

Plymouth Growth & Development Corporation
(A Component Unit of the Town of Plymouth, Massachusetts)
Financial Statements with Independent Auditors' Report
For the Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Directors of
Plymouth Growth & Development Corporation

We have audited the accompanying financial statements of the business-type activities of Plymouth Growth & Development Corporation (the Corporation), a component unit of the Town of Plymouth, Massachusetts as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 an opinion 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 from 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Plymouth Growth & Development Corporation, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The Corporation has not presented a Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Scappini & Pina, P.C.

Norwell, Massachusetts

October 10, 2018

Plymouth Growth & Development Corporation
(A Component Unit of the Town of Plymouth, Massachusetts)
Statement of Net Position
December 31, 2017

ASSETS

Current assets	
Cash and cash equivalents	\$ 3,080,444
Prepaid expenses	24,709
Parking tickets receivable, net of allowance for uncollectible accounts of \$158,450	<u>79,680</u>
	3,184,833
 Long-term assets	
Fixed assets	1,149,654
Land	485,033
Accumulated depreciation	<u>(627,752)</u>
	<u>1,006,935</u>
Total assets	<u>\$ 4,191,768</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 33,813
Payroll liabilities	12,282
Accrued vacation	<u>11,566</u>
Total liabilities	57,661

NET POSITION

Net investment in capital assets	1,006,935
Unrestricted	<u>3,127,172</u>
Total net position	<u>4,134,107</u>
Total liabilities and net position	<u>\$ 4,191,768</u>

The accompanying notes are an integral part of the financial statements

Plymouth Growth & Development Corporation
(A Component Unit of the Town of Plymouth, Massachusetts)
Statement of Changes in Net Position
December 31, 2017

Operating revenues	
Parking fees	\$ 926,639
Parking citations	374,047
Parking permits	122,335
Citation penalties and fees	<u>216,091</u>
Total operating revenues	1,639,112
Operating expenses	
Payroll and related expenses	357,843
General and administrative expenses	
Administrative services	14,238
Professional services	17,364
Office supplies and expense	17,302
Advertising	1,722
Insurance	43,297
Dues and subscriptions	2,749
Bank charges	77,172
Telephone	16,753
Other	<u>672</u>
Total general and administrative expenses	191,269
Other operating expenses	
Contracted services	100,058
Parking violation expenses	9,389
Commissions and fees	70,995
Rent/lease expense	41,875
Parts and equipment	6,903
Vehicle expenses	7,971
Repairs and maintenance	12,794
Utilities	1,679
Uniforms	1,097
Depreciation expense	48,771
Community development awards	<u>20,440</u>
Total other operating expenses	321,972
Total operating expenses	<u>871,084</u>
Operating income	768,028
Nonoperating revenues (expenses)	
Interest income	<u>365</u>
Change in net position	768,393
Net position at beginning of year	<u>3,365,714</u>
Net position at end of year	<u><u>\$ 4,134,107</u></u>

The accompanying notes are an integral part of the financial statements

Plymouth Growth & Development Corporation
(A Component Unit of the Town of Plymouth, Massachusetts)
Statement of Cash Flows
December 31, 2017

Cash flows from operating activities

Receipts from customers and users	\$ 1,645,387
Payments to vendors and employees	<u>(884,714)</u>
Net cash provided by operating activities	760,673

Cash flows from capital and related financing activities

Purchase of capital assets	<u>(187,735)</u>
Net cash provided by capital and related financing activities	(187,735)

Cash flows from investing activities

Investment income	<u>365</u>
Net cash provided by investing activities	365

Net change in cash and cash equivalents	573,303
Cash and cash equivalents at beginning of year	<u>2,507,141</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,080,444</u></u>

Reconciliation of operating income to net cash provided by operating activities

Operating income	768,028
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	48,771
Changes in assets and liabilities:	
Parking tickets receivable, net	6,275
Prepaid expenses	3,425
Accounts payable and accrued expenses	<u>(65,826)</u>
Total adjustments	<u>(7,355)</u>
Net cash provided by operating activities	<u><u>\$ 760,673</u></u>

The accompanying notes are an integral part of the financial statements

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION
(A Component Unit of the Town of Plymouth, Massachusetts)
Notes to the Financial Statements
December 31, 2017

Note 1. History, reporting entity, and operations

Plymouth Growth & Development Corporation (the Corporation) is a community-based development organization, which for accounting purposes is a component unit of the Town of Plymouth, Massachusetts. The Corporation was established under Chapter 182 of the Acts of 2002 by the General Court of the Commonwealth of Massachusetts (the Enabling Legislation), for the purpose of aiding the Town of Plymouth, Massachusetts, private enterprises, nonprofit organizations, and other public agencies in the speedy and orderly development or redevelopment of unused, underused, or underdeveloped areas, and in the development, operation, and management of facilities and infrastructure necessary to support the economic vitality of the Plymouth Downtown Waterfront District and portions of the North Plymouth Village Center.

A Board of Directors consisting of seven members, appointed by the Board of Selectmen of the Town of Plymouth, Massachusetts (the Town), manages the Corporation. At least one member of the Board of Directors is a nominee of the Plymouth Regional Economic Development Foundation, Inc.

Currently, the Corporation manages and operates, on behalf of the Town, a parking management program in the downtown and waterfront districts. The parking management program primarily consists of paid parking spaces and lots through the use of parking meters, a pay and display program, and the issuance of parking permits. The authority to manage and operate the parking program is provided through a memorandum of agreement entered into by the Town and the Corporation, as provided under the Enabling Legislation, which expires October 30, 2023. The Corporation has the ability to operate additional programs in keeping with its purpose under its enabling legislation.

Note 2. Summary of significant accounting policies

A. Basis of presentation

The accounting policies of the Corporation conform to generally accepted accounting principles applicable to governmental units and the financial statements conform to the reporting presentation set forth in "Governmental Accounting and Financial Reporting Standards" issued by the Governmental Accounting Standards Board (GASB) applicable to public corporations and authorities. Accordingly, the Corporation utilizes the accrual basis of accounting, which recognizes revenue when earned and liabilities when incurred, regardless of the timing of the related cash flows.

Under GASB Statement Number 20, Accounting and Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Corporation has elected to apply accounting standards applicable to the private sector issued on or before November 30, 1989, unless those standards conflict with or contradict pronouncements of the GASB.

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B. Operating and non-operating revenue and expense

Operating revenues and expenses are distinguished from non-operating items. Currently, operating revenues and expenses generally result from the management of parking spaces within the Plymouth Downtown/Waterfront. The principal operating revenues consist of parking fees, parking fines, and parking permits. Operating expenses include salaries and administrative costs and costs incurred to operate and maintain the parking program and related equipment. Additional operating revenues and expenses may be incurred as the Corporation undertakes additional programs.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Cash and investments

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market prices.

D. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Corporation classifies outstanding parking fines three or more years old as uncollectible for financial reporting purposes.

E. Capital assets

Capital assets are stated at cost. Generally, assets with a unit value over \$1,000 are capitalized and depreciated. Depreciation is computed using the straight-line method over the economic useful lives of the assets. The range of estimated useful lives by asset type is as follows:

- Meter equipment 5 to 7 years
- Office equipment 5 to 7 years
- Vehicles 5 years

F. Equity classifications

Equity is classified as net position and displayed in three components:

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Net investment in capital assets – this component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted – this component of net position consists of restricted net position reduced by liabilities and deferred inflows or resources related to those assets. These assets may be restricted by constraints placed on their use by either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – this component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of investment in capital assets or the restricted component of net position.

G. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

Note 3. Cash and cash equivalents

Massachusetts General Laws, Chapter 44, Sections 54 and 55, place certain limitations on cash deposits and investments available to the Corporation. 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 Corporation may also invest in securities issued by or unconditionally guaranteed by the United States Government or an agency thereof, and having a maturity from the date of purchase of one year or less. The Corporation may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Corporation may invest in units of the Massachusetts Municipal Depository Trust (MMDT), a pooled investment account. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The corporation maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation does not have a formal deposit policy for custodial credit risk. At December 31, 2017, deposits totaled \$3,123,562

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and the carrying amount was \$3,080,444. Of the deposit amount, \$683,377 was covered by federal depository insurance or collateralization, and \$2,440,185 was uninsured and uncollateralized as allowed under the general laws of Massachusetts. The difference between bank deposits and carrying amounts consists of outstanding checks and deposits in transit.

Note 4. Receivables

The Corporation reports a receivable for outstanding parking tickets of \$79,680 as of December 31, 2017, which is net of allowance for uncollectible of \$158,450. Penalties associated with parking fines have not been accrued as receivable because the Corporation does not consider these penalties collectible; these amounts total \$320,665 as of December 31, 2017.

Note 5. Capital assets

Capital assets as of December 31, 2016 and changes in capital assets for the year ended December 31, 2016 are as follows:

	Balance			Balance
	<u>12/31/2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2017</u>
Land	\$ 485,033	\$ -		\$ 485,033
Construction in Progress	219,233	147,365		366,598
Leasehold improvements	48,690			48,690
Meter equipment	423,854			423,854
Office and other equipment	220,891	40,370		261,261
Vehicles	<u>49,251</u>	<u>-</u>	<u>-</u>	<u>49,251</u>
Subtotal capital assets	1,446,952	187,735	-	1,634,687
Accumulated depreciation	<u>(578,982)</u>	<u>(48,771)</u>	<u>-</u>	<u>(627,752)</u>
Total capital assets, net	<u>\$ 867,970</u>	<u>\$ 138,965</u>	<u>\$ -</u>	<u>\$ 1,006,935</u>

Note 6. Long-term obligations

Operating leases

The Corporation leases parking spaces located at Four North Street, Plymouth, Massachusetts from Santander Bank on a tenant-at-will basis. Annual rent of \$3,000 is payable in installments of \$1,500 due on January 1 and July 1 of each year.

On January 21, 2013, the Corporation entered into a lease agreement with Polar Cat, LLC for commercial office space located at 40 Court Street Plymouth, Massachusetts. The lease provides for annual rent of \$31,800, payable in monthly installments of \$2,650. The lease has a term of five years, commencing on March 1, 2013 and terminating on March 31, 2018 with the option to extend the lease for an additional period of two years.

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On February 21, 2018, the Corporation entered into a lease agreement with Linchris Hotel Corporation for two adjacent parking lots located on the west side of Water Street, Plymouth, Massachusetts. The lease provides for annual rent of \$5,950, payable in two installments of \$2,975 on May 1 and September 1. The lease term expires on November 30, 2018.

On March 28, 2018, the Corporation entered into a lease agreement with Linchris Hotel Corporation a portion of a parking lot located on Lothrop Street, Plymouth, Massachusetts. The lease provides for rent of \$1,350, payable in two installments of \$2,975 on April 1 and September 1. The lease term expires on November 30, 2018.

Lease expense totaled \$41,875 for the year ended December 31, 2017. The following is a schedule of future minimum operating lease payments as of December 31, 2017:

<u>Year ended</u>	<u>Amount</u>
12/31/2018	\$ 39,100

Note 7. Contractual obligations

On October 30, 2013, the Corporation renewed a Memorandum of Agreement with the Town of Plymouth, Massachusetts for management of on and off-street parking spaces; to develop a comprehensive parking management plan; and to develop and submit plans for the construction of multi-level parking facilities. As part of this agreement, the Corporation will provide monthly reimbursements to the Town for all salaries and benefits associated with existing meter enforcement personnel. Total payments to the Town of Plymouth for the year ended December 31, 2017 amounted to \$41,381. This agreement expires on October 30, 2023.

Note 8. Risk Management

The corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Corporation carries commercial insurance for all risks.

Note 9. GASB Pronouncements

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.

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- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Note 10. Subsequent Events

Management has evaluated subsequent events through October 10, 2018, which is the date the financial statements were available to be issued.