

LAMB COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010

LAMB COUNTY, TEXAS
COUNTY OFFICIALS
SEPTEMBER 30, 2010

Name of Official -----	Office -----
William A. Thompson, Jr.	County Judge
Rodney Smith	Commissioner, Precinct #1
Kent Lewis	Commissioner, Precinct #2
Danny Short	Commissioner, Precinct #3
Jimmy Young	Commissioner, Precinct #4
Mark Yarbrough	County Attorney
Gina Jones	County Auditor
Gary Maddox	County Sheriff
Janice Wells	County Treasurer
Brenda Goheen	Tax Assessor-Collector
Jamee 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
Carolyn Harmon	Justice of Peace #4

LAMB COUNTY, TEXAS
TABLE OF CONTENTS
 SEPTEMBER 30, 2010

	Page	Exhibit
	-----	-----
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report on Financial Statements	1-2	
Management's Discussion and Analysis (Required Supplementary Information)	3-11	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets	12	A-1
Statement of Activities	13	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	14	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets	15	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16-17	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18	C-4
Balance Sheet - Proprietary Fund	19	D-1
Statement of Revenues, Expenses, and Changes in Fund Balance - Proprietary Fund	20	D-2
Statement of Cash Flows - Proprietary Fund	21-22	D-3
Statement of Fiduciary Net Assets - Fiduciary Funds	23	E-1
Notes to the Financial Statements	24-44	
Notes to the Financial Statements - Lamb Healthcare Center	45-55	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund	56-57	F-1
<u>Combining Statements</u>		
Combining Statements - All General Fund Types	58-60	G-1
Combining Statements - Road and Bridge Funds	61-64	G-2
Combining Statements - Fiduciary Assets and Liabilities	65	G-3

LAMB COUNTY, TEXAS
TABLE OF CONTENTS
 SEPTEMBER 30, 2010

	Page	Exhibit
	-----	-----
<u>Supplemental Information</u>		
Schedule of Investments	66	H-1
Schedule of Road and Bridge Fixed Assets	67-70	H-2
Office of the Tax Assessor-Collector	71-73	H-3
<u>OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION</u>		
Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards.</u>	74-75	
Schedule of Findings and Questioned Costs	76	
Schedule of Prior Audit Findings	77	
Corrective Action Plan	78	

FINANCIAL SECTION

Webb, Webb, and Wright
Certified Public Accountants

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

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

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

August 16, 2011

Independent Auditor's Report on Financial Statements
Honorable County Judge and Commissioners' Court
Lamb County
100 6th Street
Littlefield, Texas

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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Proprietary Fund - Lamb Healthcare Center. Those financial 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 proprietary fund, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lamb County as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lamb County – August 16, 2011

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2011 on our consideration of Lamb County's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining fund financial statements and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

WEBB, WEBB AND WRIGHT, CPA's

Webb, Webb + Wright

(2)

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, 2010. 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 Assets 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 Assets 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 Assets 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 assets and changes in them. The County's net assets (the difference between assets and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net assets 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 Assets and the Statement of Activities, the County operates under two kinds of activities:

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

We describe the differences between governmental activities (reported in the Statement of Net Assets 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 Assets 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 Assets. 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 assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

Net assets of the County's governmental activities increased from \$9,028,056 to \$9,361,309. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$3,826,022 at September 30, 2010.

This increase in governmental net assets was the net result of the County's revenues exceeding the expenditures as shown in Exhibit B-1 and a \$38,874 prior period adjustment as disclosed in Note 13.

The net assets of our business-type activities decreased by \$517,932. 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 Assets**
in thousands

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	4,336	4,124	2,834	3,395	7,170	7,519	-4.6%
Capital assets	5,837	5,698	2,085	2,076	7,922	7,774	1.9%
Total assets	10,174	9,822	4,918	5,471	15,092	15,293	-1.3%
Long-term liabilities	234	209	9	12	243	221	10.0%
Other liabilities	578	585	1,160	1,192	1,738	1,777	-2.2%
Total liabilities	812	794	1,169	1,204	1,981	1,998	-0.9%
Net assets:							
Invested in capital assets, net of related debt	5,535	5,440	1,901	1,998	7,436	7,438	0.0%
Restricted					-0-	-0-	0.0%
Unrestricted	3,826	3,588	1,848	2,269	5,674	5,857	-3.1%
Total net assets	9,361	9,028	3,749	4,267	13,111	13,295	-1.4%

Table 2

Lamb County

Changes in Net Assets
in thousands

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Net program revenues:							
Charges for services	564	533	8,339	8,919	8,903	9,452	- 5.8%
Operating grants and contributions	585	183	5	1	590	184	220.7%
Capital Grants and contributions	36		6		42	-0-	4,200.0%
General revenues:							
Property taxes	6,908	6,864			6,908	6,864	.6%
Commissions	561	608			561	608	-7.7 %
Grants and contributions not restricted					-0-	-0-	0.0%
Unrestricted investments earnings	27	35	2	9	29	44	-34.1%
Other revenues	121	304	158	157	279	461	-39.5%
Total revenues	8,803	8,527	8,510	9,086	17,313	17,613	-1.7%
Expenses:							
General government	1,075	959			1,075	959	12.1%
Financial	379	363			379	363	4.4%
Judicial	446	485			446	485	-8.0 %
Legal	199	179			199	179	11.2%
Public safety	2,897	2,628			2,897	2,628	10.2%
Facilities	176	145			176	145	21.4%
Public welfare	51	52			51	52	-1.9%
Culture/Recreation	334	316			334	316	5.7%
Road and Bridge	1,830	1,792			1,830	1,792	2.1%
Health			10,163	10,363	10,163	10,363	-1.9%
Interest on long-term debt	10	10			10	10	0.0%
Total expenses	7,398	6,929	10,163	10,363	17,561	17,292	1.6%

Table 2

Lamb County

Changes in Net Assets
in thousands

	Total Governmental Activities		Business-Type Activities		Total		Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Increase(decrease) in net assets before special items & transfers	1,404	1,598	(1,653)	(1,277)	(248)	321	-177.3%
Gain on Sale of Capital Assets	25	15		100	25	115	-78.3%
Transfers	(1,135)	(1,158)	1,135	1,158	-0-	-0-	0.0%
Change in net assets	294	455	(518)	(19)	(223)	436	151.1%
Net assets-beginning	9,028	8,505	4,267	4,286	13,295	12,791	3.9%
Increase (Decrease) in Net Assets	39	68			39	68	-42.6%
Net assets-ending	9,361	9,028	3,749	4,267	13,111	13,295	-1.4%

The County's governmental revenues increased by \$276,458 this year. The total cost of governmental programs and services increased by \$469,645 this year. The County's business revenues decreased by \$575,991 this year. The total cost of business programs and services decreased by \$200,513 this year.

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

- Current year property tax revenues increased by \$50,303 over previous year collections. This increase is the result of increases to the tax base that totaled over 18.5 million. The increase in property tax revenue was used to fund salary and benefit increases and the county wide computer system.
- Fee office collections decreased 5.5%.
- Total expenses increased during the year. A portion of this increase reflects a 3% increase in salary expense, an increase in retirement expense and an increase in employee medical benefits.

The cost of all governmental and business-type activities this year was \$17,561,091. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes and commissions was only \$7,468,802 because \$8,903,713 of the costs were paid by those who directly benefited from the programs and \$632,386 by other governments and organizations that subsidized certain programs with grants and contributions.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$3,699,229, which is significantly above last year's total of \$3,471,091. Included in this year's total change in fund balance is a net increase of \$261,890 in the County's General Fund.

Total tax revenue including delinquent taxes increased \$46,346 over prior year amounts. Taxes increased due to high collection rates and an increase in tax base. The increase in tax base also allowed the County to retain the same tax rate as the previous year. Expenditures in the governmental fund increased over prior year totals. The primary areas of increased expenditures were in personnel related costs due to wage increases and increases in employee benefits.

General Fund Budgetary Highlights

The County's General Fund balance of \$3,385,131 differs from the General Fund's budgetary fund balance of \$2,343,556. This difference is shown on the budgetary comparison schedule (Exhibit F-1).

The County budget is prepared by the County Judge and approved by the Commissioners Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure line item level. Budgetary adjustments must be approved by the Commissioners Court. There were no significant differences between the original budget and the final budget. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. The final budget reflected an excess of revenues over expenditures of \$171,087 and the actual excess was \$1,379,289. Major variances included:

- Total revenues were less than budgeted revenue by .96%.
- Most Fee revenue was under budgeted amounts due to fewer document filings by the public.
- Total general fund expenditures were 15.5% less than the ending budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the County had \$15,741,481 invested in a broad range of capital assets, including administrative facilities and equipment, public safety facilities and equipment, and maintenance buildings and equipment.

This year's major additions included:

Building & Improvements	\$ 41,159
Machinery & Equipment	239,750
Vehicles	132,543
Office Equipment	445,818

Total	\$ 859,270
	=====

The purchase of a new county wide computer system began this year with an initial investment of \$265,000. The Sheriff's Office purchased several new vehicles. There was one Motor grader purchased.

The County will continue the purchase and installation of the new county wide computer system 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 \$301,722 in outstanding governmental debt versus \$257,844 last year.

More detailed information about the County's long-term liabilities is presented in Note 10 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 2011 budget and tax rates such as the following:

- The County is continuing the purchase of a new software system and is budgeting \$400,000 for the second portion of the project.
- Additional money was also budgeted in contract/professional services for possible litigation expense.
- Salary expense and related payroll accounts were increased for the 3% salary increase approved by Commissioners Court for fiscal year 2011.

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 ASSETS
SEPTEMBER 30, 2010

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 4,287,990	\$ 26,718	\$ 4,314,708
Investments	271,457		271,457
Receivables (net of allowance for uncollectibles)	483,524	1,695,028	2,178,552
Internal balances	(711,827)	711,827	-0-
Due from others	5,001		5,001
Inventories	367	346,091	346,458
Prepays		53,946	53,946
Capital assets (net of accumulated depreciation):			
Land	32,970	61,822	94,792
Buildings and improvements	3,113,158	935,125	4,048,283
Machinery and equipment	790,354	1,087,899	1,878,253
Vehicles	707,325		707,325
Office equipment	747,158		747,158
Capital Leases	446,044		446,044
Construction in progress			
Total Capital Assets	\$ 5,837,009	\$ 2,084,846	\$ 7,921,855
TOTAL ASSETS	\$ 10,173,522	\$ 4,918,456	\$ 15,091,978
LIABILITIES			
Accounts payable and other current liabilities	\$ 312,053	\$ 703,409	\$ 1,015,462
Accrued liabilities		401,577	401,577
Due to Others	8,237		8,237
Deferred revenue	190,201		190,201
Noncurrent liabilities:			
Due within one year	68,016	55,299	123,315
Due in more than one year	233,706	8,859	242,565
TOTAL LIABILITIES	\$ 812,213	\$ 1,169,144	\$ 1,981,357
NET ASSETS			
Invested in capital assets, net of related debt	\$ 5,535,287	\$ 1,900,991	\$ 7,436,278
Unrestricted	3,826,022	1,848,321	5,674,343
TOTAL NET ASSETS	\$ 9,361,309	\$ 3,749,312	\$ 13,110,621

The accompanying notes are an integral part of this statement.
(12)

LAMB COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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	\$ 1,075,038	\$ 179,596	\$ 24,177	\$ 36,409	\$ (834,856)	\$	\$ (834,856)
Financial	379,300	57,118			(322,182)		(322,182)
Judicial	446,218	241,601	6,254		(198,363)		(198,363)
Legal	198,523	29,050	63,398		(106,075)		(106,075)
Public safety	2,897,246	55,968	295,992		(2,545,286)		(2,545,286)
Facilities	176,330				(176,330)		(176,330)
Public welfare	51,310	930			(50,380)		(50,380)
Culture/Recreation	334,027				(334,027)		(334,027)
Road and Bridge	1,830,101		195,504		(1,634,597)		(1,634,597)
Interest on long-term debt	10,383				(10,383)		(10,383)
Total Governmental Activities	\$ 7,398,475	\$ 564,263	\$ 585,326	\$ 36,409	\$ (6,212,477)	\$ -0-	\$ (6,212,477)
Business – Type Activities:							
Health	\$ 10,162,616	\$ 8,339,450	\$ 4,823	\$ 5,828	\$	\$ (1,812,515)	\$ (1,812,515)
Total Business-Type Activities	\$ 10,162,616	\$ 8,339,450	\$ 4,823	\$ 5,828	\$ -0-	\$ (1,812,515)	\$ (1,812,515)
TOTAL PRIMARY GOVERNMENT	\$ 17,561,091	\$ 8,903,713	\$ 590,149	\$ 42,237	\$ (6,212,477)	\$ (1,812,515)	\$ (8,024,992)
<hr/>							
General Revenues:							
Property taxes					\$ 6,907,636	\$	\$ 6,907,636
Commissions					561,166		561,166
Grants and contributions not restricted to specific programs							-0-
Investment earnings					26,845	1,566	28,411
Miscellaneous					121,306	158,277	279,583
Gain on sale of capital assets					24,641		24,641
Transfers					(1,134,740)	1,134,740	-0-
Total general revenues and transfers					\$ 6,506,854	\$ 1,294,583	\$ 7,801,437
Change in net assets					\$ 294,379	\$ (517,932)	\$ (223,553)
Net assets – beginning					9,028,056	4,267,244	13,295,300
Increase (Decrease) in Net Assets					38,874		38,874
Net assets – ending					\$ 9,361,309	\$ 3,749,312	\$ 13,110,621

The accompanying notes are an integral part of this statement.

LAMB COUNTY, TEXAS
BALANCE SHEET -- GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	-----	-----	-----
ASSETS			

Cash	\$ 3,968,898	\$ 319,092	\$ 4,287,990
Investments	258,055	13,402	271,457
Accounts Receivable	161,499	5,030	166,530
Delinquent Taxes Receivable	352,215		352,215
Allowance for Uncollectible Taxes	(35,222)		(35,222)
Due From Other Funds	5,000	2	5,002
Inventory	367		367
	-----	-----	-----
Total Assets	\$ 4,710,813	\$ 337,527	\$ 5,048,339
	-----	-----	-----
LIABILITIES			

Accounts Payable	\$ 285,848	\$ 15,191	\$ 301,039
Other Current Liabilities	11,014		11,014
Due to Other Funds	711,826	1	711,827
Due to Others		8,237	8,237
Deferred Revenue	316,994		316,994
	-----	-----	-----
Total Liabilities	\$ 1,325,682	\$ 23,429	\$ 1,349,111
	-----	-----	-----
FUND BALANCE			

Unreserved Fund Balance	\$ 3,385,131	\$ 314,098	\$ 3,699,229
	-----	-----	-----
Total Fund Balances	\$ 3,385,131	\$ 314,098	\$ 3,699,229
	-----	-----	-----
Total Liabilities and Fund Balance	\$ 4,710,813	\$ 337,527	\$ 5,048,339
	=====	=====	=====

The accompanying notes are an integral part of this statement.
(14)

LAMB COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

Total fund balances - governmental fund balance sheet	\$ 3,699,229
Capital assets used in governmental activities not financial resources and, therefore, are not reported in the funds.	5,837,009
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	126,793
Long-term liability used in governmental activities are not due and payable in the current period and therefore not reported in the funds.	(301,722)

Total net assets of governmental activities - statement of net assets	\$ 9,361,309 =====

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

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
REVENUES			
Taxes	\$ 6,897,276	\$ 815	\$ 6,898,091
Charges for Services	478,730	85,534	564,263
Licenses & Permits			-0-
Commissions	561,166		561,166
Intergovernmental	313,129	308,606	621,736
Interest on Investments	25,474	1,371	26,845
Miscellaneous	120,218	1,088	121,306
	-----	-----	-----
Total Revenues	\$ 8,395,993	\$ 397,414	\$ 8,793,407
	-----	-----	-----
EXPENDITURES			
Current Operating:			
District Judge	\$ 77,853	\$	\$ 77,853
District Clerk	131,688		131,688
County Judge	125,793		125,793
County Clerk	241,961		241,961
Tax Assessor	177,316		177,316
County Treasurer	80,118		80,118
County Attorney	162,167		162,167
Justice of Peace - Pct #1-4	226,271		226,271
County Veterans & Welfare	51,310		51,310
Adult Probation	182		182
County Extension Office	103,065		103,065
County Sheriff	1,295,798		1,295,798
Jail	786,740		786,740
County Library	197,095		197,095
County Auditor	121,865		121,865
Non-Departmental	452,499		452,499
Maintenance	176,330		176,330
Ag & Community Centers	33,866		33,866
Public Safety	156,314		156,314
Information Services	72,647		72,647
Road and Bridge - Pct #1-4	1,563,258		1,563,258
Bail Bond Board Account			-0-
Jury Fund		8,548	8,548
Grants Fund			-0-
Child Abuse Prevention/Family Protection Fund			-0-
Courthouse Security Fund		1,792	1,792
Commissioners Court RPF			-0-
County Clerk RPF		2,684	2,684
District Clerk RPF			-0-
County & District Tech Fund			-0-
District Courts Tech/Archive Fund			-0-
JP Technology Fund		68	68
JP Security Fund			-0-
Juvenile Probation Fund		337,663	337,663
Stand Grant Fund		123,177	123,177

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, 2010

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	-----	-----	-----
County Clerk Election Fund			-0-
VCLG Grant Fund		23,055	23,055
Pre-Trial Diversion Fund		6,120	6,120
DWI Video Fund		57	57
County Attorney Drug Forfeiture		7,123	7,123
Sheriff Commissary Fund		16,035	16,035
Sheriff Forfeiture Fund-State		1,800	1,800
Sheriff Forfeiture Fund-Federal			-0-
Capital Projects Fund		5,531	5,531
Capital Outlays	723,362	135,907	859,270
Debt Service:			
Principal	48,822		48,822
Interest	10,383		10,383
	-----	-----	-----
Total Expenditures	\$ 7,016,704	\$ 669,560	\$ 7,686,264
	-----	-----	-----
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,379,289	\$ (272,146)	\$ 1,107,143
	-----	-----	-----
OTHER FINANCING SOURCES (USES)			
Proceeds From Sale of Capital Assets	\$ 124,160	\$	\$ 124,160
Proceeds From Capital Lease	92,700		92,700
Operating Transfers In	9,417,280	211,112	9,628,392
Operating Transfers Out	(10,751,539)	(11,593)	(10,763,132)
	-----	-----	-----
Total Other Financing Sources (Uses)	\$ (1,117,399)	\$ 199,519	\$ (917,880)
	-----	-----	-----
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	\$ 261,890	\$ (72,626)	\$ 189,264
	-----	-----	-----
Fund Balances - Beginning	3,123,241	347,850	3,471,091
Increase (Decrease) in Fund Balance		38,874	38,874
	-----	-----	-----
Fund Balances - Ending	\$ 3,385,131	\$ 314,098	\$ 3,699,229
	=====	=====	=====

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

LAMB COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

Net change in fund balances - total governmental funds.	\$	189,264
Capital outlays are not reported as expenses in the SOA.		859,270
The net effect of sales of capital assets is to decrease net assets.		(99,519)
Capital asset depreciation used in governmental activities is not reported in the funds.		(620,303)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.		9,545
Proceeds from capital lease are not reported as revenue in the SOA		(92,700)
Some expenditures (e.g. principal debt payment) on fund statements are not expenditures on the SOA.		48,822

Change in net assets of governmental activities.	\$	294,379
		=====

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

LAMB COUNTY, TEXAS
BALANCE SHEET - PROPRIETARY FUND
SEPTEMBER 30, 2010

ASSETS:

CURRENT ASSETS

Cash and Cash Equivalents	\$ 26,718
Patients Accounts Receivable, Net of Allowances	1,317,812
Estimated Third-Party Payer Settlements	377,216
Other Receivable - Lamb County	711,827
Inventory of Supplies	346,091
Prepaid Expenses and Other Current Assets	53,946

Total Current Assets	\$ 2,833,610

CAPITAL ASSETS

Net of Accumulated Depreciation	2,084,846

Total Assets	\$ 4,918,456

LIABILITIES AND NET ASSETS:

CURRENT LIABILITIES

Accounts Payable	\$ 422,891
Accrued Payroll, Benefits and Payroll Liabilities	401,577
Estimated Third-Party Payer Settlements	-0-
Other Current Liabilities	280,518
Long-Term Debt - Current	55,299

Total Current Liabilities	\$ 1,160,285

NONCURRENT LONG-TERM DEBT

	8,859

Total Liabilities	\$ 1,169,144

NET ASSETS

Invested in Capital Assets Net of Related Debt	1,900,991
Unrestricted	1,848,321

Total Net Assets	\$ 3,749,312
	=====

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

LAMB COUNTY, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2010

OPERATING REVENUES

Net Patient Service Revenue (Net of Provision for Bad Debts of \$1,791,314)	\$ 8,339,450
Other Operating Revenue	158,277

Total Operating Revenues	\$ 8,497,727

OPERATING EXPENSES

Salaries and Wages	\$ 4,340,917
Employee Benefits	706,023
Professional Fees and Purchased Services	2,509,295
Supplies and Other	2,200,337
Depreciation and Amortization	395,867

Total Operating Expenses	\$ 10,152,439

Operating Income (Loss)	\$ (1,654,712)
-------------------------	----------------

NON-OPERATING REVENUES (EXPENSES)

Tobacco Settlement Revenue	-0-
Non-Capital Grants and Contributions	4,823
Gain on Sale of Assets	-0-
Interest Income	1,566
Interest Expense	(5,807)

Total Non-operating Revenues (Expenses)	\$ 582

Income (Loss) Before Capital Grants, Contributions and County Subsidies	\$ (1,654,130)
Capital Grants and Contributions	5,828
County Subsidies	1,130,370

Increase (Decrease) in Net Assets	\$ (517,932)
Net Assets - Beginning	4,267,244

Net Assets - Ending	\$ 3,749,312
	=====

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

LAMB COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SEPTEMBER 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From and on Behalf of Patients	\$ 8,352,660
Payments to Suppliers and Contractors	(4,863,110)
Payments to Employees	(5,016,648)
Other Receipts and Payments, Net	158,277

Net Cash Provided(Used) by Operating Activities	\$ (1,368,821)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash Invested in Funds Held by Lamb County	\$ 492,493
Proceeds From County Subsidies	1,130,370
Non-Capital Grants and Contributions	4,823
Proceeds From Tobacco Settlement	-0-

Net Cash Provided(Used) by Non-Capital Financing Activities	\$ 1,627,686

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	\$ (208,904)
Payments on Accounts Payable Capital Assets	(33,686)
Principal Paid on Capital Lease Obligations	(55,980)
Interest Paid	(5,807)
Proceeds From Capital Grants and Contributions	5,828

Net Cash Provided(Used) by Capital and Related Financing Activities	\$ (298,549)

CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income Received	\$ 1,566

Net Cash Provided(Used) by Investing Activities	\$ 1,566

Net Increase(Decrease) in Cash and Cash Equivalents	\$ (38,118)

Cash and Cash Equivalents at the Beginning of Year	64,836

Cash and Cash Equivalents at the End of Year	\$ 26,718
	=====

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

LAMB COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SEPTEMBER 30, 2010

RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH

USED BY OPERATING ACTIVITIES	
Operating Income(Loss)	\$ (1,654,712)
Adjustments to Reconcile Operating Income(Loss) to Net Cash	
Used by Operating Activities:	
Depreciation and Amortization	395,867
Provision for Bad Debt	1,791,314
(Increase)Decrease in:	
Accounts Receivable	(1,580,708)
Estimated Third-Party Payer Settlement	(122,521)
Inventory of Supplies	(82,004)
Prepaid Expenses	24,561
Increase(Decrease) in:	
Accounts Payable	(96,035)
Accrued Payroll, Benefits and Payroll Liabilities	30,292
Estimated Third-Party Payer Settlements	-0-
Other Liabilities	(74,875)

Net Cash Provided(Used) by Operating Activities	\$ (1,368,821)

Supplemental Disclosure of Noncash Financing,
Capital and Investing Activities:

Capital Assets Acquired by Capital Lease Obligation	\$ 52,170
Capital Assets Acquired by Accounts Payable	\$ 143,640

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

LAMB COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2010

	Agency Funds -----
ASSETS:	
Cash and Cash Equivalents	\$ 203,730 -----
Total Assets	\$ 203,730 -----
LIABILITIES:	
Due to Other Groups	\$ 144,735
Due to Trust Beneficiaries	58,995 -----
Total Liabilities	\$ 203,730 -----
NET ASSETS	
Total Net Assets	\$ -0- =====

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

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted 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 the nature and significance of the relationship. The County includes organizations as component units under the following financial accountability criteria:

1. Organizations for which the Commissioner's 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, 2010

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 assets and statement of activities. Significantly, the County's statement of net assets 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.

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.

Statement No. 34 also requires supplementary information Management's Discussion and Analysis which includes an analytical overview of the County's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are 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.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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.

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.

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

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

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

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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

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

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

The Major Governmental Fund is:

General Fund (GF) The County accounts for financial resources used for general operations in this fund. It is a budgeted fund, and any fund balances are considered resources available for current operations. The general fund accounts for all financial resources except those required to be accounted for in another fund.

The Major Proprietary Fund is:

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

In addition, the County reports the following fund type:

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

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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

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

D. CASH AND CASH EQUIVALENTS

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

E. RECEIVABLE AND PAYABLE BALANCES

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

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

F. INTERFUND ACTIVITY

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

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

G. INVENTORY

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

H. CAPITAL ASSETS

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. 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	50
Building Improvements	7-30
Machinery & Equipment	10-15
Vehicles	8
Office Equipment	5-20
Computer Equipment	5

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, 2010

J. PERSONAL LEAVE

County 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. 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 9-30-10 was \$158,052.

K. FUND EQUITY

Unreserved undesignated fund equity for governmental funds indicates available amounts for the budgeting of future operations. Reserved fund balance is that portion of fund equity which is not available for appropriation or which has been legally separated for specific purposes.

L. USE OF ESTIMATES

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

M. RECLASSIFICATIONS

Certain amounts in the prior year condensed financial information have been reclassified for comparative purposes to conform to the presentation of the current year financial information. The reclassifications had no effect on assets, liabilities, fund balance/net assets, or net income as previously reported.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

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. Budgets for the General Fund and Debt Service Fund are 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 09-10 fiscal year.

NOTE 3. LEGAL COMPLIANCE

Governmental Accounting Standards Board code section 1200 requires that the financial statements present fairly with full disclosure the financial position and results of operations and demonstrate compliance with finance-related legal and contractual provisions. Lamb County adheres to all legal requirements of Federal, State, local intergovernmental units and outside party contracts.

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") insurance.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

Cash Deposits:

At September 30, 2010, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash) was \$4,314,708 and the bank balance was \$4,691,859. The County's cash deposits with financial institutions at September 30, 2010 and during the year ended September 30, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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

- a. Name of bank Security State Bank - Littlefield, Texas
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$9,320,245.
- c. Largest cash, savings and time deposits combined account balance amounted to \$9,468,600 and occurred during the month of November 2009.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$500,000.

During the FYE 9-30-95, investments were transferred from TexPool to Investors Cash Trust-Treasury Portfolio Fund then to ICT-Government Securities Portfolio Fund and then to Cash Account Trust - Government Cash Institutional Shares Portfolio Fund. This fund is designed primarily for State and Local Governments and related agencies. An investment in this fund is neither insured nor guaranteed by the U.S. Government, the Federal Deposit Insurance Corporation or the Federal Reserve Board.

Current investments of \$271,457 are invested in TexPool (a non SEC-registered investment pool) and the Cash Account Trust-Government Cash Institutional Shares Portfolio Fund (an SEC-registered investment company). TexPool and the Cash Account Trust-Government Cash Institutional Shares Portfolio Fund are each 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 \$271,457 and the fair value are the same.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

The cash deposits and investments held at financial institutions and with investment service entities can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Deposits which are insured or collateralized with securities held by the entity or by its agent in the County's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

Category 3 - Deposits which are not collateralized or insured.

Cash and investments consisted of the following:

	Category			
	1	2	3	Total
Cash	\$4,314,708	\$	\$	\$4,314,708
TexPool Accounts			110,564	110,564
Cash Account Trust- Government Cash				
Institutional Shares			160,893	160,893
Total	\$4,314,708	\$ -0-	\$ 271,457	\$4,586,165
	=====	=====	=====	=====

Investments:

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 general purpose 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, 2010

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

Investment Accounting Policy:

In accordance with GASB Statement No. 31, 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.

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.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

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 exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

NOTE 5: PROPERTY TAX

Property taxes attach as an enforceable lien on property as of February 1. Taxes are levied on October 1, and payable at that time. The Lamb County Appraisal District appraises property for ad valorem tax purposes for the County and collects the taxes for the County as well. Property tax revenues are considered available when they become due or past due and receivable within the current period.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

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.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, 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	123,427		(123,427)	-0-
Total capital assets not being depreciated	\$ 156,397	\$ -0-	\$ (123,427)	\$ 32,970
	-----	-----	-----	-----
<i>Capital assets being depreciated:</i>				
Buildings and improvements	\$ 9,309,651	\$ 164,586	\$	\$ 9,474,237
Machinery and equipment	2,383,023	57,050	(72,635)	2,367,438
Vehicles	1,793,285	132,543	(63,262)	1,862,566
Office equipment	1,054,247	445,818		1,500,065
Capital leases	321,505	182,700		504,205
Total capital assets being depreciated	\$ 14,861,711	\$ 982,697	\$ (135,897)	\$ 15,708,511
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings and improvements	\$ (6,238,589)	\$ (122,490)	\$	\$ (6,361,079)
Machinery and Equipment	(1,383,743)	(200,605)	7,264	(1,577,084)
Vehicles	(1,044,043)	(140,312)	29,114	(1,155,241)
Office equipment	(637,830)	(115,077)		(752,907)
Capital leases	(16,342)	(41,819)		(58,161)
Total accumulated depreciation	\$ (9,320,547)	\$ (620,303)	\$ 36,378	\$ (9,904,472)
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 5,541,164	\$ 362,394	\$ (99,519)	\$ 5,804,039
	-----	-----	-----	-----
Governmental activities capital assets, net	\$ 5,697,561	\$ 362,394	\$ (222,946)	\$ 5,837,009
	=====	=====	=====	=====

The carrying amount of capital assets that are idle at 9-30-10 is \$12,795.

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

General government	\$ 173,924
Public safety	179,536
Highways and streets	266,843

	\$ 620,303
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 8: DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

Revenue Description	Fund	Deferred Amount
-----	-----	-----
Net Tax Revenue	General	\$ 316,994

Total Deferred Revenue		\$ 316,994
		=====

NOTE 9: OPERATING/CAPITAL LEASES

The County previously entered into an operating lease agreement on a Challenger tractor for Precinct 4. Commitments under this operating (noncapitalized) lease agreement provide for future minimum rental payments as of September 30, 2010, as follows:

Year Ending	

2011	\$ 13,501

Total Minimum Rental Payments	\$ 13,501
	=====
Rental Expenditures in FYE 2010	\$ 13,501
	=====

The County has also entered into operating lease agreements for Xerox, Ricoh and Sharp copiers and printers. Commitments under these operating (noncapitalized) lease agreements provide for future minimum rental payments as of September 30, 2010 as follows:

Year Ending	

2011	\$ 27,665
2012	23,196
2013	14,306
2014	5,450
2015	1,796

Total Minimum Rental Payments	\$ 72,413
	=====
Rental Expenditures in FYE 2010	\$ 26,065
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 9: OPERATING/CAPITAL LEASES (continued)

In FYE 2009, the County entered into a lease agreement on a Sharp MX2700 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 an annual interest rate of 9.43%. The amount of interest paid in the current year was \$818. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2010 as follows:

Year Ending -----	
2011	\$ 3,748
2012	3,748
2013	313

Total Minimum Lease Payments	\$ 7,809
Less Amount Representing Interest	(744)

Present Value - Minimum Lease Payments	\$ 7,065
	=====

In FYE 2009, the County entered into an equipment lease-purchase agreement on a Caterpillar 938G Wheel Loader 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 3.84%. The amount of interest paid in the current year was \$3,847. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2010 as follows:

Year Ending -----	
2011	\$ 22,308
2012	22,308
2013	22,308
2014	22,308

Total Minimum Lease Payments	\$ 89,232
Less Amount Representing Interest	(7,993)

Present Value - Minimum Lease Payments	\$ 81,239
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 9: OPERATING/CAPITAL LEASES (continued)

In FYE 2009, the County entered into an equipment lease-purchase agreement on a Caterpillar Model 140M Motor Grader for Precinct #2. This lease agreement 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 3.85%. The amount of interest paid in the current year was \$5,717. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2010 as follows:

Year Ending	

2011	\$ 33,149
2012	33,149
2013	33,149
2014	33,148

Total Minimum Lease Payments	\$ 132,595
Less Amount Representing Interest	(11,877)

Present Value - Minimum Lease Payments	\$ 120,718
	=====

During the current year, 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 \$-0-. Commitments under this capitalized lease agreement provide for future minimum lease payments as of September 30, 2010 as follows:

Year Ending	

2011	\$ 20,794
2012	20,794
2013	20,794
2014	20,794
2015	20,796

Total Minimum Lease Payments	\$ 103,972
Less Amount Representing Interest	(11,272)

Present Value - Minimum Lease Payments	\$ 92,700
	=====

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 10: LONG-TERM DEBT

Changes in Long-Term Liabilities:

	Balance 10-01-09	Increase	Decrease	Balance 09-30-10	Amounts Due Within One Year
Capital Leases	\$ 257,844	\$ 92,700	\$ 48,822	\$ 301,722	\$ 68,016
Total Long-Term Liabilities	\$ 257,844	\$ 92,700	\$ 48,822	\$ 301,722	\$ 68,016

The County has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Lamb County.

NOTE 11: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2010 consisted of the following:

Due To Fund	Due From Fund	Amount
Proprietary Fund-Hospital	General Fund	\$ 711,827
General Fund	Agency Funds	5,001
		\$ 716,827

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, 2010 consisted of the following:

Transfers From	Transfers To	Amount
Proprietary Fund-Hospital	General Fund	\$ 9,405,687
General Fund	Other Governmental Funds	211,112
Debt Service Fund	General Fund	11,593
General Fund	Proprietary Fund-Hospital	10,540,427
		\$ 20,168,819

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

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 12: DEFICIT IN FUND BALANCE/NET ASSETS

The Juvenile Probation Fund and the Stand Grant Fund reported a deficit in Fund Balance/Net Assets of \$24,537 and \$2,801 respectively.

NOTE 13: INCREASE (DECREASE) IN FUND BALANCE/NET ASSETS

The net increase in fund balance/net assets is due to prior period nonreported fund balance/net assets in the following individual nonmajor funds:

Grants Fund	\$ (1)
Child Abuse Prevention/Family Protection Fund	1,420
Juvenile Probation Fund	(12,279)
Stand Grant Fund	5,672
County Attorney Drug Forfeiture	25,729
Sheriff Commissary Fund	15,601
Sheriff Forfeiture Fund - State	2,732

	\$ 38,874
	=====

NOTE 14: 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 2010, 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 15: 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.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 16: 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 17: COMMITMENTS AND CONTINGENCIES

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

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

NOTE 18: LITIGATION

Lamb County is involved in various lawsuits and claims. Some are for alleged losses suffered and are being handled by the County's insurance carriers. Others are for alleged violations of civil rights or discrimination. Although the outcome of these lawsuits and claims are not presently determinable, in the opinion of management the resolution of these matters will not have a material adverse effect on the County's financial position as of September 30, 2010.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 19: PENSION BENEFIT PLAN

Plan Description. Lamb County provides retirement, death, disability, and withdrawal benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public-employee retirement system consisting of 602 cash balance-account type defined benefit pension plans.

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the 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 9.40% for the months of the accounting year in 2009, and 10.23% for the months of the accounting year in 2010. The contribution rate payable by the employee members for fiscal year 2010 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.

LAMB COUNTY, TEXAS

Notes to Financial Statements
September 30, 2010

NOTE 19: PENSION BENEFIT PLAN (continued)

Schedule of Funding Information:

Actuarial Valuation Date	12-31-07	12-31-08	12-31-09
	-----	-----	-----
Actuarial Value of Assets	\$6,912,216	\$5,916,659	\$6,640,754
Actuarial Accrued Liability (AAL)	\$7,644,715	\$7,311,831	\$7,998,123
Unfunded or (Over-funded) Actuarial Accrued Liability (UAAL or (OAAL))	\$ 732,499	\$1,395,172	\$1,357,369
Funded Ratio	90.42%	80.92%	83.03%
Annual Covered Payroll (Actuarial)	\$2,751,412	\$2,973,025	\$3,208,411
UAAL or (OAAL) as a Percentage of Covered Payroll	26.62%	46.93%	42.31%
Net Pension Obligation (NPO) at The Beginning of Period	\$ -0-	\$ -0-	\$ -0-
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 276,789	\$ 279,465	\$ 301,591
Contributions Made	\$ 276,789	279,465	\$ 301,591
Net Pension Obligation (NPO) at The End of Period	\$ -0-	\$ -0-	\$ -0-

The County is one of 602 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 12-31-09 valuations are contained in the 2009 TCDRS Comprehensive Annual Financial Report, a copy of which may be obtained from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

NOTE 20: HEALTH CARE COVERAGE

During the year ended September 30, 2010, 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 with TAC HEBP is funded through Blue Cross Blue Shield Preferred Provider Organization (PPO), and the terms of coverage and contribution costs are included in the contractual provisions.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

LAMB HEALTHCARE CENTER

As of June 28, 1991, by order of the Commissioners' Court, the County Judge was authorized to execute a contract for the purchase of the hospital real property, improvements, personal property, and all other assets of the Lamb County Hospital Authority. The Lamb County Hospital d/b/a Lamb Healthcare Center was purchased as of this date and became an enterprise fund of Lamb County. See the following disclosures which pertain specifically to the Lamb Healthcare Center Fund.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - On August 1, 1991, the County purchased all of the assets and assumed all the liabilities of the Lamb County Hospital Authority. The new entity is Lamb County Hospital d/b/a Lamb Healthcare Center. Lamb Healthcare Center is an enterprise fund of Lamb County, State of Texas. It was established for the purpose of maintaining a system to provide hospital and medical care to the residents of Lamb County. The Hospital is supported, in part, by ad valorem taxes on real and personal property, and transfers from the County as subsidies. The Hospital is responsible for the indigent healthcare of the County.

Enterprise Fund Accounting - Lamb Healthcare Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Hospital considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the lower of cost or market on the First-In/First-Out (FIFO) method.

Capital Assets - Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value on the date of donation. The Hospital provides for depreciation of capital assets by the straight-line method and at rates promulgated by the American Hospital Association which are designed to amortize the cost of such equipment over its useful life. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital's capitalization policy states that capital assets with a value greater than \$500 and a useful life 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

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets - Net assets of the Hospital are classified in four components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Restricted nonexpendable net assets equal the principal portion of permanent endowments. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Operating Revenues and Expenses - For purposes of display, the Hospital's statement of revenues, expenses and changes in net assets 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 financing costs.

Federal Income Taxes - The Hospital is a tax exempt organization; therefore, no expense has been provided for income taxes in the accompanying financial statements.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, charity care is excluded from net patient revenue.

County Subsidy - County subsidies are interfund transactions that are reported after nonoperating revenues and expenses.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

NOTE 2: NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital is a Sole Community Hospital, which entitles it to a higher payment per inpatient Medicare discharge. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement method.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2: NET PATIENT SERVICE REVENUE (continued)

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

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

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

Net Patient Revenue is comprised as follows:

Routine Patient Services	\$ 1,061,430
Ancillary Patient Services	
Inpatient	4,104,179
Outpatient	9,061,247

Gross Patient Service Revenue	\$ 14,226,856
Charity	(276,176)
Third-Party Contractual Adjustments	(4,326,479)
Provision for Bad Debts	(1,791,314)
Medicaid Disproportionate Share	506,563

Net Patient Service Revenue	\$ 8,339,450
	=====

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2: NET PATIENT SERVICE REVENUE (continued)

Estimated Third-Party Payer Settlements - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Anticipated final settlement amounts from current and prior years' cost reports are recorded in the financial statements as they are determined by the Hospital. Net patient service revenue increased \$3,631 due to prior-year retroactive adjustments in excess of amounts previously estimated. Estimated third-party payer settlements recorded in current assets (liabilities) at September 30, 2010 are \$377,216.

NOTE 3: DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2010, the carrying amount of the Hospital's deposits with financial institutions was \$26,093 and the bank balance was \$146,311. 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: MEDICAID DISPROPORTIONATE SHARE FUNDS

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

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4: 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 2010 the Hospital received \$506,563 in Medicaid disproportionate share funds.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at September 30:

Patient Accounts Receivable	\$ 2,990,110
Less: Allowance for Bad Debts	(1,270,014)
Allowance for Contractuals	(402,284)

Patient Accounts Receivable, Net of Allowance	\$ 1,317,812
	=====

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 is as follows:

Medicare	25%
Medicaid	12%
Other Third-Party Payers	27%
Patients	36%

Total	100%
	=====

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6: CAPITAL ASSETS

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

	Balance 9/30/09	Additions	Retirements	Balance 9/30/10
Land	\$ 61,822	\$	\$	\$ 61,822
Land Improvements	1,016,393	5,833		1,022,226
Fixed Equipment	961,983	23,492		985,475
Major Moveable Equipment	2,610,848	375,389		2,986,237
	-----	-----	-----	-----
Totals at historical cost	\$ 4,651,046	\$ 404,714	\$ -0-	\$ 5,055,760
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Land Improvements	(18,575)	(68,526)		(87,101)
Fixed Equipment	(695,931)	(65,783)		(761,714)
Major Moveable Equipment	(1,860,541)	(261,558)		(2,122,099)
	-----	-----	-----	-----
Total Accumulated Depreciation	\$ (2,575,047)	\$ (395,867)	\$ -0-	\$ (2,970,914)
	-----	-----	-----	-----
Capital Assets, Net	\$ 2,075,999	\$ 8,847	\$ -0-	\$ 2,084,846
	=====	=====	=====	=====

Depreciation expense, including lease amortization, for the year ended September 30, 2010 is \$395,867.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 7: LONG-TERM DEBT

The terms and due dates of the Hospital's long-term debt, including lease obligations, at September 30, 2010 follows:

Capital lease payable, Inc. in monthly installments of \$4,896, through November 1, 2010, collateralized by leased equipment.

Capital lease payable in monthly installments of \$4,454, through November 25, 2011, collateralized by leased equipment.

A summary of changes in the Hospital's long-term debt for the year ended September 30, 2010, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
-----	-----	-----	-----	-----	-----
Capital Lease Obligations	\$ 67,968	\$ 52,170	\$ 55,980	\$ 64,158	\$ 55,299
	=====	=====	=====	=====	=====

Debt Service Requirements are as follows:

	Principal	Interest
	-----	-----
Year ending September 30,		
2011	\$ 55,299	\$ 1,334
2012	8,859	50
	-----	-----
	\$ 64,158	\$ 1,384
	=====	=====

NOTE 8: RELATED PARTIES

County-The Hospital receives funds from the County for indigent patient care, capital improvements, repairs, and other operating costs. These funds are partially provided through the County's general tax revenues. During 2010 the Hospital reported \$1,130,370 from the County for operations.

LAMB COUNTY, TEXAS

LAMB COUNTY HOSPITAL d/b/a
LAMB HEALTHCARE CENTER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 8: RELATED PARTIES (continued)

Management Contract-In accordance with the terms of an agreement dated January 23, 1993, the Hospital is managed by Covenant Hospital Systems ("Covenant"). The agreement's provision includes Covenant providing certain employees such as an administrator. Furthermore, Covenant provides consultation to the Board of Managers with respect to health care related matters and operations to the Hospital. In return for these services, the Hospital pays an annual management fee to Covenant and reimburses Covenant for salaries and related salary expenses for the administrator. During 2010 the Hospital recorded management fees to Covenant in the amount of \$32,216.

NOTE 9: SUBSEQUENT EVENTS

Subsequent events of the hospital have been evaluated through February 7, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
For Year Ended September 30, 2010

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues				
Taxes	\$ 6,892,738	\$ 6,892,738	\$ 6,897,276	\$ 4,538
Charges For Services	515,750	515,750	478,730	(37,020)
Licenses & Permits				
Commissions	580,000	580,000	561,166	(18,834)
Intergovernmental	143,513	143,513	313,129	169,616
Interest	24,600	24,600	25,474	874
Miscellaneous	141,200	141,200	120,218	(20,982)
Total Revenues	\$ 8,297,801	\$ 8,297,801	\$ 8,395,993	\$ 98,192
Expenditures				
District Judge	\$ 142,600	\$ 142,600	\$ 77,853	\$ 64,747
District Clerk	137,590	137,590	131,688	5,902
County Judge	145,135	145,135	125,793	19,342
County Clerk	256,695	256,695	241,961	14,735
Tax Assessor	181,795	181,795	177,316	4,479
County Treasurer	83,205	83,205	80,118	3,087
County Attorney	169,430	169,430	162,167	7,263
Justice of Peace				
Precinct #1-4	256,950	261,750	226,271	35,479
County Veterans & Welfare	68,852	68,852	51,310	17,542
Adult Probation	950	950	182	768
County Extension Office	105,193	105,193	103,065	2,128
County Sheriff	1,361,592	1,370,774	1,295,798	74,976
Jail	858,168	866,665	786,740	79,925
County Library	200,292	200,292	197,095	3,197
County Auditor	138,774	138,774	121,865	16,909
Non-Departmental	881,564	858,764	452,499	406,265
Maintenance	186,399	184,399	176,330	8,069
Ag & Community Centers	52,519	52,519	33,866	18,653
Public Safety	143,379	163,379	156,314	7,065
Information Services	77,107	77,107	72,647	4,460
Road & Bridge Precinct #1-4	1,786,629	1,800,318	1,563,258	237,060
Capital Outlays	767,000	801,321	723,362	77,959
Principal	21,391	48,823	48,822	1
Interest	4,666	10,384	10,383	1
Total Expenditures	\$ 8,027,875	\$ 8,126,714	\$ 7,016,704	\$ 1,110,010

The accompanying notes are an integral part of this statement.
(56)

LAMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
For Year Ended September 30, 2010

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Excess (Deficiency) of Revenues Over Expenditures	\$ 269,926	\$ 171,087	\$ 1,379,289	\$ 1,208,202
Other Financing Sources (Uses)				
Proceeds From Sale of Capital Assets	\$ 25,000	\$ 114,725	\$ 124,160	\$ 9,435
Proceeds From Capital Lease	-0-	-0-	92,700	92,700
Operating Transfers In	9,630,563	9,658,163	9,417,280	(240,883)
Operating Transfers Out	(10,723,660)	(10,723,660)	(10,751,539)	(27,879)
Total Other Financing Sources (Uses)	\$ (1,068,097)	\$ (950,772)	\$ (1,117,399)	\$ (166,627)
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	\$ (798,171)	\$ (779,685)	\$ 261,890	\$ 1,041,575
Fund Balance at Beginning of Year	3,123,241	3,123,241	3,123,241	-0-
Increase (Decrease) in Fund Balance	-0-	-0-	-0-	-0-
Fund Balance at End of Year	\$ 2,325,070	\$ 2,343,556	\$ 3,385,131	\$ 1,041,575

The accompanying notes are an integral part of this statement.
(57)

COMBINING STATEMENTS

LAMB COUNTY, TEXAS
COMBINING BALANCE SHEET - ALL GENERAL FUND TYPES
September 30, 2010

	General	Road and Bridge	LHC	Total
	-----	-----	-----	-----
Assets				

Cash in Bank	\$ 2,919,170	\$ 347,323	\$ 702,404	\$ 3,968,898
Investments	41,354	207,279	9,422	258,055
Accounts Receivable	36,910	124,589		161,499
Delinquent Tax Receivable	352,215			352,215
Allowance for Uncollectible Tax	(35,222)			(35,222)
Due From Other Funds	5,000			5,000
Inventory	367			367
	-----	-----	-----	-----
Total Assets	\$ 3,319,796	\$ 679,191	\$ 711,826	\$ 4,710,813
	=====	=====	=====	=====
Liabilities and Fund Balance				

Accounts Payable	\$ 220,450	\$ 65,398	\$	\$ 285,848
Other Current Liabilities	11,014			11,014
Due to Other Funds			711,826	711,826
Deferred Revenue	316,994			316,994
	-----	-----	-----	-----
Total Liabilities	\$ 548,458	\$ 65,398	\$ 711,826	\$ 1,325,682
	-----	-----	-----	-----
Fund Balance - Unreserved	\$ 2,771,337	\$ 613,793	\$	\$ 3,385,131
	-----	-----	-----	-----
Total Fund Balance	\$ 2,771,337	\$ 613,793	\$	\$ 3,385,131
	-----	-----	-----	-----
Total Liabilities & Fund Balance	\$ 3,319,796	\$ 679,191	\$ 711,826	\$ 4,710,813
	=====	=====	=====	=====

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GENERAL FUND TYPES
For Year Ended September 30, 2010

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

Taxes	\$ 4,690,555	\$ 1,076,350	\$ 1,130,371	\$ 6,897,276
Charges for Services	478,730			478,730
Licenses & Permits				
Commissions	37,007	524,159		561,166
Intergovernmental	117,625	195,504		313,129
Interest	17,903	3,203	4,368	25,474
Miscellaneous	119,187	1,030		120,218
-----	-----	-----	-----	-----
Total Revenues	\$ 5,461,006	\$ 1,800,246	\$ 1,134,740	\$ 8,395,993
-----	-----	-----	-----	-----
Expenditures				

District Judge	\$ 77,853	\$	\$	\$ 77,853
District Clerk	131,688			131,688
County Judge	125,793			125,793
County Clerk	241,961			241,961
Tax Assessor	177,316			177,316
County Treasurer	80,118			80,118
County Attorney	162,167			162,167
Justice of Peace				
Precinct No. 1-4	226,271			226,271
County Veterans & Welfare	51,310			51,310
Adult Probation	182			182
County Extension Office	103,065			103,065
County Sheriff	1,295,798			1,295,798
Jail	786,740			786,740
County Library	197,095			197,095
County Auditor	121,865			121,865
Non-Departmental	452,499			452,499
Maintenance	176,330			176,330
Ag & Community Centers	33,866			33,866
Public Safety	156,314			156,314
Information Services	72,647			72,647
Road and Bridge Pct # 1-4		1,563,258		1,563,258
Capital Outlays	483,612	239,750		723,362
Principal	2,930	45,892		48,822
Interest	818	9,565		10,383
-----	-----	-----	-----	-----
Total Expenditures	\$ 5,158,239	\$ 1,858,465	\$ -0-	\$ 7,016,704
-----	-----	-----	-----	-----

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GENERAL FUND TYPES
For Year Ended September 30, 2010

	General -----	Road and Bridge -----	LHC -----	Total -----
Excess (Deficiency) of Revenues Over Expenditures	\$ 302,767	\$ (58,219)	\$ 1,134,740	\$ 1,379,289
Other Financing Sources (Uses)				
Proceeds From Sale of Capital Assets	\$ 34,225	\$ 89,935	\$	\$ 124,160
Proceeds From Capital Lease		92,700		92,700
Operating Transfers In	11,593		9,405,687	9,417,280
Operating Transfers Out	(211,112)		(10,540,427)	(10,751,539)
Total Other Financing Sources (Uses)	\$ (165,294)	\$ 182,635	\$ (1,134,740)	\$ (1,117,399)
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures And Other Uses	\$ 137,473	\$ 124,416	\$ -0-	\$ 261,890
Fund Balance at Beginning of Year	\$ 2,633,865	489,376	-0-	3,123,241
Increase (Decrease) in Fund Balance				
Fund Balance at End of Year	\$ 2,771,337 =====	\$ 613,793 =====	\$ -0- =====	\$ 3,385,131 =====

LAMB COUNTY, TEXAS
COMBINING BALANCE SHEET
ROAD AND BRIDGE FUNDS
September 30, 2010

	Precinct One -----	Precinct Two -----	Precinct Three -----	Precinct Four -----	Total -----
ASSETS -----					
Cash	\$ 44,318	\$140,060	\$ 64,261	\$ 98,685	\$347,323
Investments	105,206	839	25,503	75,730	207,279
Accounts Receivable	548	548	122,944	548	124,589
Due From Other					-0-
	-----	-----	-----	-----	-----
TOTAL ASSETS	\$150,073	\$141,448	\$212,708	\$174,963	\$679,191
	=====	=====	=====	=====	=====
LIABILITIES AND FUND BALANCE -----					
Accounts Payable	\$ 19,478	\$ 15,495	\$ 17,102	\$ 13,323	\$ 65,398
Due to Other					-0-
	-----	-----	-----	-----	-----
TOTAL LIABILITIES	\$ 19,478	\$ 15,495	\$ 17,102	\$ 13,323	\$ 65,398
Fund Balance (Deficit)	130,595	125,953	195,606	161,640	613,793
	-----	-----	-----	-----	-----
TOTAL LIABILITIES AND FUND BALANCE	\$150,073	\$141,448	\$212,708	\$174,963	\$679,191
	=====	=====	=====	=====	=====

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE-BUDGETED AND ACTUAL
ROAD AND BRIDGE FUNDS
For Year Ended September 30, 2010

	PRECINCT ONE	PRECINCT TWO	PRECINCT THREE	PRECINCT FOUR	TOTAL	BUDGETED REVENUE	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:							
Tax Collector:							
Ad Valorem Taxes	\$ 269,088	\$ 269,088	\$ 269,088	\$ 269,088	\$ 1,076,350	\$ 1,073,168	\$ 3,182
Car Tags	131,040	131,040	131,040	131,040	524,159	540,000	(15,841)
TOTAL TAX COLLECTOR	\$ 400,127	\$ 400,127	\$ 400,127	\$ 400,127	\$ 1,600,509	\$ 1,613,168	\$ (12,659)
OTHER REVENUE:							
Intergovernmental	\$ 18,277	\$ 18,277	\$ 140,673	\$ 18,277	\$ 195,504	\$ 60,000	\$ 135,504
Interest	683	967	730	823	3,203	5,600	(2,397)
Miscellaneous		104	926		1,030		1,030
Sale of Assets	150		89,785		89,935		89,935
TOTAL OTHER REVENUE	\$ 19,110	\$ 19,349	\$ 232,114	\$ 19,100	\$ 289,673	\$ 65,600	\$ 224,073
TOTAL REVENUE	\$ 419,237	\$ 419,476	\$ 632,241	\$ 419,227	\$ 1,890,181	\$ 1,678,768	\$ 211,413

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF EXPENDITURES-BUDGETED AND ACTUAL
ROAD AND BRIDGE FUNDS
For Year Ended September 30, 2010

	PRECINCT ONE	PRECINCT TWO	PRECINCT THREE	PRECINCT FOUR	TOTAL	BUDGETED EXPENDITURES	VARIANCE FAVORABLE (UNFAVORABLE)
<u>EXPENDITURES:</u>							
Salaries:							
Commissioners	\$ 43,636	\$ 43,636	\$ 43,636	\$ 43,636	\$ 174,544	\$ 174,544	\$ -0-
Employees	141,191	119,648	152,986	105,952	519,776	570,604	50,828
Part-Time	10,651	3,294	5,058	15,662	34,664	25,250	(9,414)
Automobile Allowance	6,600		6,000		12,600	13,200	600
Social Security	15,251	12,802	15,805	12,565	56,422	60,607	4,185
Retirement	20,537	16,366	19,875	15,203	71,981	79,604	7,623
Group Hospital Insurance	31,308	25,839	25,117	25,046	107,310	124,440	17,130
Unemployment	194	157	201	158	709	913	204
Workmen's Comp.	6,584	5,553	3,383	5,840	21,360	29,616	8,256
Supplies/Other Operations	531	200	192		922	10,700	9,778
Furniture & Equipment			7,335		7,335	1,000	(6,335)
Vehicle Maintenance	241	175	120	29	565	7,600	7,035
Fuel & Oil	48,796	55,538	48,248	58,569	211,151	296,000	84,849
Car Tags					-0-	-0-	-0-
Equipment Parts & Repairs	41,169	68,764	67,781	76,877	254,591	170,000	(84,591)
Co. Highway Maintenance					-0-	100,000	100,000
Material & Supplies	8,503	4,496	10,602	10,012	33,614	73,650	40,036
Telephone	2,775	1,790	3,073	1,860	9,498	6,200	(3,298)
Utilities	2,668	1,326	2,340	1,681	8,014	10,900	2,886
Travel & Training	593	871	499	499	2,462	6,800	4,338
Soil Conservation	750	750	750	750	3,000	3,000	-0-
Contract/Professional Services		8,485	4,640		13,125		(13,125)
Rentals/Leases			3,993	16,439	20,432	13,501	(6,931)
Principal		27,432		18,461	45,892	18,461	(27,431)
Interest		5,717		3,847	9,565	3,848	(5,717)
Insurance & Bonds					-0-	-0-	-0-
Auto & Liability Insurance	3,927	3,381	1,671	2,254	11,232	8,500	(2,732)
Capital Outlays	45,000		90,000		135,000	130,000	(5,000)
 TOTAL EXPENDITURES	 \$ 430,903	 \$ 406,219	 \$ 513,305	 \$ 415,338	 \$ 1,765,765	 \$ 1,938,938	 \$ 173,174

LAMB COUNTY, TEXAS
COMBINING STATEMENT OF CHANGE IN FUND BALANCES
ROAD AND BRIDGE FUNDS
September 30, 2010

	Precinct One -----	Precinct Two -----	Precinct Three -----	Precinct Four -----	Total -----
FUND BALANCE, September 30, 2009	\$142,260	\$112,695	\$ 76,670	\$157,751	\$ 489,376
ADD: Revenue	419,237	419,476	632,241	419,227	1,890,181
DEDUCT: Expenditures	(430,903)	(406,219)	(513,305)	(415,338)	(1,765,765)
	-----	-----	-----	-----	-----
FUND BALANCE (DEFICIT) September 30, 2010	\$130,595 =====	\$125,953 =====	\$195,606 =====	\$161,640 =====	\$ 613,793 =====

LAMB COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 September 30, 2010

	District Clerk	County Clerk	County Treasurer	County Attorney	Justice of the Peace	Sheriff	Total
	-----	-----	-----	-----	-----	-----	-----
<u>ASSETS</u>							
Cash & Cash Equivalents	\$ 135,184	\$ 22,164	\$ 15,095	\$ 11,001	\$ 3,349	\$ 16,937	\$ 203,730
	-----	-----	-----	-----	-----	-----	-----
TOTAL ASSETS	\$ 135,184	\$ 22,164	\$ 15,095	\$ 11,001	\$ 3,349	\$ 16,937	\$ 203,730
	=====	=====	=====	=====	=====	=====	=====
<u>LIABILITIES</u>							
Due to Other Groups	\$ 76,189	\$ 22,164	\$ 15,095	\$ 11,001	\$ 3,349	\$ 16,937	\$ 144,735
Due to Trust Beneficiaries	58,995						58,995
	-----	-----	-----	-----	-----	-----	-----
TOTAL LIABILITIES	\$ 135,184	\$ 22,164	\$ 15,095	\$ 11,001	\$ 3,349	\$ 16,937	\$ 203,730
	=====	=====	=====	=====	=====	=====	=====

SUPPLEMENTAL INFORMATION

LAMB COUNTY, TEXAS
 SCHEDULE OF INVESTMENTS-ALL FUNDS
 SEPTEMBER 30, 2010

	Group	Book Value
	-----	-----
Certificate of Deposit		

Texpool:		

General Fund	14002	\$ 39,850
Precinct One	14002	61,743
Lamb County Hospital	14002	8,971
Cash Account Trust - Government Cash		
Institutional Shares Portfolio Fund:		

General Fund		1,504
Precinct One		43,463
Precinct Two		839
Precinct Three		25,503
Precinct Four		75,730
Lamb County Hospital		452
Jury Fund		13,402

Total		\$ 271,457
		=====

ROAD AND BRIDGE FIXED ASSETS

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
September 30, 2010

	Balance 9-30-09	Additions	Deletions	Balance 9-30-10
<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 Excavator - #9RL00289 (960)	64,942			64,942
Jeep Truck Wrecker	5,100			5,100
2003 JD 770CH Grader	92,329			92,329
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
Total Equipment	\$ 996,107	\$ 45,000	\$ -0-	\$1,041,107
Lots	900			900
Precinct Barn	7,016			7,016
Pct #1 Community Bldg	31,510			31,510
Total Pct # 1	\$1,035,533	\$ 45,000	\$ -0-	\$1,080,533

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
September 30, 2010

	Balance 9-30-09	Additions	Deletions	Balance 9-30-10
<u>Precinct #2</u>				
1978 Mack W/Dump 72266	\$ 28,610	\$	\$	\$ 28,610
1987 3/4 Ton Pickup	9,350			9,350
1982 Clements Dump Trailer SN 1B3BM1 (4-91)	14,000			14,000
1 - Roller Grid	13,800			13,800
1995 Chevy 3/4 Ton Pickup (4-94)	15,709			15,709
Clements Belly Dump Truck SN 388807 (3-97)	12,500			12,500
Grid Roller (11-97)	14,000			14,000
1989 Mack - #7057 (855)	24,000			24,000
938 G Cat Wheel Loader #47501647	75,000			75,000
140 H Version Mtr Grader #22K05067	109,000			109,000
Hyster Grid Roller - #BEE - 2002 (1004)	13,250			13,250
Hyster Grid Roller	12,000			12,000
Caterpillar 140H Grader	115,083			115,083
1996 Mack Truck	20,000			20,000
2000 Chevy Ext Cab P/U #1224783	7,600			7,600
140 H Mtr Grader #17464	110,377			110,377
Crust Buster Shredder #00669	10,900			10,900
2002 Chevy P/U #16678	10,500			10,500
JD 4240 Tractor #26064	24,750			24,750
CAT 140H MTR Grader #CCA04113	74,143			74,143
2006 Chevy P/U #166231	10,000			10,000
CAT 140M MTR Grader #B9D01929	179,357			179,357
Total Equipment	\$ 903,929	\$ -0-	\$ -0-	\$ 903,929
Land	1,450			1,450
Barn	19,618			19,618
Total Pct # 2	\$ 924,997	\$ -0-	\$ -0-	\$ 924,997

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
September 30, 2010

	Balance 9-30-09	Additions	Deletions	Balance 9-30-10
<u>Precinct #3</u>				
Case Tractor 864180	\$ 10,750	\$	\$ 10,750	\$ -0-
Shredder #930458 (12-87)	5,000			5,000
1980 Timpfe Belly Dump Trailer (5-88)	15,500			15,500
1981 Used Timpfe Beal Belly Dump Trailer	10,500			10,500
Campac Packers (4-95)	5,000			5,000
544H JD Loader - #1267 (850)	97,500			97,500
1986 Cherokee Truck - #9514 (859)	6,000			6,000
JD 4440 Tractor (868)	6,700			6,700
Bush Hog Flex-Wing Shredder #12-09661	8,500			8,500
1988 Mack Truck	10,000			10,000
140H CAT - #7096 (974)	117,000			117,000
Caterpillar 140H Grader	96,642			96,642
Road Groom Machine	13,264			13,264
2000 Chevy Z71 P/U #22590	5,000			5,000
Volvo G930 MTR Grader #70090	49,144			49,144
2002 Ford F-150 #96290	5,157			5,157
2004 Chevy #85450	5,700			5,700
AMCO LOF-2424 Harrow Disc	6,000			6,000
JD 4440 Tractor Repairs (868)	12,375			12,375
Volvo G930 MTR Grader #42844	72,635		72,635	-0-
2001 CPS Belly Dump Trlr #003481	9,750			9,750
1997 Mack Truck #078253	29,950			29,950
Caterpillar 140H Mtr Grader #CCA01056		182,700		182,700
Total Equipment	\$ 598,067	\$ 182,700	\$ 83,385	\$ 697,382
Iron Clad Barn	10,000			10,000
Total Pct # 3	\$ 608,067	\$ 182,700	\$ 83,385	\$ 707,382

LAMB COUNTY, TEXAS
SCHEDULE OF FIXED ASSETS
September 30, 2010

	Balance 9-30-09	Additions	Deletions	Balance 9-30-10
<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 Model 140H - #K05655 (942)	117,500	12,050		129,550
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
Total Equipment	\$ 907,337	\$ 12,050	\$ -0-	\$ 919,387
Land	2,000			2,000
Barn	10,000			10,000
Total Pct #4	\$ 919,337	\$ 12,050	\$ -0-	\$ 931,387

OFFICE OF THE TAX ASSESSOR-COLLECTOR

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
2009 ROLL
For The Year Ended September 30, 2010

Roll

Taxable Value	\$884,643,365
	=====

Tax Levy	\$ 7,026,722
----------	--------------

Collections

October 1, 2009 thru June 30, 2010	6,881,842

Balance June 30, 2010	\$ 144,880
	=====

LAMB COUNTY, TEXAS
OFFICE OF THE TAX ASSESSOR-COLLECTOR
SCHEDULE OF PRORATION OF FUNDS FROM AD VALOREM TAXES
September 30, 2010

	Dollars	Percent
	-----	-----
Constitutional Levies		

Total Tax Per \$100 Valuation	\$.7943	100.00
	=====	=====
Distribution as Follows:		
General Fund	\$.5403	\$ 68.02
General Road & Bridge	.1240	15.61
Hospital	.1300	16.37
	-----	-----
County Tax Rate	\$.7943	100.00
	=====	=====

LAMB COUNTY, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2010

LAST TEN YEARS ENDED SEPTEMBER 30,	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-09	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-10
2001 & Prior Years	Various	Various	\$ 19,621	\$	\$ 178	\$ (2,016)	\$ 17,427
2002	.5979	854,763,998	7,220		178	(76)	6,966
2003	.6141	858,256,562	9,034		293	(231)	8,510
2004	.6687	866,796,982	10,060		743	(489)	8,828
2005	.7642	795,374,475	14,121		2,074	(638)	11,409
2006	.7642	808,383,279	21,377		3,240	(807)	17,330
2007	.7967	796,528,948	36,017		8,025	(715)	27,277
2008	.7943	803,447,816	60,391		19,413	(661)	40,317
2009	.7943	868,857,728	130,275		60,403	(601)	69,271
2010 (Year Under Audit)	.7943	884,643,365		7,026,722	6,881,842		144,880
TOTALS			\$ 308,116	\$ 7,026,722	\$ 6,976,389	\$ (6,234)	\$ 352,215

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

Webb, Webb, and Wright
Certified Public Accountants

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

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

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

August 16, 2011

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 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, 2010, which collectively comprise Lamb County's basic financial statements and have issued our report thereon dated August 16, 2011. Our opinion on the basic financial statements, insofar as it relates to the amounts included for the proprietary fund, is based solely on the report of other auditors. Accordingly, the proprietary fund is not covered by this report. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lamb County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Lamb County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lamb County's internal control over financial reporting.

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 misstatement of Lamb County's financial statements will not be prevented, or detected and corrected on a timely basis.

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
Lamb County – August 16, 2011

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 Lamb County's 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.

This report is intended solely for the information and use of Lamb County's management, others within the organization and the appropriate state and federal agencies. This report is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WEBB, WEBB, & WRIGHT, CPA's

Webb, Webb & Wright

LAMB COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements
noted? Yes X No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

LAMB COUNTY, TEXAS

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<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, 2010

None