payments	\$ 181,308
Less Amount Representing Interest	(13,808)

Present Value - Minimum Lease Payments	\$ 167,500
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

NOTE 8: OPERATING/CAPITAL LEASES (continued)

During the current year, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140M2 AWD Motor Grader for Precinct #2. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date with an annual interest rate of 2.70%. The amount of interest paid in the current year was \$-0-. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2014 as follows:

Year Ending -----	
2015	\$ 32,774
2016	32,774
2017	32,774
2018	32,774
2019	32,774

Total Minimum Lease Payments	\$ 163,870
Less Amount Representing Interest	(11,870)

Present Value - Minimum Lease Payments	\$ 152,000
	=====

NOTE 9: LONG-TERM DEBT

Changes in Long-Term Liabilities:

	Balance 10-01-13 -----	Increase	Decrease	Balance 09-30-14 -----	Amounts Due Within One Year -----
Capital Leases	\$ 226,697	\$ 319,500	\$ 70,798	\$ 475,399	\$ 134,183
	-----	-----	-----	-----	-----
Total Long-Term Liabilities	\$ 226,697	\$ 319,500	\$ 70,798	\$ 475,399	\$ 134,183
	=====	=====	=====	=====	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

NOTE 10: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds
Balances due to and due from other funds at September 30, 2014 consisted of the following:

Due To Fund	Due From Fund	Amount
-----	-----	-----
Proprietary Fund-Hospital	General Fund	\$ 665,854
General Fund	Agency Fund	7,000
Other Governmental Fund	Other Governmental Fund	1
Other Governmental Fund	Agency Fund	1

		\$ 672,856
		=====

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, 2014 consisted of the following:

Transfers From	Transfers To	Amount
-----	-----	-----
General Fund	Other Governmental Fund	\$ 280,541
Proprietary Fund-Hospital	LHC	9,318,462
LHC	Proprietary Fund-Hospital	10,437,257
Other Governmental Funds	Other Governmental Fund	5,004

		\$ 20,041,264
		=====

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

NOTE 11: INCREASE (DECREASE) IN FUND BALANCE/NET POSITION

The decrease of \$4,402 reported in the governmental funds/activities is due to misclassification of revenue due from state.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

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 2014, 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, 2014

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

The County was not involved in any significant litigation as of September 30, 2014.

NOTE 17: PENSION BENEFIT PLAN

Plan Description. Lamb County provides retirement, disability and survivor 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 656 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, disability or death, the

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

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 12.26% for the months of the accounting year in 2013, and 12.48% for the months of the accounting year in 2014. The contribution rate payable by the employee members for fiscal year 2014 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	12-31-11	12-31-12	12-31-13
	-----	-----	-----
Actuarial Value of Assets	\$7,698,561	\$ 8,317,483	\$ 8,877,050
Actuarial Accrued Liability (AAL)	\$9,650,159	\$10,360,124	\$10,780,092
Unfunded or (Over-funded) Actuarial Accrued Liability (UAAL or (OAAL))	\$1,951,598	\$ 2,042,641	\$ 1,903,042
Funded Ratio	79.78%	80.28%	82.35%
Annual Covered Payroll (Actuarial)	\$3,406,378	\$ 3,415,561	\$ 3,524,992
UAAL or (OAAL) as a Percentage of Covered Payroll	57.29%	59.80%	53.99%
Net Pension Obligation (NPO) at The Beginning of Period	\$ -0-	\$ -0-	\$ -0-
Annual Pension Cost: Annual required contribution (ARC)	\$ 348,472	\$ 362,388	\$ 432,125
Contributions Made	\$ 348,472	\$ 362,388	\$ 432,125
Net Pension Obligation (NPO) at The End of Period	\$ -0-	\$ -0-	\$ -0-

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2014

NOTE 17: PENSION BENEFIT PLAN (continued)

The County is one of 656 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 12-31-13 valuations are contained in the 2013 TCDRS Comprehensive Annual Financial Report, a copy of which may be obtained from the TCDRS, Finance Division, at P.O. Box 2034, Austin, Texas 78768-2034.

NOTE 18: HEALTH CARE COVERAGE

During the year ended September 30, 2014, 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, 2014, and the terms of coverage and contribution costs are included in the contractual provisions.

NOTE 19: CHANGE IN ACCOUNTING PRINCIPLE

In 2014, the County adopted GASB Statement No. 65. This statement changes how certain items previously reported as assets and liabilities are now to be reported in the financial statements. The requirements of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. This change will not have any effect on the beginning net position or the beginning fund balance.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

LAMB HEALTHCARE CENTER

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

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Hospital is an enterprise fund of Lamb County, State of Texas. It was established for the purpose of maintaining a system to provide hospital and medical care to the residents of Lamb County. 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 - The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Hospital 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*.

Accounting Pronouncements - The Hospital has implemented the provisions of Governmental Accounting Standard Board (GASB) Statement No.65, *Items Previously Reported as Assets and Liabilities*, which 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. The Hospital financial statements were not effected by the implementation of GASB 65. The Hospital has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. This statement improves the financial reporting by state and local governmental pension plans. GASB 67 is effective for fiscal years beginning after June 15, 2013.

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 AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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.

Assets Whose Use is Limited - Assets whose use is limited include assets set aside by the Board of Directors to be used for capital expenditures over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital have been reclassified in the statements of net position at September 30, 2014.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expenditures over \$5,000 and having a useful life that meets those described in the table below will be capitalized.

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

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.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Management's policy for provision of charity care is to request proof of income and personal property values, proof of Lamb County residency, number of household members, other benefits received, and other pertinent information. The Hospital applies Federal Poverty Guidelines to determine patient eligibility and performs an application review every six months after approval. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, charity care is excluded from net patient revenue.

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

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

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.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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. 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.

LAMB COUNTY, TEXAS

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2: NET PATIENT SERVICE REVENUE (continued)

Net Patient Revenue is comprised as follows:

Routine Patient Services	\$ 525,830
Ancillary Patient Services	
Inpatient	3,273,421
Outpatient	9,855,986

Gross Patient Service Revenue	\$ 13,655,237
Charity	(236,989)
Third-Party Contractual Adjustments	(4,494,800)
Provision for Bad Debts	(1,578,957)
Medicaid Supplemental Payments & Other Credits	525,862

Net Patient Service Revenue	\$ 7,870,353
	=====

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, 2014 are \$(18,313).

Charity Care - The value of charity care provided by the Hospital based upon its established rates, was \$236,989 in 2014. 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 \$201,927 for the year ended September 30, 2014.

LAMB COUNTY, TEXAS

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3: DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2014, the carrying amount of the Hospital's deposits with financial institutions was \$104,875 and the bank balance was \$199,479. The bank balance is protected by Federal Deposit Insurance Corporation coverage and by the County's specific securities pledged to secure the deposits. All cash is deposited through the County Commissioners Office. The County Commissioners meet twice a month, the second and fourth Monday of the month to approve all cash disbursements.

NOTE 4: PATIENT ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at September 30, 2014:

Gross Accounts Receivable	\$ 2,642,403
Less: Allowance for Bad Debts	(1,339,687)
Allowance for Contractuals	(483,603)

Accounts Receivable, Net of Allowance	\$ 819,113
	=====

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, 2014 is as follows:

Medicare	22%
Medicaid	13%
Other Third-Party Payers	12%
Patients	53%

Total	100%
	=====

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5: CAPITAL ASSETS

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

	Balance 9/30/13	Additions	Retirements	Balance 9/30/14
	-----	-----	-----	-----
Land	\$ 61,822	\$	\$	\$ 61,822
Land Improvements	1,022,226			1,022,226
Equipment	5,109,204	310,900		5,420,104
Construction in Progress	10,756	(10,756)		-0-
	-----	-----	-----	-----
Totals at historical cost	\$ 6,204,008	\$ 300,144	\$ -0-	\$ 6,504,152
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Land Improvements	\$ (292,835)	\$ (68,293)	\$	\$ (361,128)
Equipment	(3,643,675)	(286,985)		(3,930,660)
	-----	-----	-----	-----
Total Accumulated Depreciation	\$ (3,936,510)	\$ (355,278)	\$ -0-	\$ (4,291,788)
	-----	-----	-----	-----
Capital Assets, Net	\$ 2,267,498	\$ (55,134)	\$ -0-	\$ 2,212,364
	=====	=====	=====	=====

Depreciation expense for the year ended September 30, 2014 was \$355,278.

NOTE 6: 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 \$-0- and received \$-0- for the year ended September 30, 2014. The Hospital recorded a receivable, net of the intergovernmental transfer of \$231,248 at September 30, 2014, which is included within other receivables in the statements of net position and in net patient service revenue in the statements of revenues, expenses, and changes in net position at September 30, 2014. The Hospital recognized revenue of \$231,248 for the year ended September 30, 2014. 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

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6: 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 Hospital provides an intergovernmental transfer to finance the non-federal share of the incentive payments. In connection with this program, the Hospital provided intergovernmental transfers of \$186,328 and received \$444,166 for the year ended September 30, 2014. The Hospital recognized net revenue of \$257,838 for the year ended September 30, 2014. 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 \$1,375,216 for the year ended September 30, 2014. As part of the affiliation agreement, the Hospital provided \$487,098 in funding to the program for the year ended September 30, 2014. Additionally, the Hospital has funded \$-0- which has been recorded as prepaid services in the statement of net position at September 30, 2014.

LAMB COUNTY, TEXAS

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7: ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM

The Electronic Health Records Incentive Program, enacted as part of the American Recovery and Reinvestment Act of 2009, provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). The Medicare incentive payment is comprised of three factors, an initial amount, the Medicare share, and the transaction factor applicable to the payment year and will be subject to audit by the MAC upon final settlement of the cost report. Total discharges, days, charity-care revenue and payments or expected payments will require additional record keeping in the form of a detail charity log based on cost report service dates. Payment under both programs are contingent on the Hospital continuing to meet escalating use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period. The Hospital has met the requirements under the Medicare program and has recorded revenue in 2014 of \$452,239.

NOTE 8: MEDICAID DISPROPORTIONATE SHARE FUNDS

The Indigent Health Care and Treatment Act, passed by the 69th Texas Legislature in 1985, first apportioned funds to the Texas Department of Human Services (DHS) to provide assistance to hospitals providing a disproportionate share of inpatient indigent health care. The State of Texas created a mechanism whereby intergovernmental transfers were made between selected hospitals 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.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 8: MEDICAID DISPROPORTIONATE SHARE FUNDS (continued)

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 2014 the Hospital received \$294,614 in Medicaid disproportionate share funds.

NOTE 9: MEDICAL MALPRACTICE CLAIMS

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

NOTE 10: COMMITMENTS AND CONTINGENCIES

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

Leases - The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total rental expense, including operating leases, in 2014 was \$162,836.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL AUTHORITY d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 11: 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 2014 the Hospital received \$1,099,403 from the County for operations.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events of the hospital have been evaluated through February 15, 2015, which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GENERAL FUND TYPES
For Year Ended September 30, 2014

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Taxes	\$ 7,647,776	\$ 7,647,776	\$ 7,726,499	\$ 78,723
Charges for Services	497,750	497,750	439,172	(58,578)
Licenses & Permits	750	750	594	(156)
Commissions	559,500	559,500	537,696	(21,804)
Intergovernmental	258,750	258,750	355,127	96,377
Interest	70,000	70,000	95,990	25,990
Miscellaneous	83,000	84,620	158,035	73,415
Total Revenues	\$ 9,117,526	\$ 9,119,146	\$ 9,313,113	\$ 193,967
Expenditures				
District Judge	\$ 155,600	\$ 155,600	\$ 146,874	\$ 8,726
District Clerk	155,634	156,134	149,709	6,425
County Judge	167,965	167,965	161,501	6,464
County Clerk	234,061	234,061	223,909	10,152
Tax Assessor	201,623	201,623	197,544	4,079
Treasurer	91,011	91,011	91,302	(291)
County Attorney	138,448	138,448	131,123	7,325
Justice of Peace - Pct #1-4	294,061	294,061	269,276	24,785
Veterans & Welfare	77,554	77,554	65,961	11,593
Adult Probation	950	950	174	776
Ag Extension Office	117,211	117,211	106,516	10,695
Sheriff	1,679,000	1,691,000	1,461,972	229,028
Jail	915,017	921,457	838,795	82,662
County Libraries	247,620	249,740	242,645	7,095
Auditor	148,925	148,885	143,358	5,527
Non-Departmental	746,820	738,820	439,145	299,675
Maintenance	193,212	193,212	140,417	52,795
Ag & Community Centers	35,400	37,000	34,562	2,438
Public Safety	142,027	142,027	87,104	54,923
Information Services	211,493	211,493	184,953	26,540
Road & Bridge - Pct #1-4	1,889,959	1,934,744	1,799,704	135,040
Capital Outlays	883,825	874,885	978,630	(103,745)
Principal	134,616	92,883	70,798	22,085
Interest	12,808	10,656	7,472	3,184
Total Expenditures	\$ 8,874,840	\$ 8,881,420	\$ 7,973,446	\$ 907,974

The accompanying notes are an integral part of this statement.
(61)

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GENERAL FUND TYPES
For Year Ended September 30, 2014

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ 242,686	\$ 237,726	\$ 1,339,667	\$ 1,101,941
Other Financing Sources (Uses)				
Proceeds From Capital Leases		\$ 25,000	\$ 319,500	\$ 319,500
Proceeds From Sale of Assets	25,000	25,000	951	(24,049)
Operating Transfers In	10,245,000	10,245,000	9,318,462	(926,538)
Operating Transfers Out	(11,631,662)	(11,637,662)	(10,717,798)	919,864
Total Other Financing Sources (Uses)	\$ (1,361,662)	\$ (1,367,662)	\$ (1,078,886)	\$ 288,776
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	\$ (1,118,976)	\$ (1,129,936)	\$ 260,781	\$ 1,390,717
Fund Balance at Beginning of Year	4,682,741	4,682,741	4,682,741	-0-
Fund Balance at End of Year	\$ 3,563,765	\$ 3,552,805	\$ 4,943,522	\$ 1,390,717

The accompanying notes are an integral part of this statement.
(62)

COMBINING STATEMENTS

LAMB COUNTY, TEXAS
COMBINING BALANCE SHEET - ALL GENERAL FUND TYPES
September 30, 2014

	General -----	Road and Bridge -----	LHC -----	Total -----
Assets				
Cash	\$ 4,397,587	\$ 963,670	\$ 664,391	\$ 6,025,648
Investments	11	8	10	29
Accounts Receivable	58,792	4,858	1,453	65,102
Delinquent Tax Receivable	324,748			324,748
Allowance for Uncollectible Tax	(32,475)			(32,475)
Due from Other Funds	7,000			7,000
Inventory	99			99
Prepaid Expense	22,836	1,118		23,953
	-----	-----	-----	-----
Total Assets	\$ 4,778,597	\$ 969,654	\$ 665,854	\$ 6,414,105
	=====	=====	=====	=====
Liabilities				
Accounts Payable	\$ 296,694	\$ 180,096	\$	\$ 476,790
Accrued Liabilities	35,640	26		35,665
Due to Other Funds			665,854	665,854
	-----	-----	-----	-----
Total Liabilities	\$ 332,334	\$ 180,122	\$ 665,854	\$ 1,178,309
	-----	-----	-----	-----
Deferred Inflows of Resources				
Unavailable Revenue- Property Taxes	\$ 292,273	\$	\$	\$ 292,273
	-----	-----	-----	-----
Total Deferred Inflows of Resources	\$ 292,273	\$ -0-	\$ -0-	\$ 292,273
	-----	-----	-----	-----
Fund Balances				
Assigned for Retirement of L-T Debt	\$ 4,686	\$ 470,713	\$	\$ 475,399
Unassigned	4,149,304	318,819		4,468,123
	-----	-----	-----	-----
Total Fund Balances	\$ 4,153,990	\$ 789,532	\$ -0-	\$ 4,943,522
	-----	-----	-----	-----
Total Liabilities, Deferred Inflows & Fund Balances	\$ 4,778,597	\$ 969,654	\$ 665,854	\$ 6,414,105
	=====	=====	=====	=====

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GENERAL FUND TYPES
For Year Ended September 30, 2014

	General	Road and Bridge	LHC	Total
	-----	-----	-----	-----
Revenues				

Taxes	\$ 5,381,049	\$ 1,244,593	\$ 1,100,857	\$ 7,726,499
Charges for Services	439,172			439,172
Licenses & Permits	594			594
Commissions	34,997	502,700		537,696
Intergovernmental	232,711	122,416		355,127
Interest	63,305	14,746	17,939	95,990
Miscellaneous	128,979	29,055		158,035
	-----	-----	-----	-----
Total Revenues	\$ 6,280,806	\$ 1,913,511	\$ 1,118,796	\$ 9,313,113
	-----	-----	-----	-----
Expenditures				

District Judge	\$ 146,874	\$	\$	\$ 146,874
District Clerk	149,709			149,709
County Judge	161,501			161,501
County Clerk	223,909			223,909
Tax Assessor	197,544			197,544
Treasurer	91,302			91,302
County Attorney	131,123			131,123
Justice of Peace - Pct #1-4	269,276			269,276
Veterans & Welfare	65,961			65,961
Adult Probation	174			174
Ag Extension Office	106,516			106,516
Sheriff	1,461,972			1,461,972
Jail	838,795			838,795
County Libraries	242,645			242,645
Auditor	143,358			143,358
Non-Departmental	439,145			439,145
Maintenance	140,417			140,417
Ag & Community Centers	34,562			34,562
Public Safety	87,104			87,104
Information Services	184,953			184,953
Road and Bridge - Pct #1-4		1,799,704		1,799,704
Capital Outlays	492,245	486,385		978,630
Principal	3,748	67,050		70,798
Interest		7,472		7,472
	-----	-----	-----	-----
Total Expenditures	\$ 5,612,835	\$ 2,360,610	\$ -0-	\$ 7,973,446
	-----	-----	-----	-----

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GENERAL FUND TYPES
For Year Ended September 30, 2014

	General -----	Road and Bridge -----	LHC -----	Total -----
Excess (Deficiency) of Revenues Over Expenditures	\$ 667,971	\$ (447,099)	\$ 1,118,796	\$ 1,339,667
Other Financing Sources (Uses)				
Proceeds from Capital Leases	\$	\$ 319,500	\$	\$ 319,500
Proceeds from Sale of Assets		951		951
Operating Transfers In			9,318,462	9,318,462
Operating Transfers Out	(280,541)		(10,437,257)	(10,717,798)
Total Other Financing Sources (Uses)	\$ (280,541)	\$ 320,451	\$ (1,118,796)	\$ (1,078,886)
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures And Other Uses	\$ 387,430	\$ (126,648)	\$ -0-	\$ 260,781
Fund Balances at Beginning of Year	3,766,560	916,180	-0-	4,682,741
Fund Balances at End of Year	\$ 4,153,990 =====	\$ 789,532 =====	\$ -0- =====	\$ 4,943,522 =====

LAMB COUNTY, TEXAS
COMBINING BALANCE SHEET
ROAD AND BRIDGE FUNDS
September 30, 2014

	Precinct One	Precinct Two	Precinct Three	Precinct Four	Total
ASSETS					
Cash	\$164,175	\$322,909	\$ 90,336	\$386,250	\$ 963,670
Investments					8
Accounts Receivable	1,214	1,214	1,214	1,214	4,858
Prepaid Expense		1,118			1,118
TOTAL ASSETS	\$165,397	\$325,241	\$ 91,551	\$387,465	\$ 969,654
	=====	=====	=====	=====	=====
LIABILITIES AND FUND BALANCES					
Accounts Payable	\$ 27,014	\$ 99,627	\$ 28,999	\$ 24,456	\$ 180,096
Accrued Liabilities		26			26
TOTAL LIABILITIES	\$ 27,040	\$ 99,627	\$ 28,999	\$ 24,456	\$ 180,122
Assigned for Retirement of L-T Debt	\$ 41,733	\$152,000	\$ 20,005	\$256,975	\$ 470,713
Unassigned	96,624	73,614	42,547	106,034	318,819
TOTAL FUND BALANCES	\$138,357	\$225,614	\$ 62,551	\$363,009	\$ 789,532
	-----	-----	-----	-----	-----
TOTAL LIABILITIES AND FUND BALANCES	\$165,397	\$325,241	\$ 91,551	\$387,465	\$ 969,654
	=====	=====	=====	=====	=====

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES-ACTUAL AND BUDGET
ROAD AND BRIDGE FUNDS
For Year Ended September 30, 2014

	PRECINCT ONE	PRECINCT TWO	PRECINCT THREE	PRECINCT FOUR	TOTAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:							
Tax Collector:							
Ad Valorem Taxes	\$ 311,148	\$ 311,148	\$ 311,148	\$ 311,148	\$ 1,244,593	\$ 1,230,588	\$ 14,005
Car Tags	125,675	125,675	125,675	125,675	502,700	528,000	(25,300)
Total Tax Collector	\$ 436,823	\$ 436,823	\$ 436,823	\$ 436,823	\$ 1,747,293	\$ 1,758,588	\$ (11,295)
Other Revenue:							
Intergovernmental	\$ 30,604	\$ 30,604	\$ 30,604	\$ 30,604	\$ 122,416	\$ 76,000	\$ 46,416
Interest	3,135	4,270	2,548	4,794	14,746	10,000	4,746
Miscellaneous	902		28,072	81	29,055	4,000	25,055
Sale of Assets			951		951	20,000	(19,049)
Total Other Revenue	\$ 34,640	\$ 34,874	\$ 62,176	\$ 35,479	\$ 167,169	\$ 110,000	\$ 57,169
TOTAL REVENUES	\$ 471,464	\$ 471,697	\$ 498,999	\$ 472,303	\$ 1,914,462	\$ 1,868,588	\$ 45,874

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF EXPENDITURES-ACTUAL AND BUDGET
ROAD AND BRIDGE FUNDS
For Year Ended September 30, 2014

	PRECINCT ONE	PRECINCT TWO	PRECINCT THREE	PRECINCT FOUR	TOTAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES:							
Commissioner's Salaries	\$ 47,197	\$ 47,197	\$ 47,197	\$ 47,197	\$ 188,786	\$ 185,172	\$ (3,614)
Employee Salaries	151,861	120,994	156,383	114,694	543,932	593,674	49,742
Part-Time Salaries	541	14,446		7,327	22,314	39,000	16,686
Automobile Allowance			6,250		6,250	6,000	(250)
Social Security	15,313	13,911	15,948	12,351	57,522	63,224	5,702
Retirement	25,040	22,644	26,214	20,364	94,262	103,041	8,779
Group Hospital Insurance	37,686	32,288	38,962	31,166	140,102	151,860	11,758
Unemployment	21,018	1,179	2,381	381	24,959	29,050	4,091
Workers Comp.	8,062	5,802	6,728	5,242	25,833	25,750	(83)
Supplies/Other Operations		62			62	950	888
Equipment & Furniture					-0-	2,500	2,500
Fuel	75,764	75,074	44,633	69,594	265,065	317,626	52,561
Equipment Parts & Repairs	57,538	96,538	104,583	54,906	313,565	280,851	(32,714)
Paving & Seal Coating					-0-		-0-
Materials & Supplies		3,150		2,658	5,808	13,350	7,542
Telephone	2,375	2,060	4,343	1,938	10,716	10,070	(646)
Utilities	3,364	2,227	3,930	2,052	11,573	11,200	(373)
Travel & Training	1,094	856	856	1,458	4,263	5,600	1,337
Soil Conservation	750	750	750	750	3,000	3,000	-0-
Contract/Professional	44,558	11,268	4,558	4,558	64,943	70,216	5,274
Equipment Rentals/Leases		4,000			4,000	4,000	-0-
Principal	19,838		19,245	27,967	67,050	89,083	22,033
Interest Expense	2,105		1,550	3,817	7,472	10,656	3,184
Insurance & Bonds					-0-	4,958	4,958
Auto & Liability Insurance	4,218	2,624	3,300	2,609	12,750	13,652	902
Capital Outlays		60,000	90,235	16,650	166,885	210,100	43,215
TOTAL EXPENDITURES	\$ 518,321	\$ 517,067	\$ 578,046	\$ 427,677	\$ 2,041,110	\$ 2,244,583	\$ 203,473

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
ROAD AND BRIDGE FUNDS
September 30, 2014

	Precinct One -----	Precinct Two -----	Precinct Three -----	Precinct Four -----	Total -----
FUND BALANCES, September 30, 2013	\$185,215	\$270,984	\$141,598	\$318,383	\$ 916,180
ADD: Revenues	471,464	471,697	498,999	472,303	1,914,462
DEDUCT: Expenditures	(518,321)	(517,067)	(578,046)	(427,677)	(2,041,110)
FUND BALANCES, (DEFICIT) September 30, 2014	\$138,357 =====	\$225,614 =====	\$ 62,551 =====	\$363,009 =====	\$ 789,532 =====

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 September 30, 2014

	District Clerk	County Clerk	Tax Assessor Collector	County Treasurer	County Attorney	Adult Probation	Justice of the Peace	Sheriff	Adult Basic Supervision	Adult Community Corrections	Total
<u>ASSETS</u>											
Cash & Cash Equivalents	\$ 289,190	\$ 21,974	\$ 129,351	\$ 28,804	\$ 6,701	\$ 796	\$ 4,908	\$ 28,832	\$ 100,498	\$ 8,223	\$ 619,277
Accounts Receivable									7,647		7,647
TOTAL ASSETS	\$ 289,190	\$ 21,974	\$ 129,351	\$ 28,804	\$ 6,701	\$ 796	\$ 4,908	\$ 28,832	\$ 108,145	\$ 8,223	\$ 626,924
<u>LIABILITIES</u>											
Accounts Payable	\$ 236,887	\$ 21,974	\$ 129,351	\$ 28,804	\$ 6,701	\$ 796	\$ 4,908	\$ 28,832	\$ 3,038	\$ 8,223	\$ 3,038
Due to Other Groups	52,303								105,107		571,583
Due to Trust Beneficiaries											52,303
TOTAL LIABILITIES	\$ 289,190	\$ 21,974	\$ 129,351	\$ 28,804	\$ 6,701	\$ 796	\$ 4,908	\$ 28,832	\$ 108,145	\$ 8,223	\$ 626,924

OTHER SUPPLEMENTARY INFORMATION

LAMB COUNTY, TEXAS
 SCHEDULE OF INVESTMENTS-ALL FUNDS
 SEPTEMBER 30, 2014

	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, 2014

	Balance 9-30-13	Additions	Deletions	Balance 9-30-14
<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 Wracker	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, 2014

	Balance 9-30-13	Additions	Deletions	Balance 9-30-14
<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 1/4 Ton Pickup (4-94)	15,709			15,709
Clements Belly Dump Truck SN 388807 (3-97)	12,500			12,500
Grid Roller (11-97)	14,000			14,000
1989 Mack - #7057 (855)	24,000			24,000
938 G Cat Wheel Loader #47501647	75,000			75,000
2001 Mtr Grader #22K06524	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
2014 CAT 140M2 Mtr Grader #OR9G00299		212,000		212,000
Total Equipment	\$ 913,929	\$ 212,000	\$ 115,083	\$1,010,846
Land	1,450			1,450
Barn	19,618			19,618
Total Pct # 2	\$ 934,997	\$ 212,000	\$ 115,083	\$1,031,914

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
September 30, 2014

	Balance 9-30-13	Additions	Deletions	Balance 9-30-14
<u>Precinct #3</u>				
Shredder #930458 (12-87)	\$ 5,000	\$	\$	\$ 5,000
1980 Timple Belly Dump Trailer (5-88)	15,500			15,500
1981 Used Timple 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
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 PUJ #22590	5,000			5,000
Volvo G930 MTR Grader #70090	49,144			49,144
2002 Ford F-150 #96290	5,157			5,157
2004 Chevy #85450	5,700			5,700
AMCO LOF-2424 Harrow Disc	6,000			6,000
2001 CPS Belly Dump Titr #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
2008 GMC Sierra #43809		12,450		12,450
Total Equipment	\$ 727,807	\$ 12,450	\$ -0-	\$ 740,257
Iron Clad Barn	10,000			10,000
Metal Barn (C-I-P)		77,785		77,785
Total Pct # 3	\$ 737,807	\$ 90,235	\$ -0-	\$ 828,042

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
September 30, 2014

	Balance 9-30-13	Additions	Deletions	Balance 9-30-14
<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
Railroad Flat Cars		16,650		16,650
CAT 140M2 Mtr Grader #OM9D01694		167,500		167,500
Total Equipment	\$ 994,007	\$ 184,150	\$ 107,441	\$1,070,716
Land	2,000			2,000
Bam	10,000			10,000
Total Pct #4	\$1,006,007	\$ 184,150	\$ 107,441	\$1,082,716

OFFICE OF THE TAX ASSESSOR-COLLECTOR

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
2013 ROLL
For The Year Ended September 30, 2014

Roll

Taxable Value	\$ 984,964,545
	=====
Tax Levy	\$ 7,823,573
Collections	

October 1, 2013 thru	
June 30, 2014	7,711,530

Balance June 30, 2014	\$ 112,043
	=====

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
SCHEDULE OF PRORATION OF FUNDS FROM AD VALOREM TAXES
September 30, 2014

	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, 2014

LAST TEN YEARS ENDED SEPTEMBER 30,	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-13	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-14
2005 & Prior Years	Various	Various	\$ 33,586	\$	\$ 1,772	\$ (4,563)	\$ 27,251
2006	.7642	808,383,279	8,428		584	(928)	6,916
2007	.7967	796,528,948	10,820		1,250	(1,072)	8,498
2008	.7943	803,447,816	13,128		1,878	(1,051)	10,199
2009	.7943	868,857,728	18,336		4,223	(1,233)	12,880
2010	.7943	884,643,365	26,035		7,190	(1,186)	17,659
2011	.7943	943,028,186	41,046		12,456	(1,090)	27,500
2012	.7943	962,016,905	68,027		27,127	(1,014)	39,886
2013	.7943	1,017,702,126	112,488		49,385	(1,187)	61,916
2014 (Year Under Audit)	.7943	984,964,545		7,823,573	7,711,530		112,043
TOTALS			\$ 331,894	\$ 7,823,573	\$ 7,817,395	\$ (13,324)	\$ 324,748

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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

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

Independent Auditor's Report

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

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

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, 2014, 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, 2015. Our report includes a reference to other auditors who audited the financial statements of the Lamb Healthcare Center, as described in our report on Lamb County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamb County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lamb County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lamb County's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



WEBB, WEBB, & WRIGHT, CPA's

June 12, 2015

LAMB COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

None

LAMB COUNTY, TEXAS

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<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, 2014

None