



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

4110 KELL BLVD., SECOND FLOOR • P.O. Box 750
WICHITA FALLS, TEXAS 76307-0750
PH. (940) 766-5550 • FAX (940) 766-5778

MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

September 22, 2017

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Young County, Texas (County) for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 26, 2017. Professional standards also require that we communicate to you the following information related to your audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County's financial statements were:

- Management's estimate of uncollectible property taxes is based on known facts and circumstances as well as historical information.
- Management's estimate of useful lives of capital assets for depreciation purposes is based on known facts and circumstances as well as historical information.
- Management's estimates of pension related assets, liabilities and deferred outflows of resources are based on information provided by the Texas County and District Retirement System.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Page Two

- Note A – Summary of Significant Accounting Policies,
- Note G – Long-Term Obligations
- Note J – Defined Benefit Pension Plan,
- Note L – Judicial Assessment Receivables, and
- Note M – Prior Period Adjustments

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole, as follows:

General Fund

- Reversed prior year accrued wages - \$118,380
- Reversed prior year CETRZ receivable - \$305,925
- Record current year accrued wages - \$241,290
- Record capital lease proceeds - \$177,299
- Record prior year sales tax receivable - \$192,356
- Record current year sales tax receivable - \$163,226
- Record current year FEMA receivable - \$198,731

Insurance Fund (Internal Service Fund)

- Close out prior year self-funded plan - \$102,170

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2017.

Honorable County Judge and County Commissioners
Young County, Texas
September 22, 2017

Page Three

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the County's independent auditors.

It should be noted that the County has receivables from the various dockets in the County, District, and Justice of the Peace Courts at September 30, 2016. Though these receivables are material to the County's financial statements, they have not been recorded. It is our understanding that the County is developing a plan to obtain this information for future reporting. Because these receivables have not been reported, a qualification to the independent auditor's report was made.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, budgetary comparison schedules, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Texas County and District Retirement System, the Schedule of Employer Contributions – Texas County and District Retirement System, and the Schedule of Funding Progress – Young County Retiree Health Care Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the County Judge and County Commissioners and other members of management of the County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC
Certified Public Accountants



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

4110 KELL BLVD. SECOND FLOOR • P.O. Box 750
WICHITA FALLS, TEXAS 76307-0750
PH. (940) 766-5550 • FAX (940) 766-5778

MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

September 22, 2017

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

In planning and performing our audit of the financial statements of Young County, Texas (County) for the year ended September 30, 2016, we considered the County's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated September 22, 2017 on the financial statements of the County.

Prior Year Reporting Differences

Comment: In planning for the audit, it was discovered that three of the County's funds were incorrectly reported in the prior years as follows:

- Fund 12 Insurance Fund – it was reported as a Special Revenue Fund, but should be an Internal Service Fund. In the past the payments to the Insurance Fund were reported as expenditures in the respective funds/departments and revenues in the Insurance Fund. Then the actual insurance payments were expended when paid. Consequently, insurance payments were recorded twice in the governmental funds in error.
- Fund 17 Criminal Justice Fund – it was reported as a Special Revenue Fund, but should be an Agency Fund. In the past the payments to the Criminal Justice Fund that belongs to the state and others were reported as revenues, and payments to the state and others were reported as expenditures, including those also to the County. Then the County related receipts from the Criminal Justice Fund were reported as revenues. Consequently, some of the fines and fee revenues were recorded twice in the governmental funds in error.
- Fund 95 Payroll Clearing - it was reported as a Special Revenue Fund, but should be part of the General Fund. There is no major financial impact, but it is better accounted for as part of the General Fund.

Recommendation: There is no recommendation for this comment. The County should continue to record the activity as it has in the past; however, the funds will be reported as noted above starting with the year ended September 30, 2016.

Corrections to Prior Year Audited Financial Statements

Comment: During the audit process, it was noted that several individual funds required adjustments to the previously-issued financial statements for the year ended September 30, 2015. Some of the adjustments were as follows:

Page Two

- Sales tax receivable was not recorded at September 30, 2015.
- The payroll accrual at September 30, 2015 was computed in error.
- The receivables and payables related to the County's previous self-funded health insurance plan were not recorded at September 30, 2015.
- Receivables for the CETRZ and FEMA grants were either incorrectly recorded or not recorded at all at September 30, 2015.

These errors were corrected during the audit process and also correctly reported at September 30, 2016.

Recommendation: We recommend that the County carefully review the accounting records at year-end and make the necessary adjustments in the future. Furthermore, the County should also make the following changes in the future:

- The County should calculate and record prepaid insurance at year-end.
- The County should calculate and record accrued wages at year-end.
- During the year, the County should properly record all principal and interest payments on capital leases. Currently they are coded 'equipment' accounts when they should be in separate principal and interest accounts similar to the bond payments. In the past, the external auditor has done this.
- The County should record the capital lease proceeds at the time the lease is executed and the equipment received. Previously, the external auditor has done this.
- Relative to capitalizable equipment purchases (items with a unit cost of \$5,000 or more), we recommend all purchases, cash or capital lease, be recorded into a unique capital asset expenditure account in the future.
- FEMA receipts were reported as 'Miscellaneous Revenues' versus a separate, unique 'FEMA Revenue' account.

Judicial Assessment Receivables

Comment: Various individuals owe the County for outstanding fines and fees assessed by the various County, District, and Justice of the Peace Courts. These amounts are required to be reported in the County's financial statements net of any estimated uncollectible amounts. However, because these receivables generally have not been adjusted and cleaned up, they are possibly overstated and have not been recorded by the County.

Recommendation: We understand that departments are using a third party agency to collect older receivables. It is possible that the third parties could assist the departments in assessing the collectability of the older accounts and take appropriate action to remove these older, uncollectable accounts. Once these accounts are cleaned up, it will become feasible to record the judicial assessment receivables.

Treasurer Accounts

Comment: There are numerous accounts maintained by the Treasurer that are not reported in the County's accounting system, Net Data. They are maintained in Quicken. Some are truly agency type accounts (monies belonging to third parties) while some are County funds. The County funds have to be summarized and recorded for external financial reporting. They are as follows:

- Sewage Disposal
- Jail Development
- Court Reporter Service
- Records Management
- Security
- County Clerk Records Management

Page Three

- Time Payment
- BCLSI
- Education
- Court Technology
- Family Protection
- County Election Services
- Young County Technology
- Civil Preservation

Recommendation: We recommend that these funds be recorded in Net Data effective October 1, 2017 so they can be part of the internal financial reporting and budgeting process. Furthermore, these accounts could be pooled with the Treasurer's main account and the individual bank accounts closed.

County's Capital Assets and Depreciation Schedule

Comment: During the audit process, it was noted that the County's depreciation schedule had several errors as follows:

- The only land recorded was the land at the arena.
- Several items on the depreciation schedule were no longer owned.
- Several items the County owned were not on the depreciation schedule.
- TxDOT regularly repairs roads and bridges in the County that the County has ownership. Those major renovations and improvements were not reported as an asset by the County.

After research by the County and EPFF, numerous changes and corrections were made to the County's depreciation schedule for 2015-16 and are now in agreement with the County's internal records.

Recommendation: We recommend that the County count all of its property and equipment and reconcile the depreciation schedule to make sure all capitalizable items are properly included each fiscal year-end.

Policies and Procedures

Comment: It was noted that there are limited or no written policies and procedures especially relative to accounting processes and a disaster recovery plan.

Recommendation: We recommend that each of the County's departments develop written policies and procedures relative to the receipting of money, dual counting, deposits, reconciliations, remittances to third parties and other County offices, etc. Once developed, they should be periodically reviewed and updated to ensure no changes should be made. Furthermore, we recommend that the County develop a written disaster recovery plan.

Closing Comments

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various County personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Honorable County Judge and County Commissioners
Young County, Texas
September 22, 2017

Page Four

We wish to thank management and all of those with whom we worked for their support and assistance during our audit.

This communication is intended solely for the use of the County Judge and County Commissioners and other members of management of the County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC
Certified Public Accountants



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

4110 KELL BLVD., SECOND FLOOR • P.O. BOX 750
WICHITA FALLS, TEXAS 76307-0750
PH. (940) 766-5550 • FAX (940) 766-5778

MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

September 22, 2017

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

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Young County, Texas as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the County's internal control to be material weaknesses:

- **Bank Reconciliations.** It was noted that none of the County's bank accounts (Treasurer and miscellaneous fee offices) have any documentation of the person who completed the bank reconciliations and none of them were reviewed and approved by third parties.

We recommend that each bank account be reconciled as soon as possible upon receipt of the bank statement and any necessary adjustments made to the County's accounting records. This process should be documented by the person who completed the reconciliation by initialing and dating the bank reconciliation. Subsequently, the bank statement and reconciliation should be reviewed by a third party. This review should include a review of the bank statement for any large or unusual items and a review of the bank reconciliation to ensure timely completion, agreement to the supporting documentation and timely clearing of outstanding items. This review should be documented by the person's initials and date.

- **Backdating Deposits and Checks.** Historically the County has backdated both deposits received after year-end and checks written after year-end to the previous fiscal year if the deposit or check pertained to that fiscal year. Though this practice records the deposit or check in the correct fiscal year, it grossly misstates the County's balance sheet. The balance sheet incorrectly reports cash at year-end and fails to report receivables and payables at year-end. This practice was also used at September 30, 2016; consequently, significant adjustments were made to the County's balance sheet to adjust for the inaccurate reporting as follows:

Page Two

Cash was increased \$291,648
Receivables were increased \$262,184
Payables were increased \$513,832
Deferred revenues were increased \$40,000

We recommend that the County correctly record these items in the future so the financial statements will conform to generally accepted accounting principles.

- **Material Audit Adjustments.** During the audit process, numerous adjustments were required to adjust the County's financial statements to be in conformity with generally accepted accounting principles with many being material. Furthermore, several adjustments were made to correct the previously reported net position and fund balances of various County funds. Those entries are summarized in the separate AU-C 260 letter to the County Judge and County Commissioners.

We recommend that the County closely review and adjust the County's accounting records prior to the start of the audit.

- **Payroll Process.** During our review of the payroll process, it was determined that the County Treasurer is solely responsible for all aspects of the process from the payroll set up at the beginning of the year, processing payroll, bank reconciliation, etc. Consequently, there is limited supervision and review over this process.

We recommend that the County Auditor's office assist the County Treasurer by reviewing the different aspects of the payroll process in the future.

- **Over-Expended Budgets.** As noted in the Budgetary Comparison Schedule – General Fund (Exhibit B-1), the expenditures in ten departments exceeded the budgeted amounts ranging from \$66 to \$554,451.

We recommend that the County closely review the expenditures compared to the budgeted amounts and avoid any expenditures in which adequate budget does not exist. If the purchase is necessary, budget amendments should be made prior to the approval of the purchase. Furthermore, the budget comparisons should be reviewed periodically at Commissioners' Court meetings.

This communication is intended solely for the information and use of the County Judge, Commissioners, and the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC
Certified Public Accountants

YOUNG COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

YOUNG COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		1
Management's Discussion and Analysis (Required Supplementary Information)		3
BASIC FINANCIAL STATEMENTS		
Statement of Net Position	A-1	12
Statement of Activities	A-2	13
Balance Sheet – Governmental Funds	A-3	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	A-4	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A-5	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	18
Statement of Net Position – Internal Service Fund	A-7	19
Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Fund	A-8	20
Statement of Cash Flows – Internal Service Fund	A-9	21
Statement of Fiduciary Assets and Liabilities	A-10	22
Notes to the Financial Statements		23
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund	B-1	44
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System	B-2	46
Schedule of Employer Contributions - Texas County and District Retirement System	B-3	47
Schedule of Funding Progress – Young County Retiree Health Care Plan	B-4	48
Notes to Required Supplementary Information		49

FINANCIAL SECTION



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

4110 KELL BLVD., SECOND FLOOR • P.O. Box 750
WICHITA FALLS, TEXAS 76307-0750
PH. (940) 766-5550 • FAX (940) 766-5778

MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

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, 2016 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, 2016 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 should 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.

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, 2016. 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, 2016 by \$19,035,434 (net position). Of this amount, \$5,226,837 is unrestricted and may be used to meet the County's obligations.
- During the year, the County's total net position increased by \$142,707. The County's expenses, which totaled \$11,136,874, were less than the County's program revenues of \$3,565,088 and general revenues and special item of \$7,714,493.
- The total cost of the County's programs decreased \$3,194,861 or 22% from the prior year, mostly due to (1) a non-budgeted capital murder trial that the venue was changed to Tarrant County and (2) the incorrect recording of the County's health insurance plan's expenditures of \$1,700,497.
- The governmental funds reported a fund balance at September 30, 2016 of \$5,315,895, which is an increase of \$121,379 in comparison with the prior year amount as restated.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,555,738, or 43% of the total General Fund expenditures for the year ended September 30, 2016.

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.

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*. The 2015 amounts have not been restated for the prior period adjustments noted in 2016.

Table 1 - County's Net Position

	Governmental Activities			
	2016	2015	Change	% Change
Current assets	\$ 6,397,851	\$ 5,454,178	\$ 943,673	17%
Long-term assets	19,524,930	18,543,174	981,756	5%
Total Assets	25,922,781	23,997,352	1,925,429	8%
Deferred Outflows of Resources	1,838,892	424,781	1,414,111	333%
Current liabilities	749,068	155,161	593,907	383%
Noncurrent liabilities	7,742,019	7,731,523	10,496	0%
Total Liabilities	8,491,087	7,886,684	604,403	8%
Deferred Inflows of Resources	235,152	7,108	228,044	3208%
Net position:				
Net investment in capital assets	13,076,804	11,414,684	1,662,120	15%
Restricted	731,793	316,580	415,213	131%
Unrestricted	5,226,837	4,797,077	429,760	9%
Total Net Position	\$ 19,035,434	\$ 16,528,341	\$ 2,507,093	15%

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 \$13,076,804. 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, \$731,793, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position of \$5,226,837 may be used to meet the County's ongoing obligations.

Changes in Net Position

The County's total revenues, both program and general, were \$11,168,277. A significant portion, 57%, of the County's revenue comes from property taxes. Charges for services accounted for 24% of the County's revenue. Exhibited below in Table 2 are the County's revenues for the years ended September 30, 2016 and 2015 for the County's *governmental activities*.

Table 3 - County's Expenses

	Governmental Activities			
	2016	Percent	2015	Percent
County Judge	146,558	1%	130,738	1%
County Clerk	228,876	2%	212,042	1%
Veteran service	18,029	0%	17,482	0%
Homeland security	12,311	0%	8,141	0%
Nondepartmental costs	326,845	3%	504,785	4%
Computer department	169,232	2%	150,784	1%
County/District court	471,568	4%	1,682,559	12%
District Clerk	187,743	2%	171,346	1%
Justices of the Peace	267,731	2%	265,775	2%
District Judge	63,416	1%	58,614	0%
County Attorney	240,501	2%	222,668	2%
District Attorney	249,108	2%	213,479	1%
Elections	151,055	1%	103,119	1%
County Auditor	194,614	2%	178,973	1%
County Treasurer	125,766	1%	119,393	1%
Tax Assessor/Collector	431,512	4%	384,366	3%
Courthouse maintenance	233,273	2%	191,886	1%
Annex maintenance	15,064	0%	18,098	0%
Ambulance	184,000	2%	214,579	1%
Constables	83,835	1%	109,887	1%
Dpt of Pub Safety & Game Warden	6,219	0%	3,213	0%
Sheriff, dispatch and jail	2,716,442	24%	2,831,192	20%
911 mapping	82,677	1%	76,246	1%
Adult probation	438,745	4%	427,311	3%
Juvenile probation	611,304	5%	786,433	5%
Pauper services	6,250	0%	10,000	0%
Fort Belknap	93,734	1%	89,594	1%
Agricultural extension agent	17,651	0%	21,885	0%
Home extension agent	25,318	0%	14,270	0%
TAEX office	63,640	1%	58,141	0%
Employee benefits	98,666	1%	83,613	1%
District court reporter	97,847	1%	95,832	1%
Road and bridge	2,701,690	25%	2,587,842	18%
Insurance - fixed costs and claims	-	0%	1,700,497	12%
Library expense	6,632	0%	4,215	0%
Hospital and medical costs	133,565	1%	129,100	1%
State traffic fee	-	0%	21,741	0%
Time payment	-	0%	8,071	0%
Crime victims compensation act	-	0%	234	0%
Warrant fees	-	0%	19,963	0%
Fugitive apprehension	-	0%	51	0%
Consolidated court costs	-	0%	65,594	0%
Traffic fees	-	0%	2,275	0%
Medical administrative costs	34,125	0%	-	0%
Preservation of books	42,306	0%	16,705	0%
Debt service - interest	159,026	2%	319,003	3%
Total Expenses	\$ 11,136,874	100%	\$ 14,331,735	100%

It should be noted that there are significant differences in reporting and accounting between the two years. A brief summary of the significant changes between years are as follows:

- Court/District court expenses decreased \$1,210,991 or 72%. During 2014-15, the County had a non-budgeted capital murder trial that the venue was changed to Tarrant County.

**Table 6 - Governmental Funds - Fund Balances
September 30, 2016**

	General Fund	Other Governmental Funds	Totals
Nonspendable:			
Prepays	\$ 41,442	\$ 38	\$ 41,480
Restricted:			
Debt service	-	31,261	31,261
Special assessments	-	687,416	687,416
Unassigned	4,555,738	-	4,555,738
Total Fund Balances	<u><u>\$ 4,597,180</u></u>	<u><u>\$ 718,715</u></u>	<u><u>\$ 5,315,895</u></u>

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$4,597,180, of which \$41,442 was nonspendable and \$4,555,738 was unassigned. The total unassigned fund balance represents 43% of the total General Fund expenditures for the year ended September 30, 2016. The total fund balance increased \$398,945 in the current fiscal year.

General Fund revenues totaled \$10,833,178, an increase of \$516,574 or 5% over the preceding year. Most of the increase relates to the following:

- Property taxes increased \$565,407 or 24%. The increase is the result of the increases of the tax rate offset by a decline in the taxable property values.
- Sales taxes decreased \$116,371 or 11%. The decrease is the result of the general decline in the County's economy.
- Salary reimbursements decreased \$140,002 or 11%. The decrease is mostly due to the declines in the reimbursements from the juvenile probation department due to reduced personnel.
- Federal and state grants increased \$376,358 or 67%. The increase is mostly due to the increase in FEMA grant funding and a decline in the CETRZ grant funding.
- Other revenues decreased \$173,542 or 43%. The decrease is mostly due to the significant insurance proceeds from the jail roof damage.

General Fund expenditures totaled \$10,507,037, a decrease of \$1,694,885 or 14% over the preceding year. The largest fluctuations between years were as follows:

- County/District court expenditures decreased \$1,210,120 or 73%. During 2014-15, the County had a non-budgeted capital murder trial that the venue was changed to Tarrant County.
- Sheriff, dispatch and jail expenditures decreased \$241,128 or 9%. Most of the decrease relates to the jail roof repairs made in 2014-15.
- Juvenile probation expenditures decreased \$174,999 or 22%. The decrease is mostly due to a reduction in three officers and less juveniles sent to placement and detention in 2015-16.
- Capital outlay decreased \$257,912 or 52%. This expenditure varies annually. Most of the decrease relates to two motor grader purchases late in the prior year.

Table 7 - Capital Assets, Net

	2016	2015 (as restated)	\$ Change	% Change
Land	\$ 726,731	\$ 726,731	\$ -	0%
Buildings and improvements	13,155,861	13,467,832	(311,971)	-2%
Machinery and equipment	3,161,633	3,668,978	(507,345)	-14%
Infrastructure	2,480,705	2,588,195	(107,490)	-4%
Totals	\$ 19,524,930	\$ 20,451,736	\$ (926,806)	-5%

Capital assets, net of accumulated depreciation, decreased \$926,806 or 5% 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, 2016, the County had \$6,533,121 in long-term obligations outstanding as shown in Table 8 below.

Table 8 - Long-term Debt

	2016	2015 (as restated)	\$ Change	% Change
Bonds payable	\$ 4,940,000	\$ 5,560,000	\$ (620,000)	-11%
Bond premium	273,405	349,090	(75,685)	-22%
Capital lease obligations	1,234,721	1,642,576	(407,855)	-25%
Compensated absences	68,992	75,734	(6,742)	-9%
Other post-employment benefit obligation	16,003	12,308	3,695	30%
Totals	\$ 6,533,121	\$ 7,639,708	\$ (1,106,587)	-14%

Total long-term obligations decreased \$1,106,587 or 14%. 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 2016-17 budget preparation is \$926,907,360, a decrease of \$176,167,425, or less than 16%, from the prior year. The overall tax rate adopted is \$.741629 per \$100 valuation, an increase of \$.172929 per \$100 valuation.

Revenues budgeted in the General Fund's budget are \$9,879,076, a decrease of \$954,102, or 9% from the final 2015-16 revenues of \$10,833,178. Most of the decrease relates to the decrease in CETRZ and FEMA grant revenues as most of those grants were completed in the prior year as well as general decreases in licenses, fees and fines.

General Fund expenditures in most budget categories are similar to the previous year, with the total expenditure budget for 2016-17 of \$9,879,076, a decrease of \$627,961 from the 2015-16 expenditures of \$10,507,037. Most of the decrease relates to Road and Bridge expenditures due to the reduction in grant related expenditures and the purchase of capital assets. The County does not anticipate any new programs or projects being added in 2016-17.

If these estimates are realized, the County's General Fund's fund balance will not change by September 30, 2017.

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 ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				Governmental Activities
County Judge	\$ 146,558	\$ -	\$ 25,200	\$ (121,358)
County Clerk	228,876	358,450	-	129,574
Veteran service	18,029	-	-	(18,029)
Homeland security	12,311	-	-	(12,311)
Nondepartmental costs	326,845	9,710	4,642	(312,493)
Computer department	169,232	-	-	(169,232)
County/District court	471,568	50,881	-	(420,687)
District Clerk	187,743	118,269	-	(69,474)
Justices of the Peace	267,731	124,753	-	(142,978)
District Judge	63,416	31,378	-	(32,038)
County Attorney	240,501	-	35,000	(205,501)
District Attorney	249,108	107,431	-	(141,677)
Elections	151,055	25,063	1,852	(124,140)
County Auditor	194,614	-	-	(194,614)
County Treasurer	125,766	-	-	(125,766)
Tax Assessor/Collector	431,512	730,172	-	298,660
Courthouse maintenance	233,273	-	-	(233,273)
Annex maintenance	15,064	-	-	(15,064)
Ambulance	184,000	-	-	(184,000)
Constables	83,835	13,823	-	(70,012)
Department of Public Safety and Game Warden	6,219	-	-	(6,219)
Sheriff, dispatch and jail	2,716,442	315,802	68,573	(2,332,067)
911 mapping	82,677	-	-	(82,677)
Adult probation	438,745	432,642	-	(6,103)
Juvenile probation	611,304	300,874	-	(310,430)
Pauper services	6,250	-	-	(6,250)
Fort Belknap	93,734	1,310	-	(92,424)
Agricultural extension agent	17,651	-	-	(17,651)
Home extension agent	25,318	-	-	(25,318)
TAEX office	63,640	-	-	(63,640)
Employee benefits	98,666	-	-	(98,666)
District court reporter	97,847	-	-	(97,847)
Road and bridge	2,701,690	-	809,263	(1,892,427)
Library expense	6,632	-	-	(6,632)
Hospital and medical costs	133,565	-	-	(133,565)
Medical administrative costs	34,125	-	-	(34,125)
Preservation of books	42,306	-	-	(42,306)
Debt service - interest	159,026	-	-	(159,026)
Total governmental activities	<u>\$ 11,136,874</u>	<u>\$ 2,620,558</u>	<u>\$ 944,530</u>	<u>(7,571,786)</u>
General revenues and special item:				
Property taxes, levied for general purposes				6,107,168
Property taxes, levied for debt service purposes				199,508
Sales taxes				987,623
Mixed beverage taxes				20,186
Investment earnings				17,908
Miscellaneous				270,796
Special item - gain on sale of capital assets				111,304
Total general revenues and special item				<u>7,714,493</u>
Change in net position				<u>142,707</u>
Net position - beginning, as originally stated				16,528,341
Prior period adjustment				2,364,386
Net position - beginning, as restated				<u>18,892,727</u>
Net position - ending				<u>\$ 19,035,434</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, 2016

Total fund balances - governmental funds (Exhibit A-3)		\$ 5,315,895
Amounts reported for <i>governmental activities</i> 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	\$ 27,715,306	
Related accumulated depreciation	<u>8,190,376</u>	19,524,930
Property tax receivables are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		165,004
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	4,940,000	
Bond premium	273,405	
Capital lease obligations	1,234,721	
Accrued compensated absences	68,992	
Net other post-employment benefit obligation	<u>16,003</u>	(6,533,121)
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:		159,534
The accrued interest on the long-term debt at year-end was:		(37,212)
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	(1,208,898)	
Deferred outflows - pension related items	1,679,358	
Deferred inflows - pension related items	<u>(235,152)</u>	235,308
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.		<u>205,096</u>
Total net position - governmental activities (Exhibit A-1)		<u>\$ 19,035,434</u>

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, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
Agricultural extension agent	16,396	-	16,396
Home extension agent	25,318	-	25,318
TAEX office	61,431	-	61,431
Employee benefits	98,666	-	98,666
District court reporter	96,056	-	96,056
Road and bridge	2,086,162	-	2,086,162
Library expense	-	6,632	6,632
Hospital and medical costs	133,565	-	133,565
Medical administrative costs	34,125	-	34,125
Preservation of books	-	36,855	36,855
Capital outlay	237,159	30,704	267,863
Debt service - principal	554,451	650,704	1,205,155
Debt service - interest	32,661	162,994	195,655
Total expenditures	10,507,037	993,343	11,500,380
Excess of revenues over (under) expenditures	326,141	(593,070)	(266,929)
Other sources and (uses):			
Proceeds from issuance of capital leases	146,595	30,704	177,299
Proceeds from sale of capital assets	211,009	-	211,009
Transfers in	2,129,000	284,800	2,413,800
Transfers out	(2,413,800)	-	(2,413,800)
Total other sources and (uses)	72,804	315,504	388,308
Net change in fund balances	398,945	(277,566)	121,379
Fund balances, beginning of year, as originally stated	4,006,718	992,474	4,999,192
Prior period adjustment	191,517	3,807	195,324
Fund balances, beginning of year, as restated	4,198,235	996,281	5,194,516
Fund balances, end of year	\$ 4,597,180	\$ 718,715	\$ 5,315,895

The accompanying notes are an integral part of this statement.

YOUNG COUNTY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
SEPTEMBER 30, 2016

	Insurance Fund
Assets	
Cash	\$ 211,096
Total assets	<u>211,096</u>
Liabilities	
Accounts payable	<u>6,000</u>
Total liabilities	<u>6,000</u>
Net Position	
Unrestricted	205,096
Total net position	<u><u>\$ 205,096</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, 2016

	Insurance Fund
Cash flows from operating activities	
Cash received for health insurance coverage	\$ 984,413
Cash received for stop loss claims from the prior year	169,382
Cash paid to insurance provider	(1,027,664)
Cash paid to employees for health reimbursements	(27,000)
Net cash provided by operating activities	<u>99,131</u>
Cash flows from investing activities	
Interest earnings	<u>247</u>
Net increase in cash and cash equivalents	99,378
Cash and cash equivalents at beginning of the year	111,718
Cash and cash equivalents at end of the year	<u><u>\$ 211,096</u></u>
Reconciliation of loss from operations to net cash provided by operating activities:	
Operating loss	\$ (9,038)
Effect of change in current assets and liabilities:	
Decrease in accounts receivable	169,382
Decrease in accounts payable	(61,213)
Net cash provided by operating activities	<u><u>\$ 99,131</u></u>

The accompanying notes are an integral part of this statement.

YOUNG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, 2016

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, 2016

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 District 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, 2016

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, 2016 are shown below:

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	6.6	<u>\$2,044,362</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, 2016

At September 30, 2016, net property taxes receivable is calculated as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Gross property taxes receivable	\$233,327	\$19,429	\$252,756
Allowance for uncollectible taxes	(81,609)	(6,143)	(87,752)
Net property taxes receivable	<u>\$151,718</u>	<u>\$13,286</u>	<u>\$165,004</u>

Of the \$165,004 of net property taxes receivable at September 30, 2016, the County expects to collect approximately \$61,000 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, 2016 was as follows:

	Balance 10/1/2015 (as restated)	<u>Additions</u>	<u>Retirements</u>	Balance 9/30/2016
Governmental Activities:				
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	6,518,264	948,490	1,376,236	6,090,518
Infrastructure	3,762,163	-	-	3,762,163
Total capital assets being depreciated	<u>27,416,321</u>	<u>948,490</u>	<u>1,376,236</u>	<u>26,988,575</u>
Less accumulated depreciation for:				
Buildings and improvements	3,668,062	311,971	-	3,980,033
Machinery and equipment	2,849,286	675,503	595,904	2,928,885
Infrastructure	1,173,968	107,490	-	1,281,458
Total accumulated depreciation	<u>7,691,316</u>	<u>1,094,964</u>	<u>595,904</u>	<u>8,190,376</u>
Total capital assets being depreciated, net	<u>19,725,005</u>	(146,474)	<u>780,332</u>	<u>18,798,199</u>
Governmental activities capital assets, net	<u>\$20,451,736</u>	(\$ 146,474)	<u>\$ 780,332</u>	<u>\$19,524,930</u>

At September 30, 2016, the County had \$1,628,435 of machinery and equipment acquired under capital lease obligations with accumulated depreciation of \$461,193.

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

YOUNG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2016

Changes in long-term obligations for the year ended September 30, 2016 were as follows:

	Balance 10/1/2015 (as restated)	Additions	Retirements	Balance 9/30/2016	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable	\$5,560,000	\$ -	\$ 620,000	\$4,940,000	\$645,000
Bond premium	349,090	-	75,685	273,405	70,600
Capital lease obligations	1,642,576	177,299	585,154	1,234,721	208,176
Compensated absences *	75,734	188,202	194,944	68,992	68,992
Other post-employment benefit obligations *	<u>12,308</u>	<u>3,695</u>	<u>-</u>	<u>16,003</u>	<u>-</u>
Totals	<u>\$7,639,708</u>	<u>\$369,196</u>	<u>\$1,475,783</u>	<u>\$6,533,121</u>	<u>\$992,768</u>

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

Bonds Payable

Certificates of obligation at September 30, 2016, are comprised of the following issues:

	Original Debt	Range of Interest Rates	Final Maturity Date	Balance 9/30/2016
General Obligation Refunding Bonds, Series 2014	\$5,080,000	2.00% - 3.00%	2/15/2023	\$4,940,000
Related bond premium				<u>273,405</u>
Total				<u>\$5,213,405</u>

Debt service requirements on the bonds payable at September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 645,000	\$138,525	\$ 783,525
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
2022-23	<u>1,520,000</u>	<u>45,800</u>	<u>1,565,800</u>
Totals	<u>\$4,940,000</u>	<u>\$536,450</u>	<u>\$5,476,450</u>

YOUNG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2016

Total Long-Term Debt

Debt service requirements for all long-term debt at September 30, 2016 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 853,176	\$166,144	\$1,019,320
2018	1,397,666	140,940	1,538,606
2019	973,879	105,518	1,079,397
2020	705,000	77,925	782,925
2021	725,000	56,475	781,475
2022-23	<u>1,520,000</u>	<u>45,800</u>	<u>1,565,800</u>
Totals	<u>\$6,174,721</u>	<u>\$592,802</u>	<u>\$6,767,523</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 2016, 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, 2016.

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, 2016

4. Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 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, 2016

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, 2014	\$18,741,535	\$18,575,634	\$ 165,901
Changes for the year:			
Service cost	509,318	-	509,318
Interest on total pension liability	1,500,140	-	1,500,140
Effect of plan changes	(48,149)	-	(48,149)
Effect of economic/demographic gains or losses	(345,621)	-	(345,621)
Effect of assumptions changes or inputs	204,806	-	204,806
Refund of contributions	(170,732)	(170,732)	-
Benefit payments	(946,613)	(946,613)	-
Administrative expense	-	(13,229)	13,229
Member contributions	-	288,813	(288,813)
Net investment income	-	84,601	(84,601)
Employer contributions	-	385,358	(385,358)
Other	-	31,954	(31,954)
Balances as of December 31, 2015	<u>\$19,444,684</u>	<u>\$18,235,786</u>	<u>\$1,208,898</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>\$3,395,234</u>	<u>\$1,208,898</u>	<u>(\$633,720)</u>

YOUNG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2016

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, 2016

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-2015 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, 2016, 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. PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2016, certain errors were noted that required changes to the previously-stated fund balances and net position of the County. The following is a summary of the adjustments:

<u>Description</u>	<u>Opinion Units</u>			
	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund</u>
Receivables not reported or reported in error:				
Sales tax	\$ 192,356	\$192,356	\$ -	\$ -
Grants	83,871	83,871	-	-
Self-funded plan stop loss insurance	102,169	-	-	102,169
Prepaid insurance reported in error	12,193	12,193	-	-
Payroll clearing fund reclassification	-	351	(351)	-
Accrued wages reported in error	(97,254)	(97,254)	-	-
Capital asset related adjustments	1,908,561	-	-	-
Capital lease obligation not reported	(74,086)	-	-	-
Deferred loss on refunding not reported	203,696	-	-	-
TCDRS contributions after measurement date reported in error	28,722	-	-	-
Unknown difference	<u>4,158</u>	<u>-</u>	<u>4,158</u>	<u>-</u>
Totals	<u>\$2,364,386</u>	<u>\$191,517</u>	<u>\$3,807</u>	<u>\$102,169</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

YOUNG COUNTY, TEXAS
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Capital outlay	393,000	408,717	237,159	171,558
Debt service - principal	-	-	554,451	(554,451)
Debt service - interest	-	-	32,661	(32,661)
Total expenditures	10,804,947	10,805,077	10,507,037	298,040
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	(175,000)	(175,260)	326,141	501,401
Other sources and (uses):				
Proceeds from issuance of capital leases	-	-	146,595	146,595
Proceeds from sale of capital assets	175,000	175,000	211,009	36,009
Transfers in	2,129,000	2,129,000	2,129,000	-
Transfers out	(2,129,000)	(2,129,000)	(2,413,800)	(284,800)
Total other sources and (uses)	175,000	175,000	72,804	(102,196)
Net change in fund balances	-	(260)	398,945	399,205
Fund balances, beginning of year, as originally stated	4,006,718	4,006,718	4,006,718	-
Prior period adjustment	191,517	191,517	191,517	-
Fund balances, beginning of year, as restated	4,198,235	4,198,235	4,198,235	-
Fund balances, end of year	\$ 4,198,235	\$ 4,197,975	\$ 4,597,180	\$ 399,205

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>
2006	\$ 236,560	\$ 236,560	\$ -	\$ 2,829,662	8.4%
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%

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

YOUNG COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

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, 2016, expenditures exceeded appropriations in the General Fund as follows:

Veteran service	\$ 66
County Attorney	2,956
County Auditor	473
Tax Assessor/Collector	10,806
Courthouse maintenance	18,715
Adult probation	5,115
Employee benefits	16,102
Hospital and medical costs	69,065
Debt service – principal	554,451
Debt service – interest	32,661

These over-expenditures were funded by available fund balance.