

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION
(A Component Unit of the Town of Plymouth, Massachusetts)
Financial Statements
For the Year Ended December 31, 2012

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Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

www.lmmcpas.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Directors
Plymouth Growth & Development Corporation

We have audited the accompanying financial statements of the business-type activities of the Plymouth Growth & Development Corporation (the Corporation), a component unit of the Town of Plymouth, as of Massachusetts and for the year ended December 31, 2012, 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.

Auditor's 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Plymouth Growth & Development Corporation, as of December 31, 2012, 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.

Lynch, Malloy, Marini, LLP

Norwell, MA
December 14, 2013



PLYMOUTH GROWTH & DEVELOPMENT CORPORATION
(A Component Unit of the Town of Plymouth, Massachusetts)
Statement of Net Position
December 31, 2012

	<u>2012</u>
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 852,727
Prepaid expenses	22,546
Parking tickets receivable, net of allowance for uncollectible accounts of \$108,550	87,330
Other current assets	<u>19,093</u>
	981,696
Long-term assets	
Fixed assets	603,640
Accumulated depreciation	<u>(298,864)</u>
	304,776
Total assets	<u>\$ 1,286,472</u>
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	\$ 75,999
Payroll liabilities	4,445
Accrued vacation	<u>8,562</u>
Total liabilities	89,006
<u>NET POSITION</u>	
Net investment in capital assets	285,194
Unrestricted	<u>912,272</u>
Total net position	1,197,466
Total liabilities and net position	<u>\$ 1,286,472</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 Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2012

	<u>2012</u>
Operating revenues	
Parking fees	\$ 560,715
Parking citations	290,228
Parking permits	68,253
Citation penalties and fees	<u>63,387</u>
Total operating revenues	982,583
Operating expenses	
Payroll and related expenses	253,324
General administrative expenses	
Administrative services	12,265
Professional services	12,995
Office supplies and expense	29,988
Advertising	2,625
Insurance	16,665
Permits and fees	116
Dues and subscriptions	50
Bank charges	36,205
Telephone	12,140
Other	<u>1,873</u>
Total general administrative expenses	124,922
Other operating expenses	
Contracted services	126,650
Rent/lease expense	20,800
Parts and equipment	33,167
Vehicle expenses	2,564
Repairs and maintenance	4,816
Utilities	3,888
Uniforms	958
Depreciation expense	65,677
Community development awards	<u>15,317</u>
Total other operating expenses	<u>273,837</u>
Total operating expenses	<u>652,083</u>
Operating income	<u>330,500</u>
Nonoperating revenues (expenses)	
Interest income	<u>737</u>
Change in net position	331,237
Net position at beginning of year	<u>866,229</u>
Net position at end of year	<u>\$ 1,197,466</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
For the year ended December 31, 2012

	<u>2012</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 968,893
Payments to vendors and employees	<u>(564,585)</u>
Net cash provided by operating activities	404,308
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(283,096)</u>
Net cash used by capital and related financing activities	(283,096)
Cash flows from investing activities	
Investment income	<u>737</u>
Net cash provided by investing activities	<u>737</u>
Net change in cash and cash equivalents	121,949
Cash and cash equivalents at beginning of year	<u>730,778</u>
Cash and cash equivalents at end of year	<u>\$ 852,727</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 330,500
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	65,677
Changes in assets and liabilities:	
Parking tickets receivable, net	(13,690)
Prepaid expenses and deposits	(28,117)
Accounts payable and accrued expenses	<u>49,938</u>
Total adjustments	<u>73,808</u>
Net cash provided by operating activities	<u>\$ 404,308</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, 2012

Note 1. Corporation history, reporting entity and operations

The 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 7 members, appointed by the 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 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 uses the accrual basis of accounting, which recognizes revenue when earned and liabilities when incurred, regardless of the timing of the related cash flows.

Under Governmental Accounting Standards Boards (GASB) Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Group 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 Governmental Accounting Standards Board.

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, fines, and 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.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

(A Component Unit of the Town of Plymouth, Massachusetts)

Notes to the Financial Statements

December 31, 2012

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

C. Cash and investments

For the 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 years or more 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 both accelerated and straight-line methods over economic useful lives of the assets. The range of estimated useful lives by type of asset is as follows:

➤ Meter Equipment	5 - 7 years
➤ Office Equipment	5 - 7 years
➤ Vehicles	5 years

F. Equity classifications

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

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 inflow of resources that are attributable to the acquisition, constructions, 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 assets reduced by liabilities and deferred inflows or resources related to those assets. These assets may be restricted by constraints placed on the use either by (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 net investment in capital assets or the restricted component of net position.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

(A Component Unit of the Town of Plymouth, Massachusetts)

Notes to the Financial Statements

December 31, 2012

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, Section 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 U.S. Government or an agency thereof, and having a maturity from 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 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, 2012, deposits totaled \$858,077 and the carrying amount was \$852,727. Of the deposit amount, \$681,198 was covered by federal depository insurance or collateralized and \$176,879 was uninsured and uncollateralized as allowed under general laws of Massachusetts. The difference between bank deposits and carrying amounts consists primarily of outstanding checks and deposits in transit.

Note 4. Receivables

The Corporation reports parking tickets receivable of \$87,330 as of December 31, 2012, which is net of allowance for uncollectible of \$108,550. Penalties associated with parking fines have not been accrued as receivable because the Corporation does not consider these penalties collectible; these amounts total \$280,970 as of December 31, 2012.

Note 5. Capital assets

Capital assets as of December 31, 2012, and changes for the year ended December 31, 2012 are as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>12/31/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2012</u>
Leasehold improvements	\$ 36,890			\$ 36,890
Meter equipment	233,572	124,002		357,574
Office equipment	17,400	159,094		176,494
Vehicles	32,682			32,682
Subtotal capital assets	320,544	283,096		603,640
Accumulated depreciation	(233,187)	(65,677)		(298,864)
Total capital assets, net	<u>\$ 87,357</u>	<u>\$ 217,419</u>	<u>\$</u>	<u>\$ 304,776</u>

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

(A Component Unit of the Town of Plymouth, Massachusetts)

Notes to the Financial Statements

December 31, 2012

Note 6. Long-term obligations

Operating leases

Under an agreement originally dated October 1, 2011, the Corporation leases parking spaces located at Four North Street, Plymouth, Massachusetts from Sovereign Bank. The lease agreement calls for an annual renewal, the most recent of which will expire September 30, 2013 and provides for an annual payment of \$3,000 payable in installments of \$1,500 due on January 1 and July 1 of each year.

On June 30, 2011, a lease agreement between the Corporation and 15-23 Court Street, LLC, for commercial office space, expired. At this time the lease became a month-to-month agreement. The lease provides for a monthly rent of \$1,000, due on the first of each month throughout the lease term for space located at 17R Court Street, Plymouth, Massachusetts.

On November 15, 2011, a lease agreement between the Corporation and 15-23 Court Street, LLC, for commercial office space, expired. At this time the lease became a month-to-month agreement. The lease provides for a quarterly rent of \$825, due on the first of each calendar quarter throughout the lease term for space located at 23R-A Court Street, Plymouth, Massachusetts.

A month-to-month lease agreement exists between the Corporation and 15-23 Court Street, LLC for commercial office space. The lease provides for a monthly rent of \$250 for space located at 21R Court Street, Plymouth, Massachusetts.

On January 21, 2013, the Corporation entered into a lease agreement with Polar Cat, LLC for commercial office space located at 40 Court Street. The lease provides for an annual rent of \$31,800 payable in monthly installments of \$2,650. The lease term is from March 1, 2013 through March 30, 2018 with the option to extend the lease for an additional two years.

On April 19, 2013, the Corporation entered into a lease agreement with Eastport Bayside, LLC for two adjacent parking lots located on the west side of Water Street. The lease provides for an annual rent of \$5,950 payable in two installments of \$2,975 on May 1 and September 1. The lease term is from April 19, 2013 through November 30, 2013.

Lease expense totaled \$20,800 for the year ended December 31, 2012. The following is a schedule of future minimum operating lease payments as of December 31, 2012:

<u>Year Ended</u>	<u>Amount</u>
12/31/2013	\$ 32,450
12/31/2014	31,800
12/31/2015	31,800
12/31/2016	31,800
12/31/2017	31,800
Thereafter	7,950

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

(A Component Unit of the Town of Plymouth, Massachusetts)

Notes to the Financial Statements

December 31, 2012

Note 7. Contractual obligations

On October 30, 2012, the Corporation renewed a Memorandum of Agreement with the Town of Plymouth, Massachusetts for a period of one year for management of the 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, 2012 were \$52,931. This agreement was subsequently extended for a period of ten years, now expiring 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 risk except health insurance.

Note 9. Implementation of New GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the Corporation believes are applicable to its financial statements.

Current pronouncements

The GASB issued Statement #62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is required to be implemented in fiscal year 2013. This pronouncement will continue the codification of all generally accepted accounting principles for state and local governments into a single source.

The GASB issued Statement #63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is required to be implemented in fiscal year 2013. This pronouncement will standardize the financial reporting relating to the elements of a government's consumption of net assets, and an acquisition of net assets that is applicable to a future reporting period.

The GASB issued Statement #65, Items Previously Reported as Assets and Liabilities, which is required to be implemented in fiscal year 2013. This pronouncement will clarify the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

The GASB issued Statement #66, *Technical Corrections - 2012*, which is required to be implemented in fiscal year 2013. This pronouncement will resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.