

COUNTY OF PLYMOUTH, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2009



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
Fiduciary Funds:	
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	18
Notes to Financial Statements	19



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, 2009, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

As of June 30, 2009, management of the County had not adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), and accordingly has not reported the related liability and expense on the government-wide financial statements nor have the required disclosures and supplementary information, *Schedule of Funding Progress*, been included in these financial statements. Accounting principles generally accepted in the United States of America require that the OPEB liability be reported which would increase liabilities and expenses and decrease net assets and change the expenses in the government-wide financial statements. The amount by which this departure would affect the liabilities and expenses, and net assets and revenues of the government-wide financial statements is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the County of

Plymouth, Massachusetts, as of June 30, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, each major fund, and the aggregate remaining fund information of the County of Plymouth, Massachusetts, as of June 30, 2009, and the respective changes in financial position 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's 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, 2009.

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 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 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 \$38,284,017 (i.e., net assets), a change of \$(11,336,983) in comparison to the prior year. A key element of this change relates to the closing of the health claims internal service fund as described in Note 15.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$17,899,988, a change of \$(3,074) in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,803,926, a change of \$(150,382) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$101,040,000 a change of \$(5,525,000) 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 and prior fiscal years:

	<u>NET ASSETS</u>	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current assets	\$ 23,073,137	\$ 49,139,256
Noncurrent assets	<u>124,976,988</u>	<u>128,137,270</u>
Total assets	148,050,125	177,276,526
Current liabilities	12,737,692	24,850,148
Noncurrent liabilities	<u>97,028,416</u>	<u>102,805,378</u>
Total liabilities	109,766,108	127,655,526
Net assets:		
Invested in capital assets, net	32,634,886	30,147,757
Restricted	7,561,770	12,794,064
Unrestricted	<u>(1,912,639)</u>	<u>6,679,179</u>
Total net assets	<u>\$ 38,284,017</u>	<u>\$ 49,621,000</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 59,809,726	\$ 141,969,078
Operating grants and contributions	11,717,013	11,102,913
General revenues:		
County taxes	1,231,358	1,201,110
Rental income	2,739,632	2,125,907
Investment income	436,605	1,252,934
Other	<u>1,949,236</u>	<u>2,237,785</u>
Total revenues	77,883,570	159,889,727

(continued)

(continued)

CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Expenses:		
Commissioners	237,288	345,860
Registry of deeds	3,064,798	3,418,079
Buildings maintenance	2,758,912	2,546,244
Treasurer	467,649	434,194
Human services	301,936	322,075
House of corrections	57,615,229	54,075,737
Civil process	2,526,182	2,686,085
Employee benefits	3,210,535	84,906,014
General and administrative	371,322	486,978
Interest on debt obligations	<u>5,114,927</u>	<u>5,353,714</u>
Total expenses	<u>75,668,778</u>	<u>154,574,980</u>
Change in net assets before special item	2,214,792	5,314,747
Special item (See Note 15)	<u>(13,551,775)</u>	<u>-</u>
Change in net assets	(11,336,983)	5,314,747
Net assets - beginning of year	<u>49,621,000</u>	<u>44,306,253</u>
Net assets - end of year	<u>\$ 38,284,017</u>	<u>\$ 49,621,000</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 \$38,284,017, a change of \$(11,336,983) from the prior year. A key element of this change relates to the closing of the health claims internal service fund as described in Note 15.

The largest portion of net assets \$32,634,886 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 \$7,561,770 represents resources that are subject to external restrictions on how they may be used.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$(11,336,983). Key elements of this change are as follows:

Operating Results:

General fund	\$ 5,229,220
House of corrections	(648,261)
Plymouth County Correctional Facility Corporation (PCCFC)	(5,738,341)
Nonmajor governmental funds	<u>1,154,308</u>
Subtotal operating results	(3,074)

Timing Differences:

Principal debt service in excess of depreciation expense	1,937,081
Change in bond premium	2,500
Change in accrued interest	58,138
Capital asset purchases	529,647
Change in compensated absences	(309,500)
Closing of internal service fund (See Note 15)	<u>(13,551,775)</u>
Total	<u>\$ (11,336,983)</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 \$17,899,988, a change of \$(3,074) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and transfers in in excess of expenditures and transfers out	\$ 5,229,220
House of corrections expenditures and transfers out in excess of revenues and transfers in	(648,261)
Plymouth County Correctional Facility Corporation (PCCFC) expenditures in excess of revenues and transfers in	(5,738,341)
Nonmajor governmental fund revenues in excess of expenditures and transfers out	<u>1,154,308</u>
Total	<u>\$ (3,074)</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 \$1,803,926, while total fund balance was \$10,338,218. 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>6/30/09</u>	<u>6/30/08</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unreserved fund balance	\$ 1,803,926	\$ 1,954,308	\$ (150,382)	18.5%
Total fund balance	\$ 10,338,218	\$ 5,108,998	\$ 5,229,220	105.9%

The total fund balance of the general fund changed by \$5,229,220 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (230,360)
Revenues less than budget	(112,227)
Expenditures less than budget	1,033,319
Transfer of reserves from the PCCFC	<u>4,538,488</u>
Total	<u>\$ 5,229,220</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no increases to the original budget during fiscal year 2009; however, there were 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 \$124,976,988 (net of accumulated depreciation), a change of \$(3,160,282) 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 \$101,040,000, 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, 2009

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 8,063,649
Investments	4,923,933
Restricted cash (See Note 5)	279,898
Restricted investments (See Note 5)	8,589,310
Receivables	1,216,347
Noncurrent:	
Capital assets:	
Land and construction in progress	1,106,885
Other capital assets, net of accumulated depreciation	<u>123,870,103</u>
TOTAL ASSETS	148,050,125
LIABILITIES	
Current:	
Accounts payable	3,107,589
Accrued payroll and related liabilities	2,047,831
Other liabilities	17,729
Accrued interest on bonds payable	1,198,867
Current portion of long-term liabilities:	
Bonds payable	5,760,000
Bond premium	2,500
Capital leases	108,327
Compensated absences	494,849
Noncurrent:	
Bonds payable	95,280,000
Bond premium	35,000
Capital leases	62,983
Compensated absences	<u>1,650,433</u>
TOTAL LIABILITIES	109,766,108
NET ASSETS	
Invested in capital assets, net of related debt	32,634,886
Restricted	7,561,770
Unrestricted	<u>(1,912,639)</u>
TOTAL NET ASSETS	\$ <u>38,284,017</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<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	\$ 237,288	\$ -	\$ -	\$ (237,288)
Registry of deeds	3,064,798	7,682,096	775,266	5,392,564
Buildings maintenance	2,758,912	-	-	(2,758,912)
Treasurer	467,649	-	-	(467,649)
Human services	301,936	-	10,879	(291,057)
House of corrections	57,615,229	50,046,751	10,246,996	2,678,518
Civil process	2,526,182	2,080,879	683,872	238,569
Employee benefits	3,210,535	-	-	(3,210,535)
General and administrative	371,322	-	-	(371,322)
Interest on debt obligations	5,114,927	-	-	(5,114,927)
Total Governmental Activities	<u>\$ 75,668,778</u>	<u>\$ 59,809,726</u>	<u>\$ 11,717,013</u>	(4,142,039)
General Revenues and Special Items:				
				1,231,358
				2,739,632
				436,605
				1,949,236
				Special item - closing of internal service fund (See Note 15)
				<u>(13,551,775)</u>
				Total general revenues and special items
				<u>(7,194,944)</u>
				Change in Net Assets
				(11,336,983)
Net Assets:				
				Beginning of year
				<u>49,621,000</u>
				End of year
				<u>\$ 38,284,017</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	General Fund	House of Corrections	Plymouth County Correctional Facility Corporation (PCCFC)	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 8,048,649	\$ -	\$ -	\$ 15,000	\$ 8,063,649
Investments	4,923,933	-	-	-	4,923,933
Restricted cash (See Note 5)	-	-	279,898	-	279,898
Restricted investments (See Note 5)	-	-	8,589,310	-	8,589,310
Receivables	1,216,347	-	-	-	1,216,347
Due from other funds	-	-	-	2,251,958	2,251,958
Advance to other funds	3,510,359	-	-	-	3,510,359
TOTAL ASSETS	\$ 17,699,288	\$ -	\$ 8,869,208	\$ 2,266,958	\$ 28,835,454
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,107,589	\$ -	\$ -	\$ -	\$ 3,107,589
Accrued payroll and related liabilities	1,983,794	62,232	-	1,805	2,047,831
Other liabilities	17,729	-	-	-	17,729
Due to other funds	2,251,958	-	-	-	2,251,958
Advance from other funds	-	3,510,359	-	-	3,510,359
TOTAL LIABILITIES	7,361,070	3,572,591	-	1,805	10,935,466
Fund Balances:					
Reserved for:					
Advances	3,510,359	-	-	-	3,510,359
Expenditures	100,000	-	-	-	100,000
Repair and replacement	-	-	3,695,080	-	3,695,080
Debt service	-	-	5,174,128	-	5,174,128
Capital purposes	4,923,933	-	-	-	4,923,933
Unreserved:					
Undesignated, reported in:					
General fund	1,803,926	-	-	-	1,803,926
Special revenue funds	-	(3,572,591)	-	2,265,153	(1,307,438)
TOTAL FUND BALANCES	10,338,218	(3,572,591)	8,869,208	2,265,153	17,899,988
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,699,288	\$ -	\$ 8,869,208	\$ 2,266,958	\$ 28,835,454

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, 2009

TOTAL GOVERNMENTAL FUND BALANCES	\$	17,899,988
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		124,976,988
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(1,198,867)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable		(101,040,000)
Bond premium		(37,500)
Capital leases		(171,310)
Compensated absences		<u>(2,145,282)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>38,284,017</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, 2009

	General Fund	House of Corrections	Plymouth County Correctional Facility Corporation (PCCFC)	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
County taxes	\$ 1,231,358	\$ -	\$ -	\$ -	\$ 1,231,358
Registry of deeds	3,459,494	-	-	4,222,602	7,682,096
Rental income	2,739,632	-	-	-	2,739,632
Charges for services	-	50,046,751	-	2,080,879	52,127,630
Intergovernmental revenues	-	10,246,996	-	1,470,017	11,717,013
Investment income	436,605	-	-	-	436,605
Other	1,946,736	-	-	-	1,946,736
Total Revenues	9,813,825	60,293,747	-	7,773,498	77,881,070
Expenditures:					
Current:					
Commissioners	227,775	-	-	-	227,775
Registry of deeds	2,871,545	-	-	46,182	2,917,727
Buildings maintenance	1,880,378	-	1,199,853	-	3,080,231
Treasurer	462,976	-	-	-	462,976
Human services	288,299	-	-	11,836	300,135
House of corrections	-	54,276,808	-	-	54,276,808
Civil process	-	-	-	2,338,570	2,338,570
Employee benefits	3,210,535	-	-	-	3,210,535
General and administrative	371,322	-	-	-	371,322
Debt service:					
Interest	176,069	-	4,996,996	-	5,173,065
Reduction of debt	275,000	-	5,250,000	-	5,525,000
Total Expenditures	9,763,899	54,276,808	11,446,849	2,396,588	77,884,144
Excess (deficiency) of revenues over expenditures	49,926	6,016,939	(11,446,849)	5,376,910	(3,074)
Other Financing Sources (Uses):					
Transfers - Deeds	1,055,650	3,166,952	-	(4,222,602)	-
Transfers - Corrections	(414,844)	414,844	-	-	-
Transfers - Capital purposes	4,538,488	-	(4,538,488)	-	-
Base rental (See Note 13)	-	(10,246,996)	10,246,996	-	-
Total Other Financing Sources (Uses)	5,179,294	(6,665,200)	5,708,508	(4,222,602)	-
Change in fund balance	5,229,220	(648,261)	(5,738,341)	1,154,308	(3,074)
Fund Equity, at Beginning of Year	5,108,998	(2,924,330)	14,607,549	1,110,845	17,903,062
Fund Equity, at End of Year	\$ 10,338,218	\$ (3,572,591)	\$ 8,869,208	\$ 2,265,153	\$ 17,899,988

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, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (3,074)
<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	529,647
Depreciation	(3,689,928)
<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	5,525,000
Repayments of debt - capital leases	102,009
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. 	
	58,138
<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. 	
	(309,500)
<ul style="list-style-type: none"> At July 1, 2008 the internal service fund was closed due to the formation of the Mayflower Municipal Health Group (See Note 15). 	
	<u>(13,551,775)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(11,336,983)</u></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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
County taxes	\$ 1,231,115	\$ 1,231,115	\$ 1,231,358	\$ 243
Registry of deeds	3,700,000	3,700,000	3,459,494	(240,506)
Rental income	2,482,120	2,482,120	2,739,632	257,512
Investment income	532,000	532,000	436,605	(95,395)
Other	1,361,467	1,361,467	1,946,736	585,269
Use of fund balance	230,360	230,360	230,360	-
Transfers in - Chapter 64D, Deeds Excise Tax 25%	<u>1,675,000</u>	<u>1,675,000</u>	<u>1,055,650</u>	<u>(619,350)</u>
Total Revenues and Other Sources	11,212,062	11,212,062	11,099,835	(112,227)
Expenditures and Other Uses:				
Commissioners	271,923	270,320	227,775	42,545
Registry of deeds	3,148,770	3,114,457	2,871,545	242,912
Buildings maintenance	1,970,230	1,900,803	1,880,378	20,425
Treasurer	627,848	468,710	462,976	5,734
Human services	255,149	285,875	288,299	(2,424)
Employee benefits	489,486	3,491,776	3,210,535	281,241
General and administrative	3,582,743	814,208	371,322	442,886
Debt service:				
Interest	176,069	176,069	176,069	-
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>11,212,062</u>	<u>11,212,062</u>	<u>10,178,743</u>	<u>1,033,319</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>921,092</u>	\$ <u>921,092</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust <u>Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>23,365</u>
Total Assets	\$ <u><u>23,365</u></u>
 <u>NET ASSETS</u>	
Total net assets held in trust	\$ <u><u>23,365</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, 2009

	Private Purpose Trust Funds
Additions:	
Interest income	\$ <u>415</u>
Total additions and net increase	415
Net assets:	
Beginning of year	<u>22,950</u>
End of year	<u>\$ 23,365</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 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 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.

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 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 cap-

tion “cash and short-term investments”. The interest earnings attributable to each fund type are included under investment income.

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, federal agency securities, mutual funds, 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)	\$ 9,813,825	\$ 9,763,899
Other financing sources/uses (GAAP Basis)	<u>5,594,138</u>	<u>414,844</u>
Subtotal (GAAP Basis)	15,407,963	10,178,743
To reverse transfer for capital purposes from the PCCFC	(4,538,488)	-
Recognize use of fund balance as funding source	<u>230,360</u>	<u>-</u>
Budgetary Basis	<u>\$ 11,099,835</u>	<u>\$ 10,178,743</u>

D. Deficit Fund Balance

At June 30, 2009, the House of Corrections is showing a deficit fund balance of \$(3,572,591), with an increase in the deficit of \$(648,261) attributable to fiscal year 2009. 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, 2009.

As of June 30, 2009, \$8,291,239 of the County's bank balance of \$8,950,324 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	\$ 5,174,127	N/A	\$ 5,174,127	\$ -	\$ -	\$ -
Federal agency securities	4,800,314		-	4,800,314	-	-
Mutual funds	123,619	N/A	123,619	-	-	-
Money market	<u>3,415,183</u>	N/A	<u>3,415,183</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 13,513,243</u>		<u>\$ 8,712,929</u>	<u>\$ 4,800,314</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. Investments in any one issue (other than U.S. Treasury Obligations and mutual funds) that represent 5% or more of the total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	\$ 1,838,203	14%
Federal Home Loan Bank	1,583,750	12%
U.S. Treasury Notes	<u>863,999</u>	6%
Total	<u>\$ 4,285,952</u>	

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>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>N/A</u>
Federal U.S. Treasury Obligations	\$ 5,174,127	\$ -	\$ -	\$ -	\$ 5,174,127
Federal agency securities	4,800,314	604,194	3,395,885	800,235	-
Mutual funds	123,619	-	-	-	123,619
Money market	<u>3,415,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,415,183</u>
Total	<u>\$ 13,513,243</u>	<u>\$ 604,194</u>	<u>\$ 3,395,885</u>	<u>\$ 800,235</u>	<u>\$ 8,712,929</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, 2009 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	\$ -	\$ 2,251,958	\$ 3,510,359	\$ -
House of Corrections	-	-	-	3,510,359
PCCFC	-	-	-	-
Nonmajor governmental funds	<u>2,251,958</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,251,958</u>	<u>\$ 2,251,958</u>	<u>\$ 3,510,359</u>	<u>\$ 3,510,359</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings	\$ 186,563	\$ -	\$ (2,275)	\$ 184,288
Building improvements	276	204	-	480
Equipment	589	55	-	644
Vehicles	477	-	-	477
Total capital assets, being depreciated	<u>187,905</u>	<u>259</u>	<u>(2,275)</u>	<u>185,889</u>
Less accumulated depreciation for:				
Buildings	(60,366)	(3,507)	2,275	(61,598)
Building improvements	(5)	(8)	-	(13)
Equipment	(33)	(67)	-	(100)
Vehicles	<u>(200)</u>	<u>(108)</u>	<u>-</u>	<u>(308)</u>
Total accumulated depreciation	<u>(60,604)</u>	<u>(3,690)</u>	<u>2,275</u>	<u>(62,019)</u>
Total capital assets, being depreciated, net	127,301	(3,431)	-	123,870
Capital assets, not being depreciated:				
Land	658	-	-	658
Construction in progress	178	449	(178)	449
Total capital assets, not being depreciated	<u>836</u>	<u>449</u>	<u>(178)</u>	<u>1,107</u>
Governmental activities capital assets, net	<u>\$ 128,137</u>	<u>\$ (2,982)</u>	<u>\$ (178)</u>	<u>\$ 124,977</u>

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

Governmental Activities:	
Registry of deeds	\$ 137
Building maintenance	178
House of corrections	3,175
Sheriff	<u>200</u>
Total depreciation expense - governmental activities	<u>\$ 3,690</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 2011. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2009:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 108,327	\$ 10,677	\$ 119,004
2011	<u>62,983</u>	<u>3,966</u>	<u>66,949</u>
Total	<u>\$ 171,310</u>	<u>\$ 14,643</u>	<u>\$ 185,953</u>

Equipment financed by capital lease payable totaling \$477,055 is reported in capital assets, net of \$308,170 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>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/09</u>
Certificates of participation - Corrections	04/01/22	3% - 5%	\$ 96,915,000
General obligation bonds - Registry	12/15/23	2.50% - 4.55%	<u>4,125,000</u>
Total Governmental Activities			<u>\$ 101,040,000</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, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	6,570,000	4,085,209	10,655,209
2014	6,890,000	3,752,327	10,642,327
2015 - 2019	39,940,000	13,102,801	53,042,801
2020 - 2024	<u>29,595,000</u>	<u>2,674,525</u>	<u>32,269,525</u>
Total	\$ <u>101,040,000</u>	\$ <u>37,594,061</u>	\$ <u>138,634,061</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/09</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/09</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 106,565	\$ -	\$ (5,525)	\$ 101,040	\$ (5,760)	\$ 95,280
Bond premium	40	-	(2)	38	(3)	35
Capital leases	273	-	(102)	171	(108)	63
Compensated absences	<u>1,835</u>	<u>310</u>	<u>-</u>	<u>2,145</u>	<u>(495)</u>	<u>1,650</u>
Totals	\$ <u>108,713</u>	\$ <u>310</u>	\$ <u>(5,629)</u>	\$ <u>103,394</u>	\$ <u>(6,366)</u>	\$ <u>97,028</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 Capital Purposes - 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 \$5,174,025. 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. The Reserve Fund was to be invested in AMBAC guaranteed contracts. During fiscal year 2009, Moody's downgraded the AMBAC guaranteed contracts and, as a result, the PCCFC sold the AMBAC guaranteed contracts.

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 \$3.6 million representing approximately 8.7% 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, 2008 and 2007 were \$3.3 million and \$3.7 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. Formation of Joint Purchasing Group for Health Insurance

As of July 1, 2008, the County Commissioners and the participating governmental units (except for one special purpose government) voted to form a joint purchasing group organized under Chapter 32B, Section 12 of Massachusetts' General Laws, that replaced the County's existing health claims trust fund, that was 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 totaling \$13,551,775 were transferred to the Group, and the Group assumed full responsibility for all health claims of the fund.

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

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.