

COUNTY OF PLYMOUTH, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Commissioners
County of Plymouth, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the County of Plymouth, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Plymouth, Massachusetts' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the County of Plymouth, Massachusetts, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 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

October 6, 2016

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, 2013.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (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. The accounts of the County are reported as governmental 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.

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 \$11,050,973 (i.e., net position), a change of \$1,189,712 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,194,637, a change of \$1,310,200 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,752,280, a change of \$853,996 in comparison to the prior year.
- Total bonds payable, including bond premium, at the close of the current fiscal year was \$3,052,500, a change of \$(277,500) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION

	Governmental <u>Activities</u>	
	<u>2013</u>	<u>2012</u>
Current assets	\$ 11,220,310	\$ 8,984,832
Noncurrent assets	<u>5,883,579</u>	<u>6,191,570</u>
Total assets	17,103,889	15,176,402
Current liabilities	2,436,672	1,504,837
Noncurrent liabilities	<u>3,616,244</u>	<u>3,810,304</u>
Total liabilities	6,052,916	5,315,141
Net position:		
Net investment in capital assets	2,816,217	2,872,361
Restricted	2,113,196	1,921,346
Unrestricted	<u>6,121,560</u>	<u>5,067,554</u>
Total net position	<u>\$ 11,050,973</u>	<u>\$ 9,861,261</u>

CHANGE IN NET POSITION

	Governmental <u>Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,020,071	\$ 3,710,731
Operating grants and contributions	3,443,972	1,168,135
General revenues:		
County taxes	1,358,920	1,325,776
Rental income	1,593,718	1,697,561
Investment income	24,726	24,697
Parking tickets	177,107	66,432
Sale of assets	1,148,670	-
Other	<u>548,667</u>	<u>374,599</u>
Total revenues	12,315,851	8,367,931

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental <u>Activities</u>	
	<u>2013</u>	<u>2012</u>
Expenses:		
Commissioners	233,415	218,928
Registry of deeds	2,775,627	2,685,722
Buildings maintenance	1,691,025	1,623,988
Treasurer	369,818	380,799
Human services	167,542	129,874
Employee benefits	5,037,343	3,718,058
General and administrative	716,664	710,532
Interest	134,705	145,705
Total expenses	<u>11,126,139</u>	<u>9,613,606</u>
Change in net position	1,189,712	(1,245,675)
Net position - beginning of year	<u>9,861,261</u>	<u>11,106,936</u>
Net position - end of year	<u>\$ 11,050,973</u>	<u>\$ 9,861,261</u>

As noted earlier, net position 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 position was \$11,050,973, a change of \$1,189,712 from the prior year.

Net position of \$2,816,217 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 position, \$2,113,196, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$6,121,560 may be used to meet the County's ongoing obligations.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,189,712. Key elements of this change are as follows:

<u>Operating Results:</u>	
General fund	\$ 1,129,856
Registry technology fund	<u>180,344</u>
Subtotal operating results	1,310,200
<u>Timing Differences:</u>	
Purchase of capital assets, net	12,192
Depreciation expense in excess of principal debt service	(38,335)
Change in accrued interest	458
Change in compensated absences	(2,340)
Change in net OPEB obligation	<u>(92,463)</u>
Subtotal timing differences	<u>(120,488)</u>
Total	<u>\$ 1,189,712</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 \$9,194,637, a change of \$1,310,200 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 1,129,856
Registry technology fund revenues in excess of expenditures	<u>180,344</u>
Total	<u>\$ 1,310,200</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 \$1,752,280, while total fund balance was \$7,092,947. 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>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,752,280	\$ 898,284	\$ 853,996	19.3%
Total fund balance	\$ 7,092,947	\$ 5,963,091	\$ 1,129,856	78.1%

The total fund balance of the general fund changed by \$1,129,856 during the current fiscal year. Key factors in this change are as follows:

Revenues greater than budget	\$ 777,782
Expenditures less than budget	<u>352,074</u>
Total	<u>\$ 1,129,856</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no increases to the original budget during fiscal year 2013; 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 \$5,883,579 (net of accumulated depreciation), a change of \$(307,991) 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 \$3,052,500, all of which was backed by the full faith and credit of the County and the Commonwealth.

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

REQUESTS FOR INFORMATION

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

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 947,663
Restricted cash	8,956,007
Receivables	<u>1,316,640</u>
Total Current Assets	11,220,310
Noncurrent:	
Capital assets:	
Land	654,420
Other capital assets, net of accumulated depreciation	<u>5,229,159</u>
Total Noncurrent Assets	<u>5,883,579</u>
TOTAL ASSETS	17,103,889
LIABILITIES	
Current:	
Accounts payable	267,801
Accrued payroll and related liabilities	27,601
Due to Plymouth County Retirement Association	1,729,067
Other liabilities	1,204
Accrued interest on bonds payable	5,403
Current portion of noncurrent liabilities:	
Bonds payable	277,500
Capital leases	4,636
Compensated absences	<u>123,460</u>
Total Current Liabilities	2,436,672
Noncurrent:	
Bonds payable	2,775,000
Capital leases	10,226
Compensated absences	172,385
Net OPEB obligation	<u>658,633</u>
Total Noncurrent Liabilities	<u>3,616,244</u>
TOTAL LIABILITIES	6,052,916
NET POSITION	
Net investment in capital assets	2,816,217
Restricted	2,113,196
Unrestricted	<u>6,121,560</u>
TOTAL NET POSITION	\$ <u>11,050,973</u>

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Commissioners	\$ 233,415	\$ -	\$ -	\$ (233,415)
Registry of deeds	2,775,627	4,020,071	1,714,905	2,959,349
Buildings maintenance	1,691,025	-	-	(1,691,025)
Treasurer	369,818	-	-	(369,818)
Human services	167,542	-	-	(167,542)
Employee benefits	5,037,343	-	1,729,067	(3,308,276)
General and administrative	716,664	-	-	(716,664)
Interest	134,705	-	-	(134,705)
Total Governmental Activities	<u>\$ 11,126,139</u>	<u>\$ 4,020,071</u>	<u>\$ 3,443,972</u>	(3,662,096)
General Revenues:				
				1,358,920
				1,593,718
				24,726
				177,107
				1,148,670
				548,667
				<u>4,851,808</u>
				1,189,712
Net Position:				
				<u>9,861,261</u>
				<u>\$ 11,050,973</u>

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	General Fund	Registry Technology Fund	Sheriff Retired Employee Pension Fund	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 947,663	\$ -	\$ -	\$ 947,663
Restricted cash	5,340,667	2,320,158	1,295,182	8,956,007
Receivables	882,755	-	433,885	1,316,640
Due from other funds	<u>217,264</u>	<u>-</u>	<u>-</u>	<u>217,264</u>
TOTAL ASSETS	<u>\$ 7,388,349</u>	<u>\$ 2,320,158</u>	<u>\$ 1,729,067</u>	<u>\$ 11,437,574</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 267,801	\$ -	\$ -	\$ 267,801
Accrued payroll and related liabilities	27,601	-	-	27,601
Due to Plymouth County Retirement Association	-	-	1,729,067	1,729,067
Other liabilities	-	1,204	-	1,204
Due to other funds	<u>-</u>	<u>217,264</u>	<u>-</u>	<u>217,264</u>
TOTAL LIABILITIES	295,402	218,468	1,729,067	2,242,937
Fund Balances:				
Restricted:				
Registry technology	-	2,101,690	-	2,101,690
Post war rehabilitation	2,519	-	-	2,519
Ed Stevens memorial	8,987	-	-	8,987
Committed:				
Capital purposes	5,080,784	-	-	5,080,784
Capital improvements	9,012	-	-	9,012
Assigned:				
Registry building construction and maintenance	239,365	-	-	239,365
Unassigned	<u>1,752,280</u>	<u>-</u>	<u>-</u>	<u>1,752,280</u>
TOTAL FUND BALANCES	<u>7,092,947</u>	<u>2,101,690</u>	<u>-</u>	<u>9,194,637</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,388,349</u>	<u>\$ 2,320,158</u>	<u>\$ 1,729,067</u>	<u>\$ 11,437,574</u>

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

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

JUNE 30, 2013

Total governmental fund balances	\$ 9,194,637
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,883,579
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(5,403)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(3,052,500)
Capital leases	(14,862)
Compensated absences	(295,845)
Net OPEB obligation	<u>(658,633)</u>
Net position of governmental activities	<u><u>\$ 11,050,973</u></u>

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Registry Technology Fund	Sheriff Retired Employee Pension Fund	Total Governmental Funds
Revenues:				
County taxes	\$ 1,358,920	\$ -	\$ -	\$ 1,358,920
Registry of deeds	4,020,071	-	-	4,020,071
Rental income	1,593,718	-	-	1,593,718
Intergovernmental revenues	1,336,785	378,120	1,729,067	3,443,972
Investment income	24,726	-	-	24,726
Parking tickets	177,107	-	-	177,107
Sale of assets	1,151,778	-	-	1,151,778
Other	546,167	-	-	546,167
Total Revenues	<u>10,209,272</u>	<u>378,120</u>	<u>1,729,067</u>	<u>12,316,459</u>
Expenditures:				
Current:				
Commissioners	230,163	-	-	230,163
Registry of deeds	2,458,451	197,776	-	2,656,227
Buildings maintenance	1,511,396	-	-	1,511,396
Treasurer	389,244	-	-	389,244
Human services	168,175	-	-	168,175
Employee benefits	3,215,813	-	1,729,067	4,944,880
General and administrative	696,011	-	-	696,011
Debt service:				
Interest	135,163	-	-	135,163
Reduction of debt	275,000	-	-	275,000
Total Expenditures	<u>9,079,416</u>	<u>197,776</u>	<u>1,729,067</u>	<u>11,006,259</u>
Excess (deficiency) of revenues over expenditures	1,129,856	180,344	-	1,310,200
Fund Equity, at Beginning of Year	<u>5,963,091</u>	<u>1,921,346</u>	<u>-</u>	<u>7,884,437</u>
Fund Equity, at End of Year	<u>\$ 7,092,947</u>	<u>\$ 2,101,690</u>	<u>\$ -</u>	<u>\$ 9,194,637</u>

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - Total governmental funds	\$ 1,310,200
<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, net	12,192
Depreciation	(320,182)
<ul style="list-style-type: none"> The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Repayments of bonds payable	275,000
Repayments of capital lease payable	4,347
Amortization of bond premium	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. 	458
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 	
Compensated absences	(2,340)
Net OPEB obligation	<u>(92,463)</u>
Change in net position of governmental activities	\$ <u><u>1,189,712</u></u>

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
County taxes	\$ 1,358,920	\$ 1,358,920	\$ 1,358,920	\$ -
Registry of deeds	3,600,000	3,600,000	4,020,071	420,071
Rental income	1,853,570	1,853,570	1,593,718	(259,852)
Intergovernmental revenues	1,825,000	1,825,000	1,336,785	(488,215)
Investment income	50,000	50,000	24,726	(25,274)
Parking tickets	200,000	200,000	177,107	(22,893)
Sale of assets	-	-	1,151,778	1,151,778
Other	544,000	544,000	546,167	2,167
Total Revenues	9,431,490	9,431,490	10,209,272	777,782
Expenditures:				
Current:				
Commissioners	231,705	232,405	230,163	2,242
Registry of deeds	2,519,690	2,519,690	2,458,451	61,239
Buildings maintenance	1,477,106	1,594,006	1,511,396	82,610
Treasurer	417,964	417,964	389,244	28,720
Human services	205,189	203,189	168,175	35,014
Employee benefits	3,312,036	3,219,386	3,215,813	3,573
General and administrative	857,637	834,687	696,011	138,676
Debt service:				
Interest	135,163	135,163	135,163	-
Reduction of debt	275,000	275,000	275,000	-
Total Expenditures	9,431,490	9,431,490	9,079,416	352,074
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 1,129,856	\$ 1,129,856

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

Notes to Financial Statements

1. Organization

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

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

2. Summary of Significant Accounting Policies

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

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the County (primary government) and applicable component units for which the County is considered to be financially accountable. In fiscal year 2013, 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.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

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

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.
- The *Sheriff Retired Employee Pension Fund* is used to account for additional Registry of Deeds excise revenue to fund Sheriff retirees retirement payments to the Plymouth County Retirement Association (see Note 15).

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 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 Position.

I. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between 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: unassigned, assigned, committed, and restricted.

Net Position - Net position 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

J. Use of Estimates

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

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

Additionally, pursuant to Massachusetts General Law, Chapter 35, Section 30, the County is limited to retaining an 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.

There were no differences between the GAAP basis financial statements and the budgetary data.

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.

As of June 30, 2013, \$1,758,025 of the County's bank balance of \$10,410,248 was exposed to custodial credit risk as uninsured or uncollateralized. The County has not experienced any losses in its accounts and believes it is not exposed to any significant credit risk.

5. Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Within the General Fund, the restricted cash amount of \$5,340,667 is composed of amounts from the post war rehabilitation fund, Ed Stevens memorial fund, capital purposes fund, capital improvements fund, and Registry building construction and maintenance fund.

6. Capital Assets

Capital asset activity for the year ended June 30, 2013 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	\$ 22,300	\$ -	\$ -	\$ 22,300
Equipment	19	15	-	34
Vehicles	25	-	-	25
	<u>22,344</u>	<u>15</u>	<u>-</u>	<u>22,359</u>
Total capital assets, being depreciated	22,344	15	-	22,359
Less accumulated depreciation for:				
Buildings	(16,793)	(312)	-	(17,105)
Equipment	(13)	(3)	-	(16)
Vehicles	(4)	(5)	-	(9)
	<u>(16,810)</u>	<u>(320)</u>	<u>-</u>	<u>(17,130)</u>
Total accumulated depreciation	(16,810)	(320)	-	(17,130)
Total capital assets, being depreciated, net	5,534	(305)	-	5,229
Capital assets, not being depreciated:				
Land	658	-	(3)	655
	<u>658</u>	<u>-</u>	<u>(3)</u>	<u>655</u>
Total capital assets, not being depreciated	658	-	(3)	655
Governmental activities capital assets, net	<u>\$ 6,192</u>	<u>\$ (305)</u>	<u>\$ (3)</u>	<u>\$ 5,884</u>

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

Governmental Activities:	
Registry of deeds	\$ 138
Building maintenance	<u>182</u>
Total depreciation expense - governmental activities	<u>\$ 320</u>

7. Accounts Payable

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

8. 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, 2013:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,636	\$ 996	\$ 5,632
2015	4,947	685	5,632
2016	<u>5,279</u>	<u>354</u>	<u>5,633</u>
Total	\$ <u>14,862</u>	\$ <u>2,035</u>	\$ <u>16,897</u>

The vehicle financed by the capital lease payable totaling \$24,841 is reported in capital assets, net of \$8,694 accumulated depreciation.

9. Long-Term Debt

A. General Obligation Bonds

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

General obligation bonds outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
General obligation bonds - Registry	12/15/23	2.50% - 4.55%	\$ <u>3,025,000</u>
Total Governmental Activities			\$ <u>3,025,000</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, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	275,000	78,238	353,238
2019 - 2023	1,375,000	214,844	1,589,844
Thereafter	<u>275,000</u>	<u>6,256</u>	<u>281,256</u>
Total	\$ <u>3,025,000</u>	\$ <u>724,558</u>	\$ <u>3,749,558</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	Additions	Reductions	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 3,300	\$ -	\$ (275)	\$ 3,025	\$ (275)	\$ 2,750
Bond premium	<u>30</u>	<u>-</u>	<u>(3)</u>	<u>27</u>	<u>(2)</u>	<u>25</u>
Subtotal	3,330	-	(278)	3,052	(277)	2,775
Capital leases	19	-	(4)	15	(5)	10
Compensated absences	294	2	-	296	(124)	172
Net OPEB obligation	<u>566</u>	<u>1,790</u>	<u>(1,697)</u>	<u>659</u>	<u>-</u>	<u>659</u>
Totals	<u>\$ 4,209</u>	<u>\$ 1,792</u>	<u>\$ (1,979)</u>	<u>\$ 4,022</u>	<u>\$ (406)</u>	<u>\$ 3,616</u>

10. Restricted Net Position

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

11. 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.

12. 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 \$643,575, representing approximately 1.2% 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, 2013, 2012, and 2011 were \$643,575, \$756,865, and \$928,154, respectively, which were equal to the required contributions for each year.

13. 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 Position 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 2013 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, 2013, 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)	\$ 1,785,870
Interest on net OPEB obligation	22,647
Adjustment to ARC	<u>(18,873)</u>
Annual OPEB cost	1,789,644
Contributions made	<u>(1,697,181)</u>
Increase in net OPEB obligation	92,463
Net OPEB obligation - beginning of year	<u>566,170</u>
Net OPEB obligation - end of year	<u><u>\$ 658,633</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>
2013	\$ 1,789,644	94.8%	\$ 658,633
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 advance 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%.

14. 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.

15. Sheriff Retired Employee Pension Fund

On January 1, 2010, the Sheriff's department was transferred to the Commonwealth of Massachusetts as a result of Chapter 61 of the Acts of 2009. The Commonwealth did not assume the entire liability of the retirement system costs for the Sheriff's department retirees. These retirees continued to be members of the County's retirement system, but the County received a greater share of Deeds excise revenue to fund a portion of the Sheriff retirees' retirement payments. At the same time, the County petitioned the Legislature to allow the County to receive an even greater share of Deeds excise revenue to cover the remainder of the Sheriff retirees' retirement payments. The current year additional excise revenues and the amounts due to the Plymouth County Retirement Association are reflected in the Sheriff Retired Employee Pension Fund. No long term pension liability is reflected, because the liability will be covered by the application of additional Deeds excise revenue. By fiscal year 2022, the County expects that the Sheriff retired employee pension liability will be paid in full.

COUNTY OF PLYMOUTH, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013
(Unaudited)

Other Post-Employment Benefits

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	1,174.5%

See Independent Auditors' Report.