

YOUNG COUNTY

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

Young County  
Annual Financial Report  
For The Year Ended September 30, 2015

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*Financial Section*



**Birdwell, Quinn & Co., P.C.**  
**Certified Public Accountants**

104 N. Church Street  
P.O. Drawer 427  
Jacksboro, Texas 76458  
Phone: (940) 567-2652  
Fax: (940) 567-2675

Allen R. Birdwell  
Douglas H. Quinn  
Kenneth R. Savell

**Independent Auditors' Report**

Commissioners' Court  
Young County  
516 4th St.  
Graham, Texas 76450

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Young County ("the County") as of and for the year ended September 30, 2015, 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.

**Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Young County as of September 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Members of American Institute and Texas Society of Certified Public Accountants*

Offices in: Graham, Jacksboro



## Other Matters



### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of Young County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Young County's internal control over financial reporting and compliance.

Respectfully submitted,

Birdwell, Quinn & Co., P.C.

Jacksboro, Texas  
November 14, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Young County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the County's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$16,739,146 at September 30, 2015.
- During the year, the County's expenses were \$1,401,359 more than the \$12,930,376 generated in taxes and other revenues for governmental activities.
- The total cost of the County's programs increased \$2,355,417 from last year.
- The general fund reported a fund balance this year of \$4,358,350.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in more detail than the government-wide statements.

*The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statement and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the County's Annual Financial Report

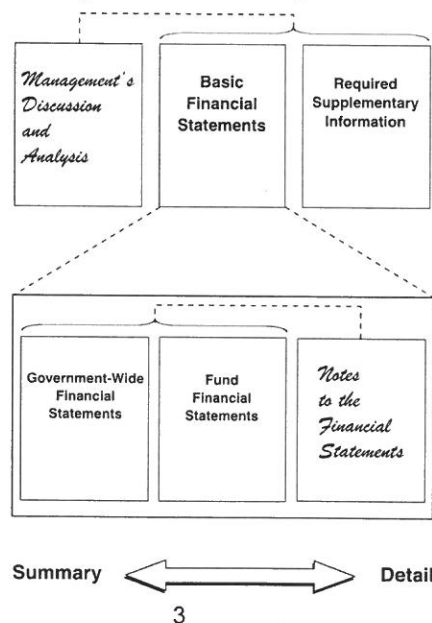


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net position and how they have changed. Net position—the difference between the County's assets and liabilities—is one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here. Property taxes, fees and operating grants finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by covenants.
- The County establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and fees.

The County has the following kinds of funds:

- *Governmental funds*—The County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

Figure A-2. Major Features of the County's Government-wide & Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the County that are not proprietary or fiduciary
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

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

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position: The County's combined net position were \$16,739,146 and \$17,908,711 at September 30, 2015 and 2014 respectively. (See Table A-1).

**Table A-1**  
Young County's Net Position  
(in thousands of dollars)

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Current assets:		
Cash and cash equivalents	\$ 4,894	\$ 6,870
Other receivables	187	107
Prepaid expenses	24	23
Total current assets	5,105	7,000
Noncurrent assets:		
Capital assets - net	18,543	18,842
Total noncurrent assets	18,543	18,842
Total assets	23,648	25,842
Deferred Inflows:	425	-
Total assets deferred inflows	24,073	25,842
Current liabilities:		
Accrued liabilities	113	124
Capital leases payable	454	235
Accrued interest	42	48
Bonds payable	565	565
Total current liabilities	1,174	972
Long-term liabilities:		
Post employment benefits	12	12
Compensated absences	76	96
Capital leases payable	1,115	1,303
Bonds payable	4,995	5,550
Net pension liability	166	-
Total long-term liabilities	6,364	6,961
Total liabilities	7,538	7,933
Deferred Inflows:	7	-

Net position:		
Invested in capital assets	11,415	11,190
Debt service	316	251
Unrestricted	4,797	6,468
Total net position	<u>16,528</u>	<u>17,909</u>
Total liabilities, deferred inflows and net position	<u>24,073</u>	<u>\$ 25,842</u>

The \$6,144 thousand of unrestricted net position represents resources available to fund the programs of the County next year.

Changes in net position: The County's total revenues were \$12,930 thousand. A significant portion, 50%, of the County's revenue comes from taxes.

The major portion of the County's funds is expended for road and bridge maintenance and public safety.

**Table A-2**  
Changes in Young County's Net Position  
(in thousands of dollars)

	<b>Governmental Activities</b>	
	2015	2014
Program revenues	\$ 3,648	\$ 2,952
General revenues		
Property tax, penalty and interest	6,470	6,441
Fees and fines	1,126	1,235
Sales taxes	1,104	1,237
Other revenues	583	798
Total revenues	<u>12,931</u>	<u>12,663</u>
Expenditures:		
County judge	131	127
County clerk	212	207
Veteran service	17	17
Homeland security	8	8
All departments	505	391
Computer department	151	162
County/district court	1,683	454
District clerk	171	173
Justices of the peace	266	260
District judge	59	62
County attorney	223	217
District attorney	214	238
Elections	103	102
Voter registration	-	-
County auditor	179	173
County treasurer	119	114
Tax assessor/collector	384	380
Courthouse maintenance	192	220

Annex maintenance	18	18
Ambulance	215	168
Constables	110	80
Department of public safety & game warden	3	6
Sheriff, dispatch, and jail	2,831	2,758
911 mapping	76	77
Adult probation	427	417
Juvenile probation	786	885
Pauper services	10	2
Fort Belknap	90	85
Agricultural extension agent	22	21
Home extension agent	14	20
Agricultural extension office	58	56
Employee benefits	84	61
District court reporter	96	89
Road and bridge	2,588	1,824
Insurance - fixed costs	465	479
Insurance - medical claims	1,235	1,035
Library expense	4	2
Hospital and medical costs	129	129
Medical administrative costs	-	-
Preservation of books	17	5
State traffic fee	22	28
Time payment	8	9
Crime victims compensation act	-	-
Warrant fees	20	24
Fugitive apprehension	-	-
Consolidated court costs	66	75
Traffic fees	2	3
Interest	319	315
Total expenses	<u>14,332</u>	<u>11,976</u>
Change in net position	(1,401)	687
Prior period adjustment	20	(111)
Net Position - beginning	<u>17,909</u>	<u>17,333</u>
Net Position - ending	\$ <u>16,528</u>	\$ <u>17,909</u>

### General Fund Budgetary Highlights

Over the course of the year, the County revised its budget several times within functions. With these adjustments, actual expenditures for the general fund were \$1,673,155 above final budget amounts. This overage is due in large part to the county not budgeting for debt payment transactions.

Resources available were \$128,433 below the final budgeted amount.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2015, the County had invested \$25,303,049 in a broad range of capital assets, including land, equipment, buildings, and vehicles (see Table A-3). This amount represents a net increase (including additions and deductions) over last year.



**Table A-3**  
Young County's Capital Assets  
(In thousands of dollars)

	Governmental Activities		Total Change
	<u>2015</u>	<u>2014</u>	<u>2015-2014</u>
Land	\$ 570	\$ 570	\$ -
Building and improvements	17,136	17,136	-
Machinery and Equipment	<u>7,597</u>	<u>7,260</u>	<u>337</u>
Totals at historical cost	25,303	24,966	337
 Total accumulated depreciation	 6,760	 6,124	 (636)
Net capital assets	\$ <u>18,543</u>	\$ <u>18,842</u>	\$ <u>(299)</u>

### Long Term Debt

At year-end the County had \$1,568,490 in capital leases outstanding, and \$5,560,000 in outstanding bonds payable as shown in Table A-4. More detailed information about the County's debt is presented in the notes to the financial statements.

**Table A-4**  
Young County's Long Term Debt  
(In thousands of dollars)

	Governmental Activities		Total Change
	<u>2015</u>	<u>2014</u>	<u>2015-2014</u>
Capital Leases	\$ 1,568	\$ 1,537	\$ 31
Bond payable	<u>5,560</u>	<u>6,115</u>	<u>(555)</u>
Total debt payables	\$ <u>7,128</u>	\$ <u>7,652</u>	\$ <u>(524)</u>

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

Appraised values used for the 2016 budget preparation is down \$36 million from 2015.

This indicator was taken into account when adopting the general fund budget for 2016. Amounts available for appropriation in the general fund budget are \$10.8 million, which reflects a small increase from the 2015 budget of \$10.5 million, due to approximately .058313 increase in the tax rate in 2016 due to decrease of values.

Expenditures are budgeted at approximately \$10.8 million.

If these estimates are realized, the County's budgetary general fund balance is not expected to change appreciably by the close of 2016.

### CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 Young County Auditor at 516 4<sup>th</sup> Street, Graham, Texas.

## *Basic Financial Statements*



**YOUNG COUNTY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

**EXHIBIT A-1**

	Governmental Activities
<b>Assets:</b>	
<i>Cash</i>	\$ 2,852,841
<i>Certificates of deposit</i>	2,040,896
<i>Prepaid expenses</i>	24,021
<i>Accounts Receivable - Certz</i>	305,925
<i>Taxes receivable - net</i>	230,495
<i>Bond premium</i>	(349,090)
<b>Restricted assets:</b>	
<i>Land</i>	569,741
<i>Buildings and improvements</i>	17,135,894
<i>Machinery and equipment</i>	7,597,414
<i>Accumulated depreciation</i>	(6,759,875)
<b>Total assets</b>	<b>23,648,262</b>
<b>Deferred Outflows of Resources:</b>	
<i>Deferred Outflows Related to TCDRS</i>	424,781
<b>Total Deferred Outflows of Resources</b>	<b>424,781</b>
<b>Liabilities:</b>	
<i>Salaries payable</i>	109,333
<i>Accrued interest payable</i>	42,320
<i>Vouchers payable</i>	3,508
<i>Capital lease payable - current</i>	453,927
<i>Bonds payable - current</i>	565,000
<b>Noncurrent liabilities</b>	
<i>Post Employment Benefits</i>	12,308
<i>Compensated absences</i>	75,734
<i>Capital lease payable - noncurrent</i>	1,114,563
<i>Bonds payable - long term</i>	4,995,000
<i>Net Pension Liability</i>	165,901
<b>Total liabilities</b>	<b>7,537,594</b>
<b>Deferred Inflows of Resources:</b>	
<i>Deferred Inflow Related to TCDRS</i>	7,108
<b>Total Deferred Inflows of Resources</b>	<b>7,108</b>
<b>NET POSITION:</b>	
<i>Net Investment in Capital Assets</i>	11,414,684
<b>Restricted For:</b>	
<i>Other Purposes</i>	316,580
<i>Unrestricted</i>	4,797,077
<b>Total Net Position</b>	<b>\$ 16,528,341</b>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT A-2**

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	130,738	--	17,124	(113,614)
County clerk	212,042	--	--	(212,042)
Veteran service	17,482	--	--	(17,482)
Homeland security	8,141	--	12,000	3,859
All departments	504,785	52,799	--	(451,986)
Computer department	150,784	--	--	(150,784)
County/district court	1,682,559	--	--	(1,682,559)
District clerk	171,346	--	--	(171,346)
Justices of the peace	265,775	--	--	(265,775)
District judge	58,614	--	29,439	(29,175)
County attorney	222,668	--	35,000	(187,668)
District attorney	213,479	--	68,852	(144,627)
Elections	103,119	--	--	(103,119)
County auditor	178,973	--	--	(178,973)
County treasurer	119,393	--	--	(119,393)
Tax assessor/collector	384,366	--	--	(384,366)
Courthouse maintenance	191,886	--	--	(191,886)
Annex maintenance	18,098	--	--	(18,098)
Ambulance	214,579	--	--	(214,579)
Constables	109,887	--	--	(109,887)
Department of public safety & game warden	3,213	--	--	(3,213)
Sheriff, dispatch and jail	2,831,192	--	172,498	(2,658,694)
911 mapping	76,246	--	--	(76,246)
Adult probation	427,311	--	424,657	(2,654)
Juvenile probation	786,433	--	392,130	(394,303)
Pauper services	10,000	--	--	(10,000)
Fort belknap	89,594	--	--	(89,594)
Agricultural extension agent	21,885	--	--	(21,885)
Home extension agent	14,270	--	--	(14,270)
Agricultural extension	58,141	--	--	(58,141)
Employee benefits	83,613	--	--	(83,613)
District court reporter	95,832	--	31,771	(64,061)
Road and bridge	2,587,842	665,069	563,485	(1,359,288)
Insurance - fixed costs	465,373	164,499	--	(300,874)
Insurance - medical claims	1,235,124	810,386	--	(424,738)
Library	4,215	9,895	--	5,680
Hospital and medical costs	129,100	--	--	(129,100)
Preservation of books	16,705	80,498	--	63,793
State traffic fee	21,741	21,741	--	--
Time payment	8,071	8,071	--	--
Crime victims compensation act	234	234	--	--
Warrant fees	19,963	19,963	--	--
Fugitive apprehension	51	51	--	--
Consolidated court costs	65,594	65,594	--	--
Traffic fees	2,275	2,275	--	--
Interest and other charges	319,003	--	--	(319,003)
Total governmental activities	<u>14,331,735</u>	<u>1,901,075</u>	<u>1,746,956</u>	<u>10,683,704</u>
Total Primary Government	<u>\$ 14,331,735</u>	<u>\$ 1,901,075</u>	<u>\$ 1,746,956</u>	<u>10,683,704</u>
General revenue:				
Taxes, penalty and interest				6,470,488
Fees and fines				1,126,190
Sales tax				1,103,994
Investment earnings				30,981
Insurance Claims Reimbursement				161,897
Stop Loss				70,650
Other revenues				318,145
Total general revenues				<u>9,282,345</u>
Changes in net assets				<u>(1,401,359)</u>
Prior period adjustment				<u>20,989</u>
Net assets - beginning				<u>17,908,711</u>
Net assets - ending				<u>\$ 16,528,341</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY****BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	General Fund	INSURANCE FUND	Other Governmental Funds	Total Governmental Funds
Assets and other debits				
Assets:				
Cash	\$ 1,770,528	\$ 111,718	\$ 970,595	\$ 2,852,841
Certificates of deposit	2,024,506	--	16,390	2,040,896
Prepaid expenses	23,983	--	38	24,021
Accounts Receivable Cetrz	305,925	--	--	305,925
Taxes receivables (net of allowances for uncollectibles):	203,658	--	26,837	230,495
Due from other funds	29,750	--	5,381	35,131
Total assets and other debits	\$ 4,358,350	\$ 111,718	\$ 1,019,241	\$ 5,489,309
Liabilities and fund balances:				
Liabilities:				
Salaries payable	\$ 109,333	\$ --	\$ --	\$ 109,333
Deferred revenue	203,659	--	26,767	230,426
Vouchers payable	3,508	--	--	3,508
Due to other funds	35,131	--	--	35,131
Total liabilities	351,631	--	26,767	378,398
Fund balances:				
Restricted:				
Restricted for debt service	--	--	316,580	316,580
Unassigned:				
General fund	4,006,719	--	--	4,006,719
Insurance fund	--	111,718	--	111,718
Other funds	--	--	675,894	675,894
Total fund balance	4,006,719	111,718	992,474	5,110,911
Total liabilities and fund balance	\$ 4,358,350	\$ 111,718	\$ 1,019,241	\$ 5,489,309

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015*

Total fund balances - governmental funds balance sheet	\$ 5,110,911
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,543,174
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	230,426
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,560,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,568,490)
Payables for bond interest which are not due in the current period are not reported in the funds.	(42,320)
Payables for compensated absences which are not due in the current period are not reported in the fund	(75,734)
Bond premiums which are not due and payable in the current period are not reported in the funds	(349,090)
Post employee benefits which are not due and payable in the current period are not reported in the funds	(12,308)
Net Pension outflows, inflows and liabilities are reported in governmental activities not in the funds	<u>251,772</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 16,528,341</u>

The accompanying notes are an integral part of this statement.

## YOUNG COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	INSURANCE FUND	Other Governmental Funds	Total Governmental Funds
Revenue:				
Property tax, penalty and interest	\$ 5,584,866	\$ --	\$ 883,489	\$ 6,468,355
Fees and fines	626,495	--	499,695	1,126,190
Sales taxes	1,103,994	--	--	1,103,994
Salary reimbursements	1,257,824	--	--	1,257,824
Interest earned	18,084	222	12,675	30,981
Auto registration	462,241	--	--	462,241
Surtax on auto registration	202,828	--	--	202,828
State Revenue/Cetrz	563,485	--	--	563,485
Premiums	--	1,045,535	--	1,045,535
Other revenues	496,787	161,897	8,126	666,810
Total revenues	10,316,604	1,207,654	1,403,985	12,928,243
Expenditures:				
County judge	130,738	--	--	130,738
County clerk	212,042	--	--	212,042
Veteran service	17,482	--	--	17,482
Homeland security	8,141	--	--	8,141
All departments	192,080	--	211,369	403,449
Computer department	146,304	--	--	146,304
County/district court	1,665,333	--	17,226	1,682,559
District clerk	171,346	--	--	171,346
Justices of the peace	265,775	--	--	265,775
District judge	58,614	--	--	58,614
County attorney	222,668	--	--	222,668
District attorney	213,479	--	--	213,479
Elections	90,376	--	--	90,376
County auditor	178,973	--	--	178,973
County treasurer	119,393	--	--	119,393
Tax assessor/collector	384,366	--	--	384,366
Courthouse maintenance	191,886	--	--	191,886
Annex maintenance	18,098	--	--	18,098
Ambulance	214,579	--	--	214,579
Constables	72,172	--	--	72,172
Department of public safety & game warden	3,213	--	--	3,213
Sheriff, dispatch, and jail	2,612,002	--	--	2,612,002
911 mapping	76,246	--	--	76,246
Adult probation	427,311	--	--	427,311
Juvenile probation	786,433	--	--	786,433
Pauper services	10,000	--	--	10,000
Fort belknap	89,594	--	--	89,594
Agricultural extension agent	21,885	--	--	21,885
Home economics agent	14,270	--	--	14,270
Agricultural extension office	58,141	--	--	58,141
Employee benefits	83,613	--	--	83,613
District court reporter	95,832	--	--	95,832
Road and bridge	2,214,776	--	--	2,214,776
Insurance - fixed costs	--	465,373	--	465,373
Insurance - medical claims	--	1,235,124	--	1,235,124
Library expense	--	--	4,215	4,215
Hospital and medical costs	104,471	--	--	104,471
Medical administrative costs	24,629	--	--	24,629
Preservation of books	--	--	16,705	16,705
State traffic fee	--	--	21,741	21,741
Time payment	--	--	8,071	8,071
Crime victims compensation act	--	--	234	234
Warrant fees	--	--	19,963	19,963
Fugitive apprehension	--	--	51	51
Consolidated court costs	--	--	65,594	65,594
Traffic fees	--	--	2,275	2,275
Bond Insurance Costs and Fees	--	--	144,157	144,157
Debt service:				
Principal	476,216	--	675,000	1,151,216
Interest and other charges	34,374	--	148,639	183,013
Capital outlay	495,071	--	--	495,071
Total expenditures	12,201,922	1,700,497	1,335,240	15,237,659
Excess (deficiency) of revenues				
Over (under) expenditures	(1,885,318)	(492,843)	68,745	(2,309,416)
Other financing sources (uses):				
Capital-Related Debt Issued	--	--	5,080,000	5,080,000
Operating transfers in	2,000,383	560,000	--	2,560,383
Premium or Discount on Insurance of Bonds	--	--	349,090	349,090
Operating transfers out	(2,560,383)	--	--	(2,560,383)
Other Uses - Refunded Debt Escrow	--	--	(5,284,933)	(5,284,933)
Proceeds from capital leases	507,372	--	--	507,372
Total other financing sources (uses)	(52,628)	560,000	144,157	651,529
Net change in fund balances	(1,937,946)	67,157	212,902	(1,657,887)
Fund balances - beginning	5,944,665	44,561	779,572	6,768,798
Fund balances - ending	\$ 4,006,719	\$ 111,718	\$ 992,474	\$ 5,110,911

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY**

*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, 2015*

Net change in fund balances - total governmental funds	\$ (1,657,887)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	429,404
The depreciation of capital assets used in governmental activities is not reported in the funds.	(728,068)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	2,133
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	675,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	476,218
(Increase) decrease in accrued interest from beginning of period to end of period.	5,672
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	20,651
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(507,372)
Decrease in OPEB liability	39
Other reconciling items	(52,013)
Other sources and uses related to the Bonds are reported in the funds not the governmental activities	(144,157)
Pension expense recorded in governmental activities not the funds	79,021
Change in net position of governmental activities - Statement of Activities	<u>\$ (1,401,359)</u>

The accompanying notes are an integral part of this statement.

**YOUNG COUNTY***STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**SEPTEMBER 30, 2015*

	Agency Fund
	<hr/>
	Agency Fund
	<hr/>
<b>Assets:</b>	
Cash and cash equivalent	912,114
Total Assets	\$ 912,114
	<hr/>
<b>Liabilities:</b>	
Due to others	912,114
	<hr/>
<b>Net assets</b>	
Total net assets	\$ 912,114
	<hr/>

The accompanying notes are an integral part of this statement.

## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### A. Summary of Significant Accounting Policies

The combined financial statements of Young County (the "County") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### 1. Reporting Entity

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

##### 2. Basis of Presentation, Basis of Accounting

###### a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.



## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

The County reports the following major governmental funds:

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

In addition, the County reports the following fund types:

Agency Funds: These funds are used to report County and District Clerk Trust funds 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.

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

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Property Taxes

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

**YOUNG COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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.

Taxes receivable - net consisted of the following:

	General Fund	Other Governmental Funds	Totals
Taxes receivable	226,287	29,741	256,028
Allowance for doubtful	(22,629)	(2,974)	(25,603)
Taxes receivable, net	203,658	26,767	230,425

b. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

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

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

e. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose.

## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

In the Government-wide statements, equity is classified as net position and displayed in three components;

1. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition.

Invested in capital assets, net of related debt consists of:

Capital assets, net of depreciation	\$ 18,543,174
Less related debt	(7,128,490)
Net invested in capital assets	<u>\$ 11,414,684</u>

2. Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Restricted net position consists of:

Restricted for debt service	\$ 316,580
Net restricted for debt service	<u>\$ 316,580</u>

3. Unrestricted net position - all other net position that does not meet the definition of "restricted" or invested in capital assets, net of related debt.

Unrestricted net position	<u>\$ 4,797,077</u>
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In the Governmental Fund Statements, fund balances of the governmental funds are classified as follows:

1. 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).
2. Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.
3. 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 Commissioners' Court 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 Commissioners' Court. 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.
4. 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 Commissioners' Court or by an official or body to which the Commissioners' Court 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.
5. 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 the classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

f. Interfund Activity

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

g. Use of Estimates

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

h. Compensated Absences

Employees are granted vacation benefits in varying amounts depending on tenure with the County. These benefits accumulate pro rata by pay period. The valuation of accrued compensated absences include salary related payments such as the County's share of social security, medicare taxes and contributions to the retirement plan in accordance with GASB 16.

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, if any, are reported below, along with actions taken to address such violations:

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

3. The Commissioners' Court adopts an annual budget for the General Fund. The annual budget for the General Fund is prepared on a cash basis, which is not materially different from the modified accrual basis budget for the County, with the exception of proceeds from leases not being accounted for in cash basis.

## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

The following procedures are followed in establishing the budgetary data reflected in Basic Financial Statements:

- a. Prior to the beginning of the fiscal year, the County prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Commissioners' Court is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Commissioners' Court.

Once a budget is approved, it can be amended only by approval of a majority of the members of the County Commissioners. As required by law, such amendments are made before the fact, are reflected in the official minutes of the County Commissioners and are not made after fiscal year end. During the year, the budget was amended as necessary, except for overages shown in Exhibit B-1 and Exhibit B-2. Payments for principal and interest on debt and capital outlays were approved by the Commissioners' Court, but were not included in the budget. All budget appropriations lapse at year end.

#### C. Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. All material deposits were with the contracted depository bank of Young County in interest bearing accounts, which were secured at the balance sheet date by FDIC coverage or pledged securities. The deposits are deemed collateralized under Texas Law.

##### Cash Deposits:

At September 30, 2015, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,893,737 and the bank balance was \$5,944,198. The County's cash deposits at September 30, 2015 and during the year ended September 30, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

##### Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

#### a. Credit Risk

Credit risk is the risk that an issuer or 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.

# YOUNG COUNTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

c. Concentration of Credit Risk

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

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. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 569,741	\$ --	\$ --	569,741
Total capital assets not being depreciated	<u>569,741</u>	<u>--</u>	<u>--</u>	<u>569,741</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	17,135,894	--	--	17,135,894
Machinery and Equipment	7,260,407	811,194	474,187	7,597,414
Total capital assets being depreciated	<u>24,396,301</u>	<u>811,194</u>	<u>474,187</u>	<u>24,733,308</u>
Less accumulated depreciation for:				
Buildings and improvements	3,402,963	265,997	--	3,668,960
Machinery and Equipment	2,721,241	462,071	92,397	3,090,915
Total accumulated depreciation	<u>6,124,204</u>	<u>728,068</u>	<u>92,397</u>	<u>6,759,875</u>
Total capital assets being depreciated, net	<u>18,272,097</u>	<u>83,126</u>	<u>381,790</u>	<u>17,973,433</u>
Governmental activities capital assets, net	<u>\$ 18,841,838</u>	<u>\$ 83,126</u>	<u>\$ 381,790</u>	<u>18,543,174</u>
Capital leased assets included above			<u>3,804,308</u>	

Depreciation was charged to functions as follows:

Ag Barn/Project Center	\$ 3,710
All Departments	144,239
Computer Department	4,480
Election Departments	30,308
Sheriff	220,925
Road and Bridge	324,406
Total	<u>728,068</u>

# YOUNG COUNTY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

### E. Deferred Inflows of Resources - GASB No. 63 and GASB No. 65

Government funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities for the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal period, the various components of unearned revenue reported in the governmental funds were as follows:

General:		
Uncollected Property Taxes Less Amount for Doubtful Accounts	\$	256,028
Other Governmental Funds:		
Uncollected Property Taxes Less Amount for Doubtful Accounts		25,602
Total	\$	<u>230,426</u>

### F. Long-Term Obligations

	Beginning Balance	Increases	Decreases	Ending Balance	Principal Amounts Due Within One Year
Capital Leases:					
CAT 140M Motorgrader					
2.25%	94,468	--	12,869	81,599	13,164
CAT 140M Motorgrader					
2.25%	96,379	--	12,826	83,553	13,120
930 H Cat Wheel Loader					
2.25%	100,404	--	10,118	90,286	90,285
CAT 140M Motorgrader					
2.25%	194,217	--	194,217	--	--
CAT 120M Motorgrader					
2.25%	11,102	--	11,102	--	--
CAT 2012 Motorgrader					
2.25%	228,367	--	16,186	212,181	16,508
CAT 12H Motorgrader					
2.25%	53,985	--	53,985	--	--
140 H Motorgrader					
2.25%	124,367	--	14,202	110,165	110,165
CAT 140M Motorgrader					
2.25%	175,131	--	12,581	162,550	12,833
Constable #2 P.U.					
4.35%	16,829	--	4,076	12,753	12,753
Constable #3 P.U.					
4.35%	16,160	--	4,238	11,922	11,922
2013 Cat Wheel Loader					
2.25%	72,873	--	18,076	54,797	18,479
DA - 2013 Ford P.U.					
2.20%	21,860	--	3,721	18,139	3,601
Sheriff - 2013 Chev Tahoe					
2.20%	22,396	--	7,276	15,120	7,312
Sheriff - 2013 Chev Tahoe					
2.20%	25,094	--	8,653	16,441	8,705
2014 Cat Backhoe					
2.50%	74,351	--	14,068	60,283	14,517
2014 Cat Wheel Loader					
2.25%	33,355	--	11,002	22,353	11,052
2015 Mack Truck					
2.20%	87,999	--	17,246	70,753	17,112
2015 Mack Truck					



# YOUNG COUNTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

2.20%	87,999	--	17,246	70,753	17,112
2015 Chev P.U. Truck					
2.65%	--	15,944	3,253	12,691	3,049
2015 Chev P.U. Truck					
2.65%	--	30,106	6,032	24,074	5,783
2015 CAT Motorgrader					
2.25%	--	238,770	--	238,770	14,657
1/3 Asphalt Zipper					
2.25%	--	37,779	7,749	30,030	7,259
1/3 Asphalt Zipper					
2.25%	--	37,778	7,748	30,030	7,259
1/3 Asphalt Zipper					
2.25%	--	37,778	7,748	30,030	7,259
JD Skid Loader					
2.25%	--	36,065	--	36,065	11,773
Sheriff Dodge Charger					
2.25%	--	8,648	--	8,648	2,876
Sheriff Tahoe 2015					
2.50%	--	32,252	--	32,252	7,686
Sheriff Tahoe 2013					
2.50%	--	32,252	--	32,252	7,686
Totals	\$ 1,537,336	\$ 507,372	\$ 476,218	\$ 1,568,490	453,927
Interest paid on capital leases	\$ 30,317				

Capital leases contain bargain purchase agreements.

### Bonds Payable:

#### Certificates of Obligation

Series 2006 (3.75% - 5.00%)	\$ 6,115,000	\$ --	\$ 4,960,000	\$ 590,000	590,000
Series 2014 (2.00% - 3.00%)	--	5,080,000	675,000	4,970,000	30,000
Total All Debt	\$ 6,115,000	\$ 5,080,000	\$ 5,635,000	\$ 5,560,000	620,000

### Debt Service Requirements

Debt service requirements on long-term capital lease debt at September 30, 2015, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 453,927	\$ 35,700	\$ 489,627
2017	344,705	23,848	368,553
2018	490,984	12,608	503,592
2019 and beyond	278,874	1,971	280,845
Totals	\$ 1,568,490	\$ 74,127	\$ 1,642,617

Debt service requirements on long-term bonded debt at September 30, 2015 are as follows:



# YOUNG COUNTY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Year Ending September 30,	Governmental Activities:			
	Principal	Interest		Total
		February 15	August 15	
2016	620,000	86,200	74,100	780,300
2017	645,000	74,100	64,425	783,525
2018	660,000	64,425	54,525	778,950
2019	685,000	54,525	44,250	783,775
2020	705,000	44,250	33,675	782,925
2021	725,000	33,675	22,800	781,475
2022	750,000	22,800	11,550	784,350
2023	770,000	11,550	--	781,550
Totals	\$ 5,560,000	\$ 391,525	\$ 305,325	\$ 6,256,850

### G. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, 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.

### H. Pensions

The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, pension expense, and information about assets, liabilities and additions to/deductions from TCERS 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.

At September 30, 2015 the County reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	165,901

#### 1.) New Accounting Standards Adopted

In fiscal year 2015, the County adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25
- Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 ea
- Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.
- a. Statement No. 67 establishes financial reporting standards, but no funding of budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:
  - 1.) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
  - 2.) Pension Plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

- 3.) Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements. The adoption of Statement No. 67 has no impact on the County's financial statements.

- a. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Government Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all State and local governmental employers whose employees are provided with Pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pension also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services.

The adoption of Statement No. 68 has no impact on the County's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TCDRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the County's beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

- a. Statement No. 71 amends Statement No. 68 to require that, at transitions, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the County's final year-end, the effects from the County's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position.
- 2.) The County contributes to the Texas County and District Retirement System (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas State statutes governing TCDRS (TCDRS Act). The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the County. That report may be obtained by writing the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

**YOUNG COUNTY**  
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3.) Funding Policy

a. Introduction

The funding policy governs how the Texas County and District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions.

This policy documents the current funding policies in effect for the Dec. 31, 2014 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

b. TCDRS funding overview

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- \* The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- \* Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- \* Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

c. Methodology for determining employer contribution rates

The County hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- \* Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
- \* Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.

**YOUNG COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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- \* Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

d. Actuarial cost method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

e. Amortization policy

The portion of the contribution rate that funds any remaining unfunded amounts that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

For newly participating counties that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

f. Asset valuation method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gain and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

g. Actuarial assumptions

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

h. Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68.

**Actuarial Methods and Assumptions Used for GASB Calculations**

All actuarial methods and assumptions used for the GASB analysis were the same as those used in the December 31, 2014 funding valuation, except as noted below and throughout this report. Please see the employer summary actuarial valuation report as of December 31, 2014.

Following are the key assumptions and methods used in this GASB analysis.

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Asset Valuation Method</b>	
Smoothing Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
<b>Inflation</b>	Same as funding valuation: 3.0%
<b>Salary Increase</b>	Same as funding valuation: The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rate consists of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
<b>Investment Rate of Return</b>	8.10%

## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### Cost-of-Living Adjustments

Cost-of-Living Adjustments for Young County are not considered to be substantively automatic under GASB 68. Therefore, no assumptions for future cost-of-living adjustments is included in the GASB calculations. No assumptions for future cost-of-living adjustments is included in the funding valuation.

#### Retirement Age

Same as funding valuation: Deferred Members are assumed to retire (100% probability) at the later of: a) age 60, b) earliest retirement eligibility.

#### Turnover

Same as funding valuation: Replacement of Terminated Members - New employees are assumed to replace any terminated members and have similar entry ages.

#### Mortality

Same as funding valuation: Depositing Members - - The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.

Service retirees, beneficiaries and non-depositing members - - The RP 2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees - - RP-2000 Disabled Mortality Table for males with no age adjustment and RP- 2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

Valuation date	Dec. 31, 2013	Dec. 31, 2014
Measurement date	Dec. 31, 2013	Dec. 31, 2014
Reporting date	Employer Beg. Fiscal Year	Employer FYE

#### i. Oversight

The Commissioners' Court has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

#### j. Review of actuarial assumptions

TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect the best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The Commissioners' Court adopts actuarial assumptions to be used in the valuation bases on the results of this study.



## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendation for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

k. Review of employer contribution rates

In order to test accuracy and ensure that the actuarial methods and assumptions are correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation. Contributions to the pension plan from the County were \$277,907 for the year ended September 31, 2015.

l. Review and modification of funding policy

The Commissioners' Court will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the Commissioners' Court by staff and/or outside consulting actuaries as circumstances warrant.

Net Pension Liability / (Asset)		
Net Pension Liability / (Asset)	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Total Pension liability	\$ 17,720,466	\$ 18,741,535
Fiduciary net position	17,621,444	18,575,634
Net pension liability / (asset)	99,023	165,901
Fiduciary net position as a % of total pension liability	99.44%	99.11%
Pensionable covered payroll(1)	\$ 3,726,814	\$ 3,951,400
Net pension liability as a % of covered payroll	2.66%	4.20%
<b>Discount Rate</b>		
Discount rate(2)	8.10%	8.10%
Long-term expected rate of return, net of investment e	8.10%	8.10%
Municipal bond rate(3)	Does Not Apply	Does Not Apply

(2) This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

(3) The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply. See page 6 of this report for further details.

# YOUNG COUNTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

At December 31, 2015, the County reported its proportionate share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

### Pension Expense / (Income)

Pension Expense / (Income)	January 1, 2014 to December 31, 2014
Service cost	\$ 481,280
Interest on total pension liability(1)	1,419,896
Effect of plan changes	--
Administrative expenses	13,929
Member contributions	(276,598)
Expected investment return net of investment expenses	(1,431,046)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(2,369)
Recognition of assumption changes or inputs	--
Recognition of investment gains or losses	43,899
Other(2)	36,635
Pension expense / (income)	\$ 285,627

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

(2) Relates to allocation of system-wide items.

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

### Deferred Inflows / Outflows of Resources

	Deferred Inflows	Deferred Outflows
Differences between expected and actual economic experience	\$ 7,108	\$ --
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	--	175,596
County contributions paid to TCDRS subsequent to the measurement date	N/A	249,185
Total	\$ 7,108	\$ 424,781

The net amounts of the County's balances of deferred outflows of resources and deferred inflows of resources related to the pensions excluding contributions made subsequent to the measurement date will be recognized in pension expense as follows:

Year Ended Dec 31	
2015	\$ 41,530
2016	\$ 41,530
2017	\$ 41,530
2018	\$ 43,899
2019	\$
Thereafter	\$



## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### Long-Term Expected Rate of Return

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 provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 - December 31, 2013 for more details.

Asset Class	Benchmark	Target Allocation(1)	Geometric Real Rate of Return (Expected minus Inflation)(2)
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index(3)	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(4)	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

(1) Target asset allocation adopted at the April 2015 TCDRS Board Meeting

(2) Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

#### I. Health Care Coverage

During the year ended September 30, 2015, employees of the County were covered by a health insurance plan (the Plan). The County contributed \$694 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to Texas Association of Counties, acting on behalf of Blue Cross Blue Shield. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the County and Texas Association of Counties is renewable October 1, 2016, and terms of coverage and contribution costs are included in the contractual provisions.

Latest financial statements for the fund are available for the year ended December 31, 2014, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### J. Commitments and Contingencies

##### 1. Contingencies

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.

##### 2. Litigation

No reportable litigation was pending against the County at September 30, 2015.

#### K. Other Post Employment Benefits

Young County ("Young") provides medical benefits administered through Health Smart Insurance Company, to eligible retirees on a full contributory basis (defined contribution). Retirees pay 100% of the monthly premium for elected coverage. All active employees who retire directly from Young and meet the eligibility criteria may participate. The plan provisions are adopted by the Young County's Commissioner's Court. The OPEB valuation report is available on request from the Young County Auditor.

Young also offers dental benefits and life insurance benefits to retirees on a fully contributory basis through an insured group plan. Young has determined that these benefits and dependent coverage are not subsidized by the employer and are excluded from the actuarial valuation for purposes of GASB 45.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted on December 8, 2003. As a result of this legislation, employers providing drug coverage to Medicare eligible members, that is at least actuarially equivalent to the standard benefit provided by Medicare, will be eligible to receive a federal subsidy.

Young does not participate in the federal Medicare Part D retiree drug subsidy program for retirees beyond the Medicare eligibility age. As a result, there is no subsidy used as an offset in this report.

This summary identifies the value of benefits at October 1, 2014 and cost for the 2015 Fiscal Year:

	Initial Results	October 1, 2013 Medicare Prescription Savings	Final
Present Value of all Projected Benefits	115,504	NA	115,504
Present Value of Benefits Earned to Date (Actuarial Accrued Liability)	62,079	NA	62,079
FY 2015 Annual Required Contribution (ARC)*			9,004
FY 2015 Annual OPEB Cost			8,838
FY 2015 Expected OPEB Contribution [includes implicit subsidy]			8,799

\* The Annual Required Contribution reflects a 30-year level amortization of the  
Unfunded Actuarial Accrued Liability

## YOUNG COUNTY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

This section presents detailed valuation results for the County's Plan.

The **Present Value of all Projected Benefits** is the total present value of all expected future benefits, based on certain actuarial assumptions. The Present Value of all Projected Benefits is a measure of total liability or obligations. Essentially, this present value is the value (on the valuation date) of the benefits promised current and future retirees. The Plan's present value of all projected benefits (at October 1, 2014) is \$115,504. The majority of this liability is for current active employees (future retirees).

The **Actuarial Accrued Liability** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Plan's Actuarial Accrued Liability (at October 1, 2014) is \$62,079. The majority of this obligation is for retirees. The Actuarial Accrued Liability represents 53.75% of the present value of all projected benefits.

**Service Cost** is the value of benefits expected to be earned during the year, again based on certain actuarial methods and assumptions. The 2015 Fiscal Year Service Cost is \$4,941.

The results were calculated based upon plan provisions, as provided by the County, along with certain demographic and economic assumptions as recommended by our consulting actuary with guidance from the GASB statement.

#### Demographic Assumptions

Data was provided by the County as of November, 2015. Appropriate adjustments in this date were made for the actuarial valuation. There is no assumption for future hires.

#### Economic Assumptions

The GASB statement requires that the discount rate used to determine the retiree healthcare liabilities should be the estimated long-term yield on the "investments that are expected to be used to finance the payment of benefits". Since the County does not pre-fund the retiree healthcare liabilities, we have used a discount rate of 5.00%. This is the same discount rate as used in the previous actuarial valuation.

The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. The GASB statement does not require a particular source for information to determine healthcare trends, but it does recommend selecting a source that is "publicly available, objective and unbiased".

Our consulting actuary developed the trend assumption utilizing the short term rates expected for the County medical plan along with other secondary data regarding long-term health cost trends.

#### PRINCIPAL VALUATION RESULTS

The following highlight's Young's recognition of the above amounts:

The October 1, 2014 assets are \$0

The FY 2015 Annual Required Contribution (ARC) is \$9,004.

Expected FY 2015 OPEB contribution is \$8,759 (including \$0 in direct employer paid contributions for retirees). The expected OPEB contribution is calculated from the assumed per capita claims cost for the benefits measured in the valuation.

# YOUNG COUNTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

The following table shows results by active, deferred vested and retired employee groups.

	Initial Results	Medicare Prescription Savings	Final
Present Value of Projected Benefits			
Actives	99,512	NA	99,512
Retirees	15,992	NA	15,992
Total	115,504	NA	115,504
Actuarial Accrued Liability			
Actives	46,087	NA	46,087
Retirees	15,992	NA	15,992
Total	62,079	NA	62,079
Assets			--
Unfunded Actuarial Accrued Liability			62,079
Service Cost			4,941

### ACCOUNTING INFORMATION

The adoption date for the new GASB OPEB Accounting Standard was for the Fiscal Year beginning October 1, 2009. The following shows the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and the projected September 30, 2014 Net OPEB Obligation (NOO).

#### Annual Required Contribution (ARC)

The Standard sets the method of determining Young's postemployment benefits accrual, the Annual Required Contribution (ARC), to include both the value of the benefits earned during the year (Service Cost) and an amortization of the Unfunded Actuarial Accrued Liability. Accordingly, the following table shows Young's 2015 Fiscal Year Annual Required Contribution (ARC) based on a 30-year amortization of the Unfunded Actuarial Accrued Liability as a level dollar amount.

Fiscal Year Ending September 30, 2015	
1. Service Cost	4,941
2. Unfunded Actuarial Accrued Liability Amortization	4,063
3. Annual Required Contribution (ARC) {Larger of 1. + 2. and the expected OPEB contribution of \$8,799}	9,004

#### Annual OPEB Cost (AOC)

If there is a prior year OPEB obligation, the Annual OPEB Cost should reflect an adjustment for the obligation including both an interest adjustment and amortization of the prior year OPEB obligation.

Annual Required Contribution (ARC)	9,004
Interest on Prior Year Net OPEB Obligation	613
Amortization of Prior Year Net OPEB Obligation	(779)
Total Annual OPEB Coast (AOC)	8,838

# YOUNG COUNTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

### Annual OPEB Cost Summary

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed*	Net OPEB Obligation
September 30, 2013	15,370	101.11%	12,437
September 30, 2014	21,407	100.78%	12,269
September 30, 2015	8,838	99.56%	12,308
* Based on expected OPEB contribution for the current fiscal year end.			

### Projected September 30, 2015 Net OPEB Obligation (NOO)

Based on the Annual OPEB Cost developed above, the following is the projected September 30, 2015 Net OPEB Obligation (NOO):

	Total
October 1, 2014 Net OPEB Obligation (NOO)	12,269
Annual OPEB Cost (AOC)	8,838
Expected Net OPEB Contribution +	(8,799)
Expected September 30, 2015 Net OPEB Obligation (NOO)	12,308
+ Includes actual FY2015 employer contribution payments of \$0	

### Required Supplementary Information

Below is the projected schedule of funding progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability - Projected Unit Credit	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a) / (b)	(c)	{(b) - (a)} / (c)
October 1, 2012	100,474	100,474	--	0.00%	2,936,560	3.42%
October 1, 2013	100,650	100,650	--	0.00%	3,200,132	3.15%
October 1, 2014	62,079	62,079	--	0.00%	3,041,316	2.04%

### L. Advance Refunding Bonds

On November 13, 2014, \$5,080,000 in General Obligation Refunding Bonds, Series 2014 were issued at a premium of \$349,090 to advance refund \$4,960,000 in a partial refunding of Series 2006 bonds.

The following information is disclosed in connection with the general obligation refunding bond Series 2014.

Prior Net Cash Flow - Required	\$ 7,408,139
Refunding Net Cash Flow - Required	7,076,013
Net Cash Flow Savings	<u>332,126</u>
Economic Goals (Net Present Value)	<u>295,270</u>

The advanced refunding defeased Series 2006 bond will have \$4,960,000 paid on its principal, leaving a balance of \$590,000 in principal unpaid at September 30, 2015.

**YOUNG COUNTY****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015****M. Prior Period Adjustment**

During fiscal year 2015, the County adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the County must assume their proportionate share of the Net Pension Liability of the Texas and County District Retirement System. Adoption of GASB 68 required a prior period adjustment to report the affect of GASB 68 retroactively. The amount of the prior period adjustment is \$20,989. The restated beginning net position is \$17,929,700.

### *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**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT B-1**  
Page 1 of 2

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Property tax, penalty and interest	\$ 5,309,144	\$ 5,309,144	\$ 5,584,866	\$ 275,722
Fees and fines	883,000	811,000	626,495	(184,505)
Sales taxes	1,250,000	1,250,000	1,103,994	(146,006)
Salary reimbursements	1,299,525	1,299,525	1,257,824	(41,701)
Interest earned	15,615	15,615	18,084	2,469
Auto registration	477,900	477,900	462,241	(15,659)
Surtax on auto registration	200,000	200,000	202,828	2,828
State Revenue/Cetrz	655,214	819,018	563,485	(255,533)
Other revenues	262,550	262,835	496,787	233,952
Total revenues	10,352,948	10,445,037	10,316,604	(128,433)
Expenditures:				
County judge	132,136	132,136	130,738	1,398
County clerk	218,914	218,914	212,042	6,872
Veteran service	17,448	17,448	17,482	(34)
Homeland security	37,385	37,385	8,141	29,244
All departments	218,035	214,535	192,080	22,455
Computer department	163,325	163,610	146,304	17,306
County/district court	428,404	428,404	1,665,333	(1,236,929)
District clerk	179,384	179,384	171,346	8,038
Justices of the peace	279,220	279,220	265,775	13,445
District judge	66,025	66,025	58,614	7,411
County attorney	224,768	224,768	222,668	2,100
District attorney	227,115	227,115	213,479	13,636
Elections	120,825	120,825	90,376	30,449
County auditor	180,718	180,718	178,973	1,745
County treasurer	122,355	122,355	119,393	2,962
Tax assessor/collector	392,064	392,064	384,366	7,698
Courthouse maintenance	186,808	186,808	191,886	(5,078)
Annex maintenance	19,100	19,100	18,098	1,002
Ambulance	184,000	184,000	214,579	(30,579)
Constables	86,500	84,730	72,172	12,558
Department of public safety & game warden	9,525	9,525	3,213	6,312
Sheriff, dispatch, and jail	2,397,747	2,411,247	2,612,002	(200,755)
911 mapping	84,102	84,213	76,246	7,967
Adult probation	450,489	450,489	427,311	23,178
Juvenile probation	765,834	765,834	786,433	(20,599)
Pauper services	5,000	5,000	10,000	(5,000)
Fort belknap	84,296	84,296	89,594	(5,298)
Agricultural extension agent	22,493	22,493	21,885	608
Home economics agent	22,834	22,834	14,270	8,564
Agricultural extension office	59,007	59,007	58,141	866
Employee benefits	63,535	63,535	83,613	(20,078)
District court reporter	93,894	93,894	95,832	(1,938)
Road and bridge	2,447,856	2,447,856	2,214,776	233,080
Hospital and medical costs	83,000	83,000	104,471	(21,471)
Medical administrative costs	17,000	17,000	24,629	(7,629)
Debt service:				
Principal	--	--	476,216	(476,216)
Interest and other charges	--	--	34,374	(34,374)
Capital outlay	425,500	429,000	495,071	(66,071)
Total expenditures	10,516,641	10,528,767	12,201,922	(1,673,155)



**YOUNG COUNTY**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT B-1**  
Page 2 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues				
Over (under) expenditures	(163,693)	(83,730)	(1,885,318)	(1,801,588)
Other financing sources (uses):				
<i>Operating transfers in</i>	2,000,383	2,000,383	2,000,383	--
<i>Operating transfers out</i>	(2,000,383)	(2,000,383)	(2,560,383)	(560,000)
<i>Proceeds from capital leases</i>	--	--	507,372	507,372
Total other financing sources (uses)	--	--	(52,628)	52,628
Net change in fund balances	(163,693)	(83,730)	(1,937,946)	(1,854,216)
Fund balances - beginning	5,944,665	5,944,665	5,944,665	--
Fund balances - ending	\$ 5,780,972	\$ 5,860,935	\$ 4,006,719	\$ (1,854,216)

**YOUNG COUNTY**  
**INSURANCE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Interest earned	\$ 200	\$ 200	\$ 222	\$ 22
Premiums	1,144,680	1,144,680	1,045,535	(99,145)
Other revenues	10,000	10,000	161,897	151,897
Total revenues	1,154,880	1,154,880	1,207,654	52,774
Expenditures:				
Insurance - fixed costs	480,984	480,984	465,373	15,611
Insurance - medical claims	673,896	673,896	1,235,124	(561,228)
Debt service:				
Total expenditures	1,154,880	1,154,880	1,700,497	(545,617)
Excess (deficiency) of revenues				
Over (under) expenditures	--	--	(492,843)	(492,843)
Other financing sources (uses):				
Operating transfers in	--	--	560,000	560,000
Total other financing sources (uses)	--	--	560,000	(560,000)
Net change in fund balances	--	--	67,157	67,157
Fund balances - beginning	44,561	44,561	44,561	--
Fund balances - ending	\$ 44,561	\$ 44,561	\$ 111,718	\$ 67,157

Young County  
Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Total Pension Liability</b>										
Service Cost	\$481,280	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,419,896	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(9,477)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(870,631)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	1,021,069	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>17,720,466</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$18,741,535	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fiduciary Net Position</b>										
Employer contributions	\$387,237	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member Contributions	276,598	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	1,211,550	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(870,631)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(13,929)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>(36,635)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	954,190	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>17,621,444</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$18,575,634</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension liability / (asset), ending- (a) – (b)	<u>\$(165,901)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	99.11%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pension Covered payroll	\$3,951,400	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	4.20%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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 implemented.

**Young County**  
**Schedule of Employer Contributions**

<b>Year Ending December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll<sup>(1)</sup></b>	<b>Actual Contribution as a % of Covered Payroll</b>
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$236,560	\$236,560	0	\$2,829,662	8.4%
2007	246,178	246,178	0	2,886,031	8.5%
2008	249,597	249,597	0	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	0	3,496,804	8.7%
2012	339,411	339,411	0	3,750,393	9.1%
2013	348,456	348,456	0	3,726,814	9.3%
2014	387,237	387,237	0	3,951,400	9.8%

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

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



## Birdwell, Quinn & Co., P.C.

Certified Public Accountants

104 N. Church Street  
P.O. Drawer 427  
Jacksboro, Texas 76458  
Phone: (940) 567-2652  
Fax: (940) 567-2675

Allen R. Birdwell  
Douglas H. Quinn  
Kenneth R. Savell

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

Commissioners' Court  
Young County, Texas  
516 4th St.  
Graham, Texas 76450

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Young County, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2016.

### **Internal Control Over Financial Reporting**

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

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

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



## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,

Kenneth Savell, C.P.A.  
Birdwell, Quinn & Co., P.C.  
Graham, Texas

November 14, 2016

**YOUNG COUNTY****SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015****A. Summary of Auditor's Results****1. Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

Yes

  X  

No

One or more significant deficiencies identified that  
are not considered to be material weaknesses?      

Yes

  X  

None Reported

Noncompliance material to financial  
statements noted?      

Yes

  X  

No

**B. Financial Statement Findings**

NONE



**YOUNG COUNTY*****SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015***

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Not applicable - No Findings Noted		

**YOUNG COUNTY**

*CORRECTIVE ACTION PLAN*

*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

Not Applicable - No Findings Noted