

**COUNTY OF PLYMOUTH, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2012**



## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	10
Statement of Activities	11
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
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
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	18
<b>Notes to Financial Statements</b>	19
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Funding Progress	33

## INDEPENDENT AUDITORS' REPORT

To the Commissioners  
County of Plymouth, Massachusetts

Additional Offices:

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

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, 2012, 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. 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, 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, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress 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 manage-

ment 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*

June 4, 2015

## **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, 2012.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The Statement of Net 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.

**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 \$9,861,261 (i.e., net assets), a change of \$(1,245,675) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,884,437, a change of \$(1,054,165) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$898,284, a change of \$(875,792) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$3,300,000 a change of \$(275,000) 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>	
	Governmental <u>Activities</u>	
	<u>2012</u>	<u>2011</u>
Current assets	\$ 8,984,832	\$ 9,357,113
Noncurrent assets	<u>6,191,570</u>	<u>6,485,670</u>
Total assets	15,176,402	15,842,783
Current liabilities	1,504,837	813,207
Noncurrent liabilities	<u>3,810,304</u>	<u>3,922,640</u>
Total liabilities	5,315,141	4,735,847
Net assets:		
Invested in capital assets, net	2,872,361	2,910,670
Restricted	1,921,346	2,115,033
Unrestricted	<u>5,067,554</u>	<u>6,081,233</u>
Total net assets	<u>\$ 9,861,261</u>	<u>\$ 11,106,936</u>

	<u>CHANGE IN NET ASSETS</u>	
	Governmental	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,710,731	\$ 3,514,954
Operating grants and contributions	1,168,135	1,060,530
General revenues:		
County taxes	1,325,776	1,293,440
Rental income	1,697,561	1,661,909
Investment income	24,697	37,423
Sale of assets	-	696,000
Other	<u>441,031</u>	<u>390,074</u>
Total revenues	8,367,931	8,654,330

(continued)

(continued)

CHANGE IN NET ASSETS

	Governmental	
	<u>2012</u>	<u>2011</u>
Expenses:		
Commissioners	218,928	214,037
Registry of deeds	2,685,722	2,547,672
Buildings maintenance	1,623,988	1,554,942
Treasurer	380,799	369,792
Human services	129,874	168,302
Employee benefits	3,718,058	3,740,634
General and administrative	710,532	774,952
Interest	145,705	156,389
Total expenses	<u>9,613,606</u>	<u>9,526,720</u>
Change in net assets	(1,245,675)	(872,390)
Net assets - beginning of year	<u>11,106,936</u>	<u>11,979,326</u>
Net assets - end of year	<u>\$ 9,861,261</u>	<u>\$ 11,106,936</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 \$9,861,261, a change of \$(1,245,675) from the prior year.

The largest portion of net assets \$2,872,361 reflects our investment in capital assets (e.g., land, buildings, equipment, and vehicles), 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, \$1,921,346, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$5,067,554 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 \$(1,245,675). Key elements of this change are as follows:

<u>Operating Results:</u>	
General fund	\$ (860,478)
Registry technology fund	<u>(193,687)</u>
Subtotal operating results	(1,054,165)
<u>Timing Differences:</u>	
Principal debt service	275,000
Depreciation	(318,940)
Change in bond premium	2,500
Change in accrued interest	458
Change in capital lease	5,633
Change in compensated absences	(15,722)
Change in net OPEB obligation	<u>(140,439)</u>
Subtotal timing differences	<u>(191,510)</u>
Total	<u>\$ (1,245,675)</u>

**D. FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of 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 \$7,884,437, a change of \$(1,054,165) in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (860,478)
Registry technology fund expenditures in excess of revenues	<u>(193,687)</u>
Total	<u>\$ (1,054,165)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$898,284, while total fund balance was \$5,963,091. 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>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 898,284	\$ 1,774,076	\$ (875,792)	9.7%
Total fund balance	\$ 5,963,091	\$ 6,823,569	\$ (860,478)	64.5%

The total fund balance of the general fund changed by \$(860,478) during the current fiscal year. Key factors in this change are as follows:

Revenues less than budget	\$ (1,200,097)
Expenditures less than budget	<u>339,619</u>
Total	<u>\$ (860,478)</u>

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no increases to the original budget during fiscal year 2012; however, there were transfers within the budget 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 \$6,191,570 (net of accumulated depreciation), a change of \$(294,100) from the prior year. This investment in capital assets includes land, buildings, equipment, and vehicles.

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 \$3,300,000, all of which was backed by the full faith and credit of the County and the Commonwealth.

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

## **REQUESTS FOR INFORMATION**

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

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 621,929
Restricted cash	7,263,272
Receivables	<u>1,099,631</u>
Total Current Assets	8,984,832
Noncurrent:	
Capital assets:	
Land	657,527
Other capital assets, net of accumulated depreciation	<u>5,534,043</u>
Total Noncurrent Assets	<u>6,191,570</u>
<b>TOTAL ASSETS</b>	<b>15,176,402</b>
<b>LIABILITIES</b>	
Current:	
Accounts payable	892,197
Accrued payroll and related liabilities	125,162
Other liabilities	83,036
Accrued interest on bonds payable	5,861
Current portion of noncurrent liabilities:	
Bonds payable	275,000
Bond premium	2,500
Capital leases	4,346
Compensated absences	<u>116,735</u>
Total Current Liabilities	1,504,837
Noncurrent:	
Bonds payable	3,025,000
Bond premium	27,500
Capital leases	14,863
Compensated absences	176,771
Net OPEB obligation	<u>566,170</u>
Total Noncurrent Liabilities	<u>3,810,304</u>
<b>TOTAL LIABILITIES</b>	<b>5,315,141</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,872,361
Restricted	1,921,346
Unrestricted	<u>5,067,554</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u><u>9,861,261</u></u></b>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Commissioners	\$ 218,928	\$ -	\$ -	\$ (218,928)
Registry of deeds	2,685,722	3,710,731	1,168,135	2,193,144
Buildings maintenance	1,623,988	-	-	(1,623,988)
Treasurer	380,799	-	-	(380,799)
Human services	129,874	-	-	(129,874)
Employee benefits	3,718,058	-	-	(3,718,058)
General and administrative	710,532	-	-	(710,532)
Interest	145,705	-	-	(145,705)
Total Governmental Activities	<u>\$ 9,613,606</u>	<u>\$ 3,710,731</u>	<u>\$ 1,168,135</u>	<u>(4,734,740)</u>
<b>General Revenues:</b>				
				1,325,776
				1,697,561
				24,697
				441,031
				<u>3,489,065</u>
				Change in Net Assets
				(1,245,675)
<b>Net Assets:</b>				
				<u>11,106,936</u>
				<u>\$ 9,861,261</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	General Fund	Registry Technology Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and short-term investments	\$ 621,929	\$ -	\$ 621,929
Restricted cash	5,064,807	2,198,465	7,263,272
Receivables	1,099,631	-	1,099,631
Due from other funds	<u>277,119</u>	<u>-</u>	<u>277,119</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,063,486</u></b>	<b><u>\$ 2,198,465</u></b>	<b><u>\$ 9,261,951</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 892,197	\$ -	\$ 892,197
Accrued payroll and related liabilities	125,162	-	125,162
Other liabilities	83,036	-	83,036
Due to other funds	<u>-</u>	<u>277,119</u>	<u>277,119</u>
<b>TOTAL LIABILITIES</b>	<b>1,100,395</b>	<b>277,119</b>	<b>1,377,514</b>
Fund Balances:			
Restricted	-	1,921,346	1,921,346
Committed for capital purposes	5,064,807	-	5,064,807
Unassigned	<u>898,284</u>	<u>-</u>	<u>898,284</u>
<b>TOTAL FUND BALANCES</b>	<b><u>5,963,091</u></b>	<b><u>1,921,346</u></b>	<b><u>7,884,437</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 7,063,486</u></b>	<b><u>\$ 2,198,465</u></b>	<b><u>\$ 9,261,951</u></b>

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, 2012

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 7,884,437</b>
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,191,570
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(5,861)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(3,300,000)
Bond premium	(30,000)
Capital leases	(19,209)
Compensated absences	(293,506)
Net OPEB obligation	<u>(566,170)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>9,861,261</u></b>

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, 2012

	General Fund	Registry Technology Fund	Total Governmental Funds
<b>Revenues:</b>			
County taxes	\$ 1,325,776	\$ -	\$ 1,325,776
Registry of deeds	3,710,731	-	3,710,731
Rental income	1,697,561	-	1,697,561
Intergovernmental revenues	1,168,135	-	1,168,135
Investment income	24,697	-	24,697
Other	<u>438,531</u>	<u>-</u>	<u>438,531</u>
Total Revenues	8,365,431	-	8,365,431
<b>Expenditures:</b>			
Current:			
Commissioners	225,835	-	225,835
Registry of deeds	2,341,720	193,687	2,535,407
Buildings maintenance	1,465,153	-	1,465,153
Treasurer	380,366	-	380,366
Human services	128,362	-	128,362
Employee benefits	3,577,619	-	3,577,619
General and administrative	710,532	-	710,532
Debt service:			
Interest	146,163	-	146,163
Reduction of debt	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Total Expenditures	<u>9,250,750</u>	<u>193,687</u>	<u>9,444,437</u>
Excess (deficiency) of revenues over expenditures	(885,319)	(193,687)	(1,079,006)
<b>Other Financing Sources:</b>			
Proceeds of capital lease	<u>24,841</u>	<u>-</u>	<u>24,841</u>
Total Other Financing Sources	<u>24,841</u>	<u>-</u>	<u>24,841</u>
Change in fund balance	(860,478)	(193,687)	(1,054,165)
Fund Equity, at Beginning of Year	<u>6,823,569</u>	<u>2,115,033</u>	<u>8,938,602</u>
Fund Equity, at End of Year	<u>\$ 5,963,091</u>	<u>\$ 1,921,346</u>	<u>\$ 7,884,437</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues:</b>				
County taxes	\$ 1,325,776	\$ 1,325,776	\$ 1,325,776	\$ -
Registry of deeds	3,600,000	3,600,000	3,710,731	110,731
Rental income	1,711,752	1,711,752	1,697,561	(14,191)
Intergovernmental revenues	1,175,000	1,175,000	1,168,135	(6,865)
Investment income	75,000	75,000	24,697	(50,303)
Sale of assets	1,225,000	1,225,000	-	(1,225,000)
Other	453,000	453,000	438,531	(14,469)
Total Revenues	<u>9,565,528</u>	<u>9,565,528</u>	<u>8,365,431</u>	<u>(1,200,097)</u>
<b>Expenditures:</b>				
Commissioners	224,103	229,853	225,835	4,018
Registry of deeds	2,662,763	2,512,763	2,341,720	171,043
Buildings maintenance	744,636	1,487,136	1,440,312	46,824
Treasurer	387,538	388,038	380,366	7,672
Human services	164,128	137,528	128,362	9,166
Employee benefits	3,658,565	3,645,565	3,577,619	67,946
General and administrative	1,302,632	743,482	710,532	32,950
Debt service:				
Interest	146,163	146,163	146,163	-
Reduction of debt	275,000	275,000	275,000	-
Total Expenditures	<u>9,565,528</u>	<u>9,565,528</u>	<u>9,225,909</u>	<u>339,619</u>
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(860,478)</u>	\$ <u>(860,478)</u>

See notes to financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust <u>Funds</u>
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ <u>8,825</u>
Total Assets	\$ <u><u>8,825</u></u>
 <b><u>NET ASSETS</u></b>	
Total net assets held in trust	\$ <u><u>8,825</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, 2012

	Private Purpose Trust <u>Funds</u>
<b>Additions:</b>	
Interest income	\$ <u>103</u>
Total additions and net increase	103
<b>Net assets:</b>	
Beginning of year	<u>8,722</u>
End of year	<u><u>\$ 8,825</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 and registry of deeds. The Commonwealth of Massachusetts provides rental income to the County for the judicial branch occupying the courthouses, which are owned, operated, and maintained by the County.

### 2. **Summary of Significant Accounting Policies**

The accounting policies of the County conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. **Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the County (primary government) and applicable component units for which the County is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

These financial statements do not include certain accounts and activity related to the Registry of Deeds and Extension.

#### 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 *Registry Technology Fund* consists of amounts specified in and collected under Section 41 of Chapter 36 of Massachusetts General Laws. These funds are restricted for purchases related to registry information systems.

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 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.

#### E. Interfund Receivables and Payables

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

#### F. Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, 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
Equipment	10
Vehicles	5

**G. Compensated Absences**

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**H. Long-Term Obligations**

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

**I. Fund Equity**

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

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

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

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

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

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

#### *J. Use of Estimates*

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

### **3. Stewardship, Compliance, and Accountability**

#### **A. Budgetary Information**

The County tax is levied annually by the County Commissioners on the basis of the approved budget, after deducting probable receipts from sources other than the County tax. The County Commissioners are also required to levy annually as a County tax, an amount sufficient to meet debt service costs in the event no provision has been made. All County taxes are apportioned and assessed upon the cities and towns comprising the County. The apportionment is based upon the equalized valuations of each city and town as 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 Commissioners. Original and supplemental appropriations are acted upon by a separate vote of the County Commissioners and the Advisory Board. All general fund functions are budgeted. The County does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

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

#### **C. Budget/GAAP Reconciliation**

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 8,365,431	\$ 9,250,750
Other financing sources/uses (GAAP Basis)	<u>24,841</u>	<u>-</u>
Subtotal (GAAP Basis)	8,390,272	9,250,750
To reverse unbudgeted capital lease	<u>(24,841)</u>	<u>(24,841)</u>
Budgetary Basis	<u>\$ 8,365,431</u>	<u>\$ 9,225,909</u>

#### 4. Cash and Short-Term Investments

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. Massachusetts General Laws, Chapter 35, Section 22, places certain limitation on cash deposits and investments available to the County. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The County may also invest in securities issued by or unconditionally guaranteed by the U.S. government or an agency thereof, and having a maturity from date of purchase of one year or less. The County may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from the date of purchase. The County may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value. The County's MMDT deposits have been included with cash as of June 30, 2012.

As of June 30, 2012, \$7,431,020 of the County's bank balance of \$8,030,767 was exposed to custodial credit risk as uninsured or uncollateralized. The County has not experienced any losses in its accounts and believes it is not exposed to any significant credit risk.

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings	\$ 22,300	\$ -	\$ -	\$ 22,300
Equipment	19	-	-	19
Vehicles	-	25	-	25
	<u>22,319</u>	<u>25</u>	<u>-</u>	<u>22,344</u>
Total capital assets, being depreciated	22,319	25	-	22,344
Less accumulated depreciation for:				
Buildings	(16,480)	(312)	-	(16,792)
Equipment	(11)	(3)	-	(14)
Vehicles	-	(4)	-	(4)
	<u>(16,491)</u>	<u>(319)</u>	<u>-</u>	<u>(16,810)</u>
Total accumulated depreciation	(16,491)	(319)	-	(16,810)
Total capital assets, being depreciated, net	5,828	(294)	-	5,534
Capital assets, not being depreciated:				
Land	658	-	-	658
	<u>658</u>	<u>-</u>	<u>-</u>	<u>658</u>
Total capital assets, not being depreciated	658	-	-	658
Governmental activities capital assets, net	<u>\$ 6,486</u>	<u>\$ (294)</u>	<u>\$ -</u>	<u>\$ 6,192</u>

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

Governmental Activities:	
Registry of deeds	\$ 138
Building maintenance	<u>181</u>
Total depreciation expense - governmental activities	<u>\$ 319</u>

**6. Accounts Payable**

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

**7. Capital Lease Obligations**

The County is the lessee of a vehicle under a capital lease expiring in fiscal year 2016. Future minimum lease payments under the capital lease consisted of the following as of June 30, 2012:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,346	\$ 1,287	\$ 5,633
2014	4,637	996	5,633
2015	4,947	685	5,632
2016	<u>5,279</u>	<u>354</u>	<u>5,633</u>
Total	\$ <u>19,209</u>	\$ <u>3,322</u>	\$ <u>22,531</u>

The vehicle financed by the capital lease payable totaling \$24,841 is reported in capital assets, net of \$3,726 accumulated depreciation.

## 8. Long-Term Debt

### A. General Obligation Bonds

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

General obligation bonds outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
General obligation bonds - Registry	12/15/23	2.50% - 4.55%	\$ <u>3,300,000</u>
Total Governmental Activities			\$ <u>3,300,000</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, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 275,000	\$ 135,163	\$ 410,163
2014	275,000	123,819	398,819
2015	275,000	111,788	386,788
2016	275,000	100,238	375,238
2017	275,000	89,375	364,375
2018 - 2022	1,375,000	274,381	1,649,381
2023 - 2027	<u>550,000</u>	<u>24,956</u>	<u>574,956</u>
Total	\$ <u>3,300,000</u>	\$ <u>859,720</u>	\$ <u>4,159,720</u>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/11</u>	Additions	Reductions	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<b><u>Governmental Activities</u></b>						
Bonds payable	\$ 3,575	\$ -	\$ (275)	\$ 3,300	\$ (275)	\$ 3,025
Bond premium	33	-	(3)	30	(3)	27
Capital leases	-	25	(6)	19	(4)	15
Compensated absences	278	16	-	294	(117)	177
Net OPEB obligation	426	1,758	(1,618)	566	-	566
Totals	<u>\$ 4,312</u>	<u>\$ 1,799</u>	<u>\$ (1,902)</u>	<u>\$ 4,209</u>	<u>\$ (399)</u>	<u>\$ 3,810</u>

**9. 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.

**10. 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.

**11. Retirement System**

**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 \$756,865, representing approximately 1.4% 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, 2012, 2011, and 2010 were \$1.1 million, \$1.3 million, and \$3.7 million, respectively, which were equal to the required contributions for each year. The significant reduction in the County's fiscal year 2011 contribution is due to the Sheriff's department and the House of Corrections being transferred to the Commonwealth of Massachusetts on January 1, 2010.

## **12. Post-Employment Health Care and Life Insurance Benefits**

### **Other Post-Employment Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

#### *A. Plan Description*

In addition to providing the pension benefits described, the County provides post-employment healthcare and life insurance benefits for retired employees through the County's plan. The plan does not issue a separate financial report.

#### *B. Benefits Provided*

The County provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All

active employees who retire from the County and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Employees and retirees contribute 20% of the cost of the plan, as determined by the County. The County contributes the remainder of the plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The County's fiscal year 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the County's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of June 30, 2012.

Annual Required Contribution (ARC)	\$ 1,755,262
Interest on net OPEB obligation	17,029
Adjustment to ARC	<u>(14,191)</u>
Annual OPEB cost	1,758,100
Contributions made	<u>(1,617,661)</u>
Increase in net OPEB obligation	140,439
Net OPEB obligation - beginning of year	<u>425,731</u>
Net OPEB obligation - end of year	<u><u>\$ 566,170</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 1,758,100	92.0%	\$ 566,170
2011	\$ 1,643,390	88.0%	\$ 425,731
2010	\$ 1,608,306	85.8%	\$ 228,317

*E. Funded Status and Funding Progress*

The funded status of the plan as of June 30, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 38,976,763
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 38,976,763</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 3,318,597</u>
UAAL as a percentage of covered payroll	<u>1,174.5%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the County and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the County has not advanced funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 8.0%, which decreases to a 4.5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

**13. Risk Management**

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

**COUNTY OF PLYMOUTH, MASSACHUSETTS**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2012**  
**(Unaudited)**

**Other Post-Employment Benefits**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/10	\$ -	\$ 34,345,099	\$ 34,345,099	0.0%	\$ 3,622,204	948.2%
06/30/12	\$ -	\$ 38,976,763	\$ 38,976,763	0.0%	\$ 3,318,597	1174.5%

See Independent Auditors' Report.