

COUNTY OF PLYMOUTH, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Plymouth, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Plymouth, Massachusetts, as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Plymouth, Massachusetts' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Plymouth, Massachusetts, as of June 30, 2016, 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, the Schedule of OPEB Funding Progress, the Schedule of the Proportionate Share of the Net Pension Liability, and the Schedule of Pension Contributions 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

July 24, 2017

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, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities by \$2,228,102 (i.e., net position), a change of \$(3,559,267) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,847,991, a change of \$1,034,376 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,194,150, a change of \$1,311,990 in comparison to the prior year.
- Total bonds payable, including bond premium, at the close of the current fiscal year were \$2,220,000, 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:

	<u>NET POSITION</u>	
	Governmental <u>Activities</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 10,579,419	\$ 9,855,914
Noncurrent assets	5,946,628	6,004,799
Deferred outflows of resources	<u>24,955,727</u>	<u>26,579,916</u>
Total assets and deferred outflows of resources	41,481,774	42,440,629
Current liabilities	1,296,775	1,367,241
Noncurrent liabilities	<u>37,896,897</u>	<u>35,226,019</u>
Total liabilities	39,193,672	36,593,260
Net position:		
Net investment in capital assets	3,726,628	3,502,021
Restricted	2,302,176	2,556,962
Unrestricted	<u>(3,740,702)</u>	<u>(211,614)</u>
Total net position	<u>\$ 2,288,102</u>	<u>\$ 5,847,369</u>

	<u>CHANGE IN NET POSITION</u>	
	Governmental <u>Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,033,427	\$ 3,658,489
Operating grants and contributions	7,504,841	5,740,309
Capital grants and contributions	215,944	179,850
General revenues:		
County taxes	1,463,409	1,427,716
Rental income	1,685,858	1,933,057
Investment income	26,233	27,117
Parking tickets	63,778	61,925
Sale of assets	69,000	-
Other	<u>356,555</u>	<u>382,105</u>
Total revenues	15,419,045	13,410,568

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental <u>Activities</u>	
	<u>2016</u>	<u>2015</u>
Expenses:		
Commissioners	253,205	263,809
Registry of deeds	3,119,078	3,258,371
Buildings maintenance	1,920,064	1,897,841
Dredge	131,860	-
Treasurer	446,014	430,472
Human services	215,694	229,131
Employee benefits**	11,971,637	2,109,627
General and administrative	770,969	814,853
Contribution to OPEB Trust Fund	50,000	-
Interest	99,791	111,272
Total expenses	<u>18,978,312</u>	<u>9,115,376</u>
Change in net position	(3,559,267)	4,295,192
Net position - beginning of year, as restated*	<u>5,847,369</u>	<u>1,552,177</u>
Net position - end of year	<u>\$ 2,288,102</u>	<u>\$ 5,847,369</u>

*See Note 15.

**As discussed in Note 14, the County receives additional Deeds excise revenues to fully fund the net pension liability associated with the Sheriff retirees. In fiscal year 2016, the County remitted to the Plymouth County Retirement Association \$7,401,009 of additional Deeds excise revenues to fund the Sheriff retiree net pension liability, thereby contributing to the significant increase in employee benefits from the prior year. Other factors contributing to the significant increase relate to changes in the deferred inflows and deferred outflows of the net pension liability (see Note 11).

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At the close of the most recent fiscal year, total net position was \$2,228,102, a change of \$(3,559,267) from the prior year.

The largest portion of net position, \$3,726,268, reflects our investment in capital assets (e.g., land, buildings, equipment, vehicles, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,302,176, represents resources that are subject to external restrictions on how they may be used.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(3,559,267). Key elements of this change are as follows:

<u>Operating Results:</u>	
General Fund	\$ 1,289,206
Registry Technology Fund	<u>(254,830)</u>
Subtotal operating results	1,034,376
Purchase of capital assets	283,142
Depreciation expense in excess of principal debt service	(58,536)
Change in accrued interest	448
Change in compensated absences	(227,889)
Change in net OPEB obligation	(131,109)
Change in net pension liability	(2,835,510)
Change in deferred outflows of resources	<u>(1,624,189)</u>
Total	<u>\$ (3,559,267)</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 \$9,847,991, a change of \$1,034,376 in comparison to the prior year. Key elements of this change are as follows:

General Fund revenues in excess of expenditures	\$ 1,289,206
Registry Technology Fund expenditures in excess of revenues	<u>(254,830)</u>
Total	<u>\$ 1,034,376</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 \$2,194,150, while total fund balance was \$7,557,459. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,194,150	\$ 882,160	\$ 1,311,990	25.5%
Total fund balance	\$ 7,557,459	\$ 6,268,253	\$ 1,289,206	87.8%

The total fund balance of the General Fund changed by \$1,289,206 during the current fiscal year. Key factors in this change are as follows:

Revenues greater than budget	\$ 332,310
Expenditures less than budget	<u>956,896</u>
Total	<u>\$ 1,289,206</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final budget resulted in an increase in appropriations of \$329,998 for the purposes of implementing the County's new dredge service program. The final budget also reflects line item transfers that were approved by the Commissioners and the County Advisory Board.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$5,946,628 (net of accumulated depreciation), a change of \$(58,171) from the prior year. This investment in capital assets includes land, buildings, equipment, vehicles, and construction in progress.

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$2,220,000, all of which was backed by the full faith and credit of the County and the Commonwealth.

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

REQUESTS FOR INFORMATION

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

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 2,433,760
Restricted cash	7,758,001
Receivables	<u>387,658</u>
Total Current Assets	10,579,419
Noncurrent:	
Capital assets:	
Land	654,420
Construction in progress	63,297
Other capital assets, net of accumulated depreciation	<u>5,228,911</u>
Total Noncurrent Assets	<u>5,946,628</u>
Total Assets	16,526,047
Deferred Outflows of Resources:	
Pension related	7,266,177
Sheriff retiree net pension liability funding (Note 14)	<u>17,689,550</u>
Total Deferred Outflows of Resources	<u>24,955,727</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	41,481,774
LIABILITIES	
Current:	
Accounts payable	349,573
Accrued payroll and related liabilities	42,195
Due to Plymouth County Retirement Association	49,616
Other liabilities	290,044
Accrued interest on bonds payable	3,953
Current portion of noncurrent liabilities:	
Bonds payable	277,500
Compensated absences	<u>283,894</u>
Total Current Liabilities	1,296,775
Noncurrent:	
Bonds payable, net of current portion	1,942,500
Compensated absences, net of current portion	148,851
Net OPEB obligation	762,351
Net pension liability	<u>35,043,195</u>
Total Noncurrent Liabilities	<u>37,896,897</u>
TOTAL LIABILITIES	39,193,672
NET POSITION	
Net investment in capital assets	3,726,628
Restricted for grants and other statutory restrictions	2,302,176
Unrestricted	<u>(3,740,702)</u>
TOTAL NET POSITION	\$ <u>2,288,102</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, 2016

		Program Revenues			Net (Expenses) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Commissioners	\$ 253,205	\$ -	\$ -	\$ -	\$ (253,205)
Registry of deeds	3,119,078	3,595,799	2,590,218	-	3,066,939
Buildings maintenance	1,920,064	-	-	-	(1,920,064)
Dredge	131,860	117,648	-	215,944	201,732
Treasurer	446,014	-	-	-	(446,014)
Human services	215,694	-	27,592	-	(188,102)
Employee benefits	11,971,637	-	4,887,031	-	(7,084,606)
General and administrative	770,969	319,980	-	-	(450,989)
Contribution to OPEB Trust Fund	50,000	-	-	-	(50,000)
Interest	99,791	-	-	-	(99,791)
Total Governmental Activities	\$ 18,978,312	\$ 4,033,427	\$ 7,504,841	\$ 215,944	(7,224,100)
			General Revenues:		
			County taxes		1,463,409
			Rental income		1,685,858
			Investment income		26,233
			Parking tickets		63,778
			Sale of assets		69,000
			Other		356,555
			Total general revenues		3,664,833
			Change in Net Position		(3,559,267)
			Net Position:		
			Beginning of year, as restated		5,847,369
			End of year		\$ 2,288,102

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	General Fund	Registry Technology Fund	Sheriff Retired Employee Pension Fund	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 2,433,760	\$ -	\$ -	\$ 2,433,760
Restricted cash	5,363,309	2,343,211	51,481	7,758,001
Receivables	387,658	-	-	387,658
Due from other funds	<u>53,334</u>	<u>-</u>	<u>-</u>	<u>53,334</u>
TOTAL ASSETS	<u>\$ 8,238,061</u>	<u>\$ 2,343,211</u>	<u>\$ 51,481</u>	<u>\$ 10,632,753</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 349,573	\$ -	\$ -	\$ 349,573
Accrued payroll and related liabilities	42,195	-	-	42,195
Due to Plymouth County Retirement Association	-	-	49,616	49,616
Other liabilities	288,834	1,210	-	290,044
Due to other funds	<u>-</u>	<u>51,469</u>	<u>1,865</u>	<u>53,334</u>
Total Liabilities	680,602	52,679	51,481	784,762
Fund Balances:				
Restricted:				
Registry technology	-	2,290,532	-	2,290,532
Post war rehabilitation	2,526	-	-	2,526
Ed Stevens memorial	9,118	-	-	9,118
Committed:				
Capital purposes	5,130,836	-	-	5,130,836
Capital improvements	29,104	-	-	29,104
Assigned:				
Registry building construction and maintenance	191,725	-	-	191,725
Unassigned	<u>2,194,150</u>	<u>-</u>	<u>-</u>	<u>2,194,150</u>
Total Fund Balances	<u>7,557,459</u>	<u>2,290,532</u>	<u>-</u>	<u>9,847,991</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,238,061</u>	<u>\$ 2,343,211</u>	<u>\$ 51,481</u>	<u>\$ 10,632,753</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, 2016

Total governmental fund balances	\$ 9,847,991
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,946,628
• Deferred outflows from net pension liability.	7,266,177
• Deferred outflows from funding of Sheriff retiree net pension liability.	17,689,550
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(3,953)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(2,220,000)
Compensated absences	(432,745)
Net OPEB obligation	(762,351)
Net pension liability	<u>(35,043,195)</u>
Net position of governmental activities	\$ <u>2,288,102</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, 2016

	General Fund	Registry Technology Fund	Sheriff Retired Employee Pension Fund	Total Governmental Funds
Revenues:				
County taxes	\$ 1,463,409	\$ -	\$ -	\$ 1,463,409
Charges for services	4,033,427	-	-	4,033,427
Intergovernmental revenues	2,199,068	634,686	4,887,031	7,720,785
Rental income	1,685,858	-	-	1,685,858
Investment income	26,233	-	-	26,233
Parking tickets	63,778	-	-	63,778
Sale of assets	69,000	-	-	69,000
Other	<u>354,055</u>	<u>-</u>	<u>-</u>	<u>354,055</u>
Total Revenues	9,894,828	634,686	4,887,031	15,416,545
Expenditures:				
Current:				
Commissioners	244,224	-	-	244,224
Registry of deeds	1,995,628	889,516	-	2,885,144
Buildings maintenance	1,718,527	-	-	1,718,527
Dredge	333,592	-	-	333,592
Treasurer	423,630	-	-	423,630
Human services	215,140	-	-	215,140
Employee benefits	2,493,797	-	4,887,031	7,380,828
General and administrative	755,846	-	-	755,846
Contribution to OPEB Trust Fund	50,000	-	-	50,000
Debt service:				
Principal	275,000	-	-	275,000
Interest	<u>100,238</u>	<u>-</u>	<u>-</u>	<u>100,238</u>
Total Expenditures	<u>8,605,622</u>	<u>889,516</u>	<u>4,887,031</u>	<u>14,382,169</u>
Excess (deficiency) of revenues over expenditures	1,289,206	(254,830)	-	1,034,376
Fund Equity, at Beginning of Year	<u>6,268,253</u>	<u>2,545,362</u>	<u>-</u>	<u>8,813,615</u>
Fund Equity, at End of Year	<u>\$ 7,557,459</u>	<u>\$ 2,290,532</u>	<u>\$ -</u>	<u>\$ 9,847,991</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, 2016

Net changes in fund balances - Total governmental funds	\$ 1,034,376																								
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital asset purchases</td> <td align="right">283,142</td> </tr> <tr> <td>Depreciation</td> <td align="right">(341,313)</td> </tr> </table> • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of bonds payable</td> <td align="right">275,000</td> </tr> <tr> <td>Repayments of capital lease payable</td> <td align="right">5,277</td> </tr> <tr> <td>Amortization of bond premium</td> <td align="right">2,500</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td align="right">448</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td align="right">(227,889)</td> </tr> <tr> <td>Net OPEB obligation</td> <td align="right">(131,109)</td> </tr> <tr> <td>GASB 68 net pension liability changes:</td> <td></td> </tr> <tr> <td> Net pension liability</td> <td align="right">(2,835,510)</td> </tr> <tr> <td> Deferred outflows of resources - pension related</td> <td align="right">5,776,820</td> </tr> <tr> <td> Deferred outflows of resources - Sheriff retiree funding</td> <td align="right"><u>(7,401,009)</u></td> </tr> </table> 		Capital asset purchases	283,142	Depreciation	(341,313)	Repayments of bonds payable	275,000	Repayments of capital lease payable	5,277	Amortization of bond premium	2,500		448	Compensated absences	(227,889)	Net OPEB obligation	(131,109)	GASB 68 net pension liability changes:		Net pension liability	(2,835,510)	Deferred outflows of resources - pension related	5,776,820	Deferred outflows of resources - Sheriff retiree funding	<u>(7,401,009)</u>
Capital asset purchases	283,142																								
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Change in net position of governmental activities	\$ <u><u>(3,559,267)</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, 2016

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget
	<u>Budget</u>	<u>Budget</u>	(Budgetary	Positive
			Basis)	(Negative)
Revenues:				
County taxes	\$ 1,463,409	\$ 1,463,409	\$ 1,463,409	\$ -
Charges for services	3,810,283	3,927,931	4,033,427	105,496
Intergovernmental revenues	1,720,000	1,932,350	2,199,068	266,718
Rental income	1,951,329	1,951,329	1,685,858	(265,471)
Investment income	10,000	10,000	26,233	16,233
Parking tickets	100,000	100,000	63,778	(36,222)
Sale of assets	-	-	69,000	69,000
Other	<u>177,499</u>	<u>177,499</u>	<u>354,055</u>	<u>176,556</u>
Total Revenues	9,232,520	9,562,518	9,894,828	332,310
Expenditures:				
Current:				
Commissioners	260,425	260,425	244,224	16,201
Registry of deeds	2,082,312	2,082,312	1,995,628	86,684
Buildings maintenance	1,920,013	1,991,513	1,718,527	272,986
Dredge	90,283	420,281	333,592	86,689
Treasurer	438,642	443,142	423,630	19,512
Human services	230,954	232,854	215,140	17,714
Employee benefits	2,674,103	2,674,103	2,493,797	180,306
General and administrative	1,110,550	1,032,650	755,846	276,804
Contribution to OPEB Trust Fund	50,000	50,000	50,000	-
Debt service:				
Principal	275,000	275,000	275,000	-
Interest	<u>100,238</u>	<u>100,238</u>	<u>100,238</u>	<u>-</u>
Total Expenditures	<u>9,232,520</u>	<u>9,562,518</u>	<u>8,605,622</u>	<u>956,896</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,289,206</u>	<u>\$ 1,289,206</u>

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Other Post- Employment Benefits <u>Trust Fund</u>
ASSETS	
Pooled investment in Plymouth County OPEB Trust	\$ <u>51,372</u>
Total Assets	51,372
 NET POSITION	
Total net position restricted for other postemployment benefits	\$ <u><u>51,372</u></u>

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Other Post- Employment Benefits <u>Trust Fund</u>
Additions:	
Contribution from General Fund	\$ 50,000
Interest income	<u>1,372</u>
Total additions and net increase	51,372
Net position:	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 51,372</u></u>

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

COUNTY OF PLYMOUTH, MASSACHUSETTS

Notes to Financial Statements

1. Organization

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

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

2. Summary of Significant Accounting Policies

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

A. Reporting Entity

As required by Generally Accepted Accounting Principles, these financial statements present the County (primary government) and applicable component units for which the County is considered to be financially accountable. In fiscal year 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

The financial statements do not include certain bank accounts related to the Registry of Deeds, since the County Treasurer did not have custody of the accounts. During fiscal year 2016, the Commissioners and the Register of Deeds were in the process of determining shared custody of these bank accounts, for potential inclusion in future fiscal years.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfi-

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

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

Government-wide Financial Statements

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

Fund Financial Statements

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

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.
- The *Registry Technology Fund* consists of amounts specified in and collected under Section 41 of Chapter 36 of Massachusetts General Laws. These funds are restricted for purchases related to registry information systems.
- The *Sheriff Retired Employee Pension Fund* is used to account for additional Registry of Deeds excise revenue to fund Sheriff retirees' retirement payments to the Plymouth County Retirement Association (see Note 14).

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

The County reports the following fiduciary fund:

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

D. Cash and Short-Term Investments

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

E. Interfund Receivables and Payables

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

F. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess

of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
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. At June 30, 2016, the County did not report a liability on the governmental funds balance sheet for compensated absences, pursuant to GASB 34.

H. Long-Term Obligations

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

I. Fund Equity

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

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

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

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

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

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

J. Use of Estimates

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

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

B. Budgetary Basis

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

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

C. Budget/GAAP Reconciliation

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

etary 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.

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

As of June 30, 2016, \$789,349 of the County's bank balance of \$10,135,073 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 \$5,363,309 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. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2016 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 53,334	\$ -
Registry Technology Fund	-	51,469
Sheriff Retired Employee Pension Fund	-	1,865
Total	<u>\$ 53,334</u>	<u>\$ 53,334</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	\$ 21,223	\$ -	\$ -	\$ 21,223
Equipment	457	220	-	677
Vehicles	34	-	-	34
Total capital assets, being depreciated	<u>21,714</u>	<u>220</u>	<u>-</u>	<u>21,934</u>
Less accumulated depreciation for:				
Buildings	(16,284)	(294)	-	(16,578)
Equipment	(60)	(41)	-	(101)
Vehicles	(20)	(6)	-	(26)
Total accumulated depreciation	<u>(16,364)</u>	<u>(341)</u>	<u>-</u>	<u>(16,705)</u>
Total capital assets, being depreciated, net	5,350	(121)	-	5,229
Capital assets, not being depreciated:				
Land	655	-	-	655
Construction in progress	-	63	-	63
Total capital assets, not being depreciated	<u>655</u>	<u>63</u>	<u>-</u>	<u>718</u>
Governmental activities capital assets, net	<u>\$ 6,005</u>	<u>\$ (58)</u>	<u>\$ -</u>	<u>\$ 5,947</u>

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

Governmental Activities:		
Registry of deeds		\$ 173
Building maintenance		158
Dredge		<u>10</u>
Total depreciation expense - governmental activities		\$ <u><u>341</u></u>

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:

	Serial	Interest	Amount
<u>Governmental Activities:</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>6/30/16</u>
General obligation bonds - Registry	12/15/23	2.50% - 4.55%	\$ <u>2,200,000</u>
Total Governmental Activities			\$ <u><u>2,200,000</u></u>

B. Future Debt Service

The annual payments to retire general obligation long-term bonds outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 275,000	\$ 89,375	\$ 364,375
2018	275,000	78,238	353,238
2019	275,000	66,825	341,825
2020	275,000	55,138	330,138
2021	275,000	43,175	318,175
2022 - 2024	<u>825,000</u>	<u>55,963</u>	<u>880,963</u>
Total	\$ <u><u>2,200,000</u></u>	\$ <u><u>388,714</u></u>	\$ <u><u>2,588,714</u></u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/15</u>	Additions	Reductions	Total Balance <u>6/30/16</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/16</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 2,475	\$ -	\$ (275)	\$ 2,200	\$ (275)	\$ 1,925
Bond premium	<u>23</u>	<u>-</u>	<u>(3)</u>	<u>20</u>	<u>(3)</u>	<u>17</u>
Subtotal	2,498	-	(278)	2,220	(278)	1,942
Capital leases	5	-	(5)	-	-	-
Compensated absences	205	228	-	433	(284)	149
Net OPEB obligation	631	1,481	(1,350)	762	-	762
Net pension liability	<u>32,208</u>	<u>2,835</u>	<u>-</u>	<u>35,043</u>	<u>-</u>	<u>35,043</u>
Totals	\$ <u>35,547</u>	\$ <u>4,544</u>	\$ <u>(1,633)</u>	\$ <u>38,458</u>	\$ <u>(562)</u>	\$ <u>37,896</u>

9. 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.

10. Post-Employment Healthcare and Life Insurance Benefits

GASB Statement No. 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

Retirees contribute 25% of the cost of the plan, as determined by the County. Surviving spouses continue to receive coverage after the death of the eligible retired employee, but are required to continue to pay 25% of the premiums. 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 2016 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, 2016, 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, 2016.

Annual Required Contribution (ARC)	\$ 1,479,438
Interest on net OPEB obligation	44,187
Adjustment to ARC	<u>(42,398)</u>
Annual OPEB cost	1,481,227
Contributions made	<u>(1,350,118)</u>
Increase in net OPEB obligation	131,109
Net OPEB obligation - beginning of year	<u>631,242</u>
Net OPEB obligation - end of year	<u><u>\$ 762,351</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>
2016	\$ 1,481,227	91.1%	\$ 762,351
2015	\$ 1,523,225	102.6%	\$ 631,242
2014	\$ 1,464,663	99.2%	\$ 670,283

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 19,861,729
Actuarial value of plan assets	<u>51,372</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 19,810,357</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 3,152,273</u>
UAAL as a percentage of covered payroll	<u>628.4%</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 OPEB Funding Progress, presented as required supplementary information following the Notes to 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, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 7.0% investment rate of return and an initial annual healthcare cost trend rate of 6.0%, which decreases to a 4.5% long-term rate for all healthcare benefits after four years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 19 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

11. Plymouth County Retirement Association

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

A. Plan Description

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

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

B. Benefits Provided

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

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

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

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

C. Contributions

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

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

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

The County's contribution to the Association for the year ended June 30, 2016 was \$7,629,339, which exceeded its annual required contribution by \$4,352,451. This excess contribution represents additional funding of the sheriff retirees unfunded liability (see Note 14).

D. Summary of Significant Accounting Policies

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

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

At June 30, 2016, the County reported a liability of \$35,043,195 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the County's proportion was 5.5253448 percent, which did not change from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$4,839,504. In addition, the County reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 4,126,796
Changes in proportion and differences between contributions and proportionate share of contributions	<u>3,139,381</u>
Total	<u>\$ 7,266,177</u>

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

<u>Year ended June 30:</u>	
2017	\$ (1,903,785)
2018	(1,903,785)
2019	(1,903,785)
2020	<u>(1,554,822)</u>
Total	<u>\$ (7,266,177)</u>

F. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

COLA	3% of the less of the pension amount and \$13,000 per year
Salary increases	3.75%
Investment rate of return	8.00%

Mortality rates were based on the RP-2000 mortality table (sex-distinct, healthy employees for actives and healthy annuitants for retirees) adjusted to 2015 with Scale AA. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality is the healthy retiree table ages set forward two years.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period ended December 31, 2015.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	33.00 %	10.20%
Foreign equity	16.00	11.00%
Total fixed equity	25.50	7.90%
Real estate/real assets	13.00	9.30%
Private equity	7.50	14.60%
Hedge funds of funds	4.00	8.70%
Cash	1.00	4.00%
Total	<u>100.00 %</u>	

G. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension

plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

<u>Fiscal Year Ended</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
June 30, 2016	\$ 43,477,422	\$ 35,043,195	\$ 27,810,274

I. Pension Plan Fiduciary Net Position

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

12. 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.

13. Commitments and Contingencies

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be

disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

14. Sheriff Retired Employee Pension Fund

On January 1, 2010, the Sheriff’s department was transferred to the Commonwealth of Massachusetts as a result of Chapter 61 of the Acts of 2009. The Commonwealth did not assume the entire liability of the retirement system costs for the Sheriff’s department retirees. These retirees continued to be members of the County’s retirement system, but the County received a greater share of Deeds excise revenue to fund a portion of the Sheriff retirees’ retirement payments. In fiscal year 2014, the County petitioned the Legislature, and the Legislature amended Chapter 61 of the Acts of 2009, to allow the County to receive an even greater share of Deeds excise revenue in an effort to fully fund the retirement system costs of the Sheriff retirees in fiscal year 2014 and beyond. In fiscal year 2016, these additional excise revenues and the amounts paid to the Plymouth County Retirement Association were reflected in the Sheriff Retired Employee Pension Fund.

Even though the Sheriff retirees are no longer employees of the County, they are still being treated as such for the purposes of calculating the County’s net pension liability, in accordance with GASB Statement No. 68 (see Note 11). The statutorily required contribution assessed by the Public Employee Retirement Administration Commission (PERAC) includes the annual assessment for the Sheriff retirees; however, is offset against by additional Deeds excise revenue. The funding of the Sheriff retirees net pension liability is reflected as a deferred outflow of resources in the Statement of Net Position. The future additional Deeds excise revenue to fund the Sheriff retirees net pension liability is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 2,666,910
2018	2,773,587
2019	2,884,530
2020	2,999,911
2021	3,119,908
2022	<u>3,244,704</u>
Total	<u>\$ 17,689,550</u>

15. Beginning Net Position Restatement

The beginning (July 1, 2015) net position of the County has been restated, to fully include the sheriff retirees unfunded net pension liability (see Note 14), as follows:

	Governmental <u>Activities</u>
As previously reported	\$ 4,687,124
GASB 68 adjustment	<u>1,160,245</u>
As restated	<u>\$ 5,847,369</u>

16. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, replacing Statement No. 43 and 57, which are required to be implemented for fiscal year 2017. Included are the requirements for defined contribution OPEB plans that replace requirements for those OPEB plans in Statements No. 25, 43, and 50. Management’s current assessment is that this pronouncement will not have a significant impact on the Plan’s financial statements, although the additional note disclosures and required supplementary information will be significant.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the County beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB. Management’s current assessment is that this pronouncement will have an impact by increasing the net OPEB liability and, as a result, decreasing the unrestricted net position on the government-wide financial statements.

COUNTY OF PLYMOUTH, MASSACHUSETTS
SCHEDULE OF OPEB FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(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%
06/30/14	\$ -	\$ 22,744,512	\$ 22,744,512	0.0%	\$ 3,966,968	573.3%
06/30/16	\$ 51,372	\$ 19,861,729	\$ 19,810,357	0.3%	\$ 3,152,273	628.4%

See Independent Auditors' Report.

COUNTY OF PLYMOUTH, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

Plymouth County Retirement Association

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

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

See Independent Auditors' Report.

COUNTY OF PLYMOUTH, MASSACHUSETTS
SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

Plymouth County Retirement Association

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

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

See Independent Auditors' Report.