

COUNTY OF PLYMOUTH, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2007



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	16
Proprietary Funds:	
Statement of Net Assets	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Fiduciary Net Assets	20
Statement of Changes in Fiduciary Net Assets	21
Notes to Financial Statements	22



MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Commissioners
County of Plymouth, Massachusetts

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 June 30, 2007, and for the year then ended, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County of Plymouth, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Internal Service Fund, which represent 11%, 20%, and 59%, respectively of the assets, net assets, and revenues of the governmental activities and the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Internal Service Fund is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof 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.

In accordance with *Government Auditing Standards*, we have issued our report dated January 13, 2014 on our consideration of the County of Plymouth, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 + Company P.C.

Andover, Massachusetts
January 13, 2014

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, 2007.

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.

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 Assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets 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 (e.g., earned but unused sick and vacation leave).

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. All of the funds can be divided into three categories: Governmental funds, proprietary 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.

Proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 exceeded liabilities by \$44,306,253 (i.e., net assets), a change of \$7,494,893 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$19,510,720, a change of \$(2,034,129) in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,261,568, a change of \$(1,842,747) in comparison to the prior year.

- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$111,855,000 a change of \$(5,060,000) 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 fiscal year:

	<u>NET ASSETS</u>	Governmental <u>Activities</u> <u>2007</u>
Current assets		\$ 40,413,184
Noncurrent assets		<u>130,856,970</u>
Total assets		171,270,154
Current liabilities		18,778,150
Noncurrent liabilities		<u>108,185,751</u>
Total liabilities		126,963,901
Net assets:		
Invested in capital assets, net		28,125,991
Restricted		13,645,128
Unrestricted		<u>2,535,134</u>
Total net assets		<u>\$ 44,306,253</u>

CHANGES IN NET ASSETS

	Governmental <u>Activities</u> <u>2007</u>
Revenues:	
Program revenues:	
Charges for services	\$ 136,956,040
Operating grants and contributions	11,013,110
General revenues:	
County taxes	1,171,793
Rental income	2,401,473
Investment income	1,421,146
Other	<u>2,603,650</u>
Total revenues	155,567,212
Expenses:	
Commissioners	400,073
Registry of deeds	3,710,855
Buildings maintenance	2,694,998
Treasurer	425,095
Human services	309,098
House of corrections	53,516,842
Civil process	2,793,554
Employee benefits	78,016,631
General and administrative	606,933
Interest on debt obligations	<u>5,598,240</u>
Total expenses	<u>148,072,319</u>
Change in net assets	7,494,893
Net assets - beginning of year	<u>36,811,360</u>
Net assets - end of year	<u>\$ 44,306,253</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$44,306,253, a change of \$7,494,893 from the prior year.

The largest portion of net assets \$28,125,991 reflects our investment in capital assets (e.g., land, buildings, building 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 assets \$13,645,128 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,535,134 may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$7,494,893 Key elements of this change are as follows:

Operating Results:

General fund	\$ (772,795)
House of corrections	(1,404,415)
Plymouth County Correctional Facility Corporation (PCCFC)	(35,906)
Nonmajor governmental funds	<u>178,987</u>
Subtotal operating results	(2,034,129)

Timing Differences:

Principal debt service in excess of depreciation expense	1,545,775
Change in bond premium	2,500
Change in accrued interest	55,068
Capital asset purchases	247,322
Change in compensated absences	(81,641)
Internal service fund operations	<u>7,759,998</u>
Total	<u>\$ 7,494,893</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, unreserved fund balance may serve as a useful measure of a government'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 \$19,510,720, a change of \$(2,034,129) in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures and transfers out in excess of revenues and transfers in	\$ (772,795)
House of corrections expenditures and transfers out in excess of revenues and transfers in	(1,404,415)
Plymouth County Correctional Facility Corporation (PCCFC) expenditures in excess of revenues and transfers in	(35,906)
Nonmajor governmental fund revenues in excess of expenditures and transfers out	<u>178,987</u>
Total	<u>\$ (2,034,129)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,261,568, while total fund balance was \$5,865,592. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/07</u>	<u>6/30/06</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unreserved fund balance	\$ 2,261,568	\$ 4,104,315	\$ (1,842,747)	20.0%
Total fund balance	\$ 5,865,592	\$ 6,638,387	\$ (772,795)	51.9%

The total fund balance of the general fund changed by \$(772,795) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (1,200,000)
Revenues in excess of budget	64,313
Expenditures less than budget	<u>362,892</u>
Total	<u>\$ (772,795)</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no increases to the original budget during fiscal year 2007; however, there were ten transfers that were approved by the Commissioners and the Advisory Board.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$130,856,970 (net of accumulated depreciation), a change of \$(3,308,026) from the prior year. This investment in capital assets includes land, buildings, building 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 \$111,855,000, 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
11 South Russell Street
Plymouth, Massachusetts 02360

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 22,422,505
Restricted cash (See Note 5)	485,438
Restricted investments (See Note 5)	12,200,107
Receivables	737,434
Deposits with providers	4,567,700
Noncurrent:	
Capital assets:	
Land and construction in progress	769,026
Other capital assets, net of accumulated depreciation	<u>130,087,944</u>
TOTAL ASSETS	171,270,154
LIABILITIES	
Current:	
Accounts payable	5,523,836
Accrued payroll and related liabilities	6,705
Other liabilities	18,696
Claims liabilities	6,316,000
Accrued interest on bonds payable	1,315,580
Current portion of long-term liabilities:	
Bonds payable	5,290,000
Bond premium	2,500
Capital leases	43,620
Compensated absences	261,213
Noncurrent:	
Bonds payable	106,565,000
Bond premium	40,000
Capital leases	95,345
Compensated absences	<u>1,485,406</u>
TOTAL LIABILITIES	126,963,901
NET ASSETS	
Invested in capital assets, net of related debt	28,125,991
Restricted	13,645,128
Unrestricted	<u>2,535,134</u>
TOTAL NET ASSETS	<u>\$ 44,306,253</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Commissioners	\$ 400,073	\$ -	\$ -	\$ (400,073)
Registry of deeds	3,710,855	11,109,984	261,600	7,660,729
Buildings maintenance	2,694,998	-	-	(2,694,998)
Treasurer	425,095	-	-	(425,095)
Human services	309,098	-	30,667	(278,431)
House of corrections	53,516,842	43,604,759	10,245,739	333,656
Civil process	2,793,554	2,292,714	475,104	(25,736)
Employee benefits	78,016,631	79,948,583	-	1,931,952
General and administrative	606,933	-	-	(606,933)
Interest on debt obligations	5,598,240	-	-	(5,598,240)
Total Governmental Activities	<u>\$ 148,072,319</u>	<u>\$ 136,956,040</u>	<u>\$ 11,013,110</u>	(103,169)
		General Revenues:		
		County taxes		1,171,793
		Rental income		2,401,473
		Investment income		1,421,146
		Other		<u>2,603,650</u>
		Total general revenues		<u>7,598,062</u>
		Change in Net Assets		7,494,893
		Net Assets:		
		Beginning of year		<u>36,811,360</u>
		End of year		<u>\$ 44,306,253</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	General Fund	House of Corrections	Plymouth County Correctional Facility Corporation (PCCFC)	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 8,821,480	\$ -	\$ -	\$ 15,000	\$ 8,836,480
Restricted cash (See Note 5)	-	-	485,438	-	485,438
Restricted investments (See Note 5)	-	-	12,200,107	-	12,200,107
Receivables	119,941	-	-	-	119,941
Due from other funds	-	-	2,701,253	981,817	3,683,070
Advance to other funds	<u>2,738,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,738,487</u>
TOTAL ASSETS	<u>\$ 11,679,908</u>	<u>\$ -</u>	<u>\$ 15,386,798</u>	<u>\$ 996,817</u>	<u>\$ 28,063,523</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,410,145	\$ -	\$ -	\$ -	\$ 1,410,145
Accrued payroll and related liabilities	6,705	-	-	-	6,705
Other liabilities	18,696	-	-	-	18,696
Due to other funds	4,378,770	-	-	-	4,378,770
Advance from other funds	<u>-</u>	<u>2,738,487</u>	<u>-</u>	<u>-</u>	<u>2,738,487</u>
TOTAL LIABILITIES	5,814,316	2,738,487	-	-	8,552,803
Fund Balances:					
Reserved for:					
Advances	2,738,487	-	-	-	2,738,487
Expenditures	865,537	-	-	-	865,537
Repair and replacement	-	-	5,387,907	-	5,387,907
Debt service	-	-	6,936,116	-	6,936,116
Correctional facility	-	-	3,062,775	-	3,062,775
Unreserved:					
Undesignated, reported in:					
General fund	2,261,568	-	-	-	2,261,568
Special revenue funds	<u>-</u>	<u>(2,738,487)</u>	<u>-</u>	<u>996,817</u>	<u>(1,741,670)</u>
TOTAL FUND BALANCES	<u>5,865,592</u>	<u>(2,738,487)</u>	<u>15,386,798</u>	<u>996,817</u>	<u>19,510,720</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,679,908</u>	<u>\$ -</u>	<u>\$ 15,386,798</u>	<u>\$ 996,817</u>	<u>\$ 28,063,523</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

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

JUNE 30, 2007

TOTAL GOVERNMENTAL FUND BALANCES	\$ 19,510,720
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	130,856,970
• Internal service funds are used by management to account for certain activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	9,037,227
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(1,315,580)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(111,855,000)
Bond premium	(42,500)
Capital leases	(138,965)
Compensated absences	<u>(1,746,619)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 44,306,253</u></u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	House of Corrections	Plymouth County Correctional Facility Corporation (PCCFC)	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
County taxes	\$ 1,171,793	\$ -	\$ -	\$ -	\$ 1,171,793
Registry of deeds	4,389,258	-	-	6,720,726	11,109,984
Rental income	2,401,473	-	-	-	2,401,473
Charges for services	-	43,604,759	-	2,292,714	45,897,473
Intergovernmental revenues	-	10,245,739	-	767,371	11,013,110
Investment income	578,780	-	553,854	-	1,132,634
Other	714,397	-	-	-	714,397
Total Revenues	9,255,701	53,850,498	553,854	9,780,811	73,440,864
Expenditures:					
Current:					
Commissioners	413,778	-	-	-	413,778
Registry of deeds	3,230,790	-	-	314,943	3,545,733
Buildings maintenance	2,231,296	-	589,760	-	2,821,056
Treasurer	400,092	-	-	-	400,092
Human services	290,596	-	-	18,297	308,893
House of corrections	-	50,464,562	-	-	50,464,562
Civil process	-	-	-	2,547,858	2,547,858
Employee benefits	3,652,780	-	-	-	3,652,780
General and administrative	606,933	-	-	-	606,933
Debt service:					
Interest	192,569	-	5,460,739	-	5,653,308
Reduction of debt	275,000	-	4,785,000	-	5,060,000
Total Expenditures	11,293,834	50,464,562	10,835,499	2,881,098	75,474,993
Excess (deficiency) of revenues over expenditures	(2,038,133)	3,385,936	(10,281,645)	6,899,713	(2,034,129)
Other Financing Sources (Uses):					
Transfers - Deeds	1,680,182	5,040,544	-	(6,720,726)	-
Transfers - Corrections	(414,844)	414,844	-	-	-
Base rental (See Note 13)	-	(10,245,739)	10,245,739	-	-
Total Other Financing Sources (Uses)	1,265,338	(4,790,351)	10,245,739	(6,720,726)	-
Change in fund balance	(772,795)	(1,404,415)	(35,906)	178,987	(2,034,129)
Fund Equity, at Beginning of Year	6,638,387	(1,334,072)	15,422,704	817,830	21,544,849
Fund Equity, at End of Year	\$ 5,865,592	\$ (2,738,487)	\$ 15,386,798	\$ 996,817	\$ 19,510,720

See notes to 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, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,034,129)
<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: 	
Capital asset purchases	247,322
Depreciation	(3,555,348)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and capital leases) 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 assets: 	
Repayments of debt - bonds	5,060,000
Repayments of debt - capital leases	41,123
Amortization of bond premiums	2,500
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	55,068
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
	(81,641)
<ul style="list-style-type: none"> Internal service funds are used by management to account for certain activities. The net activity of internal service funds is reported with Governmental Activities. 	
	<u>7,759,998</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>7,494,893</u>

See notes to 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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
County taxes	\$ 1,171,793	\$ 1,171,793	\$ 1,171,793	\$ -
Registry of deeds	4,500,000	4,500,000	4,389,258	(110,742)
Rental income	2,203,179	2,203,179	2,401,473	198,294
Investment income	500,000	500,000	578,780	78,780
Other	471,598	471,598	714,397	242,799
Use of fund balance	1,200,000	1,200,000	1,200,000	-
Transfers in - Chapter 64D, Deeds Excise Tax 25%	<u>2,025,000</u>	<u>2,025,000</u>	<u>1,680,182</u>	<u>(344,818)</u>
Total Revenues and Other Sources	12,071,570	12,071,570	12,135,883	64,313
Expenditures and Other Uses:				
Commissioners	407,656	425,011	413,778	11,233
Registry of deeds	3,426,020	3,426,020	3,230,790	195,230
Buildings maintenance	2,112,233	2,125,650	2,231,296	(105,646)
Treasurer	376,432	401,762	400,092	1,670
Human services	337,336	347,174	290,596	56,578
Employee benefits	700,961	3,763,065	3,652,780	110,285
General and administrative	3,828,519	700,475	606,933	93,542
Debt service:				
Interest	192,569	192,569	192,569	-
Reduction of debt	275,000	275,000	275,000	-
Transfers out - Corrections	<u>414,844</u>	<u>414,844</u>	<u>414,844</u>	<u>-</u>
Total Expenditures and Other Uses	<u>12,071,570</u>	<u>12,071,570</u>	<u>11,708,678</u>	<u>362,892</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>427,205</u>	\$ <u>427,205</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-Type <u>Activities</u> Internal Service <u>Fund</u>
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 13,586,025
Receivables:	
Due from insurance companies	376,527
Due from other governmental units	240,966
Due from other funds	<u>695,700</u>
Total current assets	14,899,218
Deposits with providers	<u>4,567,700</u>
TOTAL ASSETS	19,466,918
<u>LIABILITIES</u>	
Current:	
Accounts payable	4,113,691
Claims liabilities	<u>6,316,000</u>
Total current liabilities	<u>10,429,691</u>
TOTAL LIABILITIES	10,429,691
<u>NET ASSETS</u>	
Unrestricted	<u>9,037,227</u>
TOTAL NET ASSETS	\$ <u><u>9,037,227</u></u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Internal Service Fund
Operating Revenues:	
Participants' contributions:	
Medical	\$ 88,392,790
Dental	<u>1,159,231</u>
Total participants' contributions	89,552,021
Other income	<u>1,886,753</u>
Total Operating Revenues	91,438,774
Operating Expenses:	
Claims expenses:	
Medical	76,185,623
Dental	<u>1,370,462</u>
Total claims expenses	77,556,085
Claims administration fees	5,379,905
Stop loss insurance premiums	831,075
Professional fees and other administrative services	<u>200,223</u>
Total Operating Expenses	<u>83,967,288</u>
Operating Income (Loss)	7,471,486
Nonoperating Revenues (Expenses):	
Investment income	<u>288,512</u>
Total Nonoperating Revenues (Expenses), Net	<u>288,512</u>
Change in Net Assets	7,759,998
Net Assets at Beginning of Year	<u>1,277,229</u>
Net Assets at End of Year	<u>\$ 9,037,227</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type <u>Activities</u> Internal Service <u>Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Cash received from participants	\$ 91,608,544
Cash paid to insurance providers and other vendors	<u>(86,424,619)</u>
Net Cash Provided By Operating Activities	5,183,925
<u>Cash Flows From Investing Activities:</u>	
Interest on deposits	<u>288,512</u>
Net Cash Provided By Investing Activities	<u>288,512</u>
Net Change in Cash and Short-Term Investments	5,472,437
Cash and Short-Term Investments, Beginning of Year	<u>8,113,588</u>
Cash and Short-Term Investments, End of Year	<u>\$ 13,586,025</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ 7,471,486
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Receivables	190,036
Deposits	(17,000)
Claims liabilities	(1,017,000)
Accounts payable and other	<u>(1,443,597)</u>
Net Cash Provided By Operating Activities	<u>\$ 5,183,925</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Private Purpose Trust <u>Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>22,167</u>
Total Assets	\$ <u><u>22,167</u></u>

<u>NET ASSETS</u>	
Total net assets held in trust	\$ <u><u>22,167</u></u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Private Purpose Trust <u>Funds</u>
Additions:	
Interest income	\$ <u>696</u>
Total additions and net increase	696
 Net assets:	
Beginning of year	<u>21,471</u>
End of year	\$ <u><u>22,167</u></u>

See notes to 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 in member communities 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, correctional institution, 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. Pursuant to these criteria, the County identified the Plymouth County Correctional Facility Corporation (PCCFC) as a blended component unit requiring inclusion in the accompanying financial statements.

The PCCFC was incorporated in 1992 as a nonprofit corporation under the provisions of Chapter 180 of Massachusetts General Laws. The PCCFC is exempt from taxation as under Section 509(a) as an entity described in Section 501(c)3 of the Internal Revenue Code. The sole purpose of the PCCFC is to assist the County in facilitating the design, construction, equipping, financing, leasing, and saleback of the County criminal detention facility. The PCCFC has no stockholders and is governed solely by a separate Board of Directors. The Board of Directors consists of the Chair of the Plymouth County Commissioners, the Plymouth County Treasurer, and the Plymouth County Sheriff.

The PCCFC includes a debt reserve fund and a repair and replacement fund as established per the PCCFC trust agreement. The remaining PCCFC funds consist of unexpended project funds and repair and replacement funds contributed by the Plymouth County Jail, including accumulated interest income.

These financial statements do not include certain accounts and activity related to the Registry of Deeds, Sheriff's Department, Extension, and Jail Canteen.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational 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, proprietary 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*, as is the proprietary fund and fiduciary fund financial statements. 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.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include County taxes.

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 of Plymouth, Massachusetts reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *House of Corrections* accounts for the revenues and expenditures specifically associated with the operation of the county jail.
- The *PCCFC* accounts for the design, construction, equipping, financing, leasing, and saleback of the County criminal detention center.

The County's self-insured health program is reported as an internal service fund in the accompanying financial statements.

Private-purpose trust funds are used to account for trust arrangements which exclusively benefit individuals, private organizations, or other governments.

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. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the Statement of Cash Flows, the proprietary fund considers investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments consist of U.S. Treasury Obligations, guaranteed contracts, and short-term money market investments. Investments are carried at market value.

F. 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) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

G. Capital Assets

Capital assets, which include land, buildings, building 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 fair market 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>
Buildings	40 - 50
Building improvements	20
Equipment	10
Vehicles	5

H. 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, proprietary, 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.

I. 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 Assets.

J. 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 specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. 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 of every July 1. 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 plus increases in County costs for services requested or customarily provided locally.

Pursuant to Massachusetts General Law, Chapter 35, Section 30, the County is limited to retaining an undesignated 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 Government Finance Review Board, with the exception of the state revenue for the House of Corrections. Original and supplemental appropriations are acted upon by a separate vote of the County Commissioners and the Advisory Board with final approval by the County Government Finance Review Board (CGFRB). 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 GAAP basis 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)	\$ 9,255,701	\$ 11,293,834
Other financing sources/uses (GAAP Basis)	<u>1,680,182</u>	<u>414,844</u>
Subtotal (GAAP Basis)	10,935,883	11,708,678
Recognize use of fund balance as funding source	<u>1,200,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 12,135,883</u>	<u>\$ 11,708,678</u>

D. Deficit Fund Balance

At June 30, 2007, the House of Corrections is showing a deficit fund balance of \$(2,738,487), with an increase in the deficit of \$(1,404,415) attributable to fiscal year 2007. This deficit was resolved during fiscal year 2010 as a result of the transfer of the House of Corrections to the Commonwealth of Massachusetts.

4. Cash and Investments

A. Custodial Credit Risk

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's MMDT deposits have been included with cash as of June 30, 2007.

As of June 30, 2007, \$23,870,451 of the County's bank balance of \$24,453,934 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.

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the rating as of year-end for each investment of the County of Plymouth, Massachusetts. (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
Federal U.S. Treasury Obligations	\$ 2,091,051	N/A	\$ 2,091,051	\$ -	\$ -	\$ -
Guaranteed contracts:						
AMBAC Capital Funding, Inc.	5,206,587	N/A	5,206,587	-	-	-
Ixis Funding Corp	4,197,472	N/A	4,197,472	-	-	-
Money market	<u>704,997</u>	N/A	<u>704,997</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 12,200,107</u>		<u>\$ 12,200,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

C. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The County places no limit on the amount that may be invested in any one issuer. Excluding external investment pools, the Plymouth County Correctional Facility Corporation’s investments in the guaranteed contracts of IXIS Funding Corporation and AMBAC Capital Funding, Inc. represent 42.7% and 34.4% of total investments, respectively.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the County of Plymouth, Massachusetts’ investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Federal U.S. Treasury Obligations	\$ 2,091,051	\$ -	\$ -	\$ -	\$ -	\$ 2,091,051
Guaranteed contracts:						
AMBAC Capital Funding, Inc.	5,206,587	-	-	-	5,206,587	-
Ixis Funding Corp	4,197,472	-	4,197,472	-	-	-
Money market	<u>704,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,997</u>
Total	<u>\$ 12,200,107</u>	<u>\$ -</u>	<u>\$ 4,197,472</u>	<u>\$ -</u>	<u>\$ 5,206,587</u>	<u>\$ 2,796,048</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The County of Plymouth, Massachusetts does not have a policy for foreign currency risk.

5. Restricted Cash and Investments

Under the trust agreement between the County and PCCFC (see Note 13), a repair and replacement reserve fund and debt service reserve fund have been established and initially funded from the proceeds of the sale of certificates of participation (see Note 10). The debt service reserve fund is to be maintained during the term of the lease in an amount equal to one half of the maximum aggregate sum of principal and interest payable with respect to the

certificates in the current or any future certificate year. Restricted cash and investments are offset by fund balance reserves in the PCCFC to indicate the restriction for specific purposes.

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 an analysis of the June 30, 2007 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General fund	\$ -	\$ 4,378,770	\$ 2,738,487	\$ -
House of Corrections	-	-	-	2,738,487
PCCFC	2,701,253	-	-	-
Nonmajor governmental funds	981,817	-	-	-
Internal service fund	695,700	-	-	-
Total	<u>\$ 4,378,770</u>	<u>\$ 4,378,770</u>	<u>\$ 2,738,487</u>	<u>\$ 2,738,487</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings	\$ 186,563	\$ -	\$ -	\$ 186,563
Building improvements	-	165	-	165
Equipment	-	81	-	81
Vehicles	232	-	-	232
	<u>186,795</u>	<u>246</u>	<u>-</u>	<u>187,041</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings	(53,352)	(3,507)	-	(56,859)
Building improvements	-	(1)	-	(1)
Equipment	-	(1)	-	(1)
Vehicles	(46)	(46)	-	(92)
	<u>(53,398)</u>	<u>(3,555)</u>	<u>-</u>	<u>(56,953)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	133,397	(3,309)	-	130,088
Capital assets, not being depreciated:				
Land	658	-	-	658
Construction in progress	110	111	(110)	111
	<u>768</u>	<u>111</u>	<u>(110)</u>	<u>769</u>
Total capital assets, not being depreciated				
Governmental activities capital assets, net	<u>\$ 134,165</u>	<u>\$ (3,198)</u>	<u>\$ (110)</u>	<u>\$ 130,857</u>

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

Governmental Activities:	
Registry of deeds	\$ 137
Building maintenance	175
House of corrections	2,997
Sheriff	246
	<u>3,555</u>
Total depreciation expense - governmental activities	<u>\$ 3,555</u>

8. Accounts Payable

Accounts payable represents current year expenditures paid in the subsequent year.

9. Capital Lease Obligations

The County is the lessee of certain equipment under capital leases expiring in various years through fiscal year 2010. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2007:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 43,620	\$ 8,437	\$ 52,057
2009	46,268	5,788	52,056
2010	<u>49,077</u>	<u>2,980</u>	<u>52,057</u>
Total	\$ <u>138,965</u>	\$ <u>17,205</u>	\$ <u>156,170</u>

Equipment financed by capital lease payable totaling \$232,143 is reported in capital assets, net of \$92,857 accumulated depreciation.

10. Long-Term Debt

A. Certificates of Participation and General Obligation Bonds

Certificates of Participation

The site on which the County's criminal detention facility is located is leased under a ground lease from the County to the Plymouth County Correctional Facility Corporation (PCCFC) for \$5,000,000 which was paid in full to the County from the proceeds of the sale of certificates of participation for a term ending no later than May 1, 2032. The PCCFC, pursuant to a lease purchase agreement (the "lease"), dated May 1, 1992 and as amended February 16, 1999, leases the criminal detention facility for an initial term of thirty years to the County in consideration of the County's obligation to make rental payments. The rent scheduled to be paid by the County under the lease, together with certain amounts available from the proceeds of the certificates, is designed to be sufficient in both time of availability and amount for payment of the principal and interest of the certificates of participation. As security for the payment of all liabilities, and performance of all obligations pursuant to the lease, the County has continuously pledged, granted a security interest in, and assigned to the PCCFC, the revenues (see Note 13), together with the County's right to receive and collect the revenues and the proceeds of the revenues. Under an updated assignment agreement dated February 16, 1999 by and between the PCCFC and the Trustee, the PCCFC has assigned to State Street Bank and Trust Company, as trustee, all of its rights, title, and interest, and ground lease.

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.

Certificates of participation and 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 6/30/07</u>
Certificates of participation - Corrections	04/01/22	3% - 5%	\$ 107,180,000
General obligation bonds - Registry	12/15/23	2.50% - 4.55%	<u>4,675,000</u>
Total Governmental Activities			<u>\$ 111,855,000</u>

B. Future Debt Service

The annual payments related to the certificates of participation and payments to retire general obligation long-term debt outstanding as of June 30, 2007 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,290,000	\$ 5,412,289	\$ 10,702,289
2009	5,525,000	5,173,065	10,698,065
2010	5,760,000	4,926,243	10,686,243
2011	6,010,000	4,666,750	10,676,750
2012	6,275,000	4,386,206	10,661,206
2013 - 2017	36,250,000	16,907,274	53,157,274
2018 - 2022	46,195,000	6,682,630	52,877,630
Thereafter	<u>550,000</u>	<u>24,956</u>	<u>574,956</u>
Total	<u>\$ 111,855,000</u>	<u>\$ 48,179,413</u>	<u>\$ 160,034,413</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in long-term liabilities (in thousands):

<u>Governmental Activities</u>	<u>Total Balance 7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/07</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/07</u>
Bonds payable	\$ 116,915	\$ -	\$ (5,060)	\$ 111,855	\$ (5,290)	\$ 106,565
Bond premium	45	-	(3)	42	(2)	40
Capital leases	180	-	(41)	139	(44)	95
Compensated absences	<u>1,665</u>	<u>81</u>	<u>-</u>	<u>1,746</u>	<u>(261)</u>	<u>1,485</u>
Totals	<u>\$ 118,805</u>	<u>\$ 81</u>	<u>\$ (5,104)</u>	<u>\$ 113,782</u>	<u>\$ (5,597)</u>	<u>\$ 108,185</u>

11. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

12. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

Reserved for Advances – An account used to segregate a portion of fund balance to indicate that advances to other funds, although a component of assets, do not represent available spendable resources.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Repair and Replacement – An account used to segregate a portion of fund balance that is restricted for repairs of the PCCFC facility.

Reserved for Debt Service – An account used to segregate a portion of fund balance that is to be maintained for the term of the lease (see Note 13).

Reserved for Correctional Facility – An account used to segregate a portion of fund balance restricted for capital purposes.

13. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the County is involved. The County’s management is of the opinion that the potential future settlement of such claims 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.

Base Rental Memorandum of Agreement - Payments of base rental by the County to the PCCFC are derived from funds payable to the County by the Commonwealth of Massachusetts (the “Commonwealth”) under a memorandum of agreement (the “MOA”) between the County, the Executive

Office of Public Safety (the “EOPS”), and the Department of Correction (the “DOC”) of the Commonwealth reimbursing the County for the cost of housing state prisoners at the Plymouth County Correctional Facility. In addition, the County has available to it appropriated funds of the County, including appropriations from the Commonwealth, and funds payable to the County by the U.S. Marshals Service under an intergovernmental service agreement (the IGA”) reimbursing the County for the cost of housing federal pre-sentence detainees. Funds appropriated by the County for its own prisoners are primarily received by the County from funds appropriated by the Commonwealth for such purpose.

Pursuant to this agreement, the assignment agreement and IGA assignment agreement, dated as of May 1, 1992, and as amended February 16, 1999 by and between the County and the Trustee (the “IGA Assignment”), the County has assigned to the PCCFC, and the PCCFC has assigned to the Trustee all payments made under the MOA, IGA, and by other governmental payers pursuant to contractual arrangements, as well as other funds appropriated by the Commonwealth to the County for County correctional purposes.

Under the updated agreement dated February 16, 1999 between the County, the PCCFC, and the Trustee, the Trustee deposits the revenues in the Revenue Fund and transfers monies from such Revenue Fund to the Lease Payment Fund and the Reserve Fund to the extent necessary to pay principal and interest with respect to the certificates of participation and satisfy the funding requirements of the Reserve Fund, and pays any additional rental not otherwise paid directly by the County. Any amounts in the Revenue Fund not required for such purposes are available to the County to cover its correctional expenses and for other County purposes (refer to Note 10). As provided in the Trust Agreement, a Reserve Fund has been established and initially funded from the proceeds of the sale of certificates of participation in the amount of \$5,128,128. The Reserve Fund is to be maintained during the term of the lease in an amount equal to one-half of the maximum aggregate sum of principal and interest payable with respect to the certificates in the current or any future certificate year.

14. Post-Employment Benefits

Plan Description

The County of Plymouth, Massachusetts contributes, for eligible employees, to the Plymouth County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.), and other applicable statutes. Oversight is provided by a five-member board. The

System issues an annual report that is available to the public and may be obtained by contacting the Plymouth County Retirement System, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The County's current year contribution is \$3.7 million, representing approximately 11% of the system-wide employer assessments. The contribution requirements of plan members and the County are established and may be amended by MGL. The County's contributions to the System for the years ending June 30, 2006 and 2005 were \$3.4 million and \$2.2 million, respectively, which were equal to the required contributions for each year.

Other Post-employment Benefits

In addition to the pension benefits described above, the County provides post-retirement healthcare benefits to all employees who retire from the County on or after attaining age 55 with 10 or more years of service. Currently, the County pays at least 90% of the insurance premiums. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid.

15. Self-Insurance

The Plymouth County Claims Trust Fund (the Fund) was organized under Chapter 32B, Section 11 of the Massachusetts General Laws to obtain health insurance for its member governments at reduced costs due to availability of large discounts. The Plymouth County Commissioners have oversight responsibility of the Fund and the Plymouth County Treasurer is the custodian of the Fund. For financial reporting purposes, the Fund is classified as a proprietary fund of the County.

The County Commissioners may vote to terminate a governmental unit's participation in the fund. Employees and retirees of the governmental unit will no longer participate upon the effective date of such a vote. A governmental unit may terminate its participation by filing a petition with the County Commissioners no later than January 1 preceding the fiscal year in which the governmental unit seeks to exit the Fund.

The Fund consists of thirty-five governmental units (twenty-two towns, six regional school districts, one county, and six other entities). Governmental units may elect to participate in the Fund and, subject to approval of the County Commissioners, become insured as mutually agreed upon. Coverage is furnished at uniform premium rates. (See Note 17).

The Fund offers the following health insurance options:

Active members

- Blue Cross/Blue Shield – Master Health
- Blue Cross/Blue Shield – Network Blue (HMO)
- Blue Cross/Blue Shield – Blue Care Elect PPO
- Harvard/Pilgrim Health

Pensioners

- Blue Cross/Blue Shield – Medex and Carve Out
- Harvard/Pilgrim Health

Effective for fiscal year 2006, dental coverage is also offered on a self-insured basis.

The above plans are self-insured programs under which the Fund has purchased stop loss insurance (reinsurance) to limit loss exposures. The Fund has a specific excess medical and prescription drug claims reinsurance contract with an insurance carrier covering claims paid in excess of \$150,000, specific deductible per individual to a lifetime maximum amount payable of \$2,000,000, less the specific deductible.

Deposits with providers at June 30, 2007 totaled \$4,567,700.

The Fund does not include reinsured risks as liabilities unless it is provable that those risks will not be covered by the reinsurer. Amounts recoverable through reinsurers on paid claims are classified as receivable and as a reduction of claims expense.

The Fund reserves for incurred and unreported claims by establishing a liability. The liability reported in the Fund at June 30, 2007 is based on the requirements of Governmental Accounting Standards Board No. 10.

Changes in the aggregate liability for claims for the year ended June 30, 2007 are as follows:

Claims liability, beginning of year	\$ 7,333,000
Incurred claims and claims adjustments:	
Provision for insured events of the current fiscal year	79,023,123
Increase (decrease) in provision for insured events of prior fiscal years	<u>(1,467,038)</u>
Total	77,556,085
Payments:	
Claims and claims adjustments attributable to insured events of the current fiscal year.	(72,707,123)
Claims and claims adjustments attributable to insured events of prior fiscal years	<u>(5,865,962)</u>
Total	<u>(78,573,085)</u>
Claims liability, end of year	\$ <u><u>6,316,000</u></u>

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 have been no material settlements in excess of coverage in any of the past three fiscal years.

17. Subsequent Events

Formation of Joint Purchasing Group for Health Insurance

As of July 1, 2008, the County Commissioners and the participating governmental units voted to form a joint purchasing group organized under Chapter 32B, Section 12 of Massachusetts' General Laws, to replace the County's existing health claims trust fund, being maintained as an internal service fund of the County. This group is currently known as the Mayflower Municipal Health Group (Group). Pursuant to an agreement entered into between the County and the Group, remaining assets of the fund were to be transferred to the Group, and the Group assumed full responsibility for all health claims of the fund.

Legislation Transferring County Sheriff to the Commonwealth

As of January 1, 2010, Chapter 61 of the Acts of 2009 became effective which transferred the Department of the County Sheriff to the Commonwealth of Massachusetts. Pursuant to this legislation, the Commonwealth assumed

all assets and obligations of the Department of the County Sheriff as of this date. Once the Commonwealth refinances outstanding bonds of the Plymouth County Correctional Facility Corporation, the Corporation will be dissolved.

In addition, subsequent legislation changed the allocation of deeds excise taxes to be maintained by the County and the Commonwealth.