

COUNTY OF PLYMOUTH, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Plymouth, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

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 County of Plymouth, Massachusetts, as of and for the year then ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Plymouth, Massachusetts' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The County's 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. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Plymouth, Massachusetts, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the OPEB and pension schedules appearing on pages 42 through 45 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 evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

May 2, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Plymouth, Massachusetts (the "County") we offer readers this narrative overview and analysis of the financial activities of the County of Plymouth, Massachusetts for the fiscal year ended June 30, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds are reported in two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support County programs.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$(18,273,708) (i.e., net position), a change of \$(1,638,358) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,389,045, a change of \$541,054 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,650,626, a change of \$1,456,476 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years:

NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 11,235,305	\$ 10,579,419
Noncurrent assets	<u>5,755,740</u>	<u>5,946,628</u>
Total assets	16,991,045	16,526,047
Deferred outflows of resources	18,552,790	24,955,727
Current liabilities	1,424,104	1,296,775
Noncurrent liabilities	<u>50,063,771</u>	<u>37,896,897</u>
Total liabilities	51,487,875	39,193,672
Deferred inflows of resources	2,329,668	-
Net position:		
Net investment in capital assets	3,813,240	3,726,628
Restricted	1,359,262	2,302,176
Unrestricted	<u>(23,446,210)</u>	<u>(3,740,702)</u>
Total net position	<u>\$ (18,273,708)</u>	<u>\$ 2,288,102</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,041,047	\$ 4,033,427
Operating grants and contributions	5,569,583	7,504,841
Capital grants and contributions	-	215,944
General revenues:		
County taxes	1,499,994	1,463,409
Rental income	1,964,819	1,685,858
Investment income	36,142	26,233
Parking tickets	71,772	63,778
Sale of assets	-	69,000
Other	<u>595,856</u>	<u>356,555</u>
Total revenues	13,779,213	15,419,045

(continued)

(continued)

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Expenses:		
Commissioners	274,644	253,205
Registry of deeds	3,735,137	3,119,078
Buildings maintenance	1,752,661	1,920,064
Dredge	10,868	131,860
Treasurer	480,807	446,014
Human services	259,964	215,694
Employee benefits**	7,868,536	11,971,637
General and administrative	671,037	770,969
Contribution to OPEB Trust Fund	275,000	50,000
Interest	88,917	99,791
Total expenses	<u>15,417,571</u>	<u>18,978,312</u>
Change in net position	(1,638,358)	(3,559,267)
Net position - beginning of year, as restated*	<u>(16,635,350)</u>	<u>5,847,369</u>
Net position - end of year	<u>\$ (18,273,708)</u>	<u>\$ 2,288,102</u>

*See Note 18.

**As discussed in Note 13, the County receives additional Deeds excise revenues to fully fund the net pension liability associated with the Sheriff retirees. In fiscal year 2016, the County remitted to the Plymouth County Retirement Association \$7,401,009 of additional Deeds excise revenues to fund the Sheriff retiree net pension liability, thereby contributing to the significant decrease in employee benefits in comparison to the current year. Other factors contributing to the significant decrease relate to changes in the deferred inflows and deferred outflows of the net pension liability (see Note 12).

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At the close of the most recent fiscal year, total net position was \$(18,273,708), a change of \$(1,638,358) from the prior year.

The largest portion of net position, \$3,813,240, reflects our investment in capital assets (e.g., land, land improvements, buildings and improvements, equipment, vehicles, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$1,359,262, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is in a deficit of \$(23,446,210), primarily resulting from the unfunded net OPEB liability (see Note 11) and unfunded net pension liability (see Note 12).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(1,638,358). Key elements of this change are as follows:

Governmental funds operating results	\$ 541,054
Purchase of capital assets	123,951
Depreciation expense in excess of principal debt service	(37,340)
Change in accrued interest liability	458
Change in compensated absences	(5,574)
Changes related to net OPEB liability	151,382
Changes related to net pension liability	<u>(2,412,289)</u>
Total	<u>\$ (1,638,358)</u>

D. FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$10,389,045, a change of \$541,054 in comparison to the prior year. Key elements of this change are as follows:

General Fund revenues in excess of expenditures	\$ 1,499,397
Registry Technology Fund expenditures in excess of revenues	<u>(958,343)</u>
Total	<u>\$ 541,054</u>

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,650,626, while total fund balance was \$9,056,856. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	Percentage of Total General Fund <u>Expenditures</u>
Unassigned fund balance	\$ 3,650,626	\$ 2,194,150	\$ 1,456,476	40.7%
Total fund balance	\$ 9,056,856	\$ 7,557,459	\$ 1,499,397	100.9%

The total fund balance of the General Fund changed by \$1,499,397 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (350,000)
Revenues greater than budget	1,142,327
Expenditures less than budget	841,383
Other	<u>(134,313)</u>
Total	\$ <u>1,499,397</u>

Included in the total General Fund unassigned fund balance is the County's stabilization fund with the following balance.

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
General stabilization	\$ <u>651,994</u>	\$ <u>-</u>	\$ <u>651,994</u>

Additional information on the County's stabilization fund can be found in Note 14.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final budget resulted in an increase in appropriations of \$350,000 for the purposes of contributing an additional \$200,000 to the County's OPEB Trust Fund and increasing the building maintenance budget by \$150,000. The final budget also reflects line item transfers that were approved by the Commissioners and the County Advisory Board.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$5,755,740 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, equipment, vehicles, and construction in progress.

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$1,925,000, all of which was backed by the full faith and credit of the County and the Commonwealth.

Additional information on long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County of Plymouth, Massachusetts' finances for all those with an interest in the County of Plymouth, Massachusetts' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Board of Commissioners
County of Plymouth, Massachusetts
44 Obery Street
Plymouth, Massachusetts 02360

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 3,501,086
Restricted cash	7,607,323
Receivables	<u>126,896</u>
Total Current Assets	11,235,305
Noncurrent:	
Capital assets:	
Land	654,420
Construction in progress	63,297
Other capital assets, net of accumulated depreciation	<u>5,038,023</u>
Total Noncurrent Assets	<u>5,755,740</u>
Total Assets	16,991,045
Deferred Outflows of Resources:	
Related to OPEB	9,162
Related to pensions	3,520,988
Sheriff retiree net pension liability funding (Note 13)	<u>15,022,640</u>
Total Deferred Outflows of Resources	<u>18,552,790</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	35,543,835
LIABILITIES	
Current:	
Accounts payable	355,967
Accrued payroll and related liabilities	199,697
Other liabilities	290,596
Accrued interest on bonds payable	3,495
Current portion of noncurrent liabilities:	
Bonds payable	277,500
Compensated absences	<u>296,849</u>
Total Current Liabilities	1,424,104
Noncurrent:	
Bonds payable, net of current portion	1,665,000
Compensated absences, net of current portion	141,469
Net OPEB liability	19,543,585
Net pension liability	<u>28,713,717</u>
Total Noncurrent Liabilities	<u>50,063,771</u>
Total Liabilities	51,487,875
Deferred Inflows of Resources - Related to Pensions	<u>2,329,668</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	53,817,543
NET POSITION	
Net investment in capital assets	3,813,240
Restricted for grants and other statutory restrictions	1,359,262
Unrestricted	<u>(23,446,210)</u>
TOTAL NET POSITION	\$ <u><u>(18,273,708)</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Commissioners	\$ 274,644	\$ -	\$ -	\$ (274,644)
Registry of deeds	3,735,137	3,721,067	2,642,517	2,628,447
Buildings maintenance	1,752,661	-	-	(1,752,661)
Dredge	10,868	-	-	(10,868)
Treasurer	480,807	-	-	(480,807)
Human services	259,964	-	39,909	(220,055)
Employee benefits	7,868,536	-	2,887,157	(4,981,379)
General and administrative	671,037	319,980	-	(351,057)
Contribution to OPEB Trust Fund	275,000	-	-	(275,000)
Interest	88,917	-	-	(88,917)
Total Governmental Activities	<u>\$ 15,417,571</u>	<u>\$ 4,041,047</u>	<u>\$ 5,569,583</u>	(5,806,941)
General Revenues:				
				1,499,994
				1,964,819
				36,142
				71,772
				<u>595,856</u>
				4,168,583
				(1,638,358)
Net Position:				
				<u>(16,635,350)</u>
				<u>\$ (18,273,708)</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Registry Technology Fund	Sheriff Retired Employee Pension Fund	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 3,501,086	\$ -	\$ -	\$ 3,501,086
Restricted cash	6,106,998	1,497,035	3,290	7,607,323
Receivables	126,896	-	-	126,896
Due from other funds	166,922	-	-	166,922
TOTAL ASSETS	\$ 9,901,902	\$ 1,497,035	\$ 3,290	\$ 11,402,227
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 355,967	\$ -	\$ -	\$ 355,967
Accrued payroll and related liabilities	199,697	-	-	199,697
Other liabilities	289,382	1,214	-	290,596
Due to other funds	-	163,632	3,290	166,922
Total Liabilities	845,046	164,846	3,290	1,013,182
Fund Balances:				
Restricted:				
Registry technology	-	1,332,189	-	1,332,189
Post war rehabilitation	2,527	-	-	2,527
Ed Stevens memorial	24,546	-	-	24,546
Committed:				
Capital purposes	5,147,596	-	-	5,147,596
Capital improvements	39,166	-	-	39,166
Assigned:				
Registry building construction and maintenance	192,395	-	-	192,395
Unassigned*	3,650,626	-	-	3,650,626
Total Fund Balances	9,056,856	1,332,189	-	10,389,045
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,901,902	\$ 1,497,035	\$ 3,290	\$ 11,402,227

*See Note 14

The accompanying notes are an integral part of these financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION**

JUNE 30, 2017

Total governmental fund balances	\$ 10,389,045
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,755,740
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(3,495)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(1,942,500)
Compensated absences	(438,318)
• Net OPEB liability and related deferred outflows/inflows of resources are not due and payable in the current period nor require the use of current financial resources and, therefore, are not reported in the governmental funds.	(19,534,423)
• Net pension liability and related deferred outflows/inflows of resources are not due and payable in the current period nor require the use of current financial resources and, therefore, are not reported in the governmental funds.	<u>(12,499,757)</u>
Net position of governmental activities	<u>\$ (18,273,708)</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Registry Technology Fund	Sheriff Retired Employee Pension Fund	Total Governmental Funds
Revenues:				
County taxes	\$ 1,499,994	\$ -	\$ -	\$ 1,499,994
Charges for services	4,041,047	-	-	4,041,047
Intergovernmental revenues	2,266,618	415,808	2,887,157	5,569,583
Rental income	1,964,819	-	-	1,964,819
Investment income	36,142	-	-	36,142
Parking tickets	71,772	-	-	71,772
Other	593,356	-	-	593,356
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	10,473,748	415,808	2,887,157	13,776,713
Expenditures:				
Current:				
Commissioners	274,028	-	-	274,028
Registry of deeds	2,204,667	1,374,151	-	3,578,818
Buildings maintenance	1,751,478	-	-	1,751,478
Dredge	250	-	-	250
Treasurer	475,038	-	-	475,038
Human services	248,666	-	-	248,666
Employee benefits	2,720,472	-	2,887,157	5,607,629
General and administrative	660,377	-	-	660,377
Contribution to OPEB Trust Fund	275,000	-	-	275,000
Debt service:				
Principal	275,000	-	-	275,000
Interest	89,375	-	-	89,375
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	8,974,351	1,374,151	2,887,157	13,235,659
Excess (deficiency) of revenues over expenditures	1,499,397	(958,343)	-	541,054
Fund Equity, at Beginning of Year	<hr/>	<hr/>	<hr/>	<hr/>
Fund Equity, at End of Year	\$ 9,056,856	\$ 1,332,189	\$ -	\$ 10,389,045

The accompanying notes are an integral part of these financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - Total governmental funds	\$ 541,054																
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital asset purchases</td> <td align="right">123,951</td> </tr> <tr> <td>Depreciation</td> <td align="right">(314,840)</td> </tr> </table> • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of bonds payable</td> <td align="right">275,000</td> </tr> <tr> <td>Amortization of bond premium</td> <td align="right">2,500</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td align="right">458</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td align="right">(5,574)</td> </tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td> <td align="right">151,382</td> </tr> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td> <td align="right"><u>(2,412,289)</u></td> </tr> </table> 		Capital asset purchases	123,951	Depreciation	(314,840)	Repayments of bonds payable	275,000	Amortization of bond premium	2,500		458	Compensated absences	(5,574)	Net OPEB liability and related deferred outflows and inflows of resources	151,382	Net pension liability and related deferred outflows and inflows of resources	<u>(2,412,289)</u>
Capital asset purchases	123,951																
Depreciation	(314,840)																
Repayments of bonds payable	275,000																
Amortization of bond premium	2,500																
	458																
Compensated absences	(5,574)																
Net OPEB liability and related deferred outflows and inflows of resources	151,382																
Net pension liability and related deferred outflows and inflows of resources	<u>(2,412,289)</u>																
Change in net position of governmental activities	\$ <u><u>(1,638,358)</u></u>																

The accompanying notes are an integral part of these financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
Revenues:				
County taxes	\$ 1,499,994	\$ 1,499,994	\$ 1,499,994	\$ -
Charges for services	3,909,263	3,909,263	4,041,047	131,784
Intergovernmental revenues	1,860,000	1,860,000	2,266,618	406,618
Rental income	1,741,165	1,741,165	1,964,819	223,654
Investment income	10,000	10,000	36,142	26,142
Parking tickets	100,000	100,000	71,772	(28,228)
Other	210,999	210,999	593,356	382,357
Use of fund balance	-	350,000	350,000	-
Total Revenues	9,331,421	9,681,421	10,823,748	1,142,327
Expenditures:				
Current:				
Commissioners	274,152	271,952	264,637	7,315
Registry of deeds	2,157,422	2,172,422	2,135,971	36,451
Buildings maintenance	1,662,734	1,815,734	1,727,862	87,872
Dredge	90,283	90,283	250	90,033
Treasurer	470,978	472,078	459,840	12,238
Human services	257,355	270,455	242,263	28,192
Employee benefits	2,995,362	2,990,728	2,720,472	270,256
General and administrative	983,460	958,094	649,368	308,726
Contribution to OPEB Trust Fund	75,000	275,000	275,000	-
Debt service:				
Principal	275,000	275,000	275,000	-
Interest	89,675	89,675	89,375	300
Total Expenditures	9,331,421	9,681,421	8,840,038	841,383
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,983,710</u>	\$ <u>1,983,710</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Post- Employment Benefits <u>Trust Fund</u>
ASSETS	
Pooled investment in Plymouth County OPEB Trust	\$ <u>350,593</u>
Total Assets	350,593
NET POSITION	
Net position restricted for other post-employment benefits	\$ <u><u>350,593</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Other Post- Employment Benefits Trust Fund</u>
Additions:	
Contributions from employer	\$ 1,594,674
Investment income (losses)	<u>24,221</u>
Total additions	1,618,895
Deductions:	
Benefit payments	<u>1,319,674</u>
Total deductions	<u>1,319,674</u>
Change in net position	299,221
Net position:	
Beginning of year	<u>51,372</u>
End of year	<u>\$ 350,593</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

Notes to Financial Statements

1. **Organization**

The County of Plymouth, Massachusetts (the “County”), was established in 1685. The County is a body of politic and corporate organized under Section 1 of Chapter 34 of the General Laws of Massachusetts (MGL). The County operates pursuant to MGL, under a County Commissioner form of government. An Advisory Board consisting of officials from each member community performs the legislative function. The County has no charter or other founding documents.

The County is statutorily responsible for providing and maintaining various County properties and operations, including courthouses and registry of deeds. The Commonwealth of Massachusetts provides rental income to the County for the judicial branch occupying the courthouses, which are owned, operated, and maintained by the County.

2. **Summary of Significant Accounting Policies**

The accounting policies of the County conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

As required by Generally Accepted Accounting Principles, these financial statements present the County (primary government) and applicable component units for which the County is considered to be financially accountable. In fiscal year 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

The financial statements do not include certain bank accounts related to the Registry of Deeds, since the County Treasurer did not have custody of the accounts. During fiscal year 2017, the Commissioners and the Register of Deeds were in the process of determining shared custody of these bank accounts, for potential inclusion in future fiscal years.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. County taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental funds:

- The *General Fund* 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.
- The *Registry Technology Fund* consists of amounts specified in and collected under Section 41 of Chapter 36 of Massachusetts General Laws. These funds are restricted for purchases related to registry information systems.
- The *Sheriff Retired Employee Pension Fund* is used to account for additional Registry of Deeds excise revenue to fund Sheriff retirees' retirement payments to the Plymouth County Retirement Association (see Note 13).

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The County reports the following fiduciary fund:

- The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health, dental, and life insurance benefits for retired employees. It is used to account for funds to offset the anticipated cost of premium payments for retirees, and to any eligible spouse or dependents.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

E. Interfund Receivables and Payables

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

F. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, equipment, vehicles, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than

\$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 50
Buildings and improvements	40 - 50
Equipment	10
Vehicles	5

G. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. At June 30, 2017, the County did not report a liability on the governmental funds balance sheet for compensated absences, pursuant to GASB 34.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the Statement of Net Position.

I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. The County reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund

balance indicates that portion of fund balance that is available for appropriation in future periods.

The County's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the County (i.e., the County Advisory Board).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods and includes the County's stabilization fund (see Note 14).

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the County uses the following order to liquidate liabilities: unassigned, assigned, committed, and restricted.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

J. Use of Estimates

The preparation of basic financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

The County tax is levied annually by the County Commissioners on the basis of the approved budget, after deducting probable receipts from sources other than the County tax. The County Commissioners are also required to levy annually, as a County tax, an amount sufficient to meet debt service costs in the event no provision has been made. All County taxes are apportioned and assessed upon the cities and towns comprising the County. The apportionment is based upon the equalized valuations of each city and town as calculated biennially by the Massachusetts Department of Revenue. County taxes are normally due on the subsequent November 1 and May 1.

A statewide property tax limitation statute known as “Proposition 2½” limits subsequent increases to the tax levy. The amounts by which the County assessment may increase in any fiscal year is limited to the sum of 2½% of the previous year’s total assessment, except as provided by Massachusetts General Law, Chapter 59, Section 29A.

Additionally, pursuant to Massachusetts General Law, Chapter 35, Section 30, the County is limited to retaining an unassigned fund balance not in excess of 10% of the previous year’s County tax. Any excess must be applied to reduce the following year’s County tax.

B. Budgetary Basis

The budgets for all departments and operations of the County are prepared under the direction of the County Commissioners. Original and supplemental appropriations are acted upon by a separate vote of the County Commissioners and the County Advisory Board. All General Fund functions are budgeted. The County does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 10,473,748	\$ 8,974,351
Other timing differences	-	(134,313)
Recognize use of fund balance as funding source	<u>350,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 10,823,748</u>	<u>\$ 8,840,038</u>

4. Cash and Short-Term Investments

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. Massachusetts General Laws, Chapter 35, Section 22, places certain limitation on cash deposits and investments available to the County. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The County may also invest in securities issued by or unconditionally guaranteed by the U.S. government or an agency thereof, and having a maturity from date of purchase of one year or less. The County may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from the date of purchase. The County may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The County invests in the MMDT cash and bond portfolio, which is an external investment pool and is not SEC-registered. The fund is state-regulated and is valued at amortized cost.

As of June 30, 2017, \$1,102,583 of the County's bank balance of \$10,721,178 was exposed to custodial credit risk as uninsured or uncollateralized. The County has not experienced any losses in its accounts and believes it is not exposed to any significant credit risk.

5. Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Within the General Fund, the restricted cash amount of \$6,106,998 is composed of amounts from the post war rehabilitation fund, Ed Stevens memorial fund, capital purposes fund, capital improvements fund, Registry building construction and maintenance fund, and the County's stabilization fund.

6. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is a summary of the June 30, 2017 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 166,922	\$ -
Registry Technology Fund	-	163,632
Sheriff Retired Employee Pension Fund	-	<u>3,290</u>
Total	<u>\$ 166,922</u>	<u>\$ 166,922</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ -	\$ 17	\$ -	\$ 17
Buildings and improvements	21,223	-	-	21,223
Equipment	677	107	-	784
Vehicles	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
Total capital assets, being depreciated	21,934	124	-	22,058
Less accumulated depreciation for:				
Land improvements	-	(1)	-	(1)
Buildings and improvements	(16,578)	(259)	-	(16,837)
Equipment	(101)	(52)	-	(153)
Vehicles	<u>(26)</u>	<u>(3)</u>	<u>-</u>	<u>(29)</u>
Total accumulated depreciation	<u>(16,705)</u>	<u>(315)</u>	<u>-</u>	<u>(17,020)</u>
Total capital assets, being depreciated, net	5,229	(191)	-	5,038
Capital assets, not being depreciated:				
Land	655	-	-	655
Construction in progress	<u>63</u>	<u>-</u>	<u>-</u>	<u>63</u>
Total capital assets, not being depreciated	<u>718</u>	<u>-</u>	<u>-</u>	<u>718</u>
Governmental activities capital assets, net	<u>\$ 5,947</u>	<u>\$ (191)</u>	<u>\$ -</u>	<u>\$ 5,756</u>

Depreciation expense was charged to functions of the County as follows (in thousands):

Governmental Activities:	
Registry of deeds	\$ 184
Building maintenance	120
Dredge	<u>11</u>
Total depreciation expense - governmental activities	<u>\$ 315</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the County that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to the County's net OPEB and net pension liabilities and the Sheriff retiree net pension liability funding are more fully discussed in Note 11, Note 12, and Note 13, respectively.

9. Long-Term Debt

A. General Obligation Bonds

The County of Plymouth, Massachusetts issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The General Fund is responsible for paying the general obligation bonds and related interest.

General obligation bonds outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/17</u>
General obligation bonds - Registry	12/15/23	2.50% - 4.55%	\$ <u>1,925,000</u>
Total Governmental Activities			\$ <u><u>1,925,000</u></u>

B. Future Debt Service

The annual payments to retire general obligation long-term bonds outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 275,000	\$ 78,238	\$ 353,238
2019	275,000	66,825	341,825
2020	275,000	55,138	330,138
2021	275,000	43,175	318,175
2022	275,000	31,006	306,006
2023 - 2024	<u>550,000</u>	<u>24,956</u>	<u>574,956</u>
Total	\$ <u><u>1,925,000</u></u>	\$ <u><u>299,338</u></u>	\$ <u><u>2,224,338</u></u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/17</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 2,200	\$ -	\$ (275)	\$ 1,925	\$ (275)	\$ 1,650
Bond premium	<u>20</u>	<u>-</u>	<u>(2)</u>	<u>18</u>	<u>(3)</u>	<u>15</u>
Subtotal	2,220	-	(277)	1,943	(278)	1,665
Compensated absences	433	5	-	438	(297)	141
Net OPEB liability	19,686	1,477	(1,619)	19,544	-	19,544
Net pension liability	<u>35,043</u>	<u>-</u>	<u>(6,329)</u>	<u>28,714</u>	<u>-</u>	<u>28,714</u>
Totals	\$ <u><u>57,382</u></u>	\$ <u><u>1,482</u></u>	\$ <u><u>(8,225)</u></u>	\$ <u><u>50,639</u></u>	\$ <u><u>(575)</u></u>	\$ <u><u>50,064</u></u>

10. **Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to the County's net pension liability is more fully discussed in Note 12.

11. **Other Post-Employment Benefits (GASB 74 and GASB 75)**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2016, the County established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB also are addressed.

A. **General Information about the OPEB Plan**

The County provides post-employment healthcare and life insurance benefits for retired employees through the County's plan. The County obtains health insurance coverage through the Mayflower Municipal Health Group (MMHG), which is a self-insured joint purchase group that was established pursuant to Massachusetts General Laws Chapter 32B, Section 12. By participating in the MMHG, the County has access to high quality plans with low premiums.

Through the MMHG, the County provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the County and meet the eligibility criteria will receive these benefits.

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	228
Active employees	<u>64</u>
Total	<u><u>292</u></u>

B. Investments

The OPEB trust fund assets are invested in the Plymouth County OPEB Trust (PCOT), which the County voluntarily participates in. PCOT assists public entities in Plymouth County and neighboring counties with pre-funding their obligations for OPEB by investing in a manner in accordance with the Massachusetts Government Code within IRC Section 115 multiple employer trust. The PCOT has a formal investment policy, guidelines, and performance objectives applicable to the assets of the PCOT investment pool, managed by the PCOT Investment Committee. At June 30, 2017, total PCOT investments consisted of equities, fixed income, real estate, and alternatives. Concentration and expected rate of return information is available in section *C. Actuarial Assumptions and Other Inputs*.

The County of Plymouth, Massachusetts designed and sponsors PCOT. The Treasurer of the County of Plymouth, Massachusetts serves as the Program Administrator for PCOT and chairs the PCOT Investment Committee.

C. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3 percent
Salary increases	3.5 percent, average, including inflation
Investment rate of return	7 percent, net of OPEB plan investment expense
Discount rate	7 percent
Healthcare cost trend rates	5.5 percent for 2017, fluctuating 0.5 percent, to an ultimate rate of 4.5 percent as of 2019 and later years
Retirees' share of benefit-related costs	25 percent

It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2015, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Mortality for

retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2015.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	70.00%	8.00%
Fixed income	20.00%	3.00%
Real estate	8.00%	6.00%
Alternatives	2.00%	2.00%
Total	<u>100.00%</u>	

D. Discount Rate

The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 18,398,860	\$ 19,543,585	\$ 20,978,176

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the County recognized an OPEB expense of \$1,484,328. At June 30, 2017, the County reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual OPEB investment earnings	\$ <u>9,162</u>
Total	\$ <u><u>9,162</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2018	\$ (2,291)
2019	(2,291)
2020	(2,291)
2021	<u>(2,289)</u>
Total	\$ <u><u>(9,162)</u></u>

12. Plymouth County Retirement Association (GASB 68)

The County follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

All full-time employees of the County are members of the Plymouth County Retirement Association (the Association), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the Association. The Association provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the Association, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the Association's annual financial reports publicly available from the System located at 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

The Treasurer of the County of Plymouth, Massachusetts serves as the Chairman of the Board of the Plymouth County Retirement Association.

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 55 or upon attaining 20 years of creditable service, unless hired after April 2, 2012. If a participant has not attained 20 years of creditable service, the plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the County payroll on January 1, 1978, (3) voluntarily left County employment on or after that date, and (4) left accumulated annuity deductions in the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who were hired on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average

annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The County's contribution to the Association for the year ended June 30, 2017 was \$3,364,797, which exceeded its annual required contribution by \$137,717. This excess contribution represents additional funding of the Sheriff retirees unfunded liability (see Note 13).

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Association and additions to/deductions from Association's fiduciary net position have been determined on the same basis as they are reported by Association. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported a liability of \$28,713,717 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At December 31, 2015, the County's proportion was 5.5253448%. At December 31, 2016, the County's proportion was 4.5325112%, which was a decrease of .9928336% from its previous year proportion.

For the year ended June 30, 2017, the County recognized pension expense of \$3,110,176. In addition, the County reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 749,041	\$ -
Changes of assumptions	-	818,337
Net difference between projected and actual earnings on pension plan investments	2,771,947	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	1,511,331
Total	<u>\$ 3,520,988</u>	<u>\$ 2,329,668</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (625,865)
2018	(625,865)
2019	(344,697)
2020	405,107
Total	<u>\$ (1,191,320)</u>

F. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement date of December 31, 2016:

COLA	3% of the first \$14,000 of retirement income
Salary increases	3.75%
Investment rate of return	8.00%

It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period ended December 31, 2016.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	26.50 %	7.50%
Developed markets equity	16.00	7.30%
Emerging markets equity	4.00	9.80%
Core bonds	11.50	4.20%
Foreign bonds	3.00	2.40%
Emerging markets bonds	4.00	5.50%
High yield bonds	4.00	6.00%
Bank loans	3.00	5.50%
Private equity	10.00	9.60%
Real estate	10.00	6.90%
Natural resources	1.00	7.00%
Infrastructure	2.00	7.80%
Hedge funds of funds	4.00	5.30%
Cash	1.00	2.80%
Total	<u>100.00 %</u>	

G. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (7.00%) or one percentage-point higher (9.00%) than the current rate:

<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
\$ 35,893,034	\$ 28,713,717	\$ 22,593,633

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Association financial report.

13. Sheriff Retired Employee Pension Fund

On January 1, 2010, the Sheriff's department was transferred to the Commonwealth of Massachusetts as a result of Chapter 61 of the Acts of 2009. The Commonwealth did not assume the entire liability of the retirement system costs for the Sheriff's department retirees. These retirees continued to be members of the County's retirement system, but the County received a greater share of Deeds excise revenue to fund a portion of the Sheriff retirees' retirement payments. In fiscal year 2014, the County petitioned the Legislature, and the Legislature amended Chapter 61 of the Acts of 2009, to allow the County to receive an even greater share of Deeds excise revenue in an effort to fully fund the retirement system costs of the Sheriff retirees in fiscal year 2014 and beyond. In fiscal year 2017, these additional excise revenues and the amounts paid to the Plymouth County Retirement Association were reflected in the Sheriff Retired Employee Pension Fund.

Even though the Sheriff retirees are no longer employees of the County, they are still being treated as such for the purposes of calculating the County's net pension liability, in accordance with GASB Statement No. 68 (see Note 12). The statutorily required contribution assessed by the Public Employee Retirement Administration Commission (PERAC) includes the annual assessment for the Sheriff retirees; however, is offset against by additional Deeds excise revenue. The funding of the Sheriff retirees net pension liability is reflected as a deferred outflow of resources in the Statement of Net Position. The future additional Deeds excise revenue to fund the Sheriff retirees net pension liability is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 2,773,587
2019	2,884,530
2020	2,999,911
2021	3,119,908
2022	<u>3,244,704</u>
Total	<u>\$ 15,022,640</u>

14. Unassigned Fund Balance

Included in the County's unassigned fund balance is the County's stabilization fund. Massachusetts General Law Chapter 151 of the Acts of 2016 allows for the establishment of County stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the County Advisory Board and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the County Advisory Board. In fiscal year 2017, the County voted to establish and fund a stabilization fund to be used as a funding source for potential future economic downturns. The stabilization fund is reported within unassigned fund balance in the General Fund. The following is the composition of unassigned fund balance as of June 30, 2017:

	<u>General Fund</u>
General stabilization	\$ 651,994
Remaining unassigned fund balance	<u>2,998,632</u>
Total	<u><u>\$ 3,650,626</u></u>

15. Operating Leases

The County leases to multiple organizations, buildings and office space under cancellable and non-cancellable agreements. The County also leases its courthouses to the Commonwealth of Massachusetts and the rental payments received are in accordance with Massachusetts General Laws Part I, Title III, Chapter 29A, Section 4. In fiscal year 2017, the County received \$1,726,233 under this arrangement. Under the non-cancellable lease agreements, future lease payments to be received are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 33,333
2019	<u>1,389</u>
Total	<u><u>\$ 34,722</u></u>

The historical cost of the buildings under these lease agreements is \$11,500,000 and is reported in capital assets, net of \$11,533,125 accumulated depreciation.

16. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. There were no significant reductions in insurance coverage from the previous year, and there have been no material settlements in excess of coverage in any of the past three fiscal years.

17. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the County is involved. The County’s management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

18. Beginning Net Position Restatement

The beginning (July 1, 2016) net position of the County has been restated, to implement GASB 75 (see Note 11), as follows:

	Governmental <u>Activities</u>
As previously reported	\$ 2,288,102
Restate for GASB 75 implementation	<u>(18,923,452)</u>
As restated	<u><u>\$ (16,635,350)</u></u>

COUNTY OF PLYMOUTH, MASSACHUSETTS

SCHEDULE OF CHANGES IN NET OPEB LIABILITY (GASB 74 AND GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 153,246
Interest on unfunded liability - time value of \$	1,323,430
Benefit payments, including refunds of member contributions	<u>(1,319,674)</u>
Net change in total OPEB liability	157,002
Total OPEB liability - beginning	<u>19,737,176</u>
Total OPEB liability - ending (a)	<u><u>\$ 19,894,178</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,594,674
Net investment income	24,221
Benefit payments, including refunds of member contributions	<u>(1,319,674)</u>
Net change in plan fiduciary net position	299,221
Plan fiduciary net position - beginning	<u>51,372</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 350,593</u></u>
Net OPEB liability (asset) - ending (a-b)	<u><u>\$ 19,543,585</u></u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

COUNTY OF PLYMOUTH, MASSACHUSETTS

**SCHEDULE OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS
(GASB 74 AND GASB 75)**

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

Schedule of Net OPEB Liability

	<u>2017</u>
Total OPEB liability	\$ 19,894,178
Plan fiduciary net position	<u>350,593</u>
Net OPEB liability (asset)	<u>\$ 19,543,585</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%
Covered payroll	\$ 3,262,603
Participating employer net OPEB liability (asset) as a percentage of covered payroll	599.02%

Schedule of Contributions

	<u>2017</u>
Actuarially determined contribution	\$ 1,342,385
Contributions in relation to the actuarially determined contribution	<u>(1,342,385)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 3,262,603
Contributions as a percentage of covered payroll	41.14%

Schedule of Investment Returns

	<u>2017</u>
Annual money weighted rate of return, net of investment expense	Unavailable

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

COUNTY OF PLYMOUTH, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

Plymouth County Retirement Association

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2015	December 31, 2014	5.5253448%	\$ 32,207,685	\$ 4,011,942	802.80%	58.88%
June 30, 2016	December 31, 2015	5.5253448%	\$ 35,043,195	\$ 3,435,585	1020.01%	56.80%
June 30, 2017	December 31, 2016	4.5325112%	\$ 28,713,717	\$ 3,475,566	826.16%	58.32%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

COUNTY OF PLYMOUTH, MASSACHUSETTS
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

Plymouth County Retirement Association

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	Contributions as a Percentage of Covered <u>Payroll</u>
June 30, 2015	\$ 2,997,840	\$ 1,075,253	\$ 1,922,587	\$ 3,767,229	28.54%
June 30, 2016	\$ 3,276,888	\$ 7,629,339	\$ (4,352,451)	\$ 3,234,756	235.86%
June 30, 2017	\$ 3,227,080	\$ 3,364,797	\$ (137,717)	\$ 3,572,423	94.19%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.