

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE TOWN OF PLYMOUTH, MASSACHUSETTS)
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION
(A Component Unit of the Town of Plymouth, Massachusetts)
Basic Financial Statements & Management's Discussion and Analysis
For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Plymouth Growth & Development Corporation
Plymouth, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Plymouth Growth & Development Corporation, a component unit of the Town of Plymouth, Massachusetts, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Plymouth Growth & Development 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 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 statements referred to above present fairly, in all material respects, the respective financial position of the Plymouth Growth & Development Corporation, as of December 31, 2019, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis-of-Matter

As discussed in Note 10 to the financial statements, the Plymouth Growth & Development Corporation restated its beginning net position to correct the prior period material misstatement related to contributions to the Town of Plymouth, Massachusetts that were inadvertently capitalized and recorded as construction in progress. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – vii 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 sufficient evidence to express an opinion or provide any assurance.

Lynch Marini & Associates Inc.

Norwell, Massachusetts
August 18, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

Management's Discussion and Analysis

December 31, 2019

As management of the Plymouth Growth & Development Corporation (the Corporation), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2019. Please read it in conjunction with the Corporation's basic financial statements and the related notes to the financial statements, which begin on page 1.

Financial Highlights:

- The assets of the Corporation exceeded its liabilities at the close of the most recent year by approximately \$3.5 million (net position).
- The Corporation earned total revenues of approximately \$2.5 million for the year ended December 31, 2019; nearly all of which were from its operating activities.
- Operating and non-operating expenses for the year ended December 31, 2019 totaled approximately \$1.4 million.
- The Corporation's net income for 2019 was approximately \$1.1 million, which was comprised of operating income of \$1.3 million and a non-operating loss of \$280,000.
- At the end of the year, the Corporation's total unrestricted net position was approximately \$2.6 million, or 186% of total operating and non-operating expenses.
- The Corporation's beginning net position was restated by approximately \$2.8 million for the reclassification of amounts related to the S. Russell Street Parking Deck Project, Middle Street Lot improvements, and feasibility and engineering studies for other projects that were previously recorded as construction in progress.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. These basic financial statements consist of the following components: 1) proprietary fund financial statements and 2) notes to the financial statements. The notes to the financial statements provide information related to these statements, which is essential in understanding the current financial statements and comparisons with previous years. As previously noted and further detailed in Note 9, the Corporation restated its beginning net position as a result of amounts capitalized and reported as construction in progress in prior years that should have been previously recorded as expenses. Prior year amounts in the tables below have not been restated for these reclassifications.

Proprietary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Required proprietary fund financial statements are as follows:

The *statement of net position* presents information on all assets plus deferred outflows of resources less liabilities and deferred inflows of resources, resulting in the aggregate *net position* of the Corporation. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Corporation is improving or deteriorating. The reader should also consider other non-financial factors, such as the condition of the Corporation's capital assets, to assess the overall health of the Corporation.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

Management's Discussion and Analysis

December 31, 2019

The *statement of revenues, expenses, and changes in net position* reports the financial (revenue and expenses) activities of the Corporation and divides it into two categories: *operating activities* and *non-operating activities*. Operating activities include all financial activities associated with the operation of Corporation. Consequently, all non-operating activities include all financial activities not related to the operation of the Corporation. Changes in total net position as presented on the *statement of net position* are based on the activity presented in this statement. This statement helps to determine whether the Corporation had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

The *statement of cash flows* provides information about the Corporation's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in the cash balance during the reporting period?" This statement is also an important tool in helping users assess the Corporation's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the information provided in the Corporation's financial statements. The notes to the financial statements follow the basic financial statements described above.

Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of the Corporation's financial position. As indicated in the following chart, assets exceeded liabilities by approximately \$3.5 million at the close of calendar year 2019.

The following table demonstrates the net position of the Corporation as of December 31, 2019 and December 31, 2018. Net position has not been restated to reflect the prior period adjustments for purposes of this table.

	2019	2018
Current assets	\$ 2,657,118	\$ 1,778,726
Capital assets, net	865,075	3,606,336
Total assets	3,522,193	5,385,062
Current liabilities	20,944	44,329
Total liabilities	20,944	44,329
Net position		
Net investment in capital assets	865,075	3,606,336
Unrestricted	2,636,174	1,734,397
Total net position	\$ 3,501,249	\$ 5,340,733

Included within the Corporation's current assets is \$2.5 million of cash and cash equivalents, which is an increase from the beginning of the year balance of approximately \$830,000. The additional monies were the result of a strong seasonal economy and greater than expected parking revenues combined with the postponement of selected capital expenses to 2020. The remaining \$187,000 of current assets consists of prepaid expenses and receivables for outstanding parking tickets net of an allowance for uncollectible amounts.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

Management's Discussion and Analysis

December 31, 2019

The Corporation's current liabilities consist of amounts for accounts payable, payroll liabilities, and vacation time accruals.

The largest component of the Corporation's net position is its unrestricted net position. This component represents amounts that may be used to meet the Corporation's ongoing obligations to the Town of Plymouth, Massachusetts and its creditors.

The net investment in capital assets component of the net position represents the Corporation's investment in capital assets (e.g., land, improvements, equipment, and vehicles) less any deferred outflows or debt used to acquire those assets. The Corporation uses these capital assets to provide parking services to the Town of Plymouth, Massachusetts; consequently, these assets are not available for future spending. As of December 31, 2019, the Corporation did not have any debt related to its capital assets.

The Corporation's total net position increased by approximately \$1.1 million as operating and non-operating revenues exceeded operating and non-operating expenses. A summary of the Corporation's revenues and expenses is presented in the following table:

	<u>2019</u>	<u>2018</u>
Operating revenues:	\$ 2,466,349	\$ 2,190,043
Operating expenses:		
Payroll and related expenses	450,691	408,874
General and administrative expenses	125,793	267,081
Other operating expenses	555,067	308,216
Total operating expenses	<u>1,131,551</u>	<u>984,171</u>
Operating income	1,334,798	1,205,872
Non-operating revenues/(expenses):		
Interest income	923	754
Capital contributions	(284,072)	
Total non-operating revenues/(expenses) - net	<u>(283,149)</u>	<u>754</u>
Change in net position	<u>\$ 1,051,649</u>	<u>\$ 1,206,626</u>

Operating revenues increased by 12.6% (or approximately \$276,000) in 2019 as compared to 2018 as a result of (a) across-the-board increases in the price of 2019 parking permits; (b) the realization of several additional months of ticket violation revenue under the higher parking fine schedule implemented in 2018; and to a much lesser extent (c) additional daily revenue generated by the parking spaces in the new parking deck [149 parking spaces], the availability all spaces in the Burton lot [24 parking spaces] and Cornish lot [20 parking spaces], and the creation of new revenue-generating parking spaces in the Water Street bus lot [37 parking spaces].

Operating expenses totaled approximately \$1.1 million in 2019 compared to \$984,000 in 2018 due predominantly to (a) increases in credit card fees due to increased credit card usage, (b) additional staff expenses, (c) an uptick in insurance expenses, and (d) payment to the Town of Plymouth of the initial payment due under the Bond Debt Service Schedule associated with the financing of the S. Russell Parking Deck.

Payroll expenses (wages, taxes, and processing fees) totaled approximately \$451,000 in 2019 and accounted for approximately 40% of the total annual operating expenses of the Corporation.

Capital Asset, Debt Administration, and Other Obligations:

Capital Assets:

At the end of 2019, the Corporation had approximately \$865,000 in capital assets, which is net of accumulated depreciation of approximately \$756,000.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

Management's Discussion and Analysis

December 31, 2019

The Corporation made capital investments approximating \$216,000 in 2019. The most significant capital asset purchases for the year consisted of the following:

- *Parking Meters* – Park Plymouth purchased and installed three hundred and twenty (320) new IPS-MK5 4G single space parking meters (total cost \$146,000) as upgrades and replacements for all existing on-street parking meters in its inventory.
- *Pay Stations* – Park Plymouth purchased seven (7) new ITS pay stations and upgraded the modems at all existing (16) Park Plymouth pay stations at a total cost of approximately \$104,000; two (2) of the new pay stations were placed in the S. Russell Street Parking Deck and Cornish Lot, and five (5) for placement along Water Street on the waterfront as replacements for 78 single space parking meters that were there.

The following table represents a summary of the Corporation's capital assets, net of accumulated depreciation, by category. As previously noted, 2018 amounts have not been restated to reflect the prior period adjustment.

	<u>2019</u>	<u>2018</u>
Land	\$ 486,233	\$ 485,033
Leasehold improvements	36,580	40,648
Construction in progress		2,891,133
Meters and parking equipment	243,274	23,170
Office furniture and other equipment	87,540	151,520
Vehicles	11,448	14,832
Total	<u>\$ 865,075</u>	<u>\$ 3,606,336</u>

Debt Administration and Other Obligations:

At the end of the current year, the Corporation held no debt. However, in spring 2019, the Town of Plymouth, Massachusetts issued a bond for \$3.0 million to help finance the construction of the S. Russell Street Parking Deck. Under the terms of the most recent Memorandum of Agreement with the Town, the Corporation is contractually obligated to reimburse the Town for debt service payments (principal and interest) associated with this bond. The annual required contributions to the Town of Plymouth associated with this bond are approximately \$160,000 per year.

Economic Factors and Next Year's Budget and Rates:

The Corporation prepares an annual operating and capital budget to monitor its daily revenues and expenses and guide its investments in capital assets. Operating income for 2020 is anticipated to approach \$2.6 million, which is a \$200,000 or 8.3% increase from 2019. This anticipated increase is the result of (a) an increase in the hourly parking rate from \$1.50 to \$2.00 and (b) additional daily revenue generated by S. Russell Street Parking Deck, which was fully operational in 2020. Operating expenses for 2020 are estimated to be approximately \$1.3 million, which is consistent with the increase in anticipated operating revenues.

The economic impact to the Corporation as a result of the State of Emergency declared from the outbreak of the novel Coronavirus (COVID-19) cannot be fully determined as of the date of these financial statements. However, the Corporation does expect a decrease in revenues for 2020 from what was originally budgeted.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

Management's Discussion and Analysis

December 31, 2019

Requests for Information:

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

Executive Director
Plymouth Growth & Development Corporation
40 Court Street, Floor 1 Unit 1, Plymouth, MA 02360

BASIC FINANCIAL STATEMENTS

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

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

Statement of Net Position

December 31, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,469,647
Prepaid expenses	33,101
Parking tickets receivable, net of allowance for uncollectible accounts of \$173,665	154,370
Total current assets	<u>2,657,118</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>865,075</u>
Total assets	<u>3,522,193</u>

LIABILITIES

Current liabilities:

Accounts and other payables	17,528
Payroll liabilities	2,145
Accrued vacation time	1,271
Total current liabilities	<u>20,944</u>
Total liabilities	<u>20,944</u>

NET POSITION

Net position:

Net investment in capital assets	865,075
Unrestricted	2,636,174
Total net position	<u>\$ 3,501,249</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of these 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, 2019

Operating revenues:	
Parking fees	\$ 1,573,551
Parking citations	613,138
Parking permits	152,483
Citation penalties and fines	127,177
Total operating revenues	<u>2,466,349</u>
Operating expenses:	
Payroll and related expenses	450,691
General and administrative expenses	
Administrative services	17,861
Professional services	13,760
Office supplies and expense	20,908
Advertising	391
Insurance	44,039
Dues and subscriptions	2,149
Bank charges	3,745
Telephone	20,428
Other	2,512
Total general and administrative expenses	<u>125,793</u>
Other operating expenses	
Contracted services	18,566
Parking violation expenses	61,721
Commissions and fees	77,044
Rent/lease expense	40,600
Parts and equipment	10,985
Vehicle expense	9,601
Repairs and maintenance	17,198
Utilities	1,759
Depreciation expense	66,856
Community development awards	129,108
Management fees	121,629
Total other operating expenses	<u>555,067</u>
Total operating expenses	<u>1,131,551</u>
Operating income	<u>1,334,798</u>
Non-operating revenues/(expenses):	
Interest income	923
Capital contributions	(284,072)
Total non-operating revenues/(expenses) - net	<u>(283,149)</u>
Change in net position	<u>1,051,649</u>
Net position, beginning of the year, restated	<u>2,449,600</u>
Net position, end of the year	<u>\$ 3,501,249</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of these 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, 2019

Cash flows from operating activities:

Receipts from customers and users	\$ 2,419,254
Payments to vendors and employees	(1,090,441)
Net cash provided by operating activities	<u>1,328,813</u>

Cash flows from capital activities:

Purchases of capital assets	(216,728)
Net cash provided used in capital activities	<u>(216,728)</u>

Cash flows from investing activities:

Investment income	923
Capital contributions	(284,072)
Net cash provided used in investing activities	<u>(283,149)</u>

Increase in cash and cash equivalents 828,936

Cash and cash equivalents, beginning of year 1,640,711

Cash and cash equivalents, end of year \$ 2,469,647

Reconciliation of operating income to net cash provided by/(used in) operating activities:

Operating income \$ 1,334,798

Adjustments to reconcile operating income to net cash provided by/ (used in) operating activities:

Depreciation expense 66,856

Changes in assets and liabilities:

Prepaid expenses (2,361)

Parking tickets receivable, net (47,095)

Accounts and other payables 2,607

Payroll liabilities (14,580)

Accrued vacation time (11,412)

Total adjustments (5,985)

Net cash provided by operating activities \$ 1,328,813

See Independent Auditor's Report.

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

NOTES TO THE FINANCIAL STATEMENTS

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

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

Notes to the Financial Statements

December 31, 2019

NOTE 1 – HISTORY, REPORTING ENTITY, AND OPERATIONS

The Plymouth Growth & Development Corporation (the Corporation) is a component unit of the Town of Plymouth, Massachusetts (the Town). The Corporation is managed by a seven-member Board of Directors appointed by the Plymouth Board of Selectmen. All members of the Board are Plymouth residents or owners of property or business establishments located in the development zone.

The Corporation, which was originally named the Plymouth Development Corporation (PDC), was created in 2002 as a non-profit public corporation for the Town of Plymouth, Massachusetts by Chapter 182 of the Acts of 2002 (Special Act). In this Special Act, the Massachusetts legislature gave the Corporation the following charge:

It is the purpose of the corporation created by this act to aid the town, private enterprises and 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 development zone.

The development zone is a geographical area that encompasses the areas in the Town of Plymouth, Massachusetts known locally as the Plymouth Downtown/Waterfront District and portions of the North Plymouth Village Center. Because the name “Plymouth Development Corporation” was found to be shared with another corporate entity, the PDC changed its name to the Plymouth Growth & Development Corporation through a certified vote of the Board of Selectmen on October 28, 2008.

In accordance with enabling legislation, the Corporation has focused its resources on the development, management, and operation of on-street, off-street, and structured parking facilities in the downtown/waterfront and North Plymouth areas which are important to the vibrancy of the retail districts and attractiveness of Plymouth as a tourist destination. In coordination with the Plymouth Board of Selectmen and other Town departments, the Corporation (also referred to as Park Plymouth) exists today to manage and grow the Town’s parking infrastructure and to develop directional and informational signage, transit service, pedestrian walkways, and public amenities that will enhance the economic development. The activities of Park Plymouth are guided by a Parking Management Plan developed for and endorsed by the Corporation’s Board and the Plymouth Board of Selectmen. It provides the framework for public policy decisions and the investments in parking and transportation improvements that are necessary to address the challenges facing the Town of Plymouth, Massachusetts.

The authority to manage and operate the Plymouth parking program is provided through a Memorandum of Agreement (MOA) entered into, and periodically updated, by the Town of Plymouth, Massachusetts and the Corporation. The most recent MOA was amended on January 15, 2020 and expires on October 29, 2033.

The rules that apply to parking in downtown Plymouth, on the waterfront, and in North Plymouth differ throughout the calendar year. In general there are two parking seasons: one in which the public is obligated to pay the posted hourly rates (the paid parking season) and the other in which the public must obey the posted time limits for parking, but is not obligated to pay any parking fees (the free parking season.) The paid parking season typically begins on April 1st and extends through November 30th every year. The free parking season begins on December 1st and extends through March 31st of the following year.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

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

Notes to the Financial Statements

December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accounting policies of the Plymouth Growth & Development Corporation conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units and its financial statements are prepared in accordance with 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. The Corporation is a special-purpose government engaged in only business-type activities. Accordingly, the Corporation utilizes the economic resources measurement focus and accrual basis of accounting, which recognizes revenues when earned and capital assets and expenditures are recorded when received and incurred, regardless of the timing of related cash flows.

The more significant accounting policies established by GAAP and used by the Corporation are discussed below.

B. Tax Status

The Plymouth Growth & Development Corporation is a municipal entity, and as such, is exempt from income taxation.

C. Fair Value Measurement

The Corporation measures assets, except for capital assets, and liabilities at fair value according to the hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk. The following are levels considered.

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.
- Level 3 inputs are unobservable for the asset or liability and are used only if relevant Level 1 or Level 2 inputs are not available.

D. Cash, Cash Equivalents, and Investments

For purposes of the Statement of Net Position and the Statement of Cash Flows, the Corporation considers all short-term investments with an original maturity value of three months or less to be cash equivalents. As of December 31, 2019, the Corporation held no such investments.

Investments are defined as securities or other assets that (a) an entity holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by GAAP. Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. A 2a7-like pool is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended, and should be measured at the net asset value per share provided by the pool.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

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

Notes to the Financial Statements

December 31, 2019

Additional cash and investment disclosures are presented in these Notes.

E. 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 receivables are based upon historical trends and the periodic aging of accounts receivable. The Corporation considers outstanding parking fines that are three years or more old as uncollectible for financial reporting purposes.

F. Capital Assets

Capital assets are recorded at cost if purchased or at fair market value at the date of donation. Generally, assets with a per unit value of \$1,000 are capitalized and depreciated. As of December 31, 2019, the Corporation does not have any donated capital assets.

Depreciation is computed on the straight-line basis using the estimated economic useful lives of the assets. The range of estimated useful lives by asset type is as follows:

<u>Type of Asset</u>	<u>Estimated Useful Life</u>
Leasehold Improvements	15 years
Meters & Parking Equipment	5-7 years
Office Furniture & Other Equipment	5-7 years
Vehicles	5 years

G. Inventories

The Corporation currently does not report any inventories for financial reporting purposes. The Corporation reports parts, supplies, and non-capital equipment as expenses when purchased rather than when the parts, supplies, and non-capital equipment are consumed. The Corporation has determined any amounts not consumed at year-end to be immaterial to the Corporation's financial statements.

H. Liabilities

Liabilities represent present obligations to sacrifice resources for which the Corporation has little or no discretion to avoid. The primary focus is on the obligation for the entity to perform. Current liabilities represent obligations incurred in the operating cycle from the acquisition of goods and/or services, accruals for salaries/wages, paid time off accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Noncurrent (long-term) liabilities consist primarily of obligations such as bonds payable and other obligations due or generally expected to be liquidated at a time after one year from the balance sheet date.

I. Compensated Absences

The Corporation's policy regarding vacation and sick time is offered through a personal time off (PTO) program that permits employees to accrue PTO based on their years of employment. Unused personal time is reimbursed at the termination of employment, however, only three weeks can be carried over to the following year unless otherwise authorized by the Director of Operations. The liability for the estimated personal time carryover is recorded as a current liability on the financial statements.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

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

Notes to the Financial Statements

December 31, 2019

J. Equity Classifications

Equity is classified as net position in the Corporation's financial statements. The Corporation first utilizes restricted resources for appropriate activities prior to utilizing unrestricted resources. Net position is displayed in three components:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, 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 assets reduced by liabilities and deferred inflows of 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) laws through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position is the net amount of 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.

K. Operating and Non-Operating Revenues and Expenses

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 areas. 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

L. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Massachusetts General Laws (M.G.L.), 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. 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 the date of purchase of one year or less. Additionally, the Corporation may invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from the date of purchase. The Corporation may also invest in units of the Massachusetts Municipal Depository Trust (MMDT) – an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts.

PLYMOUTH GROWTH & DEVELOPMENT CORPORATION

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

Notes to the Financial Statements

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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, 2019, deposits totaled \$2,470,666 and had a carrying value of \$2,469,647. Of the deposit amounts, \$1,785,612 was exposed to custodial credit risk at December 31, 2019 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks, transfers, and deposits in transit.

Cash deposits are reported at carrying amount, which reasonably approximates fair value (Level 1). The Corporation has adopted formal investment policies, however, as of December 31, 2019 the Corporation held no such investments.

NOTE 4 – RECEIVABLES

As of December 31, 2019 the Corporation reports a receivable for outstanding parking tickets of \$154,370, which is net of an allowance for uncollectible amounts of \$173,665. Penalties associated with parking fines have not been accrued as receivables because the Corporation does not consider these penalties collectible; these amounts total \$397,300 as of December 31, 2019.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows. Beginning balances have been restated. See Note 10.

	(restated) Beginning Balances	Increases	(Decreases)	Ending Balances
Capital assets not being depreciated:				
Land	\$ 485,033	\$ 1,200	\$	\$ 486,233
Capital assets being depreciated:				
Leasehold improvements	65,757			65,757
Meters and parking equipment	432,048	250,626		682,674
Office furniture and other equipment	372,556		(35,098)	337,458
Vehicles	49,251			49,251
Subtotal	919,612	250,626	(35,098)	1,135,140
Less: accumulated depreciation:	(689,442)	(66,856)		(756,298)
Capital assets, net	<u>\$ 715,203</u>	<u>\$ 184,970</u>	<u>\$ (35,098)</u>	<u>\$ 865,075</u>

NOTE 6 – LONG-TERM OBLIGATIONS

A. Line of Credit

On November 1, 2018, the Corporation entered into a revolving line of credit loan agreement with Rockland Trust Company secured by real estate known as Lot 70-4 Lothrop Street Plymouth, Massachusetts, which is presently used as a parking lot. The line of credit has a limit of \$650,000 and an interest rate of prime plus zero percent per annum (5.25% as of December 31, 2019), but not lower than 5%. The Corporation did not have any borrowings against this line of credit during 2019 and paid no interest for interim use of the credit line.

B. Operating Leases

The Corporation leased office space, parking lots, and parking spaces at several locations during 2019. The lease agreements expire on various dates during 2019 and 2020 with the exception of an agreement with Santander Bank for parking spaces located at 4 North Street Plymouth, Massachusetts which the Corporation rents on a tenant-at-will basis.

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Rent expense for all operating leases totaled \$40,600 for the year ended December 31, 2019. The following is a schedule of future minimum operating lease payments as of December 31, 2019:

<u>Year Ended</u>	<u>Amount</u>
12/31/2020	<u>\$ 15,250</u>

NOTE 7 – CONTRACTUAL OBLIGATIONS

A. Memorandum of Agreement

The Plymouth Growth & Development Corporation, also referred to as Park Plymouth, with the Town manages the Town of Plymouth, Massachusetts’ (the Town) parking program under a Memorandum of Agreement (MOA). The MOA identifies the roles and responsibilities of the Corporation/Park Plymouth with regards to (a) the purchase, installation, and maintenance of parking equipment and parking-related signage; (b) the configuration of existing on-street and off-street parking spaces and lots and the creation of new parking facilities; (c) the establishment of parking rates and fines and the collection of all parking revenues; (d) the enforcement of paid parking requirements and parking time limits; (e) the maintenance of its parking assets; and (f) the disbursement of the Corporation’s revenues for public improvement projects and events. The original MOA was entered into during 2004 and has been extended several times. The most recent extension was approved on March 21, 2018 and was subsequently amended during 2019.

During 2019, the Corporation and the Town developed a “new” MOA that clarified and codified the obligations of both the PGDC and the Town that were included in a number of previously executed documents; eliminated the provisions that were no longer applicable or relevant; and eliminated the redundancy that existed with multiple documents. The MOA now references the PGDC’s obligation to manage and enforce parking regulations in the so-called Town Hall Corridor and to make annual debt service payments to the town in accordance with a specific Bond Debt Service schedule. The new MOA supersedes all prior agreements, amendments, licenses, representations, understandings, proposals, commitments, and communications that have been generated over the years between the PGDC and the Town of Plymouth, Massachusetts. This MOA was entered into and approved on January 15, 2020 and expires on October 29, 2033, however, it may be extended for additional periods by votes of the Select Board.

B. Capital Contribution Obligations

On May 15, 2019, the Town of Plymouth, Massachusetts issued a bond for \$3.0 million to help finance the construction of the S. Russell Street Parking Deck. This bond is a general obligation of the Town of Plymouth, Massachusetts and is reflected on their financial statements. However, the Corporation is contractually obligated under the terms of the MOA to reimburse the Town for the debt service payments (principal and interest) associated with the bond. The first payment was made in December of 2019 in the amount of \$49,728. These reimbursement payments are recorded as capital contributions to the Town of Plymouth, Massachusetts in the Corporation’s financial statements.

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The annual required capital contribution obligations as of December 31, 2019, are as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2020	\$ 160,175
2021	157,425
2022	154,675
2023	156,800
2024	158,675
2025 - 2029	781,375
2030 - 3034	784,900
2035 - 2039	777,925
2040 - 2044	776,450
2024 - 2049	780,875
	<u>\$ 4,689,275</u>

Additionally, in accordance with the terms of the MOA dated January 15, 2020, if the MOA is not extended beyond its current termination date (October 29, 2033), or is terminated before its current termination date, any bond debt obligation associated with the S. Russell Parking Deck that remains after the Corporation has terminated, settled, and or paid off all the other short- or long-term debt shall become the sole obligation of the Town of Plymouth, Massachusetts.

The Corporation may also make additional capital contributions to the Town, as authorized by the Board of Directors. For the year ended December 31, 2019, total capital contributions paid to the Town amounted to \$284,072.

NOTE 8 – RISK MANAGEMENT

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Corporation is subject to various legal actions and claims in the normal course of business. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not always predictable. As of the date of these financial statements, management is not aware of any legal actions or claims that would materially affect the financial position of the Corporation at December 31, 2019 or that would require disclosure in these financial statements.

NOTE 10 – RESTATEMENT OF BEGINNING BALANCES

The following illustrates the restatement of beginning net position as the result of the following prior period adjustments:

- Reclassification of capital contributions relating to the S. Russell Street Parking Deck and other parking lot improvements that were recorded as construction in progress
- Reclassification of feasibility and engineering study costs from previous years relating to projects that the Corporation decided not to pursue that were included in construction in progress.

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Net position as of December 31, 2018	\$ 5,340,733
Prior period adjustments:	
Capital contribution payments recorded as construction in progress	(2,350,335)
Feasibility & engineering costs recorded as construction in progress	<u>(540,798)</u>
Subtotal	<u>(2,891,133)</u>
Net position restated as of January 1, 2019	<u><u>\$ 2,449,600</u></u>

NOTE 11 – 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 No. 83, *Certain Asset Retirement Obligations*, which was required to be implemented in 2019. This pronouncement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This pronouncement had no effect on the Corporation's financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*, which was required to be implemented in 2019. The pronouncement establishes criteria for identifying fiduciary activities and its objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This pronouncement had no effect on the Corporation's financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which was required to be implemented in 2019. This pronouncement improves financial reporting by providing users with essential information that currently is not consistently provided. Additionally, it provides information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. The Corporation has implemented this pronouncement as applicable.

The GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, which was required to be implemented in 2019. This pronouncement improves the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This pronouncement had no effect on the Corporation's financial statements.

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective implementation dates of certain pronouncements as a result of the COVID-19 pandemic. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: GASB Statements No. 83, No. 84, No. 88, No. 89, No. 90, No. 91, No. 92, and No. 93 and Implementation Guides No. 2018-1, No. 2019-1, and No. 2019-2. The effective dates of the following pronouncements are postponed by eighteen months: GASB Statement No. 87 and Implementation Guide No. 2019-3. The requirements of this Statement are effective immediately and the Corporation has implemented this pronouncement as applicable.

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Future Pronouncements

The GASB issued Statement No. 87, *Leases*, which is required to be implemented in 2020. This pronouncement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Corporation expects to implement the pronouncement as applicable.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is required to be implemented in 2020. This pronouncement improves financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. Additionally, it will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. The Corporation will evaluate the implementation of this pronouncement.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented in 2021. This pronouncement improves financial reporting by providing a single method of reporting conduit debt obligations by issuers and eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Corporation will evaluate the implementation of this pronouncement but doesn't expect the pronouncement to be applicable.

The GASB issued Statement No. 92, *Omnibus 2020*, which is generally required to be implemented in 2021 or thereafter. This pronouncement addresses a variety of topics and includes specific provisions of previously issued pronouncements. The Corporation will evaluate with the applicable pronouncements.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is generally required to be implemented in 2021. This pronouncement addresses the accounting and reporting implications resulting from interbank offered rates (IBOR). The Corporation will evaluate the applicability of the pronouncement upon implementation.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is generally required to be implemented in 2023. This pronouncement addresses the accounting and reporting of arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or an exchange-like transaction. The Corporation will evaluate the applicability of the pronouncement upon implementation.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is generally required to be implemented in 2023. This pronouncement addresses the accounting and financial reporting for subscription-based information technology arrangements for government end users. The Corporation will evaluate the applicability of the pronouncement upon implementation.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated all subsequent events through August 18, 2020, which is the date the financial statements were available to be issued. Management has reported the following events, which are necessary to disclose to keep the financial statements from being misleading. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

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State of Emergency – COVID-19

On January 31, 2020, the United States Health and Human Services declared a public health emergency for the entire United States in responding to the world-wide outbreak of the 2019 novel Coronavirus (COVID-19), a contagious and at times fatal respiratory disease. On March 13, 2020, the President of the United States declared an emergency regarding the COVID-19 outbreak.

On March 10, 2020, the Governor of the Commonwealth of Massachusetts, declared a State of Emergency, to remain in effect until further notice. The COVID-19 outbreak was characterized as a pandemic by the World Health Organization (WHO) on March 11, 2020. On March 23, 2020, the Governor issued an Order closing certain non-essential workplaces and the prohibition of gatherings of more than 10 people. This Order was extended through May 18, 2020. On May 18, 2020, the Governor announced a four-phase reopening plan for workplaces and business.

The economic impact to the Commonwealth and the ramifications upon businesses, municipalities, and others is uncertain. Accordingly, any economic impact to the Corporation cannot be fully determined as of the date of these financial statements. However, as a result, the Corporation's revenues are expected to decrease significantly as the Corporation suspended the start of the paid parking season until July 13, 2020.

Deposits with Financial Institutions

In February 2020, the Board authorized a transfer of \$1.5 million to a high yield savings and/or money market account at HarborOne Bank at an interest rate of 1.75% for six months. HarborOne Bank is a member of the FDIC as well as a member of the Depositors Insurance Fund (DIF).

Property Acquisition

During July 2020, the Plymouth Growth & Development Corporation acquired property located at 4 North Street in Plymouth, Massachusetts for \$2.35 million. The property consists of a building and a parking lot with approximately 80 parking spaces. The Corporation paid for this acquisition with approximately \$677,000 in cash and the balance was financed through a commercial loan with Rockland Trust.