

# **YOUNG COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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FOR THE YEAR ENDED SEPTEMBER 30, 2017

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***FINANCIAL SECTION***



## **EDGIN, PARKMAN, FLEMING & FLEMING, PC**

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### Independent Auditor's Report

To the Honorable County Judge  
and County Commissioners  
Young County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Young County, Texas, as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### **Basis for Qualified Opinions on Governmental Activities and General Fund**

As fully described in Note L to the financial statements, the County has not recorded the receivables from the judicial assessments at September 30, 2017 in the accompanying financial statements of the Governmental Activities and General Fund. Accounting principles generally accepted in the United States of America require that these receivables be recorded, which would increase the assets and fund balance/net position and change the revenues in the Governmental Activities and General Fund. The amount by which this departure would affect the assets, fund balance/net position, and revenues of the Governmental Activities and General Fund has not been determined.

### **Qualified Opinions**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities and General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and General Fund of the County as of September 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the County as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison information, and the schedules on the Texas County and District Retirement System and Young County Retiree Health Care Plan identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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.



EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas  
May 10, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Young County, Texas, we offer readers of the County's Annual Financial Report this narrative overview and analysis of the County's financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the County's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2017 by \$20,050,527 (net position). Of this amount, \$5,642,358 is unrestricted and may be used to meet the County's obligations.
- During the year, the County's total net position increased by \$1,015,092. The County's expenses, which totaled \$10,703,596, were less than the County's program revenues of \$2,891,079 and general revenues and special item of \$8,827,609.
- The total cost of the County's programs decreased \$433,278 or 4% from the prior year.
- The governmental funds reported a fund balance at September 30, 2017 of \$6,196,004, which is an increase of \$880,108 in comparison with the prior year amount.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$5,218,481, or 51% of the total General Fund expenditures for the year ended September 30, 2017.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

#### Government-Wide Financial Statements

All of the County's services are reported in the government-wide financial statements, including administration, judicial, road and bridge, and public safety. Property taxes, sales taxes, highway taxes, fees and commissions and intergovernmental grants finance most of the activities. Additionally, all capital and debt financing activities are reported here.

The government-wide financial statements are designed to provide readers a broad overview of the County's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The *statement of activities* details how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes).

### **Fund Financial Statements**

The County uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the County's most significant *funds* – not the County as a whole. Some funds are required by State law and or bond covenants. Other funds may be established by the County to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

All of the funds of the County can be divided into three categories: governmental funds, internal service fund and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financing requirements.

Because the focus on *governmental funds* is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The County maintained multiple governmental funds in the current fiscal year. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be the County's major fund. Financial data for the other governmental funds are combined into a single, aggregated presentation.

**Internal service fund.** The County's health insurance plan is accounted for as an internal service fund.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The County is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the County's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities.

### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

## Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 is the County's net position summarized for the *governmental activities*.

**Table 1 - County's Net Position**

	Governmental Activities			
	2017	2016	Change	% Change
Current assets	\$ 7,174,806	\$ 6,397,851	\$ 776,955	12%
Long-term assets	19,227,381	19,524,930	(297,549)	-2%
<b>Total Assets</b>	<b>26,402,187</b>	<b>25,922,781</b>	<b>479,406</b>	<b>2%</b>
<b>Deferred Outflows of Resources</b>	<b>1,456,284</b>	<b>1,838,892</b>	<b>(382,608)</b>	<b>-21%</b>
Current liabilities	572,196	749,068	(176,872)	-24%
Noncurrent liabilities	7,101,922	7,742,019	(640,097)	-8%
<b>Total Liabilities</b>	<b>7,674,118</b>	<b>8,491,087</b>	<b>(816,969)</b>	<b>-10%</b>
<b>Deferred Inflows of Resources</b>	<b>133,826</b>	<b>235,152</b>	<b>(101,326)</b>	<b>-43%</b>
Net position:				
Net investment in capital assets	13,445,246	13,076,804	368,442	3%
Restricted	962,923	731,793	231,130	32%
Unrestricted	5,642,358	5,226,837	415,521	8%
<b>Total Net Position</b>	<b>\$ 20,050,527</b>	<b>\$ 19,035,434</b>	<b>\$ 1,015,093</b>	<b>5%</b>

The net investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is \$13,445,246. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net position, \$962,923, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position of \$5,642,358 may be used to meet the County's ongoing obligations.

## Changes in Net Position

The County's total revenues, both program and general, were \$11,718,688. A significant portion, 65%, of the County's revenue comes from property taxes. Charges for services accounted for 22% of the County's revenue. Exhibited below in Table 2 are the County's revenues for the years ended September 30, 2017 and 2016 for the County's *governmental activities*.

**Table 2 - County's Revenues**

	Governmental Activities			
	2017	Percent	2016	Percent
Charges for services	\$ 2,596,082	22%	\$ 2,620,558	24%
Operating grants and contributions	294,997	3%	944,530	8%
Property taxes	7,596,261	65%	6,306,676	57%
Sales taxes	964,635	8%	987,623	9%
Mixed beverage taxes	19,973	0%	20,186	0%
Investment earnings	23,363	0%	17,908	0%
Miscellaneous	223,377	2%	270,796	2%
<b>Total Revenues</b>	<b>\$ 11,718,688</b>	<b>100%</b>	<b>\$ 11,168,277</b>	<b>100%</b>

A brief summary of the significant changes between years are as follows:

- Operating grants and contributions decreased by \$649,533. The decrease is mostly because the County received significant FEMA and CETRZ grants in the prior year with only minor additional funding from these grants in the current year.
- Property taxes increased by \$1,289,585. The increase is mostly because the M&O tax rate increased from \$.550345 to \$.653479 or 26.80% and the Jury and I&S tax rate increased from \$.01836 to \$.08815 or 371.7 less the taxable values decline of 16.04%.

Exhibited below in Table 3 are the County's expenses for the years ended September 30, 2017 and 2016 for the County's *governmental activities*. The total cost of all programs and services was \$10,703,596 and \$11,136,874 for the years ended September 30, 2017 and 2016.

**Table 3 - County's Expenses**

	Governmental Activities			
	2017	Percent	2016	Percent
County Judge	\$ 150,126	1%	\$ 146,558	1%
County Clerk	233,158	2%	228,876	2%
Veteran service	18,206	0%	18,029	0%
Homeland security	16,967	0%	12,311	0%
Nondepartmental costs	325,778	3%	326,845	3%
Computer department	108,971	1%	169,232	2%
County/District court	447,160	4%	471,568	4%
District Clerk	184,790	2%	187,743	2%
Justices of the Peace	271,063	3%	267,731	2%
District Judge	62,679	1%	63,416	1%
County Attorney	237,332	2%	240,501	2%
District Attorney	282,741	3%	249,108	2%
Elections	110,984	1%	151,055	1%
County Auditor	200,396	2%	194,614	2%
County Treasurer	112,243	1%	125,766	1%
Tax Assessor/Collector	448,466	4%	431,512	4%
Courthouse maintenance	208,188	2%	233,273	2%
Annex maintenance	17,817	0%	15,064	0%
Ambulance	184,000	2%	184,000	2%
Constables	82,088	1%	83,835	1%
Dpt of Pub Safety & Game Warden	6,032	0%	6,219	0%
Sheriff, dispatch and jail	2,808,180	26%	2,716,442	24%
911 mapping	84,328	1%	82,677	1%
Adult probation	457,695	4%	438,745	4%
Juvenile probation	493,728	5%	611,304	5%
Pauper services	11,400	0%	6,250	0%
Fort Belknap	111,388	1%	93,734	1%
Agricultural extension agent	28,383	0%	17,651	0%
Home extension agent	24,511	0%	25,318	0%
TAEX office	64,989	1%	63,640	1%
Employee benefits	86,557	1%	98,666	1%
District court reporter	103,755	1%	97,847	1%
Road and bridge	2,372,486	22%	2,701,690	25%
Library expense	6,336	0%	6,632	0%
Hospital and medical costs	109,033	1%	133,565	1%
Medical administrative costs	79,816	1%	34,125	0%
Preservation of books	17,833	0%	42,306	0%
Debt service - interest	133,993	1%	159,026	2%
<b>Total Expenses</b>	<b>\$ 10,703,596</b>	<b>100%</b>	<b>\$ 11,136,874</b>	<b>100%</b>

A brief summary of the significant changes between years are as follows:

- Road and bridge expenses decreased \$329,204 or 12%. The decrease is mostly due to a decline in road repair costs as a result of FEMA and CETRZ grant funding for road repair projects mostly completed by the end of the prior year.

#### Governmental Activities

Table 4 presents the various revenue categories and gross costs of the County for both the current and prior year.

**Table 4 - Changes in Net Position**

	Governmental Activities			
	2017	2016	\$ Change	% Change
Revenues and special item:				
Program revenues	\$ 2,891,079	\$ 3,565,088	\$ (674,009)	-19%
General revenues	8,791,348	7,603,189	1,188,159	16%
Special item - gain on sale of capital assets	36,261	111,304	(75,043)	-67%
Total revenues and special item	11,718,688	11,279,581	439,107	4%
Expenses	10,703,596	11,136,874	(433,278)	-4%
Change in net position	\$ 1,015,092	\$ 142,707	\$ 872,385	611%

Table 5 presents the net cost of the County's most significant governmental departments/functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, other taxes, and other miscellaneous general revenues.

**Table 5 - Cost of County Departments/Functions**

	Governmental Activities			
	2017	Percent	2016	Percent
County Judge	\$ 124,926	2%	\$ 121,658	2%
County Clerk	(165,695)	-2%	(129,574)	-2%
District/County court	399,451	5%	420,687	6%
Justices of the Peace	149,483	2%	142,978	2%
County Attorney	202,332	3%	205,501	3%
District Attorney	165,132	2%	141,677	2%
Tax Assessor/Collector	(276,418)	-4%	(298,660)	-4%
Sheriff, dispatch and jail	2,498,949	32%	2,332,067	31%
Road and bridge	2,193,276	28%	1,892,427	25%

### Financial Analysis of the County's Funds

As previously stated, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

### Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of September 30, 2017, the County's governmental funds reported a combined ending fund balance of \$6,196,004, an increase of \$880,108 from the previous year. Table 6 illustrates the fund balances of the governmental funds.

**Table 6 - Governmental Funds - Fund Balances  
September 30, 2017**

	General Fund	Other Governmental Funds	Totals
Nonspendable:			
Prepays	\$ 42,005	\$ -	\$ 42,005
Restricted:			
Debt service	-	169,678	169,678
Special assessments	-	765,840	765,840
Unassigned	5,218,481	-	5,218,481
<b>Total Fund Balances</b>	<u>\$ 5,260,486</u>	<u>\$ 935,518</u>	<u>\$ 6,196,004</u>

**General Fund**

At the end of the current fiscal year, the ending fund balance for the General Fund was \$5,260,486, of which \$42,005 was nonspendable and \$5,218,481 was unassigned. The total unassigned fund balance represents 51% of the total General Fund expenditures for the year ended September 30, 2017. The total fund balance increased \$663,305 in the current fiscal year.

General Fund revenues totaled \$10,512,575, a decrease of \$320,603 or 3% over the preceding year. Most of the decrease relates to the following:

- Property taxes increased \$452,468 or 7%. The increase was because the M&O tax rate increased from \$.550345 to \$.653479 or 26.80% while the taxable values only declined 16.04%.
- Federal and state grants decreased \$649,711 or 69%. The decrease is mostly due to the decrease in FEMA and CETRZ grant funding.
- Other revenues decreased \$112,402 or 49%. The decrease is mostly due to the significant declines in insurance proceeds from the prior year which included proceeds for jail roof damage.

General Fund expenditures totaled \$10,301,197, a decrease of \$205,840 or 2% over the preceding year. The largest fluctuations between years were as follows:

- Juvenile probation expenditures decreased \$128,875 or 21%. The decrease is because the Juvenile Board appointed a new Chief Probation Officer in September 2015. Since then, the new CPO sent less juveniles to placement and detention.
- Road and bridge expenditures decreased \$355,782 or 17%. The decrease is mostly due to the decrease in FEMA and CETRZ grant funding because those grants funded road repairs.
- Capital outlay expenditures increased \$492,130 or 208%. The increase is because more equipment was acquired in the current year than in the prior year.
- Debt service - principal decreased \$188,452 or 34%. The decrease is due to scheduled debt payments with no significant new debt added in the prior year.

**Other Governmental Funds**

Other governmental funds consist of the various special revenue funds and the debt service fund. The total ending fund balance was \$935,518, an increase of \$216,803 from the previous year.

The Other Governmental Funds' revenues totaled \$1,102,445, an increase of \$702,172 or 175%. Most of the increase relates to the following:

- Property taxes increased \$704,520 or 318%. The increase is because the Jury & I&S tax rate increased from \$.01836 to \$.08815 or 372% while the taxable values only declined 16%.

The Other Governmental Funds' expenditures totaled \$885,642, a decrease of \$107,701 or 11%. The only significant decrease relates to the capital outlay expenditures which decreased to \$0 because no capital assets were purchased in Other Governmental Funds in the current year.

### General Fund Budgetary Highlights

The County revised its budget several times during the year. With these adjustments, total expenditures were \$422,121 more than the final budget amounts. Most functional areas were below their budget; however, twelve departments had over expended budgets ranging from \$23 to \$365,999. The budget areas where expenditures were significantly above or below the final budgeted amount are as follows:

- Sheriff, dispatch and jail – under-expended by \$96,054
- Capital outlay – over-expended by \$362,347
- Debt service - principal – over-expended by \$365,999

On the other hand, revenues were \$633,499 above the final budgeted amount. All of the revenues fell within normal variance above and below budgeted levels, except as follows:

- Property taxes – favorable budget variance of \$697,087
- Auto registration - unfavorable budget variance of \$101,608
- Federal and state grants - favorable budget variance of \$107,682

In all instances, the County failed to amend the budget for changes in the revenues and expenditures based on known facts during the fiscal year.

The budget line items in the original budget were not materially different than in the final adopted budget in any area.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At September 30, 2017, the County had invested in a broad range of capital assets totaling \$19,227,381, net of accumulated depreciation, including land, buildings, equipment, and infrastructure. See Table 7 below.

**Table 7 - Capital Assets, Net**

	2017	2016	\$ Change	% Change
Land	\$ 726,731	\$ 726,731	\$ -	0%
Buildings and improvements	12,845,902	13,155,861	(309,959)	-2%
Machinery and equipment	3,281,534	3,161,633	119,901	4%
Infrastructure	2,373,214	2,480,705	(107,491)	-4%
<b>Totals</b>	<b>\$ 19,227,381</b>	<b>\$ 19,524,930</b>	<b>\$ (297,549)</b>	<b>-2%</b>

Capital assets, net of accumulated depreciation, decreased \$297,549 or 2% from the previous year. Additional information about the County's capital assets is presented in the notes to the financial statements.

### Long-term Obligations

At September 30, 2017, the County had \$5,901,159 in long-term obligations outstanding as shown in Table 8 below.

**Table 8 - Long-term Debt**

	2017	2016	\$ Change	% Change
Bonds payable	\$ 4,295,000	\$ 4,940,000	\$ (645,000)	-13%
Bond premium	202,805	273,405	(70,600)	-26%
Capital lease obligations	1,284,330	1,234,721	49,609	4%
Compensated absences	98,832	68,992	29,840	43%
Other post-employment benefit obligation	20,192	16,003	4,189	26%
<b>Totals</b>	<u>\$ 5,901,159</u>	<u>\$ 6,533,121</u>	<u>\$ (631,962)</u>	<u>-10%</u>

Total long-term obligations decreased \$631,962 or 10%. Additional information about the County's long-term debt is presented in the notes to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2017-18 budget preparation is \$920,934,393, a decrease of \$5,236,860, or less than 1%, from the prior year. The overall tax rate adopted is \$.751300 per \$100 valuation, an increase of \$.009671 per \$100 valuation.

Revenues budgeted in the General Fund's budget are \$10,022,125, a decrease of \$490,450, or 5% from the final 2016-17 revenues of \$10,512,575. Most of the decrease relates to the decrease in property tax revenues due to the decline in taxable value and only a small increase in the M&O tax rate.

General Fund expenditures in most budget categories are similar to the previous year, with the total expenditure budget for 2017-18 of \$10,512,575, a decrease of \$211,378 from the final 2016-17 expenditures of \$10,301,197. Most of the decrease is the net of an increase in budgeted Road and Bridge expenditures from the prior year and no expenditures budgeted for debt service payments in the original budget. The County does not anticipate any new programs or projects being added in 2017-18.

If these estimates are realized, the County's General Fund's fund balance will not change by September 30, 2018.

### 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 demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office.

***BASIC FINANCIAL STATEMENTS***

**YOUNG COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 4,108,058
Investments	2,059,608
Receivables:	
Property taxes, net	232,180
Sales taxes	170,294
Accounts	493,684
Due from fiduciary	68,977
Prepaid expenses	42,005
Capital assets, net	19,227,381
Total assets	<u>26,402,187</u>
<b>Deferred Outflows of Resources</b>	
Pension plan related	1,337,946
Deferred loss on refunding	118,338
Total deferred outflows of resources	<u>1,456,284</u>
<b>Liabilities</b>	
Accounts payable	295,387
Accrued liabilities	276,809
Long-term liabilities:	
Due within one year	1,571,636
Due in more than one year	4,329,523
Net pension liability	1,200,763
Total liabilities	<u>7,674,118</u>
<b>Deferred Inflows of Resources</b>	
Pension plan related	<u>133,826</u>
<b>Net Position</b>	
Net investment in capital assets	13,445,246
Restricted	962,923
Unrestricted	5,642,358
Total net position	<u>\$ 20,050,527</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
County Judge	\$ 150,126	\$ -	\$ 25,200	\$ (124,926)
County Clerk	233,158	398,853	-	165,695
Veteran service	18,206	-	-	(18,206)
Homeland security	16,967	-	-	(16,967)
Nondepartmental costs	325,778	10,435	20,566	(294,777)
Computer department	108,971	-	-	(108,971)
County/District court	447,160	47,709	-	(399,451)
District Clerk	184,790	100,344	-	(84,446)
Justices of the Peace	271,063	121,580	-	(149,483)
District Judge	62,679	30,601	-	(32,078)
County Attorney	237,332	-	35,000	(202,332)
District Attorney	282,741	117,609	-	(165,132)
Elections	110,984	22,690	-	(88,294)
County Auditor	200,396	-	-	(200,396)
County Treasurer	112,243	-	-	(112,243)
Tax Assessor/Collector	448,466	724,884	-	276,418
Courthouse maintenance	208,188	-	-	(208,188)
Annex maintenance	17,817	-	-	(17,817)
Ambulance	184,000	-	-	(184,000)
Constables	82,088	10,980	-	(71,108)
Department of Public Safety and Game Warden	6,032	-	-	(6,032)
Sheriff, dispatch and jail	2,808,180	274,210	35,021	(2,498,949)
911 mapping	84,328	-	-	(84,328)
Adult probation	457,695	422,412	-	(35,283)
Juvenile probation	493,728	312,975	-	(180,753)
Pauper services	11,400	-	-	(11,400)
Fort Belknap	111,388	800	-	(110,588)
Agricultural extension agent	28,383	-	-	(28,383)
Home extension agent	24,511	-	-	(24,511)
TAEX office	64,989	-	-	(64,989)
Employee benefits	86,557	-	-	(86,557)
District court reporter	103,755	-	-	(103,755)
Road and bridge	2,372,486	-	179,210	(2,193,276)
Library expense	6,336	-	-	(6,336)
Hospital and medical costs	109,033	-	-	(109,033)
Medical administrative costs	79,816	-	-	(79,816)
Preservation of books	17,833	-	-	(17,833)
Debt service - interest	133,993	-	-	(133,993)
Total governmental activities	<u>\$ 10,703,596</u>	<u>\$ 2,596,082</u>	<u>\$ 294,997</u>	<u>(7,812,517)</u>
General revenues and special item:				
Property taxes, levied for general purposes				6,660,189
Property taxes, levied for debt service purposes				936,072
Sales taxes				964,635
Mixed beverage taxes				19,973
Investment earnings				23,363
Miscellaneous				187,116
Special item - gain on sale of capital assets				36,261
Total general revenues and special item				<u>8,827,609</u>
Change in net position				1,015,092
Net position - beginning				19,035,435
Net position - ending				<u>\$ 20,050,527</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 2,994,590	\$ 903,133	\$ 3,897,723
Investments	2,043,145	16,463	2,059,608
Receivables, net:			
Property taxes	204,583	27,597	232,180
Sales tax	170,294	-	170,294
Other	492,439	1,245	493,684
Due from other funds	88,274	15,764	104,038
Prepaid expenses	42,005	-	42,005
Total assets	<u>\$ 6,035,330</u>	<u>\$ 964,202</u>	<u>\$ 6,999,532</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 291,300	\$ 1,087	\$ 292,387
Accrued liabilities	243,900	-	243,900
Due to other funds	35,061	-	35,061
Total liabilities	<u>570,261</u>	<u>1,087</u>	<u>571,348</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>204,583</u>	<u>27,597</u>	<u>232,180</u>
Fund balances:			
Nonspendable - prepaids	42,005	-	42,005
Restricted	-	935,518	935,518
Unassigned	5,218,481	-	5,218,481
Total fund balances	<u>5,260,486</u>	<u>935,518</u>	<u>6,196,004</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,035,330</u>	<u>\$ 964,202</u>	<u>\$ 6,999,532</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

Total fund balances - governmental funds (Exhibit A-3) \$ 6,196,004

Amounts reported for *governmental activities* in the Statement of Net Position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	28,377,301	
Related accumulated depreciation	<u>9,149,920</u>	19,227,381

Property tax receivables are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds. 232,180

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	4,295,000	
Bond premium	202,805	
Capital lease obligations	1,284,330	
Accrued compensated absences	98,832	
Net other post-employment benefit obligation	<u>20,192</u>	(5,901,159)

The losses on refunded debt is not recognized in the governmental funds; however, they are capitalized as deferred losses on refunding and amortized over the life of the refunded debt. The balance of the deferred loss at year-end was: 118,338

The accrued interest on the long-term debt at year-end was: (32,909)

The County's net pension liability and related deferred outflows and inflows related to its participation in the Texas County & District Retirement System do not meet criteria to be reported in the governmental funds financial statements. These items consist of:

Net pension liability	(1,200,763)	
Deferred outflows - pension related items	1,337,946	
Deferred inflows - pension related items	<u>(133,826)</u>	3,357

The County uses an internal service fund to operate the County's health insurance program for all eligible employees and retirees of the County. The assets and liabilities are included in the governmental activities in the statement of net position. The net effect of this consolidation is to increase net position. 207,335

Total net position - governmental activities (Exhibit A-1) \$ 20,050,527

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 6,602,741	\$ 926,344	\$ 7,529,085
Sales taxes	964,635	-	964,635
Mixed beverage tax	19,973	-	19,973
Licenses, fees and fines	634,857	166,008	800,865
Salary reimbursements	1,122,078	-	1,122,078
Auto registration	448,392	-	448,392
Surtax on auto registration	197,270	-	197,270
Federal and state grants	290,132	4,865	294,997
Wind farm revenues	93,750	-	93,750
Interest earned	21,654	1,478	23,132
Other revenue	117,093	3,750	120,843
<b>Total revenues</b>	<b>10,512,575</b>	<b>1,102,445</b>	<b>11,615,020</b>
<b>Expenditures</b>			
County Judge	144,355	-	144,355
County Clerk	224,389	-	224,389
Veteran service	17,419	-	17,419
Homeland security	16,506	-	16,506
Nondepartmental costs	209,983	73,579	283,562
Computer department	103,993	-	103,993
County/District court	430,611	7,069	437,680
District Clerk	179,603	-	179,603
Justices of the Peace	261,172	-	261,172
District Judge	61,056	-	61,056
County Attorney	228,510	-	228,510
District Attorney	267,355	-	267,355
Elections	84,891	-	84,891
County Auditor	193,506	-	193,506
County Treasurer	108,882	-	108,882
Tax Assessor/Collector	439,971	-	439,971
Courthouse maintenance	193,519	-	193,519
Annex maintenance	17,817	-	17,817
Ambulance	184,000	-	184,000
Constables	67,623	-	67,623
Department of Public Safety and Game Warden	6,032	-	6,032
Sheriff, dispatch and jail	2,414,646	-	2,414,646
911 mapping	81,712	-	81,712
Adult probation	425,356	-	425,356
Juvenile probation	482,559	-	482,559
Pauper services	11,400	-	11,400
Fort Belknap	99,254	-	99,254

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
Agricultural extension agent	27,821	-	27,821
Home extension agent	24,511	-	24,511
TAEX office	63,458	-	63,458
Employee benefits	86,557	-	86,557
District court reporter	99,380	-	99,380
Road and bridge	1,730,380	-	1,730,380
Library expense	-	6,336	6,336
Hospital and medical costs	109,033	-	109,033
Medical administrative costs	79,816	-	79,816
Preservation of books	-	14,733	14,733
Capital outlay	729,289	-	729,289
Debt service - principal	365,999	645,000	1,010,999
Debt service - interest	28,833	138,925	167,758
Total expenditures	<u>10,301,197</u>	<u>885,642</u>	<u>11,186,839</u>
Excess of revenues over (under) expenditures	<u>211,378</u>	<u>216,803</u>	<u>428,181</u>
Other sources and (uses):			
Proceeds from issuance of capital leases	415,666	-	415,666
Proceeds from sale of capital assets	36,261	-	36,261
Transfers in	2,030,295	-	2,030,295
Transfers out	(2,030,295)	-	(2,030,295)
Total other sources and (uses)	<u>451,927</u>	<u>-</u>	<u>451,927</u>
Net change in fund balances	663,305	216,803	880,108
Fund balances, beginning of year	4,597,181	718,715	5,315,896
Fund balances, end of year	<u>\$ 5,260,486</u>	<u>\$ 935,518</u>	<u>\$ 6,196,004</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds (Exhibit A-5)		\$ 880,108
Amounts reported for <i>governmental activities</i> in the Statement of Activities (Exhibit A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	\$ 729,289	
Depreciation expense for the year	<u>1,026,838</u>	(297,549)
Because property tax receivables will not be collected for several months after the County's fiscal year ends, they are not considered 'available' revenues and are deferred inflows of resources in the governmental funds. Deferred inflows of resources increased by this amount:		67,176
The issuance of long-term debt is recorded as other sources in the governmental funds; however, they are recorded as long-term liabilities in the government-wide financial statements. The County issued capital leases during the year totalling:		(415,666)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The long-term debt principal paid during the year was as follows:		
Bonds payable	645,000	
Capital lease obligations	<u>366,057</u>	1,011,057
Included in long-term debt are obligations for accrued vacation leave and the net other post-employment benefit obligation. The changes in these obligations are not included in the governmental fund financial statements, but are included in the government-wide financial statements. The change in these long-term obligations was:		(34,029)
The amortization of the bond premiums and deferred loss on refunding were as follows:		
Bond premiums	70,600	
Deferred loss on refunding	<u>(41,196)</u>	29,404
The change in accrued interest on long-term debt was:		4,303
The County uses an internal service fund to operate the County health insurance program for the benefit of all eligible employees and retirees. The change in net position of the internal service fund is reported with the governmental activities. The net effect of this consolidation is an increase in net position.		2,239
The County participates in an agent multiple-employer defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. The actuarial expense exceeded the plan contributions in the current year.		<u>(231,951)</u>
Change in net position of governmental activities (Exhibit A-2)		<u>\$ 1,015,092</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUND**  
**SEPTEMBER 30, 2017**

	Insurance Fund
<b>Assets</b>	
Cash	\$ 210,335
Total assets	<u>210,335</u>
<b>Liabilities</b>	
Accounts payable	3,000
Total liabilities	<u>3,000</u>
<b>Net Position</b>	
Unrestricted	207,335
Total net position	<u>\$ 207,335</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - INTERNAL SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Insurance Fund
<b>Operating revenues</b>	
Charges for services	<u>\$ 1,052,422</u>
<b>Operating expenses:</b>	
Insurance premiums and claims	1,050,414
Total operating expenses	<u>1,050,414</u>
<b>Income from operations</b>	2,008
<b>Non-operating income:</b>	
Interest income	<u>231</u>
<b>Change in net position</b>	2,239
<b>Total net position - beginning</b>	<u>205,096</u>
<b>Total net position - ending</b>	<u><u>\$ 207,335</u></u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Insurance Fund
<b>Cash flows from operating activities</b>	
Cash received for health insurance coverage	\$ 1,052,422
Cash paid to insurance provider	(1,028,465)
Cash paid to employees for health reimbursements	(24,949)
Net cash used by operating activities	<u>(992)</u>
<b>Cash flows from investing activities</b>	
Interest earnings	<u>231</u>
<b>Net decrease in cash and cash equivalents</b>	(761)
<b>Cash and cash equivalents at beginning of the year</b>	211,096
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 210,335</u>
Reconciliation of income from operations to net cash used by operating activities:	
Operating income	\$ 2,008
Effect of change in current assets and liabilities:	
Decrease in accounts payable	(3,000)
Net cash used by operating activities	<u>\$ (992)</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2017**

	Agency Funds
<b>Assets</b>	
Cash	\$ 828,946
Investments	22,788
Due from others	210
Due from other funds	25,088
Total assets	<u>\$ 877,032</u>
<b>Liabilities</b>	
Due to other funds	\$ 94,065
Due to others	782,967
Total liabilities	<u>\$ 877,032</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting Entity

Young County (County), a political subdivision of the State of Texas, is governed by an elected judge and four county commissioners which comprise the Commissioners' Court. The County's operational activities include general administrative services, judicial, public safety, the construction and maintenance of roads, health and welfare assistance, permanent records preservation, conservation, and ambulance service.

The accounting policies of the County conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standards setting body for governmental entities. The notes to the financial statements are an integral part of the County's basic financial statements.

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement Nos. 39 and 61, in that the financial statements include all organizations, activities, functions and component units for which the County (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the County's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the County.

There are no component units which satisfy requirements for blending or discrete presentation within the County's financial statements. Accordingly, the basic financial statements present the County only.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the County. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities are predominately supported by taxes and intergovernmental revenues.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, fines, fees and ambulance revenues associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The County reports the following major governmental fund:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following nonmajor governmental funds reported as 'Other Governmental Funds':

The *Special Revenue Funds* account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

The County reports the following internal service fund:

The *Insurance Fund* is used to account for the County's health insurance plan and related health reimbursement arrangement plan.

Additionally, the County reports the following Agency Funds:

*Agency Funds* are used to report cash and investments and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The assets are held in a trustee or agent capacity and are not available to support County programs; therefore, these funds are not included in the government-wide financial statements.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, Liabilities, and Net Position or Equity

a. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor, or secured by obligations that are described above; or (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with third party selected or approved by the County, and placed through a primary government securities dealer.

All investments are stated at fair value which are based on quoted market prices.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables, including those for the County, are shown net of an allowance for uncollectibles.

Property taxes are levied on October 1 by the County based on the January 1 property values as appraised by the Young County Appraisal District. Taxes are due without penalty until January 31 of the next calendar year. After January 31 the County has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the County.

c. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	25 - 50 years
Machinery and equipment	5 - 20 years
Infrastructure	35 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The amounts reported by the County in this category related to the County's participation in the Texas County and District Retirement System (TCDRS) and the deferred loss of debt refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has items that qualify for reporting in this category. The amounts reported by the County in this category include amounts related to the County's participation in TCERS as well as property taxes receivable that are unavailable and therefore cannot be recognized as revenue in the governmental funds until they are received.

7. Compensated Absences

It is the County's policy to permit employees to accumulate a limited amount of earned but unused vacation and compensated absences, which will be paid to employees upon separation from the County's service. In governmental funds, the cost of vacation and compensated absences is recognized when payments are made to employees. A long-term liability of \$98,832 of accrued vacation and compensated absences at September 30, 2017 has been recorded in the government-wide statements, representing the County's commitment to fund such costs from future operations. The department for which the employee works is charged when payments for vacation or compensated absences are paid. The County's sick leave policy provides for an unlimited accumulation of earned sick leave. The County has no obligation for the accumulated sick leave until it is actually taken; therefore, no accrual for sick leave has been made.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

9. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

10. Transactions Between Funds

Outstanding balances between funds are reported as "due to/from other funds." Nonrecurring or non-routine transfers of equity between funds are accounted for as transfers.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Pensions

The fiduciary net position of the TCDRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting, the same basis as is reported by TCDRS in their Comprehensive Annual Financial Report. This includes for purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**B. COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

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

The County had expenditures in excess of budget in twelve departments ranging from \$23 to \$365,999 and in total by \$422,121. In the future, the County will be more diligent in making necessary budget adjustments to avoid unfavorable budget variances.

2. Deficit Fund Balance or Net Position of Individual Funds

The County has no funds with a deficit fund balance or net position.

**C. DEPOSITS AND INVESTMENTS**

1. Deposits

Deposits, except for those held in trust by the County Clerk, District Clerk and others, were held with the contracted depository banks in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and by pledged government securities in the name of the depository banks. At September 30, 2017, the carrying amount of the County's deposits was \$4,108,058 and the balance per the bank was \$6,292,407. Included in the carrying amount and bank balance are the certificates of deposit (recorded as investments) totaling \$2,059,608.

The County Clerk, District Clerk and others hold deposit accounts and investments as trustees under court orders in various banks. The accounts are styled for the benefit of the individual beneficiaries and do not actually belong to the County. The investments consist of interest bearing demand deposits and certificates of deposit whose carrying value and market value are the same. The carrying amounts of agency funds held by the County at September 30, 2017 were \$851,734 and the balance per the bank was \$843,380. Included in the carrying amount and bank balance are the certificates of deposit (recorded as investments) totaling \$22,788.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

2. Investments

The County is required by Government Code Chapter 2256, The Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, maturity and the quality and capability of investment management; include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

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

The County's investments at September 30, 2017 are shown below:

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	18	<u>\$2,059,608</u>

The County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The County values its certificates of deposit using Level 2 inputs.

3. 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:

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

**D. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1 of the prior year. Taxes are levied on October 1 and do not begin to accrue interest until February 1. The County is permitted by the Municipal Finance Law of the State of Texas to levy taxes (exclusive of those amounts levied to service long-term debt) up to \$.80 per \$100 of assessed valuation for general services, permanent improvements, road and bridge and jury fund purposes. The combined tax rate to finance general government (exclusive of long-term debt service) for the year ended September 30, 2017 was \$0.654091 per \$100 valuation. The long-term debt service tax rate for the year ended September 30, 2017 was \$0.087538 per \$100 valuation. The total combined tax rate was \$0.741629 per \$100 valuation for the year ended September 30, 2017.

Allowances for uncollectible tax receivables within the General and Debt Service Funds 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.

At September 30, 2017, net property taxes receivable is calculated as follows:

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Gross property taxes receivable	\$289,043	\$38,990	\$328,033
Allowance for uncollectible taxes	( 84,460)	( 11,393)	( 95,853)
Net property taxes receivable	<u>\$204,583</u>	<u>\$27,597</u>	<u>\$232,180</u>

Of the \$232,180 of net property taxes receivable at September 30, 2017, the County expects to collect approximately \$70,000 within a year. This is similar to the delinquent taxes received in previous years.

**E. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017 was as follows:

<b>Governmental Activities:</b>	<u>Balance 10/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/2017</u>
Capital assets not being depreciated:				
Land	\$ 726,731	\$ -	\$ -	\$ 726,731
Capital assets being depreciated:				
Buildings and improvements	17,135,894	-	-	17,135,894
Machinery and equipment	6,090,518	729,289	67,294	6,752,513
Infrastructure	<u>3,762,163</u>	<u>-</u>	<u>-</u>	<u>3,762,163</u>
Total capital assets being depreciated	<u>26,988,575</u>	<u>729,289</u>	<u>67,294</u>	<u>27,650,570</u>
Less accumulated depreciation for:				
Buildings and improvements	3,980,033	309,959	-	4,289,992
Machinery and equipment	2,928,885	609,388	67,294	3,470,979
Infrastructure	<u>1,281,458</u>	<u>107,491</u>	<u>-</u>	<u>1,388,949</u>
Total accumulated depreciation	<u>8,190,376</u>	<u>1,026,838</u>	<u>67,294</u>	<u>9,149,920</u>
Total capital assets being depreciated, net	<u>18,798,199</u>	<u>( 297,549)</u>	<u>-</u>	<u>18,500,650</u>
Governmental activities capital assets, net	<u>\$19,524,930</u>	<u>(\$ 297,549)</u>	<u>\$ -</u>	<u>\$19,227,381</u>

At September 30, 2017, the County had \$2,256,898 of machinery and equipment acquired under capital lease obligations with accumulated depreciation of \$660,182.

Depreciation expense was charged to departments of the County as follows:

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

Nondepartmental Costs	\$ 38,027
Computer Department	4,978
County/District Court	9,241
District Attorney	5,093
Elections	24,472
Courthouse Maintenance	11,463
Constables	12,243
Sheriff, Dispatch and Jail	306,098
Fort Belknap	9,863
Road and Bridge	602,260
Preservation of Books	<u>3,100</u>
Total governmental depreciation	<u>\$1,026,838</u>

**F. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Balances due to and from other funds at September 30, 2017 were as follows:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	General Fund	\$ 29,680	Short-term borrowings
General Fund	Agency Funds	58,594	Fee account balances
Other Governmental Funds	General Fund	5,381	Short-term borrowings
Other Governmental Funds	Agency Funds	10,383	Fee account balances
Agency Funds	Agency Funds	<u>25,088</u>	Fee account balances
	Total	<u>\$129,126</u>	

All of the above amounts are expected to be repaid within one year.

Interfund transfers during the year ended September 30, 2017 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	General Fund	<u>\$2,030,295</u>	Supplement other resources

**G. LONG-TERM OBLIGATIONS**

The County issued bonded debt and capital lease obligations to provide funds for the acquisition and construction of major capital facilities and equipment. These issues are direct obligations and pledge the full faith and credit of the County.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

Changes in long-term obligations for the year ended September 30, 2017 were as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2017</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$4,940,000	\$ -	\$ 645,000	\$4,295,000	\$ 660,000
Bond premium	273,405	-	70,600	202,805	60,624
Capital lease obligations	1,234,721	415,666	366,057	1,284,330	752,180
Compensated absences *	68,992	181,199	151,359	98,832	98,832
Other post-employment benefit obligations *	<u>16,003</u>	<u>4,189</u>	<u>-</u>	<u>20,192</u>	<u>-</u>
<b>Totals</b>	<b><u>\$6,533,121</u></b>	<b><u>\$601,054</u></b>	<b><u>\$1,233,016</u></b>	<b><u>\$5,901,159</u></b>	<b><u>\$1,571,636</u></b>

\* Compensated absences and other post-employment benefit obligations are generally liquidated by the General Fund.

Bonds Payable

Certificates of obligation at September 30, 2017, are comprised of the following issues:

	<u>Original</u> <u>Debt</u>	<u>Range of</u> <u>Interest</u> <u>Rates</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>9/30/2017</u>
General Obligation Refunding Bonds, Series 2014	\$5,080,000	2.00% - 3.00%	2/15/2023	\$4,295,000
Related bond premium				<u>202,805</u>
<b>Total</b>				<b><u>\$4,497,805</u></b>

Debt service requirements on the bonds payable at September 30, 2017 are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 660,000	\$118,950	\$ 778,950
2019	685,000	98,775	783,775
2020	705,000	77,925	782,925
2021	725,000	56,475	781,475
2022	750,000	34,300	784,300
2023	<u>770,000</u>	<u>11,500</u>	<u>781,500</u>
<b>Totals</b>	<b><u>\$4,295,000</u></b>	<b><u>\$397,925</u></b>	<b><u>\$4,692,925</u></b>

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

Capital Lease Obligations

Capital lease obligations payable at September 30, 2017 are as follows:

	<u>Original Debt</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Balance 9/30/2017</u>
2012 CAT 140 Motorgrader – Precinct #1	\$175,131	2.25%	10/08/2017	\$ 136,586
2013 CAT Wheel Loader – Precinct #4	92,243	2.25%	4/15/2018	17,421
2015 Mack Truck – Precinct #3	88,000	2.20%	3/01/2019	36,149
2015 Mack Truck – Precinct #3	88,000	2.20%	3/01/2019	36,149
2015 PPV Tahoe – Sheriff's Department	32,253	2.50%	11/15/2017	16,881
2015 PPV Tahoe – Sheriff's Department	32,253	2.50%	11/15/2017	16,881
2016 Dodge 1500 SSV 4X4 – Constable #3	29,169	2.20%	2/01/2019	14,395
2016 Dodge 1500 SSV 4X4 – Constable #1	32,044	2.20%	2/01/2019	15,667
2017 Chevy Pickup – Sheriff's Department	32,936	2.50%	12/12/2019	21,936
2017 Chevy Pickup – Sheriff's Department	32,936	2.50%	12/12/2019	21,936
2017 Ford Explorer – Jail	28,743	2.75%	03/13/2021	25,996
2007 International Dump Truck – Precinct #1	53,155	2.99%	04/11/2020	42,100
2017 Chevy Tahoe – Sheriff's Department	40,900	3.15%	07/24/2020	23,713
Election Equipment – Elections	148,896	2.50%	01/09/2022	148,896
2014 CAT 420F Backhoe – Precinct #2	74,351	2.50%	2/15/2019	30,886
2015 CAT 140M3 Motorgrader – Precinct #2	238,771	2.25%	2/15/2018	209,157
2015 CAT 12M3 Motorgrader – Precinct #4	234,222	2.25%	2/15/2018	201,765
2015 CAT 140M3 Motorgrader – Precinct #4	131,350	2.25%	10/28/2018	103,868
2015 CAT 140M3 Motorgrader – Precinct #4	133,287	2.25%	10/28/2018	105,848
2012 CAT Compactor Roller – Precinct #4	78,100	2.55%	10/28/2018	<u>58,100</u>
Total				<u>\$1,284,330</u>

Debt service requirements on the capital lease obligations at September 30, 2017 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 752,180	\$28,993	\$ 781,173
2019	331,070	13,211	344,281
2020	100,652	5,246	105,898
2021	46,458	2,548	49,006
2022	<u>53,970</u>	<u>1,361</u>	<u>55,331</u>
Totals	<u>\$1,284,330</u>	<u>\$51,359</u>	<u>\$1,335,689</u>

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

Total Long-Term Debt

Debt service requirements for all long-term debt at September 30, 2017 are as follows:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$1,412,180	\$147,943	\$1,560,123
2019	1,016,070	111,986	1,128,056
2020	805,652	83,171	888,823
2021	771,458	59,023	830,481
2022	803,970	35,661	839,631
2023	<u>770,000</u>	<u>11,500</u>	<u>781,500</u>
Totals	<u>\$5,579,330</u>	<u>\$449,284</u>	<u>\$6,028,614</u>

**H. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. During fiscal year 2017, 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 any of the past three fiscal years.

**I. CONTINGENT LIABILITIES AND COMMITMENTS**

Grant Awards

The County participates in 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 basic financial statements for such contingencies.

Litigation

In the normal course of providing services to the public, the County from time-to-time is subjected to litigation claims. The County defends itself against such claims based on internal assessment of liability and risk. Litigation expenses are recorded as expenditures in the period when litigation services are rendered and damages are accrued as expenditures when determined to be probable and when amounts can reasonably be estimated. No liabilities have been accrued in the financial statements relative to litigation at September 30, 2017.

Trust Funds

The District Clerk has invested trust funds at various financial institutions in accordance with court orders. The County has a fiduciary responsibility over these funds until their final disposition.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

**J. DEFINED BENEFIT PENSION PLAN**

1. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 738 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis that is publicly available at [www.tcdrs.org](http://www.tcdrs.org).

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

2. Benefits Provided

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the County-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County'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 County-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

*Employees Covered by Benefit Terms*

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	112
Active employees	112

3. Contributions

The County 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 County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 9.12% for the months of the accounting year in 2016, and 8.10% for the months of the accounting year in 2017.

The contribution rate payable by the employee members for calendar year 2017 is the rate of 7% as adopted by the Commissioners' Court of the County. The employee contribution rate and the County contribution rate may be changed by the Commissioners' Court of the County within the options available in the TCDRS Act.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

4. Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability used to calculate the NPL was determined by an actuarial valuation.

*Actuarial Assumptions*

The actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68.

Real rate of return	5.0% per year
Inflation	3.0% per year
Long-term investment return	8.0% per year, net of pension plan investments expenses
Growth in membership	0.0% per year
Payroll growth	3.5% per year

Salary increases were based on a service-related table. The mortality rates for active members were based on the RP2000 Active Employee Mortality Table for males with a two-year set-forward and the RP2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that. The mortality rate for service retirees, beneficiaries, and non-depositing members was based on the RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females. The mortality rates for disabled retirees were based on the RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

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

The valuation assumption for long-term expected return is re-assessed a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation</u> <sup>(1)</sup>	<u>Geometric Real Rate of Return (Expected minus Inflation)</u> <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index	10.00%	4.70%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

<sup>(1)</sup> Target asset allocation adopted at the April 2017 TCDRS Board Meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater's 2017 capital market assumptions

<sup>(3)</sup> Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

***Discount Rate***

The projected fiduciary net position was determined to be sufficient compared to projected benefit payments. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be sufficient to pay projected benefit payments in all future years. Therefore, the discount rate for purposes of calculating the total pension liability and NPL of the employer is equal to the long-term assumed rate of return on investments (8.10%).

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

*Changes in Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2015	\$19,444,684	\$18,235,786	\$1,208,898
Changes for the year:			
Service cost	518,903	-	518,903
Interest on total pension liability	1,550,621	-	1,550,621
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	( 24,375)	-	( 24,375)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	( 92,847)	( 92,847)	-
Benefit payments	( 1,040,437)	( 1,040,437)	-
Administrative expense	-	( 14,652)	14,652
Member contributions	-	292,072	( 292,072)
Net investment income	-	1,348,459	( 1,348,459)
Employer contributions	-	380,529	( 380,529)
Other	-	46,876	( 46,876)
Balances as of December 31, 2016	<u>\$20,356,549</u>	<u>\$19,155,786</u>	<u>\$1,200,763</u>

*Sensitivity Analysis*

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Net pension liability (asset)	<u>\$3,468,132</u>	<u>\$1,200,763</u>	<u>\$713,238</u>

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

Pension Expense

	<u>January 1, 2016 to December 31, 2016</u>
Service cost	\$ 518,903
Interest on total pension liability <sup>(1)</sup>	1,550,621
Effect of plan changes	-
Administrative expenses	14,652
Member contributions	( 292,072)
Expected investment return net of investment expenses	( 1,460,084)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	( 125,701)
Recognition of assumption changes or inputs	68,269
Recognition of investment gains or losses	349,504
Other <sup>(2)</sup>	( 46,876)
 Pension expense	 <u>\$ 577,216</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.

Deferred Outflows / Inflows of Resources

As of September 30, 2017, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$133,826
Changes of assumptions	68,269	-
Net difference between projected and actual earnings	1,026,938	-
Contributions made subsequent to measurement date	<u>242,739</u>	<u>-</u>
 Total	 <u>\$1,337,946</u>	 <u>\$133,826</u>

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

<u>Year Ended December 31:</u>	
2017	\$292,071
2018	341,379
2019	305,605
2020	22,326

For the year ended December 31, 2016, there were no changes to the Plan relative to assumptions and benefit terms, except for changes to the mortality tables.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

**K. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The County administers the Young County Retiree Health Care Plan for retired employees.

1. Plan Description

*Pre-65 Plan* – Any employee who meets the retirement eligibility requirements of the TCDRS, and who leaves the employ of the County may, upon retirement, elect to remain on the County's group medical until the retiree reaches age 65 or qualifies for Medicare. The Retiree pays 100% of the total monthly premium prescribed in the current health plan for retired participants who continue coverage. The retired employee may continue coverage for dependents, if he or she pays the entire premium for the dependent. Premiums are determined annually by estimating the amount needed to cover projected claims. The benefit is subject to annual appropriations by the Commissioners' Court.

*Post-65 Plan* – Retirees may purchase a Medicare supplement policy without prescription drug coverage for a reduced premium. Retirees have the option to purchase prescription drug coverage to which the County does not contribute. Spouses may receive the same plan at retiree's expense. Premiums and benefits are subject to change each year. Percent of premium paid by County is subject to change with the intent of leaving the dollar amount of benefit the same. The benefit is subject to annual appropriations by the Commissioners' Court.

2. Normal Retirement Benefits

Retirement benefits are a defined benefit plan under TCDRS. Members are eligible to retire under TCDRS at age 60 or more with 8 years of vested service, at any time with a minimum of 30 years of vested service, or any age plus years of service equaling 75.

3. Early Retirement Benefits

Members retiring under early retirement conditions (non-vested) are not eligible for retiree healthcare benefits.

4. Deferred Retirement Benefits

Members who may be vested and terminate employment, but do not apply for retirement benefits, are not eligible for retiree health care benefits.

5. Benefits for Spouses / Children of Retired Employees

Currently, the spouse of a retiree is eligible to continue health care benefits until Medicare eligible. Children of retirees are eligible to continue to receive health care benefits until age 26, meeting the qualifications of dependent children described in the County's healthcare plan.

6. Disability Retirement Benefits

If a member has 8 years or more of service and becomes disabled, the employee may be eligible for disability retirement. If a member has less than 8 years of service and the disability is work-related, the member may be eligible for disability retirement.

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

7. Funding Policy and Annual OPEB Cost

The County's annual other post-employment benefits (OPEB) cost is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated County's OPEB cost for the year ended September 30, 2017 was as follows:

Annual Required Contribution	\$10,344
Interest on OPEB obligation	800
Amortization of prior year, net OPEB obligation	( 1,016)
Annual OPEB cost (expense) end of year	10,128
Net estimated employer contributions	( 5,939)
Increase (decrease) in net OPEB obligation	4,189
Net OPEB obligation – beginning of year	<u>16,003</u>
Net OPEB obligation – end of year	<u>\$20,192</u>

8. Schedule of Actuarial Liabilities and Funding Status

Actuarial Valuation Date	10/1/16
Actuarial Value of Assets	\$ -
Actuarial Accrued Liabilities	\$ 81,783
Unfunded Actuarial Accrued Liability (UAAL)	\$ 81,783
Funded Ratio	0.00%
Annual Covered Payroll	\$3,042,668
UAAL as a Percentage of Annual Covered Payroll	2.69%

9. Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between Young County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

**YOUNG COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2017**

Inflation Rate	3.0% per annum
Investment Rate of Return	2.0%, net of expenses
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level as a percentage of salary
Amortization Period	Open 30 year period
Health Care Cost	Level 5.0%
Mortality	RP-2014 Total Table Projection MP-2016 Fully Generational

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the profitability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**L. JUDICIAL ASSESSMENT RECEIVABLES**

At September 30, 2017, the County has not recorded the receivables from judicial assessments in the accompanying financial statements; nor have they been recorded in the prior year. Though these amounts are significant, the County has not determined the allowances for uncollectible amounts for recording them at year end. Consequently, the effects on the financial statements of not including the judicial assessment receivables are not reasonably determinable.

**M. TAX ABATEMENT AGREEMENTS**

The County has approved two tax abatement agreements. The first agreement is dated December 27, 2010 with Trinity Hills Wind Farm, LLC and the second agreement is with Senate Wind, LLC dated July 11, 2011. Both agreements were issued pursuant to the Property Redevelopment and Tax Abatement Act, as amended, in V.T.C.A Tax Code, Chapter 312.

The Trinity Hills Wind Farm, LLC agreement requires the company to maintain a viable presence for at least twenty years and make improvements within the reinvestment zone of at least \$67,000,000. The agreement is a ten-year abatement of qualified facilities or personal property for 100% each of the ten years. This is the fifth year of the agreement and the total value loss was \$71,448,000. The reduction in M&O taxes was \$467,335 and I&S taxes was \$62,544. However, Trinity Hills Wind Farm, LLC has agreed to pay to the County \$1,250 per megawatt of the wind farm. For the year ended September 30, 2017, this payment was \$93,750.

The Senate Wind, LLC agreement requires the company to maintain a viable presence for at least twenty years and make improvements within the reinvestment zone of at least \$14,615,000. The agreement is a six-year abatement of qualified facilities or personal property for 90% in the first two years, 80% in year 3, 70% in year 4, 60% in year 5 and 40% in year 6. This is the fourth year of the agreement and the total value loss was \$19,363,820. The reduction in M&O taxes was \$126,657 and I&S taxes was \$16,951.

All of the agreements have early termination/default clauses that without the consent of the County or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of the agreement or to meet any material obligation under the agreement, then the County shall be entitled to the recapture of all ad valorem tax revenue lost as a result of the agreement within thirty days of notice provided by the County.

***REQUIRED SUPPLEMENTARY INFORMATION***

**YOUNG COUNTY, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 5,905,654	\$ 5,905,654	\$ 6,602,741	\$ 697,087
Sales taxes	1,030,000	1,030,000	964,635	(65,365)
Mixed beverage tax	25,000	25,000	19,973	(5,027)
Licenses, fees and fines	670,250	670,250	634,857	(35,393)
Salary reimbursements	1,130,322	1,130,322	1,122,078	(8,244)
Auto registration	550,000	550,000	448,392	(101,608)
Surtax on auto registration	190,000	190,000	197,270	7,270
Federal and state grants	182,450	182,450	290,132	107,682
Wind farm revenue	93,750	93,750	93,750	-
Interest earned	18,650	18,650	21,654	3,004
Other revenue	83,000	83,000	117,093	34,093
Total revenues	9,879,076	9,879,076	10,512,575	633,499
<b>Expenditures</b>				
County judge	146,863	146,863	144,355	2,508
County clerk	227,880	227,880	224,389	3,491
Veteran service	18,310	18,310	17,419	891
Homeland security	36,207	36,207	16,506	19,701
Nondepartmental costs	244,885	216,540	209,983	6,557
Computer department	98,050	98,050	103,993	(5,943)
County/District court	482,112	482,112	430,611	51,501
District clerk	185,057	185,057	179,603	5,454
Justices of the peace	276,765	276,765	261,172	15,593
District judge	64,664	64,664	61,056	3,608
County attorney	236,011	236,011	228,510	7,501
District attorney	278,380	289,449	267,355	22,094
Elections	87,957	87,957	84,891	3,066
County auditor	195,043	195,043	193,506	1,537
County treasurer	127,381	127,381	108,882	18,499
Tax assessor/collector	446,424	446,424	439,971	6,453
Courthouse maintenance	204,910	204,910	193,519	11,391
Annex maintenance	20,850	20,850	17,817	3,033
Ambulance	184,000	184,000	184,000	-
Constables	75,635	75,635	67,623	8,012
Department of public safety and game warden	6,500	6,500	6,032	468
Sheriff, dispatch and jail	2,510,700	2,510,700	2,414,646	96,054
911 mapping	84,913	84,913	81,712	3,201
Adult probation	451,287	451,287	425,356	25,931
Juvenile probation	560,968	560,968	482,559	78,409
Pauper services	8,000	8,000	11,400	(3,400)
Fort Belknap	82,923	82,923	99,254	(16,331)
Agricultural extension agent	27,798	27,798	27,821	(23)
Home economics agent	27,138	27,138	24,511	2,627
TAEX office	58,896	63,230	63,458	(228)
Employee benefits	71,035	71,035	86,557	(15,522)
District court reporter	99,284	99,284	99,380	(96)
Road and bridge	1,718,750	1,718,750	1,730,380	(11,630)
Hospital and medical costs	119,500	119,500	109,033	10,467
Medical administrative costs	60,000	60,000	79,816	(19,816)

**YOUNG COUNTY, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Capital outlay	354,000	366,942	729,289	(362,347)
Debt service - principal	-	-	365,999	(365,999)
Debt service - interest	-	-	28,833	(28,833)
Total expenditures	<u>9,879,076</u>	<u>9,879,076</u>	<u>10,301,197</u>	<u>(422,121)</u>
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	-	-	211,378	211,378
Other sources and (uses):				
Proceeds from issuance of capital leases	-	-	415,666	415,666
Proceeds from sale of capital assets	-	-	36,261	36,261
Transfers in	2,030,295	2,030,295	2,030,295	-
Transfers out	(2,030,295)	(2,030,295)	(2,030,295)	-
Total other sources and (uses)	<u>-</u>	<u>-</u>	<u>451,927</u>	<u>451,927</u>
Net change in fund balances	-	-	663,305	663,305
Fund balances, beginning of year	<u>4,597,181</u>	<u>4,597,181</u>	<u>4,597,181</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,597,181</u>	<u>\$ 4,597,181</u>	<u>\$ 5,260,486</u>	<u>\$ 663,305</u>

## YOUNG COUNTY, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Total Pension Liability</b>										
Service cost	\$ 518,903	\$ 509,318	\$ 481,281	N/A						
Interest on total pension liability	1,550,621	1,500,140	1,419,896	N/A						
Effect of plan changes	-	(48,149)	-	N/A						
Effect of plan changes or inputs	-	204,806	-	N/A						
Effect of economic/demographic (gains) or losses	(24,375)	(345,621)	(9,477)	N/A						
Benefit payments/refunds of contributions	(1,133,284)	(1,117,345)	(870,631)	N/A						
Net change in total pension liability	911,865	703,149	1,021,069	N/A						
Total pension liability, beginning	19,444,684	18,741,535	17,720,466	N/A						
Total pension liability, ending (a)	<u>\$ 20,356,549</u>	<u>\$ 19,444,684</u>	<u>\$ 18,741,535</u>	<u>N/A</u>						
<b>Fiduciary Net Position</b>										
Employer contributions	\$ 380,529	\$ 385,358	\$ 387,237	N/A						
Member contributions	292,072	288,813	276,598	N/A						
Investment income net of investment expenses	1,348,459	84,601	1,211,550	N/A						
Benefit payments/refunds of contributions	(1,133,284)	(1,117,346)	(870,631)	N/A						
Administrative expenses	(14,652)	(13,228)	(13,929)	N/A						
Other	46,876	31,954	(36,635)	N/A						
Net change in fiduciary net position	920,000	(339,848)	954,190	N/A						
Fiduciary net position, beginning	18,235,786	18,575,634	17,621,444	N/A						
Fiduciary net position, ending (b)	<u>\$ 19,155,786</u>	<u>\$ 18,235,786</u>	<u>\$ 18,575,634</u>	<u>N/A</u>						
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 1,200,763</u>	<u>\$ 1,208,898</u>	<u>\$ 165,901</u>	<u>N/A</u>						
Fiduciary net position as a % of total pension liability	<u>94.10%</u>	<u>93.78%</u>	<u>99.11%</u>	<u>N/A</u>						
Pensionable covered payroll	<u>\$ 4,172,463</u>	<u>\$ 4,125,904</u>	<u>\$ 3,951,400</u>	<u>N/A</u>						
Net pension liability as a % of covered payroll	<u>28.78%</u>	<u>29.30%</u>	<u>4.20%</u>	<u>N/A</u>						

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

**YOUNG COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (1)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2007	\$ 246,178	\$ 246,178	\$ -	\$ 2,886,031	8.5%
2008	249,597	249,597	-	3,081,445	8.1%
2009	278,858	373,858	(95,000)	3,417,377	10.9%
2010	328,336	428,336	(100,000)	3,511,610	12.2%
2011	304,920	304,920	-	3,496,804	8.7%
2012	339,411	339,411	-	3,750,393	9.1%
2013	348,456	348,456	-	3,726,814	9.3%
2014	387,237	387,237	-	3,951,400	9.8%
2015	385,358	385,358	-	4,125,904	9.3%
2016	380,529	380,529	-	4,172,463	9.1%

(1) Payroll is calculated based on contributions as reported to TCDRS.

**YOUNG COUNTY, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS -**  
**YOUNG COUNTY RETIREE HEALTH CARE PLAN**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
10/1/2014	\$ -	\$ 62,079	\$ 62,079	0.00%	\$ 3,041,316	2.04%
10/1/2015	-	80,125	80,125	0.00%	3,124,993	2.56%
10/1/2016	-	81,783	81,783	0.00%	3,042,668	2.69%

**YOUNG COUNTY, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2017**

**A. BUDGETARY INFORMATION**

Annual budgets are adopted on the GAAP basis of accounting for all governmental funds except capital project funds. Project-length budgets were adopted for all capital projects funds. All annual appropriations lapse at fiscal year end.

The County Judge is, by statute, the Budget Officer of the County and has the responsibility of preparing the County's budget. Under the County's budgeting procedures, each department submits a budget request to the County Judge. The County Judge reviews budget requests and holds informal hearings when needed. Before October 1, a proposed budget is presented to the Commissioners' Court. A public hearing is then held and the Commissioners' Court takes action on the proposed budget. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Commissioners' Court, the County Treasurer is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping members of the Commissioners' Court advised of the conditions of the various funds and accounts.

The appropriated budget is prepared by fund. Any transfers of appropriations are first approved by the Commissioners' Court. No amendments may be made without Commissioners' Court approval to the total budget for each department within a fund. Thus, the legal level of budgetary control is at the department level. No supplemental appropriations were required during the year.

Encumbrance accounting is not employed by the County because it is not considered necessary to assure effective budgetary control.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2017, expenditures exceeded appropriations in the General Fund in total by \$422,121 and by functional categories as follows:

Computer department	\$ 5,943
Pauper services	3,400
Fort Belknap	16,331
Agricultural extension agent	23
TAEX office	228
Employee benefits	15,522
District court reporter	96
Road and bridge	11,630
Medical administrative costs	19,816
Capital outlay	362,347
Debt service – principal	365,999
Debt service – interest	28,833

These over-expenditures were funded by available fund balance.

**YOUNG COUNTY, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2017**

**C. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	13.3 years (based on contribution rate calculated in 12/31/2016 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

**D. YOUNG COUNTY RETIREE HEALTH CARE PLAN**

There were no changes to benefit terms or assumptions during the year.